



INDUSTRY
COMMISSION

Charitable Organisations in Australia

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16 June 1995

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INDUSTRY COMMISSION

16 June 1995

The Honourable George Gear MP
Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister

In accordance with Section 7 of the *Industry Commission Act 1989*, we have pleasure in submitting to you the report on Charitable Organisations in Australia.

Yours sincerely

W I Scales AO
Presiding Commissioner

R G Mauldon
Associate Commissioner

Sister M M McGovern AO
Associate Commissioner



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TABLE OF CONTENTS

	Page
Abbreviations	IX
PART A	
Terms of Reference	XIII
Overview	XV
PART B	
<i>Chapters</i>	
1 The role and structure of the sector	1
1.1 A large and diverse sector	1
1.2 The community social welfare sector in Australian society	3
1.3 A mixed economy of welfare	7
1.4 The development of the sector	8
1.5 Plurality within the sector	12
1.6 Resources of the sector	15
1.7 Availability of information on size and structure	18
1.8 The structure of the sector	19
1.9 Organisations by size	19
1.10 All organisations	24
2 Participants' perceptions	29
2.1 Sector's involvement in the Inquiry	29
2.2 The nature of CSWOs	30
2.3 Concerns of CSWOs	34
2.4 The views of Government	40
2.5 The views of service users	43

2.6	For-profit service providers	49
2.7	The local neighbourhood	50
3	Developments in service delivery	53
3.1	Introduction	53
3.2	Building on new knowledge to improve service delivery	53
3.3	Deinstitutionalisation	54
3.4	Community development	55
3.5	The value of client participation	59
3.6	The growth of self help groups	60
3.7	Preventative programs	62
3.8	Advocacy	64
3.9	Innovation to improve service delivery	65
3.10	Case management and brokerage	68
3.11	Governments as initiators and supporters of change in service delivery	70
3.12	Needs based planning of services	72
3.13	Consultation between governments and CSWOs	76
4	Government programs and funding	79
4.1	Overall funding for the sector and recent trends	79
4.2	Aged care	83
4.3	Services to people with a disability	92
4.4	Care for children at risk	94
4.5	Community, individual and family support	94
4.6	Ethnic affairs	102
4.7	Child care	103
4.8	Employment	104
4.9	Health programs	106
4.10	Peak councils	107
4.11	Overseas aid	108

4.12	Review of roles and responsibilities	108
4.13	The consolidated picture	108
5	Human resources	113
5.1	Main features	113
5.2	Volunteers	120
5.3	Skills and training	130
5.4	Industrial relations	134
5.5	Funding human resource needs	141
6	Overseas aid organisations	143
6.1	Introduction	143
6.2	Size and scope	144
6.3	Fundraising and commercial activities	147
6.4	Taxation issues	150
6.5	Government funding	151
6.6	Public fundraising	161
6.7	Future directions	170
	Attachment 6A Ministerial correspondence	171
7	Peak councils	181
7.1	Overview	181
7.2	Roles and types of peak councils	183
7.3	Resourcing	189
7.4	Effectiveness of peak councils	195
7.5	The important role of peak councils	199
8	Accountability to the public	201
8.1	The need for accountability	201
8.2	Current systems of accountability	202
8.3	Problems with current forms of accountability	205

8.4	Improving accountability to the public	206
8.5	The Commission's approach	214
9	Fundraising	221
9.1	Fundraising in Australia	221
9.2	Regulation of fundraising	231
10	Charitable Trusts	247
10.1	The role of charitable trusts	247
10.2	Accumulation of income by charitable trusts	250
10.3	Restrictions on the organisations charitable trusts can assist	252
11	Client fees	255
11.1	Contribution of client fees to funding of the sector	255
11.2	Level of client fees	256
11.3	Importance of client fees to individual CSWOs	256
11.4	Rationale for client fees	258
11.5	Access and ability to pay	259
11.6	The scope for client fees	260
11.7	Concerns about client fees	260
11.8	The Commission's position	262
12	Taxation arrangements	265
12.1	Introduction	265
12.2	How should the community view taxation arrangements for CSWOs?	265
12.3	Is support through the tax system the best way of encouraging CSWOs?	268
12.4	Existing taxation arrangements	274
12.5	Major issues with tax deductibility of donations	280
12.6	Input taxes	291
12.7	CSWOs and competitive advantage	309

12.8	Capital gains tax	316
12.9	Dividend imputation credits	317
13	Benchmarking for improved performance	319
13.1	Introduction	319
13.2	The value of benchmarking	320
13.3	Performance differences between CSWOs and for-profit organisations	327
13.4	Differences between performance found in a benchmarking study	328
13.5	Conclusions	332
14	Quality systems	335
14.1	Introduction	335
14.2	Service standards - the current approach	336
14.3	An accreditation approach	341
14.4	A quality systems approach	344
14.5	The ISO 9000 series of standards	348
14.6	Resource implications	352
14.7	Responses to the Draft Report	354
14.8	The Commission's position	355
15	Frameworks for government funding of CSWOs	359
15.1	Introduction	359
15.2	The nature of co-responsibility	360
15.3	Perceptions of current funding arrangements	363
15.4	Inputs, outputs and outcomes	364
15.5	Preferred approaches to funding	366
15.6	Current status of output-based funding	368
15.7	Implementing output-based funding	369
15.8	Other funding approaches	373

15.9	Funding the individual	376
15.10	Principles for funding arrangements	379
16	Selection by governments of service providers	385
16.1	Introduction	385
16.2	Current arrangements	385
16.3	Degree of openness of selection procedures	386
16.4	Reviewing existing service providers	390
16.5	Methods of contestable selection	395
16.6	Principles for selecting providers	399
16.7	Organisational developments within the sector	401
16.8	Organisational developments for governments	405
17	Support for policy development	409
17.1	Introduction	409
17.2	Improving statistical collections	409
17.3	The role of research	414
17.4	Consultation between governments and CSWOs	417
18	Synthesis	421
18.1	Introduction	421
18.2	The objectives of the recommendations	422
18.3	Conclusion: CSWOs in a participative democracy	427

PART C

Appendices

A Inquiry procedures	A1
B Submissions received and public hearing participants	B1
C The largest 50 community social welfare organisations	C1
D The smallest community social welfare organisations	D1
E Official aid through overseas aid organisations	E1
F Non-government development organisations	F1
G Peak council survey	G1
H Overseas examples of accountability returns	H1
I Fundraising legislation	I1
J Tax deductibility of donations	J1
K CSWOs and competitive neutrality	K1
L State tax exemptions	L1
M Overseas taxation arrangements	M1
N Benchmarking human services	N1
O The 20 elements of ISO 9001	O1
References	R1

ABBREVIATIONS

AAP	Australian Association of Philanthropy
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACAT	Aged Care Assessment Teams
ACFOA	Australian Council for Overseas Aid
ACHA	Australian Community Health Association
ACOSS	Australian Council of Social Service
ACTCOSS	ACT Council of Social Service
ACWA	Association of Childrens Welfare Agencies Inc
ADCP	Australia's Development Cooperation Program
AIA	Association Incorporation Act
AIDAB	Australian International Development Assistance Bureau (Now AusAID)
AIDS	Acquired Immuno Deficiency Syndrome
AIHW	Australian Institute of Health & Welfare
AMCO	Association of Major Charitable Organisations (NSW)
ANCP	AIDAB/NGO Cooperation Program
ANF	Australian Nursing Federation
ASA	Aged Services Association
ASC	Australian Securities Commission
ASU	Australian Municipal, Administrative Clerical and Services Union
ATO	Australian Taxation Office
AusAID	Australian Agency for International Development
CACP	Community Aged Care Packages
CAP	Crisis Accommodation Program
CEO	Chief Executive Officer
CHASP	Community Health Accreditation and Standards Program
CHP	Council to Homeless Persons
COAG	Council of Australian Governments
COSP	Community Organisations Support Program
COSS	Council of Social Service
COTA	Council on the Ageing
CPI	Consumer Price Index
CSDA	Commonwealth-State Disability Agreement
CSV	Community Services Victoria
CSWO	Community Social Welfare Organisation

CWAV	Childrens Welfare Association of Victoria
DAC	Development Assistance Committee
DCD	Department of Community Development (WA)
DoCS	Department of Community Services (NSW)
DEA	Data Envelopment Analysis
DEET	Department of Employment, Education and Training
DFAT	Department of Foreign Affairs and Trade
DHRD	Department of Housing and Regional Development
DHHLG&CS	Department of Health, Housing, Local Government and Human Services
DHH&CS	Department of Health, Housing and Community Services
DIEA	Department of Immigration and Ethnic Affairs
DPI	Disabled Persons International
EEO	Equal Employment Opportunity
FBT	Fringe benefits tax
FIA	Fundraising Institute -Australia Inc
GDP	Gross Domestic Product
GST	Goods and Services Tax
H&CS	Department of Health and Community Services (Victoria)
HACC	Home and Community Care
HCAA	Hostel Care Assessment Authorities
HIV	Human Immuno Virus
HORSCCA	The House of Representatives Standing Committee on Community Affairs
HSH	Department of Human Services and Health
HSU	Health Services Union of Australia
IC	Industry Commission
ICNL	International Center for Not-For-Profit Law
ICS	Industry Commission Survey
IDSS	International Development and Support Services
IPF	Indicative Planning Figure
IPSS	Individual Project Subsidy Scheme
ISO	International Organisation for Standardisation
ITAA	Income Tax Assessment Act
JPET	Job Placement and Employment Training Program
LHMWU	Liquor, Hospitality and Miscellaneous Workers Union
MAC	Ministerial Advisory Committees
NACON	National Anglican Caring Organisations Network
NCOSS	NSW Council of Social Service
NESB	Non-english speaking background
NGDO	Non-Government Development Organisation

NGO	Non-government organisation
NH&MRC	National Health and Medical Research Council
NSA	National SkillShare Association
OECD	Organisation for Economic Cooperation and Development
ORR	Office of Regulation Review
OSB	Overseas Service Bureau
PBI	Public Benevolent Institution
PSASB	Public Sector Accounting Standards Board
QCOSS	Queensland Council of Social Service
RADGAC	Research and Development Grants Advisory Committee
R&D	Research and Development
SAAP	Supported Accommodation Assistance Program
SACOSS	South Australian Council of Social Service Inc
SACS	Social and Community Services Award
SAS	Special Activities Scheme
SCCC	Select Committee on Charitable Collections (WA)
SEQYAC	South East Queensland Youth Accommodation Coalition
SRO	State Revenue Office
TD	Tax Determination
TQM	Total Quality Management
UBIT	Unrelated Business Income Tax
UK	United Kingdom
US	United States (of America)
VCOSS	Victorian Council of Social Service
WACOSS	Western Australia Council of Social Services
WST	Wholesale sales tax
YSJS	Youth Social Justice Strategy
YWCA	Young Women's Christian Association

CHARITABLE ORGANISATIONS IN AUSTRALIA

PART A

Terms of Reference and Overview

1 Terms of Reference

2 Overview

Terms of Reference

I, GEORGE GEAR, Assistant Treasurer, under Part 2 of the Industry Commission Act 1989 hereby:

1. refer charitable organisations in Australia to the Commission for inquiry and report within fifteen months (subsequently amended to eighteen months) of the date of receipt of this reference;
2. specify that for the purpose of this inquiry, charitable organisations be defined as:
 - (a) non-government establishments, organisations, associations or trusts that are primarily established otherwise than for the purpose of profit or benefit to the individual members of the organisations, and the principal objects or purposes of which are charitable or benevolent, and which provide any of the following:
 - (i) welfare services, including income support and the provision of clothing, goods and food;
 - (ii) community services, such as care in people's homes or community centres provided to frail older people, younger people with a disability, and those requiring post acute or palliative care;
 - (iii) accommodation services, such as emergency shelters and hostels, and homes for children, frail older people, or people with disabilities;
 - (iv) nursing or convalescent homes, drug referral and rehabilitation, and blood transfusion services;
 - (v) employment and training services for the unemployed and people with disabilities;
 - (vi) advocacy, referral, counselling, and legal services; and
 - (vii) emergency and development assistance overseas;
 - (b) any businesses owned by those organisations covered in paragraph 2 (a) above;
 - (c) any peak bodies which represent organisations covered in paragraph 2 (a) above; and
 - (d) any establishments or companies which provide fund raising services for welfare or charitable purposes;
3. specify that the Commission examine and report on:
 - (a) the size, scope, efficiency, and effectiveness of the services provided in Australia by charitable organisations;
 - (b) the size and scope of, and funding arrangements for, those services delivered overseas by charitable organisations; and

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-
- (c) the administrative efficiency of charitable organisations;
4. without limiting the scope of this reference, request that the Commission report on:
 - (a) the nature and appropriateness of the interaction between assistance and services provided in Australia by charitable organisations and those provided by government programs;
 - (b) the extent to which any assistance currently provided in Australia by any of governments, charitable organisations, or the private sector, could more effectively be provided by either of the others, having due regard to client confidentiality, comparability of eligibility conditions and entitlements across the nation and accountability of public funds and for services provided;
 - (c) the role of charitable organisations in the provision of goods and services to or on behalf of governments and competition between charitable organisations and business enterprises;
 - (d) the appropriateness of any legislation or regulations governing the activities of charitable organisations;
 - (e) the effect on charitable organisations of relevant industrial agreements and arrangements;
 - (f) the appropriateness of the present taxation treatment of charitable organisations;
 - (g) the effectiveness of current government financial or other assistance to charitable organisations, including any measures which could be taken to maximise the benefits of such assistance; and
 - (h) current funding sources of charitable organisations and any impediments to their capacity to raise funds or attract voluntary labour;
5. specify that in considering the effectiveness of the provision of services by charitable organisation and the appropriateness of their interaction with Government programs, the Commission have regard to the objectives of the organisations and the objectives of particular programs under which specific activities are funded;
6. specify that the Commission take account of any recent substantive studies undertaken elsewhere; and
7. specify that the Commission have regard to the established economic, social, industrial relations and environmental objectives of governments.

16 December 1993

OVERVIEW

The report seeks to strengthen the contribution which the charitable sector makes to Australian society. It is premised on the view that the sector should be encouraged to flourish by:

- strengthening its capacity to provide services for its clients in accordance with its values of individual care and dignity;
- strengthening its capacity to raise its own resources by encouraging people to give time and financial resources;
- establishing and maintaining a professional relationship with governments; and
- improving management and service practices by creating opportunities to evaluate itself against its own members, government agencies and for-profit firms.

All the proposals made in the report are directed to these ends.

The core issues addressed in the report are:

- **Improving quality of service for clients** (Chapter 14);
- **Resourcing the sector through:**
 - direct government funding (Chapters 4, 15 and 16);
 - indirect government funding via tax concessions (Chapter 12);
 - direct funding from the community (Chapters 8, 9 and 10);
 - direct funding from clients (Chapters 11 and 15); and
 - contributions of volunteers (Chapter 5).
- **Accountability** (Chapters 6, 8 and 15);
- **Support mechanisms:**
 - benchmarking for improved performance (Chapter 13);
 - research and development and consultation (Chapter 17);
 - staff and management training (Chapter 5); and
 - peak councils (Chapter 7).
- **Developing co-responsibility between the sector and governments** (Chapters 15 and 17).

Australia is supported by a charitable sector ...

Like most modern democracies, Australian society is supported and served by a not-for-profit charitable sector which delivers a range of social welfare services to its citizens. In this role the charitable sector is a crucial partner with business and government, which it complements but with which it also contrasts.

The sector in Australia pre-dates any form of comprehensive government intervention on behalf of people in need. It arose from the compassion, goodwill and foresight of men and women of philanthropic, humanitarian and religious convictions and has continued to serve, expand and diversify since early colonial days.

... which the Commission seeks to strengthen.

The charitable sector underscores many basic values in Australian democracy. It exemplifies the principles of pluralism, free choice and the rights of citizens to participate in and take responsibility for their community. It helps ensure that no government has a monopoly on the way society deals with its citizens — especially those who are most vulnerable because of economic or personal need.

Scope and size of the sector

Although the terms of reference for this Inquiry are entitled ‘Charitable Organisations’, this terminology is rarely used now in describing this sector. Furthermore, some of the services referred to in the terms of reference are not popularly thought of as charities. The report adopts the name Community Social Welfare Organisations (CSWOs) when referring to organisations in that part of the sector under review. The name Non-Government Development Organisations (NGDOs) is used in relation to that part of the sector involved in overseas aid.

This Inquiry does not specifically examine organisations which are dedicated to the supply of health or education services. Nor does it examine religious services provided by many organisations which provide social welfare services. These are outside the Inquiry’s terms of reference.

The scope of the sector is broad.

The sector provides a large range of services including care, accommodation, support and counselling or training to children, families, people with a disability, older people, the unemployed, those suffering addictions, the homeless and refugees. In overseas locations about 120 Australian NGDOs support the creation of social and economic infrastructures vital for development. CSWOs are also critical for the support of many people in times of natural or civil disasters and economic hardship.

CSWOs operate in a mixed economy of social welfare —

together with government agencies and for-profit firms. Each group operates in different ways with different objectives, priorities and strengths. CSWOs deliver their services within a framework of principles which stress the value and dignity of individual persons, no matter what their economic or social status.

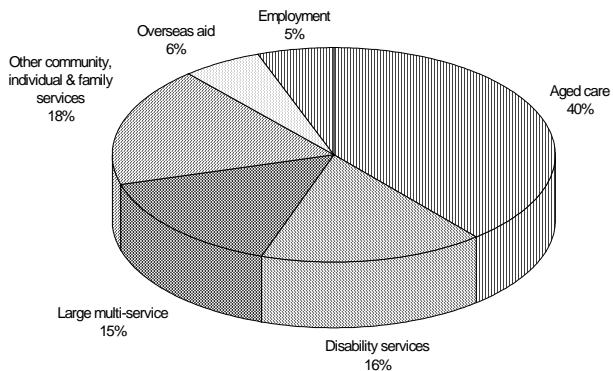
Clients served by some selected CSWOs during 1992–93	
<i>Type of service</i>	<i>Number</i>
<i>Nursing homes</i>	
Beds 27 000	
<i>Hostels</i>	
Beds 51 000	
<i>Home and Community Care</i>	
Meals delivered (daily)	55 000
<i>Disability services</i>	
Clients during the year	
(of member organisations of ACROD)	215 000
<i>Supported Accommodation Assistance Program Services</i>	
Numbers per night	12 000
<i>Lifeline</i>	
Calls during the year	400 000
<i>Salvation Army</i>	
Clients during July to September 1993	72 000
<i>St Vincent de Paul</i>	
Visits during the year	1 260 000

Some 10 000 to 11 000 organisations spend \$4.8 billion.

Some 10 000 to 11 000 CSWOs in Australia receive government funding. In addition, an unknown number of organisations operate with no government funding and rely on volunteers and donations from the public for their existence. The sector's combined total annual expenditure was \$4.8 billion in 1993–94, of which governments funded more than \$2.7 billion. Recipients of some social welfare services — particularly in aged care — themselves contribute significantly to the overall support of the sector. Client fees in 1993–94 were some \$1 billion. Indirect funding from governments (Commonwealth, State/territory and Local) in the form of tax concessions — in excess of \$400 million per year — also provides considerable support for the sector. The sector employs about 100 000 people, many of them

women who work part-time. It also provides an avenue for a wide cross section of people to contribute to welfare services through their gifts of time, skill, money and material resources.

Size of the sector by service type — all government funded organisations, 1993–94



Some organisations are very large ...

... but most are small.

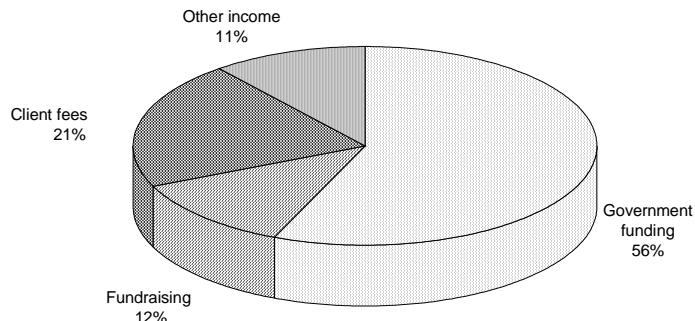
Some organisations, such as the Australian Red Cross, the Salvation Army and the Sydney City Mission, are very large — with hundreds of paid staff and volunteers in multiple locations. The largest organisations have annual revenue well in excess of \$100 million and asset values of a similar order. The largest 50 organisations each have recurrent annual expenditures in excess of \$10 million, and collectively spend some \$1.6 billion, about half of which comes from governments. Many of the larger CSWOs have church sponsorships going back to the last century.

Most CSWOs, however, are small, generally employing fewer than five staff and spending less than \$100 000 annually. These agencies are often based in local communities or communities of special interest and adopt what they describe as a community development mode of operation. Community development became widely established during the 1970s and proponents say it is designed to empower local people to resolve their own problems or cater for their own needs. They frequently offer one specific type of service and depend heavily on governments for their funding. Some of the smallest CSWOs are self help groups operating out of someone's home, where the kitchen table serves as the office and all the human resources and financial costs are borne by the members of the group.

Behind all this activity stands the Australian community which contributed more than \$580 million by way of financial donations in 1993–94. This support is recognised and encouraged by the Commonwealth government through the deductibility of donations to certain classes of CSWOs from the donor's income for tax assessment purposes. In addition, the

community contributes some 95 million hours of voluntary time each year to support the work of the sector.

Sources of recurrent income — all government funded organisations, 1993–94



Legal structures vary.

Governance

The sector is governed by voluntary boards or committees of management. Most CSWOs and NGDOs are incorporated as state or national bodies. These organisations — especially those which are large or national in their scope — tend to have professional management structures. Some organisations are part of larger church structures and are answerable to the ecclesiastical body which sponsors them. Many, however, are unincorporated associations or have no corporate identity at all. In some community-based organisations decisions are made by consensus and the lines of authority between the board of management, staff and clients are often blurred.

Many CSWOs are members of peak councils which help co-ordinate developments within the sector. Peak councils also provide avenues for the sector to relate collectively to governments.

Professional knowledge base

The sector is a repository of knowledge and skills of human service delivery which are essential to Australia's effective social welfare policy. The service methods which many CSWOs employ rest on a substantial body of knowledge derived from the social, behavioural and health care sciences. These disciplines form the basis of the education of the professional core of workers in the sector. Training in the practical application of this knowledge takes the form of individual casework, work with

Inputs come from the social, behavioural and health care sciences.

groups, community development work, conflict resolution, mediation and advocacy skills. These are generally supplemented by skills in management, social research, policy development and social planning. Many of these skills are brought to the sector by volunteers as well as by paid staff.

Relationships with governments

Governments have a key role in setting welfare priorities ...

A division of responsibility has been established by convention and law between the social welfare activities of the sector and governments. The Commonwealth government is responsible for establishing national priorities and for allocating resources to achieve social welfare objectives within those priorities. These include the provision of all social security arrangements and payments — running at \$43 billion in 1993–94. The Commonwealth government's biggest areas of responsibility and funding of social welfare programs are in residential aged care, disability employment services, child care and employment programs.

The Commonwealth government also jointly funds some programs with the State/territory governments. The major programs are Home and Community Care (HACC) for the frail aged and the Supported Accommodation Assistance Program (SAAP) for the homeless and those in crisis. The States/territories also fund some programs without tied Commonwealth funds. The major areas are disability services; community, individual and family support; and care for children at risk.

Governments seek to ensure equity of access to social welfare services and adequacy of service quality. They have increasingly delegated responsibility for actual service delivery or the creation of new social welfare services to CSWOs. Where this occurs, governments have the concomitant obligation to finance and support those organisations. In return, governments have the right and responsibility to require strict accountability for the outlay of community resources.

... but an independent and trusted sector is close to clients.

Notwithstanding its accountability obligations to governments, the sector enjoys the freedom of operational independence, since CSWOs are in fact self-governing bodies, not arms of government. This enables them potentially to respond immediately and flexibly to new community needs. They can quickly call on their own resources and mobilise people to give their time and finances to assist those in need.

The closeness of many CSWOs to their clients and their circumstances enables them to contribute to and critique social policy. Their independence enables them to exercise discretion on behalf of individuals or groups at risk and gives them the opportunity to take initiatives and innovate in forms of service delivery. They can establish trusted identities and reputations which become embedded in local and national culture and contribute to social cohesion. This enables services to be delivered to those in greatest need with the minimum of stigma.

It is on the basis of these complementary functions that governments and the community social welfare sector co-operate for the good of Australian society. Both governments and the sector can improve the ways in which their relationships operate. In the report, the term ‘co-responsibility’ is taken to be consistent with notions of competence and accountability and the different contributions which each party brings to the relationship. This encompasses the desire of the sector to work closely with governments as they devolve greater responsibility for the care of those in need, and the preparedness of the sector to adopt quality management systems as part of the process of reducing government regulation.

Scope of the Inquiry and report

Describing and quantifying the sector is difficult ...

The contribution of CSWOs to community wellbeing is poorly documented. The task of describing and quantifying the sector is difficult because of the large number of small organisations involved, the sector’s not-for-profit character and the voluntary nature of a significant part of its funding and human resourcing. While the report does not attempt to evaluate individual programs of care, it does begin the tasks of describing the sector and the numerous services it provides. This is attempted in Chapters 1 and 3. The ways in which the sector is resourced are examined in Chapters 4, 5, 6, 9, 10 and 11.

The sector’s response to the Inquiry was generally positive. More than 780 submissions were received. Many submissions were discussed publicly during 37 days of public hearings held across the country. The Commission visited over 200 organisations, both large and small, to discuss matters of concern. This input from participants was invaluable.

Major themes advanced by the participants are drawn together in Chapter 2. A common observation of participants was that the sector is able to provide services in ways that are more user-friendly than the ways of governments or the for-profit sector. Many participants spoke of the culture of the sector which enables staff and volunteers to ‘go the extra mile’ on behalf of a

client who is in need.

... but core issues emerge.

The report makes recommendations on the core issues which emerged during the Inquiry. There was a coherence and overlap in the major issues presented, though they arose in many different geographical locations and contexts of service. The report is written in the current social policy context of governments favouring the devolution of service delivery to CSWOs. It also seeks to embody the principles of social justice enunciated by both the sector and the Commonwealth government, and to make them operational within the environment of delivering social welfare services.

The sector must continuously strive to improve service quality.

Improving quality of service for clients

It was widely agreed by participants in the Inquiry that the sector must continually strive to improve the quality of services it provides for its clients, many of whom are not able to secure the services they require within the market system unless they are assisted to do so. The Commission believes that all aspects of the relationship between governments and the sector, including the incentives which governments provide for the community to support the sector, should promote a client focus in service delivery and an improvement in service quality. During the Inquiry, the Commission gained the impression that the sector understands that being concerned about the quality of service provided to individuals dignifies those people during times when their self worth is often at its lowest.

Many CSWOs have already embarked on building quality into their service delivery functions and their management processes. In the aged care and disability fields, governments have taken the lead and established service standards which apply nationally. Other sub-sectors are currently developing service standards (for example, community care of the aged and long day care services for children).

Current service standards involve high regulation.

The disadvantage of many of these methods is that they leave the sector subject to a high degree of regulatory inspection to ensure compliance with requirements of government funded programs. While many participants agreed with the goals of service standards, they found this constant monitoring by various levels of governments to be intrusive, inefficient and prone to stifle initiative and inventiveness.

The Commission considers that the adoption of quality management systems — accredited to standards acceptable to the sector and governments — is a way to ensure quality service outcomes of an acceptable standard. Such processes would protect the rights of clients and free up the resources and energies

*Quality
management
systems ...*

of agencies to allow them to deploy and manage their resources more independently. They would also provide governments with the accountability which they require in their acquittal of expenditure on behalf of the community.

Once in place, quality management systems would release government resources currently tied up in program-by-program regulation and inspection. However, the adoption of accredited quality systems would not be costless. The short term financial costs to government of assistance in resourcing their development and adoption should be offset, at least partially, by the medium to long term gains to government from reduced regulation and inspection.

Recommendation 1 (14.1 in text)

The sector, in co-operation with Commonwealth and State/territory governments, and where appropriate with for-profit providers, should develop quality management systems in conjunction with standards for the sector. Such systems and standards should be designed with a view both to improving the outcomes of service delivery and reducing the level and costs of prescriptive regulation.

To the extent that governments and the sector agree on the adoption of quality management systems and standards, Commonwealth and State/territory governments should:

- fund the development of these systems and standards; and
- assist in resourcing service providers to obtain initial accreditation of their quality management systems.

Such systems and standards should be implemented with appropriate transitional arrangements.

*... and self-
regulation of
quality might be a
better way.*

This recommendation deliberately does not specify the nature of the quality management systems to be developed. They could be an extension of current sector-specific accreditation systems such as the Community Health Accreditation and Standards Program (CHASP) which operates widely in the community health services sector; or a generally-accredited certification approach based on the International Organisation for Standardisation's ISO 9000 series, with a guideline document designed specifically for human services.

Because it is costly and onerous to achieve quality of care by inspection of standards, it is desirable to encourage self-

regulation of quality of care within the sector. Quality management systems could be a vehicle for this to happen, and a basis for government entering into a funding agreement with a CSWO. Many CSWOs have their own approaches to ensuring quality, and any quality management system adopted by governments and the sector should be capable of accommodating, at least in the short term, the sector's current processes.

Recommendation 2 (14.2 in text)

Where quality management systems and standards have been agreed, governments should normally seek expressions of interest for service delivery from potential providers which have these systems in place.

*The sector
believes
resources are too
small for needs ...*

*... although
governments have
not been
unresponsive.*

Resourcing the sector

A paramount issue for service providers is the belief that the resource base on which the sector operates is too small to enable it to deliver the services which the community needs. This was said to be poignantly evident during the recent economically difficult times of recession and drought when all forms of human need rose.

Needs, as the sector and its clients experience them, are not subject to a controlling force, as exists in normal markets for goods and services. In such markets the demands of consumers are limited by prices. Most welfare services have no such built-in self-limiting mechanism, so it is always likely that resources for them will not match perceived needs in the community. This dilemma must ultimately be resolved by community choices and political priorities through the processes of parliament.

Governments were not unresponsive in this regard during the recent recession. For example, while the base levels may not be comparable, spending by State/territory community service departments rose between 1989–90 and 1993–94 by 20 per cent in Victoria and 92 per cent in New South Wales after inflation. Because of the inherent element of social choice which must drive these decisions, the Commission considers that it is not appropriate for the report to address the overall level of financing of the sector by governments in competition with other budgetary priorities.

However, the report does take account of the financial relationships that are already established between governments and the sector. It examines their adequacy, given that governments increasingly use CSWOs to deliver social welfare

services. These strategies will best serve the community when the financial arrangements that accompany them ensure that quality, flexibility and efficiency are realisable goals.

Direct government funding

Governments are the major funder.

Governments directly fund close to 60 per cent of the sector's recurrent expenditure, though larger CSWOs are generally less reliant on government funding than smaller organisations. But whatever the structure of the funding of CSWOs, it is important that the principles and procedures underlying the selection of CSWOs which governments fund and the basis on which they are funded be clearly articulated, widely known and efficiently implemented.

To reduce the impediments which potential providers face, governments should produce and publish a set of principles which they use when calling for expressions of interest for funded service delivery and a set of criteria for the selection of providers.

Recommendation 3 (16.2 in text)

Commonwealth and State/territory governments should develop a set of principles for the selection of service providers. These principles should include:

- applications normally be called by public advertisement;
- information sought in applications be as simple and standardised as possible;
- service and quality management standards be clearly specified;
- selection criteria be prioritised;
- timetables for the assessment and notification of applicants be specified;
- unsuccessful applicants have access to the reasons for their non-selection; and
- applications for provision of services be co-ordinated to encompass inter-related services.

Open tendering procedures should normally be followed ...

Procedures adopted to implement these principles should normally be those followed in open tendering. Open tendering need not compromise the values of co-operation and collaboration within the sector. In fact, tendering can bring complementary parties together. Joint ventures and prime/sub-

contracting are common features of tender arrangements in other sectors of the economy.

Client groups need to have the assurance that CSWOs selected for funding will effectively and efficiently fulfil the objectives of the funded programs. Governments also need to ensure that funded organisations are capable of achieving best practice, and that poorer performing CSWOs which cannot lift their performance or form co-operative alliances to offset their disadvantages, vacate the field in favour of more effective CSWOs.

*Organisations
should be
encouraged to
express interest in
service delivery.*

For these reasons it is important that a wide range of organisations be encouraged to express interest in service delivery, that existing providers be periodically reviewed, and that new providers be given the opportunity to deliver services subject to the needs of clients for continuity and the dislocation costs of change.

Recommendation 4 (16.1 in text)

Procedures for the selection of service providers should be transparent and designed to encourage a range of providers to express interest in delivering services.

Procedures should be in place to ensure that service providers are reviewed from time to time and new providers are given the opportunity to deliver existing services

Any assessment of changing from the existing provider should consider costs not met by the new provider, including:

- discontinuity of services for clients;
- redundancy of use-specific assets; and
- other costs, for example extra transport of clients or dislocation of staff of the current provider.

CSWOs which deliver services on behalf of governments require adequate and secure funding, efficient means for receiving and acquitting funding, and the assurance that any disputes with the funder will be equitably resolved.

*Accountability
requirements of
governments
should be
streamlined.*

To avoid needless cost in meeting the information requirements of the various CSWO stakeholders, accountability requirements of governments should be streamlined, but funded CSWOs should still be required to abide by Australian Accounting Standards.

Recommendation 5 (15.5 in text)

Commonwealth and State/territory governments should develop a consistent set of principles for funding agreements across all programs:

- agreements to be multi-year, typically three year;
- agreements to be legally enforceable;
- accountability provisions to be streamlined;
- accountability provisions to be consistent with Australian Accounting Standards; and
- dispute resolution procedures to be built into agreements, preferably by independent mediation.

Methods of selecting can be price competitive or fixed price.

Providers might be selected on the basis of price competitive tendering to deliver a service of specified quality. In such cases, governments would not need to base a funding agreement on unit costs of service provision. Alternatively, governments may seek service providers on a fixed price basis, with price determined from the costs of existing suppliers or constructed from models of costs required to meet specified standards of care.

Price competitive tendering arrangements usually favour larger well-established CSWOs which are more capable of obtaining resources from the general public. Fixed price tendering cannot lead to lower costs of service provision, but can be a means of selecting the provider with the potential to deliver the best quality of care.

Recommendation 6 (15.2 in text)

Where governments set the price at which they purchase a service, they should take into account all cost components required to deliver the service, including, in addition to human resource costs (see Recommendation 7):

- organisational support;
- meeting wider objectives of governments such as consultation, access and equity objectives; and
- program development and evaluation.

Because human resources are such a large component of the total inputs of most CSWOs, it is appropriate that special focus be placed on human resource needs in any fixed price funding arrangements. Particular human resource costs which have frequently been ignored in funding are those of volunteers and ongoing professional training of staff.

Funding arrangements should take all cost components into account.

It is also important that the flexibility of CSWOs not be compromised by any employment conditions imposed by governments. The sector currently has a very flexible workforce because of the high level of part-time employment and the widespread use of volunteers. Any changes in employment conditions which governments may prescribe in service standards or awards should be taken into account in funding agreements.

Recommendation 7 (5.1 in text)

Where governments set the price at which they purchase a service, they should take into account:

- training, co-ordination and indemnification of volunteers involved in service delivery;
- training of staff involved in service delivery;
- training of board members and administrative staff required for organisational support; and
- any changes governments prescribe in award or other employment conditions.

Funding agreements based on these principles would offer better services to clients. Together with longer term agreements (Recommendation 5) they would offer more security to CSWOs about the adequacy and tenure of funding, and greater opportunities for long term planning for staff development. They would also require governments to be explicit about what is and what is not being funded and about any wider social responsibilities which they expect of CSWOs. The implication of a move to full-cost fixed-price funding is that, in a situation in which resources for community social welfare resources are fixed, fewer CSWOs would be funded, although those which are funded would be funded more adequately.

Whether providers are selected on a price competitive or fixed price basis, governments need the assurance that they are getting value for money as well as the assurance of standards of quality

in the delivery of services. It is widely accepted that efficiency must go hand in hand with quality outcomes.

Payments should be for outputs of defined quality ...

Funding agreements based on outcomes (such as a changed state or behaviour of clients) rather than inputs (such as salaries or rent) would improve efficiency and effectiveness in the sector. However, in most cases outcomes cannot be fully achieved and assessed within a feasible funding period. As more research is undertaken, it may be possible for funding to have a greater focus on outcomes of service delivery. But until better methodologies are available, performance should be measured via outputs (such as clients served) with a defined level of quality rather than as outcomes achieved for the client.

Recommendation 8 (15.1 in text)

Payments under funding agreements should be for achieving defined outputs or outcomes wherever possible.

In defining outputs or outcomes, the quality of service should be incorporated through appropriate service standards.

Output based funding has the advantage that the funding for each unit of a particular type of client service is the same for all service providers in similar geographical situations. But account may have to be taken of different operating environments. Adjustments may have to be made, in particular, for service providers in rural and remote areas. Problems in these areas arise not only from higher costs than in urban and larger regional centres, but also from difficulties in assembling a critical mass of financial and human resources to undertake the range of services expected in more densely settled communities. The funding of a network of organisations in rural and remote areas could ensure the provision of a range of services, either directly or in alliance with other local or external CSWOs.

... or salaries and overheads where outputs cannot be clearly defined.

A small number of services have no clearly defined measurable outputs or outcomes: for example, activities provided within a community development framework which proponents argue is designed to empower people rather than to provide for their immediate needs. CSWOs providing such services should be funded by first, separating any direct service component and funding that within the principles contained in Recommendation 8, then determining the inputs required to provide the overheads and staffing to maintain the other activities and funding these separately. Performance assessment can then take into account the processes involved in providing the service.

Changes will require enhanced competence by governments.

Indirect funding via tax concessions is important.

Recommendation 9 (15.3 in text)

Funding agreements for Community Social Welfare Organisations should be of two kinds. Most funding agreements will be for service delivery programs which have defined outputs or outcomes which should be funded in accord with Recommendation 8. Funding agreements for programs where outputs or outcomes cannot be clearly defined, for example community development, should be based on achieving jointly-negotiated and agreed objectives, and payments should fund (or part fund) overheads and staff salaries.

A new regime of service providers selected by open tender and funding agreements based on the purchase of defined outputs/outcomes would require enhanced levels of competence by governments in dealing with CSWOs. The costs of tendering could be reduced for CSWOs if governments were to reduce delays in handling expressions of interest, develop effective monitoring procedures and deal fairly with disputes. The relationships between governments and CSWOs could have a more professional emphasis if the standards expected of governments were more clearly specified.

Recommendation 10 (16.3 in text)

Commonwealth and State/territory governments should review the structures, skills and operational protocols of government agencies in the light of their changing relationships with Community Social Welfare Organisations.

Indirect government funding via tax concessions

Apart from some \$2.7 billion funded directly from governments, the sector receives considerable indirect funding via tax exemptions. These vary between classes of CSWOs and include exemptions from tax on income, sales tax, fringe benefits tax (FBT), property taxes, payroll tax and some other charges. Further, donors to certain classes of CSWOs can claim a deduction against their income for tax assessment purposes. Being indirect, these concessions are not as transparent as direct funding from government appropriations and therefore to a considerable extent disguise the full cost of social dislocation. The Commission considers that, in aggregate, tax concessions could be as significant to the sector as funding from donations — well in excess of \$400 million per year.

Income should remain free of tax...

Exemptions from income tax

Income earned by CSWOs is tax free. Income which could be taxed is a difficult concept to define for CSWOs. Furthermore, as they are not-for-profit organisations, exemption from income tax provides little assistance for most CSWOs.

Recommendation 11 (12.1 in text)

The Commonwealth government should retain the income tax free status of Community Social Welfare Organisations.

In Australia, the dividend imputation system results in companies paying tax only on behalf of their shareholders, who receive tax credits for the company tax paid. However, dividend imputation may have unintended consequences for some CSWOs, since, as non-taxable recipients, CSWOs cannot use tax credits to offset other taxation liabilities. This may bias the investment decisions of CSWOs and charitable trusts (and other tax exempt bodies) to favour investments offering higher unfranked but lower after tax returns.

Recommendation 12 (12.8 in text)

The Commonwealth Treasury should conduct a review to determine the most cost effective way of removing any distortions faced by Community Social Welfare Organisations due to the dividend imputation system in Australia.

... as it does not disadvantage competitors.

Exemption from income tax permits some CSWOs to generate income from commercial activities without tax liability. The Commission examined whether exempting CSWOs from paying tax on surpluses from their commercial undertakings unfairly advantages them in their competition with for-profit firms. It concluded that the way in which for-profit firms compete with not-for-profit organisations will not be affected by whether tax is or is not paid on any surpluses from commercial activities. This is because, being an after-profit tax, its payment or non-payment should not affect the behaviour of an organisation when deciding how to set its prices and how to minimise its costs.

Although CSWOs do enjoy some benefits from better cash flow, the exemption does not necessarily lead to resource misallocations. Offsetting these benefits from improved cash flow, CSWOs find it more difficult to access capital — both

equity and debt — than their for-profit competitors. Furthermore, executives of for-profit firms have the incentive of being able personally to gain from earning profits. The overall competitive benefits which would flow from altering the tax free status of business profits of CSWOs are unclear, but likely to be small. The principal effect of removing the income tax exempt status of commercial activities of CSWOs would be to lower the funds available to them for their community service activities. The Commission, therefore, does not propose any changes.

Deductions of donations from income for tax

*Tax deductibility
for donations
promotes choice
and giving ...*

Those CSWOs which provide direct relief to people in need (as opposed to those which prevent needs from arising or which advocate for those in need) can receive Public Benevolent Institution (PBI) status which allows donations to them to be deducted from donors' incomes for tax assessment purposes. Tax deductibility can lever greater funds for CSWOs from the public than are forgone in tax revenue. So it can be an efficient, though indirect, means for the Commonwealth government to fund CSWOs. It also allows the public to decide which organisations should receive support from the government. Although this may result in the priorities of the government not being met in as focussed a way as would occur from direct funding, it does decentralise the manner in which public support of CSWOs is decided.

The Commission supports the principle of tax deductibility. However, the benefit of tax deductibility is currently restricted to PBIs and some other listed organisations. This favours CSWOs which have tax deductibility status over other CSWOs in their ability to raise funds. CSWOs in the latter group are often small and provide services in more indirect ways such as advocacy or self help. The Commission considers that distinctions within the sector for tax deductibility purposes should be removed.

*... and should be
extended ...*

Extending tax deductibility to all CSWOs is unlikely to lead to a significant cost to the Commonwealth government. The current direct cost to the government of deductibility of donations to eligible CSWOs is estimated to be up to \$80 million per year. Most donations to CSWOs are currently received by those which have PBI status. If making all CSWOs eligible for tax deductibility were to increase donations by, say, 15 per cent, the gross revenue loss to the government would be likely to be about \$10 million. Offsetting this is the leverage of funds from the public which could be greater than the loss of revenue to the government.

Recommendation 13 (12.2 in text)

The Commonwealth government should allow tax deductibility of donations made to all Community Social Welfare Organisations that:

- relieve poverty or benefit the community through the advancement of social welfare; and
- are incorporated under the form of incorporation outlined in Recommendation 27.

PBI status also generally acts as a benchmark which exempts organisations from Commonwealth sales tax and FBT, as well as some State/territory taxes. It must be stressed that the recommended extension of tax deductibility would not extend PBI status to those organisations which do not have it, so it would not extend eligibility for other tax exemptions. Nor would it, of itself, remove any concessions to CSWOs that already have PBI status. The Commission does, however, consider that the current tax law in regard to PBI status is archaic and discriminatory, and its administration is often inconsistent.

... with the \$2 lower limit removed.

A number of participants argued that the \$2 lower limit on the deduction allowable for tax purposes is costly to administer. The Commission proposes that no upper or lower limits be placed on the size of donations which are allowable for tax deductibility purposes. CSWOs themselves should decide on what receipts they will issue and record for deductibility purposes.

Recommendation 14 (12.3 in text)

The \$2 lower limit for donations in order to gain tax deductibility should be removed. Individual organisations should decide which donations are to be treated as tax deductible — for which they would issue receipts and keep records in the prescribed way.

Bequests should not be subject to capital gains tax.

Any bequest to a CSWO eligible for tax deductibility is subject to capital gains tax, even though any capital gains made by a CSWO do not incur tax. Further, if the ‘bequest’ were given to the CSWO prior to the death of the donor, donation deductibility would have offset capital gains tax. Many participants claimed that this tax treatment of capital gains discourages individuals from bequeathing assets to CSWOs and may impose a tax burden on other beneficiaries who, in effect, have to pay the capital gain on an asset left to a CSWO. The Commission considers that this anomaly should be removed.

Recommendation 15 (12.7 in text)

Assets bequeathed to charitable organisations that enjoy tax deductibility status should be free from any capital gains tax liability.

Input tax concessions

*Input tax
concessions are
not supported...*

CSWOs benefit from a variety of Commonwealth and State/territory input tax concessions. Many CSWOs claimed that they depend critically on these concessions, and that their withdrawal would seriously threaten their viability. However, indirect funding of the sector via concessions on input taxes rewards the use of specific inputs rather than outputs or outcomes achieved. They do not discriminate between good and poor performing organisations, so it cannot be ensured that they target resources on social priorities. Furthermore, tax concessions disguise the costs of addressing social needs and therefore reduce the urgency for society to resolve these issues at their source.

These concessions therefore can result in CSWOs providing inappropriate services or not providing appropriate services at least social cost. An important issue for governments and the sector to address is whether this is the best way to spend nearly \$400 million which the Commission estimates are the annual revenue costs to governments, and whether there are more effective means of financing the alleviation of hardship and distress.

*... but reform is
difficult to
achieve ...*

Input tax concessions are, however, easy and cheap to administer and, like income tax concessions, they decentralise decisions about where the funding of CSWOs should be directed. But for these reasons they also lack transparency. Without better information it is not possible to design alternative arrangements which would deliver comparable funding at lower cost without severely dislocating the sector. The administration of input tax concessions is also inconsistent. Reform is complicated by the split between Commonwealth (sales and fringe benefit taxes) and State/territory (property and payroll taxes and some other charges) responsibilities.

In its Draft Report the Commission observed that the Council of Australian Governments (COAG) is in a position to deal with issues involving the re-alignment of funding arrangements between the Commonwealth and State/territory governments. It proposed that COAG should establish a working party to examine the practicability of introducing a revenue neutral package of assistance for the sector in order to replace the current

range of input tax exemptions.

After further consideration, the Commission has been unable to identify any practicable mechanisms by which a general change in the current approach to input tax concessions could be achieved without the costs of the reform outweighing the benefits. However, the Commonwealth and State/territory governments could facilitate a partial solution by removing input tax concessions from activities of CSWOs which are clearly competing directly with for-profit firms and reimbursing them directly to the extent that their for-profit activities contribute to their charitable work.

... although criteria should be simplified and standardised.

Although the Commission is unable to propose practicable general mechanisms for reform of input tax concessions, it considers that steps should be taken to simplify and standardise between the Commonwealth and the States/territories the criteria for granting tax concessions to CSWOs.

Recommendation 16 (12.5 in text)

The Council of Australian Governments should simplify and standardise the criteria for input tax exemptions for Community Social Welfare Organisations with a view to reducing inconsistencies between taxes and across jurisdictions.

Furthermore, the Commission considers that the FBT exemption for PBIs, which the sector is only now starting to use in a major way, is a potentially open-ended incentive to transform salaries into fringe benefits. The Commission estimates that, even if its use by the sector were capped at 30 per cent of total remuneration of staff, the cost to the community through lost revenue could rise from its present level of up to \$40 million to be of the order of \$200 million. To the extent that this occurs, the tax exemption has the potential to discredit the whole sector, not just those organisations using it to full advantage. The cost of salary packages should be transparent and built into funding agreements.

The fringe benefit tax exemption should cease.

Since April 1994, separate from the FBT exemption enjoyed by CSWOs which are PBIs, a wide range of income tax exempt organisations have been eligible for a rebate on their FBT. This rebate effectively reduces their FBT to about half the rate paid by other organisations not receiving rebate benefits. The Commission considers that it would be preferable to terminate both the FBT exemption and rebate arrangements for CSWOs, but if the rebate arrangement does remain, it should also apply to all CSWOs which are PBIs.

Recommendation 17 (12.4 in text)

The Commonwealth government should remove the exemption from fringe benefits tax of Community Social Welfare Organisations which are Public Benevolent Institutions in two years time. To the extent that income tax exempt organisations continue to receive a rebate on their fringe benefits tax, all Community Social Welfare Organisations should also receive this rebate.

The Commission considers that the rebate arrangement for FBT of CSWOs (and other income tax exempt organisations) which are not FBT exempt should be reviewed.

Direct funding from the community

Australians give to not-for-profit organisations ...

Compared with donors of some other nations, and even taking into account the difficulties of making comparisons, Australians do not seem to be large donors to not-for-profit organisations — about \$100 per capita from individuals, businesses, bequests and trusts in Australia compared with almost \$600 in the United States. Best estimates for annual giving in Australia in the early 1990s suggest a figure for individual giving to not-for-profit organisations (a wider group than CSWOs) totalling some \$840 million, business giving some \$470 million, bequests some \$260 million and trusts some \$122 million.

Such comparisons suffer from the fact that tax and social welfare systems and per capita incomes differ between countries. Also, community expectations about public support through government agencies and community organisations differ between countries. However, even with these considerations could taken into account, there is considerable potential for Australians to increase their giving to CSWOs.

... but mostly to older, larger organisations.

The older, larger multi-service CSWOs which have PBI status are generally more able to raise funds from the public than smaller single purpose CSWOs which are not PBIs. Some types of service are more difficult to fund from public donations than others. Aged care services make relatively little use of public donations for their recurrent expenditures (relying more on client fees to augment government funding) while NGDOs appeal strongly to the public for support. The Commission's proposal that a broader range of CSWOs be eligible for donor tax deductibility (Recommendation 13) would remove one source of discrimination against the funding of some groups, although it is unlikely that removing this impediment would significantly increase their funding by the public.

Fundraising legislation is dated and needs reform.

Fundraising legislation

Fundraising activities are regulated by State/territory governments. Much of the legislation covering fundraising is dated, inconsistent and often regulates CSWOs differently from other organisations which raise funds from the public. Inconsistencies between States/territories in matters such as reporting and record keeping requirements and limitations on authorisations to raise funds hinder the efficiency of Australia-wide fundraising by national CSWOs. This can best be addressed by governments working together.

Recommendation 18 (9.1 in text)

The Council of Australian Governments should consider approaches to achieving greater efficiency and effectiveness of fundraising regulation among States/territories. Two suggested approaches are:

- uniformity of legislation; or
- mutual recognition of legislation.

Specific consideration should be given to addressing issues of:

- public disclosure of the role of contract fundraisers;
- public nuisance and donor privacy; and
- the types of organisations to which regulation applies.

The community and supporters of CSWOs would benefit from being able to compare the fundraising activities of CSWOs over time and between organisations. But most States/territories lack the systems necessary to collect the information and make it available to the public in a useable form. Currently only New South Wales and Queensland make explicit provisions for public access to CSWO financial information of CSWOs in their fundraising legislation. In light of the problems involved with State/territory based financial reporting systems, the Commission considers that financial information requirements about fundraising should be met through a sector-specific accounting standard (Recommendation 24) and form of incorporation (Recommendation 27). Requirements about financial information currently found in State/territory fundraising legislation should be removed.

Recommendation 19 (9.2 in text)

When incorporation of Community Social Welfare Organisations under Corporations Law is achieved, financial information requirements currently found in State/territory fundraising legislation should be removed from State/territory legislation.

Charitable Trusts

Trusts should be free to grow their assets ...

Charitable trusts are an important source of finance for certain types of activities undertaken by CSWOs, but are restricted both in the ways in which they can develop their resources and plan strategically for the future, and in the types of CSWOs they can support. The Australian Tax Office requires trusts to distribute at least 85 per cent of their annual income if they are to retain their tax exempt status, even though the accumulation of income would allow them to distribute greater amounts in later years.

Recommendation 20 (10.1 in text)

The Australian Taxation Office should not impose restrictions on the accumulation of income by charitable trusts. If necessary, section 23(j) of the *Income Tax Assessment Act* 1936 should be amended to allow charitable trusts to accumulate funds, provided the whole of the funds and any income derived from them are used for charitable purposes. Any specific statement in the trust deed in relation to funds accumulation should, of course, continue to apply.

Charitable trusts receive tax deductibility status if they themselves distribute all their funds to tax deductible organisations. The current definition of a PBI restricts the range of organisations to which charitable trusts are able to distribute their funds. The removal of discrimination against non-PBIs for tax deductibility purposes (Recommendation 13) should resolve this problem.

... and links to repealed inheritance tax laws removed.

Further, some older wills provide that institutions receiving money from charitable trusts must be exempt from inheritance taxes under the provisions of particular State/territory inheritance tax legislation. Although inheritance tax legislation and the taxes they impose have since been repealed, the restrictions in these wills still apply. Charitable trusts can apply to the court to have the exemption removed, but the number of trusts holding

exemptions is limited and newer trusts cannot obtain them. The Commission considers that these restrictions should be removed.

Recommendation 21 (10.2 in text)

State/territory governments should amend legislation to allow their Attorneys General to consider applications to waive restrictions imposed on trusts by inoperative inheritance legislation.

Direct funding from clients

Client funding is significant and promotes client choice ...

Many clients pay some fee for the services they receive from CSWOs. Clients paying full fees help fund the provision of services to those in most need. Many participants spoke of the importance of maintaining self-respect among clients by requiring them to make a contribution for the services they receive, even though in some cases this payment may be small.

Client fees are a significant source of funding for some CSWOs. Of the \$4.8 billion of total sector expenditure in 1993–94, some \$1 billion came from client fees — mostly from aged people receiving care.

Service users vary widely in their capacity to pay. Some services, such as family counselling, meet needs across a wide range of income groups, and many clients who are in a position to pay are expected to contribute to or fully meet the cost of the services they use. Other services are provided to groups for whom universal social security benefits are available subject to means testing. Pensions for the aged are the principal example. Residents of hostels often pay a substantial entry contribution and residents of nursing homes and hostels pay a percentage of their aged pension for their care.

... and over time more groups will fund their own care.

Over time, it can be expected that more groups in the community will be funding their own care from savings, compensation packages, superannuation or social security benefits. This may present opportunities for the increased use of client fees while still recognising the need to take account of economic circumstances and individual need and recognise principles of access and equity and the desirability of not charging any fee in some instances.

Recommendation 22 (11.1 in text)

Community Social Welfare Organisations should have a publicly available policy on client fees for each of the services they provide. Governments should require such a policy as a part of funding agreements. The policy on client fees should be based on consideration of:

- economic circumstances; and
- individual need.

It should also recognise principles of access and equity.

*Some clients
could be funded
directly by
government ...*

Direct government funding of clients

There will, of course, continue to be large numbers of service users without means from whom it is not practicable or reasonable to expect any contribution. CSWOs need to be adequately funded to meet their needs. For some services, however, an option for governments might be to fund people directly rather than to fund the organisations which deliver those services. Clients could then choose the mode and source of service delivery which best suits their needs, or do so through family members or a brokerage agency.

A type of direct client funding currently operates through the subsidy system for long day care and before and after school care for children. Several participants from the disability field, where some clients are currently funded from compensation packages, also proposed that greater emphasis be given to direct client funding. This may be an appropriate mode of funding for certain types of services.

*... but
opportunities are
limited.*

The types of services which would be amenable to direct funding of clients may, however, be limited. Markets may fail to provide services (eg adequate housing) to certain types of clients, and the scope for client choice is also inherently limited for clients experiencing certain types of disability and in many emergency situations. Some Inquiry participants were also concerned that individual client funding might result in a failure to fund necessary capital and administration, and could leave some individuals more vulnerable in terms of access to information, cost, appropriateness and quality of service.

To the extent that individual client funding is feasible, CSWOs and for-profit firms would be able to compete for client custom. This would enhance client choice about the provider of the service and make the costs of service delivery more explicit. To the extent that funding is shifted in this direction, there would be

a reduction of emphasis on governments directly funding CSWOs to provide services. This could increase the uncertainties facing CSWOs, but would create opportunities for the better performers to expand the services they provide. The Commission considers that individual client funding is an issue of social welfare policy which is currently under-researched.

Recommendation 23 (15.4 in text)

Commonwealth and State/territory governments should examine the opportunities for individual funding for clients on a service by service basis, taking into account:

- the availability of current and potential service providers;
- service provider overheads;
- the ability of clients or their representatives to assess and monitor service quality; and
- the provision of information to help clients identify and access appropriate services.

Resourcing by volunteers

Volunteers contribute 95 million hours.

Volunteers contribute invaluable non-monetary resources to the sector. They are typically involved as providers of direct services to clients; as supporters of professional staff; as fundraisers; and as leaders through their membership of boards or committees of management.

It is estimated that some 1.3 million Australians contribute 95 million hours annually as volunteers in CSWOs. This is equivalent to about 50 000 persons working a 40 hour week. Volunteers also provide material inputs to some services. Australian Red Cross has over 500 000 voluntary blood donors. Although some Inquiry participants sought to place a monetary value on the work of volunteers, the Commission has not attempted to do so for both conceptual and practical reasons. This is not to under-value the enormous contribution of volunteers to the social services provided by CSWOs.

... and need to be better recognised.

Some participants saw volunteers as a threat to greater paid employment or considered that volunteering undermined the value of individuals. However, most within the sector saw volunteers as a community asset encouraging participation; keeping the sector in the hands of the community; and building

networking skills. However, for volunteers to achieve their full potential in assisting the sector, they need appropriate supervision and training, both as service providers and as members of boards of CSWOs. For these reasons, resources need to be adequate for the training, supervision and insurance of volunteers. The needs of volunteers and the important role they can play should be recognised in the principles which Commonwealth and State/territory governments develop for their funding agreements (see Recommendation 7).

Accountability

*Accountability to
the public needs
tightening ...*

The sector generally affirmed its commitment to account to the community for its use of resources. However, it stressed the difficulties it faces because of inadequate resourcing for this task. Participants also cited inconsistent and overlapping reporting requirements of governments which add to costs and inefficiencies, and are a source of great frustration to them.

Public accountability requirements of CSWOs across Australia are currently varied and ill-defined. This is partly due to the diverse legal structure of CSWOs; the lack of specific accounting standards for the sector; and the not-for-profit status of CSWOs which absolves them from the requirement to lodge tax returns.

Accounting standards

*... for example by
specific
accounting
standards, ...*

The development of specific accounting standards for the sector would improve the accountability of CSWOs. It would help donors and the public generally to compare the performance of CSWOs; governments to assess the effectiveness of CSWOs in providing the services for which they are funded; and CSWOs to minimise their costs of accounting and reporting.

Recommendation 24 (8.1 in text)

The Commonwealth government should provide funds to the Australian Accounting Standards Board and the Public Sector Accounting Standards Board to develop within two years suitable accounting standards for Community Social Welfare Organisations.

However, the absence of accounting standards for the sector should not stand in the way of funding agreements incorporating provisions which are consistent with existing general Australian Accounting Standards (Recommendation 5).

Accountability of NGDOs

Considerable interest was expressed during the Inquiry about the accountability of NGDOs. Particular concern was raised about the need for readily accessible information in order to assess what proportion of donations to NGDOs actually reaches the intended recipients in developing countries and what is absorbed as overheads, fundraising and other costs. This particular concern about NGDOs probably arises because the services which they fund are less visible than those provided by CSWOs generally in Australia, and a greater proportion of overall revenue of NGDOs is raised directly from the public than for most CSWOs. Accounting standards developed from the process proposed in Recommendation 24 should also apply to NGDOs.

Notwithstanding this concern about the accountability of funding from the public, the Commission found that in many respects the accountability requirements of NGDOs for the use of government funds are more satisfactory than those of CSWOs as a whole. Indeed, the role of AusAID, and in particular the AusAID/NGO Cooperation Program (ANCP), was held up as a model for the entire sector. The ANCP is designed to supplement existing NGDO activities by providing financial subsidies for activities which promote sustainable development. The NGDOs identify development projects which meet their own priorities. As each participating NGDO becomes more established in the program and proves its credentials, it graduates through a three tiered system which enables it to gain greater funding and autonomy.

*... regular reviews
of tax benefits
status for aid
organisations ...*

The size of the NGDO sub-sector has grown substantially in recent years. This is a reflection of increasing public support for it and its fundraising professionalism. This growth has increased the importance of high levels of accountability for donors and of high levels of confidence by the community that NGDOs are appropriate recipients of tax deductibility status.

Recommendation 25 (6.1 in text)

AusAID and the Commonwealth Treasury should introduce processes of regular review to ensure that Non-Government Development Organisations and their approved funds still meet the criteria by which they were granted tax deductibility status.

Review of tax status

Reviews of favourable tax treatment should not be restricted to NGDOs. Once a CSWO establishes its charitable purpose with the Australian Taxation Office (ATO), it currently retains its tax exempt status indefinitely. The organisation is required to inform the ATO of any change in its objectives which may alter its tax status, but there is no process by which the ATO monitors these tax exempt bodies. The situation is similar for the status of PBIs. The Commission was informed that many CSWOs were granted PBI status decades ago, and that it is doubtful whether some of them would now be granted that status by tests which currently apply to new applicants.

... and other CSWOs ...

In view of the considerable resources which CSWOs receive through tax concessions, the Commission considers that they should be subject to a process of review to assess whether their status should still apply. This would help assure the community that its resources are continuing to be used for the purposes for which they were originally designated.

Recommendation 26 (12.6 in text)

The Australian Taxation Office should introduce processes of regular review to ensure that Community Social Welfare Organisations receiving tax deductibility status and other tax benefits still meet the criteria by which they were granted those benefits.

A special form of incorporation

... and a uniform and relevant form of incorporation.

The benefits to the community of uniform reporting by CSWOs under a sector-specific accounting standard (Recommendation 24) would be considerably enhanced if the financial statements of all CSWOs seeking their support were generally accessible. This would also allow a national database on CSWOs to be developed which would encourage public confidence and support. The Commission considers that a uniform and relevant category of incorporation is needed to ensure that the community receives the information it requires about the sector in return for the benefits it receives for its favoured tax status.

Recommendation 27 (8.2 in text)

The Commonwealth and State/territory governments should establish a form of incorporation under the Corporations Law for Community Social Welfare Organisations. Such organisations would be required to report using the accounting standards proposed in Recommendation 24.

Following the adoption of a sector-specific accounting standard and incorporation of CSWOs under Corporations Law, there should be no need for special financial reporting requirements in State/territory fundraising legislation (Recommendation 19). The Australian Securities Commission would thereby be given the role of maintaining a national database about the sector and its fundraising.

Better support mechanisms are required.

Support mechanisms

CSWOs have organisational requirements similar to many other organisations in the public and private sectors. They need to have access to programs which support their management, and sources of information to support their research and policy development requirements. The sector uses significant amounts of community resources and it is important that these resources are used efficiently and the needs of people are met effectively across a range of services provided by the sector.

Several recommendations made in the report are designed to provide better support for the ways in which CSWOs operate. These focus on benchmarking for improved performance, the statistical and research needs of the sector, the role of boards and committees of management and the funding of peak councils.

Benchmarking for improved performance

The increasing importance of the sector in the delivery of services points to the need for constant striving to improve the quality of management systems (Recommendation 1) and within that framework to achieve and maintain best practice consistently across the sector. Some CSWOs have already introduced management techniques designed to improve their performance and benchmark themselves against others. But the application of benchmarking techniques is in its infancy in the social welfare sector. This technique sets reference points against which the performance of organisations can be assessed with a view to achieving best practice.

Benchmarking can improve quality and performance.

The Commission sponsored an exploratory study of benchmarking in the sector. The outcome of this and other studies suggest that establishing best practice programs within the sector could be of value, both to the sector and to the wider community. Equipping the sector with resources to identify and achieve best practice could lead to substantial improvements in sector performance. The challenge is to design benchmarking programs which do not compromise the sector's concern to provide individualised care of the highest quality.

Recommendation 28 (13.1 in text)

The Commonwealth government should fund the establishment of a pilot best practice program for the sector:

- pilot projects should be chosen on the basis of expected net benefits and to cover all major sub-sectors — for example, disability services, home and community care, aged care and employment services;
- relevant Commonwealth government departments should develop pilot projects in consultation with the sector; and
- pilot project outcomes should be widely disseminated in the sector.

Statistics and research

The information base about the sector is deficient ...

The information base on which to develop public policy about the sector is deficient. There are many data gaps in the area of welfare statistics as well as differences in definitions and classifications between data collections. A lack of national focus also limits policy development.

A number of current developments under the auspices of the Australian Bureau of Statistics and the Australian Institute of Health and Welfare should begin to address this deficiency. The Commission considers that the development of a framework for the collection and publication of statistics is a high priority for ongoing research and policy development in the sector.

Recommendation 29 (17.1 in text)

The Australian Bureau of Statistics and the Australian Institute of Health and Welfare should develop a framework for the collection and publication of statistics. These statistics should facilitate service planning by including information on:

- the programs delivered by Community Social Welfare Organisations;
- the characteristics of Community Social Welfare Organisations; and
- the clients of services.

... and ways of funding and delivering services are under-researched.

During the Inquiry the Commission identified two particular issues about ways of funding and delivering human services which it considered were under-researched. These are the specification and monitoring of outcomes as a basis for funding and circumstances in which it may be appropriate for governments to fund individual clients directly. There are, of course, other issues in social welfare policy which impinge on service delivery which have high research priorities, such as ways of quantifying the benefits of preventative strategies in order to compare them with services which respond to acute crises.

Unlike the for-profit sector of the economy, there are no special programs at the level of individual organisations to fund research and development for CSWOs. Some of the larger CSWOs commit substantial resources to research, augmented in ad hoc ways from governments and trusts (which tend to focus on these activities). Funds are available for some specific areas of research of interest to CSWOs, such as the Research into Drug Abuse Program of the National Drug Strategy. While CSWOs can apply for funds under these programs, they are designed for a wider field of inquiry than service delivery.

Research is supported by governments in a range of other fields. This is because the gains it brings are perceived to be widely shared across the community. Where this is assumed to be the case, governments provide considerable funding. Many government funded research and development programs designed for the for-profit sector are not appropriate for not-for-profit CSWOs (for example, the 150 per cent tax deduction scheme).

Government departments and instrumentalities, such as the Australian Institute of Family Studies and the Australian Institute of Health and Welfare, do undertake research in human services delivery or sponsor it by way of universities, consultants or the piloting of trial programs by particular CSWOs. However, there is no specific government budget item for research in human services delivery.

The Commission considers that government funding of research projects in the field of human services delivery should be according to the principles recommended in relation to government funding of CSWOs. Furthermore, the Commission considers that any research which is a legitimate requirement for a CSWO's program of development and evaluation within a funded area of service should be recognised in the funding agreement.

An independent evaluation of funding for research is required.

The Commission has given some consideration to whether there should be a research budget allocation for the specific requirements of CSWOs, but has no basis at this stage for evaluating how priorities should be established and resourced. No research council has been established for the sector along lines which operate in some other sectors to develop criteria for research funding and to allocate available moneys. The Commonwealth Aids Research Grants Committee could be a model. That Committee advises on priorities for research and the level of funding required; makes recommendations on the allocation of available funds; reviews research activities; solicits research in fields where there are deficiencies; and assesses the performance of applicants for funding.

Recommendation 30 (17.2 in text)

The Commonwealth government should fund an independent evaluation of the extent and direction of funding for research into the delivery of community welfare services.

Such a review should:

- describe the funding available for research into service delivery;
- recommend any desirable redirection of existing funding; and
- recommend on funding arrangements which should apply to research into service delivery issues.

*Staff and boards
must be
appropriately
trained.*

Training of staff and management

The emphasis given in the report to quality and performance improvement of CSWOs places particular responsibilities on professional staff and boards. A study of human resources in the sector conducted for the Commission showed that only 44 per cent of paid staff and 9 per cent of volunteers had some form of post-secondary qualification. Industry training boards and training advisory boards have been put in place in each State/territory in recent years in an attempt to develop co-ordinated training and certification programs for the sector, but they are yet to have a major impact.

By the not-for-profit nature of CSWOs, their boards or committees of management are almost always composed of volunteers. Under the Commission's proposal that most CSWOs be incorporated under the Corporations Law (Recommendations 13 and 27), board members would be exposed to whatever risks attend that legal structure. In this context the governance, roles and responsibilities of CSWOs need to be clarified and board members need to be appropriately trained where necessary to carry out their functions.

The sector needs to include training explicitly in its strategic planning. The Commission supports efforts being undertaken in the sector to develop training and certification programs. The costs of training need to be recognised by governments and CSWOs in the preparation of set price funding agreements (see Recommendations 6 and 7).

*Peak council
funding
arrangements
need review.*

Peak councils

CSWOs are themselves serviced by a large number of peak councils, many of which are funded by governments. There were almost 100 peak councils in 1978, and based on responses to a survey undertaken by the Commission the number may have more than doubled since then. Minimally, the relationship between the peak councils and governments should be spelled out in funding agreements which seek to define the role and services required of peak councils. Because peak councils usually have interests across several program areas, and funding them from a single program could compromise their autonomy, the Commission considers that cross-program funding is a preferred method except where the interests of peak councils fall within a single program.

Recommendation 31 (7.1 in text)

Commonwealth and State/territory governments should review their funding policies and guidelines for peak councils to specify:

- appropriate roles and functions;
- responsibilities of funded peak councils and funding bodies;
- selection criteria;
- level and duration of funding; and
- mechanisms for regular review of criteria.

In view of the highly developed role of peak councils in the social policy dialogue in Australia, it is important that the review processes should involve them.

Developing co-responsibility

The government-sector relationship needs improving ...

... to recognise better their co-responsibility.

Throughout the report the Commission has taken the view that the government-sector relationship needs to be re-thought and improved. The sector used the term ‘partnership’ to describe this improved relationship. At many times and in a variety of circumstances during the Inquiry, CSWOs made proposals which they considered would place them on more equitable terms in their relationship with governments.

The Commission considers that any operational policies based on the concept of partnership should be consistent with notions of competence, accountability and the different strengths and contributions which each party brings to the relationship. The Commission has preferred to use a concept of co-responsibility in this regard. The strengths which the sector brings to the relationship are its financial contributions raised from the public; goodwill within the community based on its value systems; professional skills and expertise of staff; and recognised advantages in service delivery which involves the contributions of volunteers. Strengths which governments bring apart from their financial contribution include a legislative framework; national, state or regional service delivery frameworks; and a commitment to access and equity.

To the extent that each party contributes in these ways to government-funded services, relationships between governments and the sector are different from the normal commercial

transactions of governments. The divisions of power also vary greatly. A small, newly-formed CSWO will not expect to have the same bargaining power with governments as a middle-sized organisation which has been established for more than a century or a large organisation which contributes sizeable money and capital. Yet there are benefits from sharing responsibilities, even with the smallest organisations. Governments, and some of the larger CSWOs, cannot avoid the necessarily bureaucratic forms of assistance which may lose sight of the individual as a unique person.

Quality consultation is needed at three levels, ...

The Commission's attention was drawn to a wide range of consultative mechanisms which operate at different levels of governments and their departments and with various parts of the sector. Some suggestions were made to the Commission that differently structured consultative mechanisms should be put in place for certain services. The Commission does not see that much is to be gained from imposing additional consultative structures. Rather, it is the quality of consultation which takes place within the various consultation arenas which counts. The Commission has identified three tiers of consultation which are relevant in this respect.

... delivery of specific services, ...

At the level of delivering specific services, there must be good teamwork between individual CSWOs and the program departments which fund them. Many CSWOs, particularly the larger ones, appear to have ready access to senior departmental officers, though some claim to be alienated from the process. The Commission considers that its proposals regarding quality management systems (Recommendations 1 and 2), funding agreements and selection of service providers (Recommendations 3 to 9) and government agency structures, skills and operational protocols (Recommendation 10) are the appropriate vehicles for bringing the parties together in better relationships at this level.

Other approaches need to be considered to develop better relationships. One is to encourage some CSWOs to tender voluntarily on behalf of others. Lead agencies would negotiate funding agreements with governments allowing smaller organisations increased opportunities to focus on service delivery. These lead agency organisations might manage all the services for a particular region of specific service across a whole State or even nationally. This approach would only operate effectively when organisations voluntarily enter into these relationships.

... program development and review ...

Another approach is to encourage smaller organisations to form networks to integrate services in a particular region or a particular type of service. Representatives of the network could

then negotiate agreements with governments.

A further opportunity for consultation occurs during program development and review discussions. These involve service development peak councils (such as ACROD) and service user peak councils (such as the Councils of the Ageing) and focus on specific areas of service needs. They also frequently involve, by invitation of departments, those CSWOs which are seen to use best-practice in the field. Considerable consultation appears to take place at this level, but the sector frequently claimed that it is locked out of the processes of formulating policy and is only able to respond to policy proposals once they have already been formulated. A considerable body of knowledge is to be found at this level which should be used by governments to enhance the development of public policy.

... and social policy.

At the most general level, governments consult with the sector on a broad front of social issues. The relationship here is frequently taken up at ministerial level and with the social policy peak councils of which the Councils of Social Service are the most widely embracing. Given the political nature of this relationship, the partnership between governments and the sector at this level can be tense.

As most of the funding of the larger peak councils comes from governments, it is important that the basis of their funding should not threaten the stability of these consultations when, from time to time, political positions differ. It is also important that funding does not become a means of co-opting CSWOs or peak councils as advocates for government policies. The proposal which the Commission has made with respect to specifying the role of peak councils in their funding agreements (Recommendation 31) is important in these regards.

Benefits for the sector

The proposed changes aim to ...

The report proposes some significant changes in the ways in which the community social welfare sector operates. These are designed to strengthen the capacity of the sector to provide services; to raise its own resources; to establish better relationships with governments; and to improve its management and service practices.

... establish a more assured basis with government ...

The recommendations should strengthen the sector's ability to provide services to its clients by placing CSWOs on a more assured basis with governments through their funding agreements. Agreements would typically be multi-year and legally enforceable; unless contracted for on a price competitive basis, they would take into account the full costs of the service (including support costs); and selection criteria and reasons for

success or failure in tendering for service would be specified. Basing funding agreements on outputs rather than on inputs would improve the allocation of resources within the sector. Accountability to governments would be simplified between services and across government jurisdictions.

*... encourage
community
support ...*

The recommendations would encourage members of the wider community to give time and financial assistance to the sector. The training, co-ordination and insurance needs of volunteers would be recognised in funding agreements between CSWOs and governments. The extension of tax deductibility to most CSWOs would allow some groups to appeal more directly to the public for support. Uniformity of fundraising regulation between jurisdictions should reduce costs of national appeals, and reform of tax restrictions should provide a better basis for trusts to grow their assets and broaden their distributions to CSWOs. But of fundamental importance, the greater transparency and standardisation of information about the performance of CSWOs, and the drive towards best practice and quality management, should encourage even greater confidence by the community to support the sector.

*... provide
assurance for all
parties ...*

These changes would promote a greater sense of co-responsibility between the sector and governments. Putting financial agreements on a sounder footing and building in dispute resolution procedures would provide greater assurance for all parties. Government would also receive comfort in its requirements to ensure best value for the community resources it spends in the sector through tendering processes which encourage best practice and build in quality assurance. Funding agreements with peak councils should also place their relationships with both constituent organisations and governments on a sounder footing.

*... promote
professionalism ...*

Greater professionalism by managers and employees would be built into funding agreements through the explicit recognition of the costs of organisational overheads; staff training needs; program development and evaluation; and any ensuing research and development requirements. Quality would be built in at all stages through quality management systems and related accreditation of services providing a common framework and set of standards for all providers, which would replace the need for constant inspection by governments. A pilot best practice program and the emphasis on quality management systems would lead to professional excellence at all levels of service provision. Longer and legally binding funding agreements would give greater security for staff employment.

*... and support the
values of the
sector.*

The proposals also are designed to support the values which, since its earliest days, have underpinned the sector's contribution to the community. They will help enshrine the principle that

individuals and communities should have prior right to meet their own needs and those of families and others.

Ultimately, however, all of the proposals are aimed at ensuring that CSWOs are even more capable in the future than they are today to cater for the diverse needs of a range of people in our community — people who have come to rely on CSWOs for the provision of high quality services, delivered with care and understanding.

CHARITABLE ORGANISATIONS IN AUSTRALIA

PART B

Chapters

- 1 The role and structure of the sector**
 - 2 Participants' perceptions**
 - 3 Developments in service delivery**
 - 4 Government programs and funding**
 - 5 Human resources**
 - 6 Overseas aid organisations**
 - 7 Peak councils**
 - 8 Accountability to the public**
 - 9 Fundraising**
 - 11 Client fees**
 - 12 Taxation arrangements**
 - 13 Benchmarking for improved performance**
 - 14 Quality systems**
 - 15 Frameworks for government funding of CSWOs**
 - 16 Selection by governments of service providers**
 - 17 Support for policy development**
 - 18 Synthesis**
-

1 THE ROLE AND STRUCTURE OF THE SECTOR

Non-profit welfare organisations are a large and varied sector of the Australian community, providing a broad range of services to people in need. From colonial times they have experienced growing and changing relationships with the community and governments. Today, although larger organisations raise significant funds from the public, the bulk of the financial resourcing of the sector comes from government. In addition, large numbers of volunteers assist the sector to provide services. The rapidity of social, cultural, demographic, economic and political change holds significant challenges for all organisations within the sector.

1.1 A large and diverse sector

Australia has a large and diverse non-profit sector involved in the delivery of human services. A myriad of organisations, some community based, some sponsored by churches or philanthropic bodies, deliver to the Australian community a wide range of human services. Hardly a corner of the Australian community is untouched, at some point of its daily life, by their activities. Hundreds of thousands of people receive services each week. There are some 10 000 to 11 000 organisations in the sector receiving some form of government funding. Many other organisations within the sector without government support add even further diversity. The sector employs about 100 000 paid staff. In addition, the sector benefits from some 95 millions of hours of volunteer effort each year.

Non-profit welfare organisations have been active in Australia since the earliest days of the colonies and although the organisations themselves have evolved, some essential elements have remained. These organisations have derived their mission and strength from the support of ordinary people. They have attempted to identify emerging and previously unrecognised social problems and marshal people's efforts to address them. In this sense, they have contributed significantly to community building and ultimately to nation building. Their efforts have had effects on every conceivable type of need, from foster care for children to personal care for older people, from homelessness to hunger overseas.

Non-profit organisations are governed by voluntary boards or committees of management and involve the community in their work in a range of other imaginative ways. They have always had some form of relationship with government whether as critic, collaborator in social change or crucible for innovation. A crucial additional factor today is their role as a key deliverer of services funded not predominantly by direct community contributions but by government. As the Commonwealth Department of Human Services and Health said:

The pattern of government funding and community based service delivery is now integral to the social fabric of Australia at Commonwealth, State and Local government levels. (sub. 414, p. 2)

Community Social Welfare Organisations (CSWOs, see Box 1.1) are generally close to their own communities. People in need feel a greater affinity with and preparedness to use the services of such organisations because they are charitable or community-based.

Box 1.1 Use of the term Community Social Welfare Organisation

The organisations encompassed within the scope of this Inquiry are the non-profit community social welfare and, in the overseas aid area, non-government development organisations. The term Charitable Organisation is relevant to tax law but has little applicability outside this area and, as many of the organisations themselves point out, the term has outdated connotations. The term Third Sector is used in some of the United States literature, but suffers from confusion of meaning with the well established term household sector. Additionally, this Inquiry is concerned only with a sub-set of that group of organisations. This report uses the terms Community Social Welfare Organisations (CSWOs) and *the sector* when referring to those organisations encompassed within the scope of this Inquiry as a whole. Those CSWOs involved in overseas aid only are referred to as Non-Government Development Organisations (NGDOs).

Some participants objected to the use of the words ‘social welfare’ in relation to the organisations examined by the Inquiry as they considered that they had connotations of welfare dependency. However, the Commission has retained these words since their use in this report is consistent with the concept of ‘social welfare’ as developed in common law (see Chapter 12).

Sunnybank Family Support, speaking about the need to meet local needs like daycare and emergency overnight care for sick children said:

We came into existence twenty years ago ... at a time when they did not have specific programs named like that. As well as that, they were looking for care for the principal care provider when they were sick. ... They went to ... the Commonwealth and got varied funding that did not have strings attached and were able actually to do those kinds of activities. (trans, p. 2944)

Nor can government circumscribe the role of non-profit organisations. Many organisations and programs operate outside the limits set by government programs and funding. It is this freedom to seek out and respond to new needs, using community resources, which constitutes much of the non-profit organisation's potential capacity to innovate. Successful innovation influences social policy and government benefits from such initiatives. Australian experience in the design and delivery of AIDS education programs is an example.

1.2 The community social welfare sector in Australian society

1.2.1 National models for provision of social services

It is an often repeated saying that the excellence of a culture can be judged by the way in which it treats its most disadvantaged citizens.

Contemporary democratic societies recognise some responsibility for governments to provide for those whose basic needs are not met within the market system. In Australia, the integration of social and economic policy is the keystone of the 1993–94 Social Justice Strategy of the Commonwealth government which stated:

The Federal Government's vision of social justice is that of a fairer society in which we seek to achieve a more even distribution of income and access to key services, particularly where there is demonstrable need. Our policies and programs are designed to give people access to services which enable them to participate as active citizens of Australia. (Commonwealth Government 1993a)

It is universal practice for democratic governments to redistribute income to those in need via direct payment through social security systems. In addition, democratic societies discharge their social justice responsibilities by ensuring the provision of social services to those having particular needs. There are three major ways by which this is done.

First, in some countries, citizens choose that government universally exercise this responsibility directly and deliver all services themselves, often via a system of devolution to local government entities. This approach is used, for example, in some Scandinavian countries.

Second, in other countries, government redistributes a designated share of taxation income to major church and other benevolent organisations in accordance with the expressed wishes of citizens. They, in turn, provide social services to the community. Germany generally uses this approach.

Third, in some countries, including Australia, citizens choose that government and citizens together will accept co-responsibility for the funding and provision of services to the needy. In this model, mediating institutions such as family, church, neighbourhood and CSWOs are formed and supported by the community on a voluntary basis to participate in this process. It assumes that government will co-operate and collaborate with these voluntary groups in the provision of services.

1.2.2 Co-responsibility with governments

Given the long history of a co-responsibility model in Australia, CSWOs have participated, with government, in the formulation of policies, the design of programs, the choice of service delivery mechanisms and the funding arrangements which govern the provision of social welfare services. While some organisations were established by governments to deliver services on their behalf, most CSWOs are an expression of people's desire to join together in free association to:

- provide services to the community;
- represent the cause of the needy to the community and governments; and
- participate in the public debate about quantity and quality of care in the whole community.

In order to do this, they contribute by:

- using funds from their own activities or public donations;
- marshalling their knowledge, information and skills; and
- involving volunteer input and the goodwill of the community.

The role of CSWOs is not limited to assisting those who are financially in need. Because they are a major repository of personal skill and social knowledge in the provision of care, citizens of all levels of income access them. Nursing home services and family counselling services are good examples. Some CSWOs make appropriate market-rate charges for these clients and redistribute any surplus income derived to the benefit of financially disadvantaged service users.

1.2.3 The value base of CSWOs

Throughout the Inquiry CSWOs have emphasised the centrality of their value base to understanding the sector. In fact, the Commission often found it difficult to encompass the wide variety of value bases which were reported.

Despite this pluralism, however, several common characteristics or values can be discerned as under-pinning the sector.

First, CSWOs take it as their first priority to be concerned for the value and dignity of individual persons, no matter what their economic or social status. In so doing they are protectors and protagonists for a social value of immense significance. Operationally, CSWOs argue that this value translates as care and protection for individuals at risk when universal and necessarily bureaucratic forms of assistance may lose sight of the individual as a unique person. CSWOs describe this value as situating each person in his or her most desired community of meaning, and hence is based on establishing good relationships.

Second, CSWOs are not-for-profit organisations and do not fit the dominant paradigm of a modern market-oriented society in which they are embedded. Because profit is not the purpose of these organisations it is not the main outcome to which stakeholders look as an indicator of fulfilment of purpose. They do, however, take up several of the characteristics for-profit firms in their operations. For example, their organisational form and management strategies are often the same as those of business, they are bound by the same industrial arrangements as the rest of society, and many CSWOs trade, in a market sense, in order to fund their operations amongst the needy.

Third, CSWOs see themselves as forming an independent part of the Australian society and economy, while at the same time admitting a growing dependence on governments for funding their operations. Holding that partnership together, often in tension, is the key to strengthening the sector and ensuring its ongoing contribution to the quality of Australian society. Some commentators see a strong community sector as crucial, not only to the delivery of social welfare services, but also to the maintenance of the economic and social fabric of Australia.

Patterns of social co-operation based on tolerance, trust and widespread norms of citizen participation in civic community lead to the successful implementation of government and indeed economic programs. This point was emphasised by the Cerebral Palsy Association of Western Australia:

If Australia is to meet its economic objectives, then it must maintain a civic community with a strong habit of co-operation that is largely fostered by the participation of volunteers in a great multiplicity of organisations. (trans, p. 3947)

The Australian Council of Social Services said:

The household and community sectors are the core of any society. They have a crucial, if often unrecognised, role to play in contributing to sustainable social and economic development, ensuring social cohesion and political stability, facilitating a more efficient and flexible labour market, and providing the basis for a more desirable

quality of life. In short, they are the glue which holds much of our social and economic life together. (sub. 286, p. 11)

1.2.4 The independent role of CSWOs in Australian society

While CSWOs work with and for governments in the delivery of human services, they need to be independent of government for several reasons:

- through their governance structures, they can develop their own unique ethos and purpose and position themselves in the most effective ways to take up a co-responsible role with government;
- in day to day operations they are free to develop models that are appropriate to their clients and can take into account each person's situation and needs. These can be the seed-beds of best practice which can benefit the whole sector;
- through their vision, and their access to independent resources, they are able to move into new or non-priority areas as changing social conditions create new social need. Governments may subsequently mobilise their own systems of service delivery to meet these needs;
- it is a prerequisite for attracting monetary support and the support of volunteer hours and skill from the public; and
- it allows them to enter credibly into the public discourse about social conditions in the society. By this contribution, they are able to inform both the public and governments of conditions on the ground, both to support and challenge existing provisions and to enrich the debate in a way not always open to individuals or governments.

1.2.5 Different origins and orientations of CSWOs

CSWOs contribute differently to change. Their contribution varies according to their origins, auspice and defined purpose. Smith (1995) argues that there are important distinctions in the social and political orientation of different CSWOs according to these criteria. Charities founded in middle-class origins tend to be philanthropic in nature and have a culture of beneficence. They operate according to strong moral and religious values, a mandate to serve the needy and have a basic agenda of maintaining good social order. Charities with working class roots are more likely to offer mutual aid. They are more likely to be secular, material and socially radical and to carry an agenda of social change.

In Australian society, while there may be some truth in these descriptions in terms of origin of auspice, because each group adopts characteristics of the other, such a clear delineation is not possible. For example, social justice

strategies form a very strong part of the work of large, church based agencies such as the Brotherhood of St Laurence and the Australian Catholic Social Welfare Commission which said:

[I]t is social conditions and social structures that cause inequality, injustice and the denial of human dignity. These conditions and structures cannot be addressed through interventions that have as their primary focus changing the behaviour or conditions of individuals. Such interventions encourage the modern notion of *charity* which can become unjust by contributing to the loss of human dignity in the recipients of charity. (sub. 327, p. 4)

1.3 A mixed economy of welfare

CSWOs operate in a mixed economy of welfare provision in conjunction with government departments and agencies and for-profit firms. Each sector is, in different ways, involved in marshalling resources, prioritising needs and delivering community social welfare services.

Government has sizeable powers to tax and regulate individual behaviour. These are efficient ways of achieving objectives which have wide public support. It also has the capacity to assess relative levels of need in the wider community. But to ensure transparent and impartial treatment of individuals, governments are normally subject to stringent accountability requirements. These limit to some extent governments' flexibility, discretion and responsiveness, qualities that have an important place in welfare service delivery.

CSWOs, on the other hand, gather resources (fundraising and volunteers) from the community on a voluntary basis and are able to target services with flexibility and discretion. The result is a capacity to give expression to diverse values, to be close to supporters and clients and to target assistance to specific groups in specific ways. Fundraising, however, while efficient for collecting resources from keen supporters, is less so when it leads to costly competition in fundraising activities and allows some individuals to avoid their share of social responsibilities. CSWOs are motivated to minimise their costs (consistent with maintaining quality) by the desire to distribute more to the causes they support.

For-profit firms have a clear incentive to be efficient when they operate in a market environment. They are driven by the desire to maximise profitability. They can have an important role in the delivery of human services provided that profitability incentives contribute to quality of service delivery.

The distinctions between government, CSWOs and for-profit organisations are not always clear cut. Some non-government service providers are so constrained by performance criteria and funding regulations that the distinction

between government and non-government is effectively blurred. Some CSWOs, commonly viewed as non-profits, in fact conduct profit-making enterprises. The distinction between CSWOs and for-profit organisations is also difficult to sustain for the large number of service providers working in partnerships and as consultants who have come from the non-profit sector.

Given that each sector has strengths and weaknesses in particular situations, heavy reliance on any single sector for the delivery of welfare services, or inhibiting the interaction or the mobility of service delivery between sectors could lead to inferior outcomes. Arrangements for the delivery of welfare services which draw on the strengths of each are likely to lead to better services for users.

1.4 The development of the sector

Non-government benevolence in Australia has emerged from a history of community based work in an environment where large parts of the population lived in poverty. Although Australia in the nineteenth century was a relatively wealthy country, large groups of people were affected by international trade cycles which had a strong impact on employment in what was a commodities based economy. There were severe depressions in the 1840s and 1890s (Jackson 1977).

It is a history of people giving their time, work and their money, a pattern still reflected today. It is also a history of a relationship with government which is long standing and which is, to some extent, an outcome of the *ad hoc* manner in which colonial governments addressed major social problems.

Throughout the nineteenth century, the sector was dominated by large, church-based or philanthropic organisations founded to address problems of child neglect, homelessness, disability and poverty. Colonial governments supported these organisations in a manner which was relatively uncommon in older, Western political systems.

This pattern of government support for older agencies has persisted to the present day, with the same questions being asked about the independence of the sector itself:

As early as 1820, Sydney's then largest charity [The Benevolent Society] was unable to meet its expenses from voluntary subscriptions and received government subsidies in various forms and amounts. Then, as now, the debate was about whether it was proper for government to provide funds, the accountability of those funds ... and whether government funding reduced ... the independence of the sector as a whole. (Sydney City Mission, sub. 168, p. 2)

This pattern of support, moreover, was directed at particular elements of the population. It did not represent any general acceptance of responsibility by colonial governments for community welfare. Rather, a somewhat haphazard and varying division of responsibility grew up in which governments supported the sector in selected works. The sector itself looked after some tasks unaided, and governments gradually accepted some areas of responsibility as their own, including the mentally ill and orphaned and delinquent youth.

Over the first half of the twentieth century, the growth and extension of both religious and philanthropic organisations took place in parallel with a continuing government involvement in selected aspects of community welfare. Years of prosperity followed the Second World War and it seemed that poverty itself was waning as a modern phenomenon. Some new programs for older people were started in the years following the Second World War, including Commonwealth subsidies for accommodation units, with the community sector as the delivery vehicle.

Social work theory at the time favoured general and non-targeted welfare, in the belief that programs to assist the poor worked best where they were for all and not associated with the stigma of special assistance to those at the margins (Titmuss 1968).

At the same time, social work theory was moving to the view that poverty is more the outcome of social structures than of personal deficits. Partly as a result of this development, social intervention became much more explicitly a matter of designing institutions of mutual support where other social institutions were seen to be unable to meet that challenge.

The 1970s saw a rapid expansion in social programs directed at new groups, or traditional groups in new ways. Both Commonwealth and State governments¹ developed programs which often involved the sector as the delivery mechanism. Structural critiques of poverty and the role of community in the reform of such structures were important determinants of the number and role of new organisations brought into existence from this decade onwards.

In more recent times, there has been an evolution in the forms which these services have taken, including an increased interest in advocacy and a growth in preventative and self-help groups.

The rapid spread of community-based organisations (often localised networks with a shared agenda) was partly an outcome of the desire, by some service providers or individuals, for alternatives to well established service models.

¹ State governments throughout this report are taken to include both State and Territory governments.

The services delivered were often of a new, or better resourced type, including child care, community transport and other community care services.

On the other hand, many of the newer organisations were funded by government to deliver services whose outcomes have proved very hard to gauge — advocacy, referral, education, support and further networking.

1.4.1 Diversity of organisations

The sector is diverse in its organisational makeup, with a wide variety of services offered and sources of funds.

The Commission has identified some of the key characteristics of the organisational arrangements of 50 large CSWOs in Australia, each of which has a total income in excess of \$10 million (see Appendix C). These can be usefully contrasted with the characteristics of small organisations (see Appendix D). Some aspects of the data throw light on the structure and size of the sector.

Large organisations are generally older, often sponsored by church or religious organisations and not reliant on government funding for their existence. Smaller organisations are generally younger, tend to be secular or community based and are generally more dependant on government funding. Large organisations are able to tap public donations more easily than small organisations. For example, the Salvation Army, raised at least \$49 million, the Smith Family over \$18 million, and Australian Catholic Relief some \$9.4 million from the public in 1993–94. Small organisations typically raise little if any money from the public.

Large organisations are in a better position to augment their resources from investment income. Wesley Mission (Sydney), for example, reported investment earnings of \$0.9 million, the Royal NSW Institute for Deaf and Blind Children \$3.8 million and Activ Foundation \$0.6 million in 1993–94. Typically, smaller organisations have no income-generating investments.

Something of the flavour of the different types of organisations which have grown up and flourished in Australia since colonial times can be gained from comparing the organisational life experiences of two of them.

The Sydney City Mission and South East Queensland Youth Accommodation Coalition (SEQYAC), represent the opposite poles of the community social welfare sector which this Inquiry examines (see Box 1.2). Those organisations funded by State and Commonwealth governments total, as suggested above, some 10 000 to 11 000, but many service-providing organisations receive no government funding at all and rely exclusively on volunteers.

Box 1.2 Different types of organisations

Sydney City Mission

Sydney City Mission, founded 130 years ago, is a large and well respected welfare organisation located on the edge of the Sydney central business district. With an annual budget of almost \$30 million per year, it undertakes a wide range of services for different groups of people, especially in Sydney itself, but also more widely. It has assisted counterpart organisations in other States through national linkages. The services which it provides include employment training for different target groups among unemployed people, children's services, youth services, family support and aged care.

The Mission has a large and energetic group of supporters who raised \$7.5 million in 1993–94. This covered about one quarter of its total budget and was obtained after hard effort — the Mission estimates that it cost them 25 cents in the dollar to raise. It runs two profit making businesses to supplement its resources, but these are not regarded as central to its resourcing. Of more importance are the fees received from some clients for some of the services provided to them.

The Mission has a good relationship with some of the grant making trusts but finds it costly to access money through this means. It uses the services of some 750 volunteers in many different roles. For example, its prominent Missionbeat patrol which attends to those sleeping rough on the streets is predominantly volunteer staffed. The Mission is uneasy about current developments in the way government relates with the sector and seeks a new partnership whereby the diversity of approaches in the sector is maintained while effectiveness and accountability are assured.

The South East Queensland Youth Accommodation Coalition (SEQYAC)

The South East Queensland Youth Accommodation Coalition (SEQYAC) is a small representative or peak body which advocates on behalf of the interests of different youth accommodation services and their staff in and around Brisbane. SEQYAC has been in existence for ten years and the task it sets itself is to co-ordinate the different interests involved in the provision of housing and support for young people.

It raises only \$2 500 in annual membership fees and receives no government funding for its core administration. The Queensland Government has given it funding to employ one worker to help it develop policy on youth housing issues, but funds do not enable others to be employed. The member organisations with which SEQYAC works use paid workers and some volunteer help. Use of volunteers is limited by the level of skill needed to do the job, a lack of training resources for them and the organisation's view of the need for all staff to be paid.

SEQYAC is involved in single service provision and it intends to continue to do that as long as youth accommodation is an issue in South East Queensland and as long as the slender resourcing it experiences can sustain the effort.

Source: subs. 168 and 190.

1.5 Plurality within the sector

1.5.1 The classification of CSWOs

A feature of the sector is its plurality. Its parts can be identified according to a number of criteria including:

- the target group of the population served and the nature of the specialist services offered, for example aged care services, employment programs, family and children's services, each with its own funding regimes, industrial arrangements, peak bodies and criteria for service quality;
- the taxation benefits held, for example income tax exemption, deductibility of donations, other tax exemptions and concessions;
- the level of resourcing by government compared with other sources such as donations, volunteers and fees;
- size, which is associated with spread, ability to attract volunteers, size of donations and economies of scale, such as professionalism of management personnel;
- auspice, for example church, general private benevolence, local government or local community, each of which brings its own culture; and
- designation as self-help, for example, the Arthritis Association and the Better Hearing and Tinnitus Association or otherwise. This delineation is further complicated because many CSWOs which are labelled self-help, may also offer services to non-members and fund other activities such as research.

The classification of CSWOs is complex. An organisation may span several categories across sub-sectors and may be grouped with different organisations within different sub-sectors.

Some participants considered that the sector was so diverse that it was not feasible to encompass it in a single report. Others argued that parts of the sector are so distinct that each should be studied separately.

However, the terms of reference of the Inquiry required the Commission to examine and report on a range of issues for the sector as a whole. Notwithstanding the different types of services delivered through the sector, this was therefore the approach taken in the Inquiry.

1.5.2 Philosophies and methodologies of service provision

CSWOs can also be sub-sectored according to the dominant philosophy and methodology of service which the organisation adopts, for example:

- some CSWOs operate mainly via individually oriented or small group processes. They typically employ caseworkers, group workers, therapists and case managers who are engaged in making individual assessments and tailoring services to meet individual, family or small group needs; and
- other CSWOs (generally known as community-based agencies) operate through strategies which are directed towards elements of the community in which they are located. They seek to involve people who live or work in the community in recognising social needs, working together to create change to benefit the community and in the management and delivery of services and employed workers often help facilitate this process. These delivery models, collectively known as community development, are discussed further in Chapter 3.

While definitions of community development vary (see Box 1.3), its emphasis is on prevention and advocacy as well as management based in members of the local geographical community. Such management will also generally include both present and past clients of the agency.

Box 1.3 A description of community development

Community development work assists people in a community to identify their needs and obtain resources, and collectively empowers people to have more control over their lives.

Community development is committed to the idea that people can and should take responsibility for identifying their own needs and managing their own welfare, resources and directions.

Community development is committed to redressing the imbalance of power between groups in society, including those lacking resources and opportunities and those suffering isolation.

Community development is committed to the empowerment of ordinary people in such a way they have real options for the future.

Source: The Family Support Services Association of NSW and Local Community Services Association (sub. 621, p. 23 (quoting from Kenny 1994)).

Whatever the basic orientation of a CSWO, it rarely employs its predominant methodology exclusively. Many of the older, individual-service-oriented agencies reported that they had adopted community development principles into their repertoire of social strategies. They utilise this approach to a large extent — particularly when establishing services in newly developing areas.

The Benevolent Society of NSW said:

Community organisations, to varying degrees, are, of course, much more than potentially effective and efficient government contractors providing social welfare services to defined beneficiaries. The wider roles of facilitating community development, building community networks and social advocacy are entwined with the capacity of these organisations to mobilise community, whether it be to donate funds, provide voluntary time to management or other tasks, or to encourage self help and peer support and empowerment among those who might otherwise assume the status of dependent clients. (sub. 489, p. 3)

Similarly, CSWOs which give priority to a community development model also often engage in the provision of individually directed services. For example, many of the organisations involved in family support programs participating in the Inquiry offer intensive casework, group work and educational programs to their clients. At the same time they engage clients and other members of the local community in different forms of volunteering, including serving on committees of management.

1.5.3 Implications of a distinction in agency methods

Community development focused agencies argue that there is an important distinction between other funded agencies and themselves in the emphasis on the process of service delivery. This distinction is sufficiently important, they say, to constitute an incompatibility of purpose with the more traditional agencies.

Purpose is not, they argue, best expressed in terms of outputs/outcomes for individuals or groups but rather in terms of community participation and change as a framework within which services can be most effectively delivered.

This distinction about methodology has implications for the ways in which the efficiency and effectiveness of CSWOs can be measured and compared. The objections by some within the sector to organisations competing with each other may best be understood in terms of their different views as to the appropriate concept of purpose for the sector as a whole (see section 1.2.5).

1.5.4 Government encouragement of the community development methodology

Some aspects of a community development methodology have also been incorporated into the way in which governments structure community services programs. Service delivery in Queensland is a case in point (see Box 1.4).

The Department of Community Services in New South Wales has also recently constructed a special funding category for community development projects.

Box 1.4 Principles of community services development

The following points have been extracted from the list of key principles outlined in the Queensland State Plan:

- Funded services and prevention activities complement and strengthen the support provided by families, communities and natural caring relationships;
- Service design and development is guided by the needs and rights of individual consumers,
- Policy development and implementation is undertaken in collaboration with government and non-government agencies to ensure co-ordination; and
- Community involvement is an integral part of the practice of Community Services Development.

Source: Department of Family Services and Aboriginal and Islander Affairs, State Plan 1993–94, p. 6.

1.6 Resources of the sector

1.6.1 Staff

CSWOs are staffed by large numbers of professionals, para-professionals and administrators. Community Services Victoria (CSV 1992) gave a figure of 22 000 paid staff for the Victorian community sector, excluding aged care. Lyons (1994) gave a figure of 100 000 nationally, derived from Australian Bureau of Statistics (ABS) data.

There is a high level of part-time employment in the sector (about 60 per cent). There is also a relatively high proportion of women working in the sector. AGB McNair (1994) estimated that almost 80 per cent of employees in the sector are women. The workforce is also more focused on service delivery and less involved with providing organisational support than is typical for the economy as a whole.

There are many occupational categories in the sector and, as a consequence, a variety of industrial awards. There has been a relatively slow expansion of award coverage in the sector, partly explained by the high level of part-time employment and the continuing widespread use of volunteers. However, most organisations operate within an award framework or base their employment arrangements on awards. Small organisations generally operate within the

framework of one or two awards while large organisations may have to work with many — in the case of one large organisation, eleven separate awards (CSV 1992, p. 72).

1.6.2 Management

Some in the sector have argued that the task of management in CSWOs is complicated by the ambiguous way in which many organisations have viewed sound management theory and practice in the past. As the head of the Victorian Department of Health and Community Services remarked:

When I came to CSV [Community Services Victoria] in the middle of 1989, having worked in government at that time for more than a decade, I had not seen an organisation where management was such a neglected issue. The external sector, I quickly discovered, was exactly the same. If you are doing good, then doing it well did not matter ... There was an ideology that said that management is essentially a ... concept designed to curb people's independence and benevolent instincts. (trans, p. 2990)

The task of managing a CSWO, however, can be complex, especially for staff trained solely for service delivery. The community has changing expectations about service delivery. Government, the principal funding source, also is placing greater and more complex demands onto the sector for service, quality and accountability.

The training and deployment of volunteers adds to the difficulties of management, especially where volunteers need to have their work integrated with that of paid staff. Volunteer Boards face the additional management challenge of being simultaneously responsive to staff, clients and the supporting community, whose interests may not be identical.

The study of human resourcing in CSWOs sponsored by the Commission found that more than 30 per cent of all organisations have difficulty in recruiting managers and, in the case of large organisations, this increased to 70 per cent (AGB McNair 1994, p. 23). The main stated reason was an inability to offer managers continuity of employment or an adequate career path. Part of the challenge facing CSWOs in future will be attracting the quality of management able to function effectively in an increasingly complex environment where management skills will be at a premium.

1.6.3 Governance

CSWOs exist in a variety of legal forms. The most common is the incorporated association, but some, especially larger ones, are companies limited by guarantee. Some, like the Brotherhood of St Laurence, are governed by a

specific Act of Parliament, some exist under specialised legislation and some are co-operatives. Many small organisations, including some groups auspiced by churches, have no separate legal identity. There is no Australia-wide information on the relative distribution of organisations by form of legal entity, but some insight may be gained by comparing the legal forms of the largest (Appendix C) with those of the smaller organisations (Appendix D).

Nearly all CSWOs are governed by a voluntary board of management whose responsibilities are set out formally in a constitution or memorandum and articles of association. The board is normally responsible to members of the organisation or sponsoring community and occasionally to some part of the auspicing authority, such as a church congregation or other ecclesiastical authority. Boards of CSWOs which have a company structure are becoming increasingly aware of the extent of their legal obligations under company law. This has reinforced for them the necessity for effective management.

There is debate within the sector about the appropriate form, structure, membership responsibilities and accountability of voluntary boards. The issues which affect the capacity of those boards to attract suitable members/directors are covered in Chapter 5.

1.6.4 Volunteers

Volunteers perform a large variety of tasks. Their predominant activity is direct service provision (Hardwick and Graycar 1982, CSV 1992). Table 1.1 identifies the activities which volunteers commonly perform. Volunteers also contribute in kind. Australian Red Cross has over 500 000 blood donors. (trans, p. 4691)

The activities performed by volunteers differ between sub-sectors. Volunteers under the Home and Community Care (HACC) program, for example, assist in a range of services including transport, social support, home help and home maintenance, meal preparation and delivery, and particular areas of office administration (Johns 1992).

The role of volunteers in CSWOs is treated more fully in Chapter 5. It should be noted, though, as Table 1.1 indicates, and as the study sponsored by the Commission confirms (AGB McNair 1994), volunteers continue to play a significant role in the work of CSWOs, raising issues in relation to future training for greater effectiveness.

Table 1.1 Activities of volunteers in non-government organisations,
Victoria, 1989–90

Activities	Hours	Per cent
Service to clients	369 203	84
Management committees	23 559	5
Fundraising	18 019	4
Administration/coordination	15 049	3
Policy/advocacy	4 248	1
Training	6 357	1
Other	2 547	1
Total	438 982	100

Source: CSV 1992, p. 83.

1.7 Availability of information on size and structure

1.7.1 Problems with existing information bases

There are considerable difficulties in specifying the structure and size of the community social welfare sector; let alone the various sub-sectors. The sector is comprised of many diverse organisations that provide different combinations of services and derive income from various sources.

Because no public authority imposes uniform standards of financial reporting on CSWOs, there is a lack of statistical data on the sector. Comparable data is therefore difficult to obtain. Previous studies of the sector have adopted different classification systems or defined the sector differently.

No consolidated information is available on the extent of fundraising and donations from the public to the sector. Registers of charitable organisations and studies of donations and fundraising cannot be relied on for currency or completeness and do not allow the easy separation of CSWOs from other services.

1.7.2 The Inquiry's studies

The Commission sponsored or undertook a number of studies to determine the size and scope of the sector:

- a report by Lyons (1994) of existing data on the sector in a number of areas;
- a database of government funding of CSWOs (see Chapter 4);
- a study of the 50 largest organisations (see Appendix C); and

- a study of the smallest organisations (see Appendix D).

A number of peak organisations also surveyed their members in preparing their submissions for the Inquiry. For example ACROD, the peak body for CSWOs in the disability sub-sector, surveyed its members across Australia and the South Australian Council of Social Service (SACOSS) surveyed its members.

1.8 The structure of the sector

1.8.1 Services by category

Broad categories of services delivered by the sector can be classified as:

- personal care for older people in nursing homes, hostels and the community;
- services for people with disabilities;
- community, individual and family support;
- employment; and
- overseas aid.

These categories have been used to classify services and organisations throughout the Report. Other classification systems are sometimes used, such as the one developed by the Victorian Department of Health and Community Services (CSV 1992), but the above categories were considered the most appropriate, given the terms of reference for the Inquiry.

1.8.2 Clients of services

It is difficult to identify the number of clients overall but some estimates for selected services and selected organisations are given in Table 1.2. While these figures are far from comprehensive, it is clear that CSWOs are providing services to a large number of persons across broad segments of the population.

1.9 Organisations by size

CSWOs operate in a wide range of environments and with varying levels of resourcing. Some CSWOs are large, and well resourced. Others are small. Some are long established and enjoy sufficient community support to raise large amounts of money in donations. Others have relatively little community recognition and, although they might try to raise funds through donations, their

experiences over the years have not been encouraging. It often costs them more to raise funds than the amount collected.

**Table 1.2 Numbers of clients of CSWOs — selected services,
1992–93**

<i>Type of service</i>	<i>Number of clients</i>
<i>Nursing homes</i>	
Number of beds	27 000
<i>Hostels</i>	
Number of beds	51 000
<i>Home and Community Care</i>	
Number of meals delivered (daily)	55 000
<i>Disability services</i>	
Number of clients (of member organisations of ACROD)	215 000
<i>Family, individual and community support</i>	
SAAP – Numbers per night	12 000
<i>Lifeline</i>	
Number of calls	400 000
<i>Salvation Army (July–Sep 1993)</i>	
Number of clients	72 000
<i>St Vincent de Paul</i>	
Number of visits	1 260 000

Source: Various submissions.

The Commission has classified organisations by size as follows:

- the largest 50 organisations — each with income above \$10 million;
- medium-sized organisations — incomes between \$1 million and \$10 million;
- small organisations — government funding of \$100 000 or more but income of less than \$1 million; and
- very small organisations — government funding of less than \$100 000.

1.9.1 Largest organisations

The 50 largest organisations had a total income of \$1.6 billion in 1993–94. Of this amount at least \$277 million (18 per cent) was received from fundraising.² Information on the sources of income for the 50 largest organisations is summarised in Table 1.3.

² For some organisations donations were not classified separately and therefore have been included in other income.

Table 1.3 Sources of recurrent income — 50 largest organisations, 1993–94 (\$ million)

	<i>Government funding</i>	<i>Fundraising</i>	<i>Client fees</i>	<i>Other income</i>	<i>Total</i>
Aged care ^a	243	13	118	31	405
Disability services	136	53	28	56	274
Multi-service	347	122	80	182	730
Overseas aid	35	90	..	37	162
Total	761	277	226	306	1572

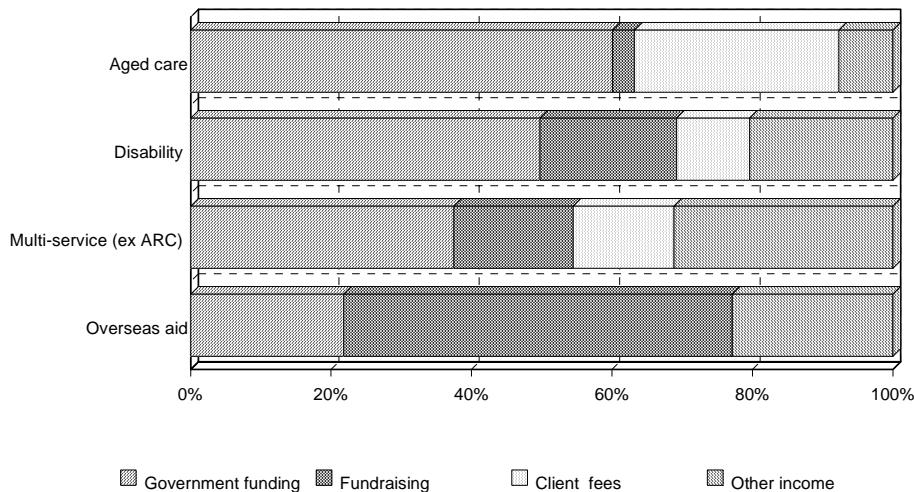
a Includes organisations providing home and community care.

.. Zero value.

Source: Appendix C, Tables C.2 and C.4.

The distribution of income from government funding, fundraising, client fees and other incomes for the 50 largest organisations is shown in Figure 1.1. In aged care, for the 18 large organisations, government funding was 60 per cent of total income and client fees were 29 per cent, while the proportion of donations was relatively small at 3 per cent. The 13 large organisations in disability services had a lower percentage of government funding (50 per cent) but higher percentages of donations (19 per cent) and other income (20 per cent).

Figure 1.1 Sources of recurrent income by sub-sector — 50 largest organisations, 1993–94



Note:

Multi-service excludes Australian Red Cross (ARC).

Source:

Table 1.3.

The 14 multi-service organisations (excluding Australian Red Cross) had less reliance on government funding (38 per cent) and had a greater percentage of income from fundraising.³ Other income included substantial amounts from commercial and investment income.

For the large overseas aid organisations fundraising was the main income source (55 per cent). Government funding was only a small proportion (23 per cent).⁴

1.9.2 Other organisations

Aged care

In the aged care area, there are many organisations with incomes between \$1 million and \$10 million but it has been difficult to identify the structure of this sub sector as Commonwealth government financial data on aged care is restricted due to privacy provisions in the *National Health Act 1953*.⁵

The total income of hostels was estimated by applying the distribution of income given by the Department of Human Services and Health (sub. 414) — 38 per cent government funding, 57 per cent client fees and 5 per cent own resources — to the estimated government funding of hostels of \$404 million. Similarly for nursing homes, the Department stated that 75 per cent of nursing home income or \$606 million was received from government. Fundraising was estimated at 3 per cent, giving client fees of 22 per cent. This gives a total income for nursing homes and hostels of \$1868 million⁶ (see Table 1.4).

Table 1.4 Sources of recurrent income for CSWOs — aged care, 1993–94 (\$ million)

	<i>Government funding</i>	<i>Fundraising</i>	<i>Client fees</i>	<i>Other income</i>	<i>Total</i>
Nursing homes	606	24	162	13	805
Hostels	404	53	606	na	1063
Total	1016	77	768	13	1868

na Not available.

Source: Commission estimates.

³ For the percentage analysis of income sources for multi-service organisations, the Australian Red Cross has not been included due to the high level of government funding for blood banks. The inclusion of Australian Red Cross increases the percentage of government funding for multi-service organisations from 38 per cent to 48 per cent.

⁴ The remainder largely consists of funding from multilateral bodies to CARE Australia.

⁵ The number of beds in the sector as a proportion of total beds is used to estimate the government funding for the sector. This applies to both nursing homes and hostels.

⁶ These estimates are for CSWOs only. They do not include for-profit nursing homes.

Disability services

Many medium-sized organisations (incomes of more than \$1 million but less than \$10 million) were identified in the disability area as part of the process of selecting the largest 50 organisations. Others were identified from data on government funding. Based on data in annual reports, government funding as a percentage of income was 54 per cent for medium-sized organisations which is 4 per cent higher than for large disability organisations.

In the disability area, medium-sized organisations included:

- sensory disability organisations, for example the deaf societies in several states and organisations for the blind in smaller states; and
- disability organisations providing residential employment and supported employment in a number of states.

For small and very small organisations the distribution of sources of income was estimated from the ACROD survey (sub. 152, att. B). This was applied to the level of government funding for smaller organisations in the disability area to obtain an estimate of their total income.

Taking all categories together, the disability sub-sector is estimated to have had a total income of \$786 million in 1993–94 (Table 1.5). This does not, however, include HACC services for the disabled.

Table 1.5 Sources of recurrent income — disability services, 1993–94 (\$ million)

	<i>Government funding</i>	<i>Fundraising</i>	<i>Client fees</i>	<i>Other income</i>	<i>Total</i>
Large organisations	136	53	28	56	274
Medium organisations	69	24	10	25	128
Small and very small organisations	262	43	22	58	384
Total	468	120	60	139	786

Source: Table 1.3 for large organisations, Commission estimates for other organisations.

Overseas aid

For overseas aid organisations, estimates were derived from the information in Chapter 6.

Other services

The relative distribution of income for organisations in areas outside aged care and disability services (other than those included in the 50 largest organisations)

was estimated from the Community Services Victoria study (1992).⁷ This is shown in Table 1.6.

Table 1.6 Sources of recurrent income — multi-service and other organisations, 1993–94 (\$ million)

	<i>Government funding</i>	<i>Fundraising</i>	<i>Client fees</i>	<i>Other income</i>	<i>Total</i>
Large multi-service ^a	208	94	80	172	554
Other organisations ^b	601	72	69	117	859
Total	809	166	149	288	1413

a Excluding Australian Red Cross.

b Organisations providing community, individual and family support services, services for children at risk and HACC services outside the 13 large multi-service organisations.

Source: Table 1.3 and Commission estimates.

Many small organisations do not receive any government funding (see Appendix D). While these organisations perform important roles in the sector, it was virtually impossible to obtain useful data on either the number or income of these organisations.

1.10 All organisations

The estimates of the size of the sector developed above are combined in Table 1.7.⁸ The overall estimate for the size of the sector in terms of recurrent income is \$4782 million. Figure 1.2 shows the breakdown of income by source.

Limitations of the estimates

The estimate for the size of the sector in terms of recurrent income is the best estimate available at this time, but it has a number of limitations.

First, the estimates include only those organisations receiving government funding.

Second, estimates of relative income sources for small disability organisations were based on the ACROD survey of members which may not be representative of all organisations.

⁷ The estimates from this study were used to obtain other sources of income for organisations with incomes less than \$10 million.

⁸ The estimates for the size of the sector and the sources of income do not include child care. Commonwealth government funding for child care is \$250.6 million as shown in Table 4.18. It was not possible to estimate non-government sources of income for child care.

Third, estimates of relative income sources of smaller organisations were based on Victorian data which may not be representative of other states.

Table 1.7 Sources of recurrent income — all government funded organisations, 1993–94 (\$ million)

	<i>Government funding</i>	<i>Fundraising</i>	<i>Client fees</i>	<i>Other income</i>	<i>Total</i>
Aged care ^a	1010	77	768	13	1868
Disability services ^a	468	120	60	139	786
Multi-service (large)	347	122	80	182	730
Other organisations ^b	601	72	69	117	859
Overseas aid	71	173	..	41	285
Employment	203	17	17	17	254
Total	2700^c	581	993	508	4782

a Excludes HACC services.

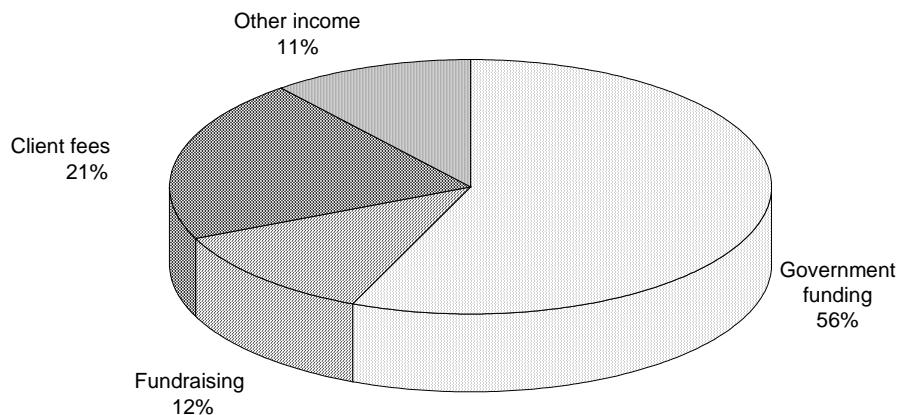
b Organisations providing community, individual and family support services, services for children at risk and HACC services outside the 15 large multi-service organisations.

c Derived from total government funding of \$2950.4 million (see Table 4.1) less child-care funding of \$250.6 million.

.. Zero value.

Source: Commission estimates.

Figure 1.2 Sources of recurrent income — all government funded organisations, 1993–94



Source: Table 1.7.

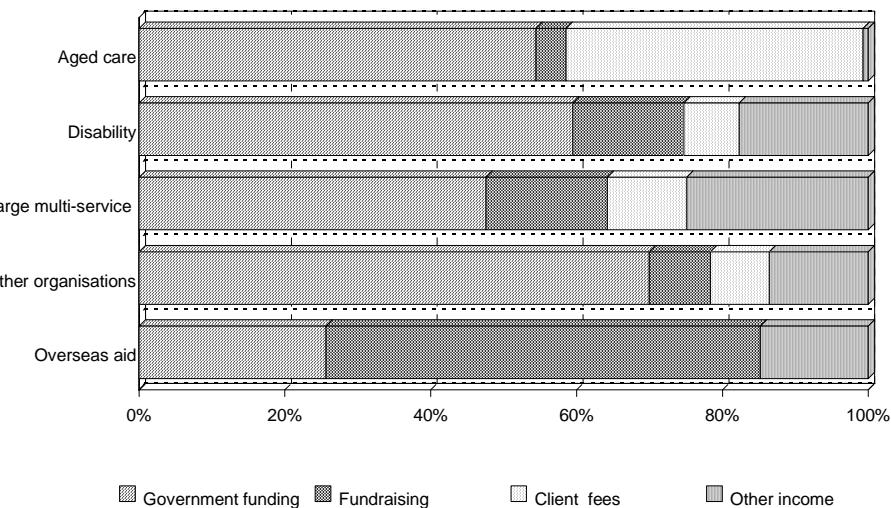
Government funding of the sector relative to government income support

Figure 1.2 shows that a large proportion of the income of all government funded organisations (56 per cent) is provided by government.

To put the amount of government funding of the sector in context, it can be compared with expenditure on income support. Income support programs comprise unemployment benefits, universal health care, sickness benefits, children's and supporting parent allowances. They have been built up over the last 100 years and have been constructed on the premise that no one should be left without a means of basic financial support.

Currently, one in four Australians relied on income support payments to some extent. Total social security and welfare transfers — the largest part of the welfare safety net — totalled some \$43.5 billion in 1993–94 (Commonwealth Government 1994, s.3.83). Government funded organisations in the sector receive \$2.7 billion in government funding each year and total income of \$4.8 billion as Table 1.7 shows.

Figure 1.3 Sources of recurrent income by sub-sector — all government funded organisations, 1993–94



Note:

Other organisations provide community, individual and family support services, services for children at risk and HACC services.

Source:

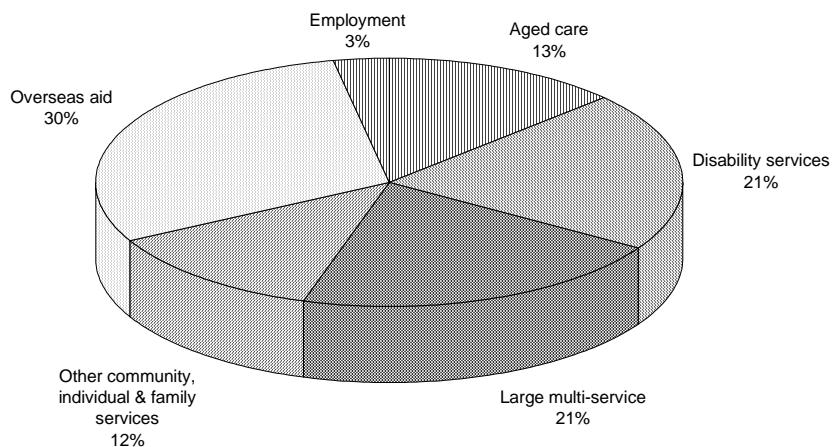
Table 1.7.

Sub-sector differences

The proportion of government funding and fundraising differs greatly between programs. The sources of recurrent income by sub-sector are shown in Figure 1.3.

The distribution of fundraising by sub-sector is shown in Figure 1.4. Overseas aid organisations raise 30 per cent of the overall fundraising, followed by disability services and large multi-services (15 organisations in total) with 21 per cent. All other organisations in community, individual and family support and HACC services (some 7 000 organisations) and aged care organisations raise similar amounts.

Figure 1.4 Distribution of fundraising by sub-sector — all government funded organisations, 1993–94



Source:

Table 1.7.

2 PARTICIPANTS' PERCEPTIONS

This Inquiry has generated significant public interest. The Commission received 786 formal submissions, held 37 days of public hearings involving 284 organisations and individuals, and visited over 200 organisations in Australia and overseas. This has allowed some of the major issues and concerns consistently raised by participants in the Inquiry to be identified.

2.1 Sector's involvement in the Inquiry

On 16 December 1993, the Treasurer announced that the Industry Commission would conduct an Inquiry into Charitable Organisations in Australia.

Many CSWOs initially questioned the appropriateness of the Inquiry, but this view changed significantly during its course. The Overseas Service Bureau reflected upon this change of attitude in their submission:

While the natural initial response is a defensive one — Why Us? — upon deeper reflection this Inquiry gives charitable organisations the opportunity to provide the Inquiry with vital information which is able to be fed into the formulation of more appropriate policies and regulations in this important area. (sub. 305, p. vii)

The Australian Council of Social Service (ACOSS) acknowledged that:

[The Inquiry] has the potential to achieve some beneficial outcomes for the community sector in Australia. Given the general lack of awareness and recognition of the contribution of these organisations to the economy and social development, the Inquiry is welcome and timely. (sub. 286, p. 1)

More than 2000 individuals and organisations registered their interest with the Commission during the Inquiry and were kept informed of its progress.

Prior to the release of the Draft Report in October 1994, written submissions were received from 443 organisations and individuals and representatives of 156 of these discussed their views and concerns with Commissioners at public hearings. These covered a diverse range of issues, concerns and opinions. Hearings were held for a total of 23 days in all capital cities except Darwin.

Following the release of the Draft Report, extensive input was again made by the participants. Over 340 submissions were received and 128 organisations and individuals participated in 14 days of hearings, which were again held in all capital cities except Darwin.

The Commission visited more than 200 organisations in city, country town and rural and remote locations throughout Australia and overseas in order to assist it in gaining an understanding of the range and nature of services provided by CSWOs. Visits covered the full range of organisations under review from large traditional agencies providing many different services, to small community-based organisations with a single focus such as neighbourhood houses (see Appendix A).

The information contributed by participants throughout this Inquiry has been used extensively to compile this report. The remainder of this chapter summarises the range of views of participants on the important issues being dealt with by the Inquiry. For convenience they have been categorised into four groups — CSWOs, government departments and agencies, service users and for-profit service providers.

2.2 The nature of CSWOs

2.2.1 A great diversity

Throughout the conduct of the Inquiry, the Commission was struck by the diversity within the community social welfare sector. CSWOs provide a wide range of services including aged care, disability services, crisis accommodation, emergency relief, employment and training services, counselling, advocacy and overseas aid. As documented in Chapter 1, they vary according to their size, auspice, sources of funding and composition of staff, including volunteers.

The users of services are as diverse as the organisations themselves. They include people with a disability, the aged, ethnic communities, children, the unemployed, and individuals and families in crisis.

Many participants characterised the sector by its diversity. For example, ACOSS said that:

The history of the development of community organisations has highlighted the diversity of the sector; and this is one of its great strengths. ... There is enormous variety not only in size, but also in the way they operate, where and how they generate their funds, how they are managed, their legal structure, their value base, their activities, and so on. (sub. 286, p. 18)

The Salvation Army claimed that this great diversity permits individuals to have a choice in the services that they use:

Voluntary organisations are important in allowing for consumer choice in services, so that people are able, if they so desire, to choose services in accordance with their own belief and value systems. This enables people the opportunity to choose local or

culturally appropriate supports in times of crisis or enduring personal difficulties. (sub. 394, p. 2)

2.2.2 The place of CSWOs in society

The National Anglican Caring Organisations Network described the place of CSWOs in welfare service provision as meeting those needs which are important for wellbeing but which are not being met by governments or the market system:

Government has the elected role to govern, to provide every citizen with basic necessities of living which are best provided publicly, and to oversee and regulate the social conditions for the good of all. ... Business and industry provides goods and services which in the market are distributed between individuals based on their willingness to pay. ... Community Services ... respond to demand which is important to human dignity or a minimum standard of living, but not met by the market economy. (sub. 189, p. 4)

Government also acknowledged the place of CSWOs in society. For example, the New South Wales government said that:

Charitable organisations play an important role in society by providing a mixture of services for the benefit of the community. ... Charitable institutions often provide services that might not be provided by government in their absence due to the sensitivity of the task, the small number of the people involved or the delay in responding to specific needs. (sub. 356, p. 1)

The Australian Council for Overseas Aid (ACFOA) highlighted the importance of placing the work of CSWOs in an appropriate context:

[A]ny discussion on NGDOs [non-government development organisations] needs to be placed within the context of their particular philosophy, objectives and approach, which we contend differs from those of profit-making enterprises and indeed of government agencies. ACFOA believes it is important that the Commission recognise this difference in its deliberations. (sub. 659, p. 1)

CSWOs differ from other organisations in that their sole motivation is often simply to satisfy unmet need. Many CSWOs have traditionally drawn upon their religious ethos or historical origins for their values and organisational objectives (see Box 2.1).

The Australian Catholic Social Welfare Commission suggested that the teachings of the Catholic Church provide:

... a number of operational principles, applications and guidelines to direct the work conducted by Catholic social welfare agencies. These principles relate to the need to maintain a balance between social responsibility and respect for the rights of the individual. (sub. 327, p. 3)

Box 2.1 The varied goals of CSWOs

CSWOs draw on many philosophies and sources for inspiration in forming their goals.

Some organisations such as the Australian Red Cross are humanist. The international organisation's mission is:

To prevent and alleviate human suffering wherever it may be found; to protect life and health and ensure respect for the human being, particularly in times of armed conflict and other emergencies; to work for prevention of disease and promotion of health and social welfare; and to encourage voluntary service and a constant readiness to give help by members of the Movement and a universal sense of solidarity towards those in need of its protection and assistance. (Australian Red Cross 1993, p. i)

Other CSWOs are motivated by religious beliefs. For example the Salvation Army said:

The Salvation Army, an international movement, is an evangelical branch of the universal Christian Church. Its message is based on the Bible, its ministry motivated by the love of God. The mission is both spiritual and practical encompassing the preaching of the gospel of Jesus Christ and alleviating human suffering and distress without discrimination. (Salvation Army Australian Southern Territory 1993, p. 5)

While others, like Zig Zag Young's Women's Resource Centre have a specific (in this case feminist) focus. Their mission is:

Because we believe that young women are vital, creative and can do anything, we aim to redress social inequities and attitudes that hinder young women's opportunity to reach their full potential. We encourage, educate and resource young women to explore the real and positive choices in their lives and to understand how social and political influences impact on these choices. (Zig Zag Young Women's Resource Centre 1993, p. 1)

Anglicare (Brisbane) said that the reason for its existence is simple:

It is not politically driven and it is not profit-driven. Its mandate is simply and solely to meet the needs of people. (trans, p. 1470)

2.2.3 Advantages of CSWOs

Participants repeatedly stated that CSWOs have distinct advantages over government and other organisations in the provision of community welfare services. They argued that they are:

- more in tune with the needs of the community;
- more flexible and innovative; and
- able to involve the community in charitable activities by providing opportunities for fundraising and volunteering.

Anglicare (Northern Territory) argued that:

They are in touch with the issues and how best to provide services needed. They are less controlled by guidelines and directives, more flexible and able to adapt to individual needs. Decision making processes are easier and less subject to political whims although subservient to their own philosophical base. Attention is more drawn to client needs than watching the back. (sub. 226, p. 2)

Many participants said that CSWOs often lead the way in innovating responses to community needs. The Queensland Council of Social Service (QCOSS) gave some examples of where they considered that this had occurred, namely: women's shelters, housing cooperatives, youth services, family planning services and services to Aboriginal and Torres Strait Islanders and those from Non-English speaking backgrounds (sub. 261).

The Queensland Society of St Vincent de Paul noted that survival motivated CSWOs to find new and cheaper ways to provide services:

The incentive for charities to innovate and become more efficient is their own self-survival, and their abilities to achieve successful results and performance. The way our community society is developed, funds may not be available to charities who do not achieve successful results in a cost effective manner. (sub. 187, p. 29)

A distinguishing feature of many CSWOs is their ability to raise money from the public through donations and fundraising. However, many CSWOs stated that the market for the charity dollar was becoming increasingly competitive. The Royal Blind Society of New South Wales commented that:

Fundraising is incredibly competitive these days, not just from established groups that have been fundraising for a long time but from new groups, particularly those related to government that are now seeking to raise funds from the community — museums, art galleries, children's hospitals ... AIDS foundations. (trans, p. 801)

Some organisations argued that inconsistent fundraising legislation between States has impeded their ability to conduct fundraising across States or on a national basis. World Vision Australia commented on the 'diseconomies brought about by differing fundraising rules adopted by each State' (sub. 235, p. 14).

Volunteers also make an important contribution to CSWOs and to the welfare effort. Most CSWOs emphasised how important the volunteer effort was to the organisation's ability to provide services. The Australian National Lifeline and Lifeline State Council — Queensland stated that:

This is an invaluable resource. It enables Lifeline to raise revenue and provide counselling services at cost efficiency levels that few organisations can achieve. (sub. 117, p. 6)

2.3 Concerns of CSWOs

CSWOs repeatedly raised a number of concerns, namely that:

- CSWOs face increasing pressure on their resources, particularly in years of recession;
- the lack of resources has significantly reduced the ability of CSWOs to attract quality management and to fund staff development and training;
- any relationship between the sector and government has become more difficult as the range and complexity of services funded by government but provided by CSWOs has increased; and
- any removal of tax deductibility of donations and exemptions from income and other taxes would significantly increase the costs of services and place even greater pressure on the resources of CSWOs.

2.3.1 Pressure on resources

As outlined in Chapter 1, CSWOs rely on a variety of funding sources including fundraising, government funding and commercial activities. Many organisations said that the uncertainty of income from each of these sources makes planning difficult and is an effective constraint on their ability to provide a greater number of better quality services. For example, the Salvation Army said that:

The ability of community agencies to effectively manage and complete ... tasks is somewhat hampered by the climate of uncertainty around their funding. With most agencies reliant on a combination of government funding and donations for their survival the capacity to forward plan is limited. (sub. 394, p. 30)

In addition, CSWOs claimed that the increasing devolution of services by government has significantly increased the workload of the sector but that funding has not always matched this increase.

Participants argued that the recession of the early 1990s had increased the pressure on resources through reduced income, particularly from fundraising, and by increasing the number of people in need of welfare services. Sydney City Mission said that:

During this time, not only did the mission have to balance its own financial viability with the charter of caring for the more disadvantaged in our society, but we also had to come to terms with the fact that the recession itself simply created greater numbers of disadvantaged people, which in turn created even more demands on the services of the mission at the time income was lean. (trans, p. 843)

Many CSWOs see themselves as being subject to increasing pressure. The Wesley Central Mission — Melbourne commented:

In the last five-ten years the sector has been subjected to many pressures on a rapidly increasing basis which literally prejudice much of its future existence. (sub. 595, p. 1)

The pressure has also been felt by the staff of the organisations. For example, the Society for Multiply Disabled People of Tasmania stated that:

The [early 1990s] recession and particularly high unemployment has hit people hard and it is reflected in the amounts raised. This has meant a serious tightening of our organisations resources without compromising service delivery. Staff have gone without pay increases, some for as long as 4 years. Award increases were suppressed until this past 12 months due to inability to pay. This organisation believes it is operating as lean as it humanly can without breaking its own back. (sub. 399, p. 2)

2.3.2 Training and management

A lack of resources has significantly reduced the ability of organisations to attract qualified and experienced management and to provide training for staff.

CSWOs generally recognise the importance of staff development and training as a means of improving the effectiveness and efficiency of services. Lifeline (sub. 117) devotes significant resources to the training of its volunteer telephone counsellors. The Society of Saint Vincent de Paul (Queensland) said that it regards training on all aspects of service delivery as vitally important:

In its nursing service department such training covers technical, operational and administrative areas and is provided by nurse educators, other professionals and trained operators from internal and external sources. This Society also provides training in each of its spiritual, operational and general administration areas for Vincentians, volunteers and paid staff. (sub. 187, p. 31)

Queensland Shelter highlighted what they saw as not only a general lack of management skills, but also the increasing demands which could be placed on management by new management practices:

We are acutely aware that most workers and management committees within this industry — and within housing in particular — do not have any skills in management, particularly management of community agencies. That training isn't available to them, and our concern is that in smaller organisations, if they are required to get involved in total quality management or quality assurance type practices — to upgrade their skills in a lot of those areas — that they are going to need quite a lot of training, and that training has to be accessible. (trans, p. 3853).

Some submissions indicated that the pressure on resources, particularly in recent years, has made training more difficult. For example, Activ Foundation indicated that:

Due to lack of funds and resources it is not possible to maintain a sufficient level of training for staff or employees. Major impediments are lack of funds, lack of staff

within the organisation with subject knowledge and training experience and the lack of resources to co-ordinate the training function. (sub. 178, p. 26)

Randwick Family Support Services argued that smaller organisations have the greatest difficulty finding resources for staff training:

Opportunities for training within small community service organisations are few. Funding prohibits paying for training and staff often cannot be spared to attend courses even if they are offered free of charge. (sub. 65, p. 8)

Many CSWOs said that limited management resources within the sector were a specific area of concern. Insufficient funding was said to be one of the factors impeding the ability of organisations to attract high quality management.

2.3.3 Dealing with government

Partnership or subservience?

Partnership was a term often used by the sector to describe the ideal relationship between CSWOs and government. However, many CSWOs expressed concerns about the balance of power within the relationship and questioned whether in reality a partnership could ever exist.

ACROD, for example, said that governments use the ‘rhetoric of partnership but the reality is an exercise of power by government’. They argued that:

... [T]here is not equality in the partnership — government has sought to be all powerful regardless of whether an organisation receives 30 per cent or 100 per cent subsidy and the accountability is all one way. This situation has not only bred mistrust in the sector, but has led to excessive bureaucracy and over regulation. (sub. 152, p. 20)

The New South Wales Consultative Committee on Ageing stressed the lack of mutual accountability:

There is a constant problem here that partnership ... may not be an equal partnership and the weaker party does what they are required to do but the stronger party doesn't feel the same pressure to fulfil its part of the partnership as expeditiously as it might perhaps do. (trans, p. 3351)

There were many suggestions as to what a partnership consisted of. The NSW Council of Social Service (NCOSS), for example, referred to the Protocol for consultation which has been recently developed with the New South Wales government:

[The Protocol] is designed to bring about a culture change in both the community and the department. It is designed to reinforce the need for partnership, the need to consider the best and widest range of advice before making decisions and to result in a

better understanding by all the parties about constraints and desirable directions. (sub. 643, p. 35)

Few were able to envisage how an effective partnership could be achieved, although a small number of participants explored the concept at greater depth. The National Association of Charitable Recycling Organisations considered that co-responsibility was a more meaningful expression of the relationship:

[W]e would see that we have a co-responsibility for those particular items, to be accountable, to fund, to provide services and to facilitate citizen participation. (trans, p. 4204)

The joint submission from the Association for the Blind and Yooralla Society of Victoria proposed a much broader agreement:

What is needed, it seems to us, is some sort of broad agreement (or Accord) between the sector and government which specifically recognises that charitable organisations themselves should have a primary responsibility for planning and implementing programs for relevant groups and which acknowledges that, wherever practicable, such organisations should take over from government the responsibility for caring for disadvantaged groups. Government would continue to be the main provider of funds but charitable organisations would bear the main responsibility for the operation and delivery of services to the disadvantaged while at the same time accepting appropriate accountability criteria. ... [T]he impulse should and has come from the community and ... government should be encouraging the community to provide that impulse rather than giving the impression that initiatives and plans and decisions come only from government. (sub. 755, p. 4)

The high cost of accountability

CSWOs expressed concern about the unnecessarily high administrative costs of satisfying the accountability requirements of government. Most organisations accepted the need for accountability and reporting requirements. The Association for the Blind, the Spastic Society of Victoria and Yooralla Society of Victoria acknowledged that:

If charities are to be recognised as independent agencies but to receive considerable government funding, they must be accountable to both government and their own private donors for the efficiency and effectiveness of the services they provide. (sub. 347, p. 12)

However, many CSWOs expressed concern that they were required to comply with multiple and inconsistent forms of reporting in order to satisfy their accountability requirements to government. The ACT Council of Social Service stated that:

Community organisations can be required to submit multiple reports to different funding sources, often different in format and content. Accountability requirements imposed by governments have also been shown to be inconsistent with other public reporting requirements, for example, those required by virtue of being a registered

association, registered charity, co-operative or company. Furthermore, community organisations are frequently required as a condition of funding to report on independently raised funds and other parts of the organisations, often unrelated to the purpose of the grant. (sub. 218, pp. 4-5)

Participants stressed that it is important for government to specify reporting requirements clearly so as to minimise the costs of compliance. For example, the Paraplegic and Quadriplegic Association of Victoria stated that:

... it is vital that the government clearly identifies the data it requires to ensure both accountability and transparency and sets in place minimal reporting requirements which avoid the provision of the same information in different formats to different departments within the government agency.

The impact of Service Agreements and data collection can be to require charitable organisations to divert more resources to administration of programs than is included in the funding formulas, which means that the Association's fundraising dollars are diverted into non-direct client care services. (sub. 348, p. 12)

The South Australian Council of Social Service (SACOSS) highlighted the extent to which accountability requirements not only increase administrative costs but also discourage longer term planning:

Whilst the rhetoric from government has been to let organisations manage, they have in practice imposed particular forms of accountability which constrain managers to manage in particular ways. Organisations find themselves burdened down with reporting requirements which in effect increase administrative costs and reduce service provision. (sub. 250, p. 4)

Excessive prescription of services

CSWOs expressed anxiety with moves by governments increasingly to assume responsibility for setting service priorities and to prescribe in excessive detail how organisations are to deliver services.

Many organisations objected to being told how to spend their money where only a small proportion is provided by government. Knobrooke said that governments should set minimum performance standards in service agreements but allow CSWOs to manage their resources in the most effective way possible:

A good relationship could be established and maintained if government ... set the standards such funding should provide and then adapted a monitoring role of achievement of those standards and allowed the organisation to meet those standards in the most efficient and cost effective way. Imposition of requirements that impinge on the organisation doing what it knows best (service provision at a 'hands on' grass root level) do not induce a trusting working relationship. (sub. 138, p. 7)

Some organisations, such as the Sisters of St John of God, opposed any move that:

... establishes a path towards increased government control over voluntary and charitable activities and their providers which will lead to a loss of local autonomy and flexibility and a stereo-typed national format of charitable organisations. (sub. 705 p. 30)

2.3.4 Maintenance of current taxation arrangements

Government currently supports CSWOs by allowing exemptions from several forms of taxation and by tax deductibility for donations to Public Benevolent Institutions (PBIs). CSWOs argued strongly for the maintenance of current taxation arrangements.

The Deaf–Blind Association typified the concern of most CSWOs, stressing that its financial viability is heavily dependent on the preservation of tax concessions:

[A]s well as the direct financial advantage they [tax concessions] also reduce the financial burden of the Associations administrative sector and allow a greater proportion of Association funds to be directed to service provision. Without these concessions the Association would encounter severe financial difficulties. (sub. 276, p. 13)

There was also a strong preference for taxation concessions over direct funding of equivalent benefit. The Australian Youth Policy and Action coalition, for example, put forward the following as disadvantages of direct funding:

- a significant proportion of the revenue is likely to be absorbed in administrative functions;
- targeting into priority area will be subject to the limitations of government policy development;
- even the fact that the funding will be targeted to CSWOs could not be guaranteed in the long term; and
- large multi-service organisations are likely to benefit at the expense of small organisations. (sub. 697, p. 3)

Specific taxation benefits were considered by some to be important in addressing particular difficulties faced by CSWOs. Exemption from fringe benefits tax (FBT), for example, was considered by the National Epilepsy Foundation to be vital for attracting good senior management:

We have been taking specific steps to improve the quality of our management. Crucial in that process has been the FBT exemption as it has allowed us to be competitive in the effective salaries we pay to attract more capable managers. (sub. 588 p. 6)

CSWOs said that having tax deductible status was an important factor influencing their ability to attract donations from the public. The Council of Intellectual Disability Agencies stated that:

The eligibility of donations to attract taxation deductibility status does have a considerable bearing on the giving pattern of donors which is seen by an increased level of donations in the weeks immediately prior to the end of the financial years. Whilst many of these donations may have been made it is doubtful whether the same level of donations would be received without the tax deductibility status which currently applies. (sub. 358, p. 5)

However, Adelaide Central Mission expressed the concern that the current benefits favour particular types of organisations:

Because of historical considerations the tax deduction for donation is restricted, almost exclusively, to traditional views of charities which are generally involved with intervention styled activities. No standard deduction is available for donations to organisations involved in preventative activities, for example drug education programs, preventive health services, etcetera. (sub. 271, p. 13)

Port Adelaide Central Mission (sub. 256) said that tax deductibility of donations allowed the public to decide which organisations should receive government support.

2.4 The views of Government

2.4.1 Achieving government welfare objectives

Governments see the activities of CSWOs as integral to achieving their social policy objectives. The Commonwealth Department of Human Services and Health (HSH) recognised the role of CSWOs in delivery of community health services:

The Department recognises the valuable contribution made by CSWOs in the delivery of community care services, including many programs which are funded by the Commonwealth government. CSWOs and government are very often partners in service provision, each playing distinct but complementary roles. (sub. 583 p. 1)

Increasing pressure to improve the functioning of service provision has resulted in the recognition that CSWOs are often better service providers than government agencies. For example, the Victorian Department of Health and Community Services (H&CS) stated that:

The [Victorian] government recognises the valuable contribution to Victorian society made by such community organisations and their volunteers by bringing together the energies, skills, labour and financial contributions of many people into activities which are of benefit to the broader community. ... [C]ommunity organisations are a caring and cost effective way of providing support for those in need because such organisations are locally organised, and flexible in meeting the needs of clients, without a complex bureaucratic system which tends to diminish the value of individuals. (sub. 346, p. 1)

The Commonwealth Department of Housing and Regional Development (DHRD) also discussed the integral role of CSWOs in the delivery of services, particularly in rural and remote areas:

The Department also acknowledges and values the role of the community sector in providing services for clients with particular difficulties, for communities with special needs and for people in remote or difficult to access areas. Community organisations have worked successfully within local or regional areas to establish mechanisms to meet local needs and have been in the forefront of raising community awareness of these needs. (sub. 407, p. 1)

The New South Wales government believes that the best way to maximise the impact of its resources is to supplement the activities of CSWOs:

Governments accept that they must intervene to supplement the resources of the charities and non-profit organisations when they provide important community services that complement the government's policy aims. All demands for assistance cannot be met and governments should approach funding in this area by assessing requests for support on a case-for-case basis, providing clearly targeted assistance and evaluating the success of programs. (sub. 356, p. 4)

An appreciation of the advantages of CSWOs, particularly in greater efficiency and effectiveness of service delivery, has led to greater devolution of services to the non-government sector. H&CS (sub. 346) said that this is consistent with the view of the Victorian government that their role should be to fund directly other agencies which may be better able to provide services.

2.4.2 Government's view of partnership

Whereas submissions from CSWOs argued strongly in favour of various partnership arrangements with government agencies, relatively little comment on partnership was made by government. The Northern Territory Department of the Chief Minister supported the concept of partnership:

The current challenge is to define and seek to shape the nature of partnership between the government and non-government sectors. This is a developmental approach requiring processes that should reflect the essential characteristics and utilise the significant strengths of each sector in defining partnership. Partnership implies a relationship sharing the risks and the benefits of association in relation to common goals. Partnership also allows for interdependence where the independence of each sector is not diminished. The notion of partnership implies that power considerations are minimised. (sub. 345, p. 3)

It identified similar characteristics of an effective partnership with CSWOs.

However, DHRD argued that the term partnership is too simplistic to describe the relationship between governments and service providers:

Service providers could argue that there is no equality of partnership between themselves and governments, as they may regard government priorities as being very different to their priorities, and see themselves on the receiving end of decisions in which they participate inadequately, including decisions in respect of reporting, accounting and funding levels. ... It can be argued that an agency/contractor relationship can only become a partnership if both parties understand and respect the other's agenda, are mutually dependent and participate in policy development from a perspective of mutual respect. Arguably there will always be points of tension between governments and service providers as they fulfil separate and distinctly different roles. (sub. 407, pp. 3–4)

Governments generally claim to be interested in developing a better relationship with CSWOs. However, they recognise that there is always likely to be tension. This is largely attributed to governments' need to ensure the effectiveness of CSWOs, both in the outlay of taxpayers' funds and in the delivery of services to the community. HSH considered that accountability should relate to outputs and outcomes not just expenditure on inputs:

The issue at the heart of the process is who is responsible for the programs in question — does the impulse come from the community, with the government subsidising community provision, or are they services that are planned, funded and delivered according to government policy, using community organisations as agents? The Department believes the answer lies somewhere in the middle. (sub. 414, p. 3)

2.4.3 The need for accountability and performance measurement

All government participants emphasised the importance of accountability mechanisms for ensuring that public funds are used appropriately.

The New South Wales government argued that:

... charitable and non-profit organisations should be accountable to their clients and funders with the strength of the accountability arrangements dependent on factors such as the sensitivity of services provided, the level of government funding and the size of the charity... There is a need to be flexible with the method and form of accountability to reflect the flexibility and diversity which is a strength of the voluntary sector. (sub. 356, p. 7)

DHRD recognised that accountability requirements are sometimes quite onerous and repetitive:

It is clear that governments as well as the range of agencies providing funding to service providers, need to consider adopting more streamlined and standardised approaches for reporting that will nonetheless meet their accountability requirements. (sub. 407, p. 7)

HSH said that accountability should be in terms of outputs and outcomes not just expenditure on inputs:

[There is a need to recognise] the need for the inclusion of financial accountability information when considering information on outcomes and outputs. However, in the Department's view, such an approach must also:

- involve close consultation with the community services sector, government agencies and other funders; and
- ensure that undue focus is not placed on input accountability at the expense of including accountability information for outputs and outcomes. (sub 583, p. 8)

DHRD emphasised that accountability should relate not only to efficiency but also effectiveness:

Improving the efficiency of community welfare service provision is a high priority for stakeholders. However, within government, program areas are now adopting a more holistic approach to welfare service provision, focusing on both efficiency and effectiveness. (sub. 780, p. 1)

The development and implementation of measurable performance indicators for CSWOs was considered to be a priority by several governments. The Queensland government, for example indicated that:

... techniques for the measurement of qualitative outcomes in the human services sector are underdeveloped. However, government departments in a number of policy areas are currently seeking to improve measurement of these outcomes for example, through the development of performance indicators and benchmarks. (sub. 273, p. 10)

2.5 The views of service users

The Commission received very few submissions from users of services. However, representatives of service users such as consumer peak councils made submissions which reflected some of their views and concerns.

The Commission also met with many service users and their families on its visits to CSWOs. These visits involved, for example, the clients of family support services, homeless people, victims of domestic violence, ex-offenders and ethnic community groups. Discussions generally covered issues relating to their experience with welfare services, their accessibility, and effectiveness and structures in place to allow client feedback.

2.5.1 Access to services

The Development Disability Council of Western Australia commented on the need for clients to have a choice between service providers:

... [F]or the provision of welfare services, an overriding advantage to the community is the provision of choice and a diversity of options. People need different solutions for different problems. The wider the choice of options, the more likely an appropriate

service will be available for a particular problem or situation. Consumer choice also serves as a means of ‘quality control’. People will choose the service they see as most responsive to their needs. (sub. 156, p. 4)

Despite the diversity and choice available, some participants considered that there are still some areas which do not have adequate access to services. For example, the Arthritis Foundation of Australia (sub. 84) expressed its concern that people with arthritis do not have access to government programs, despite the fact that they claim people with arthritis are the largest group in Australia to be suffering from a chronic affliction.

Some participants claimed that clients would have greater choice if they were funded directly rather than indirectly as in the predominant practice of funding service providers. But choice would only be promoted by direct client funding if alternative service providers were available. Central Queensland University — Rural, Social and Economic Research Centre said:

Direct, non-transferable grants to clients has emerged as a response to the issues of social justice and client autonomy. In such a discussion, what is rarely mentioned is that such brokerage or consumer focussed funding rely on there being ‘something to buy’. In rural and remote areas there are rarely such services to be bought, or if there are, usually there is no choice offered. (sub. 450, p. 6)

Of particular concern in relation to access to services were people living in rural and remote communities and people from different cultural backgrounds.

Rural and remote communities

The Commission received very few submissions from the users and providers of services in rural and remote areas, although some peak bodies referred to the specific interests of their members from those areas. However, the Commission visited some communities in remote centres such as Port Hedland, Mt Isa, Wyndham and Kununurra and talked to representatives of remote communities in visits to Darwin, Cairns, Townsville and Lismore.

CSWOs argued that there were several reasons explaining limited access to services in rural and remote areas.

First, the cost of delivering services in rural and remote areas is much higher than in urban areas. This is commonly not reflected in funding arrangements. Participants cited vehicle costs, distances and time travelled between clients as significantly affecting the costs of service provisions. In some of the most remote areas, workers travel hundreds or even thousands of kilometres to visit aged and disabled clients. For example, the Community Options Program in Mt Isa covers an area from south of Mt Isa to the Gulf of Carpentaria.

The Western Australia Council of Social Service (WACOSS) argued that:

... when assessing efficiency and effectiveness of organisations in remote areas the question of cost disadvantage needs to be recognised. These cost factors impact in all areas of expenditure, and apply equally to agencies, staff and clients. ... size of remote communities and the local needs often are not sufficient to create a critical mass that enable community organisations to compete for government grants. In addition, government funding policies requiring community management committee models, and funding formulae based on urban service models and cost structures, create barriers which restrict the access of remote communities to these resources. (sub. 331, pp. 4-5)

Second, CSWOs in rural and remote communities have significant difficulty in attracting resources such as volunteers, financial resources including fundraising and suitably qualified staff. On visits to several country areas, the issue of attracting suitable members for management committees was raised as a particular concern. A representative of ACROD confirmed this view:

... in country areas I get the concerns over and over again from the members that they cannot get quality people to serve on the boards (trans, p. 17)

Participants argued that there was very little access to training resources in country centres. The costs of travel and accommodation to training courses were also considered to be an inhibiting factor. Professional supervision to assist staff in their development was also seen to be rarely available for service providers in country areas.

Services to Aboriginal people

CSWOs predominantly providing services to Aboriginal communities were not specifically identified in the Terms of Reference of the Inquiry and few submissions were received from these organisations. In the course of the Inquiry, however, a number of Aboriginal organisations talked to the Commission and visits were made to some Aboriginal organisations in the north of Western Australia and in Perth and Melbourne.

These groups asked the Commission to consider and recommend policy solutions which would address some of their particular concerns. They did, however, say that special processes would be required for effective consultation with CSWOs working with Aboriginal communities. The Secretariat for National Aboriginal and Islander Child Care suggested a possible process:

The Industry Commission's Inquiry has really bypassed Aboriginal organisations and we would ask for a separate process to be conducted by the Industry Commission if it wished to go into the issues that really concern Aboriginal organisations. ... Some other process could be developed or initiated perhaps with the involvement of the Aboriginal and Torres Strait Islander Commission. (trans, p. 4459)

With the resources available to the Commission, the above type of process was not feasible. As a consequence, no systematic study was undertaken to assess the difficulties faced by community based operations in the provision of welfare services to Aboriginal people.

It is the Commission's view that, while Aboriginal community based organisations share many of the difficulties faced by other CSWOs, the cultural differences of Aboriginal communities introduce problems which are of a quantitatively and qualitatively different nature. It is the view of the Commission that separate, detailed, consideration of service provision through these organisations is required before recommendations could be provided.

People from ethnic backgrounds

The Commission sought and received comment on the provision of services to ethnic communities from both CSWOs which attempted to serve all members of the community and from the users and providers of services targeted specifically to ethnic communities.

The difficulty in dealing with the concept of ethnicity itself was discussed at length by the Australian Refugee Association, Multicultural Mental Health Project, SACOSS and Anglican Community Services:

Any discussion of the welfare of our culturally diverse nation is hampered by 'definitional ambiguity'. There seems to be no consensus on the meaning or meanings of the terms ethnic (for some it refers to non-Anglo-Celtic background, for others it comes across as a derogatory term, still others think it denies Anglo-Celtic ethnicity), mainstream (does it describe government and statutory agencies only? If not, how does it include non-government agencies?), multiculturalism and multicultural (some use it as 'kinder' alternative to ethnic, others think it is a descriptive term with policy implications, etcetera). (sub. 761, p. 1)

The Ethnic Communities' Council of NSW argued that:

Ethnic community organisations play an important role in our society. They are a source of advice, support, information, advocacy and serve as a link with mainstream services. Their influence in the communities is often in great excess of the funding they receive. (sub. 337, p. 1)

Many of the mainstream agencies argued that the sector is becoming increasingly aware of the needs of ethnic communities and people from non-English speaking backgrounds (NESB). Some CSWOs indicated that they made significant efforts towards addressing the needs of ethnic communities. For example, Meals on Wheels South Australia (sub. 169) stated that they had recently undertaken initiatives to produce ethnic meals in South Australia and had made attempts to recruit ethnic volunteers to assist in meal preparation.

Many mainstream CSWOs argued that their function was to address the needs of people regardless of their background. However, they acknowledged that this must involve agencies having an understanding of the needs of ethnic people. For example, Lifeline stated that their services are:

... community-based, non-discriminatory and focussed on the needs of Australians as these may appear in the area in which each Centre is located. ... Lifeline is responsive to issues being faced by minority groups, but within the context of local communities and the circumstances of these communities. (sub. 117, p. 8)

However, some participants argued that mainstream service providers did not adequately implement access and equity strategies. As a result, people in ethnic communities often do not have adequate access to services. The Vietnamese Community in Australia (New South Wales) considered that while mainstream organisations are:

... sympathetic to the needs of the Vietnamese people ... we feel that due to various reasons, structural or administrative or cultural barriers, the specific needs of our community would not be met adequately by the big charitable organisations in the way that the services would be culturally sensitive and responsive to our needs. (trans, p. 2134)

The Ethnic Communities' Council of NSW identified some of the major reasons why services are under-utilised by people of NESB, namely:

- attitudinal barriers prevent services from engaging the resources and skills of people of NESB;
- there is a lack awareness of NESB needs and the impact these have on access to services;
- programs and services are not designed or provided in such a way that they are responsive to the culture and language of the users (or potential users);
- staff are not trained to use telephone interpreter services;
- there are no information and publicity strategies which include specific methods for informing ethnic communities/consumers of the existence of community services;
- there is an under-representation of trained bilingual staff within services;
- there is a lack of knowledge about statistical and other data relating to the different ethnic populations in a services catchment area;
- management Committee membership and concerns do not reflect the population diversity within the catchment area;
- services do not contact or involve themselves in multicultural community networks;
- there is insufficient utilisation of information about cultural practices that may be relevant in the development of service plans and strategies; and
- there is no Code of Practice in particular services aimed at encouraging staff to deliver high quality services to ethnic consumers. (sub. 337, pp. 3–4)

Some participants observed that providing appropriate services to ethnic communities often requires a lot more than simply modifying existing services or the use of translators. Cultural differences may necessitate a completely different approach to meeting community need.

The Cabramatta Community Centre — Fairfield Family Resource Centre listed several reasons why there is an ongoing need for ethnic specific organisations, including:

The principles of multiculturalism state the rights of citizens of NESB to retain their own culture and language and these are best met via ethnic specific services which have a sophisticated understanding of their own culture and which provide culturally specific advocacy, direct services in the client's own language and in a culturally appropriate manner, and are best placed to identify changing community needs. (sub. 627, p. 5)

Some participants acknowledged that there is always going to be a trade-off between the expertise of service specialist CSWOs and the better understanding of cultural diversity possessed by ethno-specific organisations. Eva Byrne, who spoke from long experience in working with ethnic communities, expressed the view that there is no simple answer:

I think that there comes a time when the mainstream organisations themselves are able to reach out and present their goods, their services, in such a way that is understandable to the [Non-English-Speaking] individual ... but it's also recognising that there are certain traditions and traditional ways of living which are acceptable. It may be the church affiliation, it may be a lifestyle, it may be the extended family, it may be even the locality they have come from - for example, Greek islands. Now, all of those conflicting things ... are sometimes too much for them to look out and say, 'The Australian community can really help me because I've got this problem,' because they want to take all of those problems in a package and expect them to be accepted which is too big, it can't. (trans, p. 3287)

The Port Adelaide Central Mission argued that the service recipients are in the best position to choose the organisation to meet their needs.

[T]here has been improvement in government services and amongst a number of not-for-profit organisations, and at the same time an improvement in the quality of services provided by ethnic groups themselves, so that today it doesn't really boil down to a question of any major difference between quality of service but rather of the choice of the individual. So ... far as possible people of non-English-speaking background ought to be able to exercise choice as to whether they receive their services through an ethnic community or a mainstream organisation of some kind or another, or both as it suits them. (trans, p. 4215)

2.5.2 Client feedback

Many CSWOs stated that they made significant efforts to involve clients and users of services in service delivery through established client feedback mechanisms and by including them on boards of management.

During its visits to various CSWOs, the Commission spoke with clients and users of services about issues relating to the quality of services and opportunities for feedback. For example, at Choices — a centre for young mothers with children who are at risk of abuse and neglect — service users said that they were often consulted about their service needs, and in the development and assessment of services.

Better Hearing Australia and the Council on the Ageing both stated that they often used consumers as representatives when dealing with other organisations, government and the community. The Association for the Blind and the Royal Blind Society of New South Wales said that blind people were prominent members of their boards of management.

Some CSWOs and government agencies submitted that they had made a significant effort to improve client feedback mechanisms. For example, the DHRD indicated that it is pursuing options to increase client feedback about its programs. However, it argued that it has had particular difficulties communicating with groups such as the homeless, sufferers of domestic violence, and those in rural and remote communities:

It is of concern that there does not exist a representative ‘voice’ of clients of housing programs for people who are homeless and disadvantaged. In practice, clients’ views are expressed to governments through service providers or through specific (isolated) research projects. (sub. 407, p. 7)

2.6 For-profit service providers

2.6.1 Tax disadvantages in comparison with CSWOs

For-profit organisations competing with CSWOs in some areas of service provision expressed the concern that taxation exemptions and concessions granted to CSWOs allowed them an unfair competitive advantage.

Some for-profit organisations argued that CSWOs should not be allowed taxation benefits. For example, Fitness Corporation of Australia (sub. 315) argued that their major competitor in the fitness and leisure industry received a range of taxation benefits because it purported to be a religious, charitable or community body. Yet they charged ruling commercial rates for their services.

Other for-profit organisations, particularly in the aged care industry, argued that they should be entitled to the same taxation benefits as CSWOs. The National Association of Nursing Homes and Private Hospitals indicated that the New South Wales government has already exempted private nursing homes from land tax. It argued that:

While if it may not be possible to allow full flow ons of all exemptions/concessions to the private sector, ideally in regard to sales tax, exemptions should be allowed to the private sector for all health care related equipment and furniture purchases. (sub. 409, p. 3)

2.6.2 Access to government funding

Some for-profit organisations argued that they did not have equal access to government funding programs, particularly in aged care. The National Association of Nursing Homes and Private Hospitals said that there was a difference in the capital funding arrangements provided to the private and charitable sectors, for example:

... even though the recurrent funding to each sector is the same, the charitable/religious sector, due to taxation and other exemptions, is able to revert these savings into the provision of care to each resident accommodated. In the private hospital area both sectors receive the same amount of benefits from hospital funds or from patients but the charitable sector has, as in the nursing home sector, certain financial savings again due to taxation exemptions and other concessions. (sub. 409, p. 2)

The Private Geriatric Hospitals Association of Victoria stated that:

It is as essential to ensure an equitable funding process for the voluntary nursing home sector as it is for the private nursing home sector. The major challenge is to effect structural changes in the funding and taxation processes which will enable both sectors to contest on an acceptable, equitable and comparable basis with the government sector for the long term benefit of the residents and the community. (sub. 367, p. 3)

2.7 The local neighbourhood

The extensive donation and volunteer support for CSWOs, much of which often comes from those living in the neighbourhood in which the CSWO is located, demonstrates that there is generally support for CSWOs by the local community. There can, however, from time to time, be a tension between a CSWO and its local community.

The Surry Hills Neighbourhood Centre Cooperative (sub. 119) argued that there were sometimes local community pressures preventing CSWOs from establishing organisations in their neighbourhood:

Instead of getting co-operation from the charities, the Surry Hills community now sees them as bad neighbours, uncaring of local people. While accepting government monies and using their powerful fundraising services, they have fallen into the trap of creating a 'garbage bin' for the 'Backyard of the City'. (sub. 119, p. 15)

The North and West Melbourne Community Action Group considered that the Salvation Army and the local council were together imposing the location of a facility on their neighbourhood and that there should be a capacity for more local input into planning decisions.

Our concern also extends to ... the issue of the development of appropriate planning procedures and principles for the location of social welfare facilities. (sub. 618, p. 2)

A related issue is gentrification, the re-development of old residential areas, which, because it displaces people from cheap boarding places, gives rise to a need for alternative accommodation and welfare services for low income and homeless people. The Council of Homeless Persons said:

In one area of Melbourne — the Spencer, Flinders Street corner — there were three old hotels which have traditionally been the domain of homeless people. Two years ago one of those hotels was sold, and there were people that had been living in that hotel for many years - 15, 20 years in some cases.

I do not know if you are familiar with those hotels, but ... they are not great accommodation. ... But it is their community and they have a right to live in the city, in our opinion. So what we really have to do is try and conduct some negotiations to ensure that what little sense of community is there can be preserved. So what we basically have to do is make the best of something that is inevitably going to occur. (trans, pp. 2643-44)

The above frictions present particular challenges to CSWOs to consult with the neighbourhoods in which they operate.

3 DEVELOPMENTS IN SERVICE DELIVERY

Significant changes have been made in the way in which social welfare services are delivered in Australia. These have provided new challenges for CSWOs. New methodologies have been adopted as social needs and expectations have changed. There is recognition of the need for better information about the outcomes of service delivery. Governments and the sector are developing a variety of mechanisms for consultation and planning.

3.1 Introduction

Since World War II, CSWOs in Australia have played a significant role in changing the design and improving the delivery of social welfare services. Sometimes they have initiated and trialed such changes and sometimes government policy has led the way.

These developments have been underpinned by growth in professional Social Work education at tertiary level and, more recently, the introduction of certificated courses in Social Welfare through Technical and Further Education colleges, which have brought new professional knowledge and skills into many CSWOs.

Professional education in these courses has drawn heavily on a rapid increase in knowledge about human behaviour in the mid-to-late twentieth century. Important new knowledge has also become available through the medical and allied health fields, including new pharmaceuticals. Social scientists have articulated new theories about social systems including family systems, human behaviour and socio-political interactions.

3.2 Building on new knowledge to improve service delivery

Some important changes in social welfare services strategies have been emerged over recent decades. They include:

- the move away from institutionalised forms of care for those in need;
- the introduction of community development as a distinct methodology;
- client participation now being regarded as an essential element in program design and quality control;

- the development of self help groups, particularly around new categories of medico-social need;
- the recognition of preventative strategies as a valued form of social intervention;
- advocacy being legitimated as part of the process of social debate;
- innovative programs being used to improve practice;
- case management and brokerage strategies being introduced to ensure clients obtain maximum coverage from increasingly specialised and segmented health and social welfare services;
- the development of information systems that allow better planning by governments of service needs; and
- new consultation processes between governments and CSWOs.

3.3 Deinstitutionalisation

Large-scale institutions were once the main model of care, both in Australia and overseas, for the intellectually and physically disabled, the mentally ill and children in need of care and protection — although Australia was one of the earliest countries to make foster care for children a priority. Seminal work done by Bowlby (1952), Goffman (1961) and others showed the highly detrimental human consequences of institutionalisation.

Institutional accommodation and support was seen to be costly and not to be meeting the developmental needs of residents. There were also instances of abuse and neglect of residents, particularly in large institutions. As a consequence, governments and CSWOs collaborated to develop new models of care, with the result that such institutions have largely disappeared from Australia.

The Burdekin Report (1993) claimed that the change from institutional care to community care has not been accompanied by sufficient transfer of resources to meet the demand created by deinstitutionalisation. It concluded that, unless suitable services are established in the community, the needs of ex-residents and vulnerable people would not be met. Many Inquiry participants supported these views.

The Mental Health Coordination Council of NSW argued:

There is still a gross imbalance in distribution of funds between the two sectors, and it is very commonly known that the institutions still take up a lot of the money in the mental health budget. The ... sector is generally applauded as a good sector to provide

services. They are cheaper to run, and the government generally relies on the NGOs to provide the service to support deinstitutionalisation. (trans, p. 740)

Closure of large residential institutions for children and young people in need of care and protection, the intellectually disabled and the mentally ill has contributed to a change of service types within the sector. Smaller home-based or community-based services such as foster care, family group homes, community residential units and outreach services are now the predominant forms of service delivery.

In many cases, agencies have converted institutional resources into community care programs. St Anthony's Family Service claimed that this service redevelopment has been accompanied by a net reduction in the availability of appropriate services in the community:

In past years these children would be taken into care and cared for in the various big institutions that we used to have, but as the government moves away from residential-based service, then these placement options for such children are greatly diminished. (trans, p. 2507)

Deinstitutionalisation has been occurring in all States and program areas, but at varied rates. There are, therefore, differing perceptions within the sector about the transfer of resources from institutions to community care and about the severity of social dislocation suffered as a result.

Despite these difficulties, there is widespread agreement that deinstitutionalisation is positive for most service users when adequate resources are available in the community. Many contend that some limited capacity for institutional care must be retained to 'back-up' community care short falls.

3.4 Community development

The 1960s saw the origins of new strategies and skills to deal with the problems of deprivation in the urban ghettos of the United States. Theories of community development emerged following the writings of Alinsky (1962), Rothman *et al* (1976) and others. These theories were based on a belief in the rights of minorities and the social potential of neighbourhood action. Schools of Social Work in the United States began to teach community development as a discipline, separate from but complementary to the traditional strands of casework and groupwork.

Based on these principles, community development emerged as a strategy for service provision in Australia in the 1970s. It emphasised localised service delivery, self help and client participation and control of services.

In the 1970s, the Commonwealth government established the Australian Assistance Plan which envisaged that Regional Councils for Social Development would be established nationally. These Councils were composed of elements of the local community, of local political groups and service providers. Their brief was to assess local social need, agree on priorities and work with governments to establish services suitable to meet the identified need. They were funded for this purpose, supported by local executive officers, and managed by local boards. In keeping with the social philosophy of the time, they had a broader goal, to develop the planning and executive capacities of local communities, to be active in meeting their own needs and to assist in the development of local leaders for that purpose. These strategies aimed to promote individual rights and community action to achieve social goals.

Community development reflected a philosophy of localism which was then prominent in government planning regimes. Social conditions at the time supported its emergence. Unemployment was low in Australia. Social welfare costs were accordingly lower than today and there was a move to citizen participation and decentralisation of function. For a time, some State governments built these principles into their service agreements for grants and demanded that all boards of CSWOs be representative of local communities. The larger and long-established agencies often found this criterion extremely difficult to accept.

The Australian Assistance Plan and its attendant machinery and funding was discontinued within a few years of its establishment, but the philosophy of community development has continued and many of the organisations and activities established within that philosophy have been funded through other programs.

3.4.1 Some characteristics of community development

CSWOs which operate according to principles of community development claim the following characteristics in their work:

- clients are better known to the agency and services are tailored to be more user-friendly;
- client participation (including in management and staffing of the CSWO) which leads to people taking more responsibility for the welfare of their community;
- through participation in the development process, a range of local people — not just the welfare professionals — become skilled in processes of management of community services;

- empowerment encourages people to advocate for those in need or for further resources to cater for local needs;
- local initiatives lead to local solutions; and
- community management leads to a higher degree of inter-agency co-operation in planning, including provision of input into Local government planning for the community.

Several participants gave examples of what they considered to be community development processes at work. Bankstown Community Resource Group described how an occasional child care centre was established in their area (see Box 3.1).

Box 3.1 Bankstown Community Resource Group Inc

The Commonwealth Department of Human Services and Health sought expressions of interest for the construction of an Occasional Child Care centre in Bankstown. There were at least four different sites identified by different parties from the commercial, community and government sectors. The issue was openly discussed at the Children's Services Forum in order that the value of each proposal could be acknowledged by the others and for the successful tender to be supported by all without division in the Forum. A number of other things flowed from this approach:

- the development of the successful proposal benefited from a range of input from the various parties;
- a large number of people and organisations found out about the new centre;
- the Management Committee of the chosen centre has broad and skilled representation; and
- organisations which could contribute to the new centre, but may have been reluctant to in an atmosphere of animosity also became involved. (sub. 758, p. 3)

The Knights of the Southern Cross, which is not normally considered as exclusively following community development principles, gave another example:

... in Gunnedah ... the sisters were running a small hostel [and] had difficulties. We combined with the Masons and the Local council – a 'blessed trinity of a different sort' – to run a larger nursing home and we had no difficulty in transferring the beds that the sisters had there into the new establishment which was funded. ... That worked very well in a small community ... all the ethos and community being behind it and a combination of all the relevant interest groups. It was very much an agreed thing. It was an 'hooray' thing, if you like, in Gunnedah that was very well looked upon, so there was no downside there. (trans, p. 4409)

3.4.2 Difficulties experienced by community-based organisations

Over time, while some community development principles have been incorporated into many branches of service delivery, the disadvantages of its process have also become apparent. Many agencies, including small ones, have become resistant to the method and to its claims for preferment.

Nyland (1994, p. 2) refers to Hamilton (1992) and Grierson (1993) as suggesting that ‘community management is in a crisis scenario, and its future uncertain’. Nyland goes on to say:

This sense of crisis would fit with many people’s lived experience. Many practitioners are disillusioned with community management. This ranges from the ‘true believers’ who are committed to finding ways of making community management work, to those who find the entire management of their organisation cumbersome and unworkable. (Nyland 1994, p. 2)

Those in the latter category cite the following disadvantages:

- most communities — even quite small ones — are made up of a plurality of interest groups. This means that the democratic process espoused in the model often neglects the needs of minorities who are frequently those most in need of social welfare services;
- the emphasis on process rather than on clear service goals and quality outputs is a disadvantage for service delivery;
- it is open to capture by interested and organised parties (sometimes political) which, despite the rhetoric of inclusion, leads to exclusion of others;
- service delivery can be more expensive because of the cost of training and supporting management committees in accountability procedures, industrial matters and other areas;
- community-based management can lead to instability in service delivery because of lack of appropriate skills and experience and frequency in turnover of members;
- because of the plethora of small agencies wanting to operate according to community development principles, there is a shortage of people in the community with sufficient skills and resources to serve on all the desired management committees; and
- small community-based organisations represent too narrow a base for equity in resource allocation across the wider community.

A representative of National Skillshare Association, an agency which offers industrial relations services to community based CSWOs, said:

... A lot of organisations operate on the basis that they are creatures of their funding agencies. Really, they are doing the bidding of funding agencies without any clear understanding of their legal responsibilities. ... A lot of agencies, particularly very small ones, operate largely around their staff, with voluntary management committees there really to ratify or legitimate the existence of the organisations. In a lot of situations there is enormous conflict and turmoil and interpersonal conflict arising from problems with staff performance and a lack of clarity about relationships and how to deal with them. A lot of the time of my staff involved in this community sector industrial relations service is about helping organisations resolve those problems. (trans, p. 1872)

Meerilinga, an organisation which acts as a co-ordinating body for a large number of organisations in Western Australia, made this comment:

... every new service that has been established has been required to have a community management structure, and so you can find a whole lot of adjacent services, whether they be adjacent geographically or in kind, servicing often the same group of people but having a community management structure, and it has got to the point where one could spend all one's time managing the services that you were accessing. (trans, p. 4035)

The above difficulties and the demand for more direct services have led to the withdrawal of funding which, in earlier times, underpinned the community development model. CSWOs operating according to that model now increasingly have to rely on program funding which is identical to that granted to more individual service oriented agencies. This has meant that in order to work within their preferred model, community-based agencies have been forced to stretch direct-service program grants to fund both the individual service and the much more diffuse community development process (see Box 3.2).

3.5 The value of client participation

The consumer rights movement in Australia is of increasing importance for planners and funders of service delivery, including services in the sector served by CSWOs. The views of service users can provide an important perspective on service provision and can contribute to ongoing program design and review.

CSWOs get feedback from service users in a variety of ways, including service evaluation forms, personal end-of-service interviews and random follow-up techniques. While all of these methods have something to offer, independent studies of program areas which incorporate first hand accounts of service users are probably the most reliable (McCaughey 1992 and Jordan 1994).

The South Australian Council of Social Service (SACOSS) conducted a survey of its members which revealed that:

Seventy six per cent of respondents reported that their organisation used a variety of mechanisms for consumer participation in evaluating outcomes.

Of the organisations that had mechanisms to involve consumers in outcomes evaluation, 26 per cent did so at each client contact, 21 per cent at each case completion, 36 per cent described themselves as involving consumers 'frequently' and 39 per cent reported involving consumers in evaluation on either a quarterly, half yearly, and/or annual basis. (sub. 250, pp. 9–10)

Box 3.2 Difficulties faced by the Vietnamese Community in Australia — NSW Chapter

Another concern we have is the working conditions of workers in the small organisations. I think perhaps the most miserable working conditions in the social welfare sectors are enjoyed by those working in the community-based organisations, the reasons being, number 1, the funding structure formula is so rigid in a way that we cannot have any room to move. Number 2, because of the limitation of funds, most of them work in very sub-standard conditions, whereby if some inspections are made as to the aspects of occupational health and safety standards, I would propose that the majority of them would fail the test.

One of the direct consequences of those poor industrial working conditions is that the ethnic communities, particularly community-based organisations, have a very high staff turnover. ... [T]hey have a commitment to their community but ... if there is a better chance for employment, long-term employment, elsewhere, they have no hesitation to move. ...

The management committees of the charitable organisations, particularly the ethnic and the newly established communities, needs to be resourced at a more significant level in order to be capable of managing the community in the way that they can meet the expectations of the funding bodies and the government as well.

Source: trans, pp. 2131–2.

Evaluation of social welfare services can be difficult. Clients are sometimes unwilling to give negative feedback in case it jeopardises access to the service. They may be reluctant to criticise service providers because of feelings of gratitude to the organisation (Nyland and Bradfield 1994). They may lack knowledge about alternatives and have low expectations about the service to be provided. For these reasons, independent research is to be preferred.

Other forms of client participation which have emerged are strongly related to the community development methodology discussed above, where clients and ex-clients are encouraged to sit on boards of management and to assist in the decision-making relating to the agency. In some cases, governments have sought to impose client participation through service agreements.

3.6 The growth of self help groups

In more recent times there has been a rapid growth of alternative, consumer-directed services through self help groups and agencies. These types of CSWOs

are low cost and typically exist around a particular community of interest. Quite often they have been set up by persons in the community who are looking for information and support around a medical or social condition which affects individuals and their families. Self help groups are often small, rely heavily on volunteer labour, receive little or no government funding and do not benefit from the full range of tax concessions and exemptions available to some CSWOs.

In some cases, their formation was a response to dissatisfaction with existing services, especially for those people with chronic conditions. Such groups have identified the value of peer support and education. For example, GROW, a group focused on improving mental health, suggested that:

... only people can bring [the value of peer support] about by educating each other and tapping into the basic process of education through peer-based groups. What you have is a concentration on the diagnosis and treatment, limited concentration on rehabilitation, little on prevention and, apart from GROW and [a] few other bodies around the world, little on life transformation which recognises the role of the individual and the role of the individual's peers in pulling each other up by their bootstraps. (trans, p. 754)

Some self help groups have developed as alternatives to services delivered by professionals. Others identify their role as complementary to existing services. For example, self help groups have been identified as being important strategies for responding to child abuse (Edgar 1988). This approach has assisted in the development of services which advocate on behalf of consumers, for example tenants unions, and volunteer managed services, such as neighbourhood houses, which attempt to respond to local need.

Self help groups also help their members to better access and utilise services. The Arthritis Foundation says that:

The benefits reported by participants in self help include improved ability to cope with the disease, learning to [re]live their lives, improved personal relationships, obtaining specialist knowledge, representing one's own interests actively, and utilising professional services purposefully. (sub. 84, p. 45)

The Association of Self Help Organisations and Groups has 200 members (sub. 208). Such groups are identified by other CSWOs as important to the overall provision of services. The Brotherhood of St Laurence suggested that:

... many invaluable small community-based and self help groups rely heavily on the goodwill of volunteers for their existence and are being penalised by the withdrawal of government funding for their half-time or full-time coordinators of volunteer programs. Many of these groups are self help groups for people with particular disabilities and illnesses. Without some level of ongoing coordination and support these groups would not exist. Many of the volunteers do not have the energy or time to play this role, and

for most of them participation in these groups is a crucial part of their ongoing recovery. (sub. 301, p. 35)

Self help groups will continue to play an important role in complementing and enhancing the activities of mainstream service providers. As large-scale institutions are being closed and services are being provided with a stronger consumer focus, the role of self help groups will become increasingly significant.

Members of self help groups provide time and resources in the interests of mutual support. Recognition of the value of their activities by other service providers and governments will assist in them in attracting resources to meet administrative and other costs.

3.7 Preventative programs

Many CSWOs have begun to develop more preventative programs and argue for greater emphasis on prevention in government policy and funding priorities. The recent success of preventative programs in the health sector has added weight to this approach. The Uniting Church in Queensland (sub. 31) identified three main approaches to prevention:

- primary prevention — campaigns target the general community on such issues as anti-smoking, safe sex, and drink driving;
- secondary prevention — particular risk groups are identified and issues targeted. Examples include domestic violence, marriage breakdown, and parenting. Strategies used include community education, provision of information, counselling and referral; and
- tertiary prevention — these are often responses made to an existing problem such as child abuse/neglect, alcohol and drug misuse, and relationship breakdown. Strategies aim to prevent of the recurrence and include counselling and social casework.

3.7.1 Preventative programs in family services

Many CSWOs argued that a greater emphasis on secondary prevention would eventually reduce the need for more expensive services. In particular, they argued that the need for crisis accommodation might be reduced if individuals and families had better access to services which enhance the capacity of people to resolve difficulties in their own settings.

A preventative focus is seen by Children Australia as central to service provision:

Ideally, preventative services have a forward orientation in that they attempt to forestall/avert or minimise future difficulties and threats to individual and family well-being through interventions which give the participants insights, understandings, skills and/or opportunities which will enable change to occur and which will strengthen the ability to cope. (sub. 221, p. 5)

Family Support programs provide counselling, in-home support, parent education and support groups. Such programs are directed at those families experiencing crisis, or those with children at risk of abuse or neglect. Program objectives are to enhance the capacity of families to cope with a variety of problems and to avoid more intrusive strategies, such as removal of children and placement in alternative care.

Marriage Guidance Australia (now Relationships Australia) (sub. 129, pp. 3–4) reported positive outcomes from preventative programs. This suggests the merits of providing support directly to families by enhancing their problem-solving capacities before problems become entrenched.

While Family Support programs do not necessarily function as direct alternatives to out-of-home placement, the Children's Welfare Association of Victoria (CWA) attempted to compare their cost with alternative care strategies:

The average annual subsidy for each family referred to the Family Support Program in 1990–91 was approximately \$522, compared with the cost of alternative care placement where, for the same period, the unit cost per annum based on average occupancy rates for facility based alternative accommodation was \$32 000, and for home based, \$6000. (1993, p. 4)

Further examples of this approach are programs based on Intensive Family Based services which are being piloted in some States.¹

Agencies in the disability field also support the preventative approach. They argue that it is effective both in preventing the incidence of disability (for example, by rubella) and in ameliorating suffering and the need for more expensive care. For example, the Royal NSW Institute for Deaf and Blind Children said:

... the second level of prevention is prevention of a handicapping condition arising from the disability; to the greatest extent ameliorating the effects of the disability and limiting the extent of handicapping that arises, and it is very important in our view that

¹ Intensive Family Based services are derived from service models originating in the United States. They provide intensive and professional in-home services for short periods aimed at keeping children identified as being at risk of abuse or neglect within their family rather than being placed in alternative care. This program is being piloted in Victoria as the Families First program. (H&CS 1993)

diagnosis of disability be made as early as possible in a child's life, and that an appropriate early educational service be put in place as early as possible. (trans, p. 822)

Some government departments are responding to a wider array of needs than merely crisis situations. This is leading them to favour a more preventative approach. Examples of initiatives of the Department of Human Services and Health (HSH) within the Supported Accommodation Assistance Program (SAAP) include:

- the development of domestic violence outreach services;
- the introduction of services directed towards the particular needs of families, youth, Aboriginal and Torres Strait Islander people and people from non-English speaking backgrounds;
- the redevelopment of large night shelters into smaller more flexible services; and
- the development of rural services. (sub. 407)

3.7.2 Difficulties in assessing outcomes of preventative programs

It is easier to measure the costs of preventative programs than it is to assess the outcomes. This makes comparisons with programs which focus on provision of services to specific individuals needing assistance difficult.

Pressure is placed on agencies to target services to those in most immediate and urgent need. This leads to increased demand for services responding to acute crises such as homelessness and domestic violence. Preventative approaches may be less favoured in a funding framework based on achievement of specified outputs.

Additionally, small organisations with a preventative focus are disadvantaged by not having access to the same tax exemptions available to agencies providing direct services (see Chapter 12).

The inability to quantify the benefits of preventative strategies points to the need for governments and the sector to better research and document the outcomes of such strategies.

3.8 Advocacy

Advocacy has become an important strategy by which CSWOs pursue social justice objectives. It is undertaken both on behalf of individuals in relation to their dealings with government departments and agencies, and also on behalf of groups who could benefit from changes to social policy and service practice.

For example, the Migrant Resource Centre of Southern Tasmania (sub. 158) has undertaken both functions by representing individual clients as well as seeking to change policy and practice in mainstream services over issues of access and equity.

Advocacy, however, can be a source of tension between governments and the sector. For example, a spokesperson for the Victorian Department of Health and Community Services recalled:

I spoke at a VCOSS seminar 3 or 4 years ago and talked about contracting for output and service agreements, and this person from a Legal Aid centre got up and said, ‘That would be no use to us. We cannot contemplate such arrangements because we have decided to actually reduce our case load so we can devote more time to political work.’ And I said, ‘Who asked you to?’ And they said it was in the best interests of their clients that they devoted themselves more to political work and provided less legal services. Now, I don’t believe they told the Attorney-General that was their intention, but nobody was measuring. (trans, p. 2991)

Where funding arrangements focus on the provision of services to individuals (see Chapter 15), little funding may be available for advocacy. This is also an issue overseas. Knight (1993) writes, for example, that in the context of similar policy changes in the United Kingdom there was:

... too little funding reaching black groups, poorer groups or those wishing to produce social reform and democracy. The progress towards contracting appeared to be making many voluntary organisations choose to become agents of the state. For others who wished to retain their freedom and independence, the only option was to stay small, sacrificing resources, to remain volunteer led, and vision centred. (p. 17)

The Commission report on Public Housing (IC 1993) indicated that advocacy groups were part of the process of good management. It supported a recommendation of the National Housing Strategy that the Commonwealth and State governments should enhance the resourcing of present community-based advocacy and information services.

Advocacy is a strategy that can be used to enhance policy development. The Brotherhood of St Laurence proposed that the combination of direct service provision and advocacy is an important element of a comprehensive approach to poverty (sub. 301). The sector and governments are yet to develop fully a framework to maximise this approach.

3.9 Innovation to improve service delivery

The changing responses of CSWOs to social problems are a significant feature of contemporary service provision and an example of the different roles played by the sector and governments. New models of service delivery are being

introduced, adaptations are being made to existing strategies and new standards are being developed within existing programs. Some services have been developed as local and unfunded initiatives and others have been encouraged through funding by charitable trusts. Some have been generated by changes in government policy and others are a result of collaboration between a CSWO and government. A few innovative developments have involved collaboration between commercial enterprise and CSWOs (see Box 3.3).

Partnerships between the sector, the commercial world and government can provide new responses to emerging social problems. Work Ventures Ltd is an example of such an approach (see Box 3.3).

Box 3.3 Examples of innovative programs

Barnardos have developed the Temporary Family Care program which has been recommended for development in every region of New South Wales (sub. 91).

The Brotherhood of St Laurence co-operated with the Body Shop to develop the Linked Access Employment Training Project which has subsequently contributed to the development of JPET (Jobs, Placement, Education and Training) by the Commonwealth government (sub. 301).

The Julakari Council of Tenant Creek has pioneered responses to alcohol misuse with its volunteer night patrol and alcohol free day (personal correspondence).

Work Ventures Ltd, which runs a number of employment training programs for long-term unemployed people, has formed a partnership with Alter-Tech Ltd to operate an Electronic Repair and Maintenance service which provides employment to graduates of its own training programs. Work Ventures was established in 1988 and grew out of an Anglican parish community with a concern for social justice and creative responses to issues of work, employment and community life. It has grown rapidly, training 130 clients in 1988 and 1878 in 1992 (Work Ventures Ltd Annual Report 1992).

Philanthropic trusts have also stimulated the development of new programs. Some trusts have seen their primary role as promoting innovation rather than providing recurrent funds for service provision. The Australian Association of Philanthropy (AAP) argued that:

The benefit of the philanthropic sector is that it is there to be creative and we have often seen through programs we have funded, whether it be hospice projects or a whole range of projects where we have gone in and seed-funded a program, ... [that] we gave them the initial grant which helped them have a look and explore and then establish and now it has been picked up by government. (trans, p. 1294)

Trusts have been able to supplement resources from agencies and government to develop and evaluate new approaches to service provision (see Box 3.4).

Governments are also interested in promoting innovation. HSH, for example, suggested that the diversity of performance within the sector has stimulated government to use its regulatory role to advance innovation:

If you look across the programs that the Department funds, there are a large number ... of non-profit providers that we fund ... [across] the full range in terms both of performance and ... innovation. There are organisations that are extremely innovative ... and there are also areas where government regulation has been made in order to stimulate innovation. (trans, p. 2738)

Box 3.4 Family Decision-Making Project

This model of service delivery, sometimes called the Family Group Conference model, is based on a program developed in New Zealand. The program seeks to involve the extended family (including non-relative friends where appropriate) in decision-making and care of children who have been subject to abuse and neglect.

When a child is identified by government authorities as having been abused or neglected, or is considered to be at risk, they convene a meeting of the wider family group. Information is supplied by the relevant professionals and the family is left to decide about the ongoing care of the child. Options may include increased support of the parents by the wider family or an alternative care giver from within the family group. The objective of the conference is to enable the wider family to arrive at a solution that means that government intervention is no longer required. The authorities must approve the decision and support it or the case will proceed to court.

Since the inclusion of this strategy in legislation in New Zealand, there has been a significant reduction in the number of children placed in alternative care.

In 1992 the Mission of St James and St John was funded by two trusts to pilot this model in Melbourne and provide an evaluation (Swain 1993).

On the basis of the evaluation, the Victorian government has decided to extend the pilot to two new regions and it seems likely that the model will gradually become incorporated in the child protection service system in that State.

For example, HSH allocated funds under its National Action Plan for Dementia Care to promote best practice by encouraging demonstration projects as adjuncts to existing service provision (HSH 1993).

Some CSWOs argue that innovation has been a major element of their contribution to service development and that this feature distinguishes the sector from governments. The increased specification by governments of expected outputs is cited as a potential threat to this capacity of the sector to experiment and develop innovative strategies. The Epilepsy Foundation of Victoria stated that:

It is important in delivery of any services that there is an ongoing incentive for innovation and efficiency improvement. Government funding is also often confined to the cost of delivering specific services, leaving the charity to fully fund any risk capital. (sub. 217, p. 42)

CSWOs have also been instrumental in the development of services in politically sensitive areas such as HIV/AIDS and domestic violence, enabling governments to respond quickly to particular groups in need.

Both CSWOs and governments play an important role in developing innovative strategies for service delivery. When working together, CSWOs, trusts and governments can develop new programs for meeting social need. Private enterprise can also assist in this process. Greater commitment to research can enable both governments and CSWOs to pilot, evaluate and implement new strategies with greater confidence than is currently possible.

3.10 Case management and brokerage

3.10.1 Case management

Case management is a method of service delivery by which a range of services from various sources can be articulated and delivered as coherent care packages to clients, according to their particular needs. The delivery of these various services rests on the assumption of a case management plan having been made and mutually agreed upon by both service deliverer and client.

Ideally, one individual within the service delivery system will hold responsibility for constructing the case plan, managing the delivery strategies and overviewing outcomes. This ensures continuity of care and cohesiveness of the plan. Case management criteria are not met when an agency moves the management function from worker to worker according to the particular discipline involved, even if all workers are within the one multi-disciplinary team. Such strategies leave no one with the requisite overview or advocacy function on behalf of the client. Further, it requires clients to re-tell their stories, to re-negotiate with new workers and to assume responsibility for continuity of care themselves.

In case management, the client has a relationship with a case manager or care manager who provides information on what services are available and how they might meet the client's needs. The case management process includes:

- locating the potential clients and screening to ensure that they come within the program's eligibility criteria;
- assessing the client's circumstances and needs, and then identifying the particular assistance and support required;
- negotiating the proposed assistance and the formal documentation of the care plan; and

- monitoring the continuity of care and reviewing the plan to ensure that the assistance being provided continues to be appropriate.

3.10.2 Brokerage

Brokerage, as a way of funding case-managed care programs was adapted into Australia from work originating in Wisconsin, United States and Kent, England. Both of these programs were a departure from previously accepted ways of supplying care to the aged and people with a disability. The Wisconsin program has been summarised as follows:

The assumption that people move through a continuum of care from a less restrictive to a more restrictive environment was rejected. Rather, people are supported in their own place with as little intrusion as possible and with....the least disruption of relationships, habits and self-designed habitats. (DHH&CS 1992, p. 11)

Brokerage is a method of funding social welfare services by which the selected provider is given an amount of money to spend on meeting the needs of a particular group of clients; for example, the Community Options programs, funded by HSH. The amount is calculated on a per-person per-day basis, but the provider is generally allowed some flexibility around these amounts according to shifting needs of the whole group of clients.

The case manager in this program acts as a broker who purchases services from other providers, including for-profit providers. This results in the client having a number of different providers contributing to the overall care package, for example home nursing services, home care, meals on wheels and transport services. This can mean that the client may have to re-qualify according to several different assessment processes.

Community Options programs are designed to target particular groups such as the frail aged and younger disabled, who are continuing to live in the community. Some are more specific, such as those designed to serve people with dementia. For example, the Brotherhood of St Laurence auspices a program for people with dementia in the Barwon Region of Victoria.

There has been some further refining of this kind of brokerage funding of case management models of care in the design of Community Aged Care Packages. This program targets aged persons or younger disabled who have been assessed as being eligible for the personal care level of hostel care. In this program, a package of care is put together and largely provided by staff employed by the CSWO. It may also be supplemented by services ‘bought in’ from other providers, for example Meals on Wheels. The advantages of this model are that only one assessment process is necessary for the client and both case management and continuity of one carer are available to the client.

Clients of programs can contribute to meeting the costs of the program through client fees. Clients can also supplement the service provided through the program by purchasing additional services, usually from for-profit providers.

The Department of Employment Education and Training has appointed both CSWOs and for-profit providers as case managers. In Home and Community Care, for-profit providers have not been given the opportunity to be case managers. However, CSWOs, as case managers, have been able to purchase services on behalf of clients from for-profit providers.

The 1992 evaluation of Community Options programs found:

The use of private agencies to provide services was reported to be small as these services were not generally available in areas where HACC services had not been established. They were used, generally as a substitute for HACC services, only in situations where HACC services were not able to be provided at a level or in a manner required by clients or where HACC agencies charged community options projects at a higher rate than private agencies. (DHH&CS 1992, p. 25)

Participants were generally in favour of Community Options as a development in service delivery. For example, the Australian Council of Social Service (ACOSS) said that there is considerable support among consumer groups and community organisations for brokerage models. They said:

The introduction of the brokerage model in areas such as community care has arisen primarily to ensure more effective case management of individuals with multiple needs requiring assistance from a number of different agencies. It has also arisen to provide scope for greater flexibility and responsiveness in what assistance is provided and how. ... The emphasis is on providing services at the level of need and because the number of clients is restricted there is less pressure to ration services to assist a larger number of people. (sub. 679, p. 14)

Case management, incorporating brokerage arrangements, was supported by the Council of Australian Governments in a recent communique relating to Health and Community Services (COAG 1995). It was regarded as the preferred approach to developing services in the co-ordinated care stream. Co-ordinated care is one of three proposed streams of care, the others being primary care and acute care.

Co-ordinated care is designed for care needs which are best met by a mix of services over an extended period and are difficult to meet through self-management. The funding arrangements include the progressive development of care management arrangements, including the capacity to purchase services where appropriate.

3.11 Governments as initiators and supporters of change in service delivery

Governments have also taken significant initiatives to improve service delivery and to back the initiatives taken by CSWOs. For example, the Aged Care Reform Strategy of the Commonwealth government created a comprehensive aged care plan for the country and established uniform service quality standards. The development and standardisation of services in the disability field has raised the levels of care significantly and enabled CSWOs to offer a much wider range of services. A range of employment programs were created to address the rising unemployment problem during the recession of the early 1990s. In all of these, and other situations, governments have worked closely with CSWOs to develop and deliver services.

3.11.1 Devolution of service delivery

In recent years governments have increasingly devolved to the community sector services which they traditionally provided themselves, for example in the areas of mental illness and intellectual disability.

A recent report to the Victorian government said:

The shift to devolution needs to be pushed with greater vigour. ... The Department should construct itself more as a professional monitor, researcher, prioritiser, co-ordinator and linker and less and less as a direct manager, compliance checker, and service provider. (Ministerial Task Force 1993, p. 16)

In addition, resources are being devolved to CSWOs to increase their capacity to respond to specific areas of need. In New South Wales, for example, the Usher Report (1992) recommended that government services in the alternative care of children be devolved to the sector.

The Queensland government also acknowledged the advantages of CSWOs as service providers:

The provision of services by charities increases public choice and may also create external benefits by reducing dependence on government intervention. The result of such altruism enables the private provision of some services that would otherwise have to be supplied by governments. (sub. 273, p. 3)

The trend to increase service delivery through CSWOs is international. In a recent report in the United Kingdom it was suggested that it was the responsibility of local authorities to:

Make maximum use of private and voluntary providers, and so increase the available range of options and widen consumer choice. (UKDH&SS 1989, p. 5)

Similarly, New Zealand has seen an increased emphasis on CSWOs as service providers contracted to act on behalf of government. (Malcolm et al 1993) In the United States, in the 1970s the Federal administration decentralised funding and service provision to the States. Not-for-profit agencies increasingly became the preferred service providers, operating on behalf of governments (Smith and Lipsky 1993).

3.12 Needs based planning of services

One of the major responsibilities of governments is to ensure that the services they provide to meet the social welfare needs of the disadvantaged are equitably accessible and of adequate quality.

In recent times, statistical analysis of demographic data has become a major tool used to identify and quantify social need and to inform social planning in order to arrive at an adequate supply of social welfare services. Computerisation has allowed specific segments of the population to be identified and targeted as recipients of programs. An example of this is the way in which HSH has arrived at the ratios of nursing home and hostel beds per head of population for each region on which Commonwealth government funding is based.

The Australian Bureau of Statistics (ABS) has suggested that:

... supply is in response (supposedly at least) to a *demand* which reflects the *needs of the community for support and assistance*. This need can be defined by identifying 'groups at risk' (for example, the elderly, the disabled, the chronically sick, the homeless, the long term unemployed). (1992, p. 81)

This kind of needs based planning enables governments to design more effective social policies and to specify more accurately the budgetary requirements for the supply of social welfare services. It also allows them to specify the regional location of specific social needs and to plan an adequate spread of services and to ensure equity of access to them.

HSH described how this process works with regard to the funding of disability services:

... Funding priorities are identified through a needs based planning approach to ensure that people with the highest relative need are afforded priority of access to new services. The guidelines require the Minister to approve, at least once every three years, funding priorities in each State for making grants to new services. Ministerial approval is based on:

- statistical analysis;
- consultation; and

- consideration of the results of the planning processes under the CSDA. (sub. 414, p. 9)

3.12.1 The role of CSWOs in social planning

Before computerised demographic and social status data was available, governments had little way of knowing what kinds of social needs were emerging. A major source of information was from the face-to-face work of CSWOs with those in need. This afforded CSWOs a more influential role in the political and planning processes. One of the results of data-driven needs based planning has been some diminution of this role of CSWOs, and a more accessible and equitable set of service provisions throughout the country.

Nonetheless, CSWOs have retained a crucial role as an early warning system for new and emerging social needs. Several examples of this have arisen in the last decade: the emergence of domestic violence and sexual assault as social issues (which previously had been regarded as private issues); the experiences of youth who become homeless; the provision of suitable employment within the community for people with intellectual and physical disabilities; and the effects of unemployment on individuals and families.

CSWOs recognised these new social needs and, together with representatives of the consumer movement and other health and education institutions, brought them to the notice of the community and governments. CSWOs adopted an advocacy role for the provision of new or improved services for groups experiencing newly recognised forms of social need.

Child Care Services are an example of the way in which a social need, once recognised and agreed upon by the community, leads to the establishment of a new set of social welfare provisions. Its growth is directly related to the change in the economic status of women and their increasing participation in the workforce (see Box 3.5).

CSWOs gave examples of how some forms of social need can be predicted and lead to needs-based planning. The Royal Blind Society of NSW pointed out:

The target population eligible for services is increasing. Blindness and vision impairment is strongly age related. Most recent ABS figures suggest an incidence of ... 1.92 per cent in the 65 to 74 years population and 4.67 per cent in the population 75 and over. ... The Australian population is ageing, with an expected increase in the population aged 60 years and over from 16 to 20 per cent between 1991 and 2011. The most rapid growth is in the oldest aged groups (over 75 years). As vision impairment in Australia is directly related to old age this will result in increasing demand for services. (sub. 183, p. 2)

Similarly, the Council on the Ageing (COTA) suggested an increased need for services in the future based upon demographic data.

... those aged 65 and over are projected to rise from 1.9 million to over 5 million by the year 2050. The proportion over 65 years in 1993 shows an increase since 1971 of 8.9 per cent and the proportion over 80 years in the same time period has increased by 126 per cent. These changes are likely to have a continuing impact on demand for COTA services. (sub. 159, p. 12)

Box 3.5 Child care

Until the 1960s, formal child care was divided between kindergartens providing educational programs for pre-school children and day nurseries providing care for children of working or needy mothers. The increased labour force participation of women and changing perceptions about child care as a universal social service, have made the issue of child care important in social policy. General acceptance by community of the need for work-related child care has resulted in a commitment by the Commonwealth government to meet these needs by 2001 (Brennan 1994).

There has been substantial growth in demand for both formal and informal child care. Informal child care, provided by family members (usually grandparents), remains the major form of child care at 82 per cent of all child care for children aged up to 12.

Formal child care has also grown. Between 1983 and 1992 the numbers of children attending services funded by the Children's Services program increased from 46 000 to 230 000 and the largest expansion was in long day care. Details of expenditure of the Children's Services Program are included in Chapter 4 (Table 4.18).

Despite this expansion, unmet need for long day care, family day care and outside school hours care more than doubled from 242 000 in 1987 to 514 000 in 1990.

In addition to the increased labour force participation of women, other factors contributing to the growth in demand include an increase in the number of sole parents requiring work related care and changes in community expectations about the social roles of men and women.

Source: National Council for the International Year of the Family 1994.

3.12.2 Some limitations of needs based planning

Representatives of the sector considered that there are limitations to needs based planning as the major determinant of social policy. They raised the following problems:

- it can lessen the capacity of CSWOs to recognise and respond to unique and individual needs of clients and can decrease agency flexibility and professional judgment;
- it can lead to many tightly targeted programs which can result in fragmented services to clients — especially families — and duplicate administrative demands on agencies which add to their costs. For

example, a family which is experiencing multiple problems may have to access several different programs auspiced by several different agencies. This means that they may have to re-apply, be re-assessed and re-relate to a variety of service providers in order to cover their basic needs;

- it is unable to identify quickly shifts in population distribution and composition, and so cannot guide social policy responses to such shifts;
- it is slow to catch up with government's social needs which arise because of economic or natural disasters; and
- it can be used by governments as a rationale to divert resources from established categories of need to those of a higher order, without making adequate provision for those group left behind.

The NSW Council of Social Services (NCOSS) pointed out:

The NCOSS publication *Let Them Eat Crumbs* warns against the simplistic notion of using broad needs indicators to reshuffle services in a time of no growth in social programs. The concept of 'adequacy' has been conspicuously absent from the renewed interest in needs based planning. NCOSS was a pioneer in the late seventies and early eighties of the benefits of having some rational basis for resource allocation. Without further attention to the concept of adequacy, many current needs based planning exercises are seen as cynical attempts to ration services from a narrow managerialist perspective. (sub. 284, p. 14)

Many Inquiry participants pointed out that social problems can develop rapidly in response to changes in economic circumstances against which individuals and groups are often unable to protect themselves and needs based planning cannot quickly pick these up. The recession and the drought of the early 1990s are good examples. In that context the St Vincent de Paul Society (National Council of Australia) reported an increase in the amount of assistance it provided (including food, clothing, cash, furniture and vouchers for goods and services) from \$16.8 million in 1989–90 to \$30 million in 1991–92 (sub. 393).

It also takes some time for population shifts to be reflected in national data, but considerable human need can occur in the new area in the mean time. Population growth, particularly on the fringes of larger cities, produces demands in areas not previously serviced by CSWOS. Any inadequacies in the availability of community services are compounded by people being dislocated from their original family and community networks. The Queensland Council of Social Service indicated that:

The South East corner of Queensland is experiencing rapid population growth, largely as a result of interstate migration. It is estimated that an average of 1 000 people per week are moving to Queensland from other States — mostly into the South East. For community services in metropolitan and provincial Queensland, especially South East Queensland, one of the major issues is managing the implications of population growth with the increased demand for services which accompanies this. (sub. 261, pp. 12-13)

ACOSS offered the following general critique of needs based planning and its effect on CSWOs:

... the new focus on program funding has led to ‘needs based’ planning approaches, which should mean better attention to the distribution of standard sets of services across all areas. However, [for] these reforms to achieve better ‘vertical’ integration within a program means it is increasingly left to poorly resourced community organisations to bear the risk of trying to achieve ‘horizontal’ integration in a particular area from their own already inadequate revenue. (sub. 286, p. 45)

3.13 Consultation between governments and CSWOs

A large number of consultative processes exist between governments and CSWOs. They have been established by governments, often in response to requests from the sector, because governments themselves see the value of obtaining the views of the sector with regard to social planning and, more particularly, the implementation and reform of service delivery strategies.

These consultative strategies aim to maintain a co-operative relationship between the sector and governments. However, views about their effectiveness are mixed. Many submissions argued that they have a positive effect on service delivery in the sector. For example, the Alcohol and Other Drugs Council of Australia argued that:

The complementary relationship breaks down when governments insist that they can steer without any input from consumers or service providers who are clearly in the best position to determine the needs of their client groups. Governments should make decisions about whether or not to meet needs, but not in total ignorance of what needs exist. There is a tendency for governments to say that a consultation has occurred when in practice no opportunity has been provided for meaningful input. (sub. 157, p. 9)

The Society of St Vincent de Paul (National Council of Australia) described consultation as integral to the government’s decision making process:

Further consultation does not mean compromising the government’s policy objectives, but merely making greater use of the experience of the community sector to ensure that policies established are adequate and appropriate and that the strategies used are the best possible. (sub. 393, p. 59)

Some organisations considered that there is too little consultation, or that time frames are too short. For example, the Aged Services Association of NSW and ACT claimed that:

We just do not believe there is adequate consultation, and ... the consultation seems to be all built around the budget framework again. There have been very many issues that have been consulted with a very tight time-frame. (trans, p. 1982)

However, in other cases there were complaints that governments engaged in excessive consultation, for example, Volunteer Centre of New South Wales said:

We spend an enormous amount of time in consultation with both State and Commonwealth governments, completely disproportionate to the hours that we actually spend in doing the work that we are set up to do ... in the case of the Department of Community Services in New South Wales just recently, we have had ... 11 consultations in the last 6 months, with each of those consultations taking 2 or 3 hours at a time. (trans, p. 2731)

Examples of existing consultative mechanisms are presented in Box 3.6.

Box 3.6 Commonwealth and State government consultation with the sector

Example 1: NSW Department of Community Services.

The NSW Department of Community Services (DCS) consults the sector through standing committees and single initiatives. Standing committees are established in each program area to act as advisory bodies to the Minister on policy and planning issues. These committees are composed of service providers in the sector, and officials from relevant Commonwealth, State and Local government departments. There are no official positions for employer or employee bodies on any of these committees.

In 1993 a Consultation Protocol was developed jointly by the Department of Community Services and the NSW community sector. In 1994 the NSW government provided additional funds to help implement the protocol across the 20 Departmental areas through provision of an Area Co-ordination Grant to each area. Joint community/department steering committees have been set up in each area with a brief to further develop community and consumer networks and consultation processes to suit particular area conditions. A requirement of the grants is the pursuit of improved co-ordination between the community sector, local government and all relevant state government agencies.

Example 2: Commonwealth Department of Human Services and Health

Disability Services, at the national level, have four arrangements for formal consultation:

- regular consultation by the department with peak councils including the Round Table of Peak Disability Organisations;
- the Australian Disabilities Consultative Council (ADCC) which is a ministerial advisory body with fifteen members nominated by service providers, key government departments and the Minister;
- the Disabilities Services Sub-Committee of the Standing Committee of Community Services and Income Security Administrators (DSSC) which auspices Joint Advisory Bodies in each State except Victoria; and
- single issue working parties are established as necessary. For example, the Disabilities Standards Working Party (DSWP).

4 GOVERNMENT PROGRAMS AND FUNDING

Government funding is the sector's largest source of income. It is channelled through a broad range of government programs aimed at providing services to families, the aged, people with a disability, the socially disadvantaged and the community as a whole. The extent of this funding, the services for which it is provided, and how it is distributed among CSWOs are major issues for the sector.

4.1 Overall funding for the sector and recent trends

The Commonwealth and State governments provide close to 60 per cent of the aggregate income of CSWOs.¹ The proportion of funding received from government varies both between sub-sectors and by size of organisation. For example, in terms of organisation size, the largest 50 organisations (see Appendix C) receive a lower proportion of their funding from government than smaller organisations (see Appendix D).

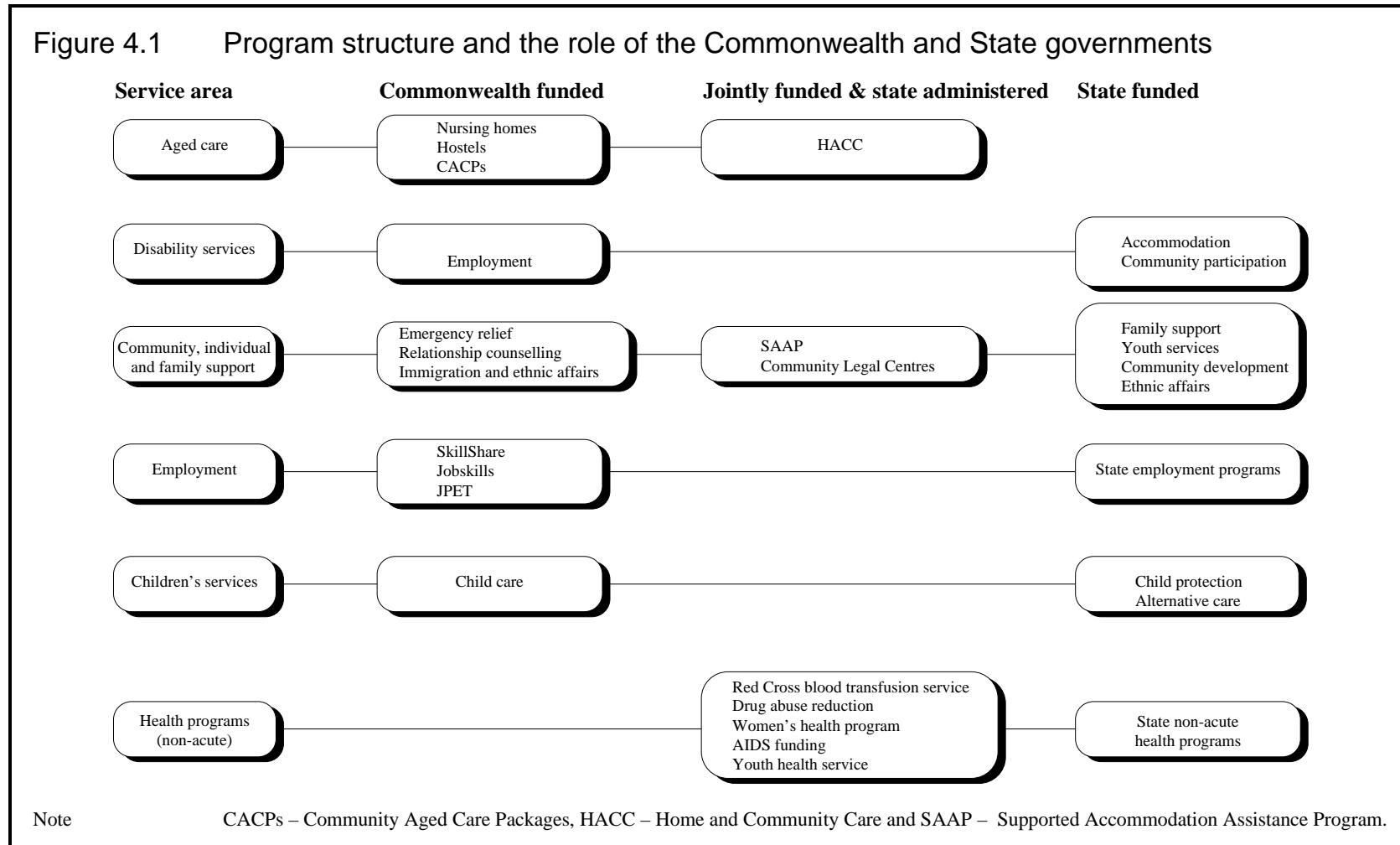
The Commission obtained information from government departments about programs providing significant funds to CSWOs for services referred to in the Terms of Reference. It shows that government funding is extensive and is channelled through a broad range of programs.

Both the Commonwealth and the State governments fund their own programs and in a number of cases jointly fund programs. As well as funding CSWOs, governments fund other organisations for actual service delivery. These organisations include State and Local government agencies, and for-profit organisations. An overview of the program structure and the respective roles of the Commonwealth and State governments is presented in Figure 4.1.

The information collected by the Commission was used to compile a profile of the sector with respect to the number of organisations receiving funding and the size of payments from government under the various programs. There were, however, difficulties in using this information to estimate the number of CSWOs receiving government funding and the level of funding to CSWOs. These are summarised in Box 4.1.

¹ This chapter focuses on government outlays only. Taxation expenditure (taxation revenue forgone) is dealt with in Chapter 12.

Figure 4.1 Program structure and the role of the Commonwealth and State governments



Box 4.1 Difficulties in compiling information on government funding of CSWOs

The Commission's study of government programs and their funding for CSWOs is based on an extensive study of the payments made to CSWOs by the Commonwealth and State governments. Information was collected on over 250 programs from over 40 government departments that provided significant levels of funding to CSWOs for services referred to in the Terms of Reference. In most cases the Commission was given information on individual payments that detailed the name of the organisation, the program under which they were made and the levels of payments.

In processing this information the Commission had to contend with difficulties of organisation identification, of determining whether an organisation was a CSWO and whether an organisation received funding under more than one program. This led to a possible overestimate of the number of organisations being funded. There was, however, no double counting of the levels of government funding.

A single organisation may have been treated as multiple organisations for the following reasons:

- The same organisation may be referred to in different ways. This may be due to differences in the way in which an organisation is named, for example, variations in spelling and abbreviations, or through the use of the name of various regional branches or specific establishments rather than the organisation as such.
- The same organisation may be funded by programs in different sectors or program areas. Duplication then occurs when aggregating the number of organisations across sectors or program areas. For example, an organisation that receives funding for the provision of a service in community, individual and family support and also of a disability service will be counted under both. This problem was generally confined to larger organisations. Within program areas duplication could be removed in most cases.

Generally, the information provided to the Commission did not specify whether an organisation was a CSWO. The main exceptions are residential aged care and child care where the Commission was given a breakdown of funding and organisation numbers by type. In some cases, identifying an organisation was made difficult by the truncation of names in the computer files provided.

The scope for error in separating CSWOs from other funded service providers varied. In some program areas such as SAAP, CSWOs are virtually the only providers. In community, individual and family support programs and disability services, it was mainly a matter of excluding local government agencies. In HACC it was fairly simple, once a few large government bodies were identified. In the health programs, the main problem was identifying hospitals and government run community health services. In employment programs there were a considerable number of commercial organisations and not-for-profit organisations that could not be described as CSWOs, such as regional development boards and industry bodies.

In Western Australia there is considerable community funding by the Lotteries Commission, which is discussed in Box 4.2. (see Section 4.5.3)

In 1993–94, Commonwealth and State governments provided over \$2.9 billion in recurrent funding to CSWOs. Aged care received by far the largest share (41 per cent). Other major areas of funding were disability services (18 per cent) and services to members of the wider community, particularly the socially disadvantaged (12 per cent). Employment, health related and child care programs all received between 7 per cent and 9 per cent while overseas aid organisations and care for children at risk both received 2 per cent and 3 per cent respectively (see Table 4.1 and Figure 4.2).

Table 4.1 Commonwealth and State government recurrent funding of CSWOs by jurisdiction and sub-sector, 1993–94 (\$ million)

<i>Sub-sector</i>	<i>Commonwealth</i>	<i>State</i>	<i>Joint</i>	<i>Total</i>	<i>Per cent of total</i>
Aged care	1016.4	..	192.1	1208.4	41
Disability services	146.7	320.8	48.0	515.5	18
Care for children at risk	..	82.8	..	82.8	3
Community, individual & family support	44.9	117.5	196.7	359.0	12
Ethnic affairs	31.7	2.7	..	34.4	1
Child care	250.6	na	na	250.6	9
Employment	172.6	30.8	..	203.4	7
Health (non-acute)	na	na	na	217.2	7
Peak councils (COSP)	8.1	..	..	8.1	..
Overseas aid	70.9	..	..	70.9	2
Total^a	1741.9	554.5	436.8	2950.3	100

a Totals for Commonwealth, State and jointly funded programs do not include funding for Health (non-acute) programs.

na Not available.

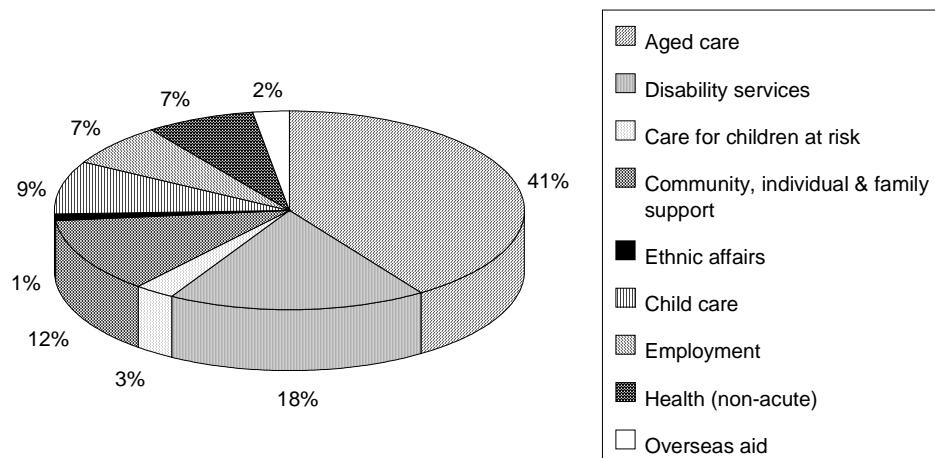
.. Zero value or less than 0.5.

Source: Information provided by government departments and Commission estimates.

Almost 60 per cent of funding is through Commonwealth government programs, with State government and joint Commonwealth–State government programs providing the rest in roughly equal amounts.

Information available to the Commission suggests that the level of funding of CSWOs increased in 1993–94 and that there had been a steady increase in previous years. However, some specific programs may have experienced reduced funding. The change in funding over time has been the result of a number of factors including the recent recession, changing demographics and changing community priorities.

Figure 4.2 Commonwealth and State government recurrent funding of CSWOs by sub-sector, 1993–94



Source:

Table 4.1.

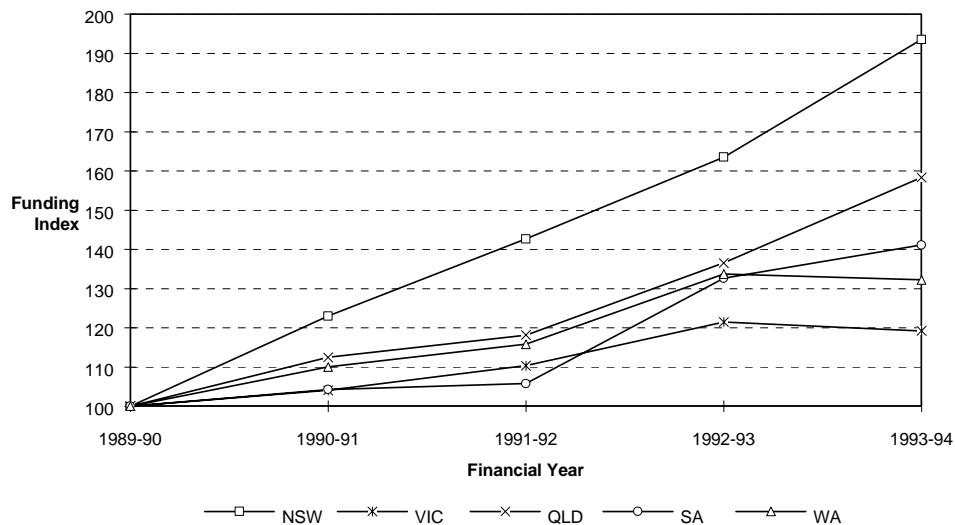
Expenditure on subsidies, grants and transfers by each of the State government community service departments rose in real terms from 1989–90 to 1993–94 by between 20 per cent and 90 per cent (see Figure 4.3).

Funding of CSWOs for aged care increased in real terms by 78 per cent from 1985–86 to 1993–94. Over this period, real spending on nursing homes rose by 30 per cent, while spending on hostels increased by 300 per cent and on Home and Community Care by 150 per cent (see Figure 4.4). Commonwealth government expenditure on community-based disability support services also increased over this period (AIHW 1993).

4.2 Aged care

In 1993–94, CSWOs received \$1.2 billion in recurrent funding from governments for the provision of aged care services through the Commonwealth Aged Care Program and through the Home and Community Care (HACC) program which is funded jointly by the Commonwealth and State governments. These programs also fund other service providers such as State and Local governments, and for-profit organisations. Total recurrent funding for all providers was almost \$2.6 billion (see Table 4.2).

**Figure 4.3 State government community service departments — subsidies, grants and transfers, proportionate increase, 1989–90 to 1993–94
(funding in constant prices, 1989–90 = 100)**

**Note**

Funding figures include both State government and joint Commonwealth–State government programs. Child care and Commonwealth–State Disability Agreement (CSDA) funding are not included. Figures adjusted using the Consumer Price (All Groups) Index - weighted average of eight capital cities.

Source:

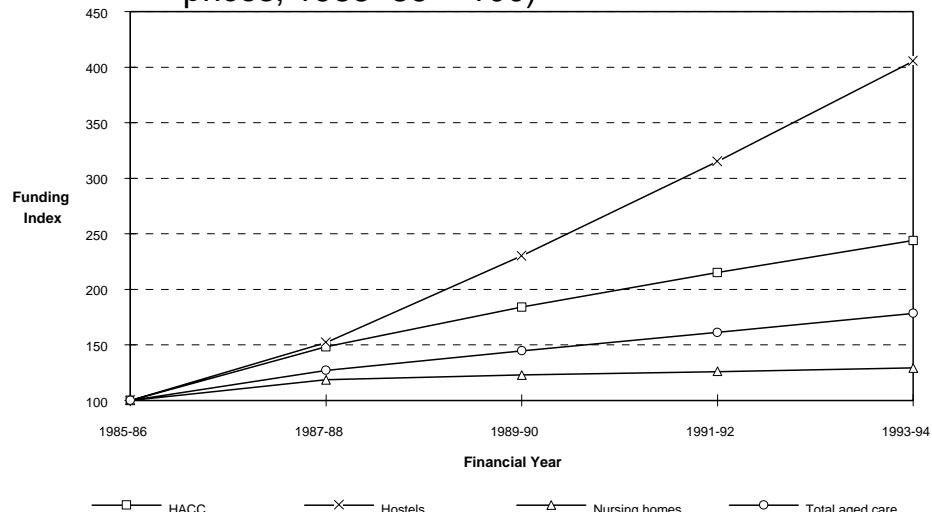
Various State government budget papers.

Services comprise nursing homes, hostels, nursing and personal care in the home, and care in the community such as day centres. The breakdown of recurrent funding by service type is shown in Table 4.2. The same programs also provided \$190 million in capital funding (see Table 4.3). Of this, \$142 million went to hostels, which are mainly run by CSWOs.

4.2.1 Nursing homes and hostels

Nursing homes provide nursing and personal care services to older people who are highly dependent and require substantial assistance and nursing care. Hostels provide accommodation and care services to older people who, because of frailty, are unable to remain in their own homes and require some daily assistance. Both recurrent and capital funding are provided to the operators of these facilities.

Figure 4.4 Aged care, funding of CSWOs, proportionate increase 1985–86 to 1993–94 (funding in constant prices, 1985–86 = 100)



Note

Calculated using deflator provided by AIHW.

Source:

AIHW 1993 and Commission estimates.

A recurrent subsidy per resident is payable to nursing homes. The subsidy varies with the relative care needs of residents according to a government-prescribed costing formula, but is not subject to any type of means test. The resident's contribution is equivalent to 87.5 per cent of the sum of the standard pension and rent assistance.

A subsidy is provided to support financially disadvantaged hostel residents who cannot otherwise obtain suitable supported accommodation. Hostels also receive variable personal care subsidies to assist them to provide higher levels of personal care where appropriate.

CSWOs usually receive capital funding on a two to one basis. For example, for a hostel costing \$1.5 million, the Commonwealth government provides \$1 million and the operator \$0.5 million.

Organisations can also receive funding for Community Aged Care Packages (CACPs) which provide personal care to frail aged people in their homes equivalent to personal care provided in a hostel.

Table 4.2 Aged care, recurrent funding by type of service, 1993–94, (\$ million)

Type of service	Funding of CSWOs	Total funding ^a
<i>Commonwealth government Aged Care Program</i>		
Nursing homes ^b	606.1	1667.1
Hostels ^b	404.2	433.9
Community Aged Care Packages (CACPs) ^b	6.1	7.4
Commonwealth Respite for Carers (CRCs)	na	7.8
<i>Sub total</i>	1016.4	2116.2
<i>Joint Commonwealth–State government programs</i>		
Home and Community Care (HACC) ^c	192.1	455.0
Total	1208.4	2571.2

a Funding of all service providers including CSWOs, government agencies and for-profit organisations.

b The share of funding provided to CSWOs is estimated on the basis of their share of beds or places. It is assumed that the funding of each bed or place provided by CSWOs is on average the same as for other provider types.

c Based on information from the HACC user characteristics data collection it has been estimated that 80 per cent of users of HACC services are aged people. The remainder are younger people with a disability. The Department of Human Services and Health (HSH) also divides HACC funding in this way (HSH 1994).

na Not available.

Source: Information provided by HSH and Commission estimates.

Table 4.3 Aged care, capital funding by type of service, 1993–94, (\$ million)

Type of service	Total program funding ^a
<i>Commonwealth government</i>	
Nursing homes	25.3
Hostels	142.3
Community Aged Care Packages (CACPs)	2.5
Multi-Purpose Centres	2.2
<i>Sub total</i>	172.2
<i>Joint Commonwealth–State government</i>	
Home and Community Care (HACC) ^b	18.2
Total	190.4

a Funding of all service providers including CSWOs, government and for-profit organisations.

b Based on information from the HACC user characteristics data collection it has been estimated that 80 per cent of users of HACC services are aged people. The remainder are younger people with a disability. The Department of Human Services and Health (HSH) also divides HACC funding in this way (HSH 1994).

Source: Information provided by HSH.

The Commonwealth government controls access to nursing homes, hostels and CACPs through Aged Care Assessment Teams (ACATs) or Hostel Care Assessment Authorities (HCAAs).

CSWOs run 562 (39 per cent) of the 1453 nursing homes and 1185 (91 per cent) of the 1306 hostels in Australia (see Table 4.4). In many cases the same organisation operates more than one nursing home or hostel.

Information is not available on the number of CSWOs running nursing homes. In the case of hostels, 802 organisations received funding. The Commission estimates that about 750 of these were CSWOs.

Table 4.4 Residential aged care, numbers and beds/places by provider type

<i>Provider type</i>	<i>Nursing homes^a</i>		<i>Hostels^b</i>	
	<i>Number</i>	<i>Beds</i>	<i>Number</i>	<i>Places</i>
CSWOs	562	27 084	1185	50 814
For-profit organisations	683	35 261	22	637
Governments	208	11 868	99	3103
Total	1453	74 213	1306	54 554

a As at 1 September 1994.

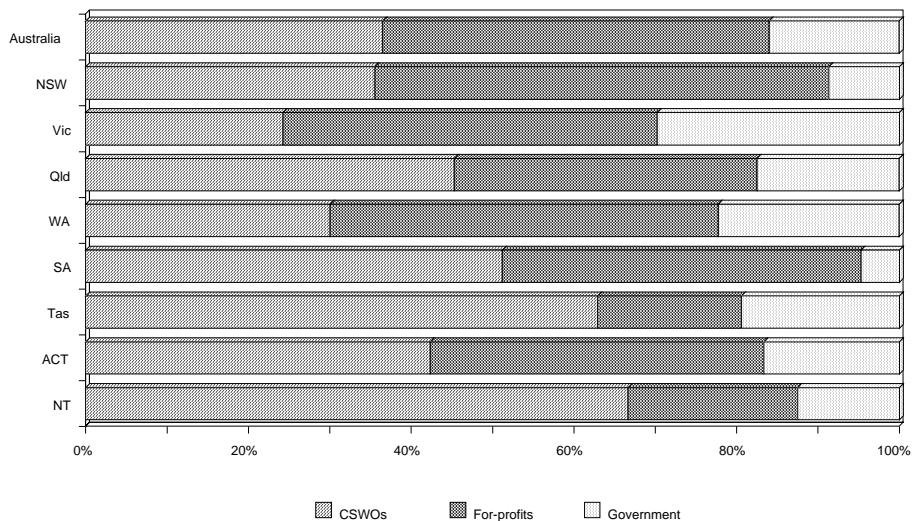
b As at 30 June 1993.

Source: Information provided by the Department of Human Services and Health.

CSWOs provide 37 per cent of all nursing home beds and 93 per cent of hostel places. The relative importance of CSWOs, State governments and for-profit organisations as providers under the Aged Care program by State are indicated in Figures 4.5 and 4.6.

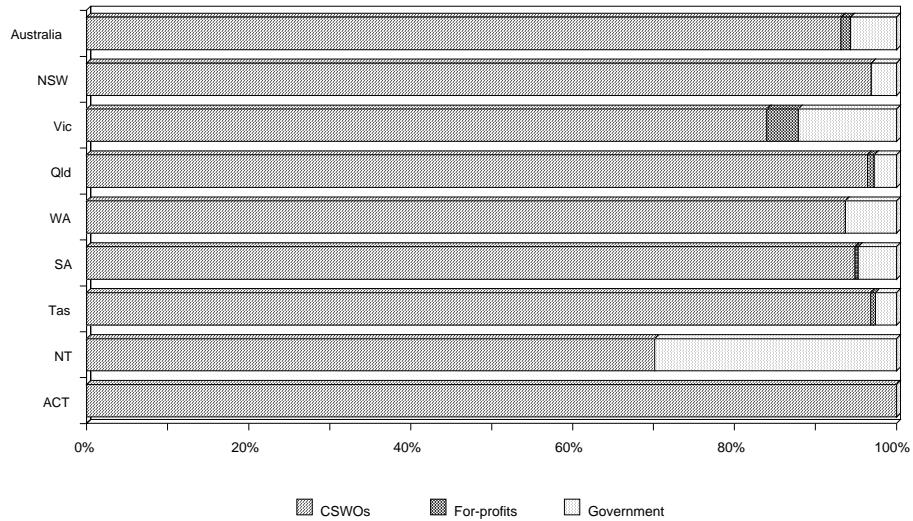
Of particular note is the greater role of government provision in Victoria in nursing homes and hostels, and the minimal role of for-profit organisations in hostel provision in all States. In 1993–94, CACPs were provided by 149 organisations. Of these, 105 were CSWOs while most of the others were Local government agencies. CSWOs provided 80 per cent of the places and received \$6.1 million in funding.

Figure 4.5 Nursing homes, number of beds by provider type by State, as at 1 September 1994 (per cent)



Source: Information provided by the Department of Human Services and Health.

Figure 4.6 Hostels, number of places by provider type by State, as at 30 June 1993 (per cent)



Source: Information provided by the Department of Human Services and Health.

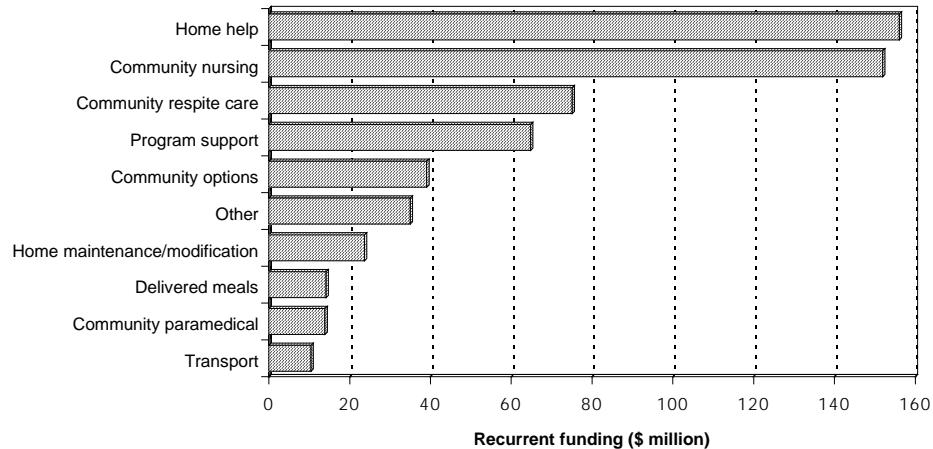
4.2.2 Home and Community Care

The Home and Community Care Program (HACC) established in 1985, is a joint Commonwealth–State government program that assists frail aged and younger disabled people and their carers. Costs of the program are shared between the Commonwealth and State governments with the former providing 60 per cent of funds. State governments are responsible for the day-to-day administration of the program.

It is estimated that 215 000 people receive one or more HACC services in an average month. According to data collected by the Department of Human Services and Health (HSH), 80 per cent of HACC service users are elderly while the remaining 20 per cent are younger people with disabilities.

The HACC program provides a range of services including community nursing, home help, home maintenance and modification, community respite care and allied health services (see Figure 4.7). The largest funding allocations go to home help (29 per cent) and community nursing (26 per cent). Home help includes personal care such as assistance with bathing, dressing, housekeeping and shopping, and day-to-day home maintenance tasks.

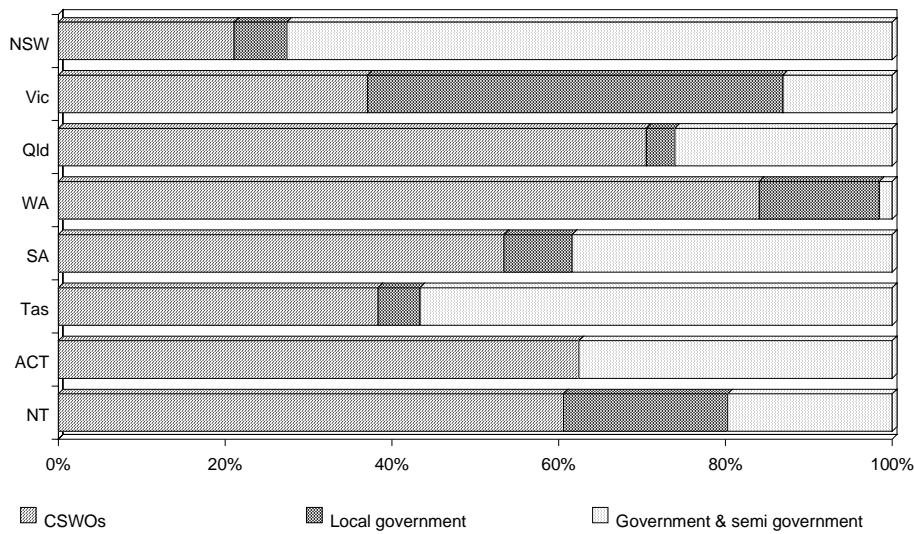
Figure 4.7 HACC recurrent funding to all organisations by service type, 1993–94 (\$ million)



Source: Department of Human Services and Health, *Statistical Overview 1993–94*, 1995, p. 148

HACC services are provided by a mix of State government, Local government and non-government organisations (see Figure 4.8 and Table 4.5). Over 1370 CSWOs received \$240 million (42 per cent) of total recurrent funding of \$569 million in 1993–94. They also received \$14 million (61 per cent) of the total capital funding of \$23 million.

Figure 4.8 Home and Community Care, recurrent funding by provider type by State, 1993–94 (per cent)



Source: Information provided by the Department of Human Services and Health and Commission estimates.

Table 4.5 Home and Community Care, number of service providers by provider type by State, 1993–94

State/territory	CSWOs	Local government agencies	Government and semi-government agencies	Total
New South Wales	567	95	43	705
Victoria	218	210	169	597
Queensland	293	34	15	342
Western Australia	151	52	15	218
South Australia	65	75	52	192
Tasmania	35	11	1	47
Australian Capital Territory	14	0	9	23
Northern Territory	29	14	1	44
Total	1372	491	305	2168

Source: Information provided by the Department of Human Services and Health and Commission estimates.

CSWOs receiving HACC funding often obtain additional resourcing from the community through donations and volunteer work. In the case of meals on wheels, HACC provides only a small proportion of the cost of each meal, with other costs being borne by service providers and clients.

For Australia as a whole, CSWOs are the largest recipient of HACC recurrent funding (42 per cent) followed by government and semi-government (37 per cent) and local government (19 per cent).

The percentage of HACC funding received by the different provider types varies significantly from State to State (see Figure 4.8). The share received by CSWOs is only 37 per cent in Victoria and is an even smaller 21 per cent in New South Wales. The average is raised by the other States, particularly Western Australia and Queensland where the shares received by CSWOs are 84 per cent and 71 per cent respectively.

In New South Wales, about half of HACC funding goes to the Homecare Service, a State government agency which provides general housekeeping, respite care and personal care. In Victoria, Local government receives 50 per cent of total funding and concentrates on home help and meals on wheels. Over half the funding to CSWOs goes to the Royal District Nursing Service.

CSWOs are the largest provider type in the delivery of HACC services in Queensland, Western Australia and South Australia. In each case at least half of CSWO funding goes to one organisation, the Blue Nursing Service of the Uniting Church in Queensland, the Silver Chain Nursing Association in Western Australia and the Royal District Nursing Society in South Australia.

In all States, CSWOs have a significant role in the provision of community options programs, respite services and meals on wheels.² Forty-five CSWOs received more than \$0.5 million each in 1993–94 and, as a group, secured 65 per cent of the funding for CSWOs. The 332 CSWOs receiving more than \$100 000 secured 88 per cent of the funding while the 1040 CSWOs receiving less than \$100 000 secured the remaining 12 per cent.

HACC respite care providers also received \$7.8 million in funding under the Commonwealth Respite for Carers (CRC). This enabled them to provide more responsive and flexible respite arrangements than they could under HACC. This program is entirely Commonwealth government funded.

² According to the community options approach (known as Linkages in Victoria) services are planned around the needs of individuals rather than expecting individuals to fit into established services patterns. The projects combine the skills of a case manager with a flexible budget to allow purchase of services not available from HACC agencies.

4.3 Services to people with a disability

Disability spending covers a range of services relating to accommodation, employment and community participation. The last of these includes care in the home, life skills and attendance at day centres. Recurrent government funding of disability services by CSWOs was about \$515 million in 1993–94 (see Table 4.6).³

Table 4.6 Disability services, recurrent funding to CSWOs, 1993–94

	\$ million
Commonwealth government funded programs	146.7
State government programs ^a	320.8
HACC for people with a disability ^b	47.9
Total	515.5

a This includes funding provided by the Commonwealth to the States under the CSDA.
 b Based on information from the HACC user characteristics data collection it has been estimated that 80 per cent of users of HACC services are aged people. The remainder are younger people with a disability. The Department of Human Services and Health (HSH) also divides HACC funding in this way (HSH 1994).

Source: Information provided by government departments and Commission estimates.

Care for the disabled is subject to the Commonwealth–State Disability Agreement (CSDA). Under this agreement the Commonwealth government has administrative responsibility for employment services and State governments have the responsibility for the provision of accommodation and support services.⁴ Both levels of government provide funding for goods and services for people with visual disabilities and for information and advocacy services.

In 1993–94, HSH made recurrent payments under its Disability Program of \$147 million to 481 organisations (see Tables 4.7 and 4.8). As a result of amendments to the *Disability Services Act* 1986, for-profit organisations are now eligible for Commonwealth government funding for the delivery of disability services. However, to date, their participation has been minimal so funding is predominantly of CSWOs.

State governments provided \$321 million to 1343 CSWOs in 1993–94 (see Table 4.9).

³ Education funding for disabled children is not included.

⁴ The employment services under the Commonwealth Disability Services Program have recently been reviewed by Baume and Kay (1995).

Table 4.7 Commonwealth government disability program, recurrent funding by service type by State, 1993–94, (\$ million)

<i>Service type</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>Total</i>
Sheltered workshops	21.6	13.0	7.0	13.5	6.3	2.2	1.0	0.5	65.1
Competitive employment training and placement	7.8	6.8	5.5	4.5	0.7	0.6	0.5	0.3	26.8
Supported employment	6.9	8.1	4.1	2.1	1.8	0.2	1.7	0.2	25.1
Activity therapy centres	6.5	8.0	2.4	0.3	1.9	0.2	0.0	0.4	19.6
Other	3.3	2.7	1.1	0.6	1.7	0.3	0.2	0.1	10.0
Total	46.0	38.6	20.1	21.1	12.6	3.4	3.5	1.4	146.7

Source: Information provided by the Department of Human Services and Health.

Table 4.8 Commonwealth government disability program, recurrent funding and number of organisations by State, 1993–94

<i>State</i>	<i>Number of organisations</i>	<i>\$ million</i>
New South Wales	175	46.0
Victoria	143	38.6
Queensland	61	20.1
Western Australia	35	21.1
South Australia	37	12.6
Tasmania	15	3.4
Australian Capital Territory	9	3.5
Northern Territory	6	1.4
Total	481	146.7

Source: Information provided by the Department of Human Services and Health.

Table 4.9 State government disability programs, recurrent funding and number of CSWOs by State, 1993–94

<i>State</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
New South Wales	300	94.6
Victoria	586 ^a	90.8
Queensland	189	46.9
South Australia	29	22.5
Western Australia ^b	119	40.1
Tasmania	79	19.4
Australian Capital Territory	18	2.9
Northern Territory	23	3.6
Total	1343	320.8

^a Includes 259 CSWOs receiving less than \$5000, 182 of which are funded under the specialist children's program.

^b Includes funding by the Western Australian Lotteries Commission.

Source: Information provided by State government departments.

There were 1629 CSWOs funded under the Commonwealth and State government disability programs combined.⁵ Of these, ten organisations received more than \$5 million each, while the 86 organisations receiving more than \$1 million each, received 55 per cent of funding as a group. Small organisations, those receiving less than \$100 000 each, comprised 55 per cent of all funded organisations and, as a group, received 7 per cent of funding. The proportions of funding going to different sized organisations are given in Table 4.24.

4.4 Care for children at risk

Care for children at risk is a responsibility of the State governments. CSWOs are the principal providers of alternate care for such children, including adoption, while the State governments provide most child protection services. Individual foster carers are another important group of non-government participants.

State governments vary in the extent to which their own agencies provide services in the area. Some State governments are planning to increase the role of the non-government sector. In New South Wales, a review of alternative care (Usher Report 1992), recommended that all substitute care be transferred to non-government providers and this has been proceeding. In Victoria, State government-run group homes are being replaced by CSWO-run services. Funding of CSWOs for child protection and alternate care is shown in Table 4.10.

4.5 Community, individual and family support

Most community, individual and family support programs aim to assist the disadvantaged or people going through personal crises. They include:

- counselling on matters such as budgeting skills, personality problems, parenting skills, marriage counselling, conflict resolution and drug and alcohol dependence;
- community development programs such as neighbourhood houses;
- crisis accommodation;
- emergency relief; and

⁵ This is after allowing for duplication where the same name is referred to under both Commonwealth and State government programs. There is very little duplication between State government programs.

- programs specifically for troubled younger people.

Services under programs in this sub-sector are mostly provided by CSWOs, although there is also some government provision, particularly by Local government agencies.

Table 4.10 Child protection and alternate care, State government funding of CSWOs by State, 1993–94

<i>Program</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
<i>New South Wales</i>		
Child protection		2.3
Alternative care for children		16.4
<i>State total</i>	<i>64</i>	<i>18.7</i>
<i>Victoria</i>		
Accommodation and support services for children		41.3
Long term placement with families		0.8
Child protection services		0.3
<i>State total</i>	<i>134</i>	<i>42.4</i>
<i>Queensland</i>		
Alternative care and intervention services		9.2
Child abuse prevention		0.2
Receiving, assessment, placement and therapy		1.4
<i>State total</i>	<i>72</i>	<i>10.8</i>
<i>Western Australia</i>		
Residential child care		5.0
Child sexual abuse treatment		0.3
<i>State total</i>	<i>22</i>	<i>5.3</i>
<i>South Australia</i>		
Foster care		1.2
Residential care		1.1
Early intervention/family preservation		0.7
Adoption/post adoption		0.1
<i>State total</i>	<i>18</i>	<i>3.1</i>
<i>Tasmania</i>		
Children's services	6	0.3
<i>Australian Capital Territory</i>		
Family Services Branch Grants ^a	5	2.3
<i>Northern Territory^b</i>		
Total	321	82.8

a Includes some family support.

b Child protection and alternate care is part of Family, Youth and Children's Services.

na Not available.

Source: Information provided by State government departments.

CSWOs received funding of \$359 million for community, individual and family support in 1993–94 (see Table 4.11). Commonwealth government programs provided 12 per cent, joint Commonwealth–State government programs 55 per

cent and State government programs 33 per cent. The largest individual component was funding under the Supported Accommodation Assistance Program (SAAP) which provides crisis accommodation and related services. This program provided \$174 million, half of the total. The sub-sector also includes a large range of State government programs.

4.5.1 Commonwealth government programs in the area of community, individual and family support

The Commonwealth government directly funds CSWOs through a number of community, individual and family support programs. The main programs are Emergency Relief and Family Resource Centres funded by HSH and Family Services and financial counselling funded by the Commonwealth Attorney-General's Department (see Table 4.11).

Table 4.11 Community, individual and family support program funding to CSWOs, 1993–94

<i>Program</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
<i>Commonwealth government programs</i>		
Emergency relief	900	19.6
Family services	60	20.0
Financial counselling	29	1.1
Family Resource Centres	11	4.2
<i>Sub total</i>	<i>1000</i>	<i>44.9</i>
<i>State government programs</i>		
<i>Sub total</i>	<i>2970</i>	<i>117.4</i>
<i>Joint Commonwealth–State government programs</i>		
Supported Accommodation Assistance Program	907	173.6
Community legal centres	105	13.1
Youth Social Justice Strategy	na	10.0
<i>Sub total</i>	<i>1012</i>	<i>196.7</i>
Total	a	359.0

a The number of CSWOs is not totalled because many organisations obtain funding under more than one program area. Duplication mainly occurs across Emergency Relief, the State government programs and the Supported Accommodation Assistance Program.

Source: Information provided by various government departments.

The Emergency Relief Program provided \$20 million in 1993–94 to about 900 agencies for distribution as financial assistance to persons in crisis. More than one third of the funding went to a small number agencies, including the Salvation Army, St Vincent de Paul and The Smith Family. In each of Victoria and Western Australia, Local governments received about 10 per cent of funds.

Eleven Family Resource Centres received \$4.2 million in 1993–94. The aim of the centres is to provide various forms of support to community groups including training and research.

The Family Services program disbursed \$20 million in 1993–94 to 60 organisations for the provision of marriage/relationship counselling, family mediation, marriage/relationship education, adolescent mediation and family therapy, and family skills training (see Table 4.12). The main recipients were Relationships Australia, and the Centacare and Anglican agencies in capital cities and regional centres.

Table 4.12 Family services program, number of CSWOs and funding by service type, 1993–94

<i>Sub-program</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
Marriage counselling	41	14.4
Marriage education	36	1.2
Family mediation	11	1.4
Adolescent mediation & family therapy	11	1.5
Family skills training	16	1.5
Total	60^a	20.0

a The total number of CSWOs is not the sum of the number funded under the sub-programs because many organisations are funded under more than one sub-program.

Source: Information provided by the Commonwealth Attorney-General's Department

The Financial Counselling program disbursed \$1.1 million in 1993–94 to 29 community agencies providing financial advice to low income earners experiencing financial distress. Funds were targeted to disadvantaged areas on a needs basis.

4.5.2 Joint Commonwealth — State government community, individual and family support programs

Supported Accommodation Assistance Program

Supported Accommodation Assistance Program (SAAP) services provide supported accommodation, referral, advocacy and counselling for the homeless and those in crisis. Facilities include refuges, half-way houses and crisis drop-in centres.

Over the last few years there has been a greater emphasis on medium to long term accommodation and a wider range of non-accommodation services. This reflects the program's objective of assisting homeless people towards stable long-term accommodation and a return to independent living. According to the

Department of Housing and Regional Development, SAAP funded 1566 services, and on any given night these accommodated over 12 000 people, including dependent children.

SAAP, in its present form, came into effect on 1 July 1989. Recurrent funding has progressively increased since then (see Table 4.13). Capital funding for SAAP services is provided through the complementary Crisis Accommodation Program (CAP), which provided over \$33 million in 1993–94.

Table 4.13 SAAP, recurrent funding of all organisations by State, 1989–90 to 1993–94 (\$ million)

<i>State</i>	<i>1989–90</i>	<i>1990–91</i>	<i>1991–92</i>	<i>1992–93</i>	<i>1993–94</i>	<i>% increase from 1989– 90 to 1993– 94</i>
						<i>94</i>
New South Wales	36.6	46.2	50.8	52.2	70.0 ^a	91
Victoria	25.7	30.7	34.6	35.2	38.6	50
Queensland	18.0	20.6	23.0	25.4	25.7	43
Western Australia	11.1	13.2	13.3	14.1	14.7	32
South Australia	9.8	12.2	12.6	13.8	14.0	43
Tasmania	5.4	5.8	6.0	6.0	6.2	15
Australian Capital Territory	4.0	4.6	5.4	5.8	na	na
Northern Territory	2.9	3.3	3.4	4.1	4.4	52
Total	113.5	136.6	149.5	156.6	173.6	53

a Includes \$8.8 million for jointly-funded supported accommodation outside of SAAP.

Source: National Evaluation of the Supported Accommodation Assistance Program, *Moving Forward*, 1993 and Commonwealth Department of Housing and Regional Development, Annual Report 1993–94.

About 950 organisations received recurrent funding of \$174 million under the program in 1993–94, of which 907 were CSWOs. Eight organisations received more than \$1 million each and together they received 18 per cent of total funding. These include the Salvation Army (Southern and Eastern Commands), the St Vincent de Paul Society (NSW) and the Sydney City Mission. Seventy-two per cent of funding went to 546 CSWOs receiving between \$100 000 and \$1 million while 353 CSWOs received less than \$100 000 (see Tables 4.23 and 4.24).

The Commonwealth government contributes 60 per cent and the State governments 40 per cent of SAAP funding. The State governments are responsible for management and day-to-day administration and the Commonwealth government is responsible for setting national priorities and objectives.

Joint responsibilities include approval of State plans, funding of new services and variations to funding existing services. They also include performing various functions related to review, evaluation, consultation and user rights.

The Youth Social Justice Strategy is closely associated with the SAAP program and is administered in the same way. It provides funding for innovative support services and medium to long-term supported accommodation for homeless young people. In 1993–94, \$10 million was spent on 124 projects, with funding split evenly between the Commonwealth and State governments.

Community Legal Centre program

In 1993–94, \$13 million was provided to 105 organisations through the Community Legal Centre program. Funding was shared between the Commonwealth and State governments with funds disbursed through the legal aid commissions in each State. These centres provide legal advice to individuals and community legal education projects.

4.5.3 State government programs

State governments have a range of community, individual and family support programs. Of particular note is the large number of organisations receiving low levels of funding, with 90 per cent receiving less than \$100 000, 78 per cent less than \$50 000 and 16 per cent less than \$2000 (see Tables 4.14). The range of programs are detailed in Table 4.15.

Table 4.14 State government community, individual and family support programs, number of CSWOs and proportion of funding, by level of funding, 1993–94

State	Percentage of funds					Number of CSWOs						
	(funding level in \$ '000 intervals)					(funding level in \$ '000 intervals)						
	Over 500	100 to 500	50 to 100	2 to 50	Under 2	Over 500	100 to 500	50 to 100	2 to 50	Under 2	Total CSWOs	
NSW	3	51	27	20	..	2	130	149	287	15	583	
Vic	8	41	13	38	..	1	48	43	522	138	752	
Qld	3	34	33	29	1	1	36	89	381	61	568	
WA	16	28	21	35	1	4	28	50	376	227 ^a	685	
SA	15	20	22	43	..	1	7	17	107	4	136	
Tas	..	35	16	48	..	..	4	6	59	1	70	
ACT	37	43	8	12	..	3	15	7	34	5	64	
NT	..	53	13	32	2	..	6	5	73	28	112	
Total	8	40	22	29	..	12	274	366	1839	479	2970	

a Almost all funded by the Western Australian Lotteries Commission.

.. Zero value or less than 0.5.

Source: Commission estimates.

Table 4.15 State government community, individual and family support programs, number of CSWOs and funding, 1993–94

		<i>Number of CSWOs</i>	<i>\$ million</i>
<i>New South Wales</i>	Family and Individual Support Projects	248	14.6
	Community Development	268	13.3
	Youth Services	166	10.1
	Department of Planning	105	2.4
	State total	a	40.4
<i>Victoria</i>	Family and Community	635	9.2
	Family Support	82	7.9
	Office of Youth Affairs	121	6.0
	State total	a	23.0
<i>Queensland</i>	Family and Individual Support	159	8.1
	Domestic Violence Initiative	63	2.8
	Emergency Relief	106	1.3
	Youth	45	2.3
	Dept of Tourism Youth Program	104	0.8
	Other	158	2.7
	State total	a	18.1
<i>Western Australia</i>	Family Support	87	3.9
	Poverty	62	1.7
	WA Lotteries Commission	158	11.9
	Other	26	1.5
	State total	a	19.0
<i>South Australia</i>	Anti-Poverty	18	0.6
	Families with Children	43	2.8
	Neighbour Development	47	0.8
	Services for Young People	15	0.4
	Other	22	0.9
	State total	a	5.4
<i>Tasmania</i>	Counselling Services	9	0.4
	Neighbourhood Services	30	0.5
	Family Support Services	36	1.5
	Youth Support	5	0.1
	State total	a	2.6
<i>Australian Capital Territory</i>	Youth Services	17	1.3
	Community Service and Family Services	47	5.1
	Territory total	a	6.4
<i>Northern Territory</i>	Family, Youth and Children's Services	34	2.2
	International Year of the Family	84	0.2
	Territory total	a	2.4
Total all States		a	117.4

a The number of CSWOs is not totalled because many organisations obtain funding under more than one program area. See Table 4.15 for totals.

Source: Information provided to the Commission by State government departments and agencies.

Box 4.2 Lotteries Commission of Western Australia

The *Lotteries Commission Act 1990* gives the Lotteries Commission the power to conduct specified games of chance and to distribute the profits to benefit the community. It is the only Lotteries Commission in Australia with a legislative mandate to make such distributions.

In most other States, money from lotteries is directed into consolidated revenue. In Queensland, there is a Casino Community Benefit Fund which provided \$2.6 million to community organisations in 1993–94.

In 1993–94, the Lotteries Commission provided \$21 million to CSWOs. It also funded other areas such as cultural activities. The table below shows the distribution of non-government agencies funded.

Lotteries Commission funding of CSWOs 1993–94, \$ million

<i>Sub-sector</i>	<i>Funding</i>
Services for the disabled	2.0
Community, individual and family support	11.9
Employment programs	2.4
Child care	1.4
Aged care	3.5
Total	21.2

Funds are distributed to not-for-profit community organisations and local government authorities for activities which are benevolent and charitable. Organisations wishing to receive grants make submissions to the Commission, which are considered and recommendations made to the Minister.

The Lotteries Commission complements the State government's welfare programs. The Act specifies to some extent which activities may be funded by the Commission's activities. The State government does not generally fund what the Lotteries Commission is able to. In many cases, the Lotteries Commission has been more willing to fund innovative and risky projects than the government, although the government has subsequently adopted many projects which were initially funded by the Commission.

The accountability requirements of the Commission are less onerous than those of government. Essentially the only requirement is that the money granted to organisations be spent on the project for which it was originally granted. Recipients of grants are required to sign an agreement and provide proof of usage of the grant.

4.6 Ethnic affairs

In 1993–94, the Department of Immigration and Ethnic Affairs paid \$32 million to CSWOs (see Table 4.16) through the Migrant Community Services, Immigration Advice Agencies and Asylum Seeker Assistance programs. The Migrant Community Services program aims to assist migrants to access government and community services and function effectively in Australian society. Funding under the program totalled \$15 million and involved 282 CSWOs. The distribution by State is shown in Table 4.17. Funding under the Asylum Seeker Assistance program goes to the Australian Red Cross Society

Table 4.16 Commonwealth government immigration and ethnic affairs programs, funding to CSWOs, by programs, 1993–94 (\$ million)

<i>Program</i>	<i>\$ million</i>
Migrant community services	15.1
Immigration advice agencies	1.4
Asylum Seeker Assistance Program	15.2
Total	31.7

Source: Information provided by the Commonwealth Department of Immigration and Ethnic Affairs and DIA (1994).

Table 4.17 Department of Immigration and Ethnic Affairs, grants for migrant community services, number of CSWOs and funding by State, 1993–94

<i>State</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
New South Wales	99	5.4
Victoria	84	5.3
Queensland	33	1.3
Western Australia	29	1.4
South Australia	26	1.0
Tasmania	4	0.1
Australian Capital Territory	9	0.3
Northern Territory	2	0.2
Total	282^a	15.1

^a The total number of CSWOs is not the sum of the State figures because a small number of organisations receive funding in more than one State.

Source: Information provided by the Department of Immigration and Ethnic Affairs.

State governments provided \$2.7 million to 485 CSWOs. About 60 per cent of the organisations were in Victoria and these received funding averaging around \$500.

4.7 Child care

Most funding of CSWOs for child care is through the Commonwealth government's Children's Services Program. In 1993–94 the Commonwealth government provided recurrent funding of over \$660 million for child care, of which about \$250 million went to CSWOs.

Of the child care funding going to CSWOs, 79 per cent went to community organisations such as parents' groups while the remaining 21 per cent went to organisations classified as religious or charitable (see Table 4.18). The two CSWO categories combined provided 3117 out of 6137 services (ie establishments).

While the Commission was unable to obtain detailed information on the number of organisations funded under the program, it estimated that in the order of 3000 organisations of all kinds received funding. If the ratio of organisations to services is similar for CSWOs as for all organisations, the number of CSWOs would be about 1500.

Total Commonwealth government funding for child care has increased steadily during the last two decades and tripled in real terms from 1989–90 to 1993–94. According to Commonwealth government budget estimates, funding in 1994–95 will increase by 40 per cent (HSH 1995, p. 123).

Table 4.18 Commonwealth government child care program, number of services and funding by organisation type, 1993–94

<i>Organisation type</i>	<i>No. of services^a</i>	<i>Recurrent funding</i> \$m	<i>Capital funding</i> \$m
Religious/charitable	502	51.8	0.6
Non-profit ^b	2615	198.8	3.0
Commonwealth government	26	0.5	0.0
Commercial Sector	1607	219.9	0.0
Local government	1125	163.9	0.6
State government ^c	262	28.2	0.1
Total	6137	663.1	4.2

a As at 31 May 1995.

b These include community based organisations such as parent groups.

c Most funding to State governments goes to the South Australia Children's Services Office which then funds non-government service providers.

.. Zero value.

Source: Information provided by the Department of Human Services and Health.

State governments are another, although much smaller, source of funds to CSWOs for child care, both through matching of some Commonwealth government spending under the National Child Care Strategy and through their

own programs. They also provide some funding to CSWOs under their pre-school/kindergarten programs.

The information available to the Commission is insufficient to estimate State government child care funding. State government funding generally goes to establishments that also receive Commonwealth government funding.

4.8 Employment

A little over \$200 million of employment program funding went to CSWOs in 1993–94. Other providers funded by these programs include regional development organisations, industry bodies, Local government agencies and TAFE colleges. Most of the funding comes through the Commonwealth Department of Employment, Education and Training (DEET).

4.8.1 Commonwealth government employment programs

The most important Commonwealth government program is SkillShare which aims:

...to assist the long term unemployed and other disadvantaged unemployed people to obtain and retain employment or to proceed to further education or training. Assistance is provided through skills training, employment-related assistance (including personal support and referral) and enterprise activities. It is delivered by incorporated community based organisations with a demonstrated capacity to deliver such services. (DEET 1993, p. 116)

In 1993–94 SkillShare provided \$118 million to 369 CSWOs (see Table 4.19), the average level of funding being \$320 000. Half the organisations received more than \$300 000 and only four CSWOs received less than \$100 000. SkillShare also provided \$5.1 million to local governments.

The other main source of funds from DEET is through Jobskills which provided \$51 million to 67 CSWOs in 1993–94 (see Table 4.20). Jobskills provides the long term unemployed and other disadvantaged people a combination of supervised work experience in the public or community sector, structured training and the opportunity to develop and practise new skills in a work environment over a 26 week period.

Overall, CSWOs received 40 per cent of funding under Jobskills, although this varied from State to State. For example, in Tasmania all Jobskills funding went to one Local government agency. Ten CSWOs received more than one million dollars under this program in 1993–94 while the smallest payment was over \$280 000. The average payment was around \$760 000 and half the organisations received over \$430 000.

Table 4.19 SkillShare, number of CSWOs and funding by State, 1993–94

<i>State</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
New South Wales	112	36.3
Victoria	112	35.6
Queensland	43	12.7
Western Australia	32	10.2
South Australia	40	13.5
Tasmania	15	5.7
Australian Capital Territory	8	2.0
Northern Territory	8	2.1
Total	369^a	118.1

a The total number of CSWOs is not the sum of the State figures because a small number of organisations receive funding in more than one State.

Source: Information provided by the Department of Employment, Education and Training.

The Job Placement Employment and Training (JPET) pilot program, which is administered by the Department of Housing and Regional Development, provides training and employment opportunities to young homeless people and young people at risk of homelessness. These were run by 34 CSWOs, with funding of \$3.5 million in 1993–94 and by 6 Local government agencies that received \$0.5 million. Seventy one per cent of the funding to CSWOs went to the 18 organisations that received more than \$100 000.

Table 4.20 Jobskills, number of CSWOs and funding by State, 1993–94

<i>State</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
New South Wales	27	16.5
Victoria	4	10.4
Queensland	19	8.8
Western Australia	6	4.9
South Australia	10	7.6
Tasmania	..	..
Australian Capital Territory	..	..
Northern Territory	4	2.8
Total	67^a	51.0

a The total number of CSWOs is not the sum of the State figures because a small number of organisations receive funding in more than one State.

Source: Information provided by the Department of Employment, Education and Training.

4.8.2 State government employment programs

States governments also have employment programs although the levels of funding are much smaller. Total funding was \$31 million in 1993–94 (see Table 4.21).

Over 11 per cent of funding by New South Wales went to 24 schemes run by the Sydney City Mission. Another major recipient was the Hunter Mission. Of the other 234 recipient CSWOs in NSW, 43 received more than \$100 000. In Western Australia 12 CSWOs received more than \$100 000. In Victoria some 20 CSWOs received over \$100 000. In other States all payments were below \$100 000.

Table 4.21 State government employment programs, number of CSWOs and funding, 1993–94

<i>State</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
NSW	236	15.9
Victoria	73	5.3
Queensland	71	2.2
Western Australia ^a	89	5.3
South Australia	72	0.8
Tasmania	9	0.1
Australian Capital Territory	33	1.2
Northern Territory	..	..
Total	583	30.8

a Includes funding by the WA Lotteries Commission.

.. Zero value.

Source: Information provided by State governments.

4.9 Health programs

CSWOs received around \$217 million through a range of non-acute health programs in 1993–94. The most important of these are the joint Commonwealth–State government programs which include the National Campaign against Drug Abuse, the National Women's Health Program, AIDS funding, the Blood Transfusion Service and Homeless Youth services.

The Commonwealth government does not provide any significant levels of funding for health programs directly to CSWOs.

The largest health related funding program is the Blood Transfusion Services program which funds the Australian Red Cross blood transfusion services in each State. These received \$91 million in current funding from government in

1993–94. Of this about 60 per cent was provided by State governments while the remaining 40 per cent came from the Commonwealth government.

As well as matching Commonwealth government funding, State governments also fund some of these program areas beyond the level of the joint arrangements. They also have their own programs. Over 900 CSWOs received \$126 million in 1993–94 under health programs other than the Blood Transfusion Services program (see Table 4.22).

As well as CSWOs, Local government and State government agencies are major providers under these programs. Their respective roles vary significantly from State to State.

Table 4.22 State government and joint Commonwealth–State government health programs, number of CSWOs and funding by State, (excluding blood transfusion services), 1993–94

<i>State</i>	<i>Number of CSWOs</i>	<i>\$ million</i>
New South Wales	250	37.6
Victoria	138	28.5
Queensland	249	16.9
Western Australia	93	13.6
South Australia	13	8.4
Tasmania	27	1.4
Australian Capital Territory	54	2.1
Northern Territory	102	17.3
Total	926	125.9

Source: Information provided by State governments.

4.10 Peak councils

While virtually all programs provide funding to peak councils, there is also specific funding through the Commonwealth government Community Organisations Support Program (COSP) which provided \$8.1 million to 61 organisations in 1993–94.

The COSP program facilitates consultative processes between the Commonwealth government and the community by funding peak national secretariats (see Box 7.4). Total funding of peak councils through all programs was \$27 million (see Table G2.2.)

4.11 Overseas aid

Overseas aid is detailed in Chapter 6. In 1993–94 approximately 120 non-government development organisations received \$71 million from the Commonwealth government.

4.12 Review of roles and responsibilities

Many participants in this Inquiry were concerned about problems arising where more than one level of government was involved in a program area. Any rationalisation of program responsibilities, through a reduction in the overlapping roles and responsibilities of different levels of government, would assist the sector in its relationships with governments and might lower administrative costs.

It is beyond the scope of this inquiry, however, to make recommendations concerning the appropriate assignment of program responsibilities between the various tiers of government.

Several reviews of human services have considered which level of government should be responsible for particular programs. For example, the Mid-term Review of the Aged Care Reform Strategy (1991), the National Health Strategy (1991) and Gregory (1994) examined this. These reviews proposed that all aged care programs should be with the same level of government.

The Council of Australian Governments (COAG) is currently considering the roles and responsibilities of the Commonwealth and State governments in both health and community services.

4.13 The consolidated picture

This chapter has examined the level and nature of government funding of CSWOs. The funding received by CSWOs comes from many different programs, different levels of government and different departments within the same level of government. The basic program structure and the respective roles of the two levels of government are shown in Figure 4.1 and the levels of funding to the main program areas are summarised in Table 4.23.

Table 4.23 Number of CSWOs and distribution of funding by program area, 1993–94

	CSWOs receiving						<i>Total</i>	
	<i>Over \$1 million</i>		<i>Between \$100,000 & \$1 million</i>		<i>Under \$100,000</i>			
	<i>No of CSWOs</i>	<i>Total funds \$m</i>	<i>No of CSWOs</i>	<i>Total funds \$m</i>	<i>No of CSWOs</i>	<i>Total funds \$m</i>	<i>Total CSWOs</i>	<i>Total funds</i>
<i>Aged care and disability</i>								
Nursing homes	na	na	na	na	na	na	562	606.1
Hostels	na	na	na	na	na	na	750	404.2
CACPs	na	na	na	na	na	na	105	6.1
Disability (excl. HACC)	86	256.7	642	183.9	901	27.5	1629	467.5
HACC	23	140.9	309	69.5	1040	29.8	1372	240.1
<i>Children's services</i>								
Children at risk	19	30.0	135	47.1	167	5.7	321	82.8
Child care	na	na	na	na	na	na	1500	250.6
<i>Community, individual & family support</i>								
Commonwealth programs	na	na	na	na	na	na	1000	44.9
SAAP	8	31.7	546	124.3	353	17.6	907	173.6
YSJS	na	na	na	na	na	na	na	10.0
State programs	3	4.0	283	53.2	2684	60.2	2970	117.4
Community Legal Centres	na	na	na	na	na	na	105	13.1
<i>Ethnic affairs</i>								
Commonwealth migrant community services	0	0.0	21	3.2	261	11.9	282	15.1
Immigration advice agencies	na	na	na	na	na	na	na	1.4
Asylum seeker assistance	1	15.2	na	na	na	na	1	15.2
State government ethnic affairs	na	na	na	na	na	na	485	2.7
<i>Employment</i>								
SkillShare	0	0.0	365	117.8	4	0.0	369	118.1
Jobskills	10	24.8	57	26.2	0	0.0	67	51.0
JPET	na	na	na	na	na	na	34	3.5
State employment	na	na	na	na	na	na	583	30.8
Health (excl. blood transfusion)	16	30.8	253	66.2	657	29.0	926	125.9
Blood transfusion services	na	na	na	na	na	na	na	91.3
COSP	0	0.0	29	6.7	32	1.5	61	8.1
Overseas aid	na	na	na	na	na	na	120	70.9
Total							14 149^a	2950.4

a Includes considerable duplication because many organisations receive funding under more than one program area.

na Not available.

Source: Information provided by government departments and Commission estimates

4.13.1 The number of CSWOs

It is difficult to estimate the number of CSWOs receiving government funding.⁶ Even after the funding going to CSWOs has been identified, the number of CSWOs receiving funding under each program area needs to be adjusted downwards to take account of the CSWOs receiving funding under more than one program area.

The Commission arrived at an estimate of some 10 000 to 11 000 government-funded CSWOs by adjusting the total of over 14 000 (see Table 4.23) identified as receiving funding under individual program areas in the following way. For each program area other than State government community, individual and family support, the number of CSWOs was multiplied by an estimated percentage of the organisations that receive their government funding exclusively from that program area. This estimated percentage was based on an analysis of a sample of CSWOs receiving funding under that program area.

Since virtually all CSWOs funded under multiple program areas would have received some of their funding under the State government community, individual and family support programs, these organisations were taken into account by adding the total number of CSWOs funded under these programs to the estimate of CSWOs funded under a single program area to arrive at the overall estimate.

The Commission regards this as only a rough estimate which is affected by government departments not always clearly identifying the auspicing organisation of a particular service and the tendency for different departments to refer to a particular organisation in different ways. Until government departments have an unique identifier for each CSWO, it will be difficult to determine both the number of CSWOs funded by government and the aggregate funding received by each CSWO.

4.13.2 Distribution of funding between different sized CSWOs

For most programs or sub-sectors, and about half total funding to CSWOs, it has also been possible to categorise the organisations into those receiving government funding; above \$1 million; between \$100 000 and \$1 million; and less than \$100 000. The number and percentage of organisations and the amount and percentage of funding in these categories for 1993–94 is shown in Table 4.24 and Figures 4.9 and 4.10.

⁶ See Box 4.1 for a discussion of the difficulties.

Figure 4.9 shows that only 2 per cent of organisations received funding above \$1 million in 1993–94, while 68 per cent received less than \$100 000. However, in terms of funding, the largest organisations received 37 per cent of the funding, while the small organisations received only 13 per cent (see Figure 4.10).

Table 4.24 Proportion of CSWOs and funding for selected program areas, 1993–94

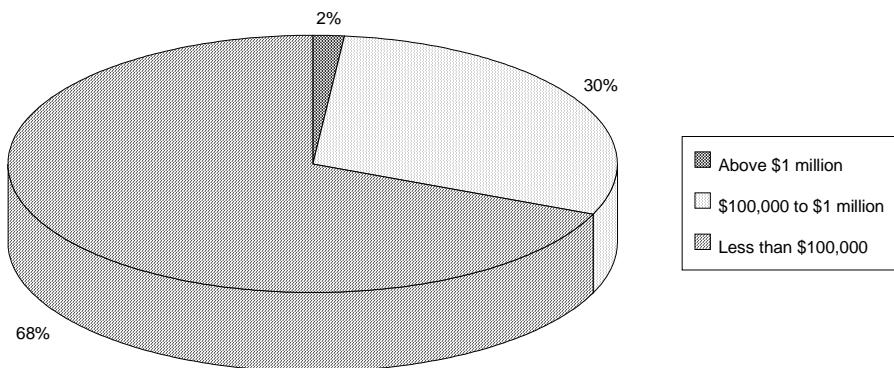
<i>Program area^a</i>	<i>CSWOs receiving</i>					
	<i>Over \$1 million</i>		<i>Between \$100,000 & \$1 million</i>		<i>Under \$100,000</i>	
	<i>Per cent of CSWOs</i>	<i>Per cent of funds</i>	<i>Per cent of CSWOs</i>	<i>Per cent of funds</i>	<i>Per cent of CSWOs</i>	<i>Per cent of funds</i>
HACC	2%	59%	23%	29%	76%	12%
Disability (excl. HACC)	5%	55%	39%	39%	55%	6%
Children at risk	6%	36%	42%	57%	52%	7%
SAAP	1%	18%	60%	72%	39%	10%
State community, individual and family support	0%	3%	10%	45%	90%	51%
Cwlth migrant community services	0%	0%	7%	21%	93%	79%
SkillShare	0%	0%	99%	100%	1%	0%
Jobskills	15%	49%	85%	51%	0%	0%
Health (excl. blood transfusion)	2%	24%	27%	53%	71%	23%
Community Organisation Support	0%	0%	48%	82%	52%	18%
Total^b	2%	37%	30%	50%	68%	13%

a The programs listed provided about half of total funding. The main funding sources not covered are residential aged care and child care, for which the Commission was unable to obtain the required data.

b The total distribution of CSWOs and funding does not take into account the fact that some organisations were funded under more than one program area. If all funding for organisations could be considered, some organisations would move up a funding category. At least one third of organisations funded under SAAP, health and children at risk would receive funding from other areas, particularly State community, individual and family support programs.

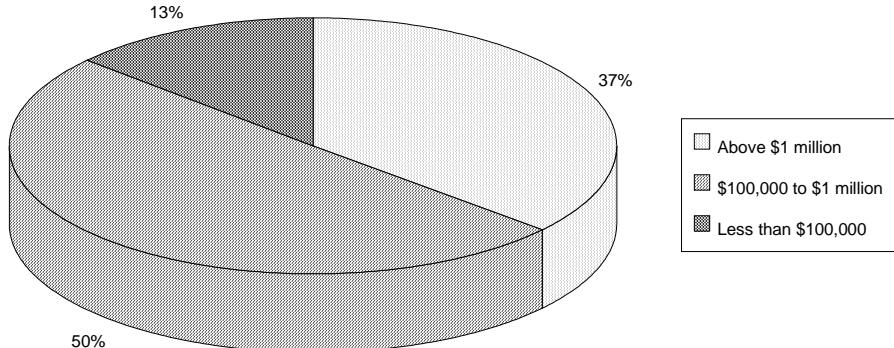
Source: Information provided by government departments and Commission estimates

Figure 4.9 Distribution of number of CSWOs by the level of funding, 1993 - 94



Source: Table 4.24.

Figure 4.10 Distribution of funding to CSWOs by level of funding, 1993 -94



Source: Table 4.24.

5 HUMAN RESOURCES

The organisation of human resources is a major issue for the sector. The nature of employment, volunteer activities, skills, training and industrial arrangements all impact on service delivery. A survey of human resource issues and practices in the sector commissioned by the Commission also gives insights into aspects of human resource use.

5.1 Main features

Recruiting, retaining and developing human resources are of critical importance to the sector. The sector cannot operate effectively without skilled and dedicated individuals who are empathic with the needs of the diverse range of people with which it works.

A significant direct personal element is associated with delivery of almost all services. Because some services need to be supplied outside conventional office hours and may have to be brought to the client, the working conditions associated with service delivery are complex. These features, and the rapid changes which are occurring in the operating environment, pose challenges for management, employees and volunteers.

Limited information was available on both human resource characteristics and issues for the sector. As part of the Inquiry, a survey by AGB McNair (1994) of more than 100 organisations from across the sector was commissioned. Since no listing of organisations in the sector was available, the organisations could not be selected for this survey on a random basis. An attempt was made, however, to select organisations across a range of types, sizes and locations. The results allow some general observations to be made about organisations in the sector and are drawn on throughout the chapter.

5.1.1 Size of the workforce

More than 70 per cent of total expenditure of CSWOs is employment-related (Lyons 1994). But even this understates the human share of total resources within the sector, as it does not take into account the contribution of unpaid volunteers.

Lyons (1994), using data from the Australian Bureau of Statistics (ABS) Business Register, estimated that CSWOs employ approximately 100 000

persons on a part-time or full-time basis. This estimate is approximate because of difficulties in identifying in the ABS data the service providers and legal entities covered by the Inquiry's terms of reference. It confirms, however, that the sector is a significant employer within the Australian economy. It is comparable, for example, with mining and communications, which had employment levels of 90 000 and 114 000 respectively (ABS 1994a).

In addition to employees, CSWOs utilise the services of a large number of volunteers. Lyons (1994) estimated that about 1.3 million volunteers work in the sector for a total of around 95 million hours per year.

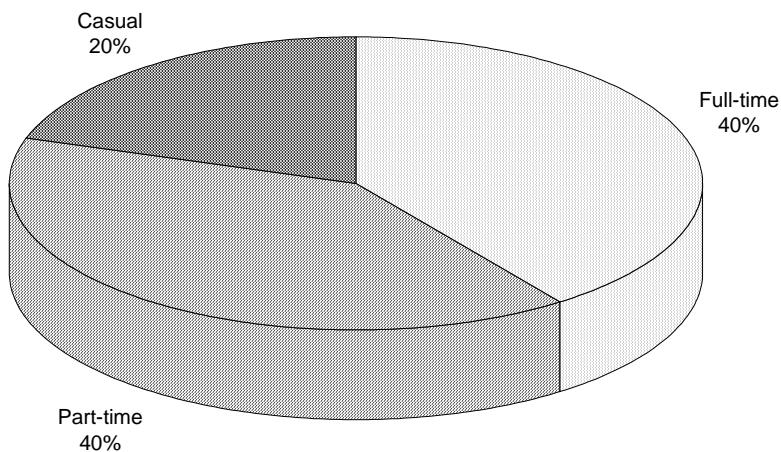
5.1.2 Profile of the workforce

The human resources of CSWOs have four noteworthy features. The workforce has a large part-time component. A large proportion of employees is female. There is significant volunteer activity. Lastly, only limited resources are devoted to organisational support.

Part-time employment

Most of the workforce is part-time. A 1989 study by the then Department of Community Services Victoria (CSV 1992) found that only 39 per cent of employees worked on a full-time basis. AGB McNair (1994) produced a similar result, identifying 40 per cent of the employees as full-time (see Figure 5.1).

Figure 5.1 Composition of the paid workforce from a survey of Australian CSWOs, 1994



Note:

The distribution is based on numbers of persons, not full-time equivalents.

Source:

AGB McNair 1994.

Female employees

All the available data presents the same picture in relation to the predominantly female nature of employment. Lyons (1994) suggests that, for the community services industry as a whole, about 80 per cent of employees are female. AGB McNair (1994) produced a similar result, identifying 78 per cent of the workforce in the CSWOs surveyed as female. A recent Department for Community Development in Western Australia study (DCD 1994) of large parts of the sector in that State estimated that 85 per cent of employees of non-government organisations were women.

Female participation in management positions, while still substantial, is less than for employment in the sector as a whole. Lyons (1994) estimated that 58 per cent of managers and administrative officers are women, while AGB McNair (1994) suggested that about 62 per cent of managers are women.

Females are also more likely to be employed part-time. AGB McNair (1994) suggested that females make up two-thirds of full-time employees but more than 85 per cent of part-time or casual employees. In Western Australia, part-time female and male employees of non-government organisations made up 46 per cent and 7 per cent of total employees respectively (DCD 1994). Several of the more significant male/female comparisons from AGB McNair (1994) are summarised in Table 5.1.

Table 5.1 Male and female employment by pay group from a survey of Australian CSWOs, 1994 (per cent)

<i>Pay group</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
Paid total	22	78	100
Paid full-time	33	67	100
Paid part-time or casual	14	86	100
Employed in management	38	62	100

Note: The distribution is based on numbers of persons, not full-time equivalents.

Source: AGB McNair 1994.

Limited sector-wide information is available on the male/female breakdown of the volunteer component of the CSWO workforce. The information which is available:

... show[s] that women make up a larger proportion of volunteers than men and that women who volunteer are more likely than men to be involved in direct service provision to clients and less likely to be involved in administration or management of the organisation. (CSV 1992, p. 75)

Limited resources for organisational support

Relatively few human resources in the sector are focused on organisational support. The 1986 Census indicated that managers and administrative officers made up four per cent of employment in the community services industry (both public and private), compared with an average of 11 per cent across all industries. The proportion of managers and administrative staff in community service organisations is likely to be even lower than the average for the overall community service industry given that the industry includes the government, where managers and administrative staff make up a significant component of the workforce.

CSV (1992) identified a similar proportion of employment in management and administration in the sector in Victoria as the ABS national average for all sectors of the economy. However, CSV adopted a broader definition of organisational support than the ABS, so the results seem to be consistent with the sector having a lower than average level of employment in organisational support.¹

The above estimates of the proportion of employment in organisational support in the sector may underestimate its resource contribution, as employees in this area are more likely than average to work full-time. However, this is likely to be, at least in part, offset by the impact of volunteers who, except for the small number on boards of management, rarely contribute to organisational support.

AGB McNair (1994) also suggested a low deployment of people (employees and volunteers) in organisational roles, with only five per cent engaged in administration or management (see Figure 5.2).²

5.1.3 Variation with size

Human resource characteristics vary widely across the sector. The size of organisations, from large, well established CSWOs through to smaller, more recently established, generally community-based organisations, provides a useful basis for comparisons.

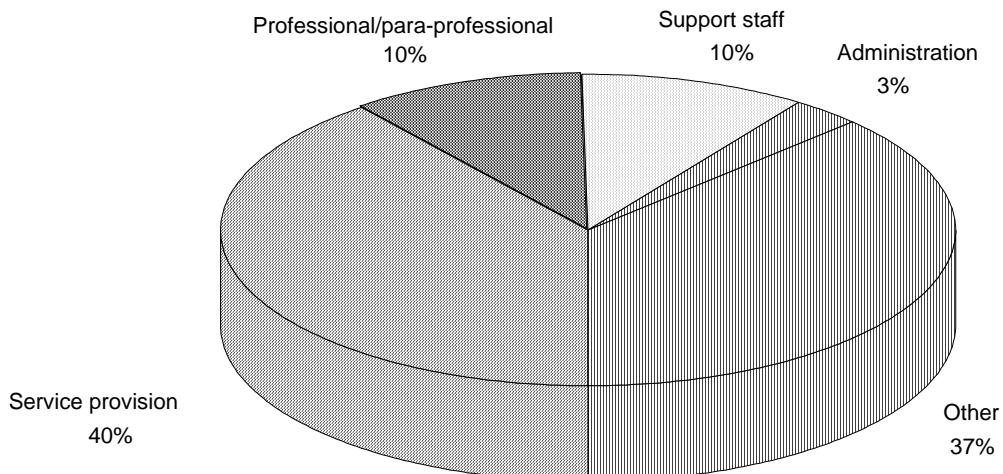
CSV (1992) estimated that large, medium and small organisations in Victoria employed 29 per cent, 30 per cent and 40 per cent of the sector workforce

¹ CSV (1992) adopted an all-inclusive definition for organisational support staff — all those primarily concerned with the overall running of the organisation. The ABS Census identified managers and administrative officers only.

² The ‘other’ category in the AGB McNair (1994) survey, which accounts for 36 per cent of the workforce, comprised mainly volunteers (AGB McNair, personal communication).

respectively.³ CSV (1992) also estimated that about 70 per cent of CSWO employees worked in organisations with 21 or more employees. The CSV (1992) results are summarised, categorised by income range, in Table 5.2.

Figure 5.2 Distribution of people (employees and volunteers) by function from a survey of Australian CSWOs, 1994



Note:

The distribution is based on numbers of persons, not full-time equivalents.

Source:

AGB McNair 1994.

Table 5.2 Distribution of paid staff in non-government organisations by income range of organisations, Victoria, 1989

<i>Income of organisation</i>	<i>Percentage of paid staff in sector</i>	<i>Average no. of staff</i>
Up to \$10 000	0.4	1.3
\$10 000 to \$100 000	19.3	3.7
\$100 000 to \$1 000 000	20.3	12.0
\$1 000 000 to \$10 000 000	30.5	74.4
Over \$10 000 000	29.4	540
Total	100.0	..

Source: CSV 1992.

³ Large, medium and small organisations were defined by CSV (1992) as having annual incomes of greater than \$10 million, between \$1 million to \$10 million and below \$1 million.

AGB McNair (1994) provided considerable information on human resource characteristics of large, medium and small organisations.

Distribution of people by function

The distribution of people (employees and volunteers) by function for different sized organisations derived from AGB McNair (1994) is given in Table 5.3. The most noticeable features are the greater focus on service-oriented tasks in small and medium sized organisations and the extent of the 'other' category for large organisations. This 'other' category consists largely of volunteers, who are likely to be heavily involved in fundraising which is more extensive for large organisations.⁴

Table 5.3 Distribution of people (employees and volunteers) by function and size of organisation from a survey of Australian CSWOs, 1994 (per cent)

<i>Function</i>	<i>Small organisations</i>	<i>Medium organisations</i>	<i>Large organisations</i>
<i>Organisation support</i>			
Management	7	2	2
Policy, research and evaluation	1	0	0
Administration	7	2	3
Sub total	15	4	5
<i>Services</i>			
Service provision	35	68	24
Professional/para professional	8	9	11
Support staff	16	5	12
Sub total	59	82	47
<i>Other</i>			
Sub total	26	13	48
Total	100	100	100

Source: AGB McNair 1994.

AGB McNair (1994) suggested that a smaller relative role is played by full-time and part-time employees in small and medium sized organisations (see Table 5.4). CSV (1992) found that, for Victoria, the ratio of volunteers to paid staff was 4 to 1 overall, 3 to 1 for organisations with annual expenditures between \$100 000 and \$1 million but only 1.4 to 1 for those with annual expenditures above \$10 million. An ACROD (sub. 152) survey of its members estimated that the ratio of income to volunteers was about \$17 000 per volunteer overall but only \$6 000 per volunteer for organisations with incomes below

⁴ AGB McNair, personal communication.

\$500 000. The greater volunteer effort in smaller organisations may at least partly offset the greater capacity of larger organisations to attract donations.

Table 5.4 Distribution of people (employees and volunteers) by pay group and size of organisation from a survey of Australian CSWOs, 1994 (per cent)

<i>Pay group</i>	<i>Small organisations</i>	<i>Medium organisations</i>	<i>Large organisations</i>
Paid full-time	10	11	14
Paid part-time	11	9	15
Paid casual	8	5	7
Unpaid volunteer	71	75	64
Total	100	100	100

Source: AGB McNair 1994.

Sector perceptions and features

All groups sampled by AGB McNair (1994) considered that they had significant human resource problems, although their perceptions of the extent of some problems differed. The most noticeable differences were the higher levels of dissatisfaction with training and levels of pay in small and medium sized organisations (see Table 5.5).

Table 5.5 Organisations reporting human resource problems from a survey of Australian CSWOs, 1994 (per cent)

<i>Problem</i>	<i>Small organisations</i>	<i>Medium organisations</i>	<i>Large organisations</i>
Difficulty recruiting and retaining staff	51	44	50
Training inadequate	32	36	15
Supervision inadequate	17	8	10
Pay inadequate	34	36	15
Career path inadequate	66	67	60
Personal support inadequate	13	13	10

Source: AGB McNair 1994.

For other human resource features, the extent of differences varied. The degree of flexibility in relation to pay and conditions, measured by the percentage of organisations paying award wages and reporting little flexibility in pay and conditions for key groups of employees, declined significantly as size increased. There was, however, little difference in relation to training and practices or extent of documentation (see Table 5.6).

Table 5.6 Comparisons of a number of human resource features from a survey of Australian CSWOs, 1994 (per cent)

<i>Features</i>	<i>Small organisations</i>	<i>Medium organisations</i>	<i>Large organisations</i>
<i>Training and practices</i>			
Less than 1 per cent of budget spent on training	28	10	15
Performance appraisal for some/all paid positions	49	87	85
Performance appraisal for volunteers	11	8	25
<i>Documentation</i>			
Standards/quality procedures developed/ highly developed	65	66	75
Corporate plan developed/highly developed	61	75	80
Documented EEO policy developed/ highly developed	53	49	70
<i>Industrial relations</i>			
Less than 25 per cent of staff members of union	72	77	15
Pay award wages to prof. service providers	53	82	85
Pay award wages to support service providers	60	72	80
Little/no flexibility in determining pay/conditions for prof. service providers	42	36	70
Little/no flexibility in determining pay/conditions for support service providers	38	51	70

Source: AGB McNair 1994.

5.2 Volunteers

Charitable organisations, based on private philanthropy, had their origins in voluntary activity (Garton 1990). The extensive use of volunteers continues to be one of their distinguishing features.

Numerous participants stressed the importance of volunteers to their organisations. In some cases volunteers rather than employees are the key human resource:

[The Society] ... is a volunteer organisation in its background and its intentions. The majority of the work done by the Society is undertaken by volunteers and its policy and direction rests in the hands of its volunteer members. It is not an organisation of employees which uses volunteers; but rather it is a voluntary society which employs staff to assist them in necessary tasks which are beyond the time or expertise available to volunteers. (Society of St Vincent de Paul, sub. 393, p. 11)

There is a formal structure for the volunteering movement in Australia (see Box 5.1) although most CSWOs which utilise volunteers also recruit them directly from the community.

Box 5.1 The Australian Council for Volunteering and its affiliates

The Australian Council for Volunteering (ACV) was established about 20 years ago. It exists to provide a national voice in relation to the concept and appropriate practice of volunteering in Australia.

The Australian volunteering movement structure consists of:

National body	The Australian Council for Volunteering (ACV)
State bodies	State Volunteer Centres each acting as a peak body on volunteering for its State or Territory.
Regional bodies	Volunteer Referral and Resource Agencies acting as Referral, Placement and Resource Centres in their local areas.
Voluntary agencies	Interviewing, placing, deploying, and training their own volunteers in each State and Territory.

The ACV is currently funded through a portion of the membership dues received from each State and Territory Volunteer Centre. Volunteer Centres exist in all States and are funded by combinations of Commonwealth and State government grants, corporate and private contributions, membership fees and fee-for-service activities. There are around 20 Volunteer Referral and Resource Agencies (VRAs) across the country. VRAs are funded in different ways in different States but a combination of Commonwealth, State and Local governments plus small amounts of donations from local citizens make up a fairly consistent pattern of funding.

Source: ACV, sub. 698.

5.2.1 The extent of volunteering and its valuation

Lyons (1994), using the results of several recent State-based ABS surveys of volunteering (see Table 5.7), estimated that 10 per cent of the population 15 years and over contribute an average of 74 hours every year to CSWOs.⁵ Applying these percentages to population data, Lyons (1994) concluded that more than 1.3 million people donated 95 million volunteer hours to CSWOs. This is equivalent to about 50 000 persons contributing 40 hours per week. The ABS is currently planning an Australia-wide survey of volunteering which is expected to be undertaken in 1996.

A national survey of non-government welfare organisations by the Australian Institute of Health and Welfare (AIHW 1993) found that volunteers participated in 86 per cent of responding agencies. CSV (1992) estimated that volunteers in

⁵ The ABS has undertaken surveys of volunteer activities, including activities in the welfare area in Queensland and Victoria in 1982 (ABS 1984, 1983), in New South Wales in 1986 (ABS 1987) and South Australia in 1988 (ABS 1990a).

Victoria contributed hours equivalent to about 14 000 full-time volunteers, which is consistent with the above Australia-wide figure.

Table 5.7 Estimates of volunteering for non-profits and CSWOs

<i>Item</i>	<i>Qld 1982</i>	<i>Vic. 1982</i>	<i>SA 1988</i>
Total number of volunteers working with all non-profits	484 000	820 000	282 000
Volunteers as a percentage of the adult ^a population	28.6	28.2	25.5
Total volunteer hours with all non-profits	59.5m	101.3m	49.2m
Volunteers working with CSWOs as percentage of all volunteers	38	36.5	31
Number of volunteers working with CSWOs	185 800	298 800	87 482
Volunteers working with CSWOs as percentage of adult population 15 years and over	11	10.3	7.9
Volunteer hours with CSWOs	11.6m	20.1m	10.8m
Number of hours worked by each volunteer for CSWOs	62	67	123

a An adult is defined as a person over 15.

Source: Lyons 1994.

A representative of Queensland Meals on Wheels argued that a valuation of volunteer effort would allow it to be compared with government funding and fundraising, the other two main sources of support for CSWOs:

I believe governments, when making assessments about organisations like ours, should place some monetary value on the contribution of volunteers, so that we get the government contribution and our own contribution in some sort of correct context. (trans, p. 3823)

The Australian Council for Volunteering (ACV) blamed the absence of a valuation of the contribution of volunteers for the lack of recognition for volunteers and recommended that their value be included in the National Accounts:

ACV believes that it is essential for the future of the sector for a measure to be placed on the value of volunteer effort to the CSWO, to the government and to the community as a whole. Failure to do so will result in the continuation of the under-resourcing and under-valuing of a structure to support volunteers and volunteering.

[ACV recommends that] an appropriate mechanism be identified to measure the value of volunteer effort in Australia and that these findings be included in the National Accounts. (sub. 698, p. 11)

The ABS valued the volunteer effort identified in its surveys of volunteering in terms of the wages which would have been paid to volunteers if they had been paid employees (ABS 1994b). The Volunteer Centre of Western Australia, however, considered that putting a monetary value on volunteers was

inconsistent with the motivation of volunteers and the way they think of their contribution:

But the average volunteer ... finds it absolutely abhorrent to think that their service that they are giving freely and willingly is being valued in dollar terms, because they are doing it because they want to. (trans, p. 4004)

Any attempt to determine the monetary value of volunteers also has major practical and conceptual difficulties (see Box 5.1) which make sector-wide estimates of dubious value. For these reasons, the Commission did not attempt such a valuation.

Individual CSWOs, however, may want to place a value on volunteer effort for their own organisations as an input to their decisions on the best ways of delivering services. The deprival approach to valuation (discussed in Box 5.2) would appear to be the most appropriate for this purpose.

5.2.2 Reasons for volunteering

Volunteers reported that their major motive for volunteering is altruism. In surveys of volunteering in South Australia (ABS 1990a) and of volunteers in Western Australia (Vellekoop-Baldock 1990) over 80 per cent of respondents cited it as their reason for becoming involved in voluntary work. Social interaction was the next most common reason for participation (see Table 5.8).

Table 5.8 Reasons for becoming involved in voluntary work, (per cent)

Motive ^a	Health & welfare	Community service	Motive ^b	CSWOs
Help people/social concern	91	82	Altruism	86
Family/friends/social	30	43	Social interaction	40
Use/develop skills	14	21	Skills for paid work	11
Other	15	12	Personal growth	35

a ABS 1990a.

b Vellekoop-Baldock 1990.

Source: ABS 1990a, p. 13 and Vellekoop-Baldock 1990, p. 98.

Box 5.2 Estimating the monetary value of volunteers

The valuation of volunteers in monetary terms presents formidable practical and conceptual problems. Often, basic data on the number of volunteers and the number of hours each contributes are not accurately known. Even if the extent of volunteering could be quantified, a basis for valuing it is far from clear. Thomas (1992) identifies

two approaches commonly used, the input cost approach and the opportunity cost approach. A third approach focuses on the deprivation value of volunteers, that is what would be lost if they were not available.

The input cost approach is based on the assumption that paid employees and volunteers are perfect substitutes. The value of volunteers is calculated by multiplying volunteer hours by the hourly wage of the employee alternative. In addition to the doubtful assumption upon which this calculation is based, the determination of the appropriate wage rate presents practical problems. For example, is the appropriate wage rate the minimum award rate, average weekly earnings or some discounted factor of these?

The opportunity cost approach is based on the view that volunteers value their time spent in volunteer activity more highly than the next best use of their time (paid employment or recreation). The value of volunteers is calculated by multiplying volunteer hours by the hourly value of their foregone activity. This is conceptually more soundly based than the input cost approach. However, given the diverse nature of volunteers, it is not clear whether their next best alternative is employment or recreation. Further, earnings foregone and the value placed on recreation are both unknown. In periods of chronic unemployment, for example, a paid position may not be a real opportunity and estimates based on paid employment will, therefore, over-estimate the opportunity cost.

The deprival approach bases the value of volunteers on the value of the services which they provide. It requires agencies to decide if they would continue to provide the service if volunteers were no longer available and, if they would, to cost service provision using normal paid staff. The focus on outputs rather than inputs has conceptual appeal. It is also more practical than the opportunity cost approach as it does not require estimates of how individuals value their time. As few of the outputs of CSWOs are sold in markets, however, their market value is difficult to determine, so their value would have to be derived from the cost of providing the service utilising paid employees.

The helping motivation of volunteers is consistent with the sector's view that they are a key ingredient in the maintenance of the value base of CSWOs. However, different groups of volunteers may have different motives.

A 1993 ACV survey of almost 200 volunteers participating in their Retired and Senior Volunteer Program identified the most common reasons for volunteering were to stay mentally alert and to feel useful (sub. 598, att. 1).

Volunteers are typically involved with CSWOs in two ways. First, they provide leadership to the organisation through involvement on boards of directors, boards of management or committees of management. Second, they provide direct services, support professional staff and are involved in fundraising.

5.2.3 Governance of CSWOs

CSWOs are governed by volunteer boards.⁶ The key strategic aspects of governance were described by the YWCA:

[T]heir role is to:

- provide leadership to develop and articulate policy and direction of the organisation;
- represent the membership of the organisation; and
- and be accountable to them for the effective accomplishment of its obligations as a body. (YWCA, sub. 319, p. 14)

Governance also includes the selection and oversight of senior management, particularly the chief executive officer.

Most CSWOs are incorporated under either State Association Incorporations Acts or the Corporations Law. Under the Corporations Law, a board of directors also has a duty of care:

- to act bona fide in the interests of the company;
- to exercise powers for their proper purpose;
- to retain their discretionary powers;
- to avoid conflicts of interests; and
- to exercise care and diligence. (Lipton and Herzberg 1993, p. 331)

The role and manner of operation of the board, however, varies considerably between organisations. Some boards adopt a professional, corporate style. Others are more like a co-operative, with board members providing general or specialist technical backup to management. Differences are particularly noticeable between many smaller community organisations and larger CSWOs. These were commented on by Melbourne Citymission:

You have ... for example, ... a board of management and they virtually run the place and they have to meet on a weekly basis, so that is one extreme. Then you get the other extreme where you may have a large welfare body where the board is a self-perpetuating oligarchy because it has a minimum of members and they are re-elected for long periods. (trans, p. 2594)

Hamilton (1992) discussed the difficulties which can be faced by boards which have both governance and management roles. She concluded that many such boards tend to be swamped by administration and give insufficient attention to fundamental questions in relation to longer term organisational strategies.

The Australian Institute of Company Directors considered that most boards in the sector have:

⁶ For simplicity the term board will be used to describe all governing groups including a board of directors, board of management or committee of management.

- consisted of a group of well meaning people, some sourced for their role in the organisation or community, specific fundraising skills or for ‘new blood’;
- met regularly but with a social approach to meetings and the purpose of the organisation; and
- undertaken projects of a short term nature and often relied upon financial support from the government or the sponsor organisation;

and so have not:

- defined the long term purpose of the board’s role;
- been aware of their legal role, duties and responsibilities;
- undertaken formal induction or training of new directors;
- actively sourced ‘professional’ directors for their skills and experience; and
- sourced specialised advice and were left with legal problems which, in some cases caused the winding up of the organisation. (sub. 670, p. 8)

Well established CSWOs often appear to be able to attract civic and business leaders to their boards and to develop a culture of professionalism. CSWOs with a less public profile or a more local sphere of interest generally appear to have more difficulty establishing and maintaining an appropriate skills mix and culture because of the strong competition for willing community members with appropriate experience.

The need for continuous upgrading of governance was highlighted in several submissions, including those from some of the largest organisations. The Australian Red Cross, for example, indicated that it is ‘a subject of very great interest and concern to us and one that we are pursuing very strongly’ (trans, p. 4705). One of their current objectives is the development of an effective system of strategic planning at the national level.

Good board performance requires both an appreciation of its role and appropriate expertise. Many participants commented that education and training of board members is an area where the sector needs to devote more resources:

The National SkillShare Association has undertaken a number of initiatives directed at provision of training to volunteer members of boards and management committees about their roles and responsibilities and their relationships with the managers and other staff they employ. Without exception, this training has been very successful and has pointed to the need for much more training of this nature to be undertaken in the future. (sub. 304, p. 18)

Several groups already offer training courses for board members of CSWOs including the Australian Council for Volunteering, Third Sector Management Services, Aged Care Australia and family resource centres. However, many organisations currently appear not to give board training a high priority.

In the light of the above requirements, there is also a need for CSWOs to consider carefully both the composition of boards and the process for selection

of board members. There is no single composition or selection process which will work in all situations. The primary role of CSWOs is to help those in need. One principle follows directly from this. Board composition and the process of selection should focus on the capacity of the board to carry out its functions, particularly to meet the needs of clients.

World Vision Australia outlined some general principles which the Commission considers have considerable merit:

- all governing committees or boards be entirely non-executive ... A non-executive board is going to demand a much higher level of accountability from management.
- boards ought to be well balanced in their composition, containing specialist skills such as finance, law, education, good business skills and skills in the area in which the organisation provides its services. ... As trustees, they are there to protect the relationship between the organisation and those who the organisation support and those who in turn are supporting the organisation.
- boards or governing bodies (should) undergo self-appraisal on a regular basis as a board in order to determine that they are operating efficiently and effectively as trustees and that there then should be a peer appraisal process of individual members of the board or of the governing body. (trans, pp. 4495–6)

Boards, like any group, need to be continuously striving to improve their performance. This requires the regular setting of objectives, operational plans and performance targets and reviewing performance against these.

Many different types of organisations find that the development of a strategic plan, which is then reviewed every three or so years, is a useful process for focusing the board on identifying the medium and longer term directions of the organisation and the ways of measuring its success. The Commission considers that such an approach has much to offer the sector, although it recognises that the details of implementation will need to take account of the characteristics of individual organisations.

5.2.4 Volunteers in service provision and other non-governance roles

Volunteers perform a variety of tasks beside governance, but the vast majority are involved in direct service provision (see Table 1.1). In some organisations such as Lifeline, volunteers provide all first line services (see Box 5.3). Volunteers can also provide major material inputs to services. Australian Red Cross, for example, has more than 500 000 voluntary blood donors. (trans, p. 4691)

Box 5.3 Lifeline

Lifeline's major service is a 24 hour telephone crisis counselling service which operates every day of the year. Lifeline operates through 38 centres across Australia which are serviced by 4600 highly trained volunteers. In 1992-93, Lifeline centres ~~received more than 100 000 calls~~. Counsellors deal with a wide range of issues such as domestic violence, financial crises, loneliness, natural disasters, family problems, suicidal thoughts or intentions, emotional and mental health issues, child abuse, drug problems, marital difficulties and grief.

Each centre must meet certain minimum standards which are set by the co-ordinating body — Australian National Lifeline. These requirements involve counsellors having ready access to back-up support, appropriate information and referral resources, minimum standards of caring services, counsellor training, adherence to principles and organisational structure.

Lifeline provides its volunteers with up to 100 hours of comprehensive training. Lifeline hopes that this training course will have TAFE accreditation within five years.

Source: Australian National Lifeline, sub. 94.

The involvement of volunteers in service provision and support of professional staff has significant advantages and problems.

Catholic Care for Intellectually Handicapped Persons put forward a number of reasons why it is committed to utilising volunteers in its work:

- when community members become involved with people with disabilities as volunteers, their awareness and acceptance of them grows and develops with their involvement;
- volunteers can develop a relationship with people with disabilities and their families that is different from the relationship that paid workers can have with them;
- volunteers may develop an advocacy role with people with disabilities, without it being complicated by their employment by the organisation;
- volunteers enhance and supplement the service that paid workers can provide, thus extending both the quality of services that individuals receive and the total number of people who can have access to the services;
- volunteers can be used in initiating new services which require an innovative approach;
- volunteers bring an outside view, and the community, into the organisation;
- using volunteers promotes social networking; and
- the use of volunteers is extremely cost-effective. (sub. 151, p. 5)

Volunteers, however, are not professional service providers. Their involvement in service delivery requires appropriate training and subsequent supervision, which places additional demands on professional staff and reduces their capacity to deliver services to those in need. A spokesperson for South West

Child Adolescent and Family Services expressed concern that volunteers can be asked to perform tasks for which they lack expertise:

There is a tendency ... to use volunteers for all sorts of things, including fairly detailed assessments, and I have a real concern with that from a professional perspective. ... They are being used quite often to fill gaps, and I personally feel that is very dangerous and, I think, it puts organisations in a very vulnerable situation. (trans, p. 826)

Some organisations do not use volunteers for this reason. The Sutherland Shire Family Support Services is an example:

[O]ur work [direct service work with families at risk of breakdown] is difficult, our workers highly trained and usually very experienced. They also have other members of the team to relate with and to share the responsibility with. ... [T]here is a temptation by the funding bodies and government to use agencies that cut expenses and of course a service with just one paid worker and a lot of volunteers can seem more cost effective. ... [D]irect service work is considered not to be appropriate. (sub. 285, p. 2)

There was also a view put to the Inquiry that volunteers devalue the work of CSWOS by making it appear to be discretionary.

In recognition of the potential problems in the use of volunteers in service delivery, many CSWOS have developed procedures which define the respective roles and responsibilities of employees and volunteers:

The inter-relationship between paid and voluntary workers is managed through a system of rules approved by the [Committee of Management]. These include job descriptions and duty statements for employees. Also, rules for volunteers covering insurance and procedures for transport of clients as well as a complaints procedure for clients. (Bega Valley Community Transport Services, sub. 432, p. 11)

Another area of concern for volunteers relates to insurance coverage. Vellekoop-Baldock (1990) confirmed that relatively few welfare agencies in Western Australia had accident insurance policies for their volunteers. Volunteers can also be exposed to public liability risks.

While the use of volunteers, either in service delivery or support roles, may be the lowest cost option, it is not costless. Costs associated with the use of volunteers may include training, supervision and insurance. The Meerilinga Young Children's Foundation identified a range of costs associated with their use of volunteers:

If you want volunteers to do it [deliver services] then they need training, they need support — and considerable support — they have to be reimbursed for costs, and that requires somebody to do that. We have found increasingly that you can't get a volunteer any longer to coordinate volunteers. It has to be a paid person. So in terms of a cost-cutting exercise, volunteers are not the answer. They certainly do reduce costs, but they don't come at no cost at all, and that is equally true of management volunteers as much as it is of service volunteers. (trans, p. 4037)

Use of volunteers in both service delivery and support roles is clearly beneficial to many organisations. It does have risks, however, both for volunteers and for service recipients. It also introduces sensitive labour relations issues.

A number of principles relevant to the deployment of volunteers can be identified:

- volunteers and paid workers should be viewed as complements;
- volunteers should be appropriately trained and supervised for the tasks they are asked to perform;
- the risks and benefits of the use of volunteers in direct service delivery should be fully assessed in terms of client benefits prior to any decision to use volunteers in this way;
- the roles and responsibilities of volunteers and paid workers should be developed in consultation with both groups and fully documented; and
- volunteers should be protected by appropriate accident and liability insurance.

5.3 Skills and training

5.3.1 Current levels and needs

Management

The complexities of managing CSWOs flow in part from the characteristics of the sector. These include:

- a need to satisfy a diverse range of stakeholders including clients, donors, government and the general community;
- voluntary boards which may be uncertain of their role and lack expertise;
- the need to integrate employees and volunteer resources;
- the need to have regard for process as well as the quality of outputs; and
- uncertainty and lack of control over levels of client need.

A feature of many smaller organisations is the blurring of the normal roles of employers and employees. As Baldock and Mulligan (1993) put it:

Many employers and workers (paid and unpaid) in small community organisations do not define themselves as being in an employer/employee relationship. (p. 138)

As documented earlier in the chapter, however, management and administrative support generally takes second place in terms of priorities behind service

delivery, and management support systems are less developed in smaller than in larger organisations.

Preliminary analysis of the results of a management study by the Queensland Council of Social Services concluded that management training is both important and in need of improvement:

Management support and training is still at the top of the agenda for most community organisations ... [but] 46 per cent of respondents indicated that their induction and training for their management body was very unsatisfactory or unsatisfactory. (QCOSS 1995, p.5)

There is a need for most CSWOs to give greater recognition to management and to ensure that it is not compromised by shorter term priorities.

Service delivery

The increasing sophistication in the classification of welfare needs and the ways of addressing these needs have led to an increase in the professional skills demanded from those delivering welfare services:

The importance of qualifications and experience for both volunteers and paid employees has never been greater. This is related to the levels of responsibility required of workers engaged in service delivery, especially in reporting requirements, accountability and professionalism. Skills and competencies required by workers in community welfare services need to be constantly upgraded to meet growing client and government expectations.

... Accreditation of courses is crucial, as is industry contribution to their content and relevance. ... [T]here is a strong need for additional, agency-specific knowledge, skills, and orientation, involving significant costs to the organisation. (Wesley Central Mission — Melbourne, sub. 75, p. 24)

There is evidence that in many areas of the sector, investment in training is low relative to the tasks people performed. CSV (1992) concluded that training of staff in non-government organisations in Victoria remained at very low levels. Rudland (1991) argued that most workers gained their professional qualifications before entering the industry but that there has been very limited access to formal training thereafter. O'Connor (1988) argued that there was a lack of training requirements for most workers in the industry and most training arrangements were ad hoc, highly job specific and uncertified. Vellekoop-Baldock (1990) noted that the trend towards professionalisation of the sector has not progressed in Australia to the same extent as in the United States.

A representative of the Centre for Australian Community Organisations in Management commented:

It is not the case that we are looking at a totally underskilled sector. I think it is a very polarised sector in terms of skills. It has a higher than average tertiary education rate

compared to other industries but it is a skilled and semi-skilled industry, so when you compare it to other skilled and semi-skilled industries it does not do so well. (trans, p. 2351)

AGB McNair (1994) identified a lack of formal credentials in most of those working in the sector, with only 44 per cent of paid staff and nine per cent of volunteers having some form of post-secondary qualification. Particularly noticeable is the very low level of training of support staff. For the majority of employees and almost all volunteers, training appears to be on the job. The results for a range of functional groups are summarised in Table 5.9.

Table 5.9 Qualifications of employees from a survey of CSWOs in Australia, 1994 (per cent)

<i>Qualification</i>	<i>Managers</i>	<i>Professionals</i>	<i>Support staff</i>	<i>All paid staff</i>	<i>Volunteers</i>
Univ. degree/Grad. diploma	60	35	3	18	2
Non-univ. diploma	14	19	2	13	4
Other post-secondary	10	21	7	13	3
Less than 40 hours training	11	17	21	24	10
Greater than 40 hours training	4	7	33	17	39
No specific training	2	1	34	15	42
Total	100	100	100	100	100

Source: AGB McNair 1994.

A significant proportion of the respondents to the AGB McNair (1994) survey expressed some concern about training. Thirty six per cent of organisations indicated that they considered that the level of training was too low and 38 per cent indicated that the quality of training was low.

5.3.2 Types of training

Much of the training appears to have an organisational focus and may not therefore, be very portable. AGB McNair (1994), for example, indicates that, on average, 55 per cent of the training budgets of the organisations surveyed was spent on specific service delivery skills or was organisation-focused and that the most popular forms of training were provided in-house and by a private trainer/consultant. Peak bodies and professional associations were the next most frequently used. Education institutions were least used. The results are summarised in Table 5.10.

Table 5.10 Usage of various sources of training from a survey of Australian CSWOs, 1994 (per cent)

<i>Usage</i>	<i>In-house</i>	<i>Univ.</i>	<i>TAFE</i>	<i>Peak council</i>	<i>Govt dept</i>	<i>Prof. assoc.</i>	<i>Private trainer /consult.</i>
Most	44	3	1	6	4	4	7
Some	35	11	18	25	16	30	32
A little	6	35	31	24	29	27	33
None	1	14	15	13	19	10	9
Not known/not stated	13	37	35	32	32	28	19
Total	100	100	100	100	100	100	100

Source: AGB McNair 1994.

Several participants commented on the problems involved in obtaining accreditation for training:

Accreditation/certification would be difficult as the sector is so broad and covers a huge variety of services. ... In the areas of program delivery for training of employment skills, recreation, physical activity and personal development, there is a growing demand for accreditation.

The trainer's credentials and competency standards should meet those set down by relevant government agencies, university, TAFE, National Training Authority. (YWCA, sub. 319, p. 26)

Industry Training Boards and Industry Training Advisory Boards for the welfare services sector have been established in each State in recent years in an attempt to develop and implement coordinated training programs and certification. They are yet to have a major impact.

5.3.3 Funding of training

Many CSWOs appear to under-fund training. The sector was largely exempt from the recently suspended Commonwealth government training guarantee levy, so it has had considerable discretion in the funding of its training. AGB McNair (1994) found that more than half the organisations surveyed spent less than two per cent of their budget on training, and 19 per cent spent less than one per cent. Low spending on training was most pronounced for small organisations, where 28 per cent spent less than one per cent of their budget on training (see Table 5.6).

Some organisations cited inadequate provision for training in government funding agreements as a factor limiting training, others simply said that it was rated as less important than service provision. ACOSS made a number of comments on the funding of training in the sector:

Although the evidence is less firm, it also appears that there is an under investment in many other areas of service infrastructure, such as staff training and development. ...It is reasonable to assume that this arises because, without recourse to 'the bottom line' of commercial businesses to prove that such an investment is profitable, community organisations operate under pressure to see the maximum resources going to direct assistance. This is probably fuelled by a general reluctance on the part of government to adequately fund administration or infrastructure, and by a perceived donor antipathy to 'administrative' costs. (sub. 286, p. 33)

Appropriate training is an integral element of the delivery of a quality service. The sector needs to include training explicitly in its planning of services and it should be fully incorporated in government funding arrangements.

5.4 Industrial relations

The extent of award coverage and unionisation varies markedly across the sector. While coverage is minimal in some States and in some sub-sectors, it is high in some areas like aged care and disability services.

The philosophy of CSWOs and the needs of their clients often combine to produce complex working conditions. Common features are unusual hours of work, a high variability in the demand for personnel, work in a variety of locations including clients' homes and a need to perform tasks requiring many different skill levels. This makes flexibility in employment arrangements particularly important for the sector.

5.4.1 Union coverage

The Australian Municipal, Administrative Clerical and Services Union (ASU) covers most segments of the sector. It has coverage of workers employed in or in connection with social and welfare work, including administrative and clerical workers. It stated that it has 10 000 members in the sector, 83 per cent of whom are women and 32 per cent part-time or casual (sub. 418). However, with an overall workforce of about 100 000, 60 per cent of whom are part-time, its coverage appears low, particularly for part-time employees.

The Australian Nursing Federation (ANF) covers most professional employees in the aged and disability and care areas of the sector. Most of these employees are union members. The major unions covering workers in the sector are listed in Box 5.4.

Box 5.4 Major unions in the community social welfare sector

The major national unions in the sector are:

- Australian Nursing Federation (ANF). It covers Registered Nurses, Enrolled Nurses, Mothercraft Nurses and Assistant Nurses;
- Australian Municipal, Administrative Clerical and Services Union (ASU). It has coverage of all classes of workers employed in or in connection with the community social welfare sector, including clerical and administrative staff;
- Liquor, Hospitality & Miscellaneous Workers Union (LHMWU). It covers general health and community services workers, including those working for CSWOs. Members are concentrated in South Australia, Western Australia and the Northern Territory, but it extends nationally for workers in child care and home care.
- Health Services Union of Australia (HSU).

Source: Information obtained from unions.

5.4.2 Awards

Current arrangements

No single award covers all employees in the sector. Many employment classifications and some individual CSWOs are covered by Federal or State industrial awards (see Box 5.5). In addition, a number of professional awards apply to particular groups, the most significant being nurses.

The ASU estimates that approximately 50 per cent of paid staff in the sector are covered by some award. However, in New South Wales, Tasmania and South Australia the coverage is virtually 100 per cent (ANF, personal comment). Award coverage of staff is estimated by the ANF to be more than 90 per cent for its membership (ANF, personal comment).

The problems caused by multiple awards were noted by several participants. For example the Aged Services Association stated that:

Staff employed by Aged Services Association members are covered by seventeen discrete awards. The multiplicity of awards clearly limits the extent to which flexible work practices can be implemented. As an example, an organisation that seeks to employ an assistant to undertake domestic work in nursing/personal care must employ the individual under two awards with dual union coverage. The two awards prescribe different rates of pay and conditions. Similar problems arise if an Enrolled Nurse employed in the nursing home is used as a weekend supervisor in a hostel operated by the same organisation. Again, at meal times when nursing homes and hostels are operating at peak workloads, efficiency is often hampered by the fact that existing awards prohibit the use of the same staff for multiple tasks at different times of the day. (sub. 177, p. 44)

Box 5.5 Major awards applying to general paid staff in the sector**FEDERAL AWARDS**

Community Employment, Training and Support Services Award. It covers community-based labour market programs. It applies to all States and Territories and has about 300 respondents.

Crisis Assistance, Supported Housing Award. It applies to supported accommodation and related support services other than supported accommodation to disabled persons or drug and alcohol services. It excludes conditions which have a cost impact on the employer, for example, wages. It has approximately 350 respondents.

Family Day Care Services Award. It applies to coordinators and field workers providing family day care services and has 75 respondents in Queensland and New South Wales.

STATE AWARDS

Clerical and Administrative Staff Awards. Common rule awards cover clerical and administrative employees in every State and Territory.

New South Wales

Social and Community Services Employees Award. It applies to persons employed in, or in connection with, the industry of social and/or welfare work.

South Australia

Social and Community Services Award. It applies to social and community services work. In late 1993, this award became the first in the industry to include a wages and classification structure based on competency and skills.

Disabilities Services Award. It applies to disabilities services.

Tasmania

Community Services Award. It applies to social support and/or the enhancement of various social functioning, community development; social policy research, development and advocacy; program establishment, development co-ordination, management support for the above services; and disability services which are demonstrably social welfare in nature.

Queensland, Western Australia, Australian Capital Territory and Northern Territory

These States have no general awards applying to groups of community service employees.

Victoria

No State awards.

Source: ASU sub. 418 and HSU personal comment.

The proposed Social and Community Services Award

In 1989 the ASU initiated proceedings to establish a Federal award, to be known as the *Social and Community Services Award* (SACS award). Implementation of the proposed SACS award appears likely, but the timing is uncertain. It is expected to provide national coverage for all persons employed in the sector not covered by the existing national awards and over-ride State awards where inconsistencies exist. Governments and CSWOs have mixed views about award extension. The ASU indicated that there had been resistance to the proposed SACS award from the Victorian and Queensland governments and from a number of employers, many of which are large traditional charities and church care agencies (ASU, personal comment).

The ASU (sub. 418) argued that comprehensive award coverage had the following advantages:

- it provides a framework within which management can work;
- it helps overcome any lack of expertise of voluntary management in the personnel and industrial relations areas and minimises their need to gain such expertise;
- it helps establish a basis for government funding which will improve funding and therefore help to attract and keep quality staff; and
- it opens the way for the industry to pursue enterprise bargaining which legally requires an award underpinning.

The National SkillShare Association, which already has a comprehensive Federal award, was supportive of the ASU view. While acknowledging that it limits flexibility in employment arrangements to some extent, it considered that:

... award regulation has been extremely beneficial because it has provided:

- a definitive framework for personnel and human resource management;
- consistency in wages and conditions across the network;
- a mechanism for independent determination of appropriate wages and conditions and adjustments to those conditions; and
- a mechanism for appropriate and fair handling of disputes and employee performance problems. (sub. 304, p. 18)

Those concerned about the negative impact of the introduction of an award have focused on four potential disadvantages:

- it would add significant administrative complexity to the sector and detract from its primary service delivery focus;

- it would remove the flexibility which both the organisation and employees currently have to negotiate employment conditions which suit both their needs and especially the needs of clients;
- it would lead to increased costs because it would inevitably increase wages; and
- State governments are unwilling to increase funding in line with increases in award wages. This means organisations would have to fund any increases themselves from their own limited funds or decrease services.

The Adelaide Central Mission focused on the employment cost and reduced flexibility:

But there is a concern that our inexperience will see the establishment of awards with conditions that will make it almost impossible for some smaller agencies to survive. Much of the thinking in establishing the awards is based on a 70s and 80s world view as regards such issues as penalty rates, *et cetera*, which is not congruent with the realities of the 90s. It will see less people employed, and less services provided, unless the shortfall in funding is met — and there is little chance of that coming from the government at this stage.

In addition to threatening services, many of these [award] conditions reduce flexibility, for example emergency call out provisions based on commercial awards. (sub. 271, p. 30)

The Society of St Vincent de Paul — Queensland, expressed concern at the increased demands which wider award coverage would make on scarce management resources:

The increasing award coverage, while not regretted, does mean that the Society's administration has become complex due to the need to respond to a broad range of industrial issues. This complexity means additional costs in relation to personnel and industrial relations work. (sub. 187, p. 31)

A number of organisations in those parts of the sector where there is already award coverage see the long term benefits which could flow from an enterprise bargaining approach. Wesley Central Mission in Melbourne, for example, spelt out how enterprise bargaining could help overcome some of the problems it is experiencing as it tries to expand job placement services to occupations working non-standard hours (sub. 75).

Enterprise Agreements

The current Commonwealth government model for industrial relations reform brings a greater enterprise focus to bargaining over wages and conditions within a framework of simplified awards. The *Industrial Relations Reform Act 1993* also provides new safety net provisions.

This model of reform, however, may not be fully applicable within the sector. In considering the best ways to progress industrial arrangements for the sector, it is important to take account of the considerable current variability in award coverage. In some areas, particularly those dominated by large numbers of relatively small organisations, award coverage is very limited and there is considerable flexibility and informality in relation to employment conditions. This seems to be creating employment opportunities for people with few formal skills which could, given current structures and levels of funding, be jeopardised if more formal employment arrangements were put in place.

The extension of industrial relations arrangements needs to occur in the context of the sector's employment characteristics rather than through the rigid application of a standard model. It is crucial that it not compromise present flexibility in working arrangements. Any new arrangements should also be capable of facilitating further efficiency improvements.

Under present industrial arrangements an organisation within the sector wishing to establish an enterprise agreement with its workforce must first achieve award coverage. Any general award which is developed for the sector should be limited to basic employment conditions so as to allow individual organisations to retain operational flexibility.

Where there is already full award coverage, there is merit in moving to enterprise agreements, given the complexity of employment conditions in the sector. There is a need to allow organisations and their employees to work together for mutual benefit. As the Adelaide Central Mission states:

For enterprise bargaining to produce real benefits, both sides to the negotiations have to be adequately resourced. Presently there is a strong bias towards the unions because of their size and experience. This has come about because they represent members from across a wide range of industries and across several sectors.

What is required is for the [Mission] to develop the knowledge and resource to adequately represent the interests of the [Mission] and the community it serves in these negotiations. (sub. 271, p. 30)

There was concern at the way government funding arrangements deal with award arrangements. Several participants expressed concern that government funding arrangements for nursing homes restrict their capacity to introduce enterprise agreements which could lower overall costs:

CAM/SAM [Care Aggregated Module/Standard Aggregated Module] funding arrangements ... operate substantially to prevent organisations training multi-skilled staff for a multi-task workplace. This is because the validation of staff time for CAM and SAM funding involves separate reporting requirements. ...

[T]he Aged Services Association ... believes that the benefits of the reform proposals suggested above far outweigh any short term costs associated with renegotiating accountability instruments. (Aged Services Association of NSW and the ACT, sub. 177, p. 45)

Funding for nursing homes is under the Care Aggregated Module/Standard Aggregated Module (CAM/SAM), which separates funding into that relating to care and services. The funding level for a client under each module is based on defined tasks, staffing ratios and award rates.

The difficulty being experienced by service providers appears to relate to the tasks which are identified under the care module. Organisations are not allowed to use staff employed under CAM to perform SAM tasks unless they are paid out of SAM funds for the performance of these functions.

The Aged Services Association of New South Wales and the ACT gave some examples of the difficulties their members have experienced:

[B]ecause of the funding for the care-related component called nursing and personal care in a nursing home, a nurse can help a resident to the dining room and they can actually help that resident to be fed, but they cannot go and get the plate of food from the kitchen and bring it out, nor can they take the empty plate back to the kitchen at the end of the meal. That is a domestic staff function. It is the same with making beds. A nurse can make the bed while the resident is in the bed but if the bed is empty, that is a non-nursing task. (trans, p. 1988)

The Commission is not in a position fully to weigh up the arguments. CAM/SAM funding has been considered or is being considered by a number of persons or bodies including Gregory (1994), Macri (1993), and The Law Reform Commission (1994). The Commission considers these are more appropriate forums for this issue to be considered, given its specificity.

Several participants commented that governments do not adjust funding to take account of the impact of changes in award wages:

Where government regulation insists on award increases and other situations increasing the cost of service, government grants should assist agencies to meet these costs, for example SACS award, Nurses Awards, three per cent superannuation. In New South Wales the government avoids their responsibilities in this regard claiming that they make only a 'contribution' to the cost of service thereby not meeting demands on services resulting from government regulations. (Network of Alcohol and other Drug Agencies, sub. 269, p. 2)

The issue of funding of new awards or award changes is intricately linked to enterprise bargaining. It is important that both organisations and their employees are encouraged to work together to improve efficiency in service delivery. The Department of Human Services and Health (HSH) commented that:

Should there be a general acceptance that the Commonwealth would underwrite award adjustments, it would remove from the employers the full will to genuinely negotiate with staff associations on pay and conditions or to effectively and fully pursue structural efficiency. It would also likely give rise to higher demands from staff than would otherwise be the case. (sub. 583, p. 6)

There may, however, be some instances where changes in costs of delivering government-funded programs flowing from prescribed changes in award conditions or the introduction of a new award are not controllable by the CSWO. In these situations, it is reasonable that they be taken into account in government funding arrangements.

The difficulty is identifying the extent to which award wage increases are imposed on CSWOs. This needs to be determined on a case by case basis and then incorporated in any re-negotiation of funding arrangements.

HSH has, however, indicated that up to full funding is available in certain situations:

The Commonwealth has made funds available to supplement the budgets of a number of funded organisations for the cost of introducing awards.

Supplementation for the movement to award wages is on the basis of 75 per cent of the costs of introducing the award, which may be increased to 100 per cent where funded services satisfy certain principles of structural efficiency, laid down by the Department of Industrial Relations. Supplementation is available for first time movements from an award free status to coverage under an award or enterprise agreement. (sub. 583, p. 7)

5.5 Funding human resource needs

Government funding of services provided by CSWOs is discussed in Chapter 15. However, because human resources are such a large component of the total inputs and costs of most CSWOs, it is appropriate that special focus be placed on human resource needs in any funding arrangements which are designed to cover unit cost of service delivery.

The Commission considers that, where governments purchase a service on the basis of the unit costs of that service, they should take into account the costs of training members of CSWO boards; training, co-ordinating and indemnifying volunteers who provide services; and training professional staff. Furthermore, if (but only if) awards or other employment conditions are prescribed by governments in service standards or consequent funding agreements, adjustments for any changes to those prescriptions should also be taken into account.

Recommendation 5.1

Where governments set the price at which they purchase a service, they should take into account:

- training, co-ordination and indemnification of volunteers involved in service delivery;
- training of staff involved in service delivery;
- training of board members and administrative staff required for organisational support; and
- any changes governments prescribe in award or other employment conditions.

6 OVERSEAS AID ORGANISATIONS

Overseas aid organisations play an important role in fostering development activities in developing countries. They also participate with governments in dealing with refugees and emergency situations. The relationship between overseas aid organisations and government is examined. The diverse size, scope and structure of Australian overseas aid organisations is described and information provided on funding arrangements. Issues relating to accountability to donors and government are explored.

6.1 Introduction

There are about 120 non-government overseas aid organisations — referred to in the Report as Non-Government Development Organisations (NGDOs) — in Australia. Most of these raise funds to provide relief and assistance in developing countries. A full list of Australian NGDOs is given in Appendix F.

This chapter provides an overview of NGDOs, their size and scope, their relationship to the Australian public and governments and the issues affecting them. This chapter is not, however, a study into the effectiveness of individual NGDOs and their programs in Australia and overseas.

Major issues include fundraising difficulties caused by inconsistency in State regulations, accountability to donors and government, and the high level of government funding for directive programs compared with development work.

The relationship between NGDOs and the Commonwealth government, through the Australian Agency for International Development (AusAID), is a significant feature of this sub-sector.¹ The government channels some types of overseas aid through NGDOs because it considers that they can best deliver that aid. This is particularly so in countries where the Australian government cannot, or does not, maintain official or diplomatic links (AIDAB, sub. 219).

Information on overseas aid organisations is generally better than that available for the rest of the sector. This is due to their small number, maintenance of a database by the peak body, the Australian Council for Overseas Aid (ACFOA), accountability requirements of the Commonwealth government and the

¹ Prior to 29 March 1995 the agency was called the Australian International Development Assistance Bureau (AIDAB). For consistency AusAID is used in the text except where references or submissions refer to AIDAB.

accessibility of financial information relating to the large organisations which dominate the sector.

6.2 Size and scope

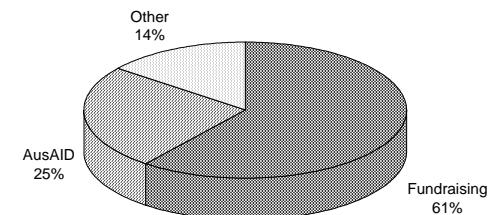
Australian NGDOs had a combined income of some \$285 million in 1993–94. Of this the Commonwealth government provided \$71 million. Some \$173 million was donated by the Australian public and over \$41 million was received from other sources such as international bodies (see Figure 6.1).

The two largest NGDOs are World Vision Australia and CARE Australia with incomes from all sources in 1993–94 of \$89 million and \$44 million respectively. Thirteen organisations had incomes between \$4.5 million and \$17 million (medium size NGDOs) and the rest (about 105 NGDOs) had incomes of less than \$4.5 million (see Figure 6.2).

World Vision Australia and CARE Australia accounted nearly half of total income. NGDOs with incomes below \$4.5 million accounted for 16 per cent of total income — with many raising less than \$5000 from the Australian public.

The range in sizes of NGDOs reflects how they are auspiced, the level of public support and the type of aid activity in which the NGDO is engaged. Larger NGDOs are involved mainly in large scale development projects, such as irrigation or clean water supplies or in large scale emergency relief. The smaller NGDOs often specialise in one area (see Box 6.1), usually development assistance but also human rights and environmental issues (AIDAB, sub. 219).

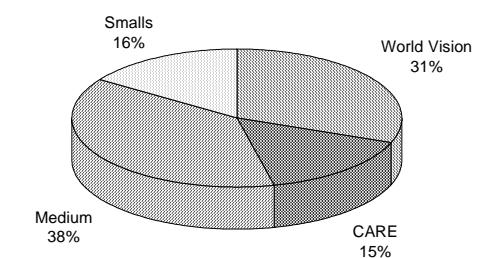
Figure 6.1 NGDOs, funding sources, 1993–94



Total NGDOs = 120.

Source: Various annual reports and information supplied by ACFOA.

Figure 6.2 NGDOs, relative incomes, 1993–94



Medium size NGDOs represents 13 organisations each with total income between \$4.5 and \$17 million.

Total NGDOs = 120.

Source: Various annual reports and information supplied by ACFOA.

Box 6.1 Small NGDOs — examples of diversity

Appropriate Technology For Community & Environment Inc (APACE)

APACE promotes use of renewable energy technologies through education, training, design and advisory services. Projects include demonstration organic agricultural farms, community owned micro hydro-electricity schemes, community water supply, technology training workshops and feasibility planning and policy studies relating to sustainable development paths specific to particular cultural and physical settings. There are 26 current projects and two consultancies, linked by the theme of sustainable development.

APACE has about 180 individual members, many of whom contribute actively to projects and administrative functions. Of its \$258 000 revenue \$190 000 is AusAID funding. Members receive a quarterly newsletter and elect an executive committee of eight people which sets policy for the organisation. APACE is an approved research organisation registered with the Commonwealth Scientific and Industrial Research Organisation for tax deductible research programs of Australian corporate and community relevance.

Source: Information supplied by APACE.

Credit Union Foundation Australia (CUFA)

The Foundation is supported by 50 credit unions — about 25 per cent of all credit unions in Australia. Credit unions are financial co-operative institutions based on principles of mutual assistance, self-help, member control and support for grassroots community development. CUFA mobilises human and financial resources from Australian credit unions to provide development assistance to the credit union movements in developing countries in the South Pacific and South-East Asian regions.

Cooperative partnerships with Australian and regional NGDOs are a prime focus for CUFA. The Foundation has worked with Community Aid Abroad and has a major partnership with the Hans Seidel Foundation of Germany. CUFA is building partnerships to work with Aboriginal and Torres Strait Islanders and remote communities in Australia.

CUFA employs two full time staff as well as 150 volunteers in the Credit Union Development Education Network. CUFA's income in 1993-94 was \$148 000 from credit union project support donations and \$56 000 from AusAID in project and seminar support. Donations specifically for CUFA's International Projects Fund are tax deductible.

Source: Information supplied by CUFA.

Many NGDOs have strong links to churches and see their work as an expression of their commitment to religious faith. Their focus is on strategies to alleviate structural poverty in developing countries. Others are non-sectarian with humanitarian and community development philosophies. Some focus on community education in Australia and overseas and in placing volunteers abroad.

ACFOA is the peak council representing NGDOs. It plays an important role in advocacy, networking and in facilitating dialogue with the Commonwealth government. It has 92 members representing 77 per cent of NGDOs, but neither the Australian Red Cross (not principally an NGDO) nor CARE Australia (the second largest NGDO) are members. Issues relating to ACFOA are treated in some detail later in sections 6.5 and 6.6.

NGDOs provide diverse programs and projects ranging from relief aid to development assistance. Emergency and refugee relief projects tend to be of short duration and focus on disasters. For example, the crisis in Rwanda has required immediate responses to address famine, health and shelter. Development assistance, on the other hand, is of a longer term nature and includes the provision of social and capital infrastructure, the funding of demonstration projects and training.

Comparisons of per capita donations for OECD countries are not available. The only comparable data is of per capita net funds remitted overseas as development co-operation grants by private voluntary agencies in Development Assistance Committee (DAC) countries (see Table 6.1).²

These figures suggest that Australians are relatively poor supporters of NGDOs. There are, however, at least two reasons why the figures for Australia in Table 6.1 may not reflect levels of giving. First, many NGDOs are involved in aid activity in Australia, particularly in projects

Table 6.1 Development co-operation grants by private voluntary agencies, DAC countries per capita, 1989–91 average

	<i>\$US per capita</i>
Norway	24.17
Switzerland	16.51
Sweden	15.66
Netherlands	14.78
Germany	9.93
Canada	9.54
United States	9.37
Ireland	7.31
All DAC countries	6.19
United Kingdom	5.63
Denmark	5.19
Austria	4.62
Finland	4.28
New Zealand	3.65
Australia	3.41
Belgium	3.33
France	3.14
Spain	1.62
Japan	1.06
Portugal	0.16

Note: Three year average figures have been used in order to reduce the effects of year to year variations.

Includes only *net* funds remitted overseas by private voluntary agencies.

Source: Information supplied by ACFOA.

² The Development Assistance Committee was set up by the OECD to expand resources available to developing countries and to improve aid effectiveness. To this end, members periodically review both the amount and the nature of their contributions to aid programs, bilateral and multilateral, and consult each other on all relevant aspects of their development assistance policies.

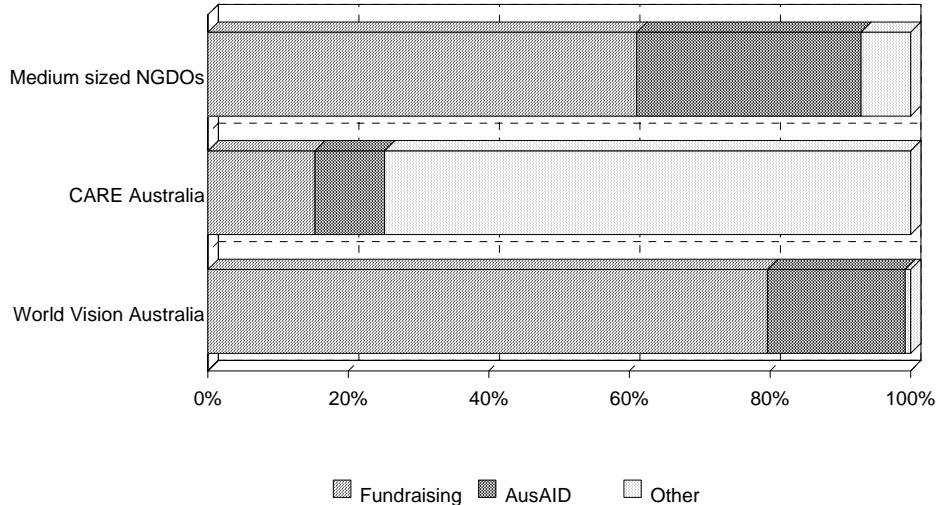
assisting the Aboriginal community. Second, they omit any donations contributing towards administrative and fundraising overheads in Australia. The issue of overheads is treated later in section 6.6.

6.3 Fundraising and commercial activities

Most NGDOs receive funding from two sources — donations and the Commonwealth government. Some also receive revenue from international (typically multilateral) agencies such as the United Nations High Commission on Refugees and the World Bank. Funding sources for the 15 largest NGDOs, comprising World Vision Australia, CARE Australia and 13 medium-sized NGDOs, are illustrated in Figure 6.3.

In 1993–94, CARE Australia received about \$33 million in funding from multilateral bodies which is, by far, the largest received by any NGDO (see ‘other’ in Figure 6.3). Voluntary donations are largely received through direct appeals to the public.

Figure 6.3 Sources of income for largest 15 NGDOs, 1993–94^a



Note:

Other includes all sources of income other than that from the Commonwealth government and private fundraising activities.

a

Individual organisations used different accounting periods in annual reports.

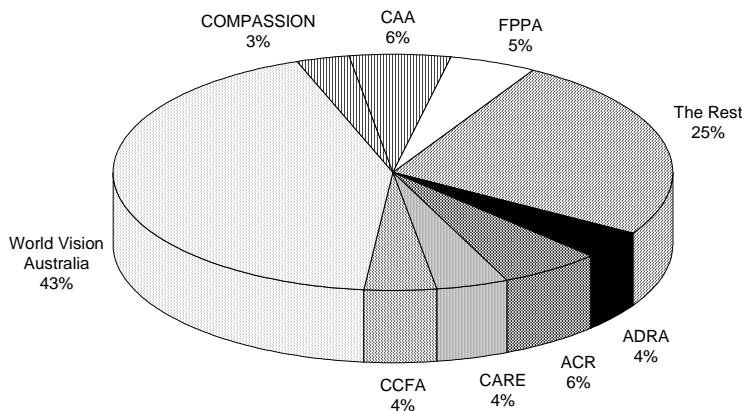
Source:

Annual reports (1993 and 1994).

6.3.1 Nature of fundraising activities

Of the total NGDO income in 1993–94 of \$285 million approximately \$173 million was raised through donations in Australia. Over 40 per cent of this was raised by World Vision Australia. The largest eight fundraisers collectively accounted for more than 70 per cent of funds raised. These eight NGDOs, along with their relative shares, are shown in Figure 6.4.

Figure 6.4 Largest eight fundraisers by donations, 1993–94^a



Note:

CARE: CARE Australia; CAA: Community Aid Abroad; ACR: Australian Catholic Relief; FPPA: Plan International of Australia; ADRA: Adventist Development & Relief Agency; CCFA: Christian Children's Fund of Australia; COMPASSION: Compassion International.

Excludes income from commercial activities.

^a
Source:

Individual organisations used different accounting periods in annual reports.
ACFOA 1993, p. 18; annual reports (1993 and 1994).

Means of raising funds from the public vary, reflecting both the nature and the resources of individual NGDOs. A common perception within the sub-sector is that they do not compete with giving to domestic CSWOs, but appeal to different segments and sentiments of the population. However, participants considered that competition for the overseas aid dollar is intense. This competitiveness has resulted in an increasing emphasis on the use of professional marketing techniques to mobilise the donor dollar.

The most successful fundraising technique is the child sponsorship scheme. This entails ongoing donor support for a child or family in a developing country. World Vision Australia, the largest NGDO fundraiser, raised the bulk of its funds on this basis. The scheme has evolved into a community sponsorship scheme where villages, rather than individuals, are generally the beneficiaries of

such assistance. The success of sponsorship schemes is said to arise from the creation of a personal link between the donor and the outcomes (McLeod 1991).

Most NGDOs, however, rely on more traditional methods of fundraising. For some, this involves proceeds from social events. Others rely on proceeds from fetes, selling second hand goods and clothing, cakes, jams and other items. Fees from membership subscriptions and newsletters also contribute to the finances of many NGDOs (McLeod 1991).

Appeals are another major form of fundraising. Appeals may be of a general nature, in response to particular disasters or for special purposes. Many church-related agencies time their appeals to coincide with Christmas or Lent and rely on the Church congregations to generate support.

Other long-standing fundraising activities include World Vision Australia's 40 Hour Famine and Community Aid Abroad's Walk Against Want. The appeal of both activities is said to be in making donors feel personally involved in the aid process. These are also examples of professionalism in fundraising techniques to attract high levels of public support (see Chapter 9).

6.3.2 Commercial activities

NGDO commercial activity is a relatively new but rapidly expanding phenomenon. Commercial activity is being explored by NGDOs in two ways; alternate trade organisations and operation of businesses. Several NGDOs, most notably Community Aid Abroad, have established subsidiaries to sell handicrafts and other commodities imported from developing countries at a 'just price' (ACFOA, sub. 78, p. 7). ACFOA argued that this activity is not truly commercial and that it should be thought of in the same way as development assistance as it provides a market for goods made in poorer countries. For example:

The motivation for these ventures is the same as that of providing development assistance and therefore ACFOA does not believe handcraft trading should be treated as commercial operations and the concept of competitive neutrality should not be applied. (ACFOA, sub. 78, p. 7)

NGDOs have also established commercial businesses to raise funds for their aid activities (see Box 6.2). These undertakings often compete directly with for-profit entities which raises issues of competitive neutrality in that these enterprises may enjoy taxation advantages. The issue of competitive neutrality is dealt with in Chapter 12 and Appendix K.

Box 6.2 Examples of NGDO commercial activities

In 1983, Community Aid Abroad established a wholly owned subsidiary, CAA Trading, to undertake alternate trade activity. CAA Trading also incorporates International Development and Support Services (IDSS) to undertake consulting work. The company has a separate board of directors and staff, with five paid employees and a roster of some 500 consultants. It currently breaks even with a turnover of \$4 million (Smillie 1993).

The Overseas Service Bureau administers the Australian Volunteers Abroad program and has built up expertise in the placement of personnel overseas. In recent years it has marketed services in recruitment and briefing to AusAID, other NGDOs and the private sector. However, this is only a small part of its operations and it is not expected to contribute to revenue in a major way.

CARE Australia is actively experimenting with joint venture possibilities with the private sector. It has successfully bid, in open tender, for a study contract into poverty alleviation and planning for purposes of project implementation in China. It had done so in partnership with Hassall and Associates — a private sector firm. CARE Australia officials see this as a promising area from which to generate extra income.

6.4 Taxation issues

The Overseas Aid Gift Deduction Scheme assists NGDO fundraising by generally allowing donations of two dollars or more to be deducted against the donor's taxable income. The subsidy value of the scheme (based on taxation revenue forgone) was estimated by AusAID to be about \$30 million in 1993–94.

To gain access to the Overseas Aid Gift Deduction Scheme, the NGDO must be an Australian entity, have a sound record and be accountable to a recognised constituency. The Minister of Foreign Affairs and Trade approves the NGDO under subsection 78(19) of the *Income Tax Assessment Act* 1936. There were 130 approved organisations in 1994.³ The Treasurer may subsequently declare under subsection 78(21) of the Act that an approved NGDO fund is eligible for tax deductibility status. There were 114 approved funds in 1994 (AIDAB, sub. 219).

Under the scheme, eligible activities are normally confined to development or relief work. Welfare activities, such as orphanages, are not eligible and the aid work must be confined to DAC recognised developing countries.⁴ However an

³ An NGDO must meet seven criteria to gain approved organisation status. AusAID undertakes the necessary investigations and makes recommendations to the Minister for Foreign Affairs and Trade (CHH 1992).

⁴ Although the eligibility criteria are prescriptive, there is some scope for ministerial discretion (subsection 78(20)).

anomaly has arisen in that the Act specifies relief work only and omits development activities. The Commission understands that the Commonwealth Treasury is currently examining this anomaly.

NGDOs may also apply for Public Benevolent Institution (PBI) status which allows further tax benefits such as exemptions from sales tax and fringe benefits tax (see Chapter 12).

There is no mechanism to provide regular review of approved organisations or funds. Although AusAID is currently reviewing some AusAID/NGO Co-operation Program (ANCP) members for the Commonwealth Treasury to determine whether they still meet the eligibility criteria under subsection 19 of the Act, this process is not automatic.

The issue of review of donation deductibility for all CSWOs is dealt with in Chapter 12. It is recommended that deductibility benefits for all CSWOs should be subject to a review process (Recommendation 12.6). The more detailed eligibility criteria for NGDOs may, however, justify different processes from those applying to CSWOs in general.

Recommendation 6.1

AusAID and the Commonwealth Treasury should introduce processes of regular review to ensure that Non-Government Development Organisations and their approved funds still meet the criteria by which they were granted tax deductibility status.

6.5 Government funding

6.5.1 The Australian Development Cooperation Program

The Australian government is a medium-sized participant in overseas aid by international standards. The total Australian Development Cooperation Program (ADCP) budget was about \$1.4 billion in 1993–94. Regionally, however, Australia is important. For example, in 1994–95, \$327 million in ADCP aid will be spent in Papua New Guinea alone. Likewise, the amount of aid flowing from Australia into many parts of Asia and the Pacific is quite significant.

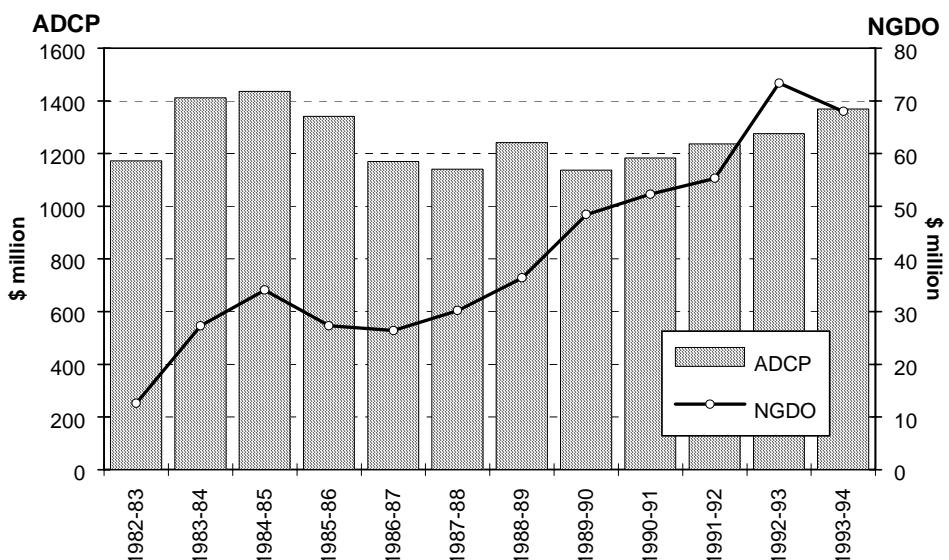
AusAID, which is an autonomous unit within the Department of Foreign Affairs and Trade (DFAT), has the responsibility for administering the Australian aid

program. It is responsible to the Minister for Development Cooperation and Pacific Islands Affairs.

Most overseas aid agencies receive some form of Commonwealth government funding. The elements of the aid program in which NGDOs can participate are commonly referred to in the sub-sector as funding ‘windows’. Most important among these are Emergency Relief and Refugees, Country Programs, Volunteer Programs and the ANCP. Funding programs for NGDOs are detailed in Appendix E.

Commonwealth government funding of NGDOs amounted to \$71 million of the total ADCP budget in 1993-94. Funding for NGDOs has increased steadily over the past few years. As shown in Figure 6.5, this increase has been greater than the growth in the Commonwealth government's overall aid budget.

Figure 6.5 Real growth of the Australian Development Cooperation Program (ADCP) and official assistance through Australian NGDOs



Note:

Figures are adjusted for CPI movements with 1989-90 being the base year.

Source:

Commonwealth government 1993, 1994 & Rugendyke 1991, p. 16.

This increased use of NGDOs by the Commonwealth government to deliver overseas aid follows similar trends overseas. In many instances, NGDOs are judged by governments to be more able or efficient in delivering some types of aid to those in need. This parallels moves in domestic human welfare services through CSWOs. AusAID observed:

Their [NGDO] link with agencies on the ground puts them in a good position to channel emergency aid quickly and effectively. (sub. 219, p. 4)

This claim was also made by ACFOA:

More recently the government has used NG[D]O skills and capacities to achieve aid objectives that the government does not have the capacity to achieve because of logistical, political or other reasons, for example, the delivery of food aid and emergency assistance in situations of humanitarian crisis (especially in Africa), delivery of development assistance in political sensitive areas (for example, in Cambodia from 1979 to 1992). (ACFOA, sub. 78, p. 9)

Funding arrangements vary between programs. Levels of government funding range from 100 per cent project or agency funding to matching arrangements where NGDOs must provide some funds from their own sources (see Table 6.2). For example, NGDOs receive up to 100 per cent funding for Emergency Relief and Refugee projects where the NGDO's networks with local agencies in disaster areas are utilised.

Table 6.2 Summary of major NGDO programs funded by AIDAB, 1993–94

<i>Program</i>	<i>Funding arrangement</i>	<i>Total level of funding \$'000</i>
Emergency Relief and Refugees	Project by project basis, up to 100 per cent government funding	26 675
Projects funded from Country Programs	Project by project basis, projects initiated by AIDAB, 100 per cent government funding	18 377
Development project subsidies (AusAID/NGO Cooperation Program)	Projects or programs initiated by NGDOs, government matches NGDO funds by up to 3:1	12 903
Volunteer Programs	One hundred percent government funding for volunteer agency	8 360
Others	Government funding varies, often a matching component by the NGDO is required	4 532

Source: AIDAB 1994.

Funding under Country Programs is disbursed to NGDOs on a project by project basis. NGDOs that are selected receive 100 per cent funding for projects under criteria and procedures established by AusAID, usually in co-operation with the recipient country (AIDAB, sub. 219). With co-operative

programs, in particular the ANCP, project initiative is by the NGDOs themselves.⁵ The ANCP is discussed in some detail in the next section.

The Commission found inconsistencies in reporting and evaluation requirements in some of AusAID's NGDO programs. This was particularly the case for projects funded from Country Programs where different standards are applied depending on the program. Many of these deficiencies were noted by Nicolaou (1992) and are reported by AusAID to have been, or are in the process of being, addressed through the ANCP.

NGDOs receiving full funding for projects initiated by AusAID are essentially operating on a fee-for-service basis. As their not-for-profit status is not relevant for implementing these projects, there is scope for greater competition with the commercial sector and other not-for-profit entities.

Considerable competition between NGDOs exists already. For example, the Australian Red Cross said:

The AIDAB process is highly competitive and we have to design proposals that meet with their approval ... we are in fact competing with other NG[D]Os to get the AIDAB funds all the time (trans, p. 4693).

Providers should compete on a number of attributes including cost effectiveness, availability of networks and expertise.

In 1993–94, approximately 38 per cent of funding to NGDOs was under the Emergency Relief and Refugee program and some 18 per cent was devoted to matching grant programs. Projects funded from bilateral (country) programs accounted for about 26 per cent of funding to NGDOs and this proportion has increased significantly over the past decade. This was of concern to some inquiry participants who argued that it creates a situation where NGDOs become an arm of Commonwealth government policy in the service delivery area rather than partners.

The proportion of the ADCP budget devoted to NGDOs has been increasing over the past decade. The top eight AusAID recipients (World Vision Australia, UNICEF Australia, Overseas Service Bureau, Austcare, Community Aid Abroad, CARE Australia, Food Security Working Group, and Australian People for Health, Education & Development Abroad) received two-thirds of all funds available from all sources within AusAID in 1993–94. Conversely, in the same year, 48 of the 117 ANCP members received less than \$40 000 each.

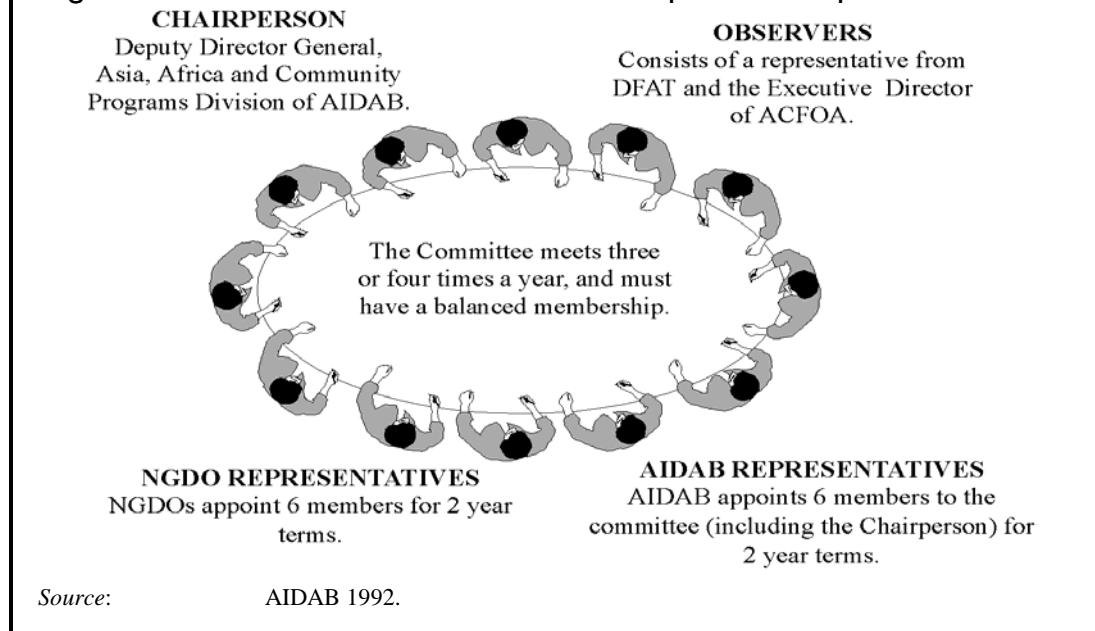
⁵ Cooperative programs are defined as those which entail a degree of NGDO initiative and funding. Programs falling within this category include the ANCP, Emergency Relief and Refugees and some programs within the Small Grants Scheme (see Appendix E).

6.5.2 The AusAID/NGO Cooperation Program (ANCP)

The ANCP is a joint AusAID/NGDO advisory body (see Figure 6.6). Its main functions are to:

- develop policy;
- recommend rules and procedures;
- assess NGDOs in relation to their suitability to participate in the ANCP or their placement in particular schemes of membership;
- set annual Indicative Planning Figures⁶ and allocate Special Purpose Grants;⁷ and
- assist where appropriate with appraisal and evaluation of development programs and projects submitted for funding (AIDAB 1992).

Figure 6.6 The Committee for Development Cooperation



Many inquiry participants considered the ANCP to be a benchmark model of Commonwealth government and sector cooperation for overseas aid. For example, a representative of ACFOA said:

⁶ The IPF is the upper limit of funds an NGDO may request from the ANCP to subsidise overseas development activities in one financial year. Its main purposes are to spread the fixed amount of funds equitably and to provide financial certainty to enable NGDOs to plan ahead.

⁷ See Appendix E.

... [D]espite the nasty things that are always said about government — and the term ‘partnership’ is thrown around — I think there has been a dynamic. If you look at the development of the ANCP over the years ... it has been an excellent mechanism for that interaction (trans, p. 3106).

The ANCP is designed to provide subsidies for existing NGDO activities which assist or promote sustainable development (see Box 6.3).

Box 6.3 Objectives of the AusAID/NGO Cooperation Program (ANCP)

The ANCP aims to:

- support development efforts of needy people in developing countries through activities assisted by the Australian people jointly through their support of development NGDOs and the Australian government;
- assist NGDOs to increase the efficiency and effectiveness of their programs and to improve their development impact;
- make wider use of the skills, resources and commitment to poverty alleviation and sustainable development which exist in the Australian community;
- strengthen the links between Australian and indigenous organisations in developing countries at people-to-people level; and
- encourage the strengthening of bonds of goodwill between the Australian community and the communities of developing countries.

Source: AIDAB 1992.

There are three basic tiers of funding arrangements for member NGDOs. As an NGDO establishes its credentials, it may graduate through this three tier system and gain greater funding and autonomy. AusAID is currently considering simplifying this accreditation process to a two tier system. The current arrangements are summarised in Table 6.3.

A feature of the Agency Program Funding Subsidy Scheme, the most flexible funding arrangement, is the capacity it gives to the NGDOs to move government funds between projects, provided that total funding remains below their overall or Indicative Planning Figure (IPF). The IPFs are intended to ensure an equitable distribution of available funds and may be below the levels of funding possible under the government’s three to one matching ratio.⁸

⁸ Based on the average annual recognised development expenditure of \$31.9 million from 1991–92 to 1993–94, World Vision of Australia would be eligible for an additional \$880 000 in 1994–95 under the 3:1 matching ratio.

Currently, only World Vision Australia is limited by their IPF. This suggests that there is a capacity to absorb significantly more AusAID funds within the current institutional framework. A 1992 report to the Minister of Trade and Overseas Development suggested that overall government funding to NGDOs could be doubled from five to ten per cent of the total ADCP budget (Nicolaou 1992). If such increases were to be implemented, much of the extra funds could be disbursed through the ANCP where there is well developed accountability and evaluation procedures.

Table 6.3 Funding arrangements under the ANCP

<i>Tier</i>	<i>Government funding matching ratio</i>	<i>Basis of funding</i>	<i>Number of NGDOs participating in 1994–95</i>
1. Pool fund	1:1	Funding allocation of \$40 000 per year per NGDO. Funds are allocated on a project by project basis and must be accounted for and reported against the project's objectives.	37
2. Individual Project Subsidy Scheme (IPSS)	3:1	Funding is allocated on a project by project basis based on a complex formula involving calculation of a Recognised Development Expenditure (RDE) ^a for each NGDO.	29
3. Agency Program Subsidy Scheme (APSS)	3:1	Funding is allocated on a program by program basis and are based on the RDE for each NGDO. NGDOs have the discretion to move funds between projects in light of changing development needs. Although funding under this scheme is provided on an annual basis, the NGDO signs a three year agreement with AusAID.	15

a RDE is the amount an NGDO raises directly from the Australian public and remits overseas for development assistance, emergency relief and rehabilitation together with money spent in Australia for development education activities in any relevant period. It is used to calculate the IPF for members of the Individual Project Subsidy and Agency Program Subsidy Schemes.

Source: AIDAB 1992 and AIDAB 1994.

The ANCP is an effective vehicle for government and voluntary agency co-operation in overseas aid. This effectiveness is achieved through features within the ANCP which allow for good lines of communication; matching funding mechanisms which allow for voluntary agency initiative with good public support; a high degree of mutual trust and goodwill built up over many years of working together; and its focused scope, that is, development subsidies for a relatively small sub-sector.

6.5.3 Accountability to government

Most NGDOs that receive Commonwealth government funding are members of the ANCP. As a consequence, members of the ANCP must provide AusAID with copies of their audited financial statements and annual reports and go through an accreditation process. They must also notify AusAID of any major changes to their organisation structure, membership or orientation (AIDAB, sub 219). There are also regular Committee for Development Cooperation reviews of member NGDOs.

Although the ANCP is not the major source of AusAID funding for most NGDOs, its procedures have become a benchmark for Commonwealth government accountability under other AusAID programs.

ANCP procedures

To be eligible for funding, NGDOs must provide AusAID with a project design outline which includes:

- specific target indicators related to the stated objectives of the project;
- information in relation to the present situation which the project expects to address; and
- proposed monitoring systems.

Once the project is funded, NGDOs must report to AusAID at agreed times to account for all grants received. The accountability process incorporates many reporting requirements including:

- confirmation that the project is being implemented as originally agreed or amended;
- examination of actual achievements to date against objectives;
- documentation of lessons learned from the activity; and
- provision of a basis for evaluation.

Further, the principles of accountability set out by AusAID include activity monitoring. Periodic progress reports are required covering project input and output achievements for the period as well as financial acquittals. Structured visits by staff from the NGDO may be required to assess progress in meeting objectives for large, multi-year projects.

Although most NGDOs are satisfied with this reporting system, some claimed that the reporting requirements are too time consuming and use up resources which could be put to better use in delivering aid. Further, AusAID funding does not cover any of the costs NGDOs incur in meeting these requirements. This may result in some NGDOs attempting to include compliance costs in

project costs which reduces transparency of both project appraisal and administrative overheads.

Compliance costs, however, are reduced as NGDOs progress to higher levels within the ANCP accreditation system (see section 6.5.2).

Funding overheads

The issue of Commonwealth government funding of overheads is complex and contentious for both NGDOs and AusAID. Some NGDOs maintain that, by not contributing to overheads, governments free-ride on donors who contribute to the costs of establishing and maintaining an organisational structure. A representative of the International Women's Development Agency said:

... agreements we enter into in terms of funding should take into account the full costs of providing the service and in our case, the service usually is the running of overseas development projects funded by AIDAB. But that should include things like organisational overheads related to the management of those projects, the training of our staff in relation to all of that, the co-ordination and indemnification of unpaid staff and program development types of activity and evaluation (trans, p. 3157).

Others countered that acceptance of full funding of overheads by the Commonwealth governments would involve a change in the AusAID relationship to one of full-cost contracting, which would have major potential to compromise NGDO autonomy.

Governments in most countries allow five to ten per cent of project or program costs to be used in covering domestic (usually administrative) costs of the NGDO and a higher proportion, usually the same proportion as the matching grant, towards costs directly related to the project. This was the broad approach previously taken by AusAID (Smillie 1993).

AusAID has recently reviewed its processes of attributing overheads. It has introduced new procedures (AIDAB 1994a) that will only allow for administrative costs which are directly attributable to projects as support costs. This does not apply for tendering of AusAID contracts where treatment is the same as that applied to for-profit competitors. The issue of government funding of CSWOs' overheads is developed further in Chapter 15.

6.5.4 Avenues for consultation

The Australian Council for Overseas Aid

The Australian Council for Overseas Aid (ACFOA) is the single peak council representing NGDOs. Since its inception in 1965, ACFOA has been shaped around the diverse interests of its member organisations and the Commonwealth

government. ACFOA maintains regular contact with AusAID through meetings at executive levels and through participation in the ANCP. There are 92 NGDOs which are members of ACFOA (ACFOA, sub. 78, p. 1).

The two notable omissions to ACFOA's membership are CARE Australia and the Australian Red Cross. CARE Australia believes that ACFOA sometimes expresses political views which may adversely affect its operations:

... One of the things we cannot afford to do is to have an organisation or a peer group organisation making statements that we have a right to disagree with, but our name may be on that statement ... (trans, p. 2705).

Australian Red Cross is prohibited by the Geneva Convention under which it operates from being a member of any organisation which may make public statements of a political nature:

The only reason we have been outside ACFOA and can't be a full member is that we have a unique role under the Geneva Convention for the protection of prisoners. We must maintain access to all governments. We have to be neutral and impartial. We do not make public, political comments - and ACFOA does and that's its duty to do so. We don't oppose what it does but we can never be party to any of the political statements made by ACFOA (trans, p. 4697).

ACFOA's total income was about \$1.6 million in 1993–94. About 28 per cent (\$456 000) of this income was received through an annual grant from AusAID and about 44 per cent (\$701 000) through special project grants. A further 16 per cent (\$255 000) was received through subscription fees from member organisations. The remainder was through consultancies, interest and rental income.

Other forums for consultation

The Minister for Development Cooperation and Pacific Island Affairs has established a Ministerial Advisory Council on aid policy to enable consultation between the Minister and the Australian public. The Council meets bi-annually and draws its members from a cross section of the Australian population. Council members currently include an officer from ACFOA and an officer from a NGDO. However, members are appointed on an individual basis and not in any representative capacity (AIDAB, sub. 219).

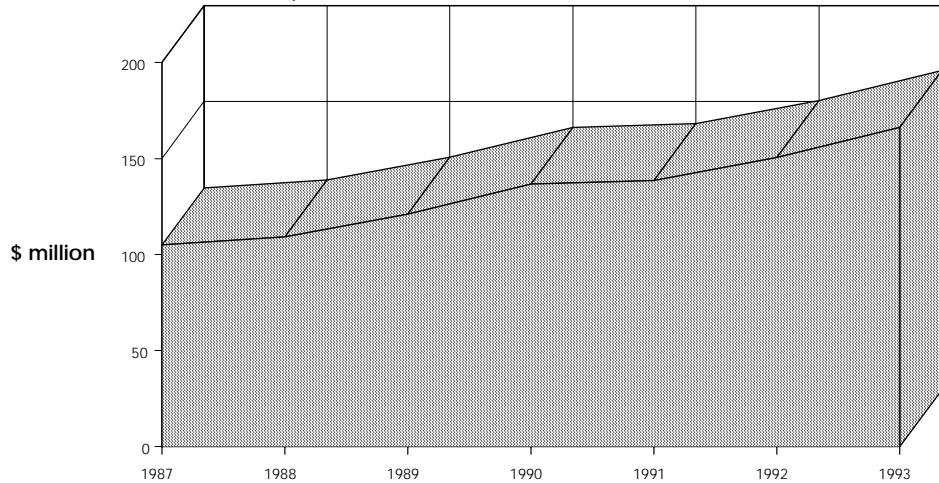
AusAID consults annually with NGDOs. The meeting is organised by ACFOA and follows its annual meeting. This consultation enables NGDOs which are not members of ACFOA or do not have established working relations with AusAID to receive briefings on AusAID policies and programs. The forum also enables them to put their views to AusAID personnel. Over 100 NGDOs were represented at the 1994 consultation.

Meetings are also held two or three times a year between AusAID, the Department of Foreign Affairs and Trade, other Commonwealth government agencies and the NGDO community to discuss specific matters such as the environment, women in development and human rights issues. These meetings are facilitated by ACFOA and are open to all interested NGDOs (AIDAB, sub. 219).

6.6 Public fundraising

Public support for overseas aid organisations has grown rapidly over recent years (see Figure 6.7). The largest NGDOs have been the main beneficiaries of this growing support.

Figure 6.7 Public support for ACFOA members NGDOs in real terms^a, 1987 to 1993



a All figures are in 1993 dollars.

Source: AIDAB, sub. 219, p. 8.

This growth has further stimulated donor interest in ensuring that they are getting maximum value for their donations. Any negative publicity about wastage by one NGDO is likely to impact significantly on its fundraising and can spill over to other NGDOs.

6.6.1 Regulation of fundraising

CSWOs, including NGDOs, are regulated by incorporation requirements and State fundraising legislation. The effectiveness of these arrangements and legislation are discussed further in Chapters 8 and 9.

NGDOs are typically very active fundraisers. Since most of them have a national charter, they are particularly disadvantaged by interstate disparities and outmoded legislation. World Vision Australia estimates that its compliance costs for State fundraising legislation are at least \$1 million per year. Amnesty International Australia stated:

A major problem for Amnesty International Australia is the inability to run an Australia wide raffle ... [on] advice from one of our major legal firms and it is clear that although Amnesty International Australia has a presence in all the State capitals and Canberra, State laws prevent a combined raffle. (sub. 50, p. 2)

In relation to disclosure requirements, World Vision Australia said that:

... legislative requirements do not recognise that some charities are run as a serious business and do not keep records in the form that various State legislation require. For instance in NSW the requirements state that a cash book, register of assets, register of receipt books, register of tickets, petty cash book, minute book and register of participants must be kept. In Queensland the requirements state that a cash book, petty cash book, register of receipt books and postage stamp record must be kept. Such requirements from incompetent or out-of-touch legislation discriminate against efficient large scale operations. ... Uniformity, closer co-ordination, would help national charities be more efficient. (sub. 235, p. 14)

The Commission believes that modernisation and greater uniformity of regulations would have particular benefits for the administrative efficiency of NGDOs. Recommendations to minimise regulatory impediments in fundraising activities across State borders are developed in Chapter 8.

6.6.2 Accountability to donors

Throughout the Inquiry a high level of interest was taken in the way NGDOs raise and spend donations. For this reason the Commission developed ratios which could be used by donors to compare fundraising and program spending performances (see Box 6.4). It attempted to apply these ratios to the larger NGDOs.

These ratios can only be calculated and compared if NGDOs make the necessary information available. Further, comparisons of ratios are only meaningful if the approaches as taken by NGDOs to defining fundraising, donations, public education, administration and total expenditures and total income are appropriate and consistent.

Calculation of ratios for the larger NGDOs

The Commission experienced considerable difficulty in preparing the proposed ratios because NGDOs used different expenditure and income categories and there were no consistent definitions for the categories which NGDOs were

using. Also, data on expenditures for each category often could be derived from publicly available annual reports and financial statements, and some could not even be obtained via direct request by the Commission.

Box 6.4 Possible indicator ratios

A number of indicator ratios are considered by the Commission to be of potential usefulness to donors. These are:

- Ratio One – Fundraising expenditure to donations;
- Ratio Two – Fundraising plus public education expenditure to donations;
- Ratio Three – Fundraising plus administration expenditure to total income;
- Ratio Four – Fundraising plus public education plus administration expenditure to total income; and
- Ratio Five – Project expenditure to total expenditure.

Ratio One is informative if administration costs are fully allocated across other expenditures. In this case fundraising expenditure is completely attributable to raising donations, hence this ratio is the lower bound of the cost of raising donations. Ratio Two makes allowance for public education which may, in part, be linked to gaining donations. Hence fundraising plus public education expenditures may be considered as an upper bound of the cost of raising donations. Together these two ratios therefore bound the expenditures attributable to raising donations.

If administration expenditures are not fully allocated across other expenditures, however, they may also, in part be linked to obtaining donations. In this latter situation, the upper bound of expenditure attributable to raising donations is fundraising plus public education plus administration.

Ratios Three and Four recognise that administration is also linked to the gaining of any income. Expenses incurred to gain total income may comprise fundraising expenditure plus part or all of public education, and administration expenditures.

Ratio Five indicates the part of total expenditure used for projects, most or all of which goes overseas.

The lack of consistent information on the composition of expenditure and income makes it extremely difficult for members of the public to determine how their donations are being spent and to make informed comparisons between NGDOs. One donor found that:

... in effect it has not been possible for me as a donor to inspect the financial statement of Austcare, and from that statement to work out how much they're spending on fundraising and administration, and I feel that this shows a lack of accountability which is very close to disregard for the interests of donors ... (Mr Sellars, trans, p. 164)

As World Vision Australia (WVA), submitted, there are several ways in which overheads are calculated, reported and interpreted in the overseas aid sector:

These include:

- all funds spent in Australia;
- all funds spent in Australia minus funds spent on domestic ministries (in WVA's case Aboriginal projects);
- all funds spent in Australia minus domestic ministries and development education programs;
- ditto with the expenses for advocacy programs also taken out;
- just general administration; or
- charge all costs to ongoing or pledge programs and thereby appear to have no overheads at all (sub. 599, p. 26).

A representative of the Save the Children Australia said he had seen NGDOs quote expenses for administration that they would regard as highly questionable and that:

At present it's very easy, I think, for organisations to do a sort of snow job on their accounts to hide management expenses (trans, p. 4386).

Given all of the above difficulties, any attempt to use the data which was eventually compiled for comparisons of NGDOs performance is fraught with problems. Such income and expenditure data as could be obtained for the 15 largest NGDOs is given in Table 6.4. The ratios these give rise to are provided in Table 6.5.

The structure and objectives of an overseas aid organisation also have a bearing on how the ratios should be interpreted. Many NGDOs are church-based and are able to use church infrastructure for administration and fundraising. Other NGDOs rely heavily on volunteers for fundraising. The efforts of the Overseas Service Bureau, which provides opportunities for Australian volunteers to work overseas, are directed toward recruiting and supporting volunteers, rather than raising development funds. This significantly increases the ratio of fundraising costs to donations. Community Aid Abroad has as one of its goals raising awareness within Australia. To include the cost of its Public Policy and Education Section as part of the cost of raising donations may therefore, in some cases, be misleading.

Also, a high fundraising expenditure to donation ratio may not reflect inferior performance. Some donors may prefer forms of fundraising and assistance which result in higher ratios. For example, child sponsorship programs involve large administrative costs in both raising and distributing funds, especially those linking individual donors to the sponsored child. High overheads may be the price to pay for a large voluntary overseas aid sector often with complex aid programs.

Table 6.4 Income and expenditure for the 15 largest NGDOs, 1993–94 (\$ '000)

<i>Organisation</i>	<i>Income</i>				<i>Expenditure</i>				
	<i>Total income</i>	<i>Public donations</i>	<i>Government funding^a</i>	<i>Other income^b</i>	<i>Total expenditure</i>	<i>Project expenditure</i>	<i>Administration expenditure^c</i>	<i>education and advocacy^d</i>	<i>Public fundraising expenditure^e</i>
World Vision Australia	88 527	70 537	17 310	680	92 592	65 162	6 205	5 619	15 606
CARE Australia	43 843	6 681	4 346	32 816	46 775	41 887	1 943	1 178	1 767
Community Aid Abroad	16 122	9 514	4 359	2 249	16 149	10 246	835	1 574	3 494
UNICEF Australia	13 892	2 024	9 412	2 456	13 617	11 416	1 511	205	485
Australian Catholic Relief	11 616	9 373	2 160	83	12 216	11 091	283	525	419
Plan International Australia	9 661	8 011	1 365	285	9 511	6 754	nsa	1 146	1 102
Adventist Development & Relief Agency	9 283	6 743	2 167	373	8 568	8 277	208	57	26
Christian Children's Fund Australia	7 628	7 225	330	73	7 751	6 230	900	nsa	621
Overseas Service Bureau	6 936	69	6 700	167	8 086	nsa	nsa	nsa	nsa
AUSTCARE	6 475	3 857	2 521	97	6 692	4 882	1 077	310	423
Save The Children Australia	6 412	2 638	2 548	1 226	6 598	4 699	839	nsa	990
Australian Council of Churches	5 729	3 679	nsa	nsa	nsa	nsa	734	nsa	413
Australian Baptist World Aid	5 141	3 612	1 227	302	5 158	3 984	49	nsa	64
Compassion	5 129	5 082	nsa	nsa	4 585	3 589	534	nsa	492
Christian Blind Mission International	4 513	4 426	55	32	4 625	2 421	1 046	902	nsa

Note: For reporting purposes, some organisations use the financial year and others use the calendar year.

nsa Not stated anywhere.

a Funding from the Australian Commonwealth government only.

b Includes income from international affiliates and other organisations, for example the United Nations High Commission on Refugees.

c General administration costs include wages and salaries, materials, buildings and transport but may exclude administration expenses associated with fundraising.

d Expenditure on campaigns, public education programs, advocacy and donor support, identified separately by the organisation and not included under fundraising.

e Includes the cost of advertising, mailing lists, collectors, promotional material and other revenue raisers and administration expenses associated with fundraising.

Source: Industry Commission estimates based on annual reports, financial statements and communications with the organisation concerned.

Table 6.5 Indicator ratios for the 15 largest NGDOs, 1993–94 (per cent)

<i>Organisation</i>	<i>Fundraising expenditure</i>	<i>(Fundraising, public education & advocacy)</i>	<i>(Fundraising & administration)</i>	<i>(Fundraising, public education & advocacy, & administration)</i>	<i>Project expenditure</i>
	<i>/donations^a</i>	<i>/donations^b</i>	<i>/total income</i>	<i>/total income</i>	<i>/total expenditure</i>
World Vision Australia	22.1	30.1	24.6	31.0	70.4
CARE Australia	26.4	44.1	8.5	11.1	89.5
Community Aid Abroad	36.7	53.3	26.9	36.6	63.4
UNICEF Australia	24.0	34.1	14.4	15.8	83.8
Australian Catholic Relief	4.5	10.1	6.0	10.6	90.8
Plan International Australia	13.8	28.1	na	na	71.0
Adventist Development and Relief Agency	0.4	1.2	2.5	3.1	96.6
Christian Children's Fund Australia	8.6	8.6	19.9	19.9	80.4
Overseas Service Bureau	na	na	na	na	na
AUSTCARE	11.0	19.0	23.2	28.0	73.0
Save The Children Australia	37.5	37.5	28.5	28.5	71.2
Australian Council of Churches	11.2	11.2	20.0	20.0	na
Australian Baptist World Aid	1.8	1.8	2.2	2.2	77.2
Compassion	9.7	9.7	20.0	20.0	78.3
Christian Blind Mission International	na	20.4	23.2	43.2	52.3

na Not available.

a Ratio of fundraising expenditure to donations does not include expenditure on public awareness, education campaigns, advocacy or donor support, where the organisation recorded these expenditures separately. Donations does not include grants from governments or other NGDOs.

b Ratio of fundraising, public education & advocacy expenditure to donations includes all donor support and promotional expenditure where identified.

Source: Industry Commission estimates based on annual reports, financial statements and communications with the organisation concerned.

Nevertheless, reporting of appropriate income and expenditure information does provide the public with a guide to the application of funds and places the onus on organisations to show why their fundraising or administrative overheads are at particular levels. In Chapter 8, the Commission recommends that consistent accounting standards be applied to all CSWOs including NGDOs. Further, recommendations also call for better public access to information regarding how donations are spent.

6.6.3 Regulation of the conduct of NGDOs

The issue of ensuring public accountability of CSWOs is examined in Chapter 8. It is recommended there that an accounting standard for the CSWOs be developed within two years and that public access to financial information be improved. The general arguments raised are equally valid for NGDOs.

There is, however, a difference that may necessitate a higher level of accountability for NGDOs than for other CSWOs. Most of the money raised by CSWOs is spent in Australia. With expenditure and outcomes publicly observed, informal mechanisms and the local media contribute to a high potential for accountability. Money raised by NGDOs is mostly spent overseas, and is therefore less visible.

NGDOs, like CSWOs in general, should be accountable for the performance of their programs as well as for their financial performance. The Commission was not asked, under the terms of reference, to report on the effectiveness and efficiency of overseas aid programs and so did not examine this issue in detail. However, the issue is an important one which has the potential to affect the credibility of the sector and in the course of the Inquiry the Commission heard considerable public comment in this area. It is the Commission's view that the sector and government should give priority to improvements in program performance accountability which will result in donors and the public having greater confidence in overseas aid programs.

The issue of appropriate mechanisms for accountability for NGDOs in relation to their fundraising activities in Australia, was discussed at length in submissions and in the public hearings (see for example, trans, pp. 4574–89 and pp. 4492–97).

There is a broad agreement in the sector that features of NGDOs justify special consideration of accountability for this group of organisations. The Honourable Gordon Bilney, Minister for Development Cooperation and Pacific Island Affairs, has also requested that the Commission give specific advice on this issue. Copies of correspondence between the Minister and the Commission are at Attachment 1 to this Chapter.

Possible approaches to accountability for NGDOs include:

- a voluntary code of conduct;
- a specialist regulatory body to monitor NGDO activities; or
- special requirements within an existing regulatory framework.

Voluntary code of conduct

The Commission considers that effective industry self-regulation is likely to be more flexible and adaptable than many legislative alternatives. To achieve effective self-regulation, NGDOs would have to agree on:

- a process for setting standards;
- a body having power to audit or having access to information to check compliance; and
- appropriate penalties; for example publication of the results of audits and assessments.

Since 1989, ACFOA has adopted a Code of Ethics and its adoption is mandatory for all members. The Code stipulates, among other things, standards for truth in advertising and fundraising ethics. The ultimate sanction for breaches of the Code is expulsion from ACFOA.

ACFOA acknowledges that its code needs further reform (sub. 78). It is, for example, currently trying to develop stronger accountability standards. These are likely to require that ACFOA members are audited by registered auditors and that reporting is based on standardised definitions of administration costs, promotion costs, program types and so on. This will improve the capacity of the public to evaluate and compare member NGDOs. But not all organisations belong to ACFOA. For example, Australian Red Cross and CARE Australia are not members of ACFOA.

The NGDO sector could institute regular independent audits or it could agree on appointment of an ombudsman with specific powers similar to the approach used by the banking industry.

Self-regulation needs to have credible sanctions. For for-profit firms this could be a fine, but this would not be of any real value for NGDOs because the fine would be paid from donations. The only credible penalties for NGDOs would be public disclosure or, for ACFOA members, expulsion.

The Commission believes that self-regulation has benefits where it raises public confidence in NGDOs, but to be effective, its scope should be as wide as possible and not limited to ACFOA members.

A specialist regulatory body

A specialist regulatory body could be cumbersome and expensive. Enabling legislation, and appropriate instruments for enforcement, sanctions and appeals, would need to be developed.

The arguments developed in Chapter 8 against a specialist regulator for CSWOs apply equally to NGDOs. If anything, they are even more compelling because of the smaller number of organisations involved. It is likely that the costs of setting up and funding such a body would outweigh the benefits.

Using an existing regulator

The third possibility is to use an existing regulator. Chapter 8 recommends that there be a special form of incorporation for CSWOs within the framework of the Corporations Law. CSWOs would be overseen by the Australian Securities Commission and report as required by sector-specific accounting standards. This framework could include some special requirements for NGDOs.

The sanction for NGDOs, as for other CSWOs, would be the withdrawal of tax deductibility status.

The Commission considers that appropriate incorporation accompanied by the development of an accounting standard for overseas aid agencies would help ensure an appropriate level of financial accountability for NGDOs.

Interim measures

The recommended arrangements will take several years to implement. The Minister for Development Cooperation and Pacific Island Affairs has indicated his desire to act quickly to improve NGDO accountability. The Commission considers that any measures undertaken as an interim arrangement should be consistent with its recommended approach.

One interim strategy could be for AusAID and the sector to agree on a code of conduct, including accounting practices, which would be adopted quickly by NGDOs. This should include guidelines for specifying and categorising expenditures into fundraising, public education, and projects. Tax deductibility could be made conditional on compliance with the guidelines. Such an interim strategy would also allow the sector to experiment with the appropriate standard prior to longer term arrangements being put in place.

6.7 Future directions

As in many OECD countries, the Australian NGDO community is characterised by a few very large and many small organisations. In 1993–94, the largest two NGDOs, World Vision Australia and CARE Australia, raised nearly as much from public donations as the rest of the sub-sector combined. The same two organisations accounted for nearly one third of all AusAID funding while the smallest 72 NGDOs together received less than 3 per cent.

Compared with domestic CSWOs, government funding of NGDOs as a proportion of total incomes is relatively low; about 25 per cent compared with 56 per cent for all CSWOs. However, this proportion has been increasing — it was 21 per cent of total NGDO income in 1988. Some NGDOs are heavily supported by government funds, raising their dependency ratios to high levels.

The overseas aid sub-sector is relatively advanced in areas such as accountability to government and consultations with government. Accountability standards are highly developed within the ANCP, but inconsistent among some of the other funding programs. Adoption of ANCP requirements across all cooperative programs and contracting arrangements with other programs will go a long way towards addressing this problem.

There is room for improvement in accountability to donors. At present it is difficult for donors to determine how their donations are being spent or to compare performance between NGDOs. The Commission found great difficulties in collecting accurate and consistent financial information for the largest 15 NGDOs. Adoption of accounting and reporting standards, as proposed in Chapter 8, would markedly improve performance in this area.

Attachment 6A Ministerial correspondence

The Honourable Gordon Bilney MP, Minister for Development Cooperation and Pacific Island Affairs requested that the Commission give special attention to the issue of public accountability of NGDOs. This Attachment details the correspondence on this matter between the Minister and the Commission.

Figure 6A.1 Correspondence from Hon. Gordon Bilney MP,
2 September 1994 — page one

Figure 6A.2 Correspondence from Hon. Gordon Bilney MP,
2 September 1994 — page two

Figure 6A.3 Industry Commission correspondence of
14 September 1994 — page one

Figure 6A.4 Correspondence from Hon. Gordon Bilney MP,
20 February 1995 — page one

Figure 6A.5 Correspondence from Hon. Gordon Bilney MP,
20 February 1995 — page two

Figure 6A.6 Industry Commission correspondence of 1 March
1995 — page one

Figure 6A.7 Industry Commission correspondence of 16 June
1995 — page one

Figure 6A.8 Industry Commission correspondence of 16 June
1995 — page two

7 PEAK COUNCILS

Peak councils perform an important role in the sector. The number of peak councils has increased significantly since the mid 1970s. This growing element of the sector is often funded by government and has the potential to influence the efficiency and effectiveness of their members and the sector as a whole. This chapter analyses the roles and structures, government funding arrangements and operational effectiveness of peak councils in the sector.

7.1 Overview

7.1.1 Introduction

Peak councils are an important element of the sector's structure. They perform an intermediary role between the sector and government, and represent a resource to their members (see Box 7.1). They have the potential to facilitate better social policy and service delivery. The effective operation of peak councils can have a positive impact on the performance of the sector as a whole:

Peak organisations play a key role in the community services industry, both in advocacy and input into the processes of government policy-making, and in providing services and supports to community organisations. These roles are able to enhance the performance of community organisations and result in better policy outcomes for government. (Queensland Council of Social Service (QCOSS), sub. 261, p. 1)

The chapter analyses the roles and structures of peak councils and examines resourcing and funding arrangements and suggests improvements. It concludes by identifying structures likely to ensure the effective operation of peak councils in the sector. The chapter draws on data collected through an Industry Commission Survey of Peak Councils (ICS) (see Appendix G).

Box 7.1 What is a peak council?

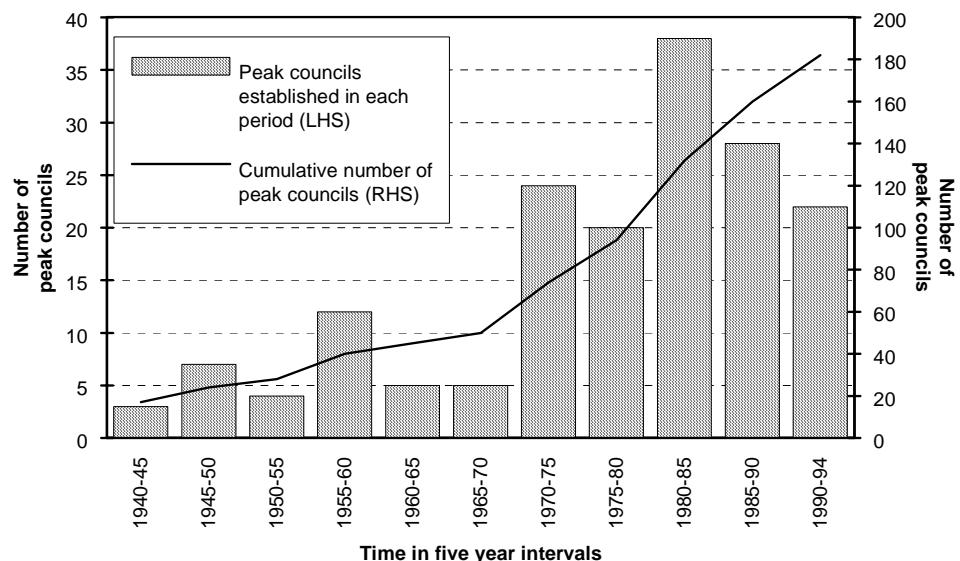
A peak council is a representative organisation that provides information dissemination services, membership support, coordination, advocacy and representation, and research and policy development services for its members and other interested parties.

The peak council role does not involve direct service delivery. Direct service refers to services provided to the clients of member organisations, rather than services provided to members or interested parties. Some organisations, however, have a service provider as well as a peak council role.

7.1.2 Growth of peak councils

Peak councils have operated in the community social welfare sector in Australia for more than 90 years. There has been a significant increase¹ in the number of peak councils since the mid 1970s (see Figure 7.1). Based on ICS responses, in 1994 there were at least 188 peak councils, almost double the 98 identified in a 1978 survey (Bailey Report 1978).² More than half the peak councils in the ICS sample were formed after the survey for the Bailey Report.

Figure 7.1 Growth in number of peak councils,
1940–45 to 1990–94



Note: Final interval is a four year interval.

Source: ICS (Appendix G).

Growth in the number of peak councils can in part be explained by the expansion of the role of CSWOs as service providers and a deeper interest in consumer input to services since the 1970s. Peak councils formed to provide representation for client groups and services for the CSWOs which filled the new roles offered by government. An additional impetus was the boost in government funding provided to the sector in the late 1960s and in the 1980s.

¹ Even allowing for peak councils leaving the sector.

² In fact this survey over-estimated the number according to the ICS definition because it included ethnic, health organisations and national bodies which would not meet the definition of peak council used for the Inquiry. It also treated branches as separate organisations.

7.2 Roles and types of peak councils

7.2.1 Roles of peak councils

Peak councils perform a range of roles in the sector. The Australian Council of Social Service (ACOSS) suggests, for example:

... peak organisations play a particularly important role in our society in promoting the participation of low-income and disadvantaged people and other special interests in the decision-making that sits around public policy. ... [They] provide important advice to governments ... feedback about programs and about policies from consumers of services, from service providers themselves ... a critical pathway for consultation, again both with consumers and the community sector more generally ... [and] in relation to their constituency and member organisations by way of support, development, information, advice and so on. (trans, pp. 963-964)

and:

... some peak bodies are heavily involved in training, but particularly in relation to being a central resource centre, information gatherer and disseminator, data collection ... (ACOSS, trans, p. 976)

The roles performed by peak councils can be grouped under five categories:

- information dissemination;
- member support;
- coordination;
- advocacy and representation; and
- research and policy development.

The potential gains to the sector from these roles arise from better information and economies of scale. Information improves decisions. For example, members of peak councils can make better responses to government policy if they are fully aware of the policy's implications. Some services — for example, research and staff training — are subject to significant economies of scale and therefore can be more efficiently provided on a collective basis.

7.2.2 Sector perceptions

Submissions to the Inquiry generally suggested that the roles of peak councils are both appropriate and valuable. For example, the Schizophrenia Australia Foundation said:

... peak bodies perform very useful functions for the Foundation and Fellowship. They deal with the Commonwealth and State governments on behalf of non-government organisations in the psychiatric disability field, giving a single voice to the whole sector

on common issues. This frees individual organisations from some of the lobbying and advocacy that needs to be accomplished in order for psychiatrically disabled to be given greater representation. It also acts to prevent the fragmented approaches from single organisations. (sub. 76, pp. 18-19)

However, some organisations suggested that the benefit of peak councils may be greater for smaller organisations. The Guide Dogs for the Blind Association of Queensland, for example, said ‘We have never found them [peak councils] useful. However, they may be useful for smaller organisations’ (sub. 215, p. 19), while Adelaide City Mission (ACM) argued:

The principal benefit to ACM from an involvement with the peak bodies is seen in coordinating industry wide issues and the support of smaller organisations. ... Because of the lack of resources within ACM the peak bodies provide a way to participate in development of industry policy and comment. (sub. 271, p. 28)

Women’s Legal Resources Limited suggested that peak councils:

... can represent smaller services sector and community interests in the provision of input into policy and budgetary making processes at a higher level than would be possible for smaller organisations. This allows services to specialise in the provision of services and still have a voice in the policy process. (sub. 283, p. 14)

Organisations may gain economies of scale and higher quality information from peak council membership, but they must trade these gains against the risk of disagreeing with the policy agenda set by the peak body. In peak councils with diversified memberships the policy agenda will likely, but not necessarily, reflect the median constituent. Larger organisations capable of achieving some internal economies of scale for the services provided by peak councils have an incentive to avoid compromising their policy position by either:

- not participating in peak membership at all; or
- using membership for the services it provides, but representing their own policy position to government on particular issues of concern.

ACOSS indicated however, that it had not experienced membership loss due to conflicting interests:

While differences in the views of consumer groups and peaks representing service providers do arise from time to time, the differences rarely develop into conflicts, as our track record is one of developing clear and well substantiated policy positions. Nor in recent times, have different views among our membership resulted in organisations withdrawing from membership of ACOSS. (sub. 679, p. 31.)

Some larger organisations have formed associations with organisations of similar character and policy position. For example, the NSW Association of Major Charitable Organisations (AMCO) (see Box 7.2) was formed to represent their contemporary contribution to society more fully.

Box 7.2 AMCO and its membership

The Association of Major Charitable Organisations (AMCO) was established in 1986 to strengthen the managerial skills, planning capacity and social impacts of major charitable organisations in NSW. The constitution requires that members of AMCO:

- are a registered charity in NSW;
- are a provider of direct resource to clients;
- are not totally reliant on government funds;
- seek funds from private donors and corporations;
- have a credible reputation with government and the public;
- are committed to cooperation with other agencies in the planning and delivery of client services; and
- have more than 100 paid employees.

The Association has eleven members including the largest non-government welfare and community service providers in NSW and Australia. AMCO Members Are:

Anglican Home Mission Society	St Vincent de Paul Society
Australian Red Cross Society	Sydney City Mission
Autistic Association of NSW	Sydney Rescue Work Society
Salvation Army	Wesley Mission (Dalmar)
The Smith Family	Young Men's Christian Association of Sydney
The Spastic Centre of NSW	

The member organisations have a public and historically recognised value base, a strong client service orientation and established client target groups. The value orientation of agencies is important in providing a choice for people wishing to make a particular contribution to the community. Each has an independent fund raising capacity in the community. Most are what could be called traditional charities in the sense that they have established support groups and credibility built on decades of community service in the State. They have a well developed service image recognised by clients and donors alike. Their public image, while well established, is frequently not fully representative of their contemporary contribution and rests more on historical perceptions than current role. As a result some uninformed observers may see them as less relevant and efficient than they really are.

Source: sub. 300, p. 4.

A further disincentive for participation of larger organisations in peak councils may be the practice of some peak councils to cross-subsidise membership fees. For example:

... ACOSS has adopted a fee scale based on capacity to pay ... [this means that] organisations which can contribute are often doing little more than cross-subsidising those organisations which are less able to do so ... (sub. 286, att. 1, p. 13)

However, this was not raised as a concern by participants. It may be that although many larger organisations do cross-subsidise smaller organisations the benefit they receive still outweighs the individual cost because of government funding and economies of scale.

7.2.3 Types of peak councils

Individual peak councils assign different priorities to the roles described above depending on their objectives and membership. For example, a peak council concerned with social reform may concentrate more resources on information dissemination, advocacy and representation and coordination, than it would on membership support. Conversely, a peak council committed to relieving need through better service delivery is likely to concentrate resources on membership support, co-ordination of service delivery and research for sector development.

Different types of peak councils can be distinguished in terms of their sphere of operation, their legal and constitutional form and their membership.

Sphere of operation

More than 30 per cent of peak councils in the ICS sampled reported a national focus for policy interaction with government. Organisations operating primarily at state, local or regional levels obtain higher tier representation, for most purposes, through membership of other peak councils. So, for example, in most circumstances the Victorian Council of Social Service (VCOSS) is focused on state level issues and is represented on national issues through its membership of ACOSS.

Policy and functional focus

In terms of policy and functional focus, four categories of peak councils can be identified (Serving Communities 1993):

- social policy peak councils take a broad perspective, engaging in activities aimed at social development goals for the whole, (or broad cross-section) of a community or social group, for example, ACOSS;
- service development peak councils focus on developing and maintaining service provision in a particular field of service delivery, for example, ACROD;
- consumer peak councils focus on specific disadvantaged interest or client groups, for example, the Councils of the Ageing; and

- employer/employee peak councils have an occupational focus and are similar to trade unions and professional associations, for example, the Australian Society of Association Executives.

Social policy and service development peak councils constitute what are traditionally referred to as umbrella organisations, or ‘organisations of organisations’. These two types of peak councils made up three-quarters of the ICS sample. For example, the Councils of Volunteers which responded to the ICS claimed they were a social policy peak, reflecting their broad emphasis on social issues as well as their commitment to their membership.

Legal and constitutional form

More than 80 per cent of responding peak councils were incorporated associations.

Eighty per cent elected their executive directly from membership, while a further 12 per cent nominated individuals to represent discrete membership groups.

Membership

Peak councils derive their representative status from their membership. However, many claim to speak on behalf of much broader social groups. For example, the Council to Homeless Persons said:

... we see our role as representing the interests of homeless people. But the way that we do that is often via the people who are providing services to homeless people. Out of that there are many issues which may be related to service provision issues which we also need to take up to ensure that we get the best possible deal for the people that we are there to represent. (trans, pp. 2636-37)

The source for such a mandate however is unclear, given that there is no formal accountability of the peak council to these broader social groups. Some organisations surveyed had difficulty reporting details of their membership.

The composition of the membership of peak councils is typically determined by their policy and functional focus. Membership may include service provider organisations, other non-profit organisations (such as peak councils), corporate bodies and individuals. Consumer peak councils have high proportions of individual members while service development peak councils have a high proportion of service provider organisations. Social development peak councils, such as ACOSS, have a more mixed membership structure (see Box 7.3). It is not clear how peak councils reconcile the tension which emerges from having mixed memberships of organisations and individuals.

Box 7.3 The Councils of Social Service

Peak councils operate under many different membership and network structures in the sector. The network of Councils of Social Service (COSS) is among the more visible and traditional of these models. The COSS network consists of the Australian Council of Social Service (ACOSS), which is the national umbrella body and the eight State/territory COSSs.

ACOSS is generally accepted as the major peak council in the community social welfare sector. It takes a broad focus on issues relating to low income and disadvantaged people³, specifically in areas such as:

- the equity effects of economic policy;
- access to services and facilities; and
- the promotion of the participation and autonomy of these people in society.

ACOSS also aims to promote the role of CSWOs in the delivery of service and formulation of social policy.

ACOSS draws its mandate from its membership of 67 national members, 64 full voting members, 150 individual associates and 240 organisation associates. Chief among these members are the State/territory COSSs, which are autonomous organisations (COSP 1994, p. 1).

The COSSs generally focus on issues relating to the equity effects of economic policy, the access to services and facilities of low income and disadvantaged people and the enfranchisement of low income and disadvantaged people so that they can participate in society and direct their own lives.

The State/territory COSSs have State/territory level organisations as members and generally represent a State/territory level perspective on issues. National representation is coordinated through ACOSS. For example, for the Inquiry, ACOSS provided submissions from a national perspective, while most State/territory COSSs provided additional submissions highlighting issues specific to their particular state or territory.

Source: COSP 1994 and various Annual Reports.

Membership can be large, as with the Australian Pensioners' & Superannuants' League of Queensland which reported 60 000 members in the ICS, or small, as with the Head Injury Council of Australia which reported only six members, one from each state. Peak councils which have predominantly organisational members have smaller overall membership sizes than those with individuals as members, but these members in turn can individually represent a range of individuals or organisations in their own right.

³ This claim is sometimes criticised, especially by ethnic communities groups which claim that a significant proportion of low income and disadvantaged groups are people from Non-English-Speaking Backgrounds (NESB), which are poorly represented in the COSS membership. (Yamine *et al* 1994, p. 27)

Cross-membership assists the information dissemination and coordination functions of peak councils. Most peak councils are affiliated or have reciprocal memberships with other statewide organisations or with national federating bodies. Many also have representatives on committees of other organisations, including government (Serving Communities 1993).

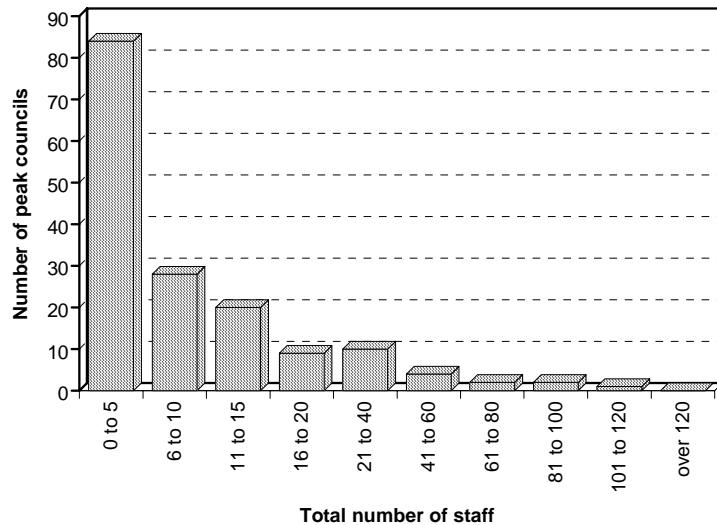
7.3 Resourcing

7.3.1 Overview

Staff

Peak councils usually have a small number of staff. The average staff level of surveyed peak councils was 13. However, more than 70 per cent had fewer than ten staff (see Figure 7.2). Consumer peak councils usually had more staff than social policy or service development peak councils.

Figure 7.2 Distribution of total staff levels of peak councils, 1994



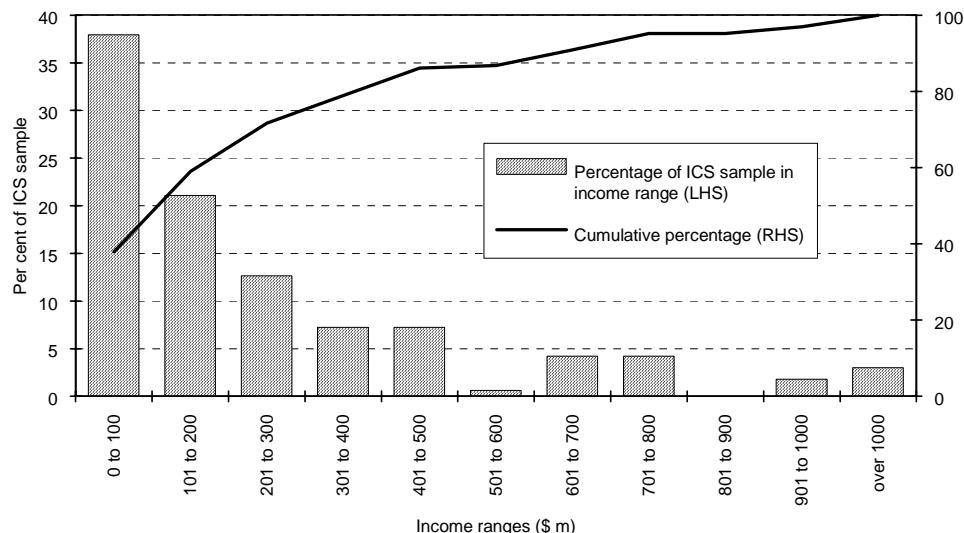
Source: ICS (Appendix G).

Income levels

The majority of peak councils — more than 70 per cent — had incomes of less than \$300 000 (see Figure 7.3). Total Commonwealth and State government

funding for community service sector peak councils was estimated at \$26.7 million (see Attachment G2).

Figure 7.3 Distribution of total income, 1992–93.



Source:

ICS (Appendix G).

Interpolating from the percentage of funding provided from government sources, and estimated total government funding, the total income for peak councils in the sector is estimated to be at least \$48 million.

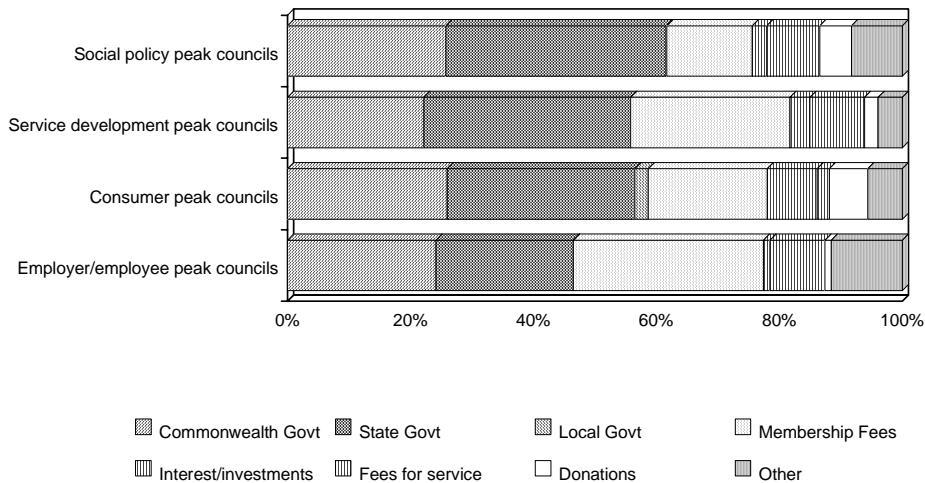
7.3.2 Non-government funding

Membership fees were the most important source of non-government income, especially for service development and employer/employee peak councils (see Figure 7.4). The reduced significance of membership fees for consumer and social policy peak councils may be due to the reluctance of peak councils to refuse membership to low income groups and poorly resourced CSWOs:

It is absolutely essential that incapacity to pay should not be a basis for excluding disadvantaged groups from membership. Paying significant membership fees can be very difficult for low-income consumer groups, voluntary-based bodies and for many non-profit organisations. (ACOSS, sub. 286, att. 1, p. 13)

Fees-for-service were also a major source of non-government funding for all categories of peak council except consumer peak councils.

Figure 7.4 Sources of income, 1992–93



Source: ICS (Appendix G).

Compared with organisations providing direct services, peak councils have difficulty eliciting donations from the general public. This is because the majority of potential donors seem to prefer to support causes which result in immediate benefits rather than indirect gains. In addition, the ICS indicated that less than one third of peak councils have tax deductibility of donations. Donations and fundraising accounted on average for less than seven per cent of total income.

Many of the benefits of services provided by peak councils cannot be restricted to the sponsoring organisations or individuals. There is therefore an incentive for individuals and organisations not to contribute and to free-ride on the efforts of others. Imperfect information exacerbates the free-rider problem. People or organisations willing to support a research project or advocacy on shared issues may fail to do so because they lack knowledge of its existence.

7.3.3 Government funding

Present funding arrangements

Peak councils receive funding from a range of government departments, most of which is administered from program areas (see Attachment G2). The Community Organisations' Support Program (COSP) administered by the Commonwealth Department of Human Services and Health (HSH), however, has as its sole objective the support community peak councils (see Box 7.4).

The House of Representatives Standing Committee on Community Affairs (HORSCCA 1991) in their report on funding of peak organisations concluded that funding arrangements lacked a consistent strategic approach:

[T]here has been no consistent strategic approach to approval of national secretariats across the portfolio ... Instead, there has been an accumulation of individual decisions to fund particular organisations ... One consequence is that there have not been formal processes to select organisations from among competing applicants ... Another consequence of the lack of strategic approach is that there has not been an even spread of funding across the portfolio interests and therefore not a comprehensive coverage of all needs. (HORSCCA 1991, pp. 24-26)

Formalised funding arrangements reduce the potential for inefficiencies to arise. The first stage in developing a formal funding framework is to examine the rationale for government assistance.

Rationale for government assistance

The rationale for government assistance of peak councils rests on the service they provide to government and the general benefits they provide for the rest of the community.

Peak councils are a conduit between the sector and the policy departments. Governments need feedback about their policies and programs to ensure they are relevant to changing social needs (Scott 1981). Peak councils also help governments achieve their objective of participation in the political process, a well established government goal (Scott 1981):

The strongest theme to emerge about the rationale for Commonwealth involvement is the need to enable disadvantaged groups to be represented in the formulation and implementation of policy ... the involvement of disadvantaged groups is seen as assisting the government to achieve fair and equitable outcomes for members of these groups. (HORSCCA 1991, p. 17)

The general benefits argument for government assistance is that, without government assistance, too little peak council activity would occur. This justifies funding only if the benefits to the community, government, and other organisations which benefit but do not pay are greater than their costs. However, this argument is not helpful in deciding the appropriate level of activity provided by peak councils.

Government funding options

The advantages and disadvantages of indirect government funding through tax concessions is presented in Chapter 12.

Many submissions raised the issue of inconsistent treatment of peak councils in relation to granting of Public Benevolent Institution (PBI) status. PBI status

leads to a number of taxation benefits (see Chapter 12). The ICS identified a great deal of confusion among peak councils over the tax concessions or exemptions to which they are entitled (see Table G.18). The issue of PBI status in relation to deductibility of donations and input tax concessions is discussed in Chapter 12.

Box 7.4 The Community Organisations' Support Program

The Community Organisations' Support Program (COSP) is administered by the Department of Human Services and Health (HSH). Although total expenditure on COSP is relatively small compared with other Commonwealth programs such as aged and disability services, the program is a significant element of the Commonwealth government's support for community organisations.

COSP's aim is to fund the activities of CSWOs which relate to the policies and programs of HSH, which are national in focus, and are not direct service delivery or research. COSP, in its present form, came into existence in 1990 as an amalgamation of the Grant in Aid Scheme, National Community Health Program and the Management Support Scheme. In early 1993 the Volunteer Management Program was added.

The sub-elements of COSP are:

- **COSP project grants.** Funding to community organisations to conduct innovative projects with national significance which are not direct service provision or research;
- **COSP secretariat grants.** Funding to incorporated national community-based organisations to: represent community views and interests that are of relevance to the policies and programs of the Department; and to be available for consultation with the Department about issues of mutual relevance;
- **Volunteer Management Program.** A limited term program that provides funds aimed at providing better management of the volunteer referral activities of State Volunteer Centres; and
- **Management Support Scheme.** Funding for organisations funded by HSH who, for unforeseen reasons, find themselves in financial, management or administrative difficulties.

Source: COSP 1994a.

Most peak council funding is administered from specific government program areas. Program funding can compromise a peak council's autonomy:

... very often such bodies are funded by the very government departments they are intended to lobby. The effect of this is to limit the capacity of the peak body, at least in its national advocacy or lobbying functions, in that those bodies similarly become reliant for funding and for their existence on the continuity of government funding. Consequently, peak bodies invariably fall into line with government thinking over time. (Paraplegic–Quadriplegic Association of WA, sub. 231, p. 9)

Where peak councils have interests across several program areas, however, cross-program funding may achieve administrative gains to government and

protect peak council autonomy (HORSCCA 1991). The Commission considers cross-program funding to be the preferred method of funding peak councils.

The lack of a consistent policy for funding peak councils by some departments is a potential source of inefficiency in the sector through:

- an inefficient number of peak councils being funded;
- ineffective representation of consumers' interests;
- a focus on program rather than consumer needs;
- a duplication of effort;
- member organisations being unclear of the tasks which peak councils can perform for them; and
- inconsistent or inappropriate levels of funding.

Funding of peak councils should occur within the general government funding framework developed later in the report (see Chapters 15 and 16). This requires explicit criteria to compare and select applicants for funding (see Box 7.5).

Box 7.5 COSP secretariat grants — selection criteria

Eligible organisations will compete for funds and will be judged on the following selection criteria:

- relevance to Department of Human Services & Health (HSH) program priorities;
- justification of national relevance;
- justification of target group need;
- justification of financial need;
- evaluation plan with measurable performance indicators;
- impact on special needs target groups;
- relevance to HS&H policies and programs; and
- provision of acceptable financial self-sufficiency plan.

Source: COSP 1994a.

The guidelines should also specify the type⁴, level and duration of assistance and the roles and responsibilities of the peak council and government. This will allow peak councils to engage in effective forward planning which will result in more efficient use of resources. For example, the COSP Secretariat Grants Guidelines specify the objective of the grant as:

... to fund national community-based organisations to represent community views and interests that are of relevance to the policies and programs of the Department; and to be

⁴ The Serving Communities study identified four types of government grants, each of which has different objectives (Serving Communities 1993).

available for consultation with the Department about issues of mutual relevance. (COSP 1994a, p. 1)

These guidelines also specify the funding level for approved applicants and the duration as four years (COSP 1994a).⁵ Where the funding level and duration cannot be determined in advance, as with project funding, the basis for their determination should be specified in the guidelines.

Finally, there should be an explicit mechanism for regular review of the criteria by which peak councils are compared and selected for funding. This is necessary to allow for the changing roles of individual peak councils and for the changing needs of government and consumers over time.

Preference should be given for cross-program funding except where the interests of peak councils fall within a single program.

Recommendation 7.1

Commonwealth and State/territory governments should review their funding policies and guidelines for peak councils to specify:

- appropriate roles and functions;
- responsibilities of funded peak councils and funding bodies;
- selection criteria;
- level and duration of funding; and
- mechanisms for regular review of criteria.

7.4 Effectiveness of peak councils

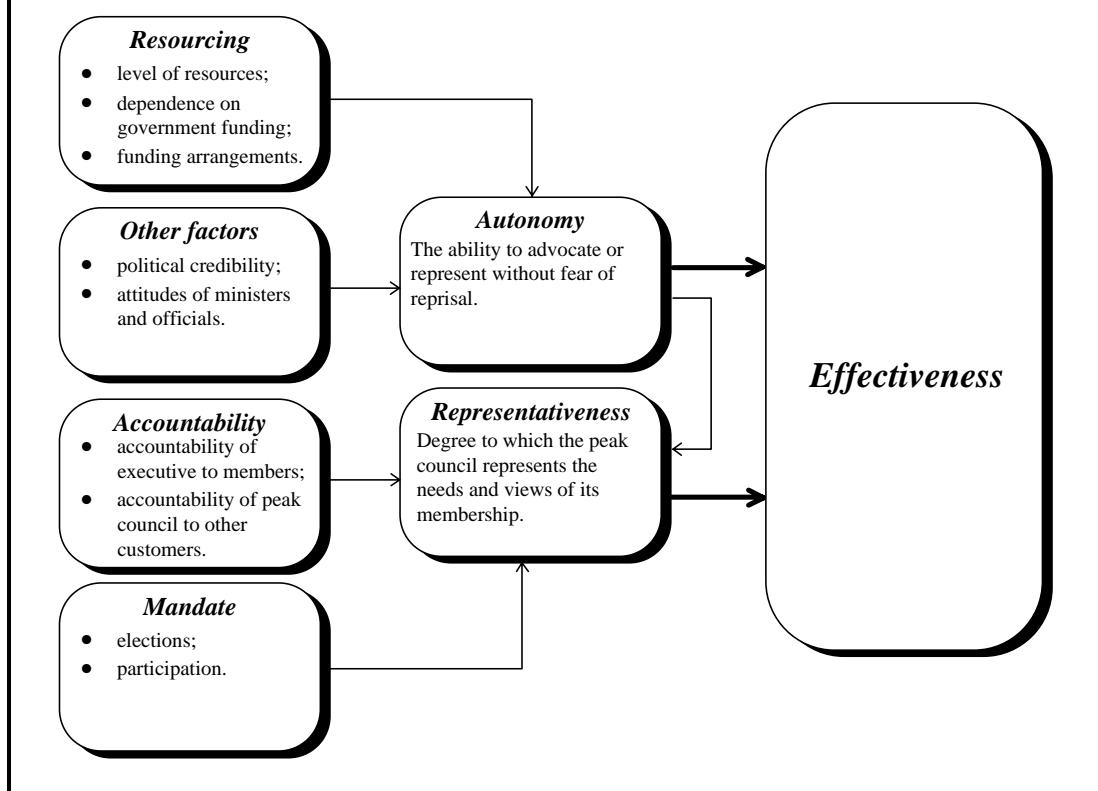
Peak councils have many customers including their members, the government — if they are government funded — and the general public.

The effectiveness of peak councils should be assessed primarily from the dominant customer's perspective. For most peak councils, this is its membership. However, as the dependence on government funding increases, the position of membership as dominant customer becomes more questionable.

⁵ Level 1 organisations receive funding of \$82 984 to \$110 991, level 2 organisations receive \$293 555 and level 3 organisations receive \$458 000.

The literature and submissions to the Inquiry suggested that the principal issues influencing effectiveness are autonomy and representativeness. Figure 7.5 illustrates the secondary factors affecting autonomy and representativeness. This section examines these factors and suggests incentive structures to encourage the effective operation of peak councils.

Figure 7.5 Factors influencing the effectiveness of peak councils



7.4.1 Autonomy

A peak council's members obtain different levels of benefit from their membership. Their contributions should obviously reflect the benefit they derive. This implies that in general membership contributions should vary between organisations, and between organisations and individuals.

Many peak councils receive a large proportion of their total funding from government. This funding is described in some submissions as a carrot and stick approach used by government to control outspoken peak councils:

Generally we believe that the government intimidates peak bodies and this has led to them being often reluctant to enter public debate on policy matters or even act as efficient lobbyists at times. An excellent example of the punitive action of government of peaks was the defunding of the NSW Substitute Care Accreditation Service when

ACWA criticised aspects of the NSW government administration. (Barnardos, sub. 91, p. 14)

If Recommendation 7.1 on formal funding guidelines were adopted, the areas of autonomy should be clearer.

Formal funding guidelines may also result in reduced untied government support for some peak councils, which may limit their autonomy. For example, recent reviews of peak council funding in Western Australia and South Australia have exhibited a shift in emphasis away from block funding towards a mix of core and specific project funding. Although the recommendations of these reviews had not been implemented at the completion of this report, there appears to be a move to rationalise both the level of core funding and the number of peak councils funded, particularly in Western Australia. A similar rationalisation occurred previously in the Northern Territory.

7.4.2 Representativeness

Peak councils are representative bodies. Effective representation depends principally on:

- the range of issues and views to be represented;
- executive representation of the membership;
- the accountability of the executive to membership; and
- membership participation in policy formulation.

The larger the range of views held by members, the narrower is the range of proposals on which agreement can be reached and the fewer the number of views that can be effectively represented (Scott 1981). Peak councils will be more likely to represent the median constituent unless specific processes are implemented for broader representation. Where issues are likely to result in a wide range of views, more effective representation may be provided by a larger number of more focused peak councils.

The tendency for organisational goals to be captured by the executive and paid officials can be minimised by clearly defining limits to the mandate of executives and paid officials. It is then easier to assess when they have exceeded these boundaries to pursue their own objectives. This requires the activities of executives and paid officials to be transparent and reported frequently to the membership.

The Commission supports the HORSCCA recommendation that organisations have democratic processes for election of their governing bodies and executives, and that all full members should be eligible for election to board and executive

positions (HORSCCA 1991). There should also be a process that allows for appropriate action to be taken if the stated mandate is exceeded. This, however, does not imply that the executive must be drawn from the membership. The key criterion is their ability to contribute to the effectiveness of the peak council as a whole.

Effective representation can be promoted by peak councils clearly identifying not only the client group they represent, but also the basis for this claim. The latter is especially important where peak councils claim to represent client groups other than their membership:

In its submission, the Department [of Human Services and Health] stated that it is not always clear exactly whom each organisation represents. This poses difficulties for consultation ... There is a need to clarify the client group in each case. (HORSCCA 1991, p. 44)

Processes for on-going participation in developing the agenda of the organisation are also desirable. Members will be unlikely to foresee all impending policy issues at the time the executive is elected. While the executive view may generally provide effective representation, this may not be true on all issues. These processes for participation should be formalised and actively promoted.

Consumer and service provider conflict in membership structure

Previous studies have acknowledged the need for good program administration by government and for both consumer and service provider representation by peak councils (HORSCCA 1991 and NSW Review 1989).

Some peak councils have both consumers and service providers as members. This has benefits, in terms of administrative efficiency for government. However, there may be a trade-off in less effective representation given that individual and organisational members will have conflicting views on many issues. Peak councils presenting a consensus of their members are likely to represent effectively only the dominant membership type. In such a situation, effective representation of service providers and consumers views is not probable where their views vary greatly.

It may be necessary to fund the representation of consumers and service provider organisations separately through existing peak councils where these conflicts cannot be resolved and where it is necessary to meet the representational requirements of the funding department.

Accountability

A major determinant of the degree to which peak councils represent the ideals and views of their members is the way in which they account for their activities. Participants generally accepted that peak councils should be accountable to both funding bodies and constituents. ACOSS argued that peak councils reports should have regard to:

- the sources of their funds;
- the way in which these funds are used; and
- the activities undertaken and the outcomes achieved (against agreed plans).

The major vehicle for routinely providing this information will usually be a comprehensive annual report. Further information should be provided on request. (ACOSS, sub. 286, att 1. p. 15)

Appropriate outcome measures and regular reporting provide members with information that allows them to assess whether the peak council is meeting their expectations of performance. For example, a peak council may report its effectiveness in influencing public policy by identifying, in its annual report, areas of success.

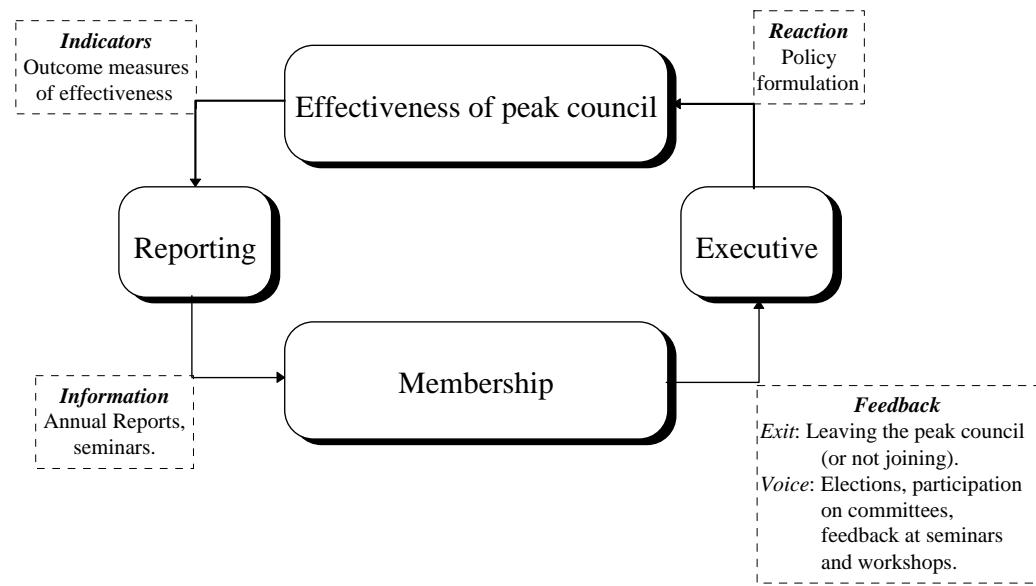
The other element of an accountability system is the processes that provide the peak council's executive with feedback on the satisfaction of members regarding the organisation's performance (see Figure 7.6). These include the exit of dissatisfied members to other peak councils and voicing of dissatisfaction at annual general meetings, through participation on committees and working groups or by whatever other communication channels are available.

For the members of peak councils the exit option is not a credible threat as it is unlikely that there are a large range of alternative peak councils. The ICS also suggests that membership fees are generally not a significant element in total council funding. This implies that processes that encourage membership participation and feedback are most likely to facilitate a complete accountability system and encourage effective operations of peak councils.

7.5 The important role of peak councils

Peak councils are an important element of the sector. Through their activities — particularly as a conduit between the sector and government — they have the potential to increase the effectiveness and efficiency of their members and the sector as a whole.

Figure 7.6 An accountability system to influence the effectiveness of peak councils



Peak councils are funded from government and non-government sources. The rationale for government funding of peak councils rests on the services they provide to government and the public good they provide for the rest of the community. Efficiency in the sector can be promoted by departments adopting consistent policies for the funding of peak councils. This will increase administrative efficiency, promote efficient resource allocation across different portfolio interests and ensure effective coverage of all government needs for representation of the sector.

The principal factors influencing effectiveness of peak councils are autonomy and representativeness. Autonomy can be promoted by peak councils limiting their reliance on government funding, by government funding being administered within a consistent policy framework and by peak councils basing their representations on facts and in areas of expertise. Effective representation requires the peak council to have a full system of accountability to its membership and funding bodies, and a clear mandate to provide representation for those it claims to speak for.

8 ACCOUNTABILITY TO THE PUBLIC

Accountability is an important operational issue for all Community Social Welfare Organisations (CSWOs). Their supporters and the general public expect and are entitled to information about the finances and operations of CSWOs in return for their donations, voluntary activities, and taxation exemptions and concessions. Improved confidence that funds are being used appropriately by CSWOs can potentially increase the overall fundraising resources available to the sector.

8.1 The need for accountability

The public, as donors, volunteers and taxpayers, make a significant contribution to the resourcing of Community Social Welfare Organisations (CSWOs). In return for their support, they are entitled to effective systems of accountability.

Many CSWOs recognise that they have an obligation to be accountable to their supporters and the public. The Brotherhood of St Laurence said that:

Openness and disclosure of information should be an essential operational principle of all community welfare organisations. (sub. 301, p. 38)

Many CSWOs have developed individual ways of reporting to the community on their operations. For example, in the overseas aid sub-sector, expenditures that some agencies record as fundraising expenditure are categorised by other agencies as public education (see Chapter 6).

The availability of more transparent and consistent information about CSWOs could benefit the community in several ways. The Tasmanian Council of Social Service argued that:

Public availability of information on fundraising practices and policies of organisations would assist individual donors to make choices about their philanthropy in a more informed manner as would improved and more available information on their finances. (sub. 388, p. 11)

Accountability relies upon the provision of up-to-date, accurate and relevant information relating to the operations and finances of organisations. Even when potential donors do not themselves seek information on individual organisations, the media may well do so. Better informed media coverage of the sector has the potential to improve community awareness and decisions.

8.2 Current systems of accountability

Some formalised public accountability requirements already exist. These include the responsibilities under State fundraising legislation, State Associations Incorporation Acts (AIAs), and the Corporations Law. CSWOs also voluntarily provide information to the community in various ways including donor newsletters.

8.2.1 Fundraising legislation

Some States try to use their fundraising legislation to ensure accountability to the public. This can be achieved by requiring CSWOs to lodge their accounts with a particular body and by allowing public access to that information. For example, the *Queensland Collections Act 1966* specifies the type of return that must be prepared by charities and spells out the provisions for public access to certain information.

8.2.2 Associations incorporation legislation

Most CSWOs are incorporated under State AIAs. Table 8.1 shows a range of requirements of AIAs in all States.

8.2.3 Incorporation under the Corporations Law

Many of the larger CSWOs are incorporated under the Corporations Law.¹ These organisations are subject to more rigorous and comprehensive reporting requirements than those incorporated under AIAs. Public companies under the Corporations Law are required to submit their financial statements to the Australian Securities Commission (ASC) and produce an annual report together with audited financial statements which are consistent with Australian Accounting Standards.² The ASC has formalised operating procedures to ensure as near as possible to full compliance.

¹ The Corporations Law, while technically legislation of a particular State or Territory, has the characteristics of, and is treated for all practical purposes as if it were a Commonwealth law (Lipton and Herzberg, 1993).

² As at June 1995, a Corporations Law Simplification Bill is before the Commonwealth Parliament. The Bill aims to reduce the requirements of small proprietary companies under the Corporations Law. For example, it eliminates the need for such companies to submit an Annual Return to the Australian Securities Commission.

Table 8.1 Some requirements of State Associations Incorporation Acts

<i>Summary of accounting provisions of the Associations Incorporation Acts (AIAs)</i>	<i>VIC</i>	<i>NSW</i>	<i>QLD</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>ACT</i>	<i>NT</i>
Accounting records to be maintained to record transactions and the financial position of the association and allow the preparation of accounts.	✗	✓	✓	✓	✓	✓	✓	✓ ^a
Financial reports not to be misleading and/or to give a ‘true and fair view’ of, or ‘present fairly’ the association’s income and expenditure and assets and liabilities (balance-sheet).	✗	✓	✗	✓ ^b	✗	✗	✓	✓ ^c
Financial reports to comply with Accounting Standards.	✗	✗	✗	✗	✗	✗	✓ ^d	✗
Financial reports to be presented at the annual general meeting:								
(i) need not be audited; or	✗	✗				✓ ^e	na	na
(ii) must be audited.			✓	✓ ^f		na	✓	na
AIA imposes responsibility for preparation of financial reports on the Management Committee of the association	✗	✓	✓	✓	✗	✓ ^g	✓	✓
Association to lodge an annual return containing its financial reports and other statements or resolutions as required.	✓	✓	✓	✓	✗	✓	✓	✓
a	This requirement only applies to ‘incorporated trading association’ [AIA (NT), s. 25AG(1)].							
b	This requirement only applies to ‘prescribed associations’ [AIA (SA), s. 35(1)].							
c	This requirement only applies to ‘incorporated trading associations’ [AIA (ACT), s. 25AI].							
d	This requirement only applies to ‘prescribed association’ [AIA (ACT), s. 76(3)(a)(iii)].							
e	Section 26 of the AIA (WA) provides:							
	<ul style="list-style-type: none"> • An incorporated association shall submit to its members at the annual general meeting of the association accounts of the association showing the financial position of the association at the end of the immediately preceding financial year. • The AIA does not include a definition of ‘accounts’ or indicate what financial reports are to be prepared. 							
f	This requirement only applies to ‘prescribed association’ [AIA (SA), s. 35(6)].							
g	This requirement is not explicitly stated in the AIA (Tas) though, by implication, the Committee of the association would require to prepare financial reports. This requirement only applies to ‘prescribed associations’ [AIA (SA), s. 36 and Regulation 9 of the <i>Association Incorporation Regulations</i>].							
Source:	Sadhu 1995.							

The up-to-date ASC database is also readily accessible to the public on a national basis at a low cost. For example, the Annual Return — which includes information on the principal activities of the organisation, the office holders and

key financial data — is available for between \$15 and \$27 depending on the size of the return.³

While the ASC database collects and provides public information, it covers only a small number of CSWOs.

8.2.4 Incorporation under own Act of Parliament

Many of the larger and long established CSWOs in Australia are incorporated under their own Acts of Parliament. For example, fifteen of the 50 largest CSWOs, including the Brotherhood of St Laurence, the Royal Blind Society of NSW and the Royal NSW Institute for Deaf and Blind Children, are incorporated under their own Acts of Parliament. The Commission estimated that the combined income of these 15 CSWOs was more than \$542 million in 1992–93, including more than \$98 million in fundraising and donations.

The extent to which these organisations provide information on their finances and operations depends on the requirements of their particular Act. The Act of the Anti-Cancer Council of Victoria, for example, requires them to report to both Houses of Parliament in Victoria. Further, the *Financial Management Act* 1994 requires them to present their reports a certain way (trans, pp. 4737-8). Some other CSWOs, such as the Brotherhood of St Laurence, are not required by their Act to report to Parliament. They are, however, required to make their financial statements available to their members and the Anglican Archbishop of Melbourne.

Many large and small CSWOs are affiliated with churches which are themselves covered by Acts of Parliament. For example, Anglican Retirement Villages and Anglican Community Services (South Australia) are established under an Act of Parliament relating to the Anglican Church.

In many cases, it is difficult to determine the form of incorporation of a CSWO affiliated with a church. The Catholic Church, for example, has a number of religious and secular institutes, as well as associations of lay people, that provide social welfare services to different groups. These organisations have, over time, developed a number of structures in order to provide their services. Some may be unincorporated bodies that operate under Acts establishing their auspicing church, while others, such as the Villa Maria Society for the Blind, are separately incorporated.

³ Key financial data includes assets and liabilities, and the profit and loss statement.

8.2.5 Voluntary accountability

CSWOs also employ a number of voluntary methods to satisfy the accountability needs of donors. Many CSWOs produce annual reports including financial statements, hold public relations functions and distribute regular newsletters to donors about how funds are used. For example, CARE Australia produces donor feedback newsletters and sponsors media visits overseas in order to increase donor confidence in their operations (trans, p. 4174).

8.3 Problems with current forms of accountability

Despite the above requirements, a range of participants stressed the need for greater public accountability. The Commission also experienced considerable difficulties in accessing and reconciling information relating to the largest 50 CSWOs in Australia (see Appendix C). Considerable effort was required to:

- obtain the annual reports of some organisations;
- follow up organisations which did not include detailed financial statements with their annual reports; and
- reconcile differences in the presentation of financial statements among organisations.

In particular, the Commission identified the following problems with the current system:

- lack of consistent data collection processes;
- lack of public access to information; and
- lack of standardisation of financial reporting and other information.

8.3.1 Lack of consistent data collection processes

No organisation or mechanism is currently available to collect comprehensive information on CSWOs and provide a complete database. Both of the State instruments currently available, fundraising legislation and AIAs, vary in their information reporting requirements, leading to an incomplete, and therefore less useful, database.

Further, some CSWOs that are incorporated under their own Act of Parliament may not be subject to information reporting requirements notwithstanding their size and importance.

8.3.2 Lack of public access to information

Many states have limited capacity to provide useful public access to the information which they collect under State fundraising legislation and State AIAs. Queensland and New South Wales are the only states where fundraising legislation allows for donors to have access to the accounts and financial statements of CSWOs. In other states, the relevant Departments or Corporate Affairs Commissions lack the information management systems necessary to collect comprehensively the information and to make it available to the public in a useable form.

8.3.3 Lack of standardisation of financial reporting

The financial information reported by CSWOs lacks comparability largely because no accounting standards have been developed specifically for the sector. For example, the Cystic Fibrosis Association of Victoria argued that the existence of different accounting practices between organisations:

... disadvantages organisations which are perhaps more open and less sophisticated in such matters, leaving the way for unfair and poorly based comparisons between organisations, which in turn may influence potential donors. (sub. 225, p. 7)

The Australian Society of Certified Practising Accountants and Institute of Chartered Accountants in Australia suggested that:

The reporting framework and its requirements should be standardised across all legislation enabling the formation of charitable organisations so that relevant, reliable and comparable financial reporting practices are adopted by all charitable organisations. (sub. 422, p. 4)

8.4 Improving accountability to the public

The Commission is concerned that accountability to donors and the general public is inadequate in terms of the availability of easily understood information and the transparency of operations. This may reduce donor confidence and ultimately public support for the sector. The efficiency and effectiveness of current accountability measures would be enhanced by increasing public access to information and by greater consistency in reporting this information.

The Commission recognises that requiring accountability by CSWOs can impose significant compliance costs on some organisations and enforcement costs on government. The compliance costs associated with more onerous reporting requirements are also likely to be relatively more significant for small organisations.

The type of accountability which is appropriate depends in part upon the size of resources that are derived from the public and the services being provided. An organisation which receives most of its resources from public donations might be required to meet different public accountability requirements than one which is totally funded by government and an organisation providing services to say young children, might be required to be particularly open about its operational standards.

The Commission considered several strategies for improving the accountability of CSWOs to donors and the availability of information to the public. Namely:

- a voluntary code of reporting;
- the establishment of a body responsible for the supervision and monitoring of CSWOs;
- improved fundraising legislation;
- uniform State AIAs; and
- requiring CSWOs to be incorporated as public companies under the Corporations Law.

8.4.1 A voluntary code of reporting

A voluntary code of reporting could be developed to heighten accountability to the public. Such a code could provide guidelines on issues such as reporting requirements and public access to information.

The implementation of such a code would require a peak body with authority to compile the code, encourage compliance and to apply appropriate sanctions to those that breach the code. It is the Commission's view that the sector is too diverse for any of the organisations currently in the sector to act as the regulator.

In the Commission's view, the sector would not be best served by a voluntary code of practice. While such a code may be appropriate for some parts of the sector and for certain concerns, it does not appear to be the most effective way of increasing accountability for the sector as a whole.

8.4.2 A specialist charities supervisor

Several submissions suggested the establishment of a central government or independent monitoring agency for CSWOs. The Charity Commission for England and Wales is the best known example of such an agency operating in a mixed economy like that of Australia.

The Charity Commission for England and Wales is an independent statutory body responsible directly to the Home Secretary for the oversight of charities in England and Wales. The Charity Commission aims to assist in building public confidence in the sector. It does this by providing supervision and support for charities and by imposing accounting and reporting standards.

Although the Charity Commission is established in its current form by the *Charities Act 1993*, it has a history dating back to the 19th century when there was public concern over mismanagement and abuse of funds by some charities.⁴ The Act requires that there be a Chief Charity Commissioner and at least three Commissioners, all of whom must be qualified barristers or solicitors.

The Commission is staffed by some 650 people. About two thirds are located in London and the remainder in Liverpool. The 1993-94 budget of the Commission was about \$A50 million. The four main functions of the Commission are shown in Box 8.1.

Some participants argued that a similar national monitoring agency for CSWOs in Australia would give donors and the public greater confidence that they are operating effectively. For example, Aged Care Australia argued that a monitoring agency in Australia could:

... bring together all the so-called CSWOs (which are currently scattered through a variety of national and State legal systems), it could provide for a system of uniform incorporation, it could use the Administrative Appeals Tribunal to settle disputes, and it could also register fund-raisers. (sub. 604, p. 6)

Surf Life Saving Australia considered that establishing a monitoring agency for CSWOs would assist in reducing the inconsistencies and high compliance costs associated with reporting requirements. They proposed that:

This agency would oversee the charities sector and utilise a simplified reporting format suitable to all government bodies requiring accountability. (sub. 223, p. 17)

Centralising regulatory authority in relation to CSWOs may have a number of advantages, such as:

- consistency and efficiency in monitoring and enforcement;
- the development of uniform regulatory and reporting standards;
- the collection and coordination of statistics and information on a national basis; and
- the development of comprehensive and consistent policy advice in relation to CSWOs and their regulation.

⁴ The Charity Commission replaced a series of ad hoc commissions established from the 17th century to look into charities (Luxton, 1991).

Box 8.1 The functions of the Charity Commission for England and Wales

1. Registration

The Charity Commission decides on the charitable status of organisations and maintains a register of charities above a certain income threshold — currently at £1000 (or about \$A2174). Through its responsibilities under the registration process, the Commission has the task of developing the concept of charity and ensuring that it remains relevant to contemporary society. The register of charities is available to the public.

Not all charities, however, are compelled to be on the register. Excluded are permanently endowed charities which are exempted by order or regulation. Failure to register or submit accounts can lead to an order by the Commissioners requiring compliance under the Act. If the charity fails to comply with the order, it can be treated as in contempt of court.

2. Monitoring

Charities with an income above £10 000 per year must submit annually to the Commission a report on their activities, together with their accounts and other specified information. This information is open to public inspection. The form of accounts is still being developed by a Commission working party. Monitoring is conducted on the basis of annual information from charities.

3. Support

The Commission provides support and guidance to charities in a number of ways:

- through a general newsletter, sent to all charities;
- by giving individual advice, in response to requests or following up monitoring;
- through publication of general guidance material;
- by authorising changes in the legal structure of charities to enable them to change activities to reflect current circumstances; and
- by giving advice on financial and administrative controls.

The Commission has also been working with the sector to develop programs designed to improve performance of trustees and charity management.

4. Supervision

The Commission has powers to investigate complaints brought to it from the general public or as a result of its own monitoring.

The Commission has powers to intervene to protect the resources of charities and to suspend or remove trustees in certain circumstances. It has the power to appoint a receiver and manager to take over the administration of a charity.

Source: sub. 461.

Establishing a national monitoring agency would, however, have some disadvantages. First, a national monitoring agency would increase the level of bureaucracy involved in regulation. ACROD suggested that:

... such an arrangement here would amount to overkill — adding to bureaucracy and cost (external as well as internal) and so lessening service, but unlikely to add anything useful to what can be done under existing extensive controls. (sub. 152, p. 30)

Second, it may duplicate many functions which are currently being efficiently carried out by other government agencies. Any change to those arrangements would impose costs with no guarantee that the centralisation of regulatory authority would achieve the supposed benefits.

Third, a national monitoring agency may ignore some important regulatory issues which are particular to each State and most appropriately dealt with at a State level. These relate mainly to issues of fundraising practices and are dealt with in greater detail in Chapter 9.

Fourth, it may not be any more successful in controlling illegal behaviour by 'rogue' organisations.

The Commission considers that there is not a convincing case for the establishment of a national monitoring agency for CSWOs. Many of the perceived benefits, such as greater uniformity of regulation, greater coordination and consistency in the collection of information, may be achieved more simply and cheaply through greater inter-governmental cooperation and through more specific regulatory mechanisms.

8.4.3 Improved fundraising legislation

Another option for improving public accessibility to information and accountability to donors is to improve the reporting requirements and information collection under fundraising legislation.

Some State fundraising regulations currently insist on the provision of detailed financial information to the public. This approach is not yet consistent or comprehensive.

In September 1993, New South Wales introduced detailed reporting requirements for CSWOs under its *Charitable Collections Act 1991* (see Box 8.2). Few of the participants subject to the Act expressed opinions on these provisions as they had not yet had an impact on the preparation of their 1993–94 financial statements.

Box 8.2 Reporting requirements under NSW legislation

In New South Wales, the *Charitable Collections Act* 1991 requires that CSWOs furnish certain information and declarations with their annual audited financial accounts including:

- details of the accounting principles and methods adopted in the presentation of the financial statements;
- information on any material matter or occurrence, including those of an adverse nature such as an operating loss from fundraising appeals;
- a statement that describes the manner in which a net surplus or deficit obtained from fundraising appeals is applied;
- details of income and expenditure incurred where traders were involved;
- a list of all forms of appeals; and
- comparative figures and ratios, such as:
 - ‘ – total cost of fundraising/gross income from fundraising;
 - net surplus from fundraising/gross income from fundraising;
 - total costs of services/total expenditure; and
 - total costs of services/total income received.

In Chapter 9, the Commission concluded that State fundraising legislation is not the most effective means for collecting information about CSWOs. While State fundraising legislation has an important role in guarding against misleading conduct and practices and ensuring that organisations use acceptable fundraising practices, there are better means for ensuring financial accountability to the public.

8.4.4 Uniform State Associations Incorporation Acts

Another way of improving the financial accountability of CSWOs is to develop uniform State AIAs. This would encourage consistency in incorporation across Australia and allow CSWOs in one state to meet the same incorporation and reporting requirements as a CSWO in any other state.

There are, however, a number of problems with such an approach. These include the difficulties associated with achieving agreement in Australia's federal system and the difficulties of enforcing and periodically updating uniform State Acts.

The major difficulty with this option relates to Australia's system of federalism. The problems of separate State AIAs are similar to those which faced company law before the national Corporations Law came into effect in 1991. These created difficulties for companies operating nationally. For example, a

company raising funds throughout Australia had to comply with all the applicable State Companies Codes.

Uniformity is difficult to achieve and even more difficult to maintain. Over time, amendments may be adopted in some States creating differences between States.

Another difficulty is that not all CSWOs are incorporated as State associations. Making the AIAs uniform would not encompass all CSWOs and hence would not provide a consistent set of reports for all CSWOs. Nor would it lead to a comprehensive database.

Overall, the Commission considers that uniform State AIAs are not the best way to ensure public accountability for CSWOs.

8.4.5 Incorporation as public companies under the Corporations Law

Organisations which incorporate as public companies under the national Corporations Law are subject to more rigorous and comprehensive reporting requirements than those incorporated under AIAs. Public companies are required to submit their financial statements to the ASC and produce financial statements which are consistent with Australian Accounting Standards. Formalised operating procedures ensure appropriate compliance.

The ASC database is also readily accessible to the public on a national basis at a reasonable cost.

Increasing the number of CSWOs reporting to the ASC would:

- enhance accountability of CSWOs by subjecting them to more rigorous requirements to submit financial statements;
- improve the public availability of information and transparency of CSWOs; and
- make clear the accountability responsibilities of members of Boards of Management.

The Corporations Law, in addition to ensuring a comprehensive up-to-date data base on CSWOs, also imposes certain other responsibilities. These include:

- the requirement to keep accounting records;
- the need for directors to take responsibility for accounts; and
- the requirement to hold an annual general meeting.

Several participants considered that the reporting requirements under the Corporations Law are appropriate for CSWOs in satisfying the accountability

needs of the public. For example, the Association for the Blind, Spastic Society and Yooralla stated that:

... charities should be businesslike in the way they function and operate. ... We believe location of all but small charities under the corporations jurisdiction would provide greater transparency and accountability. (sub. 347, p. 24)

The Villa Maria Society for the Blind argued that:

... corporations reporting requirements are a ready made set of requirements that are suitable for use by charitable organisations. Costs associated with accounting standards compliance, public record keeping and compliance with Corporations Law are significant but necessary and are comparable with costs incurred by the for-profit sector. (sub. 90, p. 19)

Draft Report proposal

In its Draft Report, the Commission recommended incorporation under the current Corporations Law as the preferred mode of incorporation for CSWOs. Many of the submissions supported this recommendation as long as an appropriate threshold were established. The WA Network of Alcohol and other Drug Agencies, for instance, argued that:

We acknowledge the need for a database for the sector. We also acknowledge that public accountability is appropriate. However, the Australian Securities Commission and Corporations Law are not considered the appropriate auspice for such accountability. A threshold of \$100 000 is considered too low for ASC monitoring. The additional burdens of such accountability would place unreasonable demands on smaller agencies. (sub. 497, p.7)

Other participants expressed concern over the appropriateness of incorporation as companies as a model for CSWOs. The Queensland government supported the draft proposal but warned that:

... it needs to be recognised that the Corporations Law is designed for commercial entities rather than the non-profit sector and its objectives may not necessarily be compatible with charitable fundraising. (sub 578, p. 7)

Similarly, Wesley Mission – Sydney argued that:

... charitable organisations are not motivated on the same lines as corporations and so this would be an inappropriate regime. (sub 582, p. 13)

The Institute of Chartered Accountants in Australia and the Australian Society of CPAs criticised the idea of a threshold for the reporting purposes of CSWOs. They argued that quantitative criteria do not take account of the nature of an entity. They also suggested that:

A more reliable criterion to apply is the reporting entity concept developed by the Australian Accounting Standards Board and the Public Sector Standards Board. The reporting entity concept would require a CSWO to prepare a comprehensive financial

report in accordance with Accounting Standards (a ‘general purpose financial report’) whenever it is reasonable to expect the existence of users who are dependent on that report for information that will be useful to them for making and evaluating decisions about the allocation of scarce resources. (sub 733, p. 2)

8.5 The Commission’s approach

The Commission considers that the significant benefit that CSWOs derive from donors and taxpayers justifies the obligations to report publicly on their finances and operations. Further, the support of the public is, to a considerable extent, dependent on better and more easily available information on CSWOs. Information across all CSWOs should be complete, comparable and accessible to donors and members of the public if it is to ensure adequate accountability.

In recognition of the importance of better accountability to the public, the Commission recommends that the Commonwealth government introduce a two stage reform process. The first stage involves the introduction of CSWO sector-specific accounting standards to ensure consistent financial statements. The second, and more difficult stage, involves introducing a new form of incorporation for CSWOs under the Corporations Law which would heighten accountability and significantly improve the information available to the public.

8.5.1 The first stage of reform — sector specific accounting standards

Better financial accountability would be promoted by the development of a specific accounting standard for the sector. This standard would be in addition to the current Australian Accounting Standard and would contain reporting requirements specific to the sector. For example, an accounting standard which is specific to local government has been developed and a similar approach to developing a standard could be adopted for CSWOs.

The consistency of financial reporting which would result from the development of a sector-specific accounting standard for CSWOs is important for two reasons. First, it would promote comparability among CSWOs to assist donors and the public. Second, it would reduce the costs to CSWOs of preparing reports for different funding bodies in different ways. Governments, for example, would then be in a position to rely on this standard for general financial reporting purposes rather than the ad hoc approach which dominates financial accountability requirements today.

Accounting standards applicable to companies and other entities are used by some CSWOs but do not take into account some aspects of their operations.

The Brotherhood of St Laurence (sub. 301) and Adelaide Central Mission (sub. 271) argued that existing accounting standards developed for for-profit entities, although applicable to CSWOs, do not address some issues, such as which expenditures should be reported as fundraising costs, which are particular to CSWOs and relevant for supporters or donors to CSWOs.

The responsibility for the development and application of appropriate accounting standards for reporting entities lies with the Australian Accounting Standards Board (AASB) and the Public Sector Accounting Standards Board (PSASB). Their roles are outlined in Box 8.3.

Box 8.3 Developing accounting standards

The Australian Accounting Standards Board (AASB) is a statutory body responsible for the development and promulgation of accounting standards and conceptual frameworks for financial reporting under the Corporations Law.

The Public Sector Accounting Standards Board (PSASB) of the Australian Accounting Research Foundation is responsible for preparing and issuing drafts of proposed standards of relevance to the public sector and non-corporate private sector reporting entities, in conjunction with the AASB.

The Boards adopt a ‘due process’ in the development of authoritative pronouncements and the preparation of submissions. This due process involves public and private sector entities, individuals, academics, practitioners, regulators, preparers, auditors and others with the opportunity to participate in the standard setting process through the issue of exposure drafts and other documents published by the Foundation.

The PSASB has recently added a project on financial reporting by not-for-profit entities to its agenda. However, the processes adopted by the Boards in the development of a standard are likely to take three to five years to complete.

The sector was generally supportive of having a sector-specific accounting standard. The Australian Red Cross commented that:

... as to accounting standards we do experience difficulties with current standards not specifically tailored to the needs of charitable organisations. (trans, p. 4691)

However, a small number of CSWOs were not convinced of the need for sector specific accounting standards. The Royal Society for the Blind — South Australia argued that:

The Australian Accounting Standards have been designed for all general reporting entities and are applicable across a very wide range of organisations. Consequently, we do not believe that unless there is a specific shortfall in information required under

existing accounting standards then there is no need to produce a specific accounting standard for charitable organisations. (sub 544, p. 18)

The Commission considers that there are significant deficiencies in the information required under existing accounting standards. Current standards, for example, give inadequate guidance in relation to the classification and recording of: valuation of donated goods; depreciation of gifted assets; treatment of bequests; capital grant funding; capital replacement provisions; and maintenance reserves.

A standard is also needed for the reporting of different types of expenditures of interest to donors such as fundraising, administration, and service provision.

The Statement of Recommended Practice (1995) of the Charity Commission for England and Wales has recognised that it may be difficult to define precisely what should be included under each of the expenditure headings. Section 150 of this Statement proposed the following principles:

- (a) Items of expenditure which involve more than one cost category, for example the cost of running an office which houses both fundraising and charitable project support functions, should be allocated on a reasonable and consistent basis to the cost categories involved.
- (b) Expenditure incurred on activities falling directly within one cost category should not be apportioned to any other cost category. (pp. 34-35)

The Statement also discusses the appropriate treatment of overhead, administration and support costs.

The Commission considers that the development and application of an accounting standard specific to CSWOs is of priority and should be expedited. To this end, the Commonwealth government should provide resources to fund the development of an accounting standard specific to the sector. The benefits of doing so, in terms of greater consistency in reporting and treatment of accounting items which are specific to the CSWOs, are likely to outweigh the cost, and overcome a particular information failure which, in the Commission's view, inhibits the efficient allocation of resources within the community.

Recommendation 8.1

The Commonwealth government should provide funds to the Australian Accounting Standards Board and the Public Sector Accounting Standards Board to develop within two years suitable accounting standards for Community Social Welfare Organisations.

8.5.2 The second stage of reform — a modified form of incorporation under the Corporations law

There are already several different forms of incorporation under the Corporations Law. All incorporated entities are able to be identified and any reported information received is publicly accessible.

A form of incorporation potentially suitable for CSWOs is that provided for by section 383 of the Corporations Law. Section 383(1) states that:

Where the [Australian Securities] Commission is satisfied that a proposed limited company:

- (a) is being formed for the purpose of providing recreation or amusement or promoting commerce, industry, art, science, religion, charity, patriotism, pension or superannuation schemes or any other object useful to the community;
- (b) will apply its profits (if any) or other income in promoting its objects; and
- (c) will prohibit the payment of any dividend to its members;

[T]he Commission may ... by licence, authorise the proposed company to be incorporated as a company with limited liability without the addition of the word ‘Limited’ to its name.

The concessional registration fee for section 383 companies — \$30 annually as opposed to \$750 for some public companies — is also well suited to CSWOs.

Incorporation for CSWOs under section 383 could be made more relevant if the Annual Return is modified to make it more meaningful for donors. That is, if it included, for example, information on sources of income and breakdown of expenditure rather than assets, liabilities and profit and loss statements. The information provided by CSWOs to the ASC could also include a brief description of the purpose and activities of the CSWO as required by the Statement of Financial Position of the Charity Commission for England and Wales and the Information Return of Revenue Canada. The Information Return of Revenue Canada is included as Appendix H.

Such an approach imports two of the valuable features of the Charity Commission for England and Wales; that is, the registration of charities and the establishment of a public database.

A key element of this form of incorporation is that CSWOs would be reporting under the new accounting standards developed by the relevant accounting body. These standards, along with the increased transparency, would allow the public to examine the effectiveness with which CSWOs are using their donated funds.

In order to maximise the benefits to the community that will flow from accessible public information, an incentive is needed for CSWOs to choose this form of incorporation. One such incentive is tax deductibility for donations.

The Commonwealth government could require those organisations (and those public charitable trusts) that wish to raise tax deductible donations to incorporate in the prescribed way.

The CSWOs that choose to raise funds from the public are in fact the very organisations that need the heightened accountability requirements. Linking tax deductibility and this form of incorporation will ensure that donors (and the community in general) will be able to access information about the finances and operations of the CSWOs they support.

Linking tax deductibility to this form of incorporation also increases the accountability requirements for CSWOs incorporated under an Act of Parliament or those CSWOs auspiced under a church incorporated under an Act of Parliament. Currently, these CSWOs may not be required to comply with other reporting requirements. Although most of these CSWOs voluntarily fulfil some accountability requirements, there is no consistent obligation on them to do so. For example, the Royal Blind Society — a CSWO established by an Act of Parliament — argued that while requirements under the Corporations Law were more stringent than those of their own Act of Parliament, they voluntarily met all Corporations Law requirements (sub. 645).

The proposed change may mean that CSWOs incorporated under an Act of Parliament or those CSWOs auspiced under a church incorporated under an Act of Parliament have to change their structures. They may have to create separately incorporated bodies to conduct the social welfare works that receive tax deductible donations. In practical terms, that may mean that a church forms a separate legal identity (subject to the retention of control by the Sponsoring Body) to handle the social welfare works of the church. The separate body would be eligible for tax deductible donations (if it met the criterion in Chapter 12) and be subject to greater accountability than currently. In principle, such a modified mode of incorporation could be extended to all community-based organisations involved in endeavours other than welfare.

Recommendation 8.2

The Commonwealth and State/territory governments should establish a form of incorporation under the Corporations Law for Community Social Welfare Organisations. Such organisations would be required to report using the accounting standards proposed in Recommendation 8.1.

The Commission recognises that smaller CSWOs may face higher costs as a result of this form of incorporation. Consideration could be given to lowering the costs of compliance for these organisations by, for example, requiring small

CSWOs to be subject to a limited scope audit or audit by an independent examiner. There are other factors that should also help reduce the cost to CSWOs. Presumably, the CSWO would already be meeting some information and reporting requirements. The proposed form of incorporation will replace these.

Another factor that should lower the costs of accountability to smaller CSWOs is their size. The cost of an audit, to a large degree, depends on the time it takes. This in turn usually depends on the size of the organisation. A smaller CSWO should therefore be expected to face lower audit costs than larger organisations.

Against the costs, there may be benefits in meeting this form of incorporation and using the new accounting standards. Heightened accountability can assist a particular CSWO in increasing their accountability to other organisations such as trusts, governments, corporations, members and clients. It will also assist boards or committees of management to better scrutinise the financial performance of their organisation, and make meaningful comparisons with other similar organisations. It also has the potential to increase public confidence in the sector, and therefore, public support for CSWOs in general.

9 FUNDRAISING

Fundraising from the public is an important source of income for many CSWOS. Competition between organisations conducting fundraising and the increasing professionalisation of fundraising have made the process of raising funds more complex. This chapter discusses the extent of fundraising and assesses the efficiency and effectiveness of the regulation of fundraising in Australia.

9.1 Fundraising in Australia

A distinctive feature of CSWOS is their ability to raise funds from the public. Participants commented on the importance of providing an opportunity for the public to make a direct contribution to the community. The Brotherhood of St Laurence said:

... we believe the community welfare sector can be characterised first of all by allowing for the expression of people's altruistic motivations. (trans, p. 1086)

Fundraising is becoming increasingly challenging. Participants generally argued that there is greater competition for charitable donations and fundraising, as a result of both an increase in the number and range of organisations seeking funds. The Royal Blind Society of New South Wales commented that:

Fundraising is incredibly competitive these days, not just from established groups that have been fundraising for a long time but from new groups, particularly those related to government that are now seeking to raise funds from the community — museums, art galleries, children's hospitals, spinal units, coronary care units, AIDS foundations... (trans, p. 801)

Many organisations are involved in a wide range of fundraising activities such as doorknocking, television appeals for donations, raffles, fetes, charity dinners and other functions, child sponsorship, direct mail appeals, bequests and grants from charitable trusts (see Box 9.1).

While many small organisations rely on traditional means of fundraising, many of the larger charities have commercialised their fundraising operations and now run sophisticated promotional campaigns.

The competition for funds has put pressure on organisations to develop more professional and sophisticated techniques for raising money. Activ Foundation suggested that:

... the fundraising industry is constantly changing and becoming more competitive and sophisticated, particularly with more organisations raising large donations and sponsorship from the corporate sector. Increases in the number of voluntary organisations ... result in the dollar being more and more difficult to obtain. (sub. 178, p. 9)

Box 9.1 Fundraising activities of the Activ Foundation

Activ Foundation provides a range of services and support in Western Australia for adults and children with an intellectual disability and their families. In 1992–93, Activ raised \$352 234 in fundraising income including donations and bequests. The purpose of their fundraising is not only to raise funds, but also to educate the public regarding people with intellectual disabilities.

Fundraising activities are carried out at various levels throughout the organisation. The Public Relations and Fundraising Department co-ordinates a number of large scale fundraising activities that require extensive planning and preparation, these include:

- Direct mail campaign (appeal letters);
- Legacies and bequests;
- Fun runs such as the City to Surf and Rottnest Island Fun Runs;
- Bike Classic;
- Corporate Golf Day;
- Bride of the Year Awards;
- Door Knock Appeal; and
- Christmas Cards.

Fundraising is conducted at the local community level with support groups and branches fundraising for the services that they support. This fundraising usually involves bingo and quiz nights, raffles and sales. Fundraising activities are also undertaken in country regions (such as the Blackwood River Classic in Bunbury and Port-to-Port in Albany).

Source: Activ Foundation (sub. 178, att.)

Participants noted that the recent recession has also had a significant impact on the level of fundraising and donations. For example, Communicare stated that:

The ability to fundraise is decreasing due in part to the number of agencies competing for the donation dollar, the recession and large well promoted appeals. (sub. 179, p. 7)

The cost of fundraising differs greatly depending upon the type of fundraising activity. For example, many participants argued that the costs of drawing bequests was relatively low compared with other forms of fundraising. ACROD stated that:

The cost of obtaining bequests (where costs are usually lowest) is believed to range from one per cent to five per cent, but the supply of these is limited. (sub. 152, p. 11)

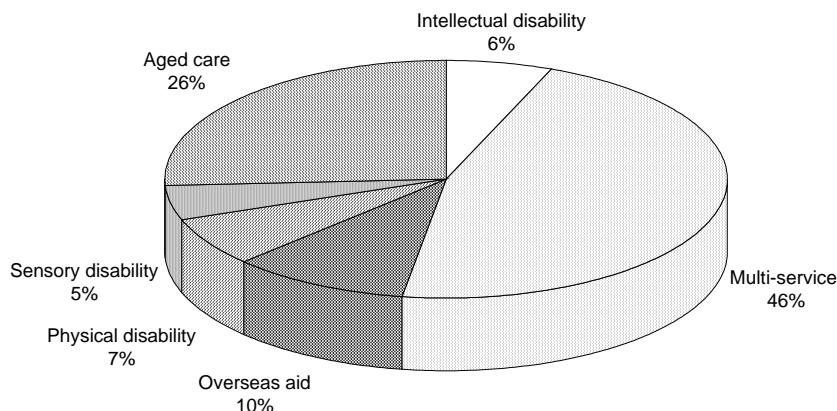
9.1.1 Commission estimates of fundraising

The sector raises a significant amount of money through fundraising activities including donations and bequests. The Commission investigated the importance and variability in fundraising within the sector by:

- collecting information from the annual reports and financial statements of the largest 50 CSWOs in Australia (see Appendix C); and
- deriving estimates of the distribution of sources of income for the sector as a whole.

The largest 50 CSWOs in Australia in 1993–94 had total income of almost \$1.6 billion of which approximately 18 per cent, or \$277 million, was derived from fundraising. Multi-service organisations and NGDOs received large proportions of the fundraising receipts for the 50 largest CSWOs (see Figure 9.1).

Figure 9.1 Distribution of total fundraising — largest 50 organisations, 1993–94



Source:

Table 9.1.

There were significant differences between sub-sectors in the amount of total income derived from fundraising compared with other sources of income. For example, large organisations in the aged care sector received only three per cent of their income from fundraising, while for large overseas aid agencies it accounted for 55 per cent of income (see Table 9.1).

There was also significant variation between organisations in the amount of funds derived from fundraising. The bulk of fundraising by the largest 50 CSWOs was raised by 19 organisations (see Table 9.2).

Table 9.1 Percentage of income from various sources — largest 50 CSWOs, 1993–94

	<i>Total income (\$ million)</i>	<i>Fundraising income (\$ million)</i>	<i>Fundraising (per cent)</i>
Aged care	405	13	3
Sensory disability	71	25	35
Intellectual disability	97	11	12
Physical disability	107	17	16
Multi-service	726	117	18
Overseas aid	162	90	55
Total	1567	273	17

Source: Appendix C; Tables C2 and C4.

Table 9.2 CSWOs with large Fundraising — selected organisations, 1993–94 (\$ million)

	<i>Fundraising income (\$ million)</i>	<i>Total income (\$ million)</i>	<i>Fundraising (per cent)</i>
World Vision of Australia	70.5	88.5	80
Salvation Army Eastern Command	29.8	126.4	24
Australian Red Cross Society	27.5	176.4	16
Salvation Army Southern Command	19.2	129.1	15
The Smith Family	18.4	26.8	69
Endeavour Foundation	10.9	42.3	26
Royal Blind Society	9.5	17.9	53
Community Aid Abroad	9.5	16.1	59
Australian Catholic Relief	9.4	11.6	81
Plan International Australia	8.0	9.7	82
CARE Australia	7.8	43.8	15
Sydney City Mission	7.5	27.4	27
Christian Children's Fund Australia	7.2	7.6	95
Adventist Development and Relief Agency	6.7	9.3	73
Royal NSW Institute for Deaf and Blind Children	7.1	16.9	42
Brotherhood of St Laurence	6.1	27.2	22
Spastic Centre of NSW	5.7	23.9	24
Spastic Society of Victoria	5.3	30.2	18
Compassion Australia	5.0	5.1	98
Total	270.0	836.2	32

Source: Appendix C, attachment C1 and Table 6.4.

World Vision is the largest fundraising organisation in Australia. In 1993–94 it raised \$70 million largely from child sponsorship but also from cash donations, the 40 hour famine and donated goods.

Bequests are a significant source of funds for some organisations (see Table 9.3). For example, in 1993–94 the Salvation Army Eastern Command raised more than \$13 million from bequests.

Table 9.3 CSWOs with large bequests, 1993–94, (\$ million)

<i>Organisation</i>	<i>Income from bequests (\$ million)</i>
Salvation Army Eastern Command	13.1
Salvation Army Southern Command	8.4 ^a
Royal Blind Society of New South Wales	5.7
Brotherhood of St Laurence	3.3
Royal New South Wales Institute for Deaf and Blind Children	2.8

a 1992–93 figures.

b Includes trusts and specific donations.

Source: Various annual reports.

In Chapter 1, the total 1993–94 income for the sector was calculated, including an estimate of the total fundraising for the sector. Government funded CSWOs in Australia receive \$4.8 billion in total income. Approximately 12 per cent, or \$581 million, was derived from fundraising (see Table 9.4).

Table 9.4 Distribution of fundraising income by sub-sector — all government funded organisations, 1993–94 (\$ million)

	<i>Total income (\$ million)</i>	<i>Fundraising income (\$ million)</i>	<i>Fundraising income (per cent)</i>
Aged care	1868	77	4
Disability services	786	120	15
Multi-service (large)	730	122	17
Other organisations	859	72	8
Overseas aid	285	173	61
Employment	254	17	7
Total	4782	581	12

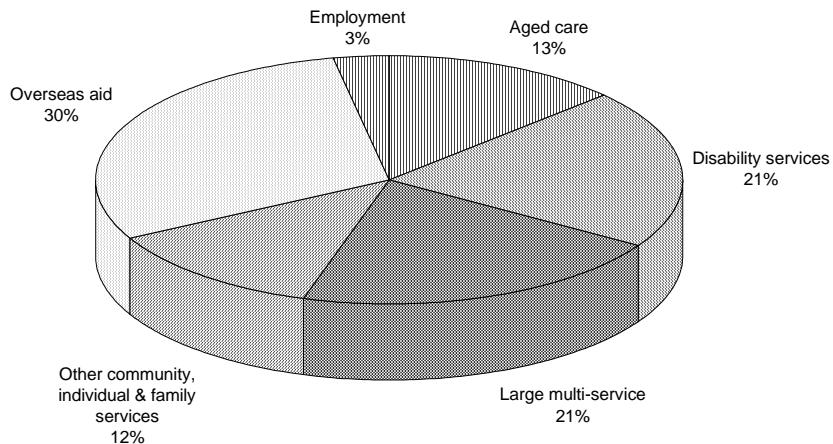
Source: Table 1.7.

It appears that the largest 50 CSWOs account for less than a third of the total income of the sector but more than half of all funds raised from the public. This confirms that larger organisations raise more money from fundraising than smaller organisations.

There are again significant differences between sub-sectors in the proportion of total income derived from fundraising. For example, aged care receives only four per cent of income from fundraising, whereas fundraising represents almost half of all income for the overseas aid sector.

Thirty per cent of fundraising receipts are given to overseas aid organisations, with disability services and large multi-service organisations each receiving 21 per cent (see Figure 9.2).

Figure 9.2 Distribution of fundraising by sub-sector — all government funded organisations, 1993–94



Source:

Table 9.4.

9.1.2 Other estimates of fundraising

Several studies have estimated the total amount of fundraising in Australia. Each of these studies has used survey based methodologies and dealt with a wider set of activities than covered by this Inquiry. They generally estimate that giving by individuals to all philanthropic organisations is around \$1 billion (see Table 9.5).

Table 9.5 Estimates of giving — all philanthropic organisations,^a (\$ million)

	<i>AAP 1988–89</i>	<i>ABS^b 1988–89</i>	<i>O'Keefe 1992–93</i>
Individuals	839	1042	1107
Businesses ^c	471	na	na
Bequests	256	na	na
Trusts	122	na	na

^a CSWOs are a subset of all philanthropic organisations.

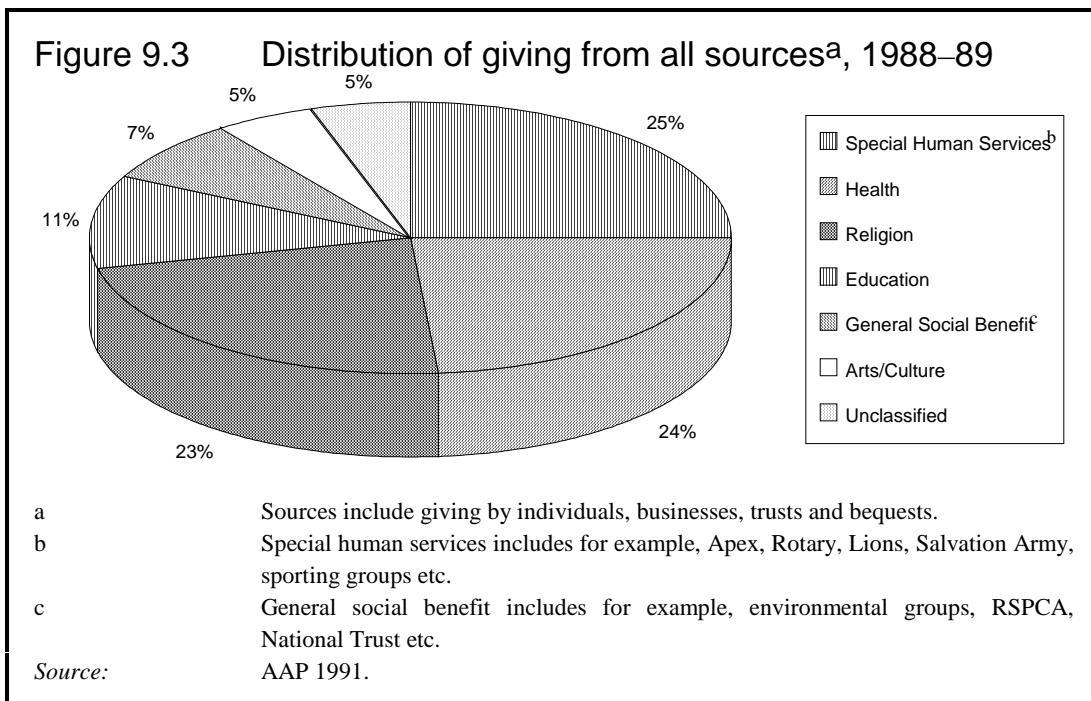
^b Cited in O'Keefe and Partners 1994.

^c Business donations include only those employing 10 to 19 people or over 1000 people.

na Not available.

Source: AAP 1991, O'Keefe and Partners 1994.

The Australian Association of Philanthropy (AAP) estimated that total giving by individuals, business, bequests and trusts to philanthropic organisations was approximately \$1.7 billion in 1989–90 (AAP 1991). Special human services were the largest recipient category — receiving 25 per cent (\$423 million) of all giving. Health and religion also received significant contributions (see Figure 9.3).



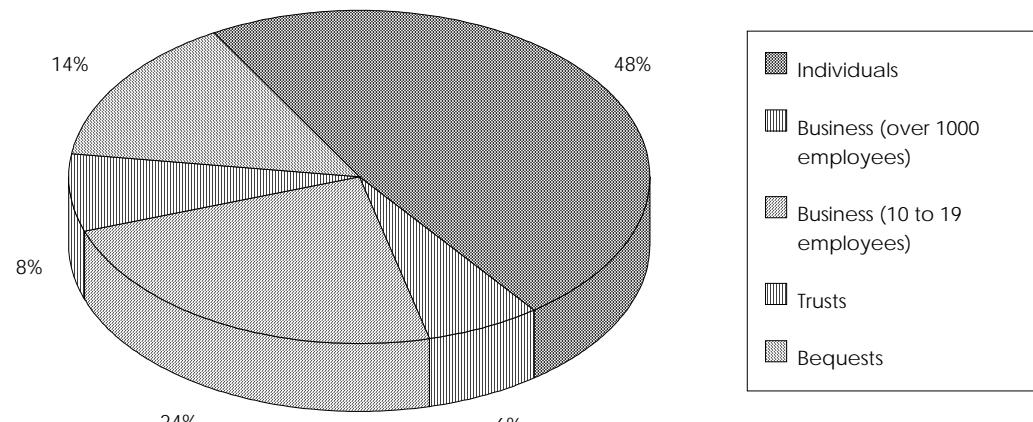
The proportions of giving derived from individuals, businesses, bequests and trusts are comparable for most sub-sectors examined in the AAP study. Almost half of all giving to special human services was donated by individuals. Business donations represented 30 per cent of all giving but this is significantly understated as it includes only two segments of businesses (see Figure 9.4).

O'Keefe and Partners (1994) estimated that giving by individuals alone was \$1.1 billion in 1992–93. The study suggested that religious organisations were the largest individual receivers of donations. However, giving to international aid, social welfare and services to the disabled represented almost half of all giving at \$532 million (see Figure 9.5).

There have also been studies which have estimated fundraising for organisations in particular States. In Victoria, non-government organisations raised \$63 million or 11 per cent of their income through fundraising in 1989–90 (CSV 1992). In Western Australia, fundraising by CSWOs represented around

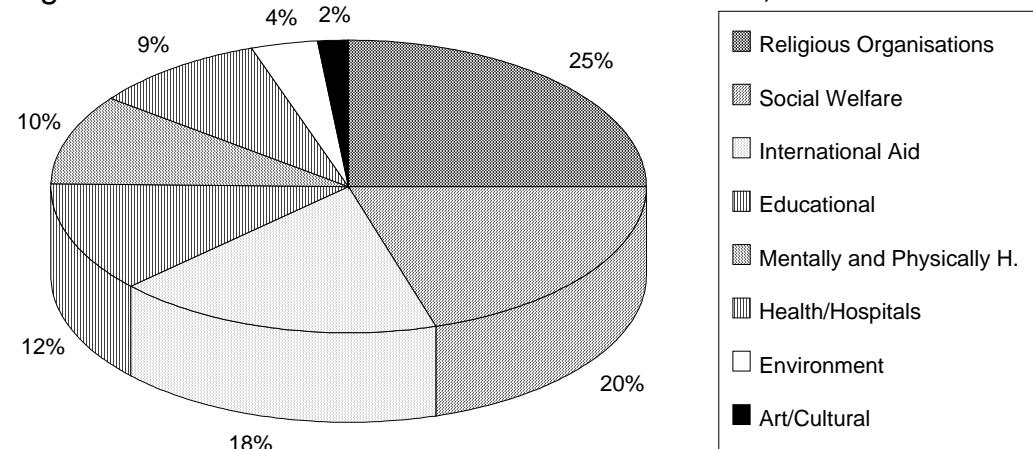
12 per cent of income or \$19 million (DCD 1994). These estimates are comparable with the Commission's overall estimate for CSWOs in Australia of 14 per cent.

Figure 9.4 Giving to special human services by donor category, 1988–89



Source: AAP 1991.

Figure 9.5 Destination of individual donations, 1992–93



Source: O'Keefe and Partners 1994.

9.1.3 Overseas comparisons

Compared with some other nations, Australians do not seem to be large private donors to not-for-profit organisations. Estimates of fundraising are available for several countries and are summarised in Table 9.6.

However, such comparisons suffer from the fact that tax and social welfare systems and per capita incomes differ between countries. Also, community expectations about public support through government agencies and community organisations are not the same. But, even if these considerations could be taken into account, it seems that there is considerable potential for Australians to increase their giving to CSWOs.

Table 9.6 Total fundraising to all philanthropic organisations^a in Australia and selected other countries, (\$A million)^b

	Australia 1988–89	USA 1988	Canada 1986	United Kingdom 1988–89
Individuals	839	118 760	3410	na
Businesses	471	6 500	335	na
Trusts	122	8 400	193	na
Bequests	256	9 400	na	na
Total	1687	142 970	3940	9636

a CSWOs are a subset of all philanthropic organisations.

b Based on exchange rates of \$A/\$US0.73; \$A/\$C0.99; \$A/£0.46.

na Not available.

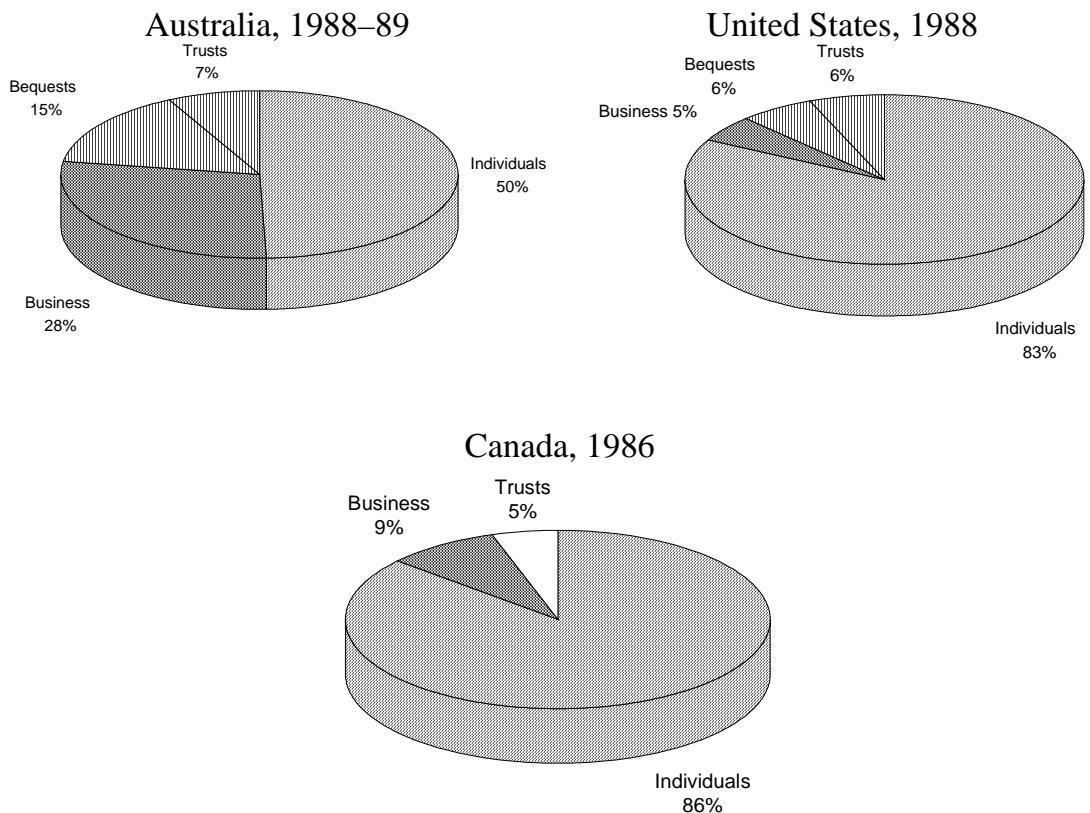
Source: AAP 1991, Charities Aid Foundation 1991 and Lyons 1991.

It appears that giving by individuals in both the United States and Canada is approximately 80 per cent of total giving whereas in Australia it represents 50 per cent. Giving by trusts in all three countries appears to represent a similar proportion. However, giving by businesses in Australia is a significantly larger proportion of total giving than in either Canada or the United States (see Figure 9.6).

Even though comparisons of giving between countries are difficult, Australia compares relatively poorly with the United States, both on a per capita basis and as a proportion of GDP (see Table 9.7). Australians on average contribute almost \$100 per year whereas Americans contribute over five times this amount. However, in comparison with the United Kingdom and Canada, Australia's performance is not so bad. Giving represents less than one per cent of GDP in Australia, Canada and the United Kingdom while in the United States it is more than two per cent.

The Commission recognises the important contribution that donors and the public make to CSWOs and to the community. It considers that public support for CSWOs should be encouraged. The remainder of this chapter examines the effectiveness of existing fundraising legislation in terms of this objective.

Figure 9.6: Giving by donor category — international comparisons



Source: AAP 1991, Charities Aid Foundation 1991 and Lyons 1991.

Table 9.7 Total fundraising per capita and as a proportion of GDP — Australia and selected countries

	<i>Australia</i> 1988–89	<i>USA</i> 1988	<i>Canada</i> 1986	<i>United Kingdom</i> 1988–89
Fundraising per capita (\$A)	\$99	\$583	\$146	\$175
Fundraising /GDP (per cent)	0.49%	2.17%	0.77%	0.88%

a Per capita figures are derived from figures used in Table 9.6 and population statistics from Times World Atlas.

b Based on exchange rates of \$A/\$US0.73; \$A/\$C0.99; \$A/£0.46.

Source: Table 9.6.

9.2 Regulation of fundraising

9.2.1 Overview of fundraising regulation

States, except Tasmania and the Northern Territory, have legislation which controls fundraising. (Details of State fundraising legislation are contained in Appendix I). Most jurisdictions also regulate the operation of lotteries, bingo, art unions and raffles. Local governments may also regulate against public nuisance.

The objectives of fundraising legislation are:

- to protect the public against fraud, misappropriation of funds and misleading conduct;
- to ensure that donors and the public have access to information; and
- to ensure that organisations use acceptable fundraising practices.

In reviewing the regulation of fundraising it is necessary to compare the costs and benefits of regulation. Where regulation is justified it is also necessary to consider the most cost effective and least intrusive means of doing so.

Regulation of any activity is likely to impose costs on organisations as a result of compliance with legislative provisions. Under fundraising legislation, CSWOs must comply with requirements to:

- obtain an authorisation to conduct a fundraising appeal, for example through requirements to register the organisation, provide notification of the intention to conduct an appeal or obtain a permit;
- keep and audit records of finances, and report to an appropriate public official;
- become subject to inquiry and inspection by a public official;
- ensure public disclosure of or access to relevant information; and
- conduct fundraising using acceptable practices.

Regulators also encounter costs in the administration and enforcement of the legislation.

Although it is difficult to quantify the benefits of fundraising regulation, participants generally accept that some level of regulation is necessary in order to ensure that the public interest is served. The remainder of this discussion relating to fundraising regulation deals with participant concerns and issues relating to the effectiveness of current fundraising legislation.

9.2.2 Outdated and inconsistent regulation

Several States introduced legislation in the period between 1930 and 1960 which has not undergone significant change despite an increase in fundraising activity and changes in techniques. In the last decade, the only State to undertake major reform of fundraising legislation has been New South Wales.

The Western Australian Parliament Select Committee on Charitable Collections (SCCC) said in relation to the two Acts governing fundraising in that State:

Neither of these Acts has been significantly amended since their introduction and the passage of time has, not surprisingly, rendered many of their provisions irrelevant to the needs of society today. The most obvious example of this is the reference in the Charitable Collections Act 1946 to the ‘present war’, meaning the Second World War! (SCCC 1988, p. 4)

Outdated legislation regulating fundraising can have several undesirable consequences it may:

- unnecessarily restrict the fundraising activities of CSWOs, thereby increasing the costs of compliance;
- or may not be appropriate to regulate new fundraising technologies not envisaged in the legislation;
- fail to address current concerns, such as fundraising practices which result in public nuisance; and
- impose costs on governments, and the community, by using resources to enforce outdated legislation.

Periodic review of legislation would ensure that legislation continues to be effective in the light of changing fundraising practices and concerns. In States where there have been no recent reviews, the Commission considers that there is a need to initiate a review of fundraising legislation to ensure that the costs to both CSWOs and the public are minimised, and that the regulation is effective.

Organisations operating national fundraising campaigns expressed concern over the inconsistency of State fundraising regulations (see Box 9.2). These organisations collect a large proportion of the fundraising receipts for the whole sector. For example, national organisations raised \$185 million or 67 per cent of all fundraising receipts of the largest 50 CSWOs (see Appendix C).

Significant inconsistencies in the regulatory requirements for fundraising across States impose considerable administrative costs on CSWOs, particularly those conducting fundraising on a national basis. Sydney City Mission argued that:

The nightmare of non-uniform legislation is one of those things that costs this country more than enough in administration alone. (sub. 168, p. 16)

World Vision Australia estimated that the inconsistency of fundraising legislation costs their organisation at least \$1 million a year (personal correspondence). It argued that such inconsistencies inhibit their ability to conduct national campaigns and bring about significant diseconomies:

Clearly such a diversity of legislation. ... requires some uniformity to assist the efficiency of national charities. (sub. 235, p. 16)

Box 9.2 Inconsistencies in State fundraising legislation

There are many differences in fundraising requirements between States (Appendix I). These inconsistencies may affect the ability of CSWOs to conduct fundraising, particularly on a national basis. For example, differences relate to:

- the definition of ‘charity’ and ‘charitable purpose’ for the purposes of each Act;
- the persons or bodies which are exempt from the provisions;
- limitations on the authorisation to raise funds, such as the number of doorknocks or the period for which the authorisation is valid;
- reporting and record keeping;
- requirements for disclosure of information to the public;
- the identification of fundraisers;
- the minimum age of children allowed to collect money;
- the construction of collection tins and boxes; and
- the maximum penalties allowable in relation to the Acts.

There are also inconsistent approaches between States in the focus of fundraising legislation. For example, legislation in New South Wales, Queensland, South Australia and Western Australia applies to fundraising conducted by ‘charitable organisations’ or for a ‘charitable purpose’. In Victoria and the ACT, legislation applies to fundraising which is conducted by all organisations, including those which are not for charitable purposes. The legislation covering fundraising in each State is summarised in Appendix I.

This results in a disparity in the treatment of organisations which conduct fundraising for charitable purposes and those which do not. Chesterman (1991) argues that:

... if you are going to regulate charitable collections from the public, there is no particular reason why you should do so specifically for charitable collections and not for non-charitable collections. If what you are concerned about is the honesty and integrity of people who are collecting money from the public, then to draw the line and say charitable collections should be regulated whereas non-charitable collections need

no regulation is illogical. Dishonesty is equally bad in either context and equally worthy of some sort of preventive measure. (p. 87)

The objectives of fundraising regulation should be equally relevant for charitable and other collections. Organisations conducting fundraising should compete for donor support on equal terms. Separate treatment of charities and other fundraising organisations introduces problems associated with the appropriate legal definition of 'charity' and 'charitable purpose'.

The Commission considers that the efficiency and effectiveness of CSWOs conducting fundraising across States may be improved by either:

- uniformity of fundraising legislation; or
- mutual recognition of fundraising legislation.¹

At the October 1990 Special Premiers' Conference, Heads of Government made a commitment to enhance the flexibility and competitiveness of the Australian economy through regulatory reform. It was agreed that a policy of 'mutual recognition' of standards and regulations by all States would be implemented, except where the adoption of uniform national standards was considered essential to the achievement of efficiency. Whichever approach is adopted, the States should attempt to agree on some basic issues. The Commission has identified a number of issues which any review of fundraising regulation should consider. These are addressed in section 9.2.3. However, one area of particular concern to the Commission relates to privacy and public nuisance.

Regulation may be necessary to prevent fundraising activities resulting in public nuisance. Recent reviews of the legislation in New South Wales, South Australia and Western Australia have expressed concern that some of the techniques used by fundraisers, such as telephone canvassing and direct marketing (involving the buying, selling or leasing of donor lists), may result in an invasion of privacy and public nuisance.

Telephone canvassing is used extensively as a means of soliciting donations from the public, particularly by fundraising agents and consultants. The South Australian Working Party to Review the *Collections for Charitable Purposes Act* (WPRCCA 1993) said:

Of all the issues considered by the Working Party, telemarketing has probably been the subject of most complaints in terms of its intrusiveness and the very high proportion of donated moneys which are required to sustain a telemarketing campaign where commercial agents are involved. (p. 12)

¹ Mutual recognition would allow organisations complying with the regulations of a particular state or territory to be deemed to comply with the regulations of all others.

Developments in computer technology have enabled the easy compilation of listings of potential donor names, contact numbers and addresses. This may also result in an invasion of privacy if potential donors are unaware that their details may be sold or leased to others.

The Fundraising Institute - Australia (FIA) addresses these issues in its Code of Professional Conduct. It provides guidelines to members requiring disclosure to donors and specifying correct procedures for telephone solicitation. However, the FIA only has the power to enforce these requirements on its members. Given the costs to the community associated with public nuisance and invasion of privacy, the issues of telephone canvassing and direct marketing may warrant regulation applying to all fundraisers.

New South Wales is the only State to address telephone canvassing and direct marketing in fundraising legislation. Their legislation largely adopts the principles and practices advocated by the FIA.

Regulation of telephone canvassing and direct marketing may reduce the public nuisance and invasion of privacy that currently exists in most States. On the other hand, the costs of conducting appeals may increase as a result of greater regulation, for example, restricting telephone calls at certain times and requiring consent to be obtained before donor's names and details are made available to others.

Recommendation 9.1

The Council of Australian Governments should consider approaches to achieving greater efficiency and effectiveness of fundraising regulation among States/territories. Two suggested approaches are:

- uniformity of legislation; or
- mutual recognition of legislation.

Specific consideration should be given to addressing issues of:

- public disclosure of the role of contract fundraisers;
- public nuisance and donor privacy; and
- the types of organisations to which regulation applies.

9.2.3 Approaches to regulatory issues relating to fundraising

Costs of fundraising

Donors need to be assured that funds given to CSWOs generate maximum community benefit. From time to time, the media focus on the proportion of fundraising receipts which are absorbed by the cost of fundraising. High costs of fundraising may have the effect of discouraging total giving by the community.

The FIA Code of Professional Conduct suggests that:

All fundraising organisations ... should ... aim for levels of cost which are generally acceptable ... In capital fundraising appeals, as distinct from ongoing budget fundraising activities, costs in the area of 15 to 20 per cent would be regarded as 'borderline', around 10 to 15 per cent as acceptable and 5 per cent would be unusually low. (sub. 160, p. 3)

In the United States of America, charities are rated by the National Charities Information Bureau and the Philanthropic Advisory Service of the Council of Better Business Bureaus. These organisations suggest that fundraising costs should not exceed between 30 to 35 per cent of the money raised.

The Commission accepts that there are many legitimate reasons why the fundraising costs of one CSWO may be high relative to others. For example:

- the organisation may be trying to develop a reputation and support base;
- there may be significant start-up costs with fundraising programs;
- an organisation's cause or programs may not immediately invoke widespread public sympathy or emotion;
- fundraising programs may not just aim to raise money from donors but also to educate and inform the public about issues; and
- fundraising may be aimed at attracting more than just money — it may also aim to attract volunteers or goods in kind.

However, high costs of fundraising in general are likely to discourage giving by donors, thereby reducing total fundraising receipts for the sector, and thereby reducing the total funds available for the provision of welfare services.

Two principal regulatory approaches have been introduced in an attempt to improve the efficiency of fundraising. These are:

- the imposition of regulatory limits on fundraising costs; and
- control over the number of organisations conducting fundraising.

New South Wales is the only State in Australia which regulates the percentage of fundraising expenses. The *Charitable Collections Act 1991* states that

charitable organisations ‘must take all reasonable steps’ to ensure that fundraising expenses do not exceed 40 per cent of the proceeds of fundraising for donation only appeals.²

In some American States, legislative controls have also been placed on the allowable percentage of fundraising expenses for charities to address problems of fraud and misappropriation of funds. However, Steinberg (1989) has argued that regulation of fundraising percentages does not adequately address the problem of fraud.³

The FIA (sub. 160) expressed the following concerns about judging levels of efficiency on the basis of fundraising cost ratios and placing legislative controls on the costs of fundraising:

- there are no objective criteria for determining what the appropriate limit should be;
- it is difficult to determine the costs which should be allocated to fundraising. Problems include apportionment of overheads and campaign costs over the period of fundraising benefit and a lack of standardised accounting methods;
- legislative controls encourage organisations to underestimate their expenses; and
- there may be legitimate reasons for high fundraising costs. Legislation would restrict the ability of high cost organisations to conduct fundraising.

The Commission considers that legislative controls on the acceptable ratio of costs to fundraising are not desirable.

Fundraising regulations in New South Wales require CSWOs to identify fundraising receipts and expenses from each fundraising activity, and to provide percentage comparisons for appeals not involving the sale of goods, in their financial statements (see Box 9.3). The availability of this information may enable potential donors to make better decisions relating to organisations which are worthy of support and enhance accountability for donor funds (see Chapter 8). However, as the FIA pointed out above, it is often very difficult to link receipts to specific fundraising activities.

² This applies only to donation only appeals and not those involving the sale of goods. The requirement does not have strict application — if the 40 per cent benchmark is not met, then the Department will decide whether ‘all reasonable steps were taken’.

³ In three landmark cases, this was found to be an infringement of the First Amendment right to freedom of speech. However, these controls still exist in some other states (Steinberg 1989).

Box 9.3 United Way

United Way originated in the United States but now operates in twenty six countries. Currently, autonomous United Way organisations operate in Adelaide, Ballarat, Bowral, Geelong, Gosford, Orange, Perth and Sydney.

United Way conducts annual fundraising programs and allocates funds to health and human care agencies in particular regions or cities. United Way Geelong alone raised and distributed almost \$1 million in 1993. The beneficiaries of United Way funds must:

- be well managed;
- keep audited financial records;
- provide a genuine required human care service; and
- demonstrate a genuine need for funding.

Money is collected through payroll deduction schemes, corporate and individual donations, sponsorship and proceeds from other fundraising ventures such as bingo ticket sales, lotteries and special events.

Source: United Way (sub. 339)

Reducing competition for funds

Competition for donations increases the pressure on CSWOs to be innovative and to develop more sophisticated means of raising funds. However, it may also raise the total costs associated with fundraising and redistribute donations between organisations without leading to any significant increase in the total fundraising receipts of the sector as a whole. Public nuisance resulting from too many fundraising appeals may even reduce donor contributions.

Consideration was given to whether fundraising efficiency of the sector may be improved by controlling competition for the charitable dollar by:

- limiting participation or entry to certain fundraising activities; and
- encouraging cooperation through a combined approach to fundraising.

Fundraising legislation in the Australian Capital Territory provides that the Minister may refuse to issue a collection licence where it may result in more than six licences for door-to-door collections being issued in the same year to the same person or organisation; or two or more different persons or organisations conducting separate collections in the same place during a particular week.

The Commission considers limiting the number of fundraisers inappropriate in the absence of an approach that will result in clearly demonstrable net benefits. There are a number of problems with current approaches to limiting

participation or entry to fundraising. For instance, there are no objective criteria for determining the optimal number of participants. Allowing too many fundraisers may result in higher costs, whereas insufficient numbers may reduce donation by lowering the incentive for innovative fundraising techniques. Limiting the number of fundraisers may also discriminate against smaller organisations. Finally, there is no evidence that current approaches will either increase total donations or lower the costs of a given level of fundraising.

A more promising method of reducing costs of fundraising may be for CSWOs to have a combined approach to fundraising. Examples of this include the conduct of joint fundraising campaigns and the operation of community chests such as the United Way and Victorian Community Foundation (see Box 9.3).

There are several advantages of such an approach:

- it reduces wasteful competition for funds and the public nuisance resulting from excessive fundraising;
- it may result in administrative economies of scale;
- it may assist in overcoming information problems of donors;
- the fundraising organisation performs a self-regulatory role by ensuring the bona fides of the organisations it supports and by requiring audited financial accounts; and
- it encourages involvement by the community in welfare services and provides an easy way for individuals and corporations to donate to a wide range of causes.

There may however, be limits to the operational effectiveness of combined approaches to fundraising. For example, united fundraising organisations appear to work effectively in regional communities where the donors can see the results of their contributions and where needs can be better identified and targeted. They may be less effective on a state or national basis. Continence Foundation of Australia (sub. 491) considered that they are an unsatisfactory way of supporting small CSWOs.

The benefits associated with united fundraising campaigns are not costless. Rose-Ackerman (1982) argues that:

A federated drive may make it difficult for ideologically disparate charities to survive and may induce donors to purchase a package of charitable services that does not suit their ideologies. (p. 206)

Innovation in fundraising may also be stifled if the number of fundraising organisations is severely limited.

Furthermore, united fundraising separates the donor from the specific CSWO and reduces transparency and the personal involvement of donors. Community Aid Abroad argued:

The importance of direct contact between the donor and the specific CSWO cannot be overstated. Through such contact accountability is increased and the education of the donor can be facilitated. (sub. 555, p. 7)

The Commission recognises that there are significant advantages in the development of a combined approach to fundraising, such as through the operation of united fundraising organisations. There do not appear to be any impediments to the ability of CSWOs to conduct fundraising in this manner. However, it may still be desirable to encourage independent innovative organisations and to allow organisations with a diverse set of ideological objectives to conduct fundraising.

Credibility of fundraisers

Many organisations employ in-house staff to conduct fundraising. In some cases, CSWOs use the services of external consultants to advise them on fundraising strategies or to conduct fundraising on their behalf. Participants raised the following concerns in relation to the credibility of fundraisers:

- that many fundraisers do not have the necessary training, skills and experience to conduct fundraising;
- fundraising agent and consultant fees are not structured to reflect their performance; and
- the public are often not aware of the proportion of fundraising which is used to pay fundraising agents and consultants.

Mr Compton (sub. 131) — a fundraising consultant — argued that many fundraisers do not have the necessary training, skills and experience to conduct fundraising. There are two main options for improving the quality of services provided by fundraisers if the current quality is considered inadequate:

- government-regulated licensing; and
- self-regulation.

Government licensing restricts the ability of non-licensed practitioners to provide fundraising services. It may involve scrutiny before fundraisers are allowed to operate or withdrawing the right to practice after proven misbehaviour (negative licensing). The licensing of fundraisers could be subject to conditions such as:

- minimum education and training requirements;
- character and work performance references; and

- details of any conviction relating to offences involving fraud or misleading conduct.

Advantages of government licensing of fundraisers might be to:

- give CSWOs and the public greater confidence that people conducting fundraising have the appropriate skills; and
- reduce the likelihood of misuse and waste of resources.

But it is difficult to determine the type and level of training necessary to ensure that a fundraiser is able to conduct fundraising effectively. Furthermore, government licensing does not guarantee that fundraisers will not misuse funds or waste resources or that their advice is sound. Restrictions on competition from non-licensed practitioners may also reduce the incentive for innovation in fundraising and increase the cost of conducting fundraising. The Commission considers that these factors reduce the benefits of licensing fundraisers.

An alternative to State licensing is self-regulation, for example through voluntary accreditation by a professional association. Voluntary accreditation would not unduly restrict the choices of CSWOs in purchasing the services of fundraisers or competition from non-accredited fundraisers. However, it may give organisations employing fundraisers, and the general community, greater confidence that accredited fundraisers have the necessary skills, reputation and experience to conduct fundraising effectively on their behalf.

The FIA accredits fundraisers and enhances the quality of services through the enforcement of its Codes of Ethics and Performance (see Box 9.4).

Box 9.4 Fundraising Institute – Australia

The Fundraising Institute – Australia (FIA) is a professional association whose members work as fundraisers. As at 31 March 1994, the FIA had 1048 members. They estimate that 80 per cent of CSWOs use the fundraising services of FIA members.

One of the functions of the FIA is to define, foster and review adequate ethical standards and practices in fundraising. This is done through a Code of Ethics and Code of Professional Conduct.

The FIA accredits fundraisers on a voluntary basis. Accreditation is available to candidates with five years or more of professional experience in fundraising and is based on an assessment of education, experience and performance in fundraising and service to the profession.

The FIA also provides its members with a range of services, including the organisation of conferences, seminars and meetings; the release of publications; education and training; acknowledgment of high performers and best practice through awards; and representation of the members' interest in consultations with government.

Source: Fundraising Institute of Australia (sub. 160).

The Commission considers voluntary accreditation to be of assistance to CSWOs and the public to the extent that it improves the availability of information and promotes ethical fundraising. It is in the interests of CSWOs to ensure that the fundraisers they use, whether in-house or on a contractual basis, are appropriately qualified, experienced and trustworthy to conduct fundraising on their behalf.

Competition in the market for fundraising has increased the pressure on organisations to use more professional techniques, including fundraising agents and consultants.⁴ Contract fundraisers provide a range of services to CSWOs (see Box 9.5).

Box 9.5 The role of contract fundraisers in the Epilepsy Foundation of Victoria

The Epilepsy Foundation has used contract fundraisers for the last four years. Their roles and responsibilities have been to:

- educate the committee and staff about the importance of fundraising;
- undertake direct mail campaigns including the preparation of copy for appeal letters;
- design and conduct a new special event;
- undertake a feasibility study for a capital appeal;
- provide consultancy service to support a foundation staff member to act as the appeal director of capital appeal;
- write submissions to philanthropic trusts and corporate donors; and
- train the development officer regarding applications to trusts.

Source: Epilepsy Foundation of Victoria (sub. 217).

The Paraplegic and Quadriplegic Association of Victoria argued that fundraising agents and consultants can provide valuable services to CSWOs:

... [They] can provide specialist expertise in particular areas to develop specific projects or complement the skills of the fundraising department of an organisation. (sub. 348, p. 11)

A number of submissions expressed concern that the fees of fundraising agents and consultants are not structured to reflect their performance. Both fee-for-service and commission based payments can result in an inequitable sharing of risk and return between the CSWO and the fundraiser. The FIA's

⁴ A 'fundraising agent' is a paid agent collecting money on behalf of an organisation. 'Fundraising consultants' generally work with commercial consulting companies and are engaged on a fee for service basis to devise a fundraising strategy and provide advice to organisations.

Code of Ethics states that it is unethical for members to receive payment on the basis of commission or related to the amount raised. The Cancer Foundation of Australia stated that:

... the situation should not be permitted where a professional [contract] fundraiser, be it an individual or a company, is permitted to collect their percentage or costs directly out of the donation. This is very much the practice as it stands at the moment. The charity should be the sole recipient of all funds that are donated. Thereafter the charity should pay a pre-negotiated or fixed fee to the fundraising company. (trans, p. 525)

However, the Asthma Foundation of Queensland said that:

This passes all the risk to the charity and allows the professional [contract] fundraiser to demand full fee-for-service irrespective of the amount raised. (sub. 38, p. 1)

Some participants expressed concerns that the public are often not aware of the relative percentage of funds raised going to the fundraising agents and consultants. One example is the practice of fundraising agents using the names of CSWOs to attract donations of goods through collection bins, with only a small percentage or fee going to the CSWO. Hunter (1991) also stated that:

... the lack of controls have provided fertile ground for the exploitation of charities and the donor public, and in most cases neither the charity nor the public have been in a position to know what percentage of the donation is actually going to the charity as opposed to the business running the campaign. (p. 6)

Deception also has the potential to change the image of CSWOs and so reduce the overall level of giving. The Western Australian Network of Alcohol and Other Drug Agencies argued that:

Frequent press reports on the small percentage of donated funds that are available to charities using professional fundraisers increase public resistance and scepticism towards charitable donations. (sub. 73, p. 1)

Individuals or organisations employed on a contractual basis by CSWOs to collect money directly from the public should have a duty to disclose their identity and any claims to the funds raised. The Commission considers that the issue of greater transparency of CSWOs through disclosure should be given specific consideration in the review of existing fundraising legislation referred to in Recommendation 9.1.

9.2.4 State government fundraising legislation, record keeping, and access to public information

The Commission acknowledges that there is a need for fundraising legislation to protect the public against misleading practices and to encourage acceptable practices in fundraising. For example, it may be quite appropriate for

fundraising legislation to require that an organisation has ‘charitable’ status or to regulate the minimum age of those collecting funds.

While recognising the information needs of the public (see Chapter 8), the Commission is less convinced that the current State-based fundraising legislation is the best mechanism for satisfying this need.

Information on the finances and operations of CSWOs can best assist donors (and the community generally) if it is consistent, comprehensive, accessible, up-to-date, and relevant. Much of the information currently collected under State-based fundraising legislation does not meet these criteria.

Australia’s system of federalism makes it difficult for State governments to agree on the type of information that needs to be provided by CSWOs, yet such consistency is essential for the community and supporters of organisations to compare the operations of CSWOs both over time and between organisations.

The community would also benefit if the information available on the finances and operations of CSWOs were collected comprehensively. Currently, only State fundraising legislation in New South Wales and Queensland makes explicit provisions for public access to information from CSWOs .

Most States also lack the information management systems necessary to collect comprehensively the information and make it available to the public in a useable form. This effectively limits the accessibility of the information to the public.

Any information provided also needs to be relevant. Supporters of CSWOs who wish to access information on the finances and operations of a particular CSWO should be able to see the total resources available to it and how those resources have been used.

In light of the problems involved with State-based financial reporting systems, the Commission recommends that any financial information requirements currently found in State fundraising legislation be removed. These information requirements can be more effectively met through the sector specific accounting standards and the new form of incorporation suggested in Chapter 8.

Recommendation 9.2

When incorporation of Community Social Welfare Organisations under Corporations Law is achieved, financial information requirements currently found in State/territory fundraising legislation should be removed from State/territory legislation.

Such a change would lower some of the costs faced by CSWOs in meeting their fundraising and other financial reporting requirements. Currently, an incorporated CSWO may need to produce one set of reports to satisfy the requirements of their State's fundraising legislation, and another set to satisfy the requirements of their particular form of incorporation. For example, section 30 of the *Queensland's Collections Act* 1966–1977 requires the promoters of an appeal to prepare a record showing the full details of all income and expenditure associated with the appeal. This requirement is in addition to any financial reporting requirements found under the CSWO's particular form of incorporation.

Section 23 of the New South Wales legislation has attempted to minimise the duplication in the reporting requirements of CSWOs by exempting incorporated bodies from the need to submit financial returns. The practical effect of this, however, is that CSWOs will report according to the requirements of their form of incorporation. This leads to inconsistency.

Furthermore, information collected by a national body could be used to create a national database which could then assist the community to make better decisions when supporting CSWOs (see Chapter 8).

10 CHARITABLE TRUSTS

Trusts make a significant contribution to Community Social Welfare Organisations in Australia. They support many innovative projects and organisations which sometimes find it difficult to raise funds from other sources. The importance of trusts and some constraints on their flexibility are reviewed in this chapter.

10.1 The role of charitable trusts

Trusts are legal entities established for the purpose of managing and distributing funds to individuals and organisations under State trusts legislation.¹ Charitable trusts differ from other trusts in two respects:

- funds are applied to ‘charitable purposes’ rather than named beneficiaries; and
- they must be established for the benefit of an appreciable section of the public.

Charitable trusts may be established by individual donors and companies. One such trust is the Lance Reichstein Charitable Foundation (see Box 10.1). Alternatively, they may be established by Community Social Welfare Organisations (CSWOs) for the purpose of attracting donations from the public.

Trusts have a particularly important role in funding innovative and experimental projects. For example, the Helen M Schutt Trust argued that:

Philanthropic foundations and trusts can provide important catalyst or partner roles in assisting with services which will provide incentives for innovation and efficiency improvement. Philanthropic foundations and trusts, as grant givers, can support innovative research or experimentation which Government bodies regard as too controversial or for which there are simply inadequate funds to justify such expenditure. (sub. 103, p. 2)

The Australian Association of Philanthropy (AAP) commented that trusts often support community needs which are unrecognised, under-funded or unattractive to government (sub. 310, p. 5).

¹ The term ‘foundation’ is often used to describe a perpetual charitable trust.

Box 10.1 The Lance Reichstein Charitable Foundation

The Lance Reichstein Charitable Foundation was established in 1970 by Lance Reichstein. Upon his death in 1980, the Foundation inherited a substantial part of his wealth, which had been generated from a manufacturing firm in Melbourne.

The aims of the Lance Reichstein Foundation are to:

- enable people in disadvantaged situations to take responsibility and control of the factors which affect their lives;
- build on the strengths and contributions of a wide range of groups and communities in society;
- promote innovative structures which maximise community participation, community-based management and accountability to the people for whom the organisation operates;
- encourage more effective and accountable use of community resources;
- promote the coordination, sound planning and integration of social and community initiatives; and
- encourage positive responses to social needs which relate to the changing economic and political context of our time.

The Foundation supports non-profit community organisations and groups which are based in Victoria. Priority is given to community organisations which operate on a limited funding base, and which share the aims of the Reichstein Foundation. Some of these organisations and programs include community education, advocacy, self help and mutual support, counselling, human rights, consumer rights, training and skills development, action based research, community participation and self management.

The Foundation currently distributes approximately \$500 000 per annum to a range of community organisations in Victoria.

Source: Lance Reichstein Charitable Foundation (sub. 328).

The AAP (sub. 310) estimated that there are approximately 2000 charitable trusts in Australia. The Legal and Constitutional Committee of the Victorian Parliament suggested that up to 80 per cent of them are based in Victoria (LCC 1989).

The AAP (1991) estimated that giving by all charitable trusts and foundations in Australia was approximately \$122 million in 1988–89, or more than 7 per cent of total charitable giving.² Trusts gave \$32 million to welfare services. In Melbourne alone, more than \$500 million is held in charitable trust funds managed by two of the AAP's seven trustee company members (AAP, sub. 310).

Charitable trusts are not as significant in Australia as they are in the United States or the United Kingdom. Studies estimating total giving to the

² Charities included welfare, health, arts and education organisations.

philanthropic sector, including through trusts, have been conducted in Australia and the United States. Although the proportion of total giving made by trusts is similar in both countries, because total giving is less in Australia, on a per capita basis Australian trusts compare less favourably (see Table 10.1).

Table 10.1 Giving by trusts in Australia, the United States and the United Kingdom, \$A

	Australia 1988–89	United States 1988	United Kingdom 1989–90
Funds distributed	\$122 million	\$8 397 million	\$1 394 million
Proportion of total giving	7%	6%	na
Per capita giving	\$7	\$34	\$25

a Based on exchange rates of \$A/\$US 0.73 and \$A1/£0.47.

b See Chapter 9 for comparisons of total giving.

na Not available.

Source: AAP 1991, Charities Aid Foundation 1991 and Lyons 1991.

The distribution of the largest trust in Australia was approximately one per cent of the distribution of the largest trust in the United States (see Table 10.2).

Table 10.2 A comparison of the largest five trusts in Australia and the United States, \$ million

Australia 1992–93			United States 1991		
Name	Total assets	Funds distributed	Name	Total assets	Funds distributed
Virtual	63	3.2	Ford	8 566	329
Ian Potter	48	2.4	Kellogg	7 341	207
Buckland	38	1.8	J. Paul Getty	7 193	11
Brockhoff	35	2.0	Robert Wood	5 590	176
Helen Schutt	30	1.4	Lilly Endowment	5 457	178

a Based on exchange rate of \$A/\$US 0.73.

Source: AAFRC Trust 1992 and information supplied by Australian trusts.

Participants raised two concerns about restrictions on the ability of trusts to attract and distribute funds:

- restrictions on the accumulation of income by charitable trusts; and
- restrictions on the purposes of charitable trusts.

Removing unnecessary constraints on the operation of charitable trusts is an important means of improving their effectiveness and efficiency.

10.2 Accumulation of income by charitable trusts

Section 23(j) of the *Income Tax Assessment Act 1936* (ITAA) states that ‘provided that the funds established by will or an instrument of trust for public charitable purposes are applied for the purpose for which they were established, they are exempt from tax on income’. The Australian Taxation Office (ATO) has interpreted this section as generally requiring the distribution of at least 85 per cent of the annual income of a trust.³

The ATO interpretation appears to be aimed at reducing the risk of trust funds being used for purposes other than those for which the trust was established. However, the AAP suggested that:

... the ATO is incorrect in its interpretation of s23(j) and the correct view is that the accumulation of income is irrelevant to the operation of the provision. This section refers to the particular ‘fund’ being applied for charitable purposes, as distinct from the income of the fund. Further, ‘applied’ does not mean ‘paid to’ but ‘set aside’. (sub. 310, p. 15)

The effect of the current ATO interpretation of the ITAA is to reduce the flexibility of charitable trusts to distribute money over time. The Malcolm Sargent Cancer Fund for Children in Australia stated that allowing the accumulation of income is important:

... not only to assist the increasing number of families needing our services but to become more competitive and to raise community consciousness of the work of the Fund. (sub. 206, p. 2)

The sector generally supported removal of restrictions on the accumulation of income by charitable trusts. They considered that removal would increase the flexibility of financial management. For example, Barkuma Incorporated commented that:

With trusts currently having to distribute 85 per cent of their annual income it means that smaller trusts are never given the opportunity to distribute large amounts of money to a particular service or organisation. If they were allowed to accumulate funds over several years greater financial support could then be given to a specific CSWO or a particular service of a CSWO. This could be more beneficial both to the Trust and to the CSWOs who apply to a variety of trusts for funding. (sub. 702, p. 9)

Some participants, however, were sceptical. The Australian Tinnitus Association (Victoria) suggested that allowing unrestricted accumulation involved some risk:

³ In special cases, the ATO will allow the accumulation of funds for a short period on application. Reeves (1994) cites examples of accumulations which have been allowed by the ATO.

... the accumulation of income does not of itself guarantee greater amounts distributed in later years — market forces, inflation, mismanagement and/or unwise investments may result in future decreases in amounts distributed. (sub. 474, p. 2)

And:

services may prove to be more expensive to deliver in future years and any accumulation of income distributed in future may not achieve any increase in services funded. (sub. 474, p. 2)

Mr Gilbert Boffa argued that a blanket approval to accumulate funds could compromise the flow of funds to beneficiaries or recipients:

[Accumulating funds represents] ... a financial benefit for [trustee companies] because not only do they earn up to five per cent on the capital, they also earn six per cent plus other fees. It would [also] mean they wouldn't have to employ people to look at applications for finance for the [accumulation period]. ... The trustee industry is not a very profitable industry but the managers are always under pressure by up above to earn more and more money, so therefore the pressure will be for them to accumulate funds and would lower their administration costs ...

If the will allowed for or intended this accumulation then fair enough. But if the original intent of the deceased was to make money available over the [accumulation period], that means that over the [accumulation period] people have missed out. It's all very nice to keep accumulating and making more and more money but what about the intent of distributing money to charity ... (trans, pp. 4763-65)

The Commission considers that the benefits of charitable trusts would be enhanced if they were given greater scope to accumulate funds because this would allow better long term planning and flexibility and that these benefits outweigh any increase in risk. For example, it would allow trusts to accumulate income which could then be used to acquire further income-producing assets. The legal duty trustees have to their beneficiaries — as well as the general restrictions on trustee investments — provide sufficient safeguards on the investment decisions of trustees. The non-distribution constraint and trust deeds also provide appropriate protection against the risk of misuse of charitable funds.

Recommendation 10.1

The Australian Taxation Office should not impose restrictions on the accumulation of income by charitable trusts. If necessary, section 23(j) of the *Income Tax Assessment Act 1936* should be amended to allow charitable trusts to accumulate funds, provided the whole of the funds and any income derived from them are used for charitable purposes. Any specific statement in the trust deed in relation to funds accumulation should of course continue to apply.

10.3 Restrictions on the organisations charitable trusts can assist

The range of organisations which charitable trusts may assist is restricted by:

- requirements that trusts wishing to have tax deductible status may only grant money to CSWOs which also have tax deductible status; and
- requirements that institutions receiving money from older wills must be exempt under particular inheritance tax legislation.

10.3.1 Trusts and tax deductibility

Donations to charitable trusts which only distribute funds to organisations with tax deductible status are tax deductible.⁴ This deductibility is granted because these trusts act as a mechanism for distributing donations to tax deductible organisations.

Tax deductible trusts are, therefore, generally restricted to assisting organisations involved in self-help and mutual support. Advocacy, community participation and self-management, and action based research, are not considered ‘benevolent’ under the present definition (though some may receive tax deductibility status as ‘named’ organisations) and so cannot gain support from tax deductible trusts .

The Lance Reichstein Charitable Foundation argued that:

The current restrictive definition of charitable [Public Benevolent Institutions] within the Australian taxation definition excludes many organisations from trust funding, particularly those which provide less direct but equally significant forms of relief through preventive programs. (sub. 328, p. 5)

The AAP stated that:

... there are many worthy issues that come before our members which they would dearly like to assist because they can see in modern times it is better to prevent than to pick up the pieces but of course they would put their own public charitable status in jeopardy if they were to do so. (trans, p. 1283)

The current restriction on the range of CSWOs which tax deductible trusts may support reduces the flexibility of these trusts to distribute funds to organisations providing welfare benefits. The Stegley Foundation (sub. 49) also argued that it creates a disincentive for the establishment of trusts.

⁴ Section 78(5) of the *Income Tax Assessment Act* 1936 specifies that trusts may only receive tax deductible status if the fund is established and maintained exclusively for the purpose of providing money, property or benefits to institutions referred to under s78(4) of the Act, including organisations which are Public Benevolent Institutions (PBIs). Taxation issues relating to PBIs are discussed further in Chapter 12.

Extension of the types of organisations which tax deductible trusts can support necessitates a change in the definition of organisations which attract tax deductibility. Recommendation 12.2, which would give tax deductibility status to a wider range of CSWOs, will assist in achieving this.

10.3.2 Inheritance tax legislation

Many older wills restrict charitable trusts support to organisations which are exempt from inheritance tax legislation.⁵ ANZ Trustees cited several provisions in Victorian Acts which provided such exemptions, for example section 160 of the *Administration and Probate Act 1928*, section 117 of the *Administration and Probate Act 1953*, and section 21 of *Probate Duties Act 1962*.

Although all inheritance tax legislation has been repealed, the restrictions still apply to trusts set up by wills established when such legislation was in force. The ANZ Trustees noted that:

The number of charitable trusts holding exemptions under any of these Acts is limited. As a result many newer institutions do not have the necessary exemption and cannot obtain it. (sub. 191, p. 2)

This restricts the ability of trustees of older wills to choose how they can most effectively distribute trust funds. The removal of restrictions on the organisations which these trusts can support would improve their effectiveness by extending their choice of organisations to support.

Trustees may apply to the courts to have the restrictions relating to exemption from inheritance taxes removed, however, ANZ Trustees (sub. 191) considered that this may impose substantial expense on each individual trust.

Victoria has a two staged process to remove certain restrictions on trusts. Smaller trusts (those below \$50 000) can apply to the Victorian Attorney-General to have the restrictions waived. Other trusts must apply to the State Supreme Court for a change. This can impose costs on smaller trusts, as the AAP illustrated:

Of 41 discretionary trusts managed by [one of the AAP's trustee company members], 14 contain outdated restrictions. Given the value of the trusts — over \$250 000 — the trustee company has commenced legal action in the Supreme Court to have the restrictions removed. However, it is estimated that the cost of these actions will be in the vicinity of \$10 000 each. This is a very significant percentage of the income of smaller trusts and prevents a prudent trustee from having recourse to the legal system to remedy a situation which often severely hampers the capacity of a trustee to make grants for projects which have a high priority in the community. (sub. 600, p. 8)

⁵ Examples of inheritance taxes included probate duty, estate duty and succession duties.

The sector considered that restrictions on trusts imposed by references in trust deeds to inoperative inheritance legislation should be removed. Two options for such a change were considered by the Commission. One option is to introduce template legislation in each State to remove the restrictions imposed on trusts from repealed estate, probate and succession duty restrictions. This would reduce the cost to each trust of having to remove the exemption. However, template legislation may not be able to take into account factors that are specific to individual trusts.

The other option is for State governments to deal with the problems created by references to inoperative legislation administratively. This would involve removing, in the first instance, the need to apply to the Supreme Court to remove restrictions. Trusts faced with restrictions could apply directly to the Attorney-General in their State. The Supreme Court could be used as an appeal body.

The advantages of this latter option are that it would allow trusts deeds to be changed on a case by case basis and in a cost-effective way.

Recommendation 10.2

State/territory governments should amend legislation to allow their Attorneys General to consider applications to waive restrictions imposed on trusts by inoperative inheritance legislation.

11 CLIENT FEES

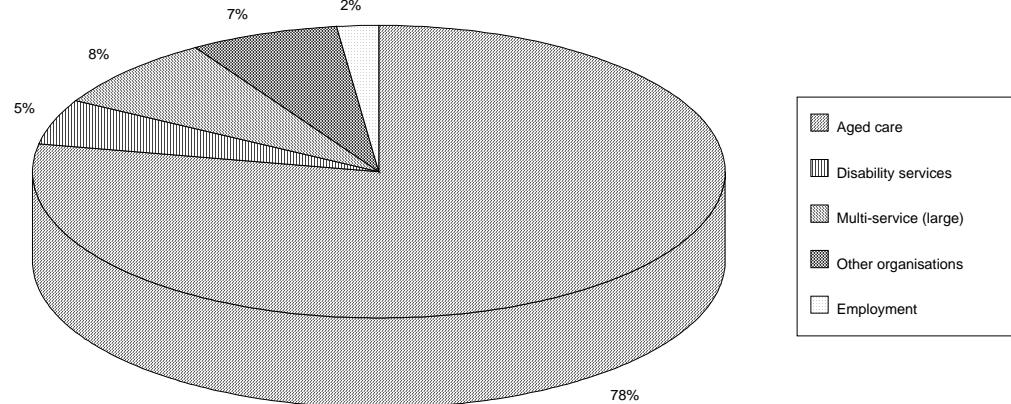
Client fees are a significant source of revenue for the sector as a whole. They also can help to achieve a client focus and equity in access to services. CSWOs using client fees, however, do not see full cost recovery as their objective. This chapter explores the current use of client fees and their possible role for CSWOs.

11.1 Contribution of client fees to funding of the sector

Client fees are a significant source of revenue for the sector as a whole. In total, client fees were estimated to contribute almost \$1 billion or 21 per cent of recurrent income of government funded CSWOs in 1993–94 (see Table 1.7).

The importance of client fees as a revenue source for CSWOs varies a great deal across the sector. By far the biggest recipient of income from client fees is the aged care sub-sector, where they contributed \$768 million or 41 per cent of revenue in 1993–94. For large multi-service organisations they contributed \$80 million or 11 per cent of total revenue and for other sub-sectors they contributed between 6 and 8 per cent of total revenue. The contribution and relative importance of client fees for the different sub-sectors are given in Figures 11.1 and 11.2 respectively.

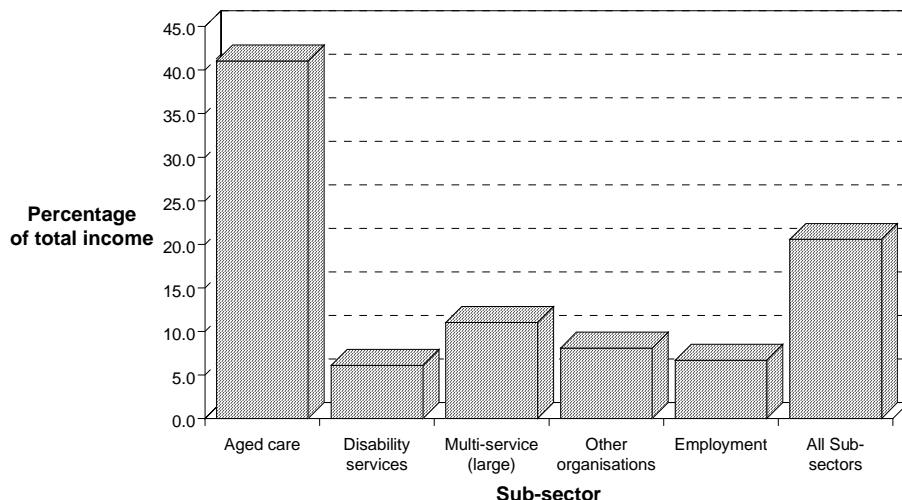
Figure 11.1 Distribution of client fees for government funded CSWOs by sub-sector, 1993–94



Source:

Table 1.7.

Figure 11.2 Client fees as a percentage of total income for government funded CSWOs by sub-sector, 1993–94



Source:

Table 1.7.

11.2 Level of client fees

Client fees are most common in residential accommodation especially in aged care, home and community care, family and marriage counselling, child care and substance abuse rehabilitation services.

Table 11.1 provides an example of the types of services for which fees are charged and the various structures for determining the fee level.

11.3 Importance of client fees to individual CSWOs

11.3.1 Levels of cost recovery

CSWOs which charge client fees did not see full cost recovery as their objective. For example, the Anglican Home Mission Society suggested:

Full cost recovery is not feasible in the light of the financial resources available to families seeking our assistance. We do not wish to cream further economic hardship for our client group. (sub. 241, p. 8)

There have been few studies of the contribution client fees and charges make to individual CSWOs. Milligan *et al* (1984) surveyed national community organisations and found that 22.5 per cent of total revenue was raised through

fees and charges. CSV (1992) surveyed government funded organisations in Victoria and found that fees and charges accounted for 9 per cent of total revenue.

Table 11.1 An example of structures for client fees

<i>Service</i>	<i>Fee structure</i>
Adolescent Residential Programs	Up to \$35 per week, but payment is not essential.
Day Care Services for the Aged	Based on the cost of the services after taking into consideration the level of any government funding. Reduction available for clients with income equal to the maximum aged pension rate.
Family and Marriage Counselling	From \$7.50 per hour, based on client's income. Payment is not essential.
Home Care Service to the Aged	Negotiated on the full cost of the service. Some concession is available to age pensioners.
Homeless Accommodation	Up to \$50 per week according to their ability to pay.
Nursing Homes for the Aged	87.5 per cent of the Age Pension and Rent Assistance as determined by HSH.
Pre-Schools and Long Day Child Care services	Fee relief and concessional fee rates are available to families with low incomes
Services for Prisoners and the Unemployed	No charge.
Sole Parent Family Accommodation and Support	\$65 per week.

Source: Baptist Community Services, sub. 296, p. 7.

An example of levels of cost recovery through client fees provided by a CSWO participating in the Inquiry is given in Table 11.2.

Table 11.2 Client fees and cost recovery — Baptist Community Services

<i>Service provided</i>	<i>Per cent of cost recovered</i>
Retirement Villages for the Aged	83
Hostels for the Aged	66
Home Care Service for the Aged and Disabled	54
Pre-Schools/Special School	49
Long Day Child Care	48
Sole Parent Family Accommodation & Support	38
Nursing Homes for the Aged	25
Family and Marriage Counselling	19
Day Care Services for the Aged	12
Homeless Accommodation	8
Adolescent Residential Programs	1

Source: Baptist Community Services, sub. 296, p. 8.

The Commission, in its study of the 50 largest CSWOs (see Appendix C), found that, on average, client fees and charges accounted for 14 per cent of total revenue. The contribution of fees and charges to total revenue is much higher for aged services than for multi-service or disability service organisations in the largest 50 CSWOs (see Table 11.3).

Table 11.3 Client fees as a percentage of total income — largest 50 organisations, 1993–94

	<i>Per cent</i>
Aged care	29.1
Disability services	10.2
Large multi-service	11.0
All large organisations	14.4

Source: Industry Commission estimates.

The Brotherhood of St Laurence suggested that changes in government funding strategies have had an impact on the contribution which client fees and charges make to total revenue:

[The proportion of income] ... from client charges has remained at around 30 per cent over the last ten years, but for the last three years it has been somewhat less, as a result of large increases in Commonwealth government employment and training program grants for services which are delivered free of charge ... (sub. 301, p. 26)

11.4 Rationale for client fees

11.4.1 Client focus

Individuals who pay for a service (or have discretion over payment for a service) have greater expectations of that service than those who do not. By way of comparison, free services, targeted toward particular individuals, can carry with them all the negative connotations of charity. Charging clients fees, no matter how small, is more likely to encourage the service recipients to request services which best meet their needs.

However, unless clients also have a choice between alternative providers, client fees may not be fully effective in promoting efficient provision and delivery of appropriate services. The extent to which client preferences can discipline efficiency in service provision is, of course, limited while CSWOs remain non-profit organisations providing services to clients at less than full cost recovery.

Client fees can generate a sense of dignity for the service recipient. They are, at least to some extent, paying their own way. Client funding can also be part of a process of reintegrating individuals into a society in which it is normal to pay for services received. Wesley Mission suggested:

It is not appropriate to provide everything at no cost so that clients can spend their entire cheques on alcohol/drugs, gambling, etc. This, in fact, encourages irresponsibility in clients and gives them the totally false impression that everything can be gained for nothing. Part of Wesley Mission's role is to promote responsibility so that the clients can learn to manage their own affairs. The Mission's emphasis is on rehabilitation involving not only health and sobriety, but also emotional and spiritual wellbeing and, above all, a restoration of self esteem. (sub. 370, p. 11)

11.4.2 Improved targeting of needs

A further rationale for client fees is that, judiciously used, they are a means of lowering the net cost to government and CSWOs of service provision without compromising broad welfare objectives.

Fees can vary according to economic circumstances of the client. Government and CSWO funds will always be limited, so assistance should be targeted toward those most in need. As some individuals are better able to contribute toward the costs of a service than others, efficient targeting includes the use of appropriate client fees and charges.

11.5 Access and ability to pay

There was a recognition in the submissions to the Inquiry that client fees can result in reduced demand for services. There were therefore concerns over the equity effects of client fees as a method of rationing limited services:

Charges for services requiring full cost recovery result in many clients not being able to receive services. Our Home Flexi Care service for the elderly resulted in 52 per cent of referred clients being unable to receive services in the 1992–93 financial year because of either their inability or unwillingness to pay. (Baptist Community Services, sub. 296, p. 8)

There was strong consensus in the submissions that client fees should not exclude those who are unable to pay for a service. This places limits on the services for which CSWOs are willing to charge and the way in which fee structures are determined. The Catholic Archdiocese of Brisbane, for example, said:

... the cost of support services is well beyond the capacity of most clients of our services. The Attendant Care program, for example, provides for only 28 hours maximum per week support service for people with disabilities who have recently been

deinstitutionalised from nursing homes and other institutions. Many of our clients require a greater number of hours per week. A market cost of \$15 per hour would be beyond the capacity of any pensioner to pay let alone ... transport by special vehicle, taxi or other services ... (sub. 353, p. 28)

The Childrens' Welfare Association of Victoria argued that fee-for-service is entirely inappropriate in the case of clients who are economically disadvantaged and who do not have resources with which to access services. They said:

Fees based on a sliding scale may be an option which agencies could consider for clients whose income would allow them to access services on a user-pays basis. However, fee-for-service should be used only where it has potential to increase the overall level of service an agency is able to provide to the community. Agencies should not be coerced into using fee-for-service to supplement inadequate levels of funding of the child, youth and family sector by the State government. The State government has a responsibility to fund agencies to provide free and universal services for clients who are economically disadvantaged, and for whom they have purchased services through service agreements with the non-government sector. (sub. 730, p. 9)

11.6 The scope for client fees

Some service users are in a position to make significant contributions to the cost of service delivery. The submissions generally accepted the concept of client fees where the fee structure is linked to ability to pay, for example the Adelaide Central Mission said:

... the community currently pays the same cost for supporting all residents of nursing homes, regardless of personal wealth or income and organisations are prohibited from charging differential fees . This is not the case with independent living units or hostels. In many of these circumstances it is appropriate that service charges be based on some form of means test. (sub. 271, p. 14)

The Aged Services Association of NSW (ASA) suggested that even where government has regulated to allow organisations to charge variable entry contributions (see Box 11.1), this practice has not been widely adopted because of the negative impact it has on residents who resent being charged differing fees for essentially the same services (sub. 177).

11.7 Concerns about client fees

Despite general agreement in the submissions on the benefits of appropriate client fees there were a number of general concerns which were summed up by Adelaide Central Mission:

Firstly, it should not be used as a government strategy to reduce its responsibility for resourcing services. Secondly, appropriate funding requirements need to be established

to ensure service delivery organisations do not target fee-paying consumers to the detriment of consumers with limited financial means. Thirdly, great care needs to be taken not to have such strict criteria for fee paying that families on ‘average’ incomes are placed in jeopardy by paying the fees. Finally, care must be taken to ensure that access is not denied to dependent family members because of a family reluctance to pay a fee. (sub. 271, p. 14)

Box 11.1 Government involvement in determining fees structures

In the residential accommodation area, frail aged hostels and nursing homes, the Commonwealth government has recognised in the *Aged or Disabled Persons Care Act* that some individuals are able to contribute to the cost of their accommodation. This legislation has significant flexibility in allowing organisations to request loan monies from non-financially disadvantaged persons.

Approvals in principle issued under the *Aged or Disabled Persons Care Act* provide for a minimum proportion of financially disadvantaged residents to occupy beds in frail aged hostels. Most organisations exceed this proportion by a very high margin to the benefit of the community as a whole but often to their own financial detriment.

In respect of nursing homes, the Commonwealth government limits the charges that can be made upon residents to 87.5 per cent of the aged pension and rent assistance. In community subsidised aged hostels the government has determined a maximum fee of 85 per cent of the aged pension and rent assistance for those who are in receipt of the full pension. While under the same regulation the government permits organisations the right to charge clients who have other sources of income at least 50 per cent of that additional net income (after tax and Medicare levy).

The Commonwealth government has regulated against the charging of entry contributions for residents entering nursing homes.

In respect of hostels, regulations enable organisations to charge residents entry contributions without limits other than the constraint of leaving a prospective resident with assets determined at an amount equal to 2.5 times the single annual age pension (approximately \$21 000).

.... [In] the Home and Community Care area, clients can be asked to make a contribution for their meals. The Meals-on-Wheels service asks that even financially disadvantaged clients make a nominal contribution towards the cost of meal provision. For clients whose total income is confined to the pension, the contribution required is usually of the order of \$15/\$20 per week and is still within the capacity of the client to pay.

Source: ASA, sub. 177, pp. 29-31.

There was also concern that the impact of fees was greater for clients in rural areas than in urban areas. The Epilepsy Foundation of Victoria (sub. 217) argued that client fees for health, welfare and disability services are more

developed in urban areas and are consequently accepted more readily. However, the Foundation reported a problem with client fees in rural areas:

Small rural or regional community agencies seem to have less funding than metropolitan-based agencies and some have indicated their moral discomfort and inability to pay fees for what used to be free services ... fee charging policy has lead them to decline the service ... Ultimately people with epilepsy will be adversely affected by the barrier of fee charging. (sub. 217, p. 26)

The economic arguments for client fees — and to a lesser extent the social arguments — rely on the assumption that the consumers are both rational and competent when making decisions. Many submissions argued that this is not the case for their clients, for example, WANDA, a drug and alcohol dependency peak body, said:

There is the danger in treating clients as mere consumers of services which they shop around for. Many people who require AOD [Alcohol and Other Drugs] services are not in a position to exercise an informed choice. (sub. 73, p. 8)

11.8 The Commission's position

Many clients pay some fee for the services which they receive from CSWOs. Client fees are a significant source of funding for some CSWOs and help fund the provision of services to those in most need. Many participants spoke of the importance of maintaining self-respect among clients by requiring them to make a contribution for the services they receive, even though in some cases this payment may be small.

Capacity to pay varies widely between service users. Some services, such as family counselling, meet needs across a wide range of income groups, and many clients who are in a position to pay are expected to contribute to the cost of the services they use. Other services are provided to groups for whom universal social security benefits are available subject to means testing. Pensions for the aged are the principal example. Recipients of aged pensions living in nursing homes and hostels often pay a substantial entry contribution as well as a percentage of their pension for their care.

Over time, it can be expected that more groups in the community will be funding their own care from savings, compensation packages, superannuation or social security benefits. This may present opportunities for the increased use of client fees while still recognising the need to take account of economic circumstances, individual need and principles of access and equity, and the desirability of not charging any fee in some instances.

Even very low client fees can have the effect of encouraging service recipients to decide the extent to which they value the service, therefore helping CSWOs to determine how they should use their scarce resources.

Recommendation 11.1

Community Social Welfare Organisations should have a publicly available policy on client fees for each of the services they provide. Governments should require such a policy as a part of funding agreements. The policy on client fees should be based on consideration of:

- economic circumstances; and
- individual need.

It should also recognise principles of access and equity.

12 TAXATION ARRANGEMENTS

All CSWOs are affected by the taxation arrangements in Australia. Tax policy can be used both to encourage public support for organisations and as a means of funding. The appropriateness of the present taxation treatment of CSWOs is addressed and the existing arrangements evaluated. Changes that would improve the way assistance is provided to CSWOs are also presented.

12.1 Introduction

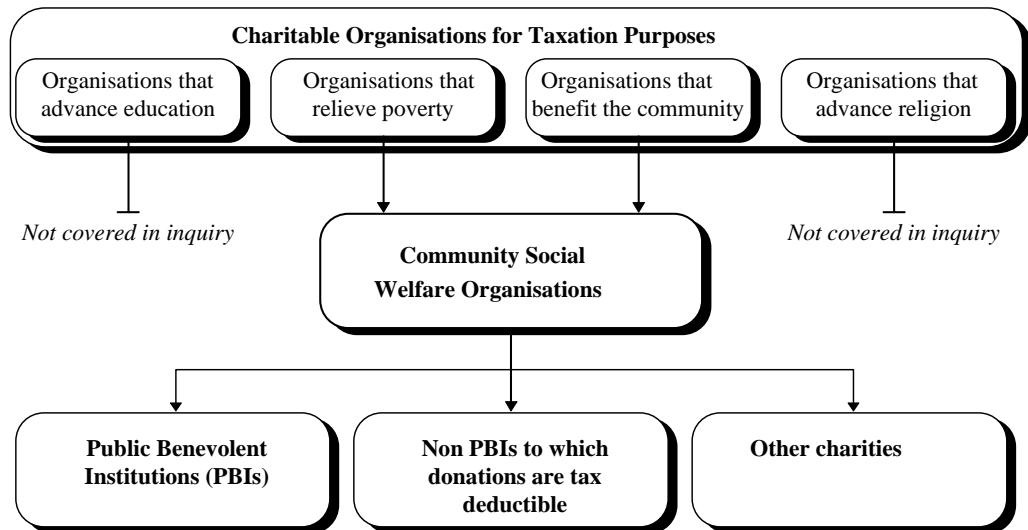
CSWOs are exempt from many taxes. In addition, donations to many CSWOs are tax deductible. These concessions and exemptions have been granted so CSWOs can deliver a range of services to those in greatest need in our community. The tax system in Australia has historically been used as a way of assisting CSWOs. Unfortunately, these methods of assistance have rarely been reviewed against the traditional criteria of equity, efficiency and simplicity. Lack of review has hampered the development of appropriate taxation arrangements for CSWOs. There has been very little discussion, and hence little community consensus, on the best way to use the tax system to meet the objectives of government and the community. Figure 12.1 outlines the nature of the tax concessions currently available to charitable organisations in Australia.

12.2 How should the community view taxation arrangements for CSWOs?

An analysis of the appropriateness of the use of the taxation system to assist CSWOs first requires discussion as to whether the arrangements constitute an appropriate adjustment to the pre-tax incomes of individuals and organisations or could be more accurately defined as a government tax expenditure.

A government tax expenditure arises when some taxpayers are taxed at a lower rate than a chosen benchmark structure which represents the standard tax base from which all individuals are taxed. The revenue reduction from the tax deductibility of donations is identified by Treasury as such a tax expenditure because it is considered a departure from the ‘benchmark’ system of income taxation. Other tax expenditures identified by Treasury include special exemptions or deductions for miners or primary producers.

Figure 12.1 Charitable organisations, CSWOs and their taxation benefits



Charitable Organisations serve a range of functions which result in their being exempt from income tax as well as some State taxes such as land tax (in certain circumstances).

Community Social Welfare Organisations (CSWOs) are charitable organisations which provide relief of poverty (for example the Salvation Army or the Smith Family) or some other services beneficial to the community (those that advance social welfare). They comprise three groups:

- **Public Benevolent Institutions** (PBIs) which provide direct services to those in need (for example the Brotherhood of St Laurence). They receive the most generous taxation arrangements, including tax deductibility for donations (under section 78 of the *Income Tax Assessment Act 1936*), exemptions from wholesale sales tax and fringe benefits tax, and some State taxes and charges. PBI status is determined by the jurisdiction responsible for the tax although a Commonwealth decision is usually persuasive.
- **Non PBIs to which donations are tax deductible** (such as organisations giving marriage guidance) qualify for tax deductible donations under another category of section 78 of the Act or are specifically listed in that Act in order to become eligible for tax deductible donations (for example Amnesty International).
- **Other charities** such as advocacy groups (for example Shelter Australia). They receive the general benefits granted to all charitable organisations such as the exemption from income tax and some State taxes. They do not receive tax deductible donations.

Using this approach, tax expenditure analysis has been formally adopted in recent years by Treasuries around the world. In Australia, the recording of tax

expenditures began after a 1982 House of Representatives Committee inquiry. Since 1986, tax expenditures have been published on an annual basis by the Commonwealth government. The Commonwealth government lists the amounts by which it considers that it is subsidising various areas through forms of non-taxation or reduced taxation. For example, the Commonwealth Treasury's 1994 Tax Expenditure Statement lists (but does not quantify) the income tax exemption for charitable organisations as a tax expenditure. It also provides estimates for the tax expenditures associated with tax deductibility of donations to Public Benevolent Institutions (PBIs) and their exemption from fringe benefits tax (FBT).

The Commonwealth Treasury view is that the revenue forgone from tax concessions to CSWOs is the equivalent of government expenditure and should be considered in relation to other forms of assistance to determine the most cost efficient use of government funds. The alternative view put in a number of submissions is that the various deductions and exemptions available to donors and CSWOs represent an appropriate adjustment of the tax base and should not, therefore, be considered a concession.

While this may seem a sterile discussion, for most people in the sector the debate has important implications for policy:

If the deduction is seen as an absolutely necessary adjustment to income, it becomes 'a matter of principle' ... and there remains little to discuss concerning the proper tax treatment of charitable giving. If it is an incentive, however, alternative subsidies are fair game for consideration. The tax policy debate over the last two decades suggests that the first view is by no means universally accepted. (Clotfelter 1985, p. 280)

12.2.1 The difficulty in defining a benchmark taxation system

Defining the appropriate tax benchmark is an important first step in measuring the value of tax expenditures. Treasury (1992) acknowledges that the definition of the benchmark is problematical:

The decision as to the appropriate benchmark is very much a matter of judgement and may vary across countries and indeed within countries over time. The principal criterion of benchmark design is that it should represent the neutral taxation treatment of similarly placed activities or classes of taxpayer. (p. 1)

The task is made even more difficult because there is no generally accepted ideal tax base. The tax systems operating in most countries, including Australia, are hybrid systems which have been built up over time. Because they contain a number of non-neutralities and distortions, there will always be differing views about the standard or benchmark needed for tax expenditure analysis.

Without an appropriate benchmark, it is difficult to measure accurately a tax expenditure. Aged Care Australia argued that different benchmarks lead to different views on tax concessions:

The appropriateness of the taxation treatment of charities cannot be assessed unless or until a benchmark tax system has been defined. What may seem a concession from the point of view of one benchmark tax system may not be a concession at all when examined from another benchmark. (sub. 192, p. 15)

Treasury (1992) itself appreciates this difficulty:

Practical difficulties inevitably attach to the definition of a benchmark tax structure. For some provisions it is difficult to ascertain whether they should be part of the benchmark structure or listed as tax expenditures. The Statement generally lists as tax expenditures items for which such a categorisation may be marginal. (Treasury 1992, p. 55)

The starting point for the income taxation benchmark used by Treasury is its conceptual definition of income as the increase in net economic wealth during any taxation period plus consumption during that period.¹ However, due to a number of political and practical constraints, choosing a workable definition of taxable income becomes very difficult.

Even if the concept of income used by Treasury is accepted, there is still considerable debate about the tax expenditure associated with the tax deductibility of donations and the exemption from income tax of charitable organisations (see Boxes 12.1 and 12.2). However, despite these complications, it is against the Treasury benchmark that the argument, in Australia and overseas, is generally conducted.

While recognising the practical difficulties which beset any income taxation benchmark, the appropriateness of the chosen benchmark is not being challenged by the Commission in this Inquiry. The more relevant question is whether the assistance provided through the current tax concessions could be better provided to CSWOs so as to assist in providing more effective, and efficient services to those in need, and at least cost to the Australian community.

12.3 Is support through the tax system the best way of encouraging CSWOs?

Governments can influence the levels of charitable giving and the revenues and costs of CSWOs in a number of ways. These include grants, loans, guarantees,

¹ Consumption includes all expenditures except those incurred in the earning or production of income.

interest subsidies, regulation, and tax concessions. This section identifies the advantages and disadvantages of indirect funding (tax expenditure).

Box 12.1 Tax expenditure analysis and tax deductibility of donations

The 1975 Report of the Commission on Private Philanthropy and Public Needs in the United States (the Filer Commission) argued that most people do not enhance their wealth or power when they donate and therefore they should not be taxed on the amount of money they give away. Similarly, Andrews (1972) argued that money donated to charities is no longer available for personal use and it therefore does not contribute to a person's net gain.

Andrews identified two other arguments supporting the view that money given to a charity should not be subject to the government's taxing power. First, the donation is a redistribution of real goods and services to those less well off. It should therefore be taxable in the hands of the charity recipient not the donor. The charity recipient is, of course, likely to incur negligible income tax liability as a result of the transfer. Secondly, the benefits of the donation accrue to the whole of society rather than the donor. Both arguments rely on the view that donations are not consumption by the donor and, therefore, should not be considered as income.

The alternative view is that a donation is like any other expenditure by an individual. Individuals choose to make donations in competition with all other purposes to which their funds could be put. They come, therefore, from part of the individual's income, regardless of the benefits they generate for the charity recipient or the general community. Krever (1991) considers that:

The income tax system ... is indifferent to the manner in which a taxpayer chooses to spend money once it is determined that the outlay was not incurred to earn gross receipts. Thus, the Commissioner of Taxation does not care whether a taxpayer eats lobster and caviar or meat pies; drinks French champagne or lemon squash; dresses in Saville Row suits or disposal store ex-army pants; keeps income or gives it away. A taxpayer may save or spend income and, if it is spent, spend it wisely or foolishly — the Income Tax Act measures net gain that 'comes in', not the use of income (p. 7).

The implication of Krever's view is that, if income is defined as a taxpayer's gain between two periods, a tax deduction for any income donated must be viewed as a tax expenditure.

12.3.1 Advantages of indirect funding

The benefits of indirect funding are perceived quite differently by the sector, by government and by other sections of the community.

Box 12.2 Tax expenditure analysis and income tax exemption for charitable organisations

Australian taxation law considers that the income of individuals is the appropriate taxation base, since individuals are the only entities which can consume or exercise economic powers. While companies pay income taxes, they do so on behalf of the individuals who own them rather than in their own right. Dividend imputation is intended to prevent the double taxation of dividends by crediting the tax payment to the recipients of the dividends.

Using the company tax analogy, the income tax exemption granted to charitable organisations can be considered to give rise to a tax expenditure only if the beneficiaries of the charity's income would have been subject to tax if they had individually and directly derived the income themselves. Krever (1991) argues that:

Whether they take the form of non-profit companies or trusts, charitable institutions, too, have no separate ability to exercise economic power or consume, and hence no inherent ability to bear taxation. The only justification for taxing a charitable institution would be in its capacity as a representative of the beneficiaries of its charitable activities, on whose behalf it derives income (p. 3).

Charitable organisations are not taxed in their capacity as representatives of the recipient of their activities gives rise to a tax expenditure. However, the tax payable by these beneficiaries would nearly always be negligible, hence the tax expenditure is likely to be small (see section 12.4.1).

Advantages for the sector

The sector has claimed three main advantages for tax expenditures over direct funding. They promote pluralism; they are administratively simple and they provide 'invisible' assistance.

The sector argues that tax expenditures promote pluralism by giving the community the opportunity to direct assistance to specific organisations. This provides funding for a number of CSWOs that may miss out on direct government funding because government is unaware of the need they are meeting or because the government is focussing its priorities elsewhere.

The sector further suggests that tax expenditures can be relatively easy to administer particularly for CSWOs themselves. The exemption from income tax, for example, does not impose any administrative burden on CSWOs. Similarly, the exemption from wholesale sales tax (WST) requires only the presentation of an exemption certificate. If the assistance were provided through a direct grant, the organisation would need to factor its tax cost into government funding arrangements. This would require more complex accounting and greater administrative effort.

Those receiving tax concessions feel they are more secure than they would be if funded from government expenditure. ACROD said that their concern was not with the transparency of direct assistance but with its lack of stability:

The concern is ... over the stability of the funding arrangements. In New Zealand, arrangements of the kind we have here were replaced by direct funding arrangements. ... The promised compensation came through discounted for budgetary reasons. (trans, p. 27)

Advantages for government

Tax expenditures have a number of advantages for government. These include ease of administration and efficiency.

Tax expenditures, such as exemptions from sales or income tax, generally do not involve a separate government bureaucracy. This contrasts with direct expenditure programs which require bureaucracies to administer them.

Some tax expenditures are efficient from government's viewpoint in that, for a given level of government expenditure, they lead to more resources for programs which government wants to support than direct expenditure because they can 'leverage' additional assistance. This measure of efficiency is referred to as *treasury efficiency*. Box 12.3 shows that the tax deductibility of donations may be treasury efficient because it can promote private donations.

Advantages for society

Indirect funding supports pluralism by helping the sector to meet needs that do not command widespread support in the community and hence are less able to gain government support — for example, self-help groups. Tax deductibility of donations is an opportunity for individuals to play a direct role in the allocation of their tax dollars. The sector suggested that society's well-being is enhanced when a multitude of visions and goals by individuals are achieved rather than the one vision set by government, and indirect funding assists the meeting of this objective.

12.3.2 Disadvantages of indirect funding

Indirect funding through tax expenditures is available to all CSWOs which meet the qualifying criteria, but these are not linked to service outputs or outcomes. It is, therefore, often an imprecise policy instrument. For this reason, it is sometimes argued that supporting CSWOs through tax concessions is a very inefficient way of providing assistance, and that direct funding by government would be more appropriate. Treasury (1985) detailed several concerns about tax expenditures.

Box 12.3 Tax deductibility of donations and treasury efficiency

The effectiveness of the current provisions for encouraging donations is important when examining possible alternatives and their effect on overall giving.

The deduction is considered treasury efficient if the revenue forgone by government in allowing the deduction is at least matched by an increase in charitable giving.

The majority of studies in this area have been undertaken in the US where the data sets are better developed. The results of the US studies may not be relevant to Australia because of differences in social structures and the different nature of the tax incentives. Australia may, in fact, show stronger results than the US because of higher marginal rates of tax and a lower tax threshold.

The effectiveness of tax incentives in encouraging donations is directly related to the price elasticity of giving. The price elasticity of giving measures the percentage change in donations resulting from a 1 per cent change in the price of giving (net cost to the donor), all else being equal. Generally, an increase in the net cost to the donor (decrease in marginal tax rates) will lead to a decrease in giving. If the price elasticity of giving exceeds unity (in absolute terms), giving is considered to be 'elastic'.

Tax incentives are treasury efficient if and only if giving is price elastic (Steinberg, p. 71). The implications of this are important as Schiff (1989) argues:

It implies that the donations stimulated by deductibility exceed the tax revenue lost by government due to that provision, so that to transfer the same number of dollars directly to nonprofit organisations, say via grants, would be more costly to the government, in terms of revenue forgone, than allowing deductibility. (p. 131)

The majority of studies show a price elasticity of greater than unity in absolute terms. Weisbrod has found that the mean elasticity from 16 econometric studies is -1.24. Appendix J surveys a few such studies. They indicate that tax deductibility of donations is an efficient and desirable way for governments to encourage public support for CSWOs.

Firstly, tax expenditure may be less efficient:

Tax expenditures can be less efficient than direct outlays in targeting intended beneficiaries and ensuring their administration, including the control of abuse, by the most appropriate area of the bureaucracy. They also increase the complexity of the tax system and can contribute to the belief that the system is unfair. (p. 17)

Secondly, it may be inequitable:

If the tax concession is structured as an exclusion or deduction from income it will be of greatest benefit to taxpayers with high marginal rates. Even if it is structured as a tax rebate so that all qualifying taxpayers receive the same amount, non-taxpayers — usually low-income individuals — will be excluded from the program. (p. 16)

Thirdly, it is likely to be difficult to control:

Because tax concessions must necessarily be open-ended — available to any taxpayer who meets the eligibility requirements — once they are enacted the government generally has no way of controlling the public money spent through them. Consequently, tax concessions can end up costing the government more than anticipated and more than the government, in setting its spending priorities, had intended to spend in encouraging the particular activity or industry. (pp. 16–17)

Lack of transparency about the extent of the use of tax concessions magnifies the problem because the Commonwealth government does not know their cost.

In comparison with tax expenditure, direct government funding has the following advantages for governments and the community:

- new expenditure programs are fully transparent through the budgetary process. This enables both government decision makers and the public to assess whether there are other, more cost-effective, ways of achieving social objectives, including addressing social dislocation;
- it is subject to regular review and scrutiny as part of the annual budgetary cycle. Funding continues only if the recipient organisation continues the work which initially entitled it to a grant or if the community through its elected representatives continue to consider the expenditure a priority when compared to alternative uses for scarce funds. In the absence of a formal process the current system of tax deductibility of donations or input tax exemptions has no effective process for review. If the function of an organisation changes, which could vary its tax-exempt status, it is up to the organisation to notify the taxation office. Direct funding is by proxy reviewed each year; and
- direct expenditure avoids confusion and distortions. Confusion is created by incentives and concessions adding to an already complex tax system. Distortions are created because existing tax incentives give rise to claims for new ones.

Direct funding can benefit those CSWOs that demonstrate that they can provide quality services in an effective way. It can also benefit those CSWOs that struggle to fundraise because they deal with problems that are not as popular with donors.

12.3.3 A mix of assistance

A mix of assistance harnesses the advantages of both direct and indirect funding. Direct expenditure programs are focussed, transparent, have a system of review and are preferable when the intended benefit requires close monitoring or needs to be carefully targeted to specific individuals or organisations. When the assistance needs to be applied generally, the simplicity

of indirect funding, as well as the efficiency advantages in certain circumstances, could make it the preferred mechanism for assistance.

12.4 Existing taxation arrangements

Governments in Australia provide a wide range of taxation benefits to CSWOs. These include exemptions from income tax and provisions for tax deductibility of donations to certain classes of charitable organisations. Commonwealth and State governments also exempt certain organisations from other taxes which are referred to in this report as input taxes. These include WST, FBT, payroll tax, land tax, and other taxes and charges. An overview of these concessions is provided in this section, with more detail in Appendix L.

12.4.1 Exemption from income tax for charitable organisations

Description

Charitable organisations (see Figure 12.1) are exempt from tax on their income under section 23 of the *Income Tax Assessment Act 1936* (ITAA). The exemption depends on the predominant purpose of the organisation. For example, if an institution is wholly charitable, in a legal sense, it is clearly exempt under section 23(e).² If it is formed partly for charitable purposes but also pursues objectives which are not necessarily charitable, the question of exemption rests on the predominant purpose of the institution.

The ITAA does not define a charitable organisation. This has been left to case law. Pemsel's case established four sub-categories of charitable purpose.³ They are:

- the relief of poverty;
- the advancement of education;
- the advancement of religion; and
- other purposes beneficial to the community, not falling under any of the previous headings.

² To obtain the exemption the organisation will usually make a written application to the Commissioner setting out the character, purpose and activities of the organisation, the nature and sources of its income, and the manner in which its income is disbursed. The organisation may also submit a copy of its articles of association, rules, declaration of trust, and other governing documents.

³ Commissioners for Special Purposes of Income Tax v Pemsel [1891] UK.

The exemption from income tax of charitable organisations is dependent on non-distribution of its surplus, that is, individuals involved in the organisation are not permitted to benefit personally from the surplus generated.

Justification

There are two particular rationales for the exemption from income tax for charitable organisations.

First, net income of charitable organisations is difficult to measure. Tax is normally based on gross income less business expenses. However, there are conceptual difficulties in identifying both gross income and business expenses for a charity. For example, does gross income include donations and government grants, and are expenditures related to service provision rather than income generation appropriately classified as business expenses?

Second, the revenue cost from the exemption is probably small. As discussed in Box 12.2, Australian taxation law considers that the income of individuals is the appropriate taxation base. Therefore, to calculate the tax liability, the surplus of the CSWO would need to be traced to the ‘owners’ of the organisation — in this case, the beneficiaries since they enjoy the services. Many of the beneficiaries’ incomes would be below the tax threshold. The costs that would be borne in identifying those who are liable for some tax would offset any increase in government revenue.

Cost

The Commission tried to estimate the cost of this exemption, but was unable to do so. Commonwealth Treasury has no information on the revenue forgone from the exemption of income tax of charitable organisations as there is no requirement for them to lodge returns with the Australian Taxation Office (ATO).

The Commission’s view

The Commission considers that, given the administrative complexity of trying to apply income tax to CSWOs and that an exemption provides little tangible assistance to them, there is no net benefit to be gained by introducing income taxation for CSWOs.

Recommendation 12.1

The Commonwealth government should retain the income tax free status of Community Social Welfare Organisations.

12.4.2 Tax deductibility of donations

Description

Tax deductibility of donations is dealt with in section 78 of the ITAA which specifies that all income taxpayers (including companies) are entitled to a deduction from assessable income for individual gifts of \$2 or more made during the year to certain nominated funds, institutions or bodies or classes of them. A PBI is one such class.

The definition of a PBI has been left to case law. Courts have determined that a PBI is an institution organised for the relief of poverty, sickness, destitution or helplessness. The ATO has interpreted the case law as meaning that a PBI is an organisation which:

- (a) has as its main or principal object, the relief of poverty, sickness, suffering, distress, misfortune, destitution or helplessness;
- (b) is carried on without purpose or private gain for particular persons;
- (c) is established for the benefit of a disadvantaged section or class of the public;
- (d) makes relief available without discrimination to every member of that section of the public which the organisation aims to benefit; and
- (e) gives aid directly to those in need. (Tax determination, TD 93/11)

Applications for PBI status are dealt with by regional ATO offices. Once an organisation has been granted PBI status there is no ongoing process of review by the ATO. However, the organisation is required to inform the ATO if the nature of the work it undertakes changes.

Justification

There are three justifications for tax deductibility of donations. The first is that it supports civic values of pluralism by giving individuals the power to direct government expenditure to the charities of their choice. It is argued that individuals may often be in a better position than government to make decisions about which causes deserve public support.

The second justification is treasury efficiency which was discussed in section 12.3.2. The Commission has not found any conclusive Australian data on which to judge the efficiency, or lack of efficiency, of tax deductibility of donations, though evidence from elsewhere, while ambiguous, has generally come out in support of tax deductibility.⁴

⁴ See US studies in Appendix J.

If a more rigorous analysis is to be undertaken to determine its effectiveness for Australia, additional data would need to be collected at least on the effect of the deduction on the level of donations and its effect on Commonwealth revenues.

The third justification is the administrative simplicity of the tax deduction for both donors and the ATO. A deductible donation is subtracted from gross income when determining taxable income. Those types of adjustments are a normal part of the income tax system and do not require a large administrative effort.

There are, however, some administration costs. Donee organisations are required to issue a receipt for donations greater than \$2 and keep records of donors' gifts and donors are required to keep records of their donations for subsequent claiming for income tax purposes.

Cost

The Commonwealth Treasury makes estimates of the tax expenditure associated with tax deductibility of donations (see Table 12.1).

Table 12.1 Government revenue forgone from tax deductibility for all donations in Australia, 1987-88 to 1993-94

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
Revenue forgone (\$m)	103	101	144	na ^a	201 ^b	141 ^b	160

^a No figures were available in those years.

^b Estimates derived from aggregate ATO data.

Source: Treasury, 1992.

Various studies (AAP 1991 and O'Keefe/Panas 1989) have indicated that between 30 and 50 per cent of all donations to not-for-profit organisations go to CSWOs. These studies, and the estimates in Table 12.1, suggest that up to \$80 million was forgone directly due to tax deductibility for donations to CSWOs in Australia in 1993-94. The rest of the revenue forgone was due to donations to health, education, culture and other groups eligible for tax deductibility of donations.

Issues in relation to tax deductibility of donations are discussed in section 12.5.

12.4.3 Input tax exemptions and concessions

Description

An input tax is a tax on a good or service used by a CSWO in the course of providing a service. For example, payroll tax is a tax on employment and WST is a tax on various goods purchased by organisations. As outlined in Figure 12.1, some CSWOS are exempt or receive concessions from certain of these taxes.

The input taxes considered by the Commission were WST, FBT, payroll tax, land tax, stamp duties and bank charges, and other rates and charges.

Wholesale sales tax

WST is a Commonwealth government tax levied on the wholesale price of goods sold in Australia. The rate of WST depends on the classification of the good involved. The rates range from zero for some items that are unconditionally exempt for all individuals and organisations (food, clothes and other necessities) to 45 per cent for some luxury goods.

Many bodies have been granted exemptions from WST. These bodies include government departments, local councils, not-for-profit universities or schools, school or university sport promotion bodies, public hospitals and PBIs.

Fringe benefits tax

FBT is a Commonwealth government tax payable by employers on the value of certain benefits that have been provided to their employees or to associates of those employees. Section 57A of the *Fringe Benefits Tax Assessment Act 1986* provides exemptions from FBT to the following:

- religious institutions. For the exemption to apply the benefit must be given in the course of religious work, and the exemption is extended to those benefits provided to an employee who is in training;
- PBIs;
- public hospitals that are PBIs;
- benefits enjoyed by live-in residential care workers; and
- international bodies that are exempt generally from taxation.

Section 65J of the Act also provides a rebate of FBT for a wide range of not-for-profit organisations which are not exempt from FBT, including religious institutions, charitable institutions, trade unions, public hospitals and sporting clubs. The rebate means that these organisations pay effectively half the FBT of organisations not subject to the rebate.

Payroll tax

Payroll tax is a State government tax levied on employers and is based on wages paid or payable to employees. A tax-free threshold exists for all organisations in most States. This threshold ranges from \$450 000 in Western Australia to \$700 000 in Queensland.

Land tax

Land tax is another State government tax. It is based on the unimproved value of land held at a particular date. Different methods are used to arrive at the amount of tax, though in most cases it is based on annual valuations.

Like payroll tax, some States have general exemptions which apply to all tax-payers. For example, properties under \$200 000 in Victoria and \$160 000 in NSW are automatically exempt from land tax.

All State governments provide at least some further land tax exemption for land owned and used by CSWOs. New South Wales, Tasmania and South Australia exempt land owned by charitable bodies irrespective of the purpose for which it is currently used. Victoria treats each parcel of land separately and removes the exemption where land is used for business purposes.

Some States (NSW and Tasmania) have also granted land tax exemptions to for-profit nursing homes. This was done to treat all nursing homes equally with respect to land tax liability.

Stamp duties and bank charges

Many CSWOs are eligible for exemptions from State stamp duty as well as bank taxes. The State arrangements are described in Appendix L.

Concessions from some rates and charges

The arrangements are outlined in Appendix L. In summary, they cover concessions on sewerage, water and electricity supply.

Justification

As discussed above, input tax exemptions are an administratively simple way to provide assistance to CSWOs.

Many participants also stated that the exemptions and concessions provided through the tax system are crucial to the provision of the services they offer. Nulsen Haven Association typified the argument:

... without these concessions the Association would have great difficulty continuing its service delivery, nor would it be in a position to upgrade motor vehicles, access necessary equipment, replace linen, pay rates etc. ... Simply put, the Association would need to dilute its service quality without tax concessions. (sub. 274, p. 3)

Cost

There are no reliable estimates, either at the Commonwealth or State government level, on the revenue cost of input tax exemptions available to CSWOs. The information available has been used by the Commission to make approximate estimates of the revenue cost of the input tax exemptions to CSWOs.

The Commonwealth Treasury and the ATO were unable to determine the cost of the WST and FBT exemptions to PBIs. Estimates provided to the Commission by CSWOs in their submissions indicated that the cost of the sales tax exemptions could be up to \$120 million annually, while the cost of the FBT exemption could currently be as much as \$40 million annually and could go significantly higher if all CSWOs use fully their FBT exemption entitlement.

The Victorian government attempted to estimate the revenue cost of various State input taxes to CSWOs. These included stamp duty, financial institutions duty and bank accounts debits tax. The revenue cost of these three exemptions was estimated at \$36.8 million in 1993–94. While it is hazardous to make assumptions on the revenue cost for other States, the revenue cost of the exemption from those three taxes for CSWOs could be over \$100 million Australia-wide. Similarly, the revenue forgone from the land tax exemption to CSWOs in Victoria in 1993–94 was put at \$13 million suggesting an Australia wide figure of about \$40 million.

Other States have also attempted to estimate the costs of input tax exemptions to CSWOs. For example, New South Wales has estimated that the payroll tax exemption to CSWOs (including religious bodies) had a revenue cost of \$24 million in 1988–89. This suggests that the Australia-wide value of the payroll tax exemption could currently be about \$80 million.

The Commission, therefore, judges that, in total, the input tax exemptions to CSWOs, both Commonwealth and State, could at current use, have a revenue cost of up to \$400 million.

Issues in relation to input taxes are discussed in section 12.6.

12.5 Major issues with tax deductibility of donations

Tax deductibility for donations has a number of advantages that warrant its continuation. These are the encouragement of community support (by allowing individuals to direct government expenditure to a CSWO of their choice), the treasury efficiency of the incentive (the value of induced giving exceeds the

revenue forgone by the Commonwealth government in allowing the deduction) and the simplicity of the measure.

However, the Commission has identified six concerns with the current system of tax deductibility of donations. They are:

- the inequity when associated with the progressive system of income tax;
- the bias towards multi-service CSWOs;
- the inconsistency of some CSWOs receiving tax deductibility for donations while others do not;
- the absence of limits on donations;
- the perception of inconsistency in tax treatment between donations of money and time; and
- the treatment of membership fees.

12.5.1 Inequity when associated with the progressive system of income tax

The tax deductibility of donations in conjunction with the progressive system of income taxation is inequitable because the government's contribution varies according to the donor's marginal tax rate. Donors with a higher marginal tax rate have a greater incentive to donate and a greater relative 'vote' on the types of CSWOs to which the government directs its tax expenditure dollars.

The Commission has considered a number of alternatives to the current system which would overcome the perceived inequity. These are outlined in Appendix J.

One option is for the taxpayer to receive a tax rebate based on the amount of the gift, which could be used to offset part of the taxpayer's tax liability. The tax rebate system differs from the current system by not directly affecting the taxpayer's taxable income. Once the appropriate level of the rebate has been decided, it would be the same for all taxpayers across all tax brackets. The taxpayer's marginal rate of tax would no longer dictate the size of the benefit the donor receives. The Commission estimated that the rebate rate for 1989–90 would have had to be almost 35 per cent to be revenue neutral for the Commonwealth government. This assumes that the marginal propensity to donate is the same for all income earners. However, this is a questionable assumption.

In addition to considering the equity of a tax benefit, it is also important to consider the distributional effects of this, or any other approach. A major problem of moving to a tax rebate system is that the effects on aggregate donations of such a move are unclear. If the rebate were set at the flat rate of

35 per cent, the cost to lower and middle income earners (above the minimum tax threshold) of donating would fall and giving by these groups would be expected to increase. However, higher income earners may face an increase in the cost of giving which may decrease the amount of giving made by these groups. The overall effect is unclear.

There would also be a redistributive effect on recipient organisations from changing to a rebate system. Different income groups give to different charitable organisations. Woodman (1988) argues that a change to a tax rebate/credit system may affect organisations in different ways.

Lower-income taxpayers give a very high percentage of their donations to religious organisations and, to a lesser extent, to certain social welfare agencies. Higher-income taxpayers tend to give to educational and cultural charities. Thus, a change from a deduction to a credit has profound implications for the funding of education and the arts. (p. 573)

The effect of a move to a tax rebate on overall giving and on the allocation of funds among organisations is unclear. Further, the studies undertaken on the efficiency of tax deductibility indicate that the current provisions may well be treasury efficient (see Appendix J).

12.5.2 The bias towards multi-service organisations

The current provisions favour multi-service CSWOs. Multi-service organisations have advantages over single-function organisations because they are able to receive PBI status while performing a number of activities which would not qualify for PBI status if they were undertaken by a single-function organisation. The Australian Council of Social Service (ACOSS) argued that:

The way eligibility currently operates particularly discriminates against smaller single purpose organisations offering services such as counselling, advocacy, self-help, co-ordination, information and education compared with the larger organisations which provide these services along with material aid. ... However it is these smaller organisations which are often the sources of innovation in the community services industry, and are more flexible to meet the changing needs of their clients. It does not make sense to discriminate against them if the aim is to encourage a flexible, innovative and responsive community services sector. (sub. 442, p. 1)

12.5.3 Inconsistency in tax treatment of donations to CSWOs

Currently, organisations can qualify for the tax deductibility of donations if they meet any of the following criteria:

- they meet the definition of a PBI (one of the categories in section 78);

- they satisfy another of the categories in section 78. These include some educational institutions and public hospitals; or
- they are listed in the Act as a specific or ‘named’ organisation.

There are two distinct, but related, issues regarding the way the current tax deductibility status is determined for different organisations. The first arises because of the distinction between PBIs and non-PBI CSWOs. The second is caused by the inconsistency introduced because of the current policy on gaining tax deductibility status if the organisation is not a PBI.

A number of participants questioned the restrictive PBI definition and asked for a more modern definition. By focussing on the direct relief of poverty, sickness, destitution or helplessness, the current definition excludes a wide range of work of a preventative, advocacy or self-help nature. Despite the fact that they may be more beneficial in the longer term than direct relief, such works are denied a number of significant taxation benefits. The ATO provides examples of the differences in Tax Determination 93/11:

A non-profit organisation which promotes the health of women is charitable. A non-profit organisation which provides medical facilities to disadvantaged women who otherwise do not have access to these facilities is benevolent.

A non-profit organisation which educates the public about a particular disease is charitable. A non-profit organisation which educates and trains sufferers of the disease to overcome that disease or its effects is benevolent.

A non-profit organisation which provides community or neighbourhood facilities for benevolent institutions is charitable. A non-profit organisation which provides the facilities directly to the community or neighbourhood disadvantaged is benevolent.

A range of arguments advocating a broader definition of PBI were put to the Commission. ANZ Trustees argued that:

It would seem that the current meaning is that a public institution is benevolent only if it provides aid directly and where its dominant objective and activity is the immediate relief of poverty, sickness, distress, misfortune, destitution, or helplessness. Thus, institutions whose objectives are designed to prevent the matters for which relief is required and which might involve the provision of timely advice, research into the prevention of the problem rather than its cure, advocacy, or the empowering of people to help themselves, are not considered benevolent. (sub. 191, p. 2)

Similarly, the Australian Association of Philanthropy (AAP) argued:

Access to tax deductibility status should reflect contemporary approaches to the resolution of social problems and modern principles of management. Charitable organisations involved in preventative work, in research, policy development, co-ordination, advocacy, and information dissemination make a major contribution to relieving the causes of poverty and distress. Their work is often a much more efficient and effective long term strategy for solving social ills than that of ‘hands on’ services providing the direct relief which presently entitles them to tax deductibility status.

Further they affect the same group of beneficiaries as receive services from direct aid agencies. (sub. 310, p. 5)

The second reason for inconsistent treatment of organisations is the current policy on listing in an act of parliament as a specific, or named organisation. The only avenue available for a non-PBI to gain deductibility is for it to be listed in the Act. However, current government policy is against adding to the list, except in exceptional circumstances. The Assistant Treasurer has expressed the government's view in a standard refusal letter sent to organisations which seek listing:

Although the government fully understands the importance that organisations attach to having access to a concession of this nature it believes that in virtually all cases the most efficient way of providing assistance to worthy organisations is through the expenditure side of the budget, and not through the tax system.

The government maintains a policy of not allowing new admissions to the income tax provisions except in exceptional circumstances. This is consistent with the government's general approach to the tax system which continues to be to reduce reliance on tax concessions. (Correspondence, Treasury 1994)

Listing, however, may create more distortions than it solves. The AAP argued that:

The resulting system of Ministerial lists of approved bodies has created rather than resolved anomalies. There is no consistency, predictability or rationality in the present discretionary system which is so open to political influence without regard to long term community benefit. (sub. 310, p. 13)

The Commission considers that there is a general community benefit in allowing greater flexibility in the way organisations address perceived needs. The current system favours PBIs over other CSWOs that address the needs of the community in less direct ways. Further, the system of listing has created a number of anomalies which continue to distort the flow of resources to various CSWOs.

The costs of the current arrangements to CSWOs, as well as to the ATO, have also been noted by some participants. Aged Services Association of NSW and ACT claimed that:

The use of the two terms in tax legislation (charitable organisations and PBI) also adds an administrative burden to the ATO and charitable organisations who must make determinations in respect of the separate criteria. ASA is concerned that the anomaly increases the likelihood of inconsistent application by the ATO and creates an unnecessary degree of complexity for charitable organisations which may result in their not applying for legitimate exemptions. (sub. 177, pp. 26–27)

Any change in eligibility criteria needs to reduce significantly confusion, complexity and inequity of the tax deductibility between CSWOs, while not

contributing to an extension of other tax distortions. From the Commonwealth government's perspective, it is also important that any change does not lead to a significant increase in tax expenditure without a deliberate policy decision being made to expand the level of assistance.

The Draft Report recommended granting tax deductibility status to all charitable organisations that are charitable through their relief of poverty or through other purposes beneficial to the community, as a way of simplifying deductibility arrangements.

The latter category, however, includes many organisations which, while charitable, do not provide social welfare services to the community. Examples include: promotion of industry, commerce and art; provision of recreation and leisure facilities; and certain public works such as the beautification of towns and agricultural showgrounds. These organisations can, however, be excluded by confining deductibility to only those charitable organisations providing purposes beneficial to the community where they are for the advancement of social welfare⁵.

This approach recognises the importance of maintaining a link to the common law definition of 'charitable organisations' (Bromley, 1994), but does not involve extending PBI status, as this would have important implications for a series of other tax exemptions. These other exemptions are surveyed in section 12.6.

The groups that would benefit directly from the above change are those CSWOs that are not providing *direct* services but are, however, providing a range of important indirect services to those in need. Provided these groups are charitable organisations and meet the above criterion, they would be eligible for tax deductible donations. These groups include those involved in advocacy (such as ACOSS and the Council to Homeless Persons), those self-help organisations that are charitable at law, and smaller community groups (such as some neighbourhood houses and groups like the Logan Regional Resource Centre). Those philanthropic trusts which are only able to distribute funds to organisations which have tax deductibility would also benefit as they would have a wider range of organisations to which they can distribute their funds.

The extension of tax deductibility status would also increase the flexibility of benefiting organisations in raising funds. The Northern Territory government argued that:

The inability of organisations to achieve PBI status limits their ability to raise their own funds or maximise the broad range of funding options. This ultimately places a strain

⁵ The definition of advancement of social welfare has been explored at common law. See for example, Waterson and others v. Hendon Borough Council [1959] 1 W.L.R 958.

on government resources to compensate for non-PBI status. In addition, PBI status, not community or government policy, determines where the donation dollars may go. (sub. 345, p. 5)

Recommendation 12.2

The Commonwealth government should allow tax deductibility of donations made to all Community Social Welfare Organisations that:

- relieve poverty or benefit the community through the advancement of social welfare; and
- are incorporated under the form of incorporation outlined in Recommendation 8.2.

The extension of eligibility for tax deductibility of donations would have a number of benefits:

- equal treatment of organisations providing similar services. Currently, a number of charitable organisations provide services of a similar nature to PBIs, yet are not granted tax deductibility status;
- an increase in the capacity of the community to support the CSWOs of their choice; and
- a greater ability for charitable trusts to support organisations involved in less direct forms of relief. Currently, under section 78(5) trusts can receive tax deductibility only if they give funds to groups that also enjoy tax deductibility status (see Chapter 10).

The Commission does not expect the cost to the Commonwealth government of extending tax deductibility to increase significantly. Many CSWOs currently have tax deductibility status. Indeed, most of the largest 50 organisations looked at in Appendix C are currently classified as PBIs. The extension of eligibility would mainly be to single function organisations which are small and do not rely on fundraising for their survival.

Further, more than 50 per cent of all donations currently go to health, education and religion (AAP 1991). These sectors would not be affected by the proposed reform. CSWOs receive 30 per cent to 50 per cent of all donations to not-for-profit organisations. An increase in the number of eligible organisations would not be expected to lead to a substantial increase in the amount of tax deductible donations. For example, if donations to CSWOs increased by 15 per cent, the revenue cost to government would increase by about \$10 million (see

Table 12.1). There may, however, be some redistribution of donations away from PBIs toward other CSWOs such as self-help or advocacy groups.

The ATO imposes stricter accounting requirements on organisations with donation deductibility than on those which are classified only as ‘charitable’. Under the proposed reform, all ‘charitable organisations’ which meet the new requirements would be eligible to receive tax deductible donations and hence would need to develop better accounting procedures.

12.5.4 The absence of limits on donations

All donations above \$2 to approved organisations are tax deductible. In Australia, unlike some other countries, there is no upper limit to deductibility on donations. The question of limits, both lower and upper, was raised by participants during the Inquiry.

Lower limits

An organisation receiving a tax deductible donation is required to issue a receipt and keep records of the donation for up to seven years. These requirements impose costs on recipient organisations.

Some organisations argued that the minimum donation for which tax deductibility is granted should be increased from \$2 to at least \$20. A number of reasons were put forward for such an increase. First, small donations impose costs on organisations. The Fundraising Institute — Australia argued that:

It probably would be desirable to raise the lower limit for deductibility from \$2 to \$20 to reduce the administration costs to agencies and governments of processing small transactions. (sub. 160, p. 12)

Similarly, the Sydney City Mission argued:

Tax deductibility is very important, however there is no reason why the threshold for deductibility of donations should not be set at \$10. It probably costs more than \$2 to process a donation, therefore leaving very little “profit” from small donations under the present scheme. (sub. 168, p. 12)

Another reason proposed for an increase in the minimum was that a higher minimum may encourage greater giving. Mr Walker, for example, argued that:

The current \$2 minimum for a tax deductible donation is a risible amount; \$10 might encourage a more meaningful contribution. (sub. 164, p. 3)

Villa Maria Society for the Blind submitted that the \$2 limit was unrepresentative of current money values. The minimum was originally set at £20 (equivalent to \$1800 in 1995 dollars). The minimum was later reduced to the equivalent of \$2.

Other organisations argued against any increase in the minimum. They fear that it would have adverse effects on lower income earners who are only able to make small donations and on the funding provided to many organisations. The Paraplegic and Quadriplegic Association of Victoria argued:

... this Association receives virtually 90 per cent of its donations in the range from \$0 to \$50 and is heavily dependent, therefore, upon donations of less than \$50. Should the current minimum tax deductible level be raised from \$2 this Association would be significantly affected. (sub. 348, p. 9)

Dyslexia-Speld Foundation (WA) argued that:

The current incentives do encourage people to make donations and the limit of \$2 should not be raised as this will discourage the lower income donor. (sub. 196, p. 4)

Aged Services Association of New South Wales accepted that the lower limit imposes costs for smaller donations but recommended the minimum not be lifted because it provided benefits in terms of encouraging small contributors to donate to CSWOs.

The Commission considers that as tax deductibility is justified, there is no compelling case for any lower limit. This suggests that the \$2 minimum for deductible donations should be removed. However, rather than issue tax deductible receipts for all donations, whatever the amount, CSWOs (and NGDOs) could decide for themselves at what amount they will issue receipts that can be used as a tax deduction.⁶

The Commission is unable to identify the administrative cost of raising funds from donations. Organisations are in the best position to decide whether the benefit of receiving small donations outweighs the administrative costs of issuing receipts and keeping records. One organisation may decide, that, because of the administration burden, it will only retain records and receipts for tax purposes for donations over \$10. Another organisation may place a higher value on, or be more reliant on, smaller donations and may wish to retain records and receipts for tax purposes for all donations. Organisations may also choose to alter the limit depending on the type of fundraising activity. Those activities with low administration costs may have no, or a low, limit. Fundraising efforts which require more of an administrative burden may necessitate a higher minimum donation for deductibility purposes. Removal of the limit gives organisations the flexibility to respond in a way most appropriate to their individual needs.

⁶ There may be other requirements (for example, state fundraising legislation) that still require a receipt to be issued and retained for all donations regardless of their tax status. It should also be noted that while a receipt is not obligatory for an allowable deduction, it is generally considered the easiest way of substantiating a donation.

Organisations that are concerned with the effect of the change on donations could choose to leave the limit at \$2. Again, the proposed reform would give CSWOs the flexibility to decide whether they wish to remove the limit, increase it, or simply leave it as it is.

Allowing individual CSWOs to decide the minimum amount for tax deductible donations does, however, have some disadvantages. Some participants feared that the recommendation could create confusion among donors. United Way Australia Ltd argued that:

Leaving the minimum amount to the discretion of individual charities as proposed in the Draft Report will only serve to create confusion and uncertainty in the minds of donors. (sub. 605, p. 2)

The Commission considers that, while the potential for confusion exists, individual CSWOs could minimise the confusion by clearly specifying their deductibility arrangements. On balance, the benefits of allowing individual CSWOs to determine their own minimum should outweigh the costs in terms of confusion.

Recommendation 12.3

The \$2 lower limit for donations in order to gain tax deductibility should be removed. Individual organisations should decide which donations are to be treated as tax deductible — for which they would issue receipts and keep records in the prescribed way.

Upper limits

Many countries place upper limits on the amount of a donation which can be claimed as tax deductible. In the United States, donors may be able to claim a deduction for up to 50 per cent of income for certain types of donations of cash or property. In New Zealand, donors are only able to receive tax relief for total donations up to \$1500 (see Appendix M).

Upper limits are imposed to control the amount of tax revenue forgone because of the tax deductibility provision. Calculating government outlays for charitable purposes through tax expenditures is not something that can be budgeted for with a high degree of accuracy. The government only knows after it has forgone the revenue how much it has disbursed and to whom it has been disbursed.

Placing upper limits on charitable donations is unlikely to be effective in the government's control of tax expenditure for two reasons. First, there is little

likelihood of an unexpected increase in government expenditure due to unlimited tax deductibility of donations. While governments are unable to predict how much revenue will be forgone from the deductibility provision, the amount of charitable giving is unlikely to vary significantly from year to year.

Second, upper limits on charitable donations may stifle public giving. The objective of tax deductibility is to encourage public support for CSWOs. An upper limit may, as Freebairn describes, lead to an inefficient outcome:

... once the subsidy is determined, it becomes inefficient to place restrictions on the maximum donation. Thus, the current Australian provisions of no maximum is supported by the model against restrictions on an absolute maximum or a maximum share of income found in some other countries. (AAP, sub. 310, p. 40)

12.5.5 Consistent tax treatment of donations of time and money

While donations of money and property to some CSWOs are currently tax deductible, donations of volunteer time are not. Some organisations have argued that this discourages voluntary effort. The joint submission from the Association for the Blind, Spastic Society of Victoria and Yooralla Society of Victoria argued that:

It goes without saying that an expansion in the amount of time and labour donated to all charities would allow the charities to respond more effectively to the growing demand for their services. An issue for public policy is whether government should actively encourage voluntary effort. (sub. 347, p. 31)

Both money and volunteer time are valuable resources for CSWOs. The tax deduction for donations encourages public support for CSWOs through monetary donations. There are two reasons why the same sort of incentive should not be used to encourage voluntarism.

First, it is difficult to place a monetary value on volunteers. Chapter 5 explored different ways of valuing volunteer labour and identified the problems with these. These difficulties would prevent an appropriate deduction being made for taxation purposes.

Second, and more importantly, a tax deduction for volunteer time would favour a donation of time over money. This can be demonstrated by a simple example. Currently, if individuals donates money (for example \$50) to a CSWO, they receive a tax deduction at their marginal rate of tax so that no tax is paid on the amount donated. If individuals chooses to donate their time to the value of \$50 (based on the gross income that could have been earned if the time was spent in paid employment) no tax is paid on that donation. In both forms of donation the CSWO received \$50 worth of support and no tax is paid by the donors.

The question of giving a deduction for volunteers' expenses was also raised. In the United States a deduction can be claimed for unreimbursed expenditures made in connection with donated services to charities. In Australia, no deduction is available for volunteer expenses and other avenues of recompense are limited.

Two important conditions on a deductible donation in Australia are that it must be made by way of benefaction and the taxpayer must not receive a material benefit. These conditions limit the ability of volunteers to recover their expenses by claiming a tax deduction for a donation made to a PBI which is later reimbursed to the donor.

The Commission strongly supports and acknowledges the valuable volunteer effort provided to CSWOs but suggests that the administration costs of allowing the deduction for unreimbursed expenses of volunteers would exceed the benefits. The most cost effective way of compensating volunteers for their expenses appears to be the current system employed by CSWOs of directly meeting many of those expenses.

12.5.6 Tax treatment of membership fees

Generally, membership fees to CSWOs are not tax deductible because they may involve a material benefit to the donor. Some participants also argued that the current system of tax deductibility discriminated against membership fees in favour of cash donations because it is difficult to separate the donation and payment for benefit components of membership fees. However, they are not usually a significant source of revenue for CSWOs and their level is set by the CSWO, consequently, the Commission does not support a change to their current tax treatment.

12.6 Input taxes

Some input tax exemptions were originally introduced as a way of assisting CSWOs when other forms of government assistance were not readily available. The WST exemption, for example, was introduced in the 1930s as a form of assistance for PBIs at a time when governments were not extensively involved in social security (Correspondence, Commonwealth Treasury 10 August 1994). From a tax expenditure perspective, input tax exemptions and concessions involve a loss of government revenue and are, therefore, a form of government assistance to the sector.

Some participants criticised the Commission's conclusion that input tax exemptions and concessions are a form of government assistance to the sector.

They argued that CSWOs should not be considered part of the tax base because of the nature of their work. For instance, ACROD submitted that:

The basic question on tax treatment of the sector is whether charitable bodies should ordinarily pay tax. The normal position in Australia is that they do not. That has long been a clear principle of public policy. There are good reasons for this position, which the report does not deny, and ACROD believes it should continue.

And:

References to the sector's tax treatment as 'assistance' and 'tax expenditures' reflect what is referred to as the 'Treasury benchmark'. This in effect assumes that taxing charitable bodies (strictly speaking, public benevolent institutions) is normal, or part of a 'benchmark' tax system. It is usual to exempt from tax bodies with clear public interest or benevolent roles. In this country and many like it, taxation of such bodies is not normal but the exception. (sub. 644, p. 8)

The Commission does not agree with the views expressed by ACROD. Many CSWOs have been paying input taxes. It is only those classified as PBIs that have historically not paid them. The argument that it is usual to exempt some CSWOs from input taxes does not, in itself, justify the exemptions available to those organisations.

The input tax exemptions and concessions available to CSWOs in Australia were set out in section 12.4.3. This section assesses whether assistance to the sector through input tax exemptions is appropriate.

12.6.1 General concerns with input tax exemptions

The Commission has identified a number of general concerns with input tax exemptions as a mechanism for providing government assistance to the sector. These include their adverse effects on :

- competition;
- resource use;
- transparency; and
- equity.

These concerns were also recognised by the Smith Report (1993). One of its key recommendations is reproduced in Box 12.4.

Effect on competition

Input tax exemptions may lower the costs faced by CSWOs with commercial business activities and lead to an advantage over for-profit competitors. For example, the WST exemption means that a PBI may be able to receive some inputs at a cheaper rate than its competitors. This would enable it to attract

resources away from other, perhaps more efficient firms. Vasey Housing Limited, for example, submitted that it uses its FBT exemption to increase staffing:

This particular tax exemption assists our organisation to compete for the services of good quality staff with outside commercial organisations who have far greater financial resources. (sub. 468, p. 2)

Box 12.4 The Tasmanian review

The Smith Report (1993) found that the exemptions and concessions from State taxes and charges compromised the State's taxation system. The effects of such exemptions include:

- substantial loss of revenue to the State;
- inequities between taxpayers and the beneficiaries of concessions and exemptions, especially where the concessions are inadequately targeted;
- misallocation of resources, especially arising from land tax concessions and exemptions;
- competitive disadvantage suffered by those competing against trading bodies which have the benefit of exemptions; and
- little control of the cost of exemptions, and in many cases the costs not being known.

The Committee concluded that exemptions and concessions for religious, educational, charitable and community organisations should be withdrawn and replaced by properly targeted grants with appropriate audit mechanisms.

Source: Smith Report 1993.

Transparency and input tax exemptions

A more transparent system, which provided information on the costs of various input tax exemptions, would lead to better policy decisions for several reasons. The better information would provide governments with a clearer idea of the budgetary implications and distributional consequences of the assistance they provide. Further, it would allow the amounts of assistance to be regularly reviewed as part of the wider budgetary process. The more transparent the process is, the more likely it is that governments will respond appropriately to needs.

Transparency also creates the potential for better informed reviews of policy decisions. Currently, CSWOs receive input tax exemptions based on whether the organisation meets certain criteria. Once the exemptions are granted they become entrenched. They do not rely on the organisation performing effectively or providing quality services. A more transparent system would assist in identifying the organisations that were not effective and allow the assistance,

currently hidden through the tax system, to be provided to those organisations that are performing well.

A more transparent system would also identify the total cost of assistance to CSWOs. Currently, as much as \$400 million of funding to CSWOs flows indirectly through input tax exemptions. If the community could identify the true cost of assisting the sector, governments might decide that there are better, and more effective, ways of dealing with the problems addressed by CSWOs. For example, policy makers might decide to increase funding of preventative programs or research organisations in order to find ways to prevent hardship.

The costs of input tax exemptions and concessions available to CSWOs should be reported so that government and the community can make informed evaluations of their ongoing benefits. Unless the subsidies through tax exemptions and concessions are made explicit, there is little basis to judge the appropriateness and efficiency cost of the assistance (Industry Commission 1991).

Effect on resource use

Input tax exemptions also distort the use of resources in service provision. Because they lower the relative price of the exempt good or service, they may lead to higher levels of use of those goods or services even though they are not, from society's perspective, the most resource efficient option. The Report of the Committee of Inquiry into Revenue Raising in Victoria (1983) warned of the resource allocation costs of input tax exemptions:

On welfare grounds there may be good reasons for assisting groups in society such as ex-servicemen, charitable institutions and so on. But land tax exemptions, like other tax exemptions induce distortions in resource allocation. They may also bear little resemblance to the needs of those groups. The best that can be said for them is that they provide a simple means of giving some help where otherwise none might have been given. (p. 294)

An example of how the sales tax exemption could distort the way an organisation used its resources was provided by Sydney City Mission. It submitted that:

The sales tax concessions ... encourage the Mission to keep replacing the fleet on the basis of 40,000 km or two years (whichever comes first). ... If these savings were not available to us, the vehicle fleet would be a lot older. (sub. 168, p. 17)

The inconsistent application of land tax by the States creates some difficulties for CSWOs and distorts their decision making. The AAP favoured a more consistent treatment by States:

These differences in approach have no justification and they unnecessarily add to the cost and complexity of operating charitable institutions. They also encourage

inappropriate provision of charitable activities not on the basis of need but on the basis of a favoured status in a particular State. (sub. 310, p. 17)

The size of the distortions created by input tax exemptions is currently unknown. The inefficiency induced by the distortion depends on how substitutable tax-exempt inputs are with non-tax exempt inputs. As CSWOs use human resources intensively, and are likely to do so regardless of tax treatment, the costs of the distortion may not be significant.

Effect on equity

Input tax exemptions are not an equitable way of assisting CSWOs. They assist PBIs over others that provide services in ways which may be equally valuable and effective. Further, the extent of assistance is determined by the organisation's use of certain inputs. For example, the land tax exemption means that a CSWO is assisted if it purchases land and premises, but not if it rents them, even though outcomes may be unaffected.

Other costs

Exemptions also impose compliance costs. Treasury has argued that exemptions, such as the WST exemption granted to PBIs, impose costs on wholesalers and retailers.

The wholesale sales tax is a broadly based tax applying to goods, and the provision of exemptions for certain persons or organisations imposes administrative costs on wholesalers and retailers. Such conditional exemptions are also cumbersome to administer for the Australian Taxation Office. Compliance with the existing system of conditional exemptions is also difficult to maintain and open to abuse due to the number of parties involved in a wide range of transactions. (Correspondence, Commonwealth Treasury 10 August 1994, p. 2)

In the Commission's 1990 report on Aids and Appliances for People with Disabilities (Industry Commission 1990), the compliance costs of WST exemptions were highlighted. It was found that:

... where exemption is conditional upon the type of buyer or on the number of items bought in a particular period, the ATO's administration costs and the private sector compliance costs rise significantly. (p. 143)

Exemptions from State taxes impose further costs on the economy by narrowing State tax bases (Box 12.5).

Assistance to CSWOs should be based on the quality of the services they provide. Organisations that provide more effective services to those in need should be rewarded by government above those which are less effective. Input tax exemptions have no mechanism for linking assistance to those providing their services in an appropriate manner.

Box 12.5 The effect of exemptions from State taxes

The Commonwealth is the dominant revenue raiser in Australia. It has the sole power to levy income tax on individuals, company tax, and WST. As a result, States have been required to seek revenue in a manner that departs from the idealised view that taxes should be equitable, efficient and simple.

The base from which States can raise taxation revenue has been further eroded through the many exemptions, concessions and thresholds granted to organisations such as CSWOs. This erosion necessitates higher rates of State taxes which further reduce equity, efficiency and eventually, compliance.

Reducing exemptions, thresholds and concessions across the whole economy is one way of broadening the base and lowering the tax rate. A lower tax burden can have positive implications for competitiveness and investment both in a particular State and the economy in general.

Source: Industry Commission 1994.

12.6.2 Alternative funding arrangements

The above disadvantages of input tax exemptions and concessions suggest that they may not be a good way of providing assistance to the sector. Given the major benefits which CSWOs as a whole currently derive from input tax exemptions, however, the Commission considers that any proposal to remove these benefits should include alternative ways of providing the same aggregate level of government assistance to the sector.

Development of a revenue neutral proposal, for the sector however, needs to address several problems. They include:

- the lack of information on the extent and distribution of assistance to the sector via the various forms of concessions and exemptions;
- Commonwealth-State government relations; and
- the potential reduction of independence of CSWOs resulting from alternative direct funding options.

Lack of information on the value of current assistance to the sector

There is a major lack of information on the extent of the current assistance through indirect tax concessions. This lack of information creates uncertainty about the consequences of changing the form of assistance. As ACROD argued:

What needs to be assessed, however, is neither the package in isolation nor the status quo in isolation, but the effects of the change. Critical to this is whether the new

package of assistance truly offsets the imposition of taxes, and if not, how it over or under compensates. (sub. 644, p. 15)

Lack of data makes it difficult to provide even a rudimentary form of cost benefit analysis to guide decision making.

Commonwealth–State government relations

An additional complication is introduced by Australia's Federal system of government. The benefits of input tax exemptions and direct government funding of CSWOs are frequently provided by different levels of government.

Any replacement of tax benefits by direct payments would require complicated calculation and reimbursement arrangements between the various levels of government to ensure that there is not cost shifting between different levels of government. There are currently no mechanisms for easily negotiating such compensations.

The potential reduction in CSWO independence from alternative direct funding options

A further consideration in proposing a shift to direct funding is the impact of such changes on the flexibility of organisations in responding to need. The Society of St Vincent De Paul (National Council of Australia) commented that:

Exemption from sales tax and payroll tax is of great significance to the flexibility of operations of the society. Although there is no data to determine their exact financial value, removal of tax concessions would have a dramatic effect on the scope of the Society's services and its ability to initiate new services. (sub. 393, p. 61)

Against this, however, it can be argued that it is not unreasonable that governments should be in a position to influence how that funding assistance should be used.

Other issues

The input tax exemptions for CSWOs are linked to wider issues of tax reform, both at the Commonwealth and State level. It may be not be appropriate to alter the arrangements for CSWOs without an understanding of the effects of comprehensive reform at a later date.

Input tax exemptions also apply to a broader group of organisations than CSWOs and any changes to the arrangements for CSWOs would create another set of anomalies. Groups such as private not-for-profit hospitals may continue receiving certain tax exemptions while CSWOs may be funded in a more direct manner.

12.6.3 Additional concerns identified by the sector

The nature of the problems identified in the previous section led the Commission to recommend in the draft report that the Council of Australian Governments (COAG) establish a working party to examine the practicability of introducing a revenue neutral package of assistance for the sector in order to replace fully the current range of input tax exemptions.

The Commission's draft recommendation was criticised by the majority of participants. The arguments presented by the sector reaffirmed the difficulties discussed above.

In addition, the sector raised concerns about:

- the administrative costs of a revenue neutral package;
- the appropriateness of COAG as a body to develop a revenue-neutral package of assistance; and
- cash flow and donor support.

Administrative costs

There is no simple comprehensive method of directly allocating the funds which are presently provided to CSWOs via input tax exemptions. Both CSWOs and governments would face administration costs associated with the collection and redistribution of funds currently provided via tax concessions. Whyalla Senior Citizens Welfare Association stressed that these costs:

... will have to be found from somewhere, and without a government increase in the total funds it makes available, the funds available for services or care must inevitably be reduced by the cost of collecting, administering, monitoring and reporting on the funding carousal being recommended. (sub. 564, p. 4)

There would also be problems associated with funding CSWOs that are not currently in a relationship with government. Where CSWOs already have funding agreements with government, it might be possible to incorporate the additional funding within these agreements. Developing an alternative mechanism for organisations that have no current funding relationship with government is, however, problematical. The War Widows' Guild of Australia NSW Inc, were concerned that:

Whilst the topping up or modification of a funding agreement may be a relatively simple exercise for organisations already reliant on direct government funding, the impact of such a change would result in a major re-organisation of CSWOs that do not receive such funding. (sub. 704, p. 4)

Similarly, Anglicare (Western Australia) were concerned about the higher administrative costs that would be faced by unfunded CSWOs. They argued that:

If the current concessions are to be ‘cashed out’ via an equivalent increase in the level of government funding there will be a great many anomalies. An organisation that is nearly fully government funded may not experience any difference, whereas an organisation that has very little or no government funding may find that it is worse off under the proposed change. (sub. 565, p. 2)

The appropriateness of COAG as a body to develop a revenue-neutral package of assistance

The Commission’s proposal to involve COAG in the establishment of a working party to examine the practicability of any change was also opposed by the sector. Boys Town National Community Projects submitted that:

It is the view of this organisation that COAG may not be the appropriate national body to consider a revenue neutral package of assistance if it is not properly briefed on the diversity of organisations providing services in this sector. (sub. 569, p. 2)

The Tasmanian Council of Social Service argued that the sector should be involved in such a review by COAG:

... any reform process within the sector will fail if it does not adequately seek the input of the major stakeholders within the community social welfare industry. (sub. 534, p. 10)

The Commission considered COAG to be an effective mechanism for instituting the Commission’s proposed changes. One reason for this was that COAG is in the best position to sort out the tax relationship between the Commonwealth and the States. COAG is also in an ideal position to develop direct funding arrangements. Nevertheless, the Commission agrees that the sector must be involved in any such change if the reform is to have the maximum benefit to the community.

Cash flow and donor support

CSWOs were also concerned about the effect of the draft report proposal on the cash flow of the organisation. CARE Australia argued that:

... removal of input exemptions would have a detrimental effect on the organisations cash flow. Additional cash would then be needed to cover the wide range of input costs at the time of invoice. (sub. 648, p. 12)

The Commission recognises these difficulties but considers that the cash flow problem depends, to a large extent, on the mechanism for replacing input tax exemptions with direct grants. For example, if funding per client was increased

to take account of the additional costs, or if the costs were included in funding agreements, the cash flow problems would be negligible.

Other CSWOs suggested that the imposition of input taxes may affect their ability to undertake fundraising. The Royal Blind Society estimated that input taxes would require them to find a 10 per cent increase in income. They concluded that:

The public would not respond well to an appeal based on the imposition of input taxes.
(sub. 645, p. 6)

Although the Commission is not in a position to determine how the public will respond to appeals based on the imposition of input taxes, it does recognise the difficulties for those CSWOs not in a contractual relationship with government.

12.6.4 The Commission's approach

The Commission's analysis of the general concerns with input taxes in its draft report was criticised by some participants as being inconsistent with its earlier findings on tax deductibility. The NSW Council of Social Services on behalf of the Forum of Non-Government Agencies claimed that:

The Commission's position on the whole subject of tax exemption appears to be inconsistent and confused.

Extension of tax deductibility is supported by the Commission because it helps raise dollars from the community and thus increases inputs, even though it too does not discriminate on the basis of performance. Input tax exemptions ... are not supported by the Commission which recommends [they] should be replaced with direct funding which can discriminate according to performance. (sub. 643, p. 42)

The Commission agrees that, like tax deductibility on donations, input tax exemptions and concessions are an imprecise policy instrument. Moreover, they have further disadvantages that are not relevant in any discussion on tax deductibility such as distortions and their effect on competition. Nevertheless, it is clear that, while input tax exemptions and concessions as a way of assisting CSWOs create significant problems, the transactions costs, the problems of Australia's system of federalism, and other problems associated with a move towards more direct funding mechanisms may outweigh the benefits of reform.

Consequently, the Commission is unable, at this time, to determine whether a general replacement of input tax exemptions with direct funding would lead to a more appropriate funding relationship between the sector and governments and a better economy-wide allocation of resources. Further, the Commission is unable to identify practical mechanisms by which such a general change in approach could be achieved and be applicable in all circumstances.

A partial solution could be achieved by each jurisdiction examining indirect tax concessions for CSWOs on a case by case basis and, if they are removed, providing compensating direct assistance through recognised funding programs. For example, some CSWOs provide services only within one State and only receive government funding from within that State. Under these circumstances, the State government could remove its tax exemptions and increase annual program funding to CSWOs to reflect the increase in program delivery costs, subject to evaluation of the benefits of the program. The State or Commonwealth could facilitate a further partial solution by removing input tax exemptions from activities of CSWOs which are clearly competing directly with for-profit firms, and then reimbursing the CSWOs for the contributions which their for-profit activities make towards funding charitable works. The difficulty with such detailed partial approaches is the increased administrative costs they would impose.

12.6.5 Specific concerns with fringe benefits tax

While the Commission is cautious about widespread reform of input tax exemptions and concessions, it has identified a number of specific concerns with the current exemption from FBT.

The FBT exemption provides an opportunity which, if fully used by CSWOs, could discredit the sector. The exemption could be seen to be a form of tax minimisation. Concern was raised at the ‘potential for unscrupulous practices’ and the ‘unethical’ use of fringe benefits to take the place of taxable wages. The ACT Council for Social Service recognised that some CSWOs may be adversely affected by the removal of the FBT exemption but argued:

... we support the abolition of the exemption on the principle of consistency with our policies concerning the use of fringe benefits as a form of tax avoidance. We believe tax avoidance is wrong, in principle, as much for persons or agencies within sector as in the community at large. (sub. 514, p. 37)

Most CSWOs took a different view. Lifeline, for example, said:

FBT benefits have provided a very effective means of enhancing service provisions and the loss of this will lead to significant losses in terms of our ability to deliver services (trans, p. 3796).

Under the current concession arrangements, some of the benefit from the FBT exemption may be appropriated by the employee. This may allow employees to minimise their tax liability and increase their eligibility for a number of other means tested benefits. Thus, the FBT exemption creates an inequity between different kinds of employees.

Some CSWOs have implicitly recognised that the FBT exemption has the potential to discredit them. For example, the Royal Life Saving Society (Australia) stated that:

... we at the society were very aware of the moral issue that came about with the exemption, and we actually wrote to the Australian Taxation Office for a guideline of what we could do, and we abide by that guideline strictly. ... We do not abuse it and we have no intention of abusing it. (trans, pp. 3904–5)

Many CSWOs limit their use of the FBT exemption. In some organisations the proportion of salary that can be taken as fringe benefits is limited, while others limit the exemption to their more senior staff.

Another concern was the potential for the exemption to give PBIs an advantage in labour markets over other organisations (including other CSWOs) which do not qualify for FBT exemptions. The cost to the organisation for a given level of after tax remuneration of an employee, is effectively lower than the cost non-exempt organisations pay (see Appendix K).

The FBT exemption also has the potential to be very expensive in future for government. The tax, and the exemption from it, are a relatively recent initiative and many organisations are probably still unaware or have not taken advantage of the exemption's full potential. If the exemption were fully exploited it would be likely to become a costly form of assistance from government and difficult to modify in the future. For example, the Commission estimates that if the use of FBT became widespread — based on say 30 per cent of remuneration being made available in the form of fringe benefits — the cost to revenue would be around \$200 million.

The Commission, however, recognises that CSWOs do face financial constraints which make it difficult for them to attract quality staff, particularly at the more senior levels. The FBT exemption is seen by many organisations as a way of overcoming that problem. The Association for Disability Employment, Placement and Training enunciated the sector's concerns:

The ability for community service organisations to employ highly skilled staff with limited resources has been enhanced ... by the ability to offer such staff fringe benefits.
... The ability to offer such a package, without the disadvantage of the fringe benefits tax, has allowed community service organisations to continue to employ skilled staff and further increase the quality of their service.

To remove the FBT exemption from community service organisations will most likely result in the loss of highly skilled staff. (sub. 673, p. 2)

The Commission, however, considers that the cost of attracting staff, including senior management, should be made explicit to donors, clients and governments. The preferred form of funding is through the funding agreements that these

organisations have with Commonwealth and State governments or by seeking funds from donors.

Direct funding would also lead to greater equity between employees. Currently, the salaries of similarly placed employees may vary, not because of their ability, performance or effort, but because of the FBT exemption available to PBIs. Direct funding would remove the ability of FBT to differentiate employees in this way.

Several participants also raised the issue of the compliance costs of FBT. The Fundraising Institute (Australia) were concerned that:

... the 'live in' and 'on call' nature of many positions, as well as the extensive use of motor vehicles in the provision of community services, makes the indirect costs (cost of compliance) of the removal of the exemption, of great concern. (sub. 570, p. 9)

The Commission recognises that, if the exemption were removed, PBIs may be subject to increased costs in determining which particular fringe benefits are taxable. These costs are similar to those faced by organisations (including non-PBI CSWOs) currently liable to the tax. These compliance costs should decrease over time as organisations become more familiar with salary packaging. It should also be noted that the Act provides an exemption for live-in residential care workers separate from that for PBIs. They, therefore, would not be affected by any general removal of FBT exemptions.

12.6.6 Options for limiting or removing the FBT exemption

Removal of the FBT exemption may create some dislocation costs for those organisations using the exemption. In order to minimise those costs, the Commission considered the following options.

Option 1 Place a restriction on the amount of exempt fringe benefits

Many organisations recognise that the potential for misuse exists and argued that the best way to deal with it is for government to place a cap on the percentage of salary that can be exempt from FBT. Western Support Services stated that:

... we are aware that some organisations are misusing this advantage and therefore we are supportive of some form of limit being placed on FBT exemption. The limit could be in proportion to the organisation's total human resource budget for example. (sub. 453, p. 1)

The Royal Blind Society limits the exemption to its senior staff and gives them the option of taking up to 50 per cent of their salary in fringe benefits. Other participants argued for a cap of 30 per cent of total remuneration to those staff

concerned. ACROD submitted that the 30 per cent cap is an indication of a broadly appropriate level.

The Commission does not support such a cap on the proportion of salary that could be FBT exempt. Although a cap may reduce the risk of the exemption discrediting the sector, the exemption still has the potential to be expensive for government. For example, even with caps of 50 per cent and 30 per cent, managers on \$50 000 can reduce their income tax payable by \$9500 and \$6100 respectively. The Commission estimates that the potential costs of even a capped approach could be of the order of some \$200 million.⁷ More importantly, it would not overcome all the Commission's concerns about the exemption.

Option 2 Remove the exemption immediately and provide adjustment assistance

Under this option, the exemption would be removed immediately. Organisations that utilise the exemption could be invited to claim adjustment assistance from the Commonwealth government in order to minimise their dislocation costs.

The adjustment assistance could be provided in a number of ways. One option would be to provide up-front the present value equivalent of say, two years assistance. The lump sum would offset dislocation costs. However, there is a lack of data on which to assess the cost to the Commonwealth government of this form of adjustment assistance.

Option 3 Announce now the removal of the exemption in two years time

Rather than face the administrative costs of Options 1 and 2, the reform could be implemented at the end of two years. This option has the advantage of removing, in time, the costs associated with the exemption and giving organisations time to deal with the dislocation costs.

Under this option, the problems and distortions associated with the FBT exemption would remain for another two years. There is also a risk that organisations that previously ignored the exemption would begin to use it during this period and lobby for its continuation.

The Commission prefers Option 3. It would, over time, remove the exemption while giving organisations time to deal with the dislocation costs. It also avoids the administration costs of developing an appropriate mechanism for providing

⁷ This estimate assumes most eligible PBIs use the exemption for staff at all levels. It was calculated by placing a 30 per cent cap on the total salary costs of PBIs (say, \$3 billion). The revenue forgone will depend on the individual's marginal rate of tax though the total can be expected to be around \$200 million.

adjustment assistance or the costs associated with a cap on the proportion of the salary allowable as FBT exempt.

Moreover, if the Commission's recommendation on full funding were to be adopted, the effect of removing the exemption for funded organisations would be mitigated.

12.6.7 Treatment of CSWOs in comparison with other organisations receiving FBT concessions

This Inquiry is limited to CSWOs and so any recommendation to remove the FBT exemption should only apply to those PBIs that are CSWOs. The *Fringe Benefits Tax Assessment Act 1986*, however, also exempts, some other categories of not-for-profit organisations, for example, public hospitals that are PBIs. The removal of the FBT exemption for all PBIs would, therefore, include organisations that are not CSWOs. This is not the Commission's intention.

While PBIs and some other organisations are fully exempt from FBT, many income tax exempt bodies pay FBT but are eligible for a rebate. These organisations include charitable, scientific and religious institutions, as well as public and not-for-profit hospitals. The rebate — which reduces the tax paid on fringe benefits to roughly half the rate of FBT that would apply to FBT paying organisations — was introduced in response to the April 1994 grossing-up provisions.⁸

The rebate lowers the cost of providing fringe benefits and distorts the organisation's remuneration decisions by lowering the cost of payment in the form of fringe benefits relative to cash. The rebate provides eligible organisations with a lower cost base than others and is an incentive to provide fringe benefits.

The Commission draws attention to the distortion caused by the rebate, but recognises that it applies to many tax exempt organisations, not just CSWOs. The arguments supporting the removal of the FBT exemption are just as relevant in relation to removing the rebate. However, the Commission recognises that it would be inequitable for CSWOs which are PBIs to pay the full FBT while other not-for-profit organisations retain the rebate.

The Commission considers that PBIs that are CSWOs should be treated in the same manner as other income tax exempt bodies with respect to FBT. It would

⁸ The grossing-up provisions removed the distortion favouring remuneration by fringe benefits for non-FBT-exempt organisations by increasing the FBT rate to the highest personal tax rate.

prefer that both the FBT exemption and rebate arrangements be terminated, but if the rebate arrangement does remain it should also apply to PBIs.

Recommendation 12.4

The Commonwealth government should remove the exemption from fringe benefits tax of Community Social Welfare Organisations which are Public Benevolent Institutions in two years time. To the extent that income tax exempt organisations continue to receive a rebate on their fringe benefits tax, all Community Social Welfare Organisations should also receive this rebate.

12.6.8 The inconsistency between rulings of different offices of the ATO

The Commission is concerned with the inconsistency between rulings of different offices of the ATO and considers that the Commonwealth and States should attempt to treat similar organisations in a consistent manner with respect to exemptions from input taxes (see Box 12.6).

The decentralisation of some of the functions of the taxation office to the various regional centres may be leading to inconsistent decisions. These inconsistencies relate both to applications for tax deductibility and to applications for various input tax exemptions. Implementing Recommendation 12.2 would reduce the potential for inconsistent decisions on tax deductibility by expanding the types of organisations that are eligible. The problem with input tax exemptions, however, remains. Lyons (1993) argued that:

Despite these various bureaucratic devices designed to ensure that like cases are treated alike, the complexity of cases requires the exercise of discretion or judgement by what Michael Lipsky has called ‘street level bureaucrats’. ... The judgement of different ATO offices in different cities will likely vary in marginal ways which will, in turn lead to cases being treated differently. (p. 7)

Some participants blame the government for not streamlining the assessment processes for the different tax exemptions based on PBI status. The AAP argued that:

Separate applications for each exemption must be made. This can result in inconsistent determinations by the various officials concerned and it certainly increases administrative costs to the applicants. (sub. 310, p. 17)

Making separate applications for different exemptions wastes time and resources. Acceptance of an organisation as a PBI by one section of the ATO should automatically satisfy the requirements for other exemptions for which PBI status is the criterion.

Box 12.6 Inconsistencies in the treatment of the Overseas Service Bureau

The Overseas Service Bureau (OSB) is considered to be a PBI by the ATO, and has been granted exemptions from most Commonwealth government taxes. These exemptions were gained on a case by case basis with applications made separately to the appropriate people.

The OSB, however, is not considered a PBI by the Victorian government for the purposes of payroll tax exemption. But it recently received payroll tax exemption by the Queensland government.

OSB argued that there are other groups receiving payroll tax exemptions in Victoria that have similar objectives. It submitted, on the grounds of efficiency and fairness, that there should be uniform treatment of tax exemption matters by the Commonwealth and all State/territory governments.

Source: sub. 305

States should also look at consistency in defining organisations. The Victorian State Revenue Office has identified the problem and is attempting to rectify it:

The State Revenue Office (SRO) has recognised these difficulties and commenced a project earlier this year aimed at reviewing current legislation and processes with a view to either consolidating all exemption criteria for charitable organisations under one piece of legislation or to look at the potential of using Australian Taxation Office approvals as the basis for providing exemptions. Each of these two proposals have inherent difficulties associated with their introduction. The key to any decision may be the comparative advantages that introduction of either may bestow through equity to clients or on the SRO in terms of efficiency of administration. (Correspondence, State Revenue Office Victoria, 12 September 1994)

Recommendation 12.5

The Council of Australian Governments should simplify and standardise the criteria for input tax exemptions for Community Social Welfare Organisations with a view to reducing inconsistencies between taxes and across jurisdictions.

The sector's response to this proposal in the draft report was generally supportive. Some participants, however, expressed concern with the use of COAG as the body to simplify and standardise the criteria input tax benefits. The Aged Services Association of NSW and ACT Inc (ASA) commented that:

ASA supports the need to rationalise the issue of taxes. But it does not believe ... that COAG is the best vehicle to carry out this work. (sub. 604, p. 13)

The Society of St Vincent de Paul National Council of Australia and Community Services Australia, the National Body for Community Services in the Uniting Church, supported the recommendation but suggested that CSWOs be involved in the process.

The Commission considers that COAG is an appropriate body to conduct such a review given the nature of many of the exemptions. The review, however, would be enhanced if, where appropriate, the sector could provide input to the review.

Any change that reduces the inconsistencies needs to be accompanied by better and more transparent application procedures. Those procedures should ensure that organisations understand what they need in order to qualify for the exemption and be able to understand, and if necessary appeal, if they were unsuccessful. Queensland Shelter argued that:

A considerable number of community agencies learn about their ability to gain exemptions from various taxes through word of mouth. Understandably much of the information in the sector is wrong, inappropriate or poorly targeted. ... Current policy ensures that many organisations, like the majority of the housing sector do not know what they can be exempted from and in many cases, do not have sufficient income to enable them to get benefits in the first place. (sub. 676, p. 9)

ATO review

These changes should also be accompanied by a process which allows the ATO to review organisations granted tax exemptions. That is, the public must be confident that their donations and tax exemptions are being used for the purposes they were initially granted. Such confidence is necessary for individuals to continue their support of the sector.

In Chapter 8, the Commission concluded that CSWOs derive significant benefits through donations and other tax benefits. These benefits justify the requirement that CSWOs report their financial performance to donors and the community in general. Similarly with tax deductibility (and the input tax exemptions) the public must be confident that its tax dollars are being appropriately directed. This requires a more formal review by the ATO of CSWOs eligible for various tax benefits. Such a review would reinforce public confidence in CSWOs and encourage public support of them.

Recommendation 12.6

The Australian Taxation Office should introduce processes of regular review to ensure that Community Social Welfare Organisations receiving tax deductibility status and other tax benefits still meet the criteria by which they were granted those benefits.

12.7 CSWOs and competitive advantage

Inquiry participants made considerable comment on the effect of tax exemptions and concessions on the business activities of CSWOs.

It was put to the Commission that favourable tax treatment may give CSWOs an advantage over other tax paying competitors. It was said that these advantages are relevant for all commercial activities of CSWOs — both where they are engaging in unrelated business (for example, sales of furniture or Christmas cards) in order to raise funds for their core welfare services, or where the activity is the core objective (for example, nursing home care). Some participants argued that the advantage is a hindrance to for-profit competitors for a number of reasons including:

- CSWOs are able to cut prices to consumers below those which for-profit firms can sustain; and
- CSWOs are able to expand their operations more rapidly than their for-profit counterparts because they can use their tax free surplus to fund such expansion.

This section explores the problems involved in defining the business activities of CSWOs and then assesses whether the exemption from income and input taxes gives CSWOs an advantage over tax paying competitors.

12.7.1 Defining the business activities of CSWOs

CSWOs compete against for-profit firms in business activities unrelated to the main purpose of the CSWO, as well as core activities such as nursing homes.

The unrelated activities attempt to raise funds to support the core activity of the organisation. CSWOs are involved in a wide range of activities that are not directly related to their core objectives. Examples include general insurance, financial services, worm farms, recycled clothing, packaging, sheet metal products and sales of Christmas puddings. CSWOs compete against other tax paying firms but are exempt from paying tax on any profits made.

Core activities include nursing homes, hostels, medical aids and appliances and services in the health care industry. Tax paying firms are increasingly competing in these markets, many of which were previously the sole domain of CSWOs.

Even though any competitive advantage and resulting resource effects are relevant to both core and unrelated activities, many of the suggested solutions to the perceived problems have tended to focus only on the unrelated activities. The Queensland Deaf Society, for example, argued that:

If, as is suspected, some charities have extremely profitable business undertakings that are in no way connected to the reason for their existence, these activities should be clearly identified and separated and treated as tax paying entities. (sub. 105, p. 12)

In order to treat unrelated activities differently, it would be necessary to distinguish them from the core activities of a CSWO. This poses a number of difficulties. For example, is a workshop employing disabled or unemployed staff providing valuable training or selling furniture? Similarly, is an opportunity shop selling second hand clothes for funds or providing affordable clothing to those in need? It is often difficult to judge whether those activities are directly meeting the principal objective of the CSWO or whether they are attempting to raise funds to support other charitable purposes.

Even if it were always possible to separate out the core and unrelated activities of CSWOs, it is unclear whether there would be any benefits from doing so. The competitive advantage given to CSWOs may be less of a problem in unrelated activities than in core activities. Some unrelated activities are not tax favoured activities. For example, goods purchased for re-sale are excluded from sales tax exemptions. This reduces the ability of that organisation to take resources away from other commercial retailers. Similarly, land tax, in some States, is also payable if the land is used for commercial purposes. These taxes minimise the commercial advantage of unrelated activities of CSWOs.

There is limited information about the extent to which CSWOs engage in unrelated business activities, and hence, little information on the problems and inefficiencies that result. It is clear that, if inefficiencies do arise because of some of the tax exemptions, they are just as likely to arise in core areas as they are in the unrelated areas.

The general conclusion that can be drawn is that it is not sensible to look only at unrelated business income activities. The problem is a wider one that should be analysed, not by looking at whether the CSWO's activity is related or not, but at whether the activity is competing with other firms.

12.7.2 Tax exemptions and resource allocation

The Commission is concerned with policies that adversely affect the competitive position of organisations. Government decisions that advantage certain types of organisations over others may make society worse off if they divert resources away from other organisations which can use them more efficiently. Appendix K addresses, in more detail, the question of the advantage that CSWOs may have over for-profit competitors because of their tax exemptions.

CSWOs receive exemptions from income tax and some input taxes. These exemptions affect their competitive position, and hence resource allocation, in different ways.

Exemption from income tax

It has been claimed that the exemption from tax on any profits made by CSWOs allows them to offer a more competitive product than organisations which are liable for income tax. For example, the Queensland Cancer Fund, under the Sun Smart Shop, are able to sell sun protection products and enjoy tax free profits. For-profit competitors of sun protection products are liable for company tax on their profits. The issue is whether that difference detracts from efficiency in the economy.

Income tax, however, is an after-profit tax imposed on revenue after costs have been taken into account. Being an after-profits tax, an exemption from it should not affect the behaviour of an organisation when deciding how to set its prices and how to minimise its costs. This result holds whether the CSWO is engaged in unrelated business income or where the activity is the CSWO's core objective.

For a CSWO in unrelated commercial activities, such as a plant nursery, the objective would be to make a surplus so as to have more funds available to pursue its charitable objective. The plant nursery would be attempting to minimise its costs and sell the plants at the market determined price. The result should be that a surplus (profit) is earned that can be used in service delivery. If income tax exempt status were withdrawn, this would lower the funds that would be available for the CSWO's charitable purpose. But it would not alter the decision made by the CSWO about how much to produce, what its costs should be (assuming no input tax exemptions), and how it should price goods on the market against competitors.

Nevertheless, taxation of profit, in itself, introduces distortions because it makes use of particular conventions in order to establish the tax base. Freebairn argues that the decisions made by organisations may be affected:

In reality, business income tax systems are not comprehensive base systems with no distortions. For example, distortions stem from systems of accelerated depreciation, investment allowances, and the combination of inflation and historical accounting measures of interest, depreciation and stock valuations. These distortions result in different tax wedges between different decision choice options. (sub. 310, p. 42).

But, as CSWOs are not subject to income tax, their decisions are not affected by tax avoidance considerations. However, this difference is likely to be small and therefore unlikely to affect the relative positions of income tax exempt and other organisations.

Therefore, the exemption from income tax should not greatly affect the incentives of a CSWO engaged in unrelated business activities.

The argument that CSWOs will undercut their competitors does not stand up to scrutiny. The reason why CSWOs enter into many market ventures is to use the profit to finance their charitable operations. For instance, where a CSWO is operating a plant nursery which is unrelated to its core activities, it will be attempting to provide the most funds it can to its charitable purpose. Hence, it has as much incentive to maximise profits as do for-profit firms. There is no reason why it should permanently give that surplus away to the purchases of plants by lowering its prices.

In the core activities of a CSWO, the imposition of a tax on profits should not affect the organisation's behaviour. A hostel, for example, may decide that it is not a business and is not interested in competing with other hostel providers. It may decide that it has the objective of providing affordable accommodation to its clients. In this instance the CSWO would choose not to earn a surplus, or alternatively, to use its potential surplus to offer cheap accommodation to its clients. For an organisation that chooses to offer services in a way that does not earn it a profit, its behaviour would be unaffected whether or not it is exempt from income tax. Similarly, if unrelated business were subject to income tax, an organisation could reconstitute itself into a separate CSWO and business and then it could simply reduce its taxable income by making a tax deductible donation to the CSWO.

Exemption from some input taxes

Input tax exemptions affect different types of activities in different ways. The effect of input tax exemptions on competitive advantage and efficient resource use was explored in section 12.5.4 and more thoroughly in Appendix K.

Input tax exemptions do provide incentives for certain tax-exempt organisations to compete resources away from organisations that are not tax exempt. The changes in the costs faced by CSWOs encourage them to alter their behaviour. This incentive is not created by the income tax exemption. By lowering the

costs faced by exempt organisations, less efficient organisations are able to survive — and perhaps even expand — often at the expense of firms that may be efficient but do not have access to the same exemptions. A CSWO operating a plant nursery was shown above not to affect resource allocation through its income tax exemption. If, however, the nursery had access to input tax exemptions which lowered some of the costs it faced, the nursery would be able to make a larger before-tax surplus than a tax-paying competitor. This difference may attract other tax exempt plant nurseries into the market and make it difficult for the tax-paying firms to compete. This would distort resource allocation. Woolloongabba Laundry Pty Ltd submitted that the input tax exemptions provided to two CSWOs operating commercial laundries allowed these CSWOs to compete unfairly and win contracts away from for-profit laundries:

The basis of concern is not just the loss of business but the manner of support that these organisations receive from the public sector through subsidies and concessions. It is also worrying as to what their growth plans are and what may be expected in the future. Why in the world should our taxes be used to subsidise these organisations so they in turn can compete unfairly in the market. (sub. 781, p. 1)

Although not covered by the Terms of Reference of the Inquiry, Health Care of Australia explained how input tax exemptions to some organisations in the health area lead to an operational advantage for private hospitals operated by charitable organisations (trans, pp. 2084–85).

Health Care of Australia estimates that the input tax exemption represents a 5 per cent difference in costs between exempt and non-exempt hospitals (trans, pp. 2084–85). They argued that tax-exempt hospitals could afford to operate at inefficient levels because of the buffer given to them by the input tax exemptions. They claim that for-profit competitors have had to become more efficient to be able to compete against the tax-exempt organisations.

CSWOs do enjoy some benefits from the income tax exemption, namely better cash flows (see Appendix K). However, there are some important, potentially offsetting, differences between income tax-exempt firms and for-profit firms. For-profits have a number of offsetting advantages including the capacity to borrow, the ability to benefit personally from profits, and the ability to expand using market-based instruments such as share issues. Overall, the income tax exemption does not appear to represent a critical advantage to CSWOs over for-profit competitors.

Input tax exemptions, however, do give CSWOs undertaking commercial activities an advantage over their for-profit competitors. It is this advantage, and the effect it has on efficiency, that needs to be addressed.

12.7.3 Options for reform

One way to deal with the competitive advantage given to CSWOs by input tax exemptions is to tackle the problem directly, in isolation from the general reform of those exemptions. There are three options:

- separate core and unrelated CSWO activities;
- tax the income from any market activity of the CSWO; or
- provide input tax exemptions for for-profit organisations engaging in charitable type work.

Separate core and unrelated CSWO activities

Even though competitive neutrality is compromised through input tax exemption to all CSWO market activities (core and unrelated), the debate has tended to focus on the unrelated business side. In section 12.7.2 it was argued that the activity of the CSWO was less important than the effect of the tax exemption on resource allocation, regardless of the activity of the CSWO.

The United States has attempted to separate the core and unrelated business activities of CSWOs by introducing an unrelated business income tax (UBIT). This has generated only limited benefits. The approach has been complex, rarely used and generally ineffective. Schiff and Weisbrod (1991) have questioned the effectiveness of the UBIT for the following reasons:

First, compliance with the unrelated business income tax (UBIT) is believed to be poor. Second, courts have generally given a broad interpretation to the ‘relatedness test’, allowing much commercial activity to receive tax advantage. Third, there are a number of important exceptions to the UBIT, such as activities carried out for the convenience of a non profit’s members. Finally, even if an activity is unrelated, ambiguities regarding the allocation of costs between exempt and non-exempt activities allow substantial avoidance of tax. (p. 630)

It also has the unintended consequence of concentrating not-for-profit market activity in related areas and, as a result, imposing greater pressure on competitive for-profit firms. Rose-Ackerman (1982) argues that:

... the tax on ‘unrelated’ business income prevents such dispersion. Tax-exempt firms must now concentrate their profitable endeavours in those few lines of business judged to be ‘related’ ... Such concentration in a few areas makes it more likely that the business activities of non profits will impose losses on competitive for-profit firms. (p. 1038)

Tax the income from any market activity of the CSWO

Rather than remove the exemption for unrelated activities, this option would remove the exemption from any CSWO activity that competes with the

for-profit sector in the market place. This would include both core and unrelated activities. The Northern Territory government proposed that:

If the tax system is used then the benefit/concessions should be limited to the charitable activities specifically and not extended to the commercial activities of the organisation, particularly where competing with other organisations not eligible for tax exemption. (sub. 345, p. 5)

There are, however, many problems with this option. The major one is that for-profit firms are increasingly engaging in the provision of human services. Indeed, some proposals made in this report are designed to offer opportunities for increased participation by the for-profit sector. Defining ‘market activities’ and distinguishing those from the rest of the sector would present almost insurmountable problems.

Provide input tax exemptions for for-profit firms engaging in charitable type work.

Another way of dealing with the competitive advantage CSWOs have over for-profit organisations is to extend input tax concessions to the latter group. New South Wales and Tasmania currently exempt for-profit nursing homes from land taxes. This tends to create a neutrality with nursing homes run by CSWOs.

There are two problems with this approach. The first is that it can only be applied to the core activities. This creates a further difficulty in the definition of core activity. The second problem is that it favours for-profit firms in one industry over for-profit firms in other industries. Resources may flow to the tax-exempt industry in ways that are inefficient for the economy overall.

Generally, if the long term solution is to remove input tax exemptions to CSWOs, then it would not be appropriate, in the short term, to extend the exemptions to other groups.

12.7.4 The Commission’s view

Currently, CSWOs operating in markets can use input tax exemptions to attract resources at the expense of for-profit firms, allowing some less efficient CSWOs to remain in business.

In principle, input tax exemptions on CSWO market activities should be removed. Removal of the input tax exemptions would remove the advantage commercial CSWOs have over their for-profit competitors. This would reinstate equity between different types of organisations and allow resources to flow to the most efficient firm.

The problem should be addressed in a comprehensive way in order to avoid creating further anomalies. For that reason, the Commission has resisted calls for a tax on the unrelated business activities of CSWOs. Unrelated business income is a concept that is too difficult to define and too costly to enforce, and consequently the costs are likely to outweigh the benefits.

The Commission recognises that some for-profit firms are adversely affected by the input tax exemptions. It considers, however, that it would be more effective to bear these costs in the short term and, in the long run, replace the input tax exemptions with a more neutral form of assistance.

12.8 Capital gains tax

Many participants expressed concern about the impact of capital gains tax on individuals considering bequests of assets to a CSWO.

Generally, if an asset is passed on to another person at death, no immediate liability for capital gains tax is generated. The beneficiary will, however, be liable for capital gains tax on the subsequent disposal of the asset.

Where an asset passes to a tax exempt body, however, no tax would be payable on subsequent disposal because the body is tax-exempt.⁹ To ensure that capital gains tax is eventually paid on all bequeathed assets, section 160Y of the ITAA was introduced. It provides that where an asset passes, by virtue of death, to a tax-exempt body, the deceased is deemed to have disposed of the asset to that beneficiary immediately prior to death for a consideration equal to the market value of the asset at the date of death. The estate is, therefore, immediately liable for any capital gains tax.

The immediate payment of capital gains tax has a number of effects:

- it creates a disincentive to bequeath assets to a CSWO because the estate will face a tax burden that would have been postponed if assets were passed on to other taxpaying beneficiaries;
- other beneficiaries may effectively pay capital gains tax for an asset they do not get any benefit from; and
- the burden of the capital gains tax may fall on the tax-exempt organisation if there are no other beneficiaries.

⁹ Tax exempt bodies, as listed in section 23 include trade unions, employer associations, non-profit cultural or sporting bodies, non-profit aviation tourism, agricultural and manufacturing organisations and charitable organisations.

The Trustee Corporations Association (sub. 239) expressed several concerns in relation to this provision:

- it operates as a form of death duty on estates with charitable beneficiaries;
- section 78 of the ITAA effectively denies a tax deduction to the donor; and
- it discourages people from donating to charities through their wills because of the resulting payment of capital gains tax.

Section 160(Y) of the ITAA also creates an incentive to avoid paying the capital gains tax by disposing of assets in other ways. For example, rather than bequeathing an asset to a CSWO, the individual could leave the asset to other beneficiaries who could sell the asset and give the proceeds to the CSWO. The beneficiaries could then obtain a deduction from their income which would more than offset the capital gains tax arising from the sale of the asset.

The Commission accepts that the aim of section 160Y is to tax the gain made by the individual making the bequest — not the CSWO after it receives the asset. This is consistent with the current practice of estate administration which settles the debts and meets the funeral expenses of the deceased before any distributions are made.

The Commission recognises that section 160(Y) may give rise to a disincentive to individuals to bequeath assets to tax-exempt bodies (including CSWOs) and considers that the disincentive should be removed. This could be achieved by allowing bequests to organisations to which gifts are tax deductible, to be exempt from capital gains tax.

The Commission considers that this option would remove the disincentive to bequeath assets to CSWOs and would avoid the costs that are currently imposed on third parties. It is difficult to see how this option could be used as a tax avoidance measure. The Commission does not have sufficient information on which to assess the cost implications of such a move, but suggests that there would be sufficient benefits to individuals and CSWOs which would outweigh the revenue cost to the Commonwealth government.

Recommendation 12.7

Assets bequeathed to charitable organisations that enjoy tax deductibility status should be free from any capital gains tax liability.

12.9 Dividend imputation credits

Some participants submitted that Australia's dividend imputation system has unintended consequences for some CSWOs. These arise because the CSWO cannot use tax credits to offset other taxation liabilities. Blake Dawson Waldron Solicitors explained that:

For a non-taxable recipient, the system imposes the corporate rate of 33 per cent on the profits of a company distributed to a zero rate taxpayer. For an exempt CSWO, the investment decision is complicated because fully franked dividends carry no credit or benefit for the underlying corporate tax. Consequently, CSWO investment is often biased towards high yielding interest bearing debt and unfranked dividends. (sub. 445, p. 9)

The Sunshine Foundation (sub 634) argued that one effect of the dividend imputation system was that charitable trusts and foundations had less money available for charitable purposes.

The Commission recognises that the dividend imputation system in Australia may bias the investment decisions of tax-exempt bodies. As CSWOs are tax-exempt, they may favour investments in shares offering unfranked rather than franked dividends. Similarly, a CSWO may prefer other forms of business ownership than publicly listed shares. This may result in a less efficient use of financial resources by CSWOs.

The anomaly may be addressed in a number of ways. The AAP suggested two options. First, the company could identify tax-exempt shareholders and make specific provisions for payment to them of the full dividend without the pre-paid tax credit. Second, the CSWO could approach the ATO directly in order to claim back the tax paid by the company.

Both options have drawbacks. The first imposes costs on companies or their share registers because they would have to identify and treat differentially their tax-exempt shareholders. The second option would also involve additional administration by CSWOs and the ATO.

While the difficulties identified here apply to all tax-exempt organisations (and individuals) not just CSWOs, the Commission sees merit in a review to determine the most cost effective way of removing the distortions in the investment policies of CSWOs due to the dividend imputation system in Australia.

Recommendation 12.8

The Commonwealth Treasury should conduct a review to determine the most cost effective way of removing any distortions faced by Community Social Welfare Organisations due to the dividend imputation system in Australia.

13 BENCHMARKING FOR IMPROVED PERFORMANCE

The use of benchmarking techniques in the community social welfare sector is in its infancy. The Commission sponsored an exploratory study of benchmarking in the sector, which suggested some ways in which the assessment of efficiency and effectiveness in the sector could be approached. The outcomes of this and other studies suggest that establishing best practice programs within the sector could be of value to both the sector and the wider community.

13.1 Introduction

The community social welfare sector is concerned that it should operate with an adequate resource base to deliver quality services. A major theme of many submissions to the Inquiry was that the resource base on which the sector operates is too small to enable this to occur for the range of needs which the community presents. However, it is always likely that resources will not match perceived needs in the community, so it is important to assess the performance of the sector in terms of how well it uses the existing resources at its disposal. It is in this context that performance improvement is addressed in this chapter.

Assessing the performance of the sector is of vital importance not only to it but also to clients who receive services, to Commonwealth and State and Local governments which partly fund the sector and to the public who provide it with donations of money and time.

Parts of the sector are responding to the demands of clients, governments and donors to achieve better performance by introducing evaluation of individual programs, comparing performance within their organisations and in some cases comparing their performance with external organisations.

As the South Australian Council of Social Service (SACOSS) said:

Community Sector organisations are vitally interested in planning and evaluating their services and managing their organisations strategically. Management in these organisations is almost always keen to see how they can apply management techniques, whether they be performance indicators, benchmarking or whatever.

... [the sector's] inability to develop and use these techniques generally results not from a lack of interest or willingness, but from a lack of resources to develop appropriate systems. (sub. 250, p. 11)

The value of benchmarking as a tool for performance assessment and monitoring in the community social welfare sector, and as a process for uncovering ways to improve its performance, is also explored in this chapter.

13.2 The value of benchmarking

Benchmarking is the setting of reference points against which the performance of a single organisation, a group of organisations or an entire sector can be assessed. From a sector-wide perspective, benchmarking refers to setting reference standards with a view to raising the overall performance of the sector. Whether this can be done depends partly on the ease of performance monitoring.

Performance monitoring measures the efficiency and effectiveness of all organisations against common stated output and outcome objectives. This can be done by identifying existing best practice against which organisations can be ranked (see Box 13.1). In so doing, the quality of service and value systems of the sector need to be sensitively considered.

One important purpose of measuring performance and comparing organisations is to demonstrate whether significant performance differences exist. If they do, and to the extent that their causes can be attributed to factors which are within the control of management, a case can be made for change so that the overall performance of the sector can be improved.

Another important purpose of benchmarking is to demonstrate the relative performance of individual community social welfare organisations (CSWOs). Demonstrated performance helps CSWO to maintain and increase support from donors, funding organisations and other stakeholders. Donors and funding organisations value performance monitoring because it enables them to direct limited funds where they will achieve maximum benefits.

By enabling actual performance to be compared with achievable standards, benchmarking can help those involved in the management of CSWOs to better achieve their goals by using their existing resources more efficiently and effectively. As a tool for identifying and explaining performance differences, benchmarking can provide a stimulus for improving the performance of an organisation.

Box 13.1 Efficiency, effectiveness, best practice and benchmarking

- **Outputs** are the services (or goods) that a Community Social Welfare Organisation (CSWO) produces. An organisation or funding body chooses to produce or fund particular outputs with an expectation that they will result in the outcomes desired.
- **Outcomes** are the ultimate effects or results that follow from an organisation's outputs.
- **Efficiency** is the extent to which organisations maximise their output in terms of inputs at their disposal and is generally expressed in terms of ratios of outputs to inputs.
- **Effectiveness** is how well outputs result in desired outcomes. The outcomes are those desired by the organisation, by its clients and by those who fund the organisation.
- **Best practice** is the best identified way for an organisation to achieve an output or outcome. Organisations can improve their efficiency and effectiveness by striving for best practice.
- **Benchmarking** establishes a reference point of best practice with which the performance of each organisation can be compared. A benchmark can be a theoretical standard or an observed best practice achievement against which organisations can continuously judge themselves. Benchmarking often involves further steps aimed at discovering the causes of performance differences so that each organisation is enabled to achieve best practice.

These concepts are well developed in the literature and practice of benchmarking in industry, commerce and government. The challenge for the community welfare services sector is to apply them sensitively to the concerns for human dignity and quality of process which characterise the sector's value systems.

CSWOs can compare performance:

- against organisations in the for-profit sector, where different incentive structures may have resulted in different ways of doing things (see Box 13.2);
- between local and overseas operations (see Box 13.3); and
- between CSWOs or parts of CSWOs (see Box 13.4).

Observance of differences from the best performance benchmarks allows operations to be analysed and differences acted on, which can lead to performance improvement.

Sector wide benchmarking and performance monitoring can also be used to devise policies designed to improve incentives and the environment within

which a sector operates. The recommended policy changes can encourage and provide the means for organisations to achieve best practice.

Box 13.2 Royal Blind Society of New South Wales

The Royal Blind Society established an internal program evaluation department two and a half years ago. The program's purpose was, in part, to develop performance standards and to monitor the organisation against these standards. The current focus is on developing benchmarks to compare aspects of the Society's functions to other organisations that provide similar services. For example, their audio production unit which produces novels on tape for their talking book library is compared to commercial producers of talking books in areas such as quality, production times and resources used.

Source: Royal Blind Society of NSW (trans, pp. 785-810).

Sector wide performance benchmarking can be a means of encouraging co-operation, networking and information sharing. It should, for example, demonstrate to all in the sector how the better performing CSWOs are using the various resources at their disposal and converting them into preferred outputs and outcomes. Yet it does not, in itself, yield much information on why a particular organisation is performing poorly relative to others.

Box 13.3 World Vision Australia

World Vision Australia benchmarks some aspects of its operations with its counterparts overseas. Standardised trends are used to compare administration costs. These comparisons are used to determine how their costs are behaving relative to their counterparts and if additional measures are needed for cost control. Although it is not a precise measure, due to different treatments of administration costs, it does provide information on cost deviations over time.

Source: World Vision Australia (trans, pp. 1196-1199).

Identifying that there are performance differences, however, can be the first step toward discovering their cause. But identifying the specific know-how for a particular organisation to achieve best practice can require an extra step. Process benchmarking can be used to identify the causes of differences in performance. Identifying the processes used, and evaluating process differences between the better performing organisations and others, enables an assessment to be made of changes which are within management's control. Process benchmarking allows analysis to be more detailed and organisation-specific.

A further step to assist individual organisations, after process benchmarking has identified the ‘drivers’ of performance, can be to identify benchmarking partners. An organisation’s benchmarking partners should be the ones which they are best able to learn from and so gain maximum improvement in performance.

Box 13.4 Anglican Retirement Villages

Anglican Retirement Villages organisation addresses performance issues through benchmarking. It funds an internal research resource unit which develops industry performance standards. These standards are used as benchmarks for best practice. The internal research resource unit collects and analyses international data on performance.

Source: Anglican Retirement Villages (sub. 181).

Benchmarking has provided proven benefits to organisations in many sectors of the economy by:¹

- quantifying performance differences;
- motivating staff by demonstrating that improvement is achievable (because it has been achieved by others);
- identifying areas to concentrate effort on; and
- stimulating innovation so that organisations find new and better ways of reaching or surpassing their goals.

As yet, benchmarking has been relatively unexplored in the sector. However, prospects for its use attracted considerable interest during the Inquiry. Many participants stressed the need for process benchmarking rather than output benchmarking. This concern is understandable and appropriate. Process and output benchmarking are each of value and each can throw light on why some service providers are more efficient or effective than others. However, donors and governments as the principal funders of CSWOs have a vital interest in output benchmarking in their efforts to ensure that the community receives value for money.

13.2.1 The sector’s use of benchmarking

In a survey conducted by AGB McNair (1994) on behalf of the Commission, managers of a number of CSWOs were asked to identify ways in which their

¹ A complementary approach to achieve performance improvement involves the use of quality management systems (see Chapter 14).

organisations could become more efficient. The most frequent response was that efficiency could be improved by instituting improved systems and procedures. When asked how their organisations could become more effective, the most frequent response was through the use of increased monitoring and evaluation of programs (see Table 13.1).

Table 13.1 Ways in which CSWOs can become more efficient and effective, 1994 (per cent)

<i>Responses on ways their organisation could become:</i>	<i>More efficient</i>	<i>More effective</i>
Increased monitoring and evaluation of programs	19	28
More training of general staff	18	19
Increased levels of unspecified funding	17	18
Increased government funding	12	18
Increased staffing levels	19	16
Improved systems and procedures	21	13
Improved infrastructure	21	na
Greater flexibility in working conditions	12	na

Note: Managers of community social welfare organisations were asked in what ways their organisation could become more efficient and more effective.

na Not available

Source: AGB McNair 1994.

CSWOs are already using a range of business techniques, including evaluations and comparisons, to improve their performance (see Table 13.2 and Boxes 13.2 and 13.3).

Table 13.2 Use of evaluation and comparisons by management of CSWO, 1994 (per cent)

<i>Management systems</i>	<i>Small organisations</i>	<i>Medium organisations</i>	<i>Large organisations</i>
Independent reviews for some/most programs	53	67	75
Cost centres for most programs	70	87	90
External cost comparisons for some/most programs	32	56	80

Source: AGB McNair 1994.

A number of participants saw benefits arising from a wider use of performance monitoring and benchmarking. For example, the Australian Conservation Foundation stated:

The Australian Conservation Foundation (ACF) would welcome any move towards benchmarking of performance with comparable organisations. The ACF is highly conscious of the need for strategic planning and the communication of its aims and objectives to the public, its own staff and supporters and the various government and

non-government bodies with whom it interacts. ... The ACF continues to strengthen its commitment to performance measurement, benchmarking and a defined strategic planning process incorporating controls for provision of feedback to Executive, monitoring of progress and corrective action by the recruitment of experienced management skills. The ACF is confident that it would demonstrate a high performance level on the basis of any formulae developed to measure performance of like organisations. (sub. 132, p. 12)

The Australian Community Health Association's experience is that benchmarking has lead to better outcomes for its clients and has improved its procedures. Its quality control program has worked so well that its procedures have been adopted by some other organisations including some government departments (see Chapter 14).

A number of peak organisations also commented on the potential and increasing use of benchmarking. ACROD said:

Disability service providers have for some time appreciated the importance of obtaining measures of relative efficiency. Participants in the Quality Assembly noted benchmarking as an area which should be given some priority. Before that, some benchmarking had taken place among larger ACROD members, but met difficulties because of differing measurement approaches. Work towards resolving these for open employment services was going forward, as part of the NIMS (National Information Management System) proposal, at the time of the Assembly. (sub. 152, p. 27)

The Australian Council of Social Service (ACOSS) stated:

The development and application of benchmarking in community services is in its infancy, but gaining momentum. ... The usefulness of benchmarks is that they may allow for inclusion of a concept of adequacy in service planning.

... four possible positive uses of benchmarks in community services are the:

- 'minimum' or 'optimal' levels of service required to meet service objectives;
- level or quantum of service required at the individual and community level to meet identified needs;
- minimal or optimal levels of service to ensure the service is viable, efficient and effective;
- service standards defining acceptable quality of service. (sub. 286, p. 29)

While supporting the concept of benchmarking, some participants cited the lack of government funding and organisational culture as impediments to its wider adoption. For example, the New South Wales Association of Major Charitable Organisations (AMCO) said:

Strategic planning, performance management and benchmarking, based on best practice, are valuable managerial tools which should be consistently used in the non-profit sector. AMCO agencies make use of these techniques but organisational culture and government funding processes have prevented full adoption of these practices. (sub 300, p. 17)

South Australian Council of Social Service (SACOSS) also noted:

... managers are generally keen to examine methods of planning, performance measurement and evaluation but their commitment is undermined by a lack of quality research into performance measurement issues and most especially a lack of resources to undertake projects and practical studies. (sub. 250, p. 2)

13.2.2 Limitations of benchmarking

The applicability of benchmarking for comparing and improving performance is limited by the extent to which inputs, outputs, processes and qualities can be quantified. ACOSS cautioned in their submission:

Benchmarks, as a measure of output, are more easily identified and quantified for planning purposes in some services than in others. For example, estimating the number of nursing home beds for a population with a given demographic profile will be easier than developing a simple measure for family support services. (sub. 286, p. 30)

ACOSS also cautioned that the objectives against which organisations are benchmarked need not be goals shared by the organisations themselves.

Performance indicators and benchmarks are not neutral technical tools. What is to be measured depends on the objectives of service provision, and many of these are themselves contested ideas. (sub. 286, p. 30)

The Brotherhood of St Laurence cautioned:

... benchmarking ... runs a risk of being too narrow an evaluative technique. ... for some parts of the community sector it may not be the technique you would want to apply to actually improve service quality at this particular time; if you looked at what was needed and if you wanted to get from here to there it would be a matter of looking at attempting to resource the sector, training, and a structural mechanism to address that rather than imposing a technique early for a sector that really isn't appropriate to take it all on. ... I also have concerns about the cost ... and the time involved. Could that money be spent better ... bringing the sector up to a certain level and then you consider benchmarking techniques (trans, p. 4448).

Also, Queensland Shelter noted:

From a rural and remote perspective, it is important that if a best practice program is developed that best practice in non-metropolitan settings also be considered. There is no point in developing a best practice model that excludes a considerable proportion of the Queensland population where approximately 40 per cent live outside the South-East corner of the State. Rural and remote areas face operating constraints not evident in urban situations. For instance, large distances to be travelled in work time will cut down client contact time. This reflects badly in standardised benchmarks. (sub. 676, p. 11).

13.2.3 Factors limiting assessment of CSWOs' performance

Few detailed studies of organisational performance have been undertaken in the sector. Even fewer studies have compared the performance of CSWOs and for-profit organisations as community social welfare service deliverers. Data on which to base an evaluation of performance is not readily available in most areas of community social welfare service delivery.

Furthermore, particular difficulties limit comparisons of performance within and between sectors. These include:

- in some areas, such as emergency relief, few or no for-profit organisations operate; and
- in other areas, such as counselling, and social and community support, the complex and qualitative nature of important community welfare service outputs evade quantification.

13.3 Performance differences between CSWOs and for-profit organisations

CSWOs have long been the main providers of particular services to the disadvantaged in the community. For most of their activities, CSWOs have little competition from for-profit organisations. But for-profit organisations are increasing their involvement in some areas, for example, in child care and in nursing homes. Commonwealth, State and Local governments, as funders of services, are keenly interested in performance differences within and between these categories of providers.

Noting that approximately 90 per cent of hostel accommodation and 42 per cent of nursing home beds are provided by CSWOs, the Commonwealth Department of Human Services and Health (HSH) submitted:

... the mix of sectors providing services is important - generally the private sector provides pricing benchmarks and the community sector provides social justice benchmarks. The community sector tends to meet a greater proportion of the need in rural and remote localities. (sub. 414, pp. 20-21)

Nursing homes have been subject to several recent major reviews — by Braithwaite *et al* (1992) and (1993), and Gregory (1993) and (1994).

Gregory (1994) found that:

There is some evidence that on average nursing homes in the voluntary sector care for residents who are a little more dependent, spend more on nursing and personal care, meet outcome standards better, and have fewer complaints from residents, with a lower proportion of these complaints being justified. The charitable sector also provides

almost all of non Government nursing home care in geographically remote localities. ... However some of these differences are quite small, and it is difficult to know the extent to which they are the result of the better funding the charitable sector receives. (p. 20)

Considerable variation in performance was found in the New South Wales Review of the Supported Accommodation Assistance Program:

[I]n the case of youth crisis services, the number of clients per worker ranged from a low of 14 to a high of 56 clients per worker (a variation of 400 per cent). Similarly in the medium term services the range was from 3 to 23 clients per worker (a variation of over 700 per cent).

Similar variations occur in other service types and target groups. For example, in crisis services for women escaping domestic violence, the number of clients supported by one worker ranged from a low of 6 for one service, to 83 in another. These services varied from the general trend, which was generally in the region of between 11 and 29 (9 services). Women's medium term [support] varied between a low of five clients to one worker, to a high of 31. ...

[T]here is no consistency in the amount of support that is being delivered within the program. (Purdon and Morse, 1994, p. 117)

The extent to which any tentative empirical evidence comparing CSWOs and for-profit organisations in one area can be used to generalise about other areas of service provision is contentious. Evidence on much of the rest of the sector is lacking because the complex and qualitative nature of their outputs is more difficult to evaluate. Also, there are fewer for-profit organisations in many of these areas with which to compare CSWOs' performance.

Although average performance of for-profit organisations and CSWOs may differ, studies such as Gregory (1993, 1994) on nursing homes suggest that there is far greater variation in individual performance within each category — that in each there is both good and poor performance.

13.4 Differences between performance found in a benchmarking study

The Commission engaged London Economics and Impact Consulting Group to undertake an exploratory benchmarking study of performance within the sector.² Being exploratory, it focused on output benchmarking rather than process benchmarking. Appendix N describes how the study was conducted. The consultants examined the relative input-output performance of service

² Extensive tables of results, a description of the technique used (Data Envelopment Analysis) and of the methodology employed, are contained in the consultants' report — London Economics and Impact Consulting Group (1994).

providers in three key areas — emergency relief, youth accommodation and in-home respite and personal care.

Estimates were derived for the total productivity of each organisation providing the particular service, measured as ratios of the output produced to all inputs. This required a thorough screening of survey data and extensive follow-up of survey responses to ensure that like was being aggregated and compared with like. Results were reported as ratios of each organisation's service provision productivity to the productivity achieved by the best practice organisation.

The results were analysed to show:

- **Overall efficiency** — the extent to which an organisation is maximising its output given inputs used, when compared with best organisations.
- **Scale efficiency** — the extent to which the productivity of an organisation is limited by its size.
- **Non-scale efficiency** — the extent to which an organisation is maximising its productivity given its size, when compared with best performing organisations of the same size.

The study was exploratory, commissioned by the Inquiry to initiate some activity in the field rather than to establish a performance monitoring system or to draw definitive conclusions about the scope for performance improvement. Nevertheless, the consultants drew some conclusions from the study.

13.4.1 Emergency relief

Emergency relief agencies provide material and financial aid to clients. They also often provide further services, such as counselling and budgeting advice, and may assess clients' further needs and refer them on to other agencies.

Twenty-two organisations supplied data on their operations. Output variables used in the consultants' estimates of the average efficiency of various emergency relief providers were the number of clients served and the value of aid provided. Input variables were the number of paid employees and volunteers, total value of assets used, values of buildings used and total expenditure on operating and maintenance inputs.

The study demonstrated wide variation in overall performance. However, not all of this improvement would be within the provider's control or power to rectify. The study indicated negligible opportunities for overall efficiency to be improved by increasing the scale of operations. Virtually all of the scope for improved performance could be achieved within the existing sizes of organisations offering emergency relief.

Statistical analyses undertaken by the consultants suggested that one third of the variation in non-scale efficiency was due to factors outside the control of management, such as providing services in high cost areas with a client base predominantly made up of families. The analysis also found that organisations that have higher shares of their funding coming from government tend to be less efficient.

The two thirds difference in non-scale efficiency which could be attributed to factors within the control of emergency relief organisations suggested scope for a considerable increase in output with the existing level of resources.

However, because the study found that greater resources were required to provide material aid than were required to provide financial aid, more work would need to be done to determine the extent of the differences in the performance of material aid suppliers only, and of financial aid suppliers only.

13.4.2 Youth accommodation

Youth accommodation is provided to young people who are either homeless or at risk of becoming homeless. Youth accommodation is often provided with a host of associated services including ongoing counselling, referral and advocacy. Organisations differ in terms of the length of stay they provide. Most focus either on providing short-term accommodation or on providing medium-term to long-term accommodation. The objective with short-term accommodation is to address underlying problems causing a client's homelessness. With medium-term to long-term accommodation, the objective is to integrate the client back into the accommodation market.

Twenty-five organisations provided information. Output variables³ were limited to the number of clients served and number of bed days of accommodation because these were the only measures of output of which youth accommodation centres had consistent and comprehensive records. Input variables were characteristics of buildings used (floor space, number of bedrooms, number of beds and values of buildings); numbers, salaries and on-costs of employees and volunteers; and other operating and maintenance inputs as measured by total annual expense.

As was the case with emergency relief agencies, the study demonstrated a wide range of overall efficiency performance for youth accommodation. But, unlike emergency services, the opportunities for scale efficiencies were large. Larger providers clearly had lower cost structures than smaller providers. Scale of

³ Output variables are the quantified services that the organisation is deemed to have produced.

operation may not be amenable to change by management, of course, because of regional or funding limitations.

The study suggested that about half of the non-scale efficiency differences between youth accommodation organisations were attributable to differences in operating environments which were not easily amenable to change. These included factors such as bed utilisation rates, the percentage of the population under twenty four years of age and the percentage of male clients. The study also found that increased funding per bed (from government and non-government sources) tends to be associated with an increase in overall economic efficiency. These differences may be related to differences in quality of service. However, the consultants stated:

It is difficult to conclude that funding differences of the order of \$20 000 to \$60 000 per bed relate to quality differences alone. (London Economics and Impact Consulting Group 1994, p. 49)

In the summary of youth accommodation, the study concluded that:

... there is significant inefficiency due to the use of a relatively expensive combination of inputs, but we are unable to determine the optimal mix of inputs due to a lack of reliable data on relative input costs; ... [and] There appears to be greater scope for efficiency improvements for operating inputs compared to capital inputs. (London Economics and Impact Consulting Group 1994, p. 38)

The wide variations in performance found by the consultants was consistent with the results obtained by Purdon and Morse (1994) in a review of the Supported Accommodation Assistance Program in New South Wales.

However, because few organisations kept data on the number of clients who received what were described as a multitude of associated services, more work would need to be done to determine the extent to which the performance differences were as a result of differences in provision of such services across agencies.

13.4.3 In-home respite and personal care

In-home respite care provides relief to those providing full-time care for aged or incapacitated members of their family or community. Personal care may be provided to independent aged or incapacitated persons to enable them to remain in their own homes.

Information was provided by twenty-four providers. Output variables used were numbers of clients and hours of care. Input variables used were numbers of employees and costs of wages and salaries, values of assets, and non-wage

and salary operating and maintenance costs (as measured by total annual expenditure).

Although there was considerable variation in the performance of in-home respite and personal care providers, the variation was smaller than in the other two services studied. A negligible amount of this overall variation could be attributed to scale factors. In their analysis of the influence of environmental operating conditions bearing on non-scale efficiency, the consultants concluded that:

The only statistically significant factor for in-home respite care was the relationship between the total respite care income for the organisation per hour of care and efficiency. Organisations that have a higher income per hourly unit of care use greater quantities of inputs to provide that care. (London Economics and Impact Consulting Group 1994, p. 43)

13.4.4 Overall findings

The central findings of the consultants' investigation of three services provided by the sector (emergency relief, youth accommodation and in-home respite and personal care) were:

- there are significant differences in performance;
- there is considerable scope for an expansion of services and cost savings by lifting performance of all service providers to levels comparable to those of the best observed performers in each sub-sector;
- most potential for performance improvement is within the managerial control of CSWOs;
- finding ways to gain scale economies could be particularly important for organisations providing youth accommodation; and
- some differences in performance can be explained by the environment in which organisations operate and particularly relate to the:
 - socio-demographic features of the area serviced by an organisation;
 - type of clients serviced;
 - incentives that exist for efficient use of government funds; and
 - utilisation of infrastructure.

13.5 Conclusions

Differences in performance exist within the community social welfare sector, as they do within every other sector. Increasingly, the community is expecting better performance from all sectors of the economy. Demonstrations of high

levels of performance by CSWOs is increasingly becoming a condition of their funding by government. It is becoming increasingly important that mechanisms be developed to ensure that performance improvement is built into the processes of management of CSWOs at all stages, without compromising standards of care or compromise in modes of service delivery.

Benchmarking techniques, which encourage organisations to recognise and learn from best practice organisations, are well developed in many sectors of business and government. These not only help organisations adopt better approaches and thereby increase their efficiency or effectiveness, but in so doing they increase the productivity of the economy as a whole.

However, applying benchmarking techniques to the community social welfare services sector is currently in its infancy. The potential gains from benchmarking in the sector, not only to the CSWOs and their clients but also to the community generally, are likely to be as great as they are when benchmarking is applied to the business and government sectors.

The community social welfare services sector and the whole community have much to gain from the dissemination of best practice know-how, but currently there is no explicit funding for it. The interests of governments in Australia, as significant funders of the sector, would be furthered by facilitating this learning process.

The use and value of benchmarking could be promoted within the sector if governments were to fund the establishment of a pilot best practice program.

Projects would be required in several different sub-sectors — for example in aged care, disability services and emergency relief, home and community care, and employment services. Planning each demonstration project would require extensive consultation by relevant Commonwealth and State government departments with the sub-sectors. Areas where identification and dissemination of best practice would result in greatest benefits and the criteria whereby best practice would be identified would need to be agreed on.

Projects could be funded and coordinated by appropriate Commonwealth government departments in conjunction with State government departments. For example, pilot benchmarking programs in aged care and disability services could be organised by the Commonwealth Department of Human Services and Health. A best practice program in the supported accommodation area could be the responsibility of the Commonwealth Department of Housing and Regional Development; while a benchmarking program in employment services could be funded by the Commonwealth Department of Education, Employment and Training.

Recommendation 13.1

The Commonwealth government should fund the establishment of a pilot best practice program for the sector:

- pilot projects should be chosen on the basis of expected net benefits and to cover all major sub-sectors — for example, disability services, home and community care, aged care and employment services;
- relevant Commonwealth government departments should develop pilot projects in consultation with the sector; and
- pilot project outcomes should be widely disseminated in the sector.

14 QUALITY SYSTEMS

Service standards are already in place in the sector and their application is being extended. Governments and the community need assurance that CSWOs are able to function effectively and continuously improve the delivery of services. To that end, service standards can be supported and complemented by the adoption, over time, of quality systems. In the long term, this could be expected to lead to significant reduction in prescriptive regulation, less supervision of the sector by governments and continuous improvement in the standard of services offered.

14.1 Introduction

It was generally agreed by participants in the Inquiry that a key motivation for the sector is to improve the quality of services CSWOs provide to clients. The motivation to provide quality care for clients is one of the dominant values for the sector. The Commission believes that the funding which governments provide to support the sector should incorporate incentives to promote a client focus in service delivery as a means of improving service quality.

Many participants were concerned about the level of prescriptive regulation by governments of the services CSWOs deliver. This concern was common to a wide range of organisations. As Anglican Community Services (SA) said:

Government funding formulas often revolve around specific positions and classification levels. It is difficult for the non-government sector to restructure their staffing as a result of these funding formulas ... [and we could] ... well become a conglomeration of small businesses rather than a larger organisation taking full advantage of economies of scale. (sub. 333, p. 2)

Governments, however, have a responsibility to ensure that the services provided by the sector on their behalf are of a high quality acceptable to the community and represent value for money. The Commission considered whether the general adoption of quality systems by CSWOs would help meet these twin goals. The Commission noted the extent to which participants had already begun to apply such systems. As Aged Care Victoria said:

The bottom line for non-profits ... is not dollars and cents but changed lives. For this reason, non profit organisations themselves know that they need quality management even more than the private sector ... (sub. 360, p. 1)

A number of participants said that they had been using a quality systems approach for some time. Some suggested that, as a result, governments should consider diminishing the degree of prescriptive control they exercised over them.

This chapter examines the development of quality systems in community social welfare service provision and their place in any future funding regimes. It considers the current systems of service standards, accreditation and approaches to quality systems. It then examines a possible model for developing quality systems which is recognised nationally and even internationally.

Submissions to this Inquiry point to the dilemmas faced by governments in any efforts they make to impose common service standards across the sector. On the one hand government must take responsibility for meeting needs they consider important by purchasing services of agreed standard from a variety of community agencies. On the other hand it has acknowledged a need to support a wide diversity of community organisations in their independent efforts to respond to needs which they identify, emerging from a variety of values and varying professional and managerial competence. The result has been high levels of control by governments in some areas, while in other areas monitoring of service standards has been minimal.

The role of the service user in providing feedback to the provider, or government as funder of the service, varies considerably among different programs. In many programs the service user has limited opportunities to provide feedback on service quality.

Meanwhile, there are concerns about managerial inefficiencies in parts of the sector, but no agreed set of standards against which management in the sector can be judged.

Some parts of the sector are frustrated with what they perceive as government attempts to inspect quality into a service delivery system in which the sector sees itself as the expert. The sector complains that there are different ways of delivering agreed outcomes and that its insights tend to be lost in current modes of inspection by governments against imposed service standards.

14.2 Service standards — the current approach

Governments, with their major investment in community social welfare programs, are appropriately concerned with the outcomes of their spending. For most Commonwealth government and joint Commonwealth-State government programs, quality of service has been handled through a set of ‘standards’ of care. These are specific for each service delivery type — aged care, disability

services and others. They define a regulatory system to which providers in both the community and for-profit sectors are accountable. In this chapter these ‘standards’ will be referred to as *service standards* to differentiate them from *quality management system standards*, the subject of the latter part of the chapter.

14.2.1 Service standards — aged care

Before 1987, nursing home regulation was essentially in terms of inputs — physical structures, cleanliness and staffing levels (Gibson 1994) and was imposed through a mixture of Commonwealth and State government inspections. Following a number of major reports on conditions in nursing homes (McLeay 1982 and Giles 1984), the Nursing Homes and Hostels Review (DCS 1986) recommended an outcome-based approach to nursing home regulation. A joint Commonwealth-State government working party developed 31 outcome standards, grouped into seven categories (see Box 14.1).

Standards monitors were trained by the Commonwealth government in 1987, but it was not until 1991 that a two-yearly cycle of inspections of nursing homes was achieved. Standards monitoring has continued since that time, with increasing acceptance from the industry (Gibson 1994).

A typical inspection visit lasts for one or two days. Information to assess compliance is obtained by observing activities in the nursing home, talking with residents, their representatives, staff, visitors and other relevant people, and examining relevant documents (DHLG&CS 1993).

This regulatory model has been studied extensively by Braithwaite *et al* (1992). Their report, commissioned by Commonwealth Department of Health, Housing, Local Government and Community Services, concluded that:

The Australian standards monitoring program has some deficiencies in comparison to the regulatory systems that have been observed in the United States, England, Japan and Canada, but in its fundamentals it is a better designed process than that operating in any of these countries. (p. xi)

However, many participants were critical of the monitoring procedures for nursing homes and other services. The Commonwealth government responded, in part, to complaints from the industry and in the 1994–95 budget a risk-management approach to monitoring was adopted.

Risk management involves assessing the level of risk involved in different types of regulation or inspection so that the most cost effective manner of control can be selected. In community social welfare services, some of the cost of enforcing regulations and inspecting for performance outcomes is borne by

government, but much is borne by the organisations themselves. Calculating the costs of easing compliance, for example, and comparing these with the benefits in terms of savings which these would deliver, will involve government in decisions about the degree of risk which might be involved in a less regulated environment. These risks might include increased incidence of fraud, instances of deteriorating service or failing to observe regulations.

Box 14.1 Service standards for nursing homes and disability services

For nursing homes the service standards are classified as follows:

- health care;
- social independence;
- freedom of choice;
- homelike environment;
- privacy and dignity;
- variety of experience; and
- safety.

For disability services the service standards are classified as follows:

- service access;
- individual needs;
- decision making and choice;
- privacy, dignity and confidentiality;
- participation and integration;
- valued status;
- complaints and disputes; and
- service management.

Source: Commonwealth/State Working Party on Nursing Home Standards 1987 and HSH 1993a.

The development of outcome standards for nursing homes was followed by mechanisms for involving service users as a means of ensuring quality. These mechanisms are known as user rights. They included the development of a charter of residents' rights and responsibilities for nursing homes (Ronalds *et al*, 1989). In addition, the Commonwealth government funded a resident advocacy program for nursing homes and hostels.

A charter of residents' rights and responsibilities has also been developed for hostels. In addition, there is a formal agreement between the resident and the hostel management that treats the parties as equals. It sets out clearly the rights and obligations of each party and includes equitable termination provisions.

14.2.2 Service standards — disability services

Service standards for disability programs came into force on 1 March 1993. These apply to services funded under the Commonwealth *Disability Services Act* 1986. The Commonwealth Department of Human Services and Health (sub. 414) outlined the role of the criteria, which include:

- empowering consumers of services by clearly defining the standards they should expect when accessing disability services; and
- providing a basis for service providers and consumers jointly to improve service quality.

These service standards, and the process for monitoring performance of disability services against them were set after wide consultation with specified groups. These groups included State governments, people with disabilities, their families and advocates and service providers.

User rights have been developed in the disability area as an integral part of the service outcomes sought. For example, the service standards include a standard on complaints and disputes.

Monitoring for disability programs is based on self-assessment by providers in conjunction with training courses on implementation. Audits are undertaken to ensure that the monitoring process is operating effectively and that the service is meeting planned outcomes. Under the Act, all organisations need to be reviewed at least once every five years.

Just as some participants providing aged care services sought a less intrusive approach to monitoring for established performers (above), several providers in disability services were concerned that the system of agreeing on service standards and inspection regimes does not have a risk-management strategy for established performers. The ACROD noted:

We would like to see ... an element of risk management ... for established ones with that track record ... You could have a much more rigorous government monitoring process for a while, through a sort of learning process. ... That way, you bring trust back into the partnership as well as less administrative overheads. (trans, p. 21)

14.2.3 Service standards — other programs

Service standards have been developed for other programs such as Home and Community Care (HACC) and Supported Accommodation Assistance Program (SAAP). However, efforts to monitor comprehensively the criteria for these programs have been limited.

The SAAP Review (1993) noted that progress had varied considerably from state to state in the area of user rights. While significant work had been undertaken in some States, the implementation of user rights had generally been rudimentary.

The Council on the Ageing (COTA) expressed the view that the current focus on customer service in aged care and disability services is correct, but that other areas require attention.

It is clear from the point of view of the consumer that program standards, particularly in the aged care and disability sectors have increased the status of service recipients to a position more closely aligned with the concept of a ‘customer’. However there is a way to go in some areas of service delivery. (sub. 159, p. 21)

Service standards have been developed at the state level only for some programs. Examples include the development of standards for domestic violence programs and substitute care in New South Wales.

14.2.4 The sector's assessment of current approaches

Service standards have not been developed consistently across the range of community social welfare services, reflecting the different times, social policies and departmental cultures out of which they have arisen.

In aged care and disability services the criteria are well developed. However, inquiry participants expressed concern with the degree of government involvement and the lack of flexibility for the industry. This is reflected, for example, by COTA:

Another danger is that while accountability measures are government controlled, an agency can be encumbered with endless bureaucracy to meet standards which do not result in an improved service for the consumer, and can stifle flexibility in service delivery. (sub. 159, p. 21)

Other participants, also interested in less government involvement, argued that monitoring should be undertaken by a non-government organisation. For example, the Uniting Church of Australia (Board for Social Responsibility) argued:

We think the funder — that is, the Federal government — would be better getting out of the accreditation and monitoring itself and rely upon some other organisation to do it. ... It might mean that the Federal department will not have to employ itself such a large band of people running around checking all the time. (trans, p. 922)

A number of problems have been widely identified with the current approach to generating service standards and inspecting for performance outcomes. These include:

- the lack of consistent service standards across the sector;
- the lack of flexibility for CSWOs in applying the service standards;
- the high cost of inspecting quality into community social welfare service delivery systems; and
- the lack of suitable consumer feedback in some programs.

14.3 An accreditation approach

14.3.1 Current accreditation models

In an accreditation approach, the setting of service standards, the process for review against these standards and results of the review are formalised through an accreditation body. This body is normally independent of government, although often funded by government.

Independent reviewers appointed by the accreditation body review the standards for a particular service and determine whether the service should receive accreditation. In some cases, the results of the service review are given as pass/fail, while in other cases a plan is developed for service improvement.

In hospitals and associated health services, there is a well-developed accreditation system through The Australian Council of Health Care Standards (ACHS). For example, in consultation with Medical Colleges, the ACHS has developed detailed standards for many different medical procedures.

The Uniting Church and the Aged Services Association of New South Wales are examining the applicability of accreditation through the ACHS. These standards appear more applicable to areas such as nursing homes and domiciliary nursing than other areas of community social welfare services. For example, the Royal District Nursing Services has accreditation from the ACHS.

In children's services, an accreditation model has been developed for ensuring quality of service provision. Child care centres are accredited according to different levels. A centre rated in the high quality category receives accreditation for a three year period, while a centre rated in the medium category receives accreditation for a two year period and a centre rated in the low category receives accreditation for a one year period. Centres have an incentive to achieve a high category rating and consequently a longer period of accreditation. Accreditation is undertaken by the National Accreditation Body using reviewers recruited from the industry.

The Australian Community Health Association (ACHA) runs a quality control program called the Community Health Accreditation and Standards Program (CHASP). The program is funded by both Commonwealth and State governments. CHASP is designed to assess and improve the quality of community-based health services.

CHASP consists of a set of standards and a review process. The standards form the benchmark and the review process determines the extent to which community health care centres or other (primary) health care services meet the standards.

CHASP standards (see Box 14.2) have been designed to:

- reflect the core concepts and values of community health;
- encompass a variety of forms of practice (size, service mix and management structure);
- be multi-disciplinary;
- improve quality, not merely assess it; and
- address service delivery and coordination, planning, policy, management and its relationship with the community serviced. (sub. 13, p. 9)

CHASP pointed out the difficulties which arise with the imposition of service-only standards.

Typically, these standards have reflected governments' ... views as to the type of service that consumers are entitled to. ... For instance, many service standards [demand] that clients are to be treated with respect, their needs promptly attended to after accurate assessment of these needs. But many such standards make no mention of staff or volunteer training, opportunities for staff to meet and discuss their practice, or information systems that would allow monitoring of this practice. These essential elements for supporting a customer focus are often not included in funding levels or standards. (sub. 517, p. 3)

The review process for CHASP is outlined in Box 14.3. Since ACHA secured funding for CHASP in 1987, more than 250 services have been reviewed.

CHASP argued that both the CHASP and the child care industry accreditation system have incorporated continuous quality improvement into their approaches. It said:

In fact both of these accreditation programs have incorporated standards about the type of service provided with standards about the management of these services. These approaches to accreditation ensure that staff, consumers and management are involved in the evaluation and change process and require ongoing demonstration of improvement to gain accreditation. (sub. 517, pp. 3-4)

Apart from review reports, detailed scores from all reviews since mid-1992 have been collated in a national data base. This data base has been used to

identify how commonly an indicator is met or not met, to identify services with overall good practice and to identify training or resource needs in the sector. The ACHA has set up a clearing house service for benchmark developments in areas such as intake procedures, continuity of care, record keeping and occupational health and safety.

Box 14.2 CHASP standards

Core activities:

- assessment and care;
- early identification and intervention; and
- health promotion.

Relationship of the service to its consumers:

- community liaison and participation; and
- rights of consumers.

Organisational infrastructure:

- client and program records;
- education and training;
- planning, quality improvement and evaluation;
- management; and
- work and its environment.

Source: sub 517, p. 5.

14.3.2 The sector's views

The possibility of applying an accreditation approach to the sector was raised by ACROD:

ACROD has examined accreditation in the past. Most recently it was the subject of close consideration at the joint ACROD/Disabled Persons International Quality Assembly in July 1993. The predominant view then was that accreditation by an industry body could well be desirable; a first step should be the development of quality methods ... which would have more immediate advantages for consumers and facilitate a consistent approach to a formal accreditation system. (sub. 152, p. 29)

In a similar vein, the Benevolent Society of New South Wales observed:

There is scope to develop models of regulation which involve ... self review, peer review...to agreed standards and which give people accreditation over ... longer periods ... say, three yearly. (trans, p. 862)

Some participants favoured extending the CHASP approach to accreditation to the community social welfare sector. However, these participants were unclear

whether this should be undertaken by establishing a new accreditation body or extending the role of the ACHA.

Box 14.3 Review process for CHASP

The review process for CHASP consists of four stages:

In the *first stage*, all those associated with the service (consumers, management, staff) assess the service, using the Manual as a guide. During this stage, which takes around six months, a staff member is chosen as the internal reviewer — a person who helps to lead the review process and represents the service on the review team.

In the *second stage*, a review team, comprising three other community health practitioners together with the internal reviewer, interviews staff, management and consumers about the service, looks at facilities and reviews documents using the Manual of Standards as an assessment tool.

In the *third stage*, the review team feeds back its findings to the service in a written report and in a workshop. The written report is a detailed and comprehensive audit of where the service is up to currently, with practical recommendations for improvement. It is generally about 80 pages long and may have from 40 to 60 recommendations.

In the *fourth stage*, the service is required to take action on the report by signing a Development Agreement with CHASP committing the service to measurable and timed action.

Services wishing to be nationally accredited must undergo an initial review, demonstrate the implementation of changes following a review, involve consumers in evaluation and undergo an Accreditation Review within two years. Accreditation is then awarded according to how the service meets the Standards and implements improvement, with future accreditation requiring ongoing improvement in quality.

Source: sub 517, p. 6.

14.4 A quality systems approach

14.4.1 A quality management systems framework

A number of participants observed that room exists to move the sector towards a less regulated environment with an approach which emphasises continuous improvement of service by utilising a quality management systems framework. These participants argued for reducing or eliminating multiple audits and reducing the inspectorial role of governments.

ACROD argued that monitoring bodies should accept such approaches in place of other forms of regulation and accountability currently in force.

It was the clear view of the Quality Assembly held in July 1993 that, in quality of service, providers should seek to leapfrog government standards ... Not only have many

business activities of service providers achieved accreditation under ... ISO standards, ... but service activities also, particularly in the open employment area, are moving towards such accreditation ... The Commonwealth government has agreed to support the establishment of a Quality Council [and this] ... will give further impetus to providing better and more efficient service to consumers. (sub. 152, p. 26)

The National SkillShare Association (NSA) discussed developments in SkillShare away from externally imposed systems:

The NSA believes there is a need for more effective measures of quality of provision and for more account to be taken of quality considerations when government funding agencies are comparing performance of different agencies and when funding is being determined. The NSA has developed a Quality Management Manual which is an early step in the development of a quality management process for the SkillShare network — self-imposed rather than externally imposed. (sub. 304, p. 15)

Some government agencies are turning away from mandated service standards which are inspected, and towards standards for agreed outcomes through quality management systems. The Australian Tax Office is considering options while the Australian Securities Commission has adopted such standards for its information processing and supply division. In these areas, the benefits of certification are internalised to the supplying organisation as they gain greater management control of their service delivery processes. These approaches have been adopted as a more cost-effective way than regulation of delivering the high quality service sought by the purchaser.

Because many participants raised the issue of what they described as over-regulation of their services and a preparedness to adopt new approaches to management, the Commission investigated various options for improving quality in a less regulated environment.

One option is to re-focus the notion of standards from the current fixed service standards which apply in aged care and disability services, to more dynamic standards for quality management. A quality managed system is one which ensures that the changing needs of service users are recognised and met.

The Commission found that quality management standards which are designed to deliver a customer focus could be applied to the sector. In this approach, emphasis is directed away from final inspection of the service and towards ensuring that procedures for quality outcomes are in place and are being observed. The rest of the chapter examines these quality management systems¹ and standards and ways to assist the sector in moving towards the adoption of such standards.

¹ For simplicity these quality management systems will be subsequently referred to as quality systems. A quality system is the organisational structure, responsibilities, procedures, processes and resources for implementing quality management.

14.4.2 Quality management systems: background

Quality management systems are a way of organising service activity to improve what is being provided, to make clients or customers more satisfied, and to exert greater control over management processes to ensure that these objectives are met. Identifying management processes in order to get better control over outcomes involves the organisation in documenting these processes. Documentation of what is done, how it is done, by whom and within which time frames brings the range of activities of the organisation into definition. In so doing, it is important to build-up personal competence and build-in quality improvement at every step.

Quality management systems are focussed on the quality of the product or service as perceived by the client. Feedback from clients thus assumes great importance in a well designed quality management system. This helps both in orienting the system towards the client by streamlining processes which add to client satisfaction and in reducing waste by eliminating processes which do not.

Gaining greater control of management processes by defining and documenting the processes by which services are delivered and clients are satisfied also assists in training management to higher and higher levels of competence. A number of possible management frameworks could usefully support quality systems in the sector by building on existing management practices. One possibility is to take commonly used management frameworks such as Total Quality Management (TQM), in conjunction with the current service standards, and focus on continuous improvement in delivery. A related framework is Quality Assurance (QA) which emphasises locking in sound practice. Which ever framework is selected, it is important that the systems put in place by the supplier match the quality requirements of the purchaser. In this way, the service purchaser can gain comfort that the supplier has systems in place which consistently produce outcomes of the desired quality without the need for costly and intrusive inspections or prescriptive regulations.

When correctly applied, a quality management system can be built from existing management practices.

This system is a risk management approach. It is the system most likely to deliver the long term benefits of lower audit and checking costs, maximum flexibility for the agency and high standards of service delivery. It is also the system most likely to give useable and current feedback on quality of services, upon which the service itself may be continually improved.

14.4.3 A quality management systems approach for the sector

Any customer and supplier — including government and a CSWO — can come to an agreement about a quality management system which can ensure the type of quality needed to satisfy the purchaser's requirements. Indeed, it is highly desirable that management systems within CSWOS operate with a focus on the needs of the customer, whether that customer be the government as the purchaser of the service or the client on whose behalf the service is purchased.

The standards needed for such a quality management system could be designed with the help of an experienced organisation. Working with the sector and with elements of Commonwealth and State governments, the experienced organisation could help the parties define the outcomes needed for:

- ensuring better client satisfaction and the communication links necessary to sustain this;
- a progressive reduction in waste by identifying and applying techniques of continuous improvement;
- ensuring high levels of confidence in donors and other supporters; and
- a reduction in direct oversight by government and greater reliance on self regulation supported by independent audit.

Some CSWOS are already developing quality management systems. For example, the Spastic Society of Victoria has committed itself to a total quality approach (see Box 14.4).

Quality management systems and standards have the potential to take into account particular features which are unique to the sector. These include the wide variety of organisations, their uneven geographical distribution, their widely differing mission statements and the extensive deployment of volunteers by some organisations.

Quality management systems designed around the particular characteristics of the sector, would have a number of advantages. They would give a greater capacity to measure outcomes against stated norms and therefore reinforce notions of client centredness in management systems.

They would give the assurances to government which it needs to move to a less regulated environment. Once quality management systems are in place which can establish that service standards can be met through an organisations' adherence to agreed management procedures, government oversight and regulation can be reviewed to make it more appropriate for the better controlled environment. For the sector, such quality systems and standards, would give a high probability of being able to retain and increase its effective independence in the face of high levels of government resourcing. It would also give the

CSWOs themselves responsibility for and control over the delivery of the highest quality of service outcomes for clients, as clients themselves define them.

Box:14.4 The Spastic Society of Victoria's Quality Journey

In order to improve services to clients and their families, The Spastic Society of Victoria has committed itself to a total quality approach.

The society has selected six criteria by which the success of the program will be judged:

- customer focus;
- alignment of policies with those underlying the *Disability Services Act*;
- better measurement of effectiveness;
- better training of staff;
- more effective leadership throughout the organisation; and
- quality of the product: customer satisfaction with the range of services.

Quality teams have been formed to assume devolved management roles and consumers will be involved in the design of quality plans based on a commitment to continuous improvement. A policy manual will be prepared to define and standardise procedures and ensure that they conform to the demands of the *Disability Services Act*. They will be written in a format which meets the Australian Standard AS 3913 (to be superseded by ISO 10013 when this is completed)

Source: Spastic Society of Victoria

Purpose designed quality management standards have some disadvantages. There is, for example, widespread agreement, including within the community social welfare sector itself, about the desirability of increasing the level of formality in the process of standardisation of quality management standards. Standards designed specifically for the sector may not be sufficiently formal and would not be connected with comparable international standards.

14.5 The ISO 9000 series of standards

14.5.1 Developing a quality management system using the ISO 9000 series

The International Organisation for Standardisation in Geneva has developed a set of universal quality standards known as the ISO 9000 series. The standards are outlined in Appendix O. This series has codified into a single system the essential principles common to diverse quality management and quality outcome

standards. These principles provide a means by which service quality can be locked into an organisation and improved for service users.

The organisation seeking to be certified as ISO compliant develops a quality management system to satisfy the ISO 9000 standards. Generally, this will involve documenting all procedures which have an outcome in terms of the delivery of the service to the client. Documentation assists in ensuring that management delivers quality service, controls all these processes and hence reduces waste.

The use of generic standards enables a variety of practices between organisations.

Within the ISO 9000 series there is a document on Guidelines to Services, known as 9004.2. This assists in interpreting the ISO 9000 series for service organisations

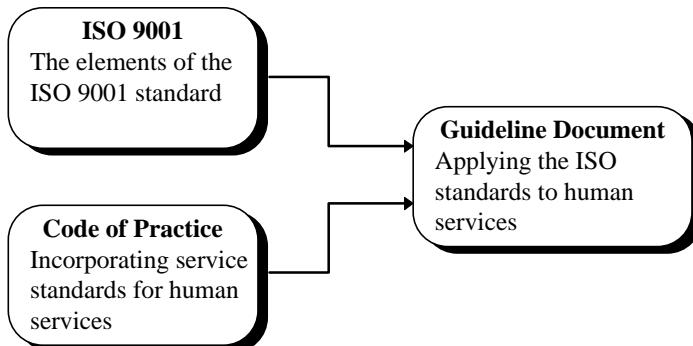
The Australian Quality Council has developed a new program called Business Growth Through Quality Programs which is designed specifically to assist small businesses to become ISO certified. It was developed because ISO 9000 was regarded as too expensive and too sophisticated for small organisations. It takes

... the essential elements of ISO 9000, cuts it down, simplifies it and adds other elements suitable for small business. (BRW, 13 March 1995, p. 52)

14.5.2 Incorporating current service standards

The ISO 9000 series of standards (or perhaps an accredited modification of them for small organisations) could be introduced into the Australian community social welfare sector by linking them to the development of a code of practice for the sector and a guideline document worked out in consultation with the sector. The relationships between the code of practice, the ISO series standards and the guideline document is shown in Figure 14.1.

Figure 14.1 Implementing ISO standards



Standards Australia (sub. 440) proposes that a code of practice be developed for CSWOs incorporating service standards that are:

- currently embodied in laws and regulations;
- generic to the sector; or
- specific to a particular service.

This code of practice would be the basis for the development of guidelines for community social welfare services. A committee, representing parties from the sector assisted by a qualified quality facilitator, would produce these guidelines, taking into account the issues and priorities of the sector.

A similar approach has been used recently with the legal industry, where a committee with representatives of the law societies has developed guidelines which are based on relevant terminology for the industry. Such guidelines are produced as drafts, and then made available for public comment. Guideline documents have also been developed, or are under development, for hospitality, accounting services and education and training in Australia.

In the United Kingdom, guidelines have been developed for nursing homes and the ISO series has been implemented in a number of residential care facilities. There are other examples of the application of the ISO 9000 series in the health area which should assist the development of guidelines for community social welfare services (see Box 14.5).

Box 14.5 Overseas experience

The ISO series is being applied in more than 60 countries, including the human services sector.

In the United Kingdom, the ISO 9000 series has been adapted in health care. Certification has been applied for and given to a variety of contractors bidding for and providing both support (laundry, catering) and clinical (radiography, general practice) services within the health sector.

In New Zealand, the Council on Health Care Standards is drafting standards incorporating:

- ISO 9000 features;
- total quality management (TQM) principles;
- a stronger consumer focus; and
- a widening of the scope of standards to community services.

Source: AAQHC 1993.

It would take some time to develop a code of practice and guidelines for community social welfare services in Australia. In the interim some CSWOs

with relatively well-developed approaches to quality would be able to seek quality certification. For example, some organisations have already developed quality programs, such as the Royal Blind Society of New South Wales (sub. 183) and the Cerebral Palsy Association of Western Australia (sub. 325). For these organisations, the transition to certification under quality systems would be much easier.

The adoption of quality systems by some organisations could provide input to the development of the code of practice and the guidelines for the sector. For example, ACROD noted that many of its members had already adopted quality systems based on the ISO 9000 series and that this was likely to promote its extension into the community social welfare services area.

14.5.3 Certification of quality systems

Organisations seeking to have their quality systems approved normally seek certification through one of the licensed independent standards certification agencies (see Box 14.6). An independent assessor is called in to audit the quality system and certify that it meets compliance requirements. If the organisation's system meets the standards, the organisation is then certified. Certification is formal recognition that the quality system of the organisation meets the requirements of the quality standards, including customer focus.

Certification is undertaken by independent agents, who are accredited by a joint Australian and New Zealand body, known as JAS-ANZ. These agents could co-opt technical expertise from the sector to assist in the certification process. Certification is maintained through periodic audits by the assessor and a review at three-yearly intervals.

Box 14.6 Certification

A two-stage process to certification is normally involved. First, the documented procedures relating to the organisation's quality systems are reviewed for compliance with agreed standards. Second, they are audited separately at intervals in the workplace to ensure that they are actually being implemented and are effective.

Generally with the assistance of a skilled consultant, all management procedures are documented. They can then be audited against actual practice. In a well run organisation, there will not be too much discontinuity between current practice and agreed procedures.

Considerable reliance is placed on records and documentation as evidence of compliance. It is this record keeping and research on customer satisfaction which enables the periodic audit checks by the outside agency to maintain certification. It is a standards-based system, however, which gives scope for the service delivering agency to innovate and to deliver services in ways which vary from other agencies.

Once certification is obtained, the purchaser (for example, government) can be more confident that the organisation will deliver a service of the quality for which it was funded. The purchaser can also be confident that, when something goes wrong within the organisation, a method of resolving the difficulty is in place so that quick and effective action can be taken.

14.6 Resource implications

Quality systems put the responsibility for delivering quality outcomes back onto the CSWO. It is the CSWO which has to reach compliance standard — not just in establishing a once-off capacity for delivering the service but in establishing a permanent capacity to maintain quality systems within the entire agency able to sustain quality service delivery.

Under a quality systems approach, the resources, experience and knowledge which an external inspectorate requires under the current approach would be better employed within the provider's own organisation and at an early stage in the process. In the latter approach, each person in the organisation would have an ongoing responsibility for quality.

The introduction of such a system would take time and needs investment by governments in assisting CSWOs in becoming quality system standard compliant. The Activ Foundation supported the role of governments in funding the development of quality systems on the basis of the potential benefits:

Activ would also like to see governments providing incentives and support to voluntary agencies regarding staff training/development and the adoption of initiatives such as Best Practice and Total Quality Management (TQM). ... Governments could ... provide incentives to not-for-profit voluntary agencies by looking at the provision of additional funding to develop these programs, particularly as the long term impact of implementing TQM and Best Practice and having suitably trained and qualified staff, may be considerable. (sub. 178, p. 28)

The implementation of quality systems, including one based on the ISO 9000 series, would require the introduction of management frameworks, the documentation and auditing of procedures within the CSWO, the auditing for certification itself and periodic checks by the accrediting outside agency. Where these processes are not already in place, there would be financial and administrative costs in putting them in place (see Box 14.7).

Whether it is agreed that sector service suppliers conform to an internationally accepted quality system like the ISO series, or to some national set of quality management standards, it needs to be recognised that standards are essentially independent of organisation size. Certification can be equally the preserve of small as of large organisations and in this respect should not, in principle,

advantage larger over smaller organisations. In fact, because of the relative simplicity of documentation of management processes in small organisations, it is possible they can have approved quality systems in place before larger organisations and gain the benefits earlier. However, there would be some economies of scale in achieving certification for large organisations as the various services can be certified in a multi-site approach to certification.

Box 14.7 Costs of obtaining certification

Some of the costs of quality systems certification are external to the organisation, such as independent reviews of documentation, initial audit, surveillance fees and periodic post-certification audit. The bulk of the costs, however, may be borne internally. These internal costs revolve around the effort to refine management systems, design and implement better management practices and document all processes which have an impact on the level of client satisfaction. Although the effort to seek certification will impose both a direct and an indirect cost in the short run, there are corresponding benefits in terms of better and more productive outcomes for resources allocated to management.

A small organisation can reasonably expect to spend between \$5000 and \$10 000 on external audits to obtain certification. In addition to this, there are the costs of retaining an experienced consultant for staff training and other requirements. This may add an extra \$5000 for small organisations up to \$50 000 for large organisations. Small organisations can reduce the consultant costs by undertaking the program developed by the Australian Quality Council based on ISO 9000. This costs \$3500.

These are costs of external resources to assist the process and take no account of the costs of realignment which are internal to the organisation which are harder to predict. They assume that the organisation is already relatively effective in its management processes. Retaining certification will also involve some ongoing cost.

A number of organisations have observed that, although the principle of shifting the emphasis in monitoring to customer focus through agreed quality standards is sound, ISO certification is too sophisticated for most smaller organisations and that the demands for documentation are too rigorous. It needs to be pointed out that the amount of documentation required is determined by what is needed to adequately describe the quality system, not the standard with which it is associated.

A sector-specific certification system would have the potential to fix the rigour demanded at a level consistent with sector capabilities and the needs of the purchaser of the services. Also, as previously mentioned the Australian Quality Council has developed a program designed for small organisations which incorporates the essential elements of ISO 9000.

14.7 Responses to the Draft Report

The Commission raised most of the above proposals in its Draft Report. A significant proportion of the sector was supportive of the ideas, believing they opened up a way into less intrusive modes of government oversight, better client choice and greater professionalism while preserving hard won outcomes standards for clients.

The Western Australian Council of Social Service (WACOSS) noted:

The implementation of a standard quality management system within the community services sector would ensure greater clarity about the methods and processes used in service delivery and in managing community services agencies. This in turn could strengthen the sector's claims for public and government support. (sub. 602, p. 18)

The Australian Catholic Social Welfare Commission (sub. 669, p. 30) questioned the relevance of ISO 9000 to the activities of social service organisations but supported the relevance of ISO 9004.2 to the work of the social services sector in Australia. Relationships Australia (sub. 686, p. 8) also suggested that the final report should refer to the Guidelines to Services ISO 9004.2 as this document clearly indicates that the ISO series can be relevant to the industry.

There was no consensus from participants to the Inquiry on the various approaches to quality management. Some were in favour of accreditation, generally based on the CHASP, but it was unclear whether this accreditation approach should be service specific or apply generally to the whole sector.

ACOSS (sub. 679, p. 21) argued that there is a need for debate among government departments, consumer groups and community organisations concerning further development of quality systems in the community welfare services sector.

SACOSS said:

[It] strongly believes that an agreed quality management system should:

- be developed specifically for the sector;
- use existing appropriate models as a starting point, for example CHASP;
- be concerned with both service quality and standards, and management processes; and
- be developmental, not a pass/fail system. (sub. 628, p. 9)

SACOSS further argued that:

[T]he development of a quality management system is an essential component of industry development, and that it should be resourced accordingly. (sub. 628, p. 9)

NCOSS said that the current approach of incorporating the current service standards in funding agreements would be more workable. It said:

Instead of an accreditation/certification plus separate code of conduct/standards approach, the NSW community sector believes the only workable approach is one which places emphasis on continuous management improvement and is implemented by incorporation in funding agreements in conjunction with agreed service standards for particular programs or service types. (sub. 643, p. 29)

The Commonwealth Department of Human Services and Health also declared itself satisfied with the outcome standards in place across the range of its funded programs. It warned that the primary aim of all quality initiatives should be better outcomes for clients.

Many clients, such as the aged and those with disabilities, lack true consumer sovereignty. HSH believes that empowering consumers has highest priority and is the most effective way of improving the services delivered to them. (sub. 583, p. 12)

14.8 The Commission's position

The Commission considers that there is widespread confusion within the sector about the aims of quality systems – *all* of which are based on the notion of client or customer focus, putting the client first and defining quality precisely in terms of client perceptions. There is no disjunction between empowering consumers and quality systems.

Further, the manufacturing sector origins of quality systems and the standards which they support led many participants to believe that they have relevance only to that sector of the economy. In fact, these systems have migrated well beyond their starting point and, as indicated above, are now increasingly applied (with appropriate customising) in the services sector.

Quality systems can be designed for specific sectors, whether they are within the private or the community sector. The essential element is that they should be acceptable to the purchaser of the services – frequently governments – to minimise external inspection and to maximise internal benefit to the service provider.

The Commission's position in the Draft Report was that Commonwealth and State governments, in co-operation with the sector, should develop an accredited quality system for the sector. This recommendation did not specify the nature of the quality system to be developed.

Given the lack of consensus from participants, the Commission believes that further consideration should be given to the implications of the various approaches to quality management. This could include consideration of:

- an accreditation approach with an independent review body such as CHASP; and
- a quality systems approach with the development of a guideline document for community social welfare services based on the ISO 9000 series.

The Commission still believes that quality systems, whether certified for international recognition or not, are the best and ultimately most cost effective means available for ensuring quality and choice for consumers and freedom of action for sector organisations.

The development of a quality systems approach would require funding by governments. CSWOs would also require assistance to obtain accreditation or certification to agreed quality standards.

Quality system certification could become a vehicle for self-regulation within the sector. Although CSWOs would have to meet the costs of certification and audit by an outside accrediting agency, a system of finding agreements would shift some costs back onto government. Savings for government in the area of inspection for quality compliance would, however, help to offset some of the additional costs.

Recommendation 14.1

The sector, in co-operation with Commonwealth and State/territory governments, and where appropriate with for-profit providers, should develop quality management systems in conjunction with standards for the sector. Such systems and standards should be designed with a view both to improving the outcomes of service delivery and reducing the level and costs of prescriptive regulation.

To the extent that governments and the sector agree on the adoption of quality management systems and standards, Commonwealth and State/territory governments should:

- fund the development of these systems and standards; and
- assist in resourcing service providers to obtain initial accreditation of their quality management systems.

Such systems and standards should be implemented with appropriate transitional arrangements.

Quality system certification would facilitate confidence of government in funding agreements for longer periods than one year (see Chapter 15), especially as governments would be seeking to establish long term relationships with its suppliers. The role of governments under this system would be to select providers from quality system compliant organisations. The task of drawing up and implementing quality systems and standards through properly designed procedures, would rest with CSWOs. The role of auditing these quality systems would belong to independent certification agencies.

It would take some years for CSWOs to become quality system compliant. Over a period of years, however, as agencies become certified and see the value in certification in successful tendering, the pace of certification would be likely to accelerate.

Recommendation 14.2

Where quality management systems and standards have been agreed, governments should normally seek expressions of interest for service delivery from potential providers which have these systems in place.

15 FRAMEWORKS FOR GOVERNMENT FUNDING OF CSWOS

Funding agreements formalise the relationship between governments and individual CSWOs. The sector is concerned to ensure that sufficient funding is provided and that the contribution of CSWOs, in the form of expertise, fee for services, donations, capital and volunteers, is appropriately recognised. Governments are concerned with the need for financial accountability and improved performance of CSWOs. Performance can be improved by output-based agreements. This chapter makes proposals for improving relationships between governments and the sector.

15.1 Introduction

A major feature of the community social welfare sector is its diversity. This diversity characterises the services delivered by CSWOs, and the structure, size, location and ways in which they are resourced.

This chapter examines the relationship between governments and CSWOs in terms of the funding arrangements which currently exist and the principles which could guide future funding arrangements.

Some 10 000 to 11 000 CSWOs received government funding of some \$2.7 billion from Commonwealth and State governments in 1993–94. Funding is allocated through at least 250 different programs across some 40 departments and agencies. CSWOs receiving funding range from organisations such as small self-help groups to organisations with incomes exceeding \$100 million.

Governments as funders (or part-funders) of services provided by CSWOs have a number of responsibilities including:

- ensuring quality (including client satisfaction) in the provision of services;
- ensuring efficiency, effectiveness and equity of service provision;
- ensuring accountability for the expenditure of funds; and
- monitoring and evaluating the performance of service delivery.

The roles of governments as funder (or part funder) of CSWOs are complicated by both the diversity in the programs delivered and the nature of CSWOs. Programs also differ in their state of development and procedures used.

To the extent that CSWOs contribute their own resources to government-funded services, funding arrangements between governments and the sector are different from the normal commercial transactions of governments. There needs to be a co-operative relationship between CSWOs and governments, where governments respect the independence of CSWOs and the resources that they contribute.

15.2 The nature of co-responsibility

In this section the concept of co-responsibility (see Chapter 1) is examined further by considering what both governments and CSWOs potentially bring to the relationship.

The sector

The sector brings a number of strengths to the relationship. These include:

- financial contributions;
- contributions of volunteers;
- goodwill within the community;
- professional skills and expertise of staff; and
- recognised advantages in service delivery.

Financial contributions include funding recurrent costs of service delivery from client fees, donations, fundraising and commercial operations, and capital contributions including use of buildings owned by the sector.

The contribution of volunteers has been considered in Chapter 5. Their contribution needs to be recognised when negotiating the funding agreement so that governments can facilitate the mobilisation of effective volunteer support.

The goodwill established by an organisation is the recognition by the wider community of the organisation's credentials and trust in its performance. Long-established organisations have developed this goodwill, in some cases over more than a century. More recently formed organisations dealing with problems such as family breakdown, have developed community networks that governments could never achieve and which are critical in developing sound, long-term solutions to complex social problems.

CSWOs have the professional skills and expertise of staff to offer to the relationship. The depth and diversity of these skills is a major contribution of the sector. The ongoing enhancement of these skills is an important factor in the future development of the sector (see Chapter 5).

CSWOs can utilise their own resources to deliver services flexibly without the constraints of government programs. CSWOs can also develop innovative programs using their own resources, funding from charitable trusts and through government funded demonstration projects. These innovative programs may then be applied in other areas of the sector, and sometimes by governments themselves.

Furthermore, CSWOs bring to the relationship an underlying organisational and administrative structure. This may be the corporate structure developed by middle and large organisations or the services of the voluntary board of management for a smaller organisation.

Government

Governments contribute to the relationship in a number of ways, apart from funding. These include:

- a legislative framework;
- a framework for service delivery on a national, state or regional basis; and
- a commitment to access and equity.

Governments are responsible for developing the overall legislative framework for service delivery programs. This framework provides the basis for parliamentary accountability, often on a national basis. For example, both the Home and Community Care Program (HACC) and Supported Accommodation Assistance Program (SAAP), which are joint Commonwealth-State government programs, have their own legislation.

At a Commonwealth or State level, governments provide guidelines for funding and in some cases specify service delivery models. Governments also develop service standards in conjunction with the sector.

The program guidelines developed by governments, often in consultation with the sector, include a commitment to access and equity. This is to ensure that all organisations, irrespective of any religious or ethnic affiliations, accept clients who meet the criteria for the programs.

Together, the relationship between governments and the sector can be seen as one of interdependence and complementarity. This relationship can be fostered by mutual respect, which can be developed by improving communication so that each understands and respects the other's views.

It is crucial in this relationship that the contribution of CSWOs is recognised, both in terms of the resources they contribute and their knowledge of the needs of the community. The process of ensuring that the value of CSWOs is

promoted by both governments and the community can be assisted by improving communication networks.

Relative contributions of governments and CSWOs

The relative financial contributions of governments and the sector differ with the age, size and service category of the organisation.

Some large multi-service organisations receive a relatively small proportion of funds from governments. The Smith Family received only 12 per cent of its funds from governments in 1993–94 (see Appendix C). The Salvation Army received 27 per cent of total income of \$265 million from governments. A significant proportion of these funds is related to residents in nursing homes and hostels (sub. 394, p. 11). Large multi-service organisations in the Commission's study of the 50 largest CSWOs received, on average, 38 per cent of their income from governments (see Appendix C).

The dependence on government funding of smaller organisations is much greater. The ACROD survey (sub. 152, att. B) found that, on average, 78 per cent of the income of organisations with incomes less than \$200 000 came from governments. A study of the Community Services Grants Program in New South Wales (Bullen 1994) found that, on average, 87 per cent of the income for each project was sourced from governments. The study undertaken by the then Community Services Victoria (CSV 1992) found that, for organisations with incomes less than \$1 million, 74 per cent of the income was funded by government.

The ACROD survey also found that the ratio of volunteers to income is highest for the smaller organisations. Government funding for recurrent expenditure, however, is what allows them to encourage volunteer support. In fact, without government financial support, many of these organisations would not exist.

In some cases, the sector contributes capital assets. These may be accumulated from the fees for service, fundraising and donations of previous years or available from corporate bodies such as religious organisations. The forty-three of the largest 50 CSWOs reporting their asset values, had assets with a total value of \$1.9 billion. In many cases, the ownership of assets may be confused, for example where a CSWO has provided the land and governments have funded (or part-funded) buildings. In other cases, assets are purchased from funds provided (or partly provided) by governments.

Some participants have suggested that an equal relationship is required to achieve optimal outcomes. The reality, however, is that the division of contributions and responsibility will vary greatly. Small, newly-formed CSWOs will not expect to have the same bargaining power with governments as middle-

sized organisations which have been established for more than a century or large organisations which have money and capital. Yet in most cases there are benefits in sharing responsibilities. Even the smallest well-run organisations should be respected by governments for the contribution they make to the provision of quality services to people in need.

15.3 Perceptions of current funding arrangements

The funding relationship between governments and individual CSWOs is typically formalised in a funding arrangement. A variety of funding arrangements are used including:

- funding formulae under legislation;
- legally enforceable contracts;
- service agreements; and
- grants for core funding.

The sector has a number concerns in relation to current funding arrangements. It claims that:

- the contribution of CSWOs in the relationship is not adequately recognised;
- negotiations by individual CSWOs with many different government departments that have inconsistent reporting arrangements are administratively inefficient;
- annual funding agreements do not allow CSWOs to plan over the medium term. Employment insecurity makes it difficult to attract quality staff and develop them further within the organisation;
- many funding arrangements fail to take into account all the costs of delivering services such as staff training, performance evaluation and research; and
- government interference in the operations of CSWOs is excessive.

Governments also experience problems with the current arrangements. These include that:

- funding in many areas is still focussed on the inputs and processes of service delivery without appropriate regard being given to the outputs and outcomes;
- funding in many areas can be considered as effectively continuing in perpetuity without adequate assessment; and

- many arrangements fail to provide sufficient opportunities for alternative service providers, who may deliver services more efficiently and effectively than existing providers.

15.4 Inputs, outputs and outcomes

Governments are accountable for the funds they spend on their behalf of the community. This normally means that governments need to identify the purpose for which the funds were expended and measure how well this purpose is being achieved. This purpose may be specified in terms of inputs used or outputs or outcomes achieved. Definitions of these terms are shown in Box 15.1.

Box 15.1 Inputs, outputs and outcomes

Inputs

These are the resources that are used in any process or activity. They may be actual expenditure, or less visible resources such as labour time, materials or even wear and tear on equipment;

Outputs

These are what is actually produced in a directly observable or measurable way. For example, the number of workshops run, the number of people seen for counselling, the report or submission;

Outcomes

These are the less observable and measurable effects of what is produced. For example, the way in which workshop participants responded, the success of the counselling offered, the response to the report or submission.

Source: Nyland 1994

15.4.1 Funding based on inputs

Historically, governments have based payments to CSWOs on the costs of inputs required to deliver the services. For example, the payments to CSWOs have been based on the salaries of staff, rent of buildings and operating expenses. These costs are itemised, with little opportunity to diverge from the funding allocated for each line item.

Input-based funding has often been associated with a subsidy approach where only part of a CSWO's costs of service delivery are paid by governments. CSWOs are required to meet the difference from donations, fundraising and fees for service. Many of these funding arrangements have arisen from CSWOs initiating a service and then approaching governments to subsidise it. This has

led to situations where CSWOs, especially those with limited opportunities for fundraising, struggle to provide the service with the available funds.

Funding based on inputs has also often led to providers delivering similar services receiving different levels of funding. For example, the New South Wales SAAP evaluation analysed the different levels of funding for similar services and found large variations in funding levels for similar services.

This deficiency of input-based funding was noted by the Victorian Department of Health and Community Services (1994):

Historical ‘deals’, with origins lost in obscure files, have frequently resulted in major funding inconsistencies and anomalies. (H&CS, p. 5)

15.4.2 Funding based on outputs

More recently, the funding of CSWOs has developed towards a model based on governments purchasing services from CSWOs. Governments have developed methodologies for determining the unit cost of delivering services per resident/client and funding is based on these unit costs of outputs delivered rather than on the costs of the individual inputs the provider actually uses.

Funding based on outputs has been developed together with standards for the quality of services. For example, in aged care, the introduction of CAM/SAM funding was associated with the development of outcome standards for nursing homes. Nursing homes are funded per resident, where the quality of services delivered to residents is subject to 31 service standards.

Service standards have also been developed in the disability area. In advocating funding based on outputs, it is important that associated quality controls are in place. This ensures that output-based funding is not merely an exercise in counting heads or cutting costs.

15.4.3 Funding based on outcomes

Many participants criticised the Commission’s focus on outputs in its Draft Report and requested a greater emphasis on the outcomes of service delivery. Some participants argued that a focus on outputs detracts from the quality of care.

The Department of Human Services and Health (HSH) expressed a preference for funding ‘being based wherever possible on outcomes’ but gave no examples of current or planned outcome-based funding (sub. 583, p. 5). ACROD (sub. 644, p. 3) also stated that ‘outcomes should be preferred where measurable’, but again no examples were given.

The outcomes of service delivery for community social welfare services are often a change in the behaviour of the clients or others within their environment. In cases of child abuse, domestic violence and drug and alcohol abuse, a positive outcome is that the intervention has changed the circumstances so that the instances of abuse do not recur.

In some programs, such as employment programs, it is relatively easy to measure positive outcomes, at least in the short to medium-term. A positive outcome is that the client is placed in employment. Even here, however, success ultimately depends on how long the client stays in employment, which may be difficult to ascertain, and providers may choose clients who are more likely to have successful outcomes.

In many areas, however, there are problems in measuring outcomes of community social welfare services. It may take one or two years before the outcome can be demonstrated, so although the outcome is measurable it would be quite impractical for the service provider to be funded only after such a period had elapsed. This makes it difficult for the funding to be based on outcomes at this time.

Also, the funding that service providers receive should be linked as far as possible to results they have greatest control over. Outcomes are invariably affected by factors beyond the control of the service provider. To the extent that this is true, outcome-based funding is likely to entail additional problems.

As more research is undertaken, it may be possible for funding to have a greater focus on outcomes of service delivery.

15.5 Preferred approaches to funding

When output-based funding is introduced, it normally replaces funding allocations based on historical input-based decisions.

With output-based funding, the funding for each unit of client service for a particular dependency category is the same for all service providers in similar geographical situations. The service providers then have the ability to choose the mix of inputs used and the manner in which the service is to be provided, subject to required service standards.

The freedom for providers to choose the combination of inputs that best utilises their expertise, available resources and preferred model of service delivery leads to greater efficiencies. It also allows providers to substitute inputs as their relative costs change over time.

The New South Wales SAAP Evaluation (Purdon and Morse 1994) states that an approach based on outputs would enable:

- greater consistency in the approaches and performance of services, based on models of good practice in relation to the former, and ‘targets’ negotiated between Program managers and service providers; and
- the development of a more rational base for assessing the effectiveness and efficiency of services. (p. xxx)

As well as promoting effectiveness and efficiency, output-based agreements promote equity of service in that clients with similar levels of dependency or need are given equivalent levels of funding support by governments.

The Commission supports an output-based approach to funding for direct client services. In supporting this approach it is important that outputs are defined in terms of the quality of outcomes required, in addition to the relatively simple measure of clients/residents serviced.

The Commission is not suggesting that outputs should be the only basis of funding. In some situations it may be possible to fund on the basis of the outcomes of service delivery. The Commission supports funding based on outcomes in situations where it is possible to monitor outcomes, but the potential for outcomes-based funding is limited.

The Commission appreciates the considerable work undertaken in measuring outcomes in the sector. However, this work is not yet sufficiently advanced to allow funding levels to be based on it. While funding on the basis of outputs may not be potentially as effective as funding on the basis of successful outcomes, in the Commission’s view it is significantly more effective than funding based on inputs.

In some situations there is no measurable output/outcome for the service. In these cases alternative funding mechanisms will be more appropriate. These are discussed in section 15.8.

Recommendation 15.1

Payments under funding agreements should be for achieving defined outputs or outcomes wherever possible.

In defining outputs or outcomes, the quality of service should be incorporated through appropriate service standards.

15.6 Current status of output-based funding

Input-based funding arrangements can be replaced by payments based on outputs by developing unit costs for various types of outputs. This procedure was used to introduce new funding arrangements for nursing homes. It has also been used by the Victorian government in the introduction of new funding arrangements for existing programs. Alternatively, output-based funding can be introduced through fixed-price tendering procedures. These are discussed in Chapter 16.

In residential aged care, output-based funding was introduced in 1987 for nursing homes through the CAM/SAM funding model. This was followed by the hostel funding model. Community aged care packages (CACPs) are also funded on a given amount per client.

In the disability area the extent of output-based funding varies. HSH noted that its funding arrangements with disability organisations depended on the time at which they were negotiated. Recent arrangements are more likely to be output-based, with close to full funding, while arrangements negotiated earlier are based on a subsidy approach. The Department, following the Strategic Review of Disability Services (Baume and Kay, 1994), is planning to move more services towards an output-based approach.

Crisis accommodation funded through the SAAP program is still input-based in most States. Several participants, including the Salvation Army and Centacare Tasmania, have been concerned about the perceived inequities of funding in this area. The New South Wales Department of Community Services commissioned an evaluation of their SAAP program which recommended a movement towards output-based funding.

Output-based funding is most developed in Victoria with most programs moving towards output-based funding. Western Australia is also moving towards similar arrangements. The 1994 Annual Report of the Department of Community Development states:

Building on the current model of negotiated funding agreements, the purchase of service approach will ensure a model of planning for, and funding services which are more accountable and outcome focused.

Purchase of service will recognise the actual costs involved in delivering a service and will purchase the required services accordingly. (p. 38)

A discussion paper prepared by the Council of Australian Governments (COAG) Task Force on Health and Community Services is concerned with reform of the health and community services system (COAG 1995). The reforms are based on building a system which encourages better and more flexible services at the local level. The reforms concentrate, in the first

instance, on the interface between health and community services. These services include residential care for older people and people with a disability and community support.

The taskforce has developed the concept of coordinated care. This is defined as the provision of a mix of services over a long period which is difficult to arrange effectively through self-management. The package of services provided could include primary health and community services, pharmaceuticals, more intensive health and community services and residential care.

The funding arrangements would allow care managers to arrange services for clients, with funding based on indicators such as age, gender and degree of need. These arrangements would be accompanied by further moves to output-based funding with quality controls for a broader range of services.

15.7 Implementing output-based funding

Output-based agreements require:

- clients/residents be identified by service needs;
- quality be specified by service standards;
- the unit cost of outputs be determined (usually the cost per client/resident); and
- an agreed method of evaluation.

15.7.1 Specifying service needs

In residential aged care there are well developed measures of dependency levels. For nursing homes there are five levels of dependency, each of which attracts funding based on a Resident Classification Instrument (RCI).

In the disability area, support for an output-based approach was given by ACROD and the Spastic Centre of South Australia (SCOSA), provided there are appropriate methodologies for specifying the levels of dependency of clients. The Victorian government is working on such measures but at this stage there is no agreed methodology. ACROD (sub. 644, p. v) argued that:

... output-based funding needs to take into account gradations of costs relating to degree and type of disability, and of inherently different cost structures (eg in remote areas),

while SCOSA said:

What is important however, is that there be recognition of the nature (and cost) of specific services in relation to consumers with particularly high needs. Within the disability field for example, outcomes for two groups of consumers may be similar for

example a range of creative (measurable) day activities. The costs (inputs) required to ensure similar outcomes for people with severe and multiple disabilities and high support needs will be greater. Individual differences must be taken into account, (and realistic provisions made for) staffing and other costs associated with different types of services even if the outcomes are similar. (sub. 639, p. 1)

15.7.2 Specifying quality

Quality is controlled in residential aged care by outcome standards. The defined output can be considered as a resident bed-day with quality controlled by the service standards (see Chapter 14).

An output-based funding model has also recently been developed for alternate care by the New South Wales Department of Community Services. In this case a set of service standards has been developed so that the output can be defined as the number of residents in a substitute care facility where quality is controlled by these service standards. A similar approach is being developed in Victoria for people with disabilities. Again, quality is controlled through the disability service standards (see Chapter 14).

15.7.3 Determining the components of service costs

Output-based funding models require a clear distinction between costs that vary with the number of clients or other output measures (variable component) and costs which are incurred regardless of the level of output (fixed component). Fixed costs may include capital costs for buildings, motor vehicles and equipment. They also include part of the costs of administration, including the costs of meeting government regulations.

There is often considerable debate between governments and the sector on what are legitimate overheads for service delivery, that is, the proportion of overheads that should be met as part of the funding agreement.

Many participants expressed concern during the Inquiry that government funding does not take into account the administrative overheads of the organisation. These overheads include:

- salaries and associated costs of managers and support staff;
- costs of meeting legal requirements for occupational health and safety, equal opportunity and affirmative action, consultation and access and equity criteria;
- insurance costs; and
- equipment and associated costs.

15.7.4 Developing estimates of unit costs

Unit costs of services can be determined from an examination of the cost structures of existing providers, after there has been agreement on:

- the components of service costs;
- the scope of the services delivered; and
- the quality of the services delivered.

It is important that government agencies using this methodology make it open to public scrutiny.

An alternative approach is to develop best practice estimates of service costs. Such estimates make assumptions about reasonable levels of inputs needed to produce the desired service and their unit costs. An example is the cost of substitute care in New South Wales. In this case the service standards required that children be provided with substitute care on a 24-hour basis. The estimates were based on rosters for 24-hour care and determined the award costs of employing staff.

Clearly, estimates based on best practice will not represent the full cost of the service to CSWOs which operate with costs above best practice.

There will also be differences of opinion on the basis upon which costs are estimated. For example, costing studies for the staffing component are usually based on:

- specific staff/client ratios;
- specific roster arrangements for say 24-hour service; and
- applying award rates.

The treatment of capital for output-based funding varies between programs. For some programs, such as nursing homes and hostels, capital is funded separately. Over time, the costs of capital should be incorporated into output-based funding. But, in the interim, capital would continue to be treated under separate funding agreements.

A COAG discussion paper on health and community services has, as an option, the inclusion of factoring of a capital cost component into output-based funding arrangements. (COAG 1995, p. 24)

15.7.5 Allowances for set-up costs

Funding based on long-term estimates of client numbers can cause difficulties for CSWOs in the early stages of the funding arrangement when they are still establishing their client base. More established organisations may be able to use

their own resources in the early stages of the project (or have access to borrowed funds) but this should not be necessary if appropriate allowances are made in the funding arrangements for the set-up costs of the project.

It may be important that adequate start-up funding be provided in the early stages of the project to ensure that a range of CSWOs are in a position to deliver the service.

15.7.6 Allowances for particular circumstances

In developing benchmarks, account may need to be taken of different operating environments which affect the cost of delivering services. These include:

- needs of client groups; and
- the geographic location.

The needs of client groups relate to factors such as the proportion of clients of a non-English speaking background, rather than the levels of dependency of clients which have already been taken into account by defining outputs for a particular dependency level.

Adjustments can be made for the unit costs of providers in rural/remote areas to allow for special problems and increased distances.

15.7.7 An agreed method of evaluation

The funding arrangements should take into account the costs of program development and an agreed method of evaluation for the program.

SACOSS (1994) suggest that:

The Service will conduct an internal evaluation annually which at a minimum will enable comment on the service by management, staff and service users and will assess the service's success in meeting the annual current service objectives. (p. 13)

The funding arrangements for the Substitute Care Program in New South Wales require that all service providers agree to participate in independent, external evaluation of services.

Whether the evaluations are internal or external, governments should ensure that appropriate allowances are made for their costs. When governments provide funds of an external evaluation, they should take into account the costs to the CSWO of participation in it.

15.7.8 Negotiating outputs/outcomes

NCOSS considered that it is important for the output/outcome indicators to be determined jointly between government funders and the service providers participating in the relevant program. They argued:

It would be extremely short sighted not to utilise the expertise which community service providers and users are eager to share in order to inform such planning by hands-on experience. Incorporating this experience maximises the likelihood that indicators on which funding is to be based will be of relevance to the desired outcomes.

The joint development of performance indicators can also help to overcome any conflict or confusion between the goals of government and the goals of service providers and promote a shared understanding of program objectives to which all parties are committed. (sub. 643, p. 8)

Mission SA argued that:

it is important that there needs to be room for negotiation of those things in any process that involves contracts. We find ourselves too often faced with mandatory measurements that may not be realistic, and I think there are any number of examples of measurements being put in place that are then found to be not the right measurements, and there needs to be room to develop and modify the measurement of outcomes. (trans, p. 4184)

Recommendation 15.2

Where governments set the price at which they purchase a service, they should take into account all cost components required to deliver the service, including, in addition to human resource costs (see Recommendation 5.1):

- organisational support;
- meeting wider objectives of governments such as consultation, access and equity objectives; and
- program development and evaluation.

This forces governments to be explicit about:

- what is being funded and what is not being funded;
- the level of efficiency required of CSWOs; and
- wider social responsibilities expected of CSWOs.

15.8 Other funding approaches

Output-based funding requires that outputs be identifiable. This is easier in a situation where a service provider has a direct relationship with a recipient

client than, for example, in a community development model where service may be more in terms of group empowerment.

Even where there is a direct service relationship with the client, for example in the family support area, it may be difficult to determine the nature of the output and other funding approaches may be required.

There must also be scope for the funding of innovative projects, where there is no defined output/outcome. Funding for this type of project is discussed in Chapters 16 and 17.

In a community development model (see Chapters 1 and 3) there is a different type of relationship between the service provider and the clients. The FSSA and the LCSA (sub. 641) argued not only that it is difficult to measure outputs for community development but that there are no predetermined outputs to measure. The FSSA and the LCSA have also argued that community development activities and outcomes are not predetermined. The features of community development which are particularly relevant to funding arrangements are outlined in Box 15.2.

Box 15.2 Features of community development

Community development activities and outcomes are not predetermined.

The activities may express and generate conflict between the community and government or those with power in the community.

Community development is an open ended process and requires open systems models.

Community development is grounded in the empowerment of the individual (and therefore individual choice).

The development of community and community infrastructure to support individuals.

There are no predetermined outputs to measure.

Outcomes can be long term.

Source: FSSA and LCSA (sub. 621, p. 24)

NCOSS argued that funding should be based on ‘a sensible combination of process indicators and output indicators designed to provide the optimum likelihood that desirable outcomes will result’ (sub. 643, p. 7). FSSA and LCSA (sub. 621, p. 524) stated that outcome measures are long-term but wherever possible the outcomes should be clearly specified.

An example of a funded program in the community development area is given in Box 15.3.

The current accountability mechanisms for the Community Services Grants Program funded by the New South Wales Department of Community Services require:

- the specification of the program aims and objectives (previously agreed via consultation);
- a description of the activities undertaken;
- the outcomes aimed for and how these can best be measured or shown to have occurred as a result of the identified activities;
- regular reporting requirements; and
- evaluation at three-yearly intervals by the project sponsor.

Within this accountability framework, service innovations are not precluded by the imposition of rigid service models.

Box 15.3 Community Resources Program

The Department of Community Services in New South Wales works within the framework of the community supporting its members, with some communities being less able than others to provide opportunities for this support.

The Department puts in resources so that some of those communities can develop networks, support mechanisms and outlets for service provision. It is regarded as the earliest of the early intervention programs.

In funding terms the Community Services Grants Program will be split in 1995-96 into a Community Resources Program and a Children and Family Support Program. This split will give the Community Resources Program a similar status to other individual programs such as Substitute Care and Crisis Support and Accommodation.

Source Personal communication, Department of Community Services

NCOSS has also argued that the performance measures required for a community development model should cater for a one-to-many relationship. This is particularly the case for information, education and group activities carried out by neighbourhood centres, family support services and many other community services.

Where outputs or outcomes are not measurable, funding can only be based on inputs. For example, the Queensland Department of Family Services and Torres Strait Islanders funds community development workers based on salaries.

The activities of a community development service can be funded by determining the inputs required to provide the basic infrastructure and staffing to maintain the organisation. Performance measures can then take into account the processes involved in the service and any measurable outputs or outcomes.

Many organisations using the community development model provide both direct services to clients, which can be defined by inputs or outputs, and community development activities for which such definition is more difficult. It is important that funders separate out the services that have defined outputs or outcomes so that only the community development activities are funded on the basis of inputs.

Recommendation 15.3

Funding agreements for Community Social Welfare Organisations should be of two kinds. Most funding agreements will be for service delivery programs which have defined outputs or outcomes which should be funded in accord with Recommendation 15.1. Funding agreements for programs where outputs or outcomes cannot be clearly defined, for example community development, should be based on achieving jointly-negotiated and agreed objectives, and payments should fund (or part fund) overheads and staff salaries.

15.9 Funding the individual

In some areas of need — the disability field for example — clients could benefit from being free to choose their own providers through direct client funding. Under this approach the funding that service providers receive is at the discretion of the service user. This form of funding can introduce incentives for providers to be more responsive to needs of specific clients.

Individualised funding can assist providers to be client focused by providing an incentive to supply services which the client (or the client's representatives) wants. Providers gain information on the strength of client preferences in regard to the quality and particular type of service that should be provided. Choice can also lead to greater satisfaction because clients are able to choose the provider that suits them. The widening of consumer choice potentially reduces the provider's power over the client.

When clients are well informed and capable of evaluating alternatives, and alternative service providers do exist, then individualised funding can promote efficient, effective and client responsive service delivery.

15.9.1 Current use of individualised funding

To date, introduction of individualised funding has not been guided by an overarching strategy. ACOSS observed, for example, that:

Direct client funding was given clearest expression in the pilot Attendant Care Program initiated by the federal government in the mid 1980s. Lobbying for extension of this scheme has been strong from some disability groups, but to date the attendant care scheme has not been extended more widely. (sub. 679, p. 15)

Lyons (1995) documents an increasing use of individualised funding in child care, aged care and disability services. He notes, however, that the move toward individualised funding within programs has been ad hoc and piecemeal.

15.9.2 Criticisms of individualised funding

Many participants were apprehensive about an increased use of individualised funding. ACOSS submitted that a choice of provider may not arise and quality could suffer:

We could not support a decision to use scarce government resources to create greater competition between a range of providers for the sake of creating some artificial choice between two or more providers, none of which deliver services to the required standard. (sub. 679, p. 16)

NCOSS added that:

User choice is the rationale that is commonly used to justify market solutions. It is based on the notion that non market services have no motivation to meet their users' needs because they receive funding direct from the government ...

... This is an instance of where a legitimate push to have more appropriate and responsive services has coincided with the illegitimate beliefs that market competition equals choice and that choice is an end in itself. (sub 643, p. 20)

Participants were also concerned that individualised funding:

- might result in a failure to recognise or fund necessary infrastructure and administration; and
- could leave some individuals more vulnerable in terms of access to information, cost, appropriateness and quality.

Barkuma Incorporated outlined some experiences with individualised funding. (see Box 15.4)

15.9.3 Areas where individualised funding may be appropriate

Individualised funding is suited to areas of service provision in which clients (or their representatives) have sufficient information and skill to make informed decisions regarding which provider to choose, and where a range of suitably qualified suppliers are available or likely to become available.

The opportunity for choice is crucial. Without choice, individualised funding does not empower the service user. When the supply of services is constrained, individualised funding is less effective. However, it is also possible that a move to individualised funding would induce a range of providers into fields where few providers had previously operated. An example is employment services.

Box 15.4 Barkuma Incorporated

The submission from Barkuma Incorporated draws attention to some of the advantages and disadvantages of individualised funding. Consumer Support Incorporated (CSI) act as a broker, in conjunction with a number of agencies, to provide individualised funding for consumers.

From the consumer's perspective (a parent acting as advocate for her daughter), there is freedom for the consumer to choose the support worker and the nature of the activities undertaken. There is flexibility in the hours worked and hourly rates are negotiated. On the negative side accountability is difficult to assess as there is no supervision of staff.

There are also problems of continuity of workers as workers sometimes choose to work for only a limited period of time. This problem can be overcome if there is a network of support people to choose from.

From the worker's perspective, limited information is available on consumers' needs, there is little support for workers and there are no reviews and accountability.

The experience of consumers varied from a consumer who had only two major support workers in five years to the unacceptable situation of a consumer having over 20 support workers in less than a year.

Source: Barkuma Incorporated, sub. 771.

With some services, for example in rural and remote areas, problems arise because the cost of infrastructure or specific capital may be high. Providers may be locked-in to provision whereas with individually funded clients are not locked-in to purchasing services from them. Consequently providers may incorporate a large risk premium to compensate for their vulnerability. The solution may be to combine individualised funding for variable costs of the service with core funding for the provision of infrastructure.

For individualised funding to work, needs assessment should be separated from service delivery. In some areas, the costs of this separation may outweigh the benefits gained from increased choice.

A final consideration is the relative costs and benefits of an individualised funding approach compared with the costs and benefits of other modes of funding service providers. Some participants argued that to retain the same level of infrastructure could require relatively more generous individualised funding. Although service may improve in such cases, there would not be any cost savings. Also, individualised funding has administrative costs which, on a

case by case basis, may be greater or less than the alternatives. In particular cases the costs of individualised funding may be outweighed by gains from the introduction of competition.

The Commission considers that individual client funding is an issue of social welfare policy which is currently under-researched. The best approach to the introduction of individualised funding at present is to evaluate each potential application on its merits.

Recommendation 15.4

Commonwealth and State/territory governments should examine the opportunities for individual funding for clients on a service by service basis, taking into account:

- the availability of current and potential service providers;
- service provider overheads;
- the ability of clients or their representatives to assess and monitor service quality; and
- the provision of information to help clients identify and access appropriate services.

15.10 Principles for funding arrangements

15.10.1 The need for accountability

The need to ensure financial accountability is, for governments, central to the relationship between governments and CSWOs. This ensures that taxpayers' money, appropriated by Parliament, is actually spent on the program funded and in accordance with the objectives of the program. For example, the National Guidelines for HACC state:

Funds provided for specific purposes must be expended on those activities, and must further the aims and objectives of the program. (HACC 1992, p. 23)

Auditors-General of the Commonwealth, Victoria, Queensland and Western Australia have recently reported on the need for improved accountability requirements by non-government organisations.

The New South Wales Auditor-General said:

... the government agency should be able to ascertain that the CSWO has received the funds and that it has used them for the stated purposes. An audited financial report prepared by the CSWO is one of the most effective ways of achieving this objective. (sub. 493, p. 1)

15.10.2 Streamlining accountability requirements

CSWOs are funded through a range of programs. The lack of consistency between departments in the formats by which CSWOs are required to report has led to administrative inefficiencies for CSWOs.

Participants commented on the difficulties involved in meeting accountability requirements. The Good Shepherd Youth and Family Services argued that excessive accountability detracts from efficiency:

Government funding bodies need to be more realistic in the level of reporting they require, as excessive reporting eats into time available for direct service. Often this excessive level of reporting is demanded because government does not trust the agency to carry out the service as contracted. A greater commitment to genuine partnership is needed to establish a proper balance in the level of reporting required. (sub. 27, p. 11)

Inconsistencies in accountability requirements result in increased administrative costs for CSWOs and diversion of resources from service delivery. The Salvation Army said:

Complex, and often inappropriate, reporting requirements absorb levels of staff time disruptive to the overall operation of the agency. The requirements are, in many cases, disproportionate to the level of funding provided, are designed to meet rigid bureaucratic demands of funders and do not relate to the ongoing management needs of the agency or the needs of its clients. (sub. 394, p. 38)

The major criticisms of existing accountability provisions for both Commonwealth and State government funding are:

- different provisions across different levels of government;
- different provisions across different programs from the same funding source; and
- different financial years and accounting/reporting periods.

Examples of the different formats faced by CSWOs in New South Wales are shown in Box 15.5.

Information is required at different times during the financial year — some departments such as the Department of Employment, Education and Training use a calendar year rather than the financial year to 30 June used by most CSWOs. Participants in aged care were concerned that nursing home funding is based on a calendar month, while hostel funding is based on a 28 day period.

Many organisations administer both nursing homes and hostels; adding further costs to CSWOs.

Different reporting formats also add to the cost of audit. Most departments require audited statements. The inconsistency in reporting dates often adds to the administrative costs of CSWOs as they have to call in auditors several times a year.

Some of these problems could be resolved by rationalising the number of programs or departments administering a particular program. However, this would not overcome inconsistencies across remaining programs.

Box 15.5 Inconsistencies in accountability requirements

An examination of the accountability provisions faced by CSWOs in New South Wales shows the following:

Department of Employment, Education and Training (Commonwealth)

Requires information in terms of categories so that both the salaries category and administrative expenses require a single figure.

Department of Community Services (New South Wales)

Requires that salaries be reported as a single figure but administrative expenses be classified into items such as postage, telephone and stationery etc.

Department of Health (New South Wales)

Programs in the drug and alcohol area require that details of each staff member's salary be separately itemised including salary level, accrued long service leave and other accruals.

Source: Funding agreements of various departments

15.10.3 A standard reporting framework

Several participants noted that the accountability requirements of some departments are inconsistent with current Australian Accounting Standards. For example, the After Care Association of NSW stated:

Differing reporting requirements set by differing government agencies often require the same information to be presented in different ways and certified by an independent auditor in forms which are not compatible with the Australian Accounting Standards, thus creating professional liability and ethical problems for the auditors. (sub. 14, p. 8)

The Children's Welfare Association of Victoria said:

... the lack of common standards either between the various sections of a department or between various levels of government, and a process which is out of practice with what is required through the normal accounting standards by accountants and auditors, causes us an enormous amount of extra expense and heartache. (trans, p. 1077)

The applicability of current accounting standards for the sector and the need for a specific accounting standard for the sector are discussed in Chapter 8 (see Recommendation 8.1). CSWOS waste considerable resources producing accounts in different ways. Governments should ensure that the information required is consistent with accounting standards to reduce these problems.

15.10.4 Term of agreements

Current agreements normally offer funding for one year. This produces difficulties for organisations in planning services and employing and retaining staff. The Paraplegic–Quadriplegic Association of Western Australia said:

Government funding agreements are inevitably for a maximum period of twelve months. Very often commitments are not given until three or four months into that twelve month period. This destroys any genuine capacity for medium- or long-term planning, provides for massive uncertainty in respect of paid employment and employment contracts and works against efficiency. Funding agreements should be at least for a three year period. (sub. 231, p. 7)

The Children’s Welfare Association of Victoria (trans, p. 1077) argued that annual funding is an impediment to effective forward planning and adjustment. The Anglican Home Mission Society (sub. 241) said multi-year agreements would allow greater staff stability, strategic planning and more realistic assessment of outcomes.

Some governments have been prepared to offer agreements for a longer period. For example, the Commonwealth government offers three year agreements for the Community Organisations Support Program and the Department of Community Services in New South Wales is using three year agreements for some projects.

Most governments now operate a system of forward estimates as part of the budgetary process. Some difficulties would need to be addressed in relation to Parliamentary Appropriations to accommodate three-year agreements, but these could be handled by writing appropriate adjustment clauses into the funding agreement.

The Commission’s view is that longer term agreements would improve the relationship between governments and the sector, especially in conjunction with the quality systems discussed in Chapter 14.

Longer term agreements would provide greater stability of funding and allow the sector to plan with greater certainty. This would give the sector greater flexibility and offer increased opportunities to innovate rather than waste resources on repetitious negotiations.

15.10.5 Legally enforceable agreements

A move to multi-year agreements may require that the agreements be legally enforceable, as the sanction of funds being withdrawn at the end of the agreement would be weaker than in the case of single-year agreements. The funding agreements for the Commonwealth government and the Department of Community Services in New South Wales have already taken this direction, but other States would have to review their agreements.

The Victorian Department of Health and Community Services has taken the approach of using service agreements (except in the intellectual disability area) which are not legally enforceable. The Department said, in response to a report of the Victorian Auditor-General, that it does not perceive any advantage in making all agreements legally binding (Victorian Auditor-General 1994, p. 63).

In Queensland and South Australia the approach has also been to use service agreements which are not legally enforceable. Western Australia uses service agreements for funds of more than \$20 000 and a letter of agreement for smaller amounts.

The sector could benefit considerably from agreements which provide increased certainty of funding. Some Victorian organisations have expressed concern that the lack of a legally enforceable contract contributes to the inequality of the relationship. Wesley Central Mission (Melbourne) said:

The unequal nature of the agreements is of concern, not only because of the requirements of contract law, but because the funding is not actually guaranteed. While the agreements remain 'not legally binding' the funding can be terminated at any time. (sub. 75, p. 19)

Most features of the Commonwealth government contracts and the New South Wales government Deed of Funding Agreement and the service agreements used in other States are similar. The difference is that there is a clause in the Victorian and Queensland government agreements stating that the agreements are not legally enforceable.

The Commission believes that legally enforceable agreements would increase the degree of certainty for the sector. It recommends that those States which currently have a clause stating that the service agreement is not legally enforceable, should use legal agreements.

15.10.6 Access to mediation procedures

Longer term agreements require suitable procedures for terminating agreements and for the handling of disputes. For example, the New South Wales

government agreements have included dispute resolution with mediation through a commercial organisation.

The Commission's view is that, wherever appropriate, mediation should play an important role as a mechanism for settling disputes to reduce potential legal costs.

Some participants were concerned that commercial mediation could be expensive but affirmed that it was important to have an independent mediator. Other participants suggested that, if mediation is necessary it would be preferable to have an industry-specific mediator with the necessary skills and understanding of the sector.

15.10.7 Summary of principles

Governments and CSWOs could gain from simplifying accountability requirements for agreements and from making them more consistent across the range of programs funded by both Commonwealth and State governments. A move towards legally enforceable agreements should be accompanied by the introduction of appropriate independent mediation procedures.

Recommendation 15.5

Commonwealth and State/territory governments should develop a consistent set of principles for funding agreements across all programs:

- agreements to be multi-year, typically three-year;
- agreements to be legally enforceable;
- accountability provisions to be streamlined;
- accountability provisions to be consistent with Australian Accounting Standards; and
- dispute resolution procedures to be built into agreements, preferably by independent mediation.

16 SELECTION BY GOVERNMENTS OF SERVICE PROVIDERS

This chapter examines the selection by governments of the providers of community social welfare services which they fund. It does not examine the contractual arrangements which are established after the selection process has been completed. These arrangements are discussed in Chapter 15.

16.1 Introduction

A broad range of values and strategies underpins the sector. One objective which is common to all CSWOs, however, is the pursuit of better outcomes for those in need. This is the criterion by which governments should judge the alternative strategies for selection of funded service providers.

One way of promoting quality outcomes for clients is to ensure that, wherever practicable, clients have a choice of a range of providers. Governments can also encourage quality outcomes and efficient service delivery by having open and transparent processes for the selection of providers to receive government funding.

Many participants have emphasised the place of co-operation and collaboration in describing the operations of CSWOs. For example, the National Anglican Caring Organisations Network (NACON) said:

You gain results by giving people confidence in themselves and by the opportunity for co-operation. You do not gain results by putting people in competition with each other ... One of the principles of doing business in community services is to set up situations of co-operation. (trans, p. 4600)

CSWOs have different strengths and contributions which can be brought to bear in particular situations. It is important that the principles adopted for funding agreements (Recommendation 15.5) and the selection of service providers do not discriminate against alliances of CSWOs providing services or co-operative arrangements.

16.2 Current arrangements

There is a range of approaches by governments in selecting service providers across both service delivery programs and geographical locations. In some cases, new providers from local communities are approached directly by governments, while in other cases expressions of interest are called by public advertisement. This chapter reviews the current arrangements for selection of service providers and considers the conditions under which different procedures for selection may be appropriate.

Two sets of issues are relevant to the selection of service providers. These are the degree of openness of the selection procedure and the criteria used for selecting providers.

Many of the current Commonwealth and State government approaches for selecting providers have evolved from funding relationships going back many years. Where grant-based funding has evolved into a service agreement or contract, it has often occurred without any other major changes to the relationship.

Some providers have contractual arrangements with governments as a result of responding to governments advertising for expressions of interest in delivering service on their behalf. These procedures for selecting service providers have been implemented within the last ten years for aged care and more recently for other programs.

Current processes for selecting new providers for programs funded by the Commonwealth Department of Human Services and Health (HSH) are summarised in Box 16.1. This shows that tendering for the delivery of new services is now widespread.

16.3 Degree of openness of selection procedures

Contestable selection is a term used to indicate that the selection of service providers is open to all qualified providers and that this selection is regularly reconsidered by the funding agency.

16.3.1 Open, contestable selection

Services to clients are likely to be enhanced if the opportunity to deliver them is contestable. Clients are assured of access to the service provider which delivers the best quality services or the most services for a given level of funding.

Clients can also have access to new providers offering more innovative approaches to service delivery.

Contestability ensures that existing providers will have incentives to meet client needs and improve service quality. The existing provider, if selected, will gain through the assurance that the services delivered are in accordance with the current needs of governments and clients. Giving existing providers the opportunity to deliver services across a wider geographical area or across a wider range of services may enhance their efficiency.

Box 16.1 Current selection arrangements for new providers — Commonwealth Department of Human Services and Health programs

Emergency relief

Generally, new agencies become involved in the program by direct application to the Department or on invitation from the Department, on the basis of consideration by State Advisory Committees (SACs).

Disability services

The Department seeks applications for new service funding through each State Office, generally via newspaper advertisements or selective tender.

Home and community care

Funding rounds are generally advertised in the media by State or territory administering departments, outlining the program's objectives, priorities and directions. State and territory administering departments assist with the development of project proposals and process applications.

Aged care

The Department advertises for new services in identified regions and for special needs groups. The Department assesses applications from service providers and makes recommendations to the Minister responsible for Aged Care.

Source: HSH (sub. 414)

The openness of the process allows it to act as a practical form of benchmarking. New providers gain by being given the opportunity to deliver the service if the existing provider is not selected.

Governments gain from more open selection because they are given the opportunity to consider a range of service providers. If the price which the government purchases a service is fixed and selection is based on quality alone, then governments have the opportunity to ensure that the provider with the best service quality is selected. If the selection is based on both price and quality, governments are able to select a service provider who can deliver service of a similar quality at a lower cost.

Tendering by public advertisement also places an important discipline on program departments, as it ensures that requirements are clearly specified and that due process is followed in the evaluation of potential providers.

There are, however, some limitations or the use of this process. In the aged care field, for example, there is a limit on the entry of new providers because, once a provider is funded, there is no pricing or re-tendering mechanism to induce displacement by a new provider. Contestability, in this field, can only occur when an existing provider fails to meet mandated quality standards and is excluded on this basis. There is, in fact, a very low rate of exclusion on this basis, governments preferring to work with the organisation to improve performance. Apart from this circumstance, new providers may enter the field only when supply is being expanded by allocations in a new area or by the transfer of nursing home beds from State authorities to CSWOs, as is currently occurring.

16.3.2 Rural and remote communities

An open selection procedure generates the benefits outlined above only if a number of providers can express interest in delivering the service. It may, therefore, be less applicable for rural/remote communities where lower densities of population make it difficult to justify alternative organisations offering specialised services.

ACROD expressed the following views on this issue.

For many services which are specialised, low incidence, or in remote areas tendering could be unrealistic and wasteful. Seeking expressions of interest for these, with tenders only if there were possible new providers, would keep scope for competition. (sub. 644, p. 6)

The major problem in rural/remote communities is the small number of agencies that are potentially available to provide services. In some of the more isolated communities, for example, it may be difficult to attract even one provider. A further problem is that people in the available agencies are required to provide a broad range of services with little opportunity for specialisation. Staff, as well as volunteers, while committed and competent at delivering the services to their clients, may not have the skills to operate in an environment of open selection using processes such as tendering.

Remote communities suffer further disadvantages, compared with other rural communities, in that they may not even be able readily to import the required expertise from nearby towns or cities.

The Western Australian Council of Social Service (WACOSS) was concerned that agencies in rural and remote areas are disadvantaged. It said:

The flow of information about government funding to non metropolitan communities is slow and uneven. Similarly, people in non metropolitan areas have less access to training in areas related to management and funding developments. These two factors combine to place agencies in these areas at a double disadvantage. (sub. 602, p. 9)

Choice in these areas could be improved by encouraging CSWOs from other areas, or even interstate (through increased funding) to provide their services to remote communities. These services could tap into the resources available in the remote community or they would provide an entirely new service.

Output-based funding can still, however, be used for CSWO providing services in remote areas even though it may not be feasible to call for wider expressions of interest. CSWOs could be required to define the level of service to be provided to the community. Under this option, the funding of a particular service would be determined by costs in other areas with a premium added to account for the additional costs resulting from remoteness, including a precise amount to sustain the appropriate infrastructure.

HSH adopts the following practices to develop services in rural and remote areas:

- provision of research and development grants to organisations to give them time-limited capacity to investigate and to develop processes for establishment of services and methodologies for providing services;
- contracting of an established metropolitan organisation to establish a service in a rural and remote area, as a branch unit, but with the prospect of the unit becoming autonomous over time; and
- more active involvement by staff in working with the local community, such as the local government organisation and/or parents of people with a disability, to develop a service; this can take considerable time and effort. (sub. 769, p. 1)

16.3.3 Strategies for increasing potential providers

Open selection is more effective if there is an increase in the number of potential providers, and policies and procedures are in place to ensure that some providers do not have an unfair advantage over others.

One means of increasing the number of potential providers is to allow for-profit organisations as well to tender for services. In the Home and Community Care (HACC) area, there are opportunities for for-profit providers to offer nursing and home care and respite care. These providers can be groups of professionals, who may have come out of the community services sector, who believe that they can offer a quality service at reasonable cost.

The development of a quality accreditation system for service providers should ensure that all providers, including non-CSWOs, provide the quality of service required by funding bodies and clients (see Chapter 14).

16.3.4 Public advertisements

Governments can invite a number of potential providers to express interest in delivering a service. However, inviting bids through public advertisement is a more transparent process. Most governments place such advertisements but they may also allow officers actively to encourage organisations and groups to provide services which would fall within the funding priorities. (Commonwealth of Australia 1992, p.6)

16.4 Reviewing existing service providers

16.4.1 Encouraging improved performance by existing service providers

Governments, acting on behalf of clients and taxpayers, should have procedures in place to ensure that the quality of the services delivered by existing service providers is optimised. Existing service providers need to be encouraged to review their operations and ensure that they are achieving desired client outcomes and are implementing best-practice methods within the organisation. Potential providers need the opportunity to be able to offer innovative approaches to the delivery of the services or to demonstrate superior efficiency or effectiveness.

Existing service providers should be compared with potential providers at appropriate intervals. Opening up the provision of services to competition by tendering or similar processes may achieve these objectives.

A recent example of government department calling for expressions of interest in services already delivered by existing CSWOs is the tendering of substitute care in New South Wales. Expressions of interest have been sought for programs either where the existing provider was a non-government organisation or where existing services were delivered by government.

Many participants in the Inquiry were, however, concerned with the difficulties for clients and CSWOs which could be caused by changes in service providers as a result of open contestable selection processes. They suggested that any approaches to changes in providers should address problems of continuity of

service to clients, employment of staff and of redundant assets. For example, Hawkins Masonic Village said that:

- the process must have due regard to safeguarding the position of service recipient and must seek to minimise the disruption of their lives; and
- the open tender process must include provisions to deal adequately with displaced staff and redundant assets including the payment of appropriate compensation. Such provisions may include the sale or leasing of assets by the former provider to the new provider. (sub. 502, p. 3)

These issues are addressed in the following sections.

16.4.2 Continuity of service to clients

The recipients of services, often the most vulnerable members of society, may have greater than normal difficulty coping with changes. A change in service provider, therefore, can present significant problems in relation to continuity of care. These problems will vary according to the type of service offered. For example, they will be greater for nursing homes than say, for the provision of information services for the aged.

There are special considerations when residential services are involved, because the residence has become the client's home and because the relationship between client and carers covers 24 hours of every day. This latter concern is heightened when the relationship between professional staff and the client is the main tool utilised in the growth and development process for the client; for example, in individual and family therapy settings, in the care of children at risk or in small independent living units for people with a disability.

ACROD was concerned about the position that could arise if a provider lost the contract that had funded a large proportion of residential (or even employment) services.

This could disrupt services to users, many of whom, whatever the other merits of the change, might not wish to leave familiar accommodation or have to deal with new service personnel. (sub. 644, p. 6)

16.4.3 Asset lock-in

It may be very difficult to put many buildings and types of equipment to alternative use or dispose of them if funding to a particular CSWO is discontinued as a result of open contestable selection.

In many cases, governments have made contributions to the initial purchase of land and buildings. Family resource centres and child care centres are

examples. It is often difficult to disentangle the ownership of such property, especially when these contributions were made many years before.

While an increasing number of such services receive a rental component as part of the program funding, others may be accommodated in property owned by the CSWO.

16.4.4 Continuity of employment of skilled staff

Some CSWOs have drawn attention to the difficulties of losing the services of specialised staff in a situation where an established provider loses the contract for a service. For example, the Queensland Spastic Welfare League argued:

The League's well earned reputation as a centre of excellence for services related to the disability of cerebral palsy is dependent on training and retention of specialist staff. A stop-start existence would see the end of such high quality services as staff could not be retained over the non-contract periods. Indeed the ability of the League to survive on such an uncertain financial base would be highly unlikely. (sub. 528, p. 1)

16.4.5 Contestability of aged care services

Apart from the limitations imposed by rationing of services in the aged care field, some other special circumstances may preclude widespread applicability of open, contestable processes.

The question of personal dislocation for residents is particularly relevant in the care of the aged. Not only does residential service offer the elderly person a home and 24-hour relationships and dependency on staff, but the particular residence they have chosen is frequently the result of a long process of inquiry and selection about where they wish to live out their remaining days. Their choice is often based on religious affiliation and the confidence the older person has in the auspicing agency. The elderly person's, or their family's, assessment of the reputation of the provider may be based on a long association and is crucial to the person's peace of mind and confidence about how the money they pay for care will be used.

With regard to hostels, Aged Services Australia (ASA) argued that there is the added complication of entry contributions:

... those residents who have paid entry contributions would need to have their contributions repaid once the property was sold. (The entry contributions are presently repaid from the new client's entry contribution in a revolving fund arrangement). Having regard to the fluctuations in the property market, there is no guarantee that the entry contributions would be realised from the sale of the property. (sub. 572, p. 9)

Service providers in aged care were particularly concerned with the difficulty of changing providers when fixed capital assets are involved. For example, ASA said:

Our sector's buildings are not multi-purpose, in the way that factories are, where use can be made of them upon resale. Because they provide residential accommodation for a particular age group with increasingly complex special care needs such as dementia, increasing frailty, etc., our sector's buildings are subject, for example, to very strict regulations, such as those relating to fire evacuation. The buildings are not easily bought and sold. (sub. 572, p. 9)

In the aged care sector, asset lock-in is clearly an important issue. This is complicated by doubts about the ownership of the assets, entry contributions for hostels and the specialist nature of many facilities.

Many of the above aged care services issues may also be relevant in other areas such as residential care for the disabled.

16.4.6 The Commission's response

The Commission accepts that there would be some disruption to some CSWOs, and to some clients if an open contestable selection process were to result in an existing provider losing its funding from government and that care would need to be taken to protect the interests of clients.

A change of provider would clearly affect staff of the existing provider. This could be addressed by clearer contractual arrangements between governments and CSWOs so that, in addition to multi-year funding arrangements, there was a specified period in the contract for the existing provider to be notified about future funding arrangements.

While from the organisation's perspective it is retention of skilled staff which is important, from the client's perspective it is the continuity of quality service provision which is more important. Discontinuing funding of CSWOs can reduce employment stability which may cause skilled staff to leave the sector. There are, however, less disruptive possibilities. It may be possible to provide the opportunity for specialist staff to move to the new provider. Specialist staff may also choose to set up their own organisation to tender for particular services.

Asset lock-in is clearly an important issue. This is complicated by doubts about the ownership of the assets, inability to substitute assets and the difficulties of building replacement assets.

The need to deal appropriately with displaced staff and redundant assets would add considerably to the costs of changing providers. These costs must be balanced against the benefits of open contestable selection.

If the longer term benefits of a change in service provider are outweighed by the dislocation for clients from changing providers, then other approaches for improving outcomes for clients need consideration. For example, there are extensive procedures for assisting providers in nursing homes to improve the quality of service before a new provider has the opportunity to deliver the service.

The Commission's view is that procedures should be in place to review service providers from time to time and allow new service providers the opportunity of delivering services. However, the frequency of these reviews would depend on issues such as the importance of client continuity and the nature of the assets involved in service delivery.

Recommendation 16.1

Procedures for the selection of service providers should be transparent and designed to encourage a range of providers to express interest in delivering services.

Procedures should be in place to ensure that service providers are reviewed from time to time and new providers are given the opportunity to deliver existing services

Any assessment of changing from the existing provider should consider costs not met by the new provider, including:

- discontinuity of services for clients;
- redundancy of use-specific assets; and
- other costs, for example extra transport of clients or dislocation of staff of the current provider.

16.4.7 Contesting services directly provided by government agencies

Many services delivered directly by government agencies can be made contestable by CSWOs or other qualified organisations. Governments may accept in-house bids in some cases from government providers. However, in other cases governments may not wish to retain any government providers, so existing employees of government services could be encouraged to tender as private providers. The recent tendering of substitute care in New South Wales has adopted this approach.

The Usher Report, which proposed procedures for tendering substitute care, states clearly that only in extreme cases should government remain as a direct provider of services. It recommended:

That a three year strategic plan be implemented which will gradually transfer all substitute care services in New South Wales to non-government agencies. The Department will only continue to provide services where a contract with a non-government agency is impossible. (1992, p. 36)

The contracting-out of services delivered by governments requires that attention be given to such additional issues as the costing of in-house bids to include appropriate overheads and the industrial relations problems of displacing staff in the public sector. These issues are being considered in detail by the

Commission's current Inquiry into Competitive Tendering and Contracting by Public Sector Agencies.

16.5 Methods of contestable selection

Contestability of selection would normally be through one of three modal types:

- where government define the general objectives of the project, and the output is, to at least some extent, determined by the service provider (service development projects);
- where governments specify the price at which it will purchase the defined output including the quality standards (fixed price); or
- where governments specify the outputs being purchased, including the quality standards, and seeks bids for the service based on price (price competitive).

The features of a tender process to provide contestability in the selection of providers are outlined in Box 16.2.

Box 16.2 The features of a tender process

In a tender process, governments specify the nature of the service to be funded and call for expressions of interest or applications.

The call for expressions of interest may be by open advertisement or there may be selective tendering where CSWOs or for-profits are invited to tender.

The tender process may be in two stages. In the first stage, CSWOs are invited to submit expressions of interest in terms of providing details of their organisations. In the second stage, a short-list of organisations submit detailed applications in terms of the specifications.

The main features of a tender process is that the process should be open, transparent and contestable.

16.5.1 Service development model

Many participants were concerned that tendering solely for defined outputs/outcomes would not allow scope for innovative or service development projects. Funding of innovation and development may be appropriate to deal with human needs in a new area or to encourage alternative approaches to an established need. For example, Churches of Christ Care (Queensland) (sub. 523) stressed that there must be provision for innovative responses that do not fit established criteria.

The key feature of innovative or service development projects is that their precise output or processes are not known. In these cases, governments may be able to specify only the funding range and define the objectives broadly. Each expression of interest will include a more precise statement of its intended output or outcome and its cost. Governments then evaluate the expressions of interest in terms of output/outcome and cost.

There may also be cases where CSWOs are better able than governments to identify needs and suggest suitable responses. The Epilepsy Association of New South Wales said:

To call tenders, especially for new services, implies that a government authority is best placed to identify and assess needs. Yet the whole history of the charity sector reflects community groups identifying and responding to needs and government involvement has come as a subsequent response. (sub. 487, p. 3)

16.5.2 Fixed-price tenders

In a fixed-price tender, governments usually determine the tender price by some type of best practice study. The fixed-price tender process does not lead to a lower level of funding per resident/client for the delivery of the service. Rather, it is a procedure for selecting the provider with the potential to deliver the best quality of care. In this sense, fixed-price tendering provides mechanisms for achieving better outcomes for clients.

Fixed-price tendering has been used for many years in residential aged care, where tenders have been called to obtain approval-in-principle to be a nursing home or hostel provider for a particular region. The approval to be a nursing home proprietor, coupled with an allocation of beds, allows the provider to receive payments according to the CAM/SAM funding model for various categories of residents.¹

Government may, however, still be able to change the funding arrangements. For example, in 1989 the hours of nursing and personal care allocated for two of the five dependency categories under CAM were decreased. This led to a reduction in funding. On the other hand, formulae have been adjusted to provide additional funds for particular categories of residents, such as those with dementia.

¹ CAM/SAM funding comprises a Care Aggregated Module, a variable rate which recognises the different care needs of residents and which funds salaries and wages of staff who provide nursing and personal care; and a Standard Aggregated Module which covers infrastructure costs.

The use of a fixed-price tender requires the clear specification of the service to be purchased and the development of a funding model to determine the unit cost of outputs for the tender. In determining the price, it is important that the full cost of the service be incorporated into the tender price. This would overcome some of the sector's concerns in this area.

One advantage of a fixed-price tender is that it allows for equity in the allocation of funds between providers and between regions. This extends to existing providers where the previous service agreement based on block funding can be renegotiated as an output-based agreement.

In New South Wales, tendering for substitute care services is based on a fixed-price agreement and appropriate funding models have been developed to determine the fixed prices for a range of service levels. The funding model for residential care is based on a specified service model with costs assuming particular rostering and other arrangements. Fixed-price tendering is being used in Victoria for the deinstitutionalisation of persons with disabilities into residential accommodation in the community.

16.5.3 Price-competitive tendering

In price-competitive tendering, government specifies the outputs being purchased and the minimum quality standards, and seeks bids for the service based on lower price or superior quality.

Where price is set on the basis of the successful tenderer's bid, governments do not need to assess best practice costings. If a CSWO chooses to use some of its own resources to gain the tender, governments will not be covering the full cost of the service they require. This approach will tend to favour larger, well-established CSWOs, which are more capable of obtaining resources from the general community.

Tenders which vary in both price and quality are more difficult to assess than those which are based on fixed prices. The ease with which a trade-off can be made between levels of unit funding by governments are prepared to fund and quality premiums above the minimum required standard varies across programs.

Making price and quality trade-offs is difficult when quality assessment is complex. For example, monitoring the quality of service for the intellectually disabled is difficult because clients are often unable to voice their concerns and there may be no suitable advocates to represent them. In these circumstances, fixed price tenders (for a prescribed service standard) on the basis of a fixed amount per client may be more appropriate.

Even in some cases where it is difficult to make the trade-off between price and quality, governments nevertheless have been capable and prepared to select providers on the basis of both. Examples include an Adolescent-Parent Mediation Program for the Department of Community Services in New South Wales (see Box 16.3) and the recently let tenders for the Commonwealth's Department of Employment, Education and Training.

Box 16.3 Adolescent-Parent Mediation Program in New South Wales

This one year pilot service will aim to reduce the rate of teenagers permanently leaving home by preventing the breakdown of relationships between parents and their adolescent children. Adolescents often leave home as a result of some conflict with their parents which escalates into a major crisis.

This mediation service will endeavour to intervene before the crisis causes the family to break down and will help the family to develop techniques to avoid the situation being repeated. Skilled mediators will assist the adolescent, the parent and other family members to work out their difficulties and, if possible, come to some agreement about how the problem can be resolved.

Source: Department of Community Services, New South Wales.

Specific safeguards will always need to be taken into account with a price-competitive approach to tendering. Government officials can be overly concerned with meeting budgets rather than ensuring an appropriate price and quality balance. This is particularly the case where budget cuts are operating in parallel with reform of funding arrangements and selection procedures.

16.5.4 Participants' views

Participants to the Inquiry were particularly concerned that quality of service be a basic tenet of any tendering process. Logan Resource Centre (sub. 505) argued that some statement to this effect is essential, particularly given that many clients of CSWOs may find it difficult to assert themselves in relation to the quality of the service they receive.

The Queensland Spastic Welfare League said that:

Most League services cost more than the government grant monies provided. If the League was not selected as the service provider in a tender process, the consumer might receive services from the successful tenderer to the value of grant monies but will miss out on the additional depth of services not covered by those grant monies. The loss of equipment support and therapy support not funded by governments would be an intolerable and unacceptable loss to current League consumers. (sub. 528, p. 1)

There was no consensus amongst participants about the relative advantages or disadvantages of large, newer and small providers in the tendering process.

The After Care Association of New South Wales considered it would favour larger organisations:

Tenders from larger organisations who can afford to employ someone to focus on tendering for new services, may be better presented by the lobbyist working on their behalf, putting larger organisations at a far greater advantage than the smaller groups. (sub. 545, p. 1)

The Churches of Christ, Department of Community Care (Victoria and Tasmania) thought newer organisations might be successful in winning tenders, though this may not be to their benefit:

An unwitting, well meaning, newer and smaller organisation could become the approved tender over against a larger more experienced organisation who has been the previous successful tenderer. The larger organisation through past experience and because of its capacity to fully understand the total cost of the service, including the 'hidden costs', may be unsuccessful. The smaller organisation could quickly find that there are many such hidden costs that had not been accounted for. (sub. 562, p. 6)

The Royal Blind Society expressed concern that tendering would favour small agencies:

... tendering will favour small agencies who have not invested in professional staff and services structure and will be able to tender at a lower cost than larger CSWOs but, however, cannot guarantee the range or continuity of service. (sub. 544, p. 6)

16.6 Principles for selecting providers

Governments should produce simplified procedures to encourage a range of organisations to tender. Initial requests for tender should be based on some cardinal principles rather than unnecessary detail. Potential providers should be given every opportunity to examine the current cost structures in the industry and the characteristics of the clients. For example, potential providers for residential accommodation for the disabled would require details of the level of dependence of the clients.

Selection criteria should be stated explicitly. An example of such criteria is that developed by Commonwealth Disability Services (see Box 16.4).

Box 16.4 Commonwealth Disability Services

Selection criteria .. must be approved by the Minister and may include:

- the extent to which making a grant would further the Objects of the Act and the Principles and Objectives formulated under the Act;
- the degree of benefit for people with a disability who would use the service, including:
 - the outcomes to be achieved for people with a disability; and
 - how closely these outcomes match the needs of people who would use the service;
- whether the service can reasonably be expected to be financially viable within expected income;
- whether the service can reasonably be expected to deliver cost effective outcomes for consumers; and
- whether the funding application includes a sound, practical forward plan

Source: Minister of State for Health, Housing and Community Services 1992

Application procedures should be consistent across programs. This would encourage organisations to tender and reduce the costs of tendering. The quality of tendering would be improved by adopting the following principles:

- timetables for the assessment of tenders should be set and adhered to in order to reduce the level of uncertainty for applicants;
- unsuccessful applicants should be informed, if they so choose, of the reason for their non-selection in order to increase the transparency of the tendering process and to provide a basis for improved tendering in the future; and
- applications for the provision of services in related service areas and for adjoining regions should be sought at the same time in order to reduce the costs of tendering and service provision, both for service providers and governments.

Recommendation 16.2

Commonwealth and State/territory governments should develop a set of principles for the selection of service providers. These principles should include:

- applications normally be called by public advertisement;
- information sought in applications be as simple and standardised as possible;
- service and quality management standards be clearly specified;
- selection criteria be prioritised;
- timetables for the assessment and notification of applicants be specified;
- unsuccessful applicants have access to the reasons for their non-selection; and
- applications for provision of services be co-ordinated to encompass inter-related services.

At the Draft Report hearings, many participants claimed that selection of service providers by tendering would introduce a spirit of competition among CSWOs which would compromise the values of co-operation and collaboration which they say characterise the sector. Without denying that open tendering does introduce the discipline of competition, the Commission does not believe that it is antithetical to co-operation and collaboration. In fact, tendering can bring complementary parties together.

Very few funding arrangements involving formal co-operation between CSWOs were brought to the attention of the Commission during the Inquiry. The Commission considers that adoption of the selection criteria proposed in Recommendation 16.2 could lead to changes in relationships between CSWOs. These are discussed in section 16.7.

16.7 Organisational developments within the sector

Moves by governments towards more open and transparent selection procedures, based on providing defined outputs, are likely to change the way in which the sector is structured. As a consequence, the administrative and

accountability demands on all organisations, particularly smaller and locally based ones, are likely to increase, decreasing the resources they have for direct service delivery.

Enhancing the extent of organisational co-operation within the sector is one way for smaller organisations to cope with these developments. These developments could include:

- allowing a CSWO to tender with and on behalf of a group of CSWOs where this is agreed to by all of the CSWOs involved; and
- encouraging voluntary networks of smaller organisations.

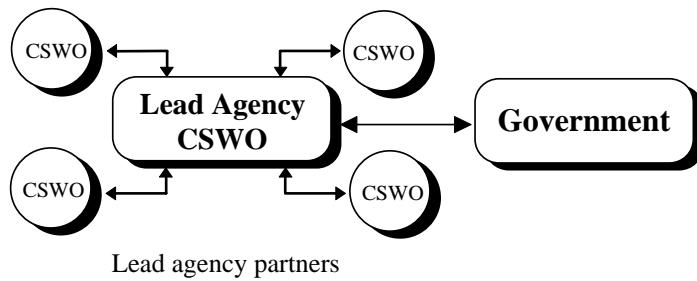
16.7.1 The lead agency approach

Organisational developments within the sector could allow a range of CSWOs to operate more effectively and minimise the costs of open contestable selection procedures. It is common in many other sectors of the economy that joint tendering and prime/sub-contracting arrangements operate where there is a mutual interest between the parties involved. The Commission observed relatively few examples of co-operative tendering in the sector.

One approach is for CSWOs voluntarily to organise service partners. In this approach, a lead agency could handle funding agreements with governments on behalf of partner organisations (see Figure 16.1). Lead agencies could handle all negotiations with governments including accountability and legal requirements, providing smaller organisations with increased opportunities to focus on service delivery.

Participants were particularly concerned lest a relationship with a lead agency be forced on a smaller individual organisation. The Commission's position is that such an approach would only work where there is a co-operative relationship and CSWOs choose to develop these relationships voluntarily.

Figure 16.1 Structure for lead agency approach



Participants were concerned that a lead agency approach would only favour large organisations. However, the Commission's view is that relatively small organisations could take a role as a lead agency, such as a local agency acting as a lead agency within a particular region to assist in developing co-operative relationships between organisations. For example, in the Cabramatta area the Cabramatta Community Centre works co-operatively with a number of organisations.

A lead agency approach would require that a particular organisation takes the lead in developing relationships with governments on behalf of other organisations, but it is not envisaged that the lead agency would necessarily be a large multi-service organisation.

Lead agencies would require management expertise to handle a number of partner organisations. Incorporation under the Corporations Law would provide governments with greater security that lead agency organisations could manage these additional responsibilities. In addition, they would need to meet certain standards in terms of quality systems. These were discussed in Chapter 14.

This approach could be adopted for the provision of services in remote areas. For example, government could call tenders for the supply of family services in a rural or remote town from qualified lead organisations. These organisations could then seek support from small local CSWOs in tendering for the supply of services.

The advantages of this approach are that it would:

- reduce the vulnerability of small organisations; and
- reduce administrative inefficiencies.

Organisations operating as lead agencies would need to be funded to cover the costs of administering funding agreements. These costs would include professional accounting and legal advice, the development of adequate financial systems and the resources to train staff and develop the quality systems advocated in Chapter 14.

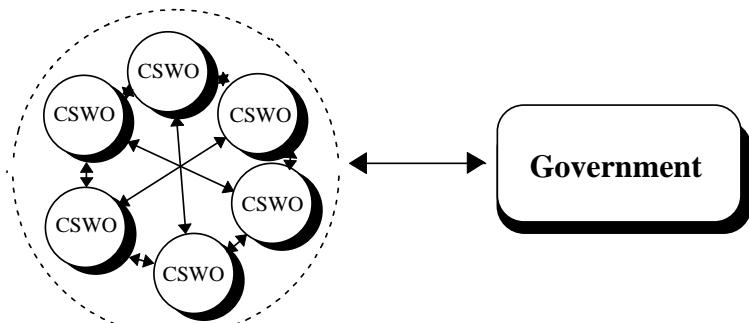
There are current examples in the sector where large organisations assist small organisations with their financial and legal requirements, for example, the Anglican Home Mission Society in Sydney, Anglicare Queensland and the Brotherhood of St Laurence in Victoria. These informal arrangements could develop so that larger or more established organisations would formally tender in conjunction with smaller organisations. In this approach, the lead agency would seek partners for the tender or smaller CSWOs would approach a lead agency. In other situations, a lead agency might tender and then seek out other CSWOs to be part of the project. These are common features of tendering arrangements in the commercial sector.

CSWOs acting as the lead agency would need to have a sound organisational basis if they were managing the contracts of a number of organisations. The recommendations in Chapter 8 on new forms of incorporation should give governments greater confidence in this regard.

16.7.2 Networks of providers

In some situations community based organisations may be unwilling to work with larger or more established organisations, or the nature of the services they provide is such that it is more sensible for them to work with each other. In these cases, organisations could form a network of providers, as shown in Figure 16.2. This would reduce the costs of negotiating agreements and could lead to administrative efficiencies through shared overheads.

Figure 16.2 Structure for network of providers



One approach would be to utilise organisations such as resource centres to work with other organisations. In other cases, smaller organisations could form networks to integrate services for a particular region or a particular type of service. Examples of organisations sharing overheads are shown in Box 16.5.

Networks of providers involved in tendering would require a legal entity to contract with governments. A company structure provides the possibility of each agency being a member of the organisation, with all the members electing an Executive.

Box 16.5 Examples of organisations sharing overheads

In Victoria, the Community Enterprise Network, formed as a co-operative, offers financial services to small organisations. These services include computerised accounting systems for financial projections and forward planning. Members of the network receive discounts on project work and have access to the resources library. Members are also able to participate in setting the directions and priorities of the network.

The Far North Queensland Family Resource Service, which is funded under the family resource centre program by the Commonwealth Department of Human Services and Health, is playing a valuable role in far north Queensland. It is an example of a regionally based organisation providing an important infrastructure role for the non-government social and community services sector. (trans, p. 1442).

16.8 Organisational developments for governments

16.8.1 Current structures

Government departments in the different jurisdictions are structured in different ways in their relationships with CSWOs. In some cases, community social welfare services fall within a separate department of community services, for example New South Wales.

In Victoria, community social welfare services are integrated into a combined Department of Health and Community Services.

In Queensland, some services for the aged and disabled are combined with family, individual and community services in the Department of Family Services and Torres Strait Islanders. The home and community care services for the aged and disabled are administered by the Health Department.

In Western Australia, disability services are managed by the Disability Commission while other community social welfare services are within the Department of Community Development.

In the Commonwealth, community social welfare services are managed within the Department of Human Services and Health. Within this department, however, separate divisions co-ordinate aged care and disability services. Other services such as emergency relief are also within this department. Few services specifically tailored for families are directly funded by the Commonwealth, except for funding for Family Resource Centres. Responsibility for most family services has been transferred to the States. The Supported Accommodation

Assistance Program (SAAP) is managed within the Department of Housing and Regional Development.

The relationships between CSWOs and most State governments are based on regional structures. For example, the structure of the Queensland Department of Family Services and Torres Strait Islanders is shown in Box 16.6.

Box 16.6 Structure of Queensland Department of Family Services and Torres Strait Islanders

The staffing for the Queensland Department of Family Services and Torres Strait islanders is shown below.

	<i>North Qld</i>	<i>Central Qld</i>	<i>South-west Qld</i>	<i>Brisbane North</i>	<i>Brisbane South</i>
Regional Manager	1	1	1	1	1
Senior Resource Officer	4	4	4	4	4
Resource Officer	17.5	11.5	12.5	15.5	16
No. of projects (including child care)	285	249	227	326	293
Population ('000)	417.6	451.7	531.3	814.2	901.1

Regional Managers are expected to provide effective management, direction and co-ordination of divisional activities within the region in accordance with the principles of community services development and departmental policy.

Resource officers are expected to effectively contribute toward the establishment, development and support of a broad range of community services that appropriately address the needs of local communities.

Source: Department of Family Services and Aboriginal and Torres Strait Islanders, personal correspondence

The relationship between CSWOs and governments is constantly changing. Modifications to service requirements, new service delivery methods and the emergence of new funding arrangements and selection practices require government departments to be continually reviewing the extent to which their procedures are capable of responding to change. In particular, the selection of service providers by open tender will require improved methodologies.

16.8.2 Changing capabilities of government agencies

Contracts with CSWOs for the provision of a range of services will require government departments to employ staff with skills in the following areas and organisational structures to support them:

- tender specification;
- selection techniques;

- contract negotiation;
- performance monitoring; and
- dispute resolution.

Governments will need to provide training in each of these areas. As a first step policies and procedures will be required that deal with the specific problems in the community services area.

Several governments have released documents on the procedures for contracting across agencies. These typically include sections on selection procedures and performance monitoring. A document of this nature, addressing the particular issues related to contracting community social welfare services, would be a good starting point.

For a contracting and tendering regime to be effective, however, it will be important that governments adhere to the policies and procedures outlined in any documents, and that long term strategic relationships are established between the officers of government departments and CSWOs. During this Inquiry, CSWOs commented that they had to contend with:

- frequent changes in staff;
- inexperienced staff; and
- lack of communication or notice of policy changes.

CSWOs are similar to most organisations which provide services. They are able to operate more efficiently when they:

- are in an environment of relative stability;
- are held accountable; and
- understand clearly the funder's objectives.

The Royal Blind Society discussed the problems that arise with instability of staffing in government agencies. They said:

Arrangements will be agreed at the macro level ... but then we will be confronted with project officers who want our staff to negotiate in detail the differences between our services and those more general and inappropriate specifications.

Six months later the department staff have all moved on, and we have another whole round that may be involving 15 of our staff in very extensive discussions to establish something that has been agreed 6 months, 12 months and 18 months previously and that achieves positive outcomes for our client group rather than mangling it in the way that the specifications seem to require. (trans, p. 789)

Queensland Shelter said:

... Observations of program management staff with government departments indicates to us that one of the primary problems with financial accountability comes from within

government. Program management staff often have a limited understanding of accounting practices and cannot understand financial statements. This has resulted in the Department imposing reporting requirements on the sector that impose an unnecessary cost on the organisation rather than train their staff. (sub. 676, p. 6)

To the extent that government departments fail to provide this sort of environment, CSWOs will be less efficient and effective.

16.8.3 Service standards for governments

The Queensland Department of Family Services and Torres Strait Islanders has developed a set of service standards for departmental officers in their dealings with CSWOs which addresses some of these issues. This set of service standards relates to the current regime of service agreements, based in many cases on a subsidy approach.

A new regime of funding arrangements, based on purchase of defined outputs/outcomes and selection of providers by open tendering, will require enhanced levels of competence by governments when dealing with CSWOs.

Newcastle Family Support Service said:

The Department of Community Services I think has been through so many changes and it does not have adequate staff to be able to relate well to community organisations. So I wonder if in fact the problem could not be more simply solved by more adequately funding government departments who relate to community organisations and perhaps getting some very clear, agreed upon standards in place about how they do that. (trans, p. 3544)

The costs of tendering can be reduced for CSWOs if governments reduce the delays in handling expressions of interest, develop effective monitoring procedures and deal fairly with disputes. The relationship between governments and CSWOs could have a more co-operative emphasis if the standards expected of governments were more clearly specified.

If governments are effectively to handle the recommended arrangements for selecting providers, they will need to review their structures in relationship to CSWOs.

Recommendation 16.3

Commonwealth and State/territory governments should review the structures, skills and operational protocols of government agencies in the light of their changing relationships with Community Social Welfare Organisations.

17 SUPPORT FOR POLICY DEVELOPMENT

The Inquiry has generated much information about the sector which has helped to fill significant information gaps. Ongoing improvement in the provision of welfare services will require the establishment of mechanisms to ensure that adequate information is available for developing public policy in the future. This chapter explores possible strategies in the areas of statistical collections, research and consultation.

17.1 Introduction

A key objective of the Inquiry has been to strengthen the sector's ability to improve service delivery and client outcomes.

During the Inquiry the Commission found that key information about the characteristics of CSWOs, client needs, existing service provision, resourcing the sector and best practice was either fragmented or simply not available.

The Inquiry process has generated significant information which has allowed recommendations to be developed of relevance to the current operating environment. But this environment will change over time.

Ongoing improvement in the provision of welfare services will require the establishment of mechanisms to ensure that adequate information is available for developing public policy in the future. It will also require a more structured approach to research in the sector.

This chapter explores how these needs could be better met, particularly in the areas of information, research and consultation.

17.2 Improving statistical collections

17.2.1 Availability of data for this Inquiry

The information available on the sector is fragmented. The Commission had access to only limited published data and therefore sought and received considerable information directly from government agencies and individual CSWOs.

It has not been possible to estimate accurately the total number of CSWOs in Australia. The Commission has estimated that between 10 000 and 11 000 CSWOs receive government funding. This figure required collecting data from more than 40 different government agencies and extensive analysis of the data. There is no mechanism for the updating of this information over time and no reliable means of estimating the number of CSWOs that do not receive government funding.

In terms of income sources for CSWOs, the Commission compiled details for the largest 50 organisations in Appendix C and made some estimates for the sector as a whole in Chapter 1. Extensive work was required to obtain these estimates and there is no mechanism for the updating of this information over time.

The Commission has been unable to estimate the number of clients of CSWOs and has little information on the characteristics of these clients.

17.2.2 Availability of published data

The Australian Bureau of Statistics (ABS) has published limited information about CSWOs. The Government Financial Statistics collection has some information on current transfers to non-profit institutions. However, there are major problems with this data. The first is that only a limited number of categories with very broad definitions are used to classify community social welfare services. The second is that the data on 'grants, transfers and other payments' include transfers to other levels of government and the private sector as well as to CSWOs.

No data is published by ABS on the level of employment in not-for-profit organisations in the sector. For this to be possible, not-for-profit organisations would need to be distinguished from for-profit organisations in the Business Register maintained by ABS.

The Australian Institute of Health and Welfare (AIHW) is the Commonwealth statutory authority with responsibility for the development of health and welfare statistics (sub. 677 p. 1). The Institute's Act requires that a report on welfare services, including data development, be presented to the relevant Minister every two years. The first such report (AIHW 1993) was published in 1993.

AIHW indicated that, while much progress had been made in recent times, there were many data gaps in the area of welfare statistics. There are differences in definitions and classifications between data collections and inadequacies of coverage (AIHW 1993).

17.2.3 The need for better information

ACOSS said that there is an urgent need for a review of the service, program and client data currently collected by State and Commonwealth departments to ensure its usefulness, consistency and comparability, and good accessibility by the range of potential users. It asked that the sector be consulted in determining:

- the data to be collected;
- the methods of collection; and
- the use of the data.

ACOSS proposed that a national dataset be developed. The Commonwealth Department of Human Services and Health (HSH) also favoured a national framework:

A national framework for statistical information would provide standard definitions, classifications and terms for key data items, set collection and processing protocols, identify the minimum data sets necessary for monitoring the efficiency, effectiveness, accountability, and accessibility of community services, and provide the conceptual basis for information management systems. (sub. 583, p. 16)

HSH noted that considerable difficulties would be involved in this task, as the community service data varies enormously according to sub-sector, provider and jurisdiction. HSH stated that a national framework should attempt to address:

- the measurement of input resources (monetary and human);
- service activity (type of service, clients served, location of service, service delivery parameters including best practice, service outputs); and
- outcomes of service use. (sub. 583, p. 16)

17.2.4 Current developments

A number of developments under the auspices of ABS and AIHW should improve markedly the statistics in the area. These include:

- the development of national datasets;
- the development of a classification system for community services;
- a proposed national survey of community services ; and
- the identification of not-for-profit institutions as a sector of the economy in the National Accounts.

AIHW is currently developing national datasets in conjunction with the Commonwealth and State governments and other bodies in a number of areas where services are provided by CSWOs. These areas include disability services, child welfare services, supported accommodation and aged care services.

AIHW stated that these national datasets, when developed, will provide information on the contribution by governments and by community organisations to the provision of these services.

AIHW, in conjunction with ABS, both Commonwealth and State governments and ACOSS, is developing a classification system for all data on community services. It is intended that this classification system will be used by both Commonwealth and State governments.

A survey of community service organisations is proposed for 1996–97 in respect to 1995–96 data. This survey will be conducted by ABS, in conjunction with AIHW. The objective of the survey is to provide the base line data necessary to understand the nature of the industry, to enable comparison with other industries and to provide a benchmark for measuring change over time. The key objectives of the survey are shown in Box 17.1.

Box 17.1 Survey of the Community Services Industry

The key objectives are to:

- measure the size and structure of the industry;
- measure the significance and the role of government in the industry;
- identify the source and application of funds by community service providers;
- collect information on service delivery in terms of types of service, costs, clients and delivery point;
- enable comparisons between States/territories;
- identify the size and complexity of the non-profit sector; and
- enable comparison of the industry with other industries.

Source: ABS (1995)

A survey of this nature is a relatively expensive exercise requiring contributions from the Commonwealth and States of \$500 000, in addition to the resources of ABS and AIHW. ACOSS (sub. 679, p. 4) was concerned that it will be seen to be a once-off survey. It argued that it is critical that ABS commit to undertaking ongoing surveys of the industry once an appropriate classification system and survey design is developed.

A revised System of National Accounts (SNA) was released in 1993 by six international organisations. The SNA requires that non-profit institutions servicing households (NPISH) be included as a sector of the economy in addition to government, households and businesses. This will require considerable work by ABS both to distinguish non-profit institutions and classify them appropriately.

17.2.5 A statistical framework

Both ACOSS and HSH have argued for national datasets and integrated statistics. Integrated statistical collections will be assisted by the development of a common classification system. This will improve the consistency of information on government programs published by AIHW.

Information on employment within CSWOs can only be obtained by survey. ABS uses the Business Register for a sampling frame for its regular surveys of employment, for example the Economic Activity Survey and the Survey of Employment and Earnings. Additional work is required so that the Business Register adequately distinguishes not-for-profit organisations and classifies them by industry. This will allow employment data to be collected from these surveys.

Needs based planning has been discussed in Chapter 3. The ABS currently undertakes surveys of persons with disabilities and therefore in this area there is more information than in many other areas of need. However, ACROD (sub. 644, p. 31) was concerned with the need for relevant information for service planning. The Commission believes that there is scope for improving the statistics required for such planning.

A framework for the collection and publication of statistics would provide the community social welfare sector with direction for the ongoing collection of statistics. It could also provide a basis for consultation with the sector on the nature of statistics collected. ABS (1994c) has published a framework for the collection and publication of tourism statistics which could be a useful model for a similar publication for the community services industry.

Recommendation 17.1

The Australian Bureau of Statistics and the Australian Institute of Health and Welfare should develop a framework for the collection and publication of statistics. These statistics should facilitate service planning by including information on:

- the programs delivered by Community Social Welfare Organisations;
- the characteristics of Community Social Welfare Organisations; and
- the clients of services.

17.3 The role of research

17.3.1 The current situation

Currently research is resourced as part of program funding and there is no specific allocation for research across the sector.

Individual CSWOs, for example the Brotherhood of St Laurence, undertake research programs. Some charitable trusts allocate funds for research programs but these funds are limited.

For example, the Reichstein Foundation said:

Funds are often directed to innovation and seeding of initiatives which have not yet been demonstrated or proven in their social benefit. In this way, our Foundation sees its role in the provision of ‘social venture capital’. (sub. 446, p. 2)

Some research funds are allocated through the Research and Development Grants Advisory Committee (RADGAC) for research in the community sector, but these are usually allocated to staff at academic and research institutions. This committee operated independently in the Commonwealth Department of Human Services and Health until July 1994 when it was transferred to the National Health and Medical Research Council (NH&MRC).

The Australian Catholic Social Welfare Commission has expressed concern that these funds are now administered by the NH&MRC. It argued:

... the continued development of both social service policy and practice is in jeopardy with RADGAC’s move to a strong medically oriented auspice. (sub. 669, p. 40)

In some cases, peak bodies undertake research which can then be applied more widely at the industry level. ACROD said:

ACROD seeks out project funding to research and put forward specific initiatives of benefit to the whole industry, for example the ACROD Australian Vocational Certificate Training Project. Academic research in a university environment has a role to play in the disability field, but it is the research at the industry level undertaken by bodies like ACROD that has the most immediate impact on service development. (sub. 152, p. 34)

17.3.2 Allocation of research funds

ACOSS endorses research and development as a priority concern. It argued:

Research plays a critical role in understanding needs, designing services and innovative approaches, community development, quality improvement, effective management and evaluation of services. There is scope for research at the industry, program and service delivery level. (sub. 679, p. 5)

ACOSS (sub. 679) considered that the funds allocated nationally to welfare research are negligible compared with the funds allocated to health research, for which the NH&MRC has responsibility for distributing millions of dollars every year.

ACOSS (sub. 679, p. 5) proposed that the Commonwealth government establish a Community Service Research and Development Fund, with a specific allocation of \$5 million dollars in the first year. They proposed that these funds be administered separately from program funding and that a similar fund and model could be established by relevant State departments.

The Australian Catholic Social Welfare Commission (sub. 669, p. 40) proposed that the Commonwealth and the State governments be encouraged to establish specific funds under each funded program for research and development. They suggested that these funds be a set percentage (for example 0.8 per cent) of a program's annual budget.

In its Draft Report the Commission proposed that funding agreements should take into account the costs of research and development as part of the full cost of services. HSH argued that it could be counter-productive if its programs were to attempt to include in service provision funding the costs of such activities as research and development. They said:

In many cases of community service provision, services are not of any optimal size to effectively pursue research and development. The Department believes that, to have any substantial and cost-effective impact, investment by the Commonwealth of this nature is far better undertaken on a program-wide basis and even across the community services sector in some circumstances. (sub. 583, p. 6)

Government instrumentalities, such as the Australian Institute of Family Studies and the Australian Institute of Health and Welfare, do undertake research in human services delivery and governments also sponsor it by way of universities, consultants or the piloting of trial programs by particular CSWOs. However, there is no specific government budget item for research in human services delivery.

The Commission has given some consideration to whether there should be a budget allocation for the specific requirements of CSWOs, but has no basis at this stage for evaluating how research priorities should be established and resourced. No research council has been established for the sector along lines which operate in some other sectors to develop criteria for research funding and to allocate available moneys.

The Commonwealth Aids Research Grants Committee could be a model. That Committee advises on priorities for research and the level of funding required; makes recommendations on the allocation of available funds; reviews research

activities; solicits research in fields where there are deficiencies; and assesses the performance of applicants for funding.

17.3.3 Developing research strategies

There are several examples of funding where a strategy has been developed for research programs in particular social welfare areas.

Programs such as research on AIDS, drug and alcohol programs and mental health operate by advertising publicly for research proposals. These programs are administered by the Commonwealth Department of Community Services and Health. Each year nominated areas are given priority for the allocation of funds.

The New South Wales Health Department (NSW Government 1994) regards research and development as an integral component in developing an outcomes-driven health system. The Department is developing a comprehensive research and development strategy which could provide a useful model for the community social welfare services sector.

The Commission itself has no basis for establishing the content of a research strategy. However, during the Inquiry it identified two particular issues about ways of funding and delivering human services which it considered were under researched. These are the specification and monitoring of outcomes as a basis for funding and circumstances in which it may be appropriate for governments to fund individual clients directly (see Chapter 15). There are, of course, other issues in social welfare policy which impinge on service delivery which have high research priorities, such as ways of quantifying the benefits of preventive strategies in order to compare them with services which respond to acute crises (see Chapter 3).

17.3.4 Allocating of research funds

Many participants favoured tendering for research funds. The Society of St Vincent de Paul, National Council said:

This process allows more individuals (professionals and volunteers) with experience and values representative of the community service sector to tender for research grants, alongside the more traditional free-market consultancies who generally have very limited knowledge and understanding of the subject of their research. (sub. 646, p. 21)

SACOSS (sub. 628, p. 2) supported tendering but said that they would like to see mechanisms included which would encourage practitioner participation in research and ensure consumer consultation. They argued that this would ensure that research is practically oriented and relevant to the needs of consumers.

The Central Queensland University – Rural Social and Economic Research Centre was concerned that small rural organisations were treated fairly. It said:

We support the comment that R & D needs to be tendered for. However, we are concerned that such tendering may again favour those organisations that have the funds to be able to put together ‘good’ tenders. There needs to be an acceptance that applications should be sought from small organisations, not necessarily urbanised, whose needs may be high, but whose capacities to articulate them may be untried. (sub. 450, p. 2)

The Commission considers that government funding of research and development projects in the field of service delivery in the sector should be according to the principles recommended in relation to government funding of CSWOs.

Recommendation 17.2

The Commonwealth government should fund an independent evaluation of the extent and direction of funding for research into the delivery of community welfare services.

Such a review should:

- describe the funding available for research into service delivery;
- recommend any desirable redirection of existing funding; and
- recommend on funding arrangements which should apply to research into service delivery issues.

17.4 Consultation between governments and CSWOs

17.4.1 The importance of consultation

Participants in the Inquiry generally supported many of the Draft Report recommendations, with the proviso that they are implemented in consultation with the sector. The Commission itself recognised the importance of sector participation by stressing the importance of consultation in the implementation process. Good consultation is essential in order to achieve effective social planning which involves CSWOs as service deliverers.

Views about current consultative arrangements were mixed. Many submissions argued that consultation between government and the sector has a positive effect

on service delivery. For example, the Alcohol and Other Drugs Council of Australia argued that:

The complementary relationship breaks down when governments insist that they can steer without any input from consumers or service providers who are clearly in the best position to determine the needs of their client groups. Governments should make decisions about whether or not to meet needs, but not in total ignorance of what needs exist. There is a tendency for governments to say that a consultation has occurred when in practice no opportunity has been provided for meaningful input. (sub. 157, p. 9)

The Society of St Vincent de Paul (National Council of Australia) described consultation as integral to the government's decision making process:

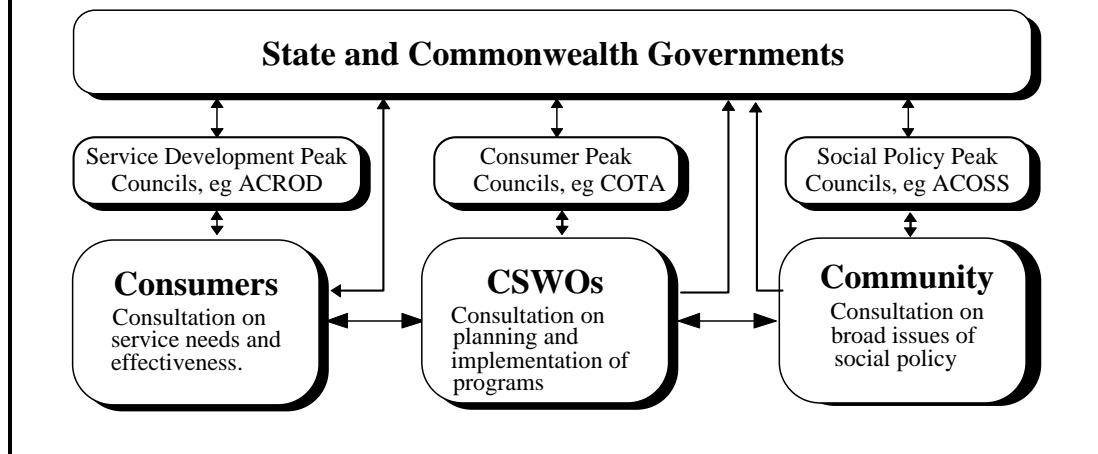
Further consultation does not mean compromising the government's policy objectives, but merely making greater use of the experience of the community sector to ensure that policies established are adequate and appropriate and that the strategies used are the best possible. (sub. 393, p. 59)

17.4.2 Elements of consultation

Groups involved in consultation are presented in Figure 17.1. Consultation by governments should include:

- service providers and other key players on issues related to the planning and implementation of programs;
- service users and their representatives to determine the effectiveness of existing programs and identify emerging needs; and
- a broad range of people, to provide input on community views on the appropriateness of social policy and planning.

Figure 17.1 Groups involved in consultation



Consultations should, of course, also take place between these groups.

Formal consultative arrangements include:

- government consultation and inquiries;
- appointment of sector representatives to advisory committees; and
- facilitation of regular forums.

Informal arrangements include the establishment and maintenance of communication links with peak organisations and service providers.

17.4.3 More effective consultation

Consultation is most effective when it is active and participatory. The Aged Services Association (ASA) suggested that consultation needs to start in the initial phase of design rather than after proposals are finalised.

There has to be better consultation. It is not enough for government departments to invite comments on discussion papers. Such a process shapes the nature of the debate by setting the parameters of what will be considered. It is necessary to have organisations like ASA involved right from the outset in producing the discussion papers, and then taking the papers through the stages of producing and implementing policies. (sub. 177, p. 42)

COTA said:

Any major change in policy which will impact on the community sector must be developed in consultation with the community sector. Consultation does not mean providing the sector with a copy of a report to respond to. Rather, real consultation means a process of discussion and dialogue to ensure that policy changes will not make presumptions about the contribution of the non-government sector. (sub. 722, p. 5)

While substantial consultative arrangements exist in the sector at both Commonwealth and State levels, the effectiveness of these arrangements varies between jurisdictions and departments.

Some new models of consultation were presented to the Inquiry for consideration. The ASA proposed:

That service delivery methods and objectives should be made jointly by government and charitable organisations via a representative Policy Development Committee. (sub. 177, p. 4)

The Volunteer Association of NSW suggested:

... the establishment of the Third Sector Council of Australia to bring it in line with other sectors, that is: Business Council of Australia (BCA), Council of Australian Governments (COAG). (sub. 361, p. 13)

The Commission's attention was drawn to a wide range of consultative mechanisms which operate at different levels of governments and their departments and with various parts of the sector. Some proposals were made to the Commission suggesting that differently structured consultative mechanisms should be put in place for certain services.

The Commission does not see that much is to be gained from imposing additional consultative structures. The Commission believes that no single consultation process or mechanism will be generally appropriate.

While governments and the sector remain committed to the consultative process there are two major problems which the sector encounters in the present arrangements:

- The sector is invited into the process too late. Major parameters of reform have been laid down in government planning documents and the sector finds itself in a constant reactionary stance, though it has the primary service-delivery knowledge at its disposal.
- The process of consultation is very costly for the sector, if it is to do it adequately. Given that one of its major areas of financial stress is in management, research and planning services, it is often very difficult for individual CSWOs to marshal their knowledge and views and submit them in a form that is professionally adequate for the numerous government inquiries and consultations into which they are invited. Many relevant organisations do not participate for this reason.

Good consultation relies on a spirit of co-operation and respect. Only if this occurs can the potential that all parties are able to contribute to social policy, service needs and program planning and implementation be realised.

The important role of consultation needs to be reflected in the way in which peak councils are funded (see Recommendation 7.1) and in the basis for funding services (see Recommendation 15.2).

18 SYNTHESIS

The objectives of the report are to strengthen the capacity of community social welfare organisations (CSWOs) to provide services and to carry out their own functions. The recommendations also aim to put the relationship between CSWOs and government on an explicit basis of co-responsibility. Finally, the recommendations increase the extent to which CSWOs can test their performance.

18.1 Introduction

This chapter brings together the objectives inherent in the recommendations contained in this report, and what these outcomes are expected to be. In examining and reporting on the role of charitable organisations in Australia today, the Commission has recognised the particular histories of CSWOs, the roles they have played in the past and the ways in which these roles are changing. The Commission believes that strengthening CSWOs for their present and future roles is the main challenge facing people in the sector.

CSWOs have evolved as Australian society, together with its norms, values and needs, has evolved. Part of this evolution has involved governments and the sector combining to deliver a range of services. The increased use of the sector as the delivery vehicle for human services has been accompanied by a reduction in direct service delivery by governments themselves. This is a worldwide trend. It delivers to governments the benefits of flexibility and cost effectiveness; it delivers to the sector the benefits of more assured funding and involvement in processes of social policy formulation; and most importantly, it delivers to service users greater diversity of service provision and a greater focus on individual welfare needs.

This tendency has, of course, been characteristic of the whole range of human service categories. There has been, for example, a greater reliance on the non-government sectors in the delivery of health and education as well. Moreover, this devolution is also coming to include the for-profit sector in the range of organisations eligible for providing services.

Common experience is that, in this partnership for service, there is a point at which the legitimate expectations of governments run up against the legitimate expectations of the sector. Governments, by their nature, are focussed on particular ways of constructing accountability. These centre, first, on financial accountability for public funds and this accountability naturally extends to

projects for which the government's share is minor. Secondly, governments stress, under the principle of equity, equal outcomes for diverse clients experiencing a similar level of dependency: a client receiving a service paid for with public funds, for example, should not be disadvantaged by virtue of living in an outer suburb or a remote rural area.

The sector, on the other hand, is a loose network of independent organisations, generally with a local set of loyalties and historically freer to make spending decisions based on the autonomy which raising their own funds has ensured. Being free to pursue the interests of clients in ways which seem best to them, the pattern of service delivery by CSWOs is diverse in geographical coverage, in mode (for example, the relative importance of advocacy in differing organisations offering ostensibly the same service) and in quality. These have not been perceived as problems by the sector in the past. They only become problems when governments use the sector to deliver a service with highly specific norms for service quality, access, equity and financial accountability.

Governments have a number of ways of minimising the effects of these problems. One has been to retain their role as service provider of last resort. Another has been to bring community organisations into existence specifically to provide new programs. A further way has been to require uniform norms of accountability for a diverse sector in recognition of the large role now played by government funding in total resourcing.

18.2 The objectives of the recommendations

This report has made 31 recommendations. The Commission suggests that there are four sets of objectives in these recommendations. First, they aim to strengthen the capacity of CSWOs to provide services to their range of clients using a mix of government, client and the organisation's own resources and to compete effectively where appropriate, with for-profit firms or government agencies.

Second, they aim to strengthen CSWOs in carrying out their own functions, in accordance with their individual vision or spirituality, to provide service to those in need with their own resources, in their own distinctive way and through their own relationships with those parts of the community which support them.

Third, they aim to put the distinct relationship between CSWOs and governments on a more rational, reasonable, indeed co-responsible basis, where mutual expectations and accountabilities for the delivery of government purchased services are clear, reasonable and achievable.

Fourth, they aim to increase the extent to which CSWOs can test themselves against each other and with both government and the for-profit providers to determine whether there is scope for an enhanced role for other providers in the provision of the range of welfare services funded by governments.

The report has addressed these aims in the following ways.

18.2.1 Strengthening the capabilities of CSWOs

The role of peak councils is important for the future development of the sector. They have a highly developed role in social policy dialogue in this country and can continue to exercise an important influence on the growth and effectiveness of the sector. As most of the funding of the larger peak councils comes from governments, it is particularly important that the basis on which they are funded be reviewed and rationalised and that this review involve them. This review could conceivably result in fewer, more focussed peak councils better able to represent their membership bodies or advocate on behalf of their consumer constituents (Recommendation 7.1).

A sector-wide focus on best practice (Recommendation 13.1) funded in its pilot stage by government would strengthen service delivery. Governments have assumed a moral and in some cases a legislative duty to ensure access to and equity in the provision of uniformly high quality services, including those provided through CSWOs. Inasmuch as government is a customer of CSWOs, best practice methodology is part of a comprehensive quality management approach which enables the sector to deliver the service as required by the purchaser. Additionally, of course, a best practice approach is desirable irrespective of who purchases the services. It is the approach best suited to raising the quality of services to clients and hence assisting CSWOs to achieve their missions.

Best practice methodologies are part of a comprehensive quality management approach which the report has advocated (Recommendation 14.1). By focussing more on quality management systems rather than simply being satisfied with measuring service outputs, the sector has a chance of strengthening its management competency at the same time as minimising intrusive and costly oversight from government. Over time, as governments purchase services from CSWOs with the assistance of agreed quality management systems and standards (Recommendation 14.2), the foundations for greater autonomy co-existing with even greater levels of government funding will have been laid.

An assessment of needed changes of research funding (Recommendation 17.2) has the potential to help the sector build up its own specialist research

competency and provide for some of the information needs upon which service innovation is contingent. Better Australian Bureau of Statistics and Australian Institute of Health and Welfare statistics (Recommendation 17.1) are necessary to track improvements in the future performance of the sector.

The Commission has advocated the reform of accounting standards as a beginning of the process of enhancing the accountability of CSWOs to their constituents (Recommendation 8.1). This is part of a two stage process of reform which would give better corporate definition to organisations which have grown up over the years with forms of incorporation which are not well suited to the demands for heightened accountability to donors. The form of incorporation which could deliver this may exist in embryo in section 383 incorporation (as companies) under the Corporations Law. This form of incorporation is currently enjoyed by some non-government organisations. Incorporation under the Corporations Law would deliver especially an up-to-date database and an effective compliance program for the lodgement of information, making the comprehensive scrutiny of organisations possible for the first time. It would also assist them to build over time greater public trust through greater transparency of their operations.

Removing the fringe benefits tax (FBT) exemption from CSWOs (Recommendation 12.4) would also assist in the reinforcement in the public eye of CSWOs as professional and competent organisations. That portion of them which currently receives subsidies through this type of tax expenditure would rely instead on the full cost payments received under funding agreements from government purchasers of services. Likewise, simplifying and standardising the criteria for input tax exemptions (Recommendation 12.5) should begin the process of removing some of the inconsistencies which hamper efficient resource allocation in the sector. Distortions caused by the operations of the current dividend imputation system (Recommendation 12.8) also need to be examined as part of a wider effort to remove unwarranted incentives and disincentives which have accumulated over the years at both Commonwealth and State levels, and which may inhibit CSWOs from raising their own resources.

18.2.2 Strengthening CSWOs in carrying out their own mission

This report has endorsed the sector's view that CSWOs need to maintain their independent capacity to carry out their work in accordance with their foundational values. Additionally, they need to build their relationships with governments in a co-responsible way.

To maintain their mission, CSWOs need to marshal resources of their own. The maintenance and extension of the provisions for tax deductibility for donors (Recommendations 12.1, 12.2, 12.3 and 12.6), the rationalisation of fundraising legislation (Recommendations 9.1 and 9.2) and the set of recommendations regarding trusts and bequests (Recommendations 10.1, 10.2 and 12.7) are all aimed at assisting CSWOs to attract financial resources from the community. Donors need reassurance that the funds which they have donated are being properly applied. The development of sector specific accounting standards and sector specific incorporation (Recommendations 8.1 and 8.2) would lay the foundations for this.

The regular review of the tax status of CSWOs by the Commonwealth Treasury and AusAID and the Australian Taxation Office (Recommendations 6.1 and 12.6) would assist in giving donors added confidence in the operations of CSWOs.

Additionally, an overt policy on client fees (Recommendation 11.1) will reduce uncertainty about expectations of client contributions to funding and encourage CSWOs to consider fees as part of their resourcing strategy.

The more general application of quality management standards within the sector (Recommendation 14.1) are also likely to give supporters of CSWOs added confidence and should assist in building a more robust basis of support for these organisations.

The recommendation on the removal of the FBT exemption could also assist the sector in ensuring long term community support (Recommendation 12.4). The public may not be very tolerant of CSWOs with management who rely on indirect subsidies such as FBT exemption which are not available to ordinary wage earners.

18.2.3 Strengthening the role of CSWOs with governments

Better relations with governments, which are the principal funder of most CSWOs, are necessary for the future development of the sector and for the lifting of its quality standards and management skills.

The Commission considers that the contractual relationships between governments and the sector should be put on a more rational and mutually accountable basis. The Commission has recommended that funding agreements should, wherever possible, have defined service outputs or outcomes incorporating appropriate service standards (Recommendation 15.1) and otherwise have agreed objectives (Recommendation 15.3). This would complete the slow move away from the subsidy model which formerly defined

the relationship between CSWOs and government funding. Such a transition to a purchase of service model, although already far advanced, needs additional supports to make it fully effective. These include a consistent set of principles for funding (Recommendation 15.5) encompassing multi-year agreements which are legally enforceable and have streamlined accountability requirements.

Selection of service providers should be contestable, transparent, open, accountable and periodically reviewable (Recommendations 16.1 and 16.2). This would heighten contestability and accountability in the relationship between CSWOs and the sector would be enhanced if governments were to also review their capability to respond as effective contract partners (Recommendation 16.3).

Part of the increasing professionalisation of the relationship should involve a better appreciation by government of the elements of the service which they are purchasing. The Commission has recommended (Recommendation 15.2) that, as far as purchase of service on a unit cost basis goes, all the relevant elements making up the cost of providing the service should be accounted for by the purchaser. This is particularly important for those elements of human resource use, such as training of volunteers of boards of management, which are necessary for the adequate mobilisation of community support, and those elements which are necessary for service improvement, such as the ongoing training of staff and volunteers involved in service provision (Recommendation 5.1).

Ultimately, governments should promote the adoption of quality management systems for the sector (Recommendation 14.1) with a view to raising quality of service as well as withdrawing itself from the field of direct service oversight. In the long term, if it is accompanied by funding structures which enable the sector to employ competent management, this could only increase the sector's ability to deliver consistently high quality service.

18.2.4 Encouraging interaction among governments, CSWOs and the private sector

The reforms recommended in this report should also facilitate better interaction among CSWOs, governments and private sector providers.

Importantly, quality management systems and the related accreditation of service providers, would provide a common framework and set of standards for all types of providers (Recommendation 14.1). The development of agreed quality management systems and accreditation of organisations would ensure that competition is not accompanied by reduced service quality.

The removal of the FBT exemption from CSWOs (Recommendation 12.4) would assist in levelling some of the cost distortions between the not-for-profit and for-profit sectors in bidding for service agreements. Additionally, any reforms which State governments are able to effect in replacing input taxes with direct grants would also contribute to removing cost distortions between organisations and making the real cost of social dislocation to the community more measurable.

The regular review of the tax status of CSWOs by the Commonwealth Treasury and AusAID and the Australian Taxation Office (Recommendations 6.1 and 12.6) would play some role at the margin in minimising some distortions.

Contestability in service agreements between CSWOs and for-profit firms can be expected to increase as a result of the adoption by governments of consistent sets of principles for the selection of service providers (Recommendation 16.2), whether CSWOs or for-profit firms.

Individualised funding of clients by government (Recommendation 15.4) may also enhance choice by allowing them to choose among government services, CSWOs and the for-profit providers such as sole operator professionals. It can also give the community some indication as to which type of provider is best able to provide different services most effectively.

18.3 Conclusion: CSWOs in a participative democracy

A key objective of the Inquiry has been to strengthen the ability of the sector to improve service delivery and client outcomes. Achieving these objectives will require support in developing key aspects of the way in which CSWOs operate. Basic to this support is better information.

The Commission has argued that CSWOs have their own unique role in a participative democracy apart from their ability to package services and sell them to government. CSWOs garner volunteers' time, donations from the public and help to promote a heightened sense of community and social responsibility — all of which magnify beyond their service role the contribution they make to the wider welfare of Australian society.

CHARITABLE ORGANISATIONS IN AUSTRALIA

PART C

Appendices

- A Inquiry procedures**
- B Submissions received and public hearing participants**
- C The largest 50 Community Social Welfare Organisations**
- D The smallest Community Social Welfare Organisations**
- E Official aid through overseas aid organisations**
- F Non-Government Development Organisations**
- G Peak Council Survey**
- H An overseas example of accountability returns**
- I Fundraising legislation**
- J Tax deductibility of donations**
- K CSWOs and competitive neutrality**
- L State tax exemptions**
- M Overseas taxation arrangements**
- N Benchmarking human services**
- O The 20 elements of ISO 9001**
- References**

A INQUIRY PROCEDURES

Following the receipt of the terms of reference on 16 December 1993, the Commission advertised the commencement of the Inquiry in the press and called for submissions from interested parties.

Prior to publishing an issues paper (to assist those preparing submission), the Commission attended meetings convened by the various Councils of Social Service to help clarify the nature of the Inquiry and seek industry input as to the key issues for the sector.

Prior to the release of the Draft Report, which was released on 27 October 1994, a total of 443 submissions were received (see Table B.1) and a total of 156 participants (organisations or individuals) appeared before the Commission on 23 hearing days (see Table B.3). Initial public hearings were held in all capital cities with the exception of Darwin, beginning with Canberra on the 26 and 27 March 1994.

In August 1994, the government extended the Inquiry time table from 15 to 18 months. This was in response to requests from the sector for more time to comment on the Draft Report.

The Commission received a further 343 submissions in response to the Draft Report. A second round of hearings was held to give participants an opportunity to comment on the Draft Report, beginning with Canberra on the 15 February 1995. Again there was considerable input from participants with 128 participants appearing over the 17 days of hearings (see Table B.3).

In both the pre and post Draft Report phases of the Inquiry the Commission conducted a program of visits and meetings with a wide range of interested organisations and individuals in each state. These included large and small organisations in both metropolitan, rural and remote locations, government departments and a number of groups and individuals in the United Kingdom, the United States and New Zealand. In total, more than 225 separate organisations and individuals were visited, many of these on more than one occasion (see Table A1).

Additional information and data were also requested from many organisations at various times during the Inquiry. The Commission is grateful for the high degree of co-operation which it has been given by participants.

A.1 Industry Visits

In the preparation of its report, the Commission met with representatives from the following organisations.

Table A.1 Industry Visits

Australia	
<i>New South Wales</i>	
Anglican Home Mission Society	<i>Victoria</i>
Barnardos	ANZ Trustees
Blacktown Cottage	Association for the Blind
Butler Lodge	Australian Red Cross
Cabramatta Community Centre	Bethal Primary School
Centacare	Brosnan Centre Youth Service
Centacare Campsie Family Support	Brotherhood of St Laurence
Charlton Youth Services Team	Catercare
Chesalon Nursing Home	Choices (Mission of St James and St John)
Chief Secretary's Department	Copelen Street Children and Family
Department of Community Services	Services
Domestic Violence Advocacy Service	Corpus Christi
Dubbo local service providers	Freehill, Hollingdale and Page
Fairfield Community Resource Centre	MECWA - Malvern
Family Support Services Association	Monash University - Development Studies
Frank Saynell Long Day Care Centre	Centre
KU Children's Services	Noah's Ark Toy Library and Family
Local Community Services Association	Resource Centre
Mathew Talbot Hostel	North West Exchange
Mercy Family Centre	Northern Metro Migrant Resource Centre
Migrant Resource Centre	Overseas Service Bureau
New South Wales Council of Social Service	Prahran City Mission
Ngura	Prahran Neighbourhood House
Northern Rivers Social Development	Richmond Community Care
Council (Lismore)	Sacred Heart Mission
NSW AIDS and Users Association	Secretariat for National Aboriginal Islander
Oasis (Salvation Army)	Child Care
Parramatta Mission Lifeline	Southport Youth Services (Melbourne City
Phoebe House	Mission)
Professor Mark Lyons	St Kilda Crisis Centre
Redfern Legal Service	St Vincent's Boys Home
Riverwood Community Centre	The Red Cross
Rushcutters Bay Kindergarten	Trelowarren House (Richmond Fellowship)
Sanitarium	VICSEA
St Vincents Boys Home	Victorian Council of Social Service
Stretch-a-Family	Wesley Aged Care Housing Services
Tamworth local service providers	Wiseman Youth Services
Thelma Brown	World Vision Australia
'The Shop Family' and Children's Centre	Yooralla
United Women's Housing Initiative	
Network	
Work Ventures Ltd	
	<i>Queensland</i>
	Aboriginal Medical Centre
	Acacia Ridge Community Centre
	Anglican Womens Hostel

Anglicare
Brisbane City Mission
Catholic Social Response
Community Action in Carole Park
Department of Family Services and
 Aboriginal and Torres Strait Islander
 Affairs
Department of Health - Contract and
 Performance Evaluation Branch
Endeavour Foundation
Family Emergency Accommodation
 Townsville
Kingston East Neighbourhood Centre
Mancare
Office of the Cabinet - Social Policy Unit
Palm Island Alcohol and Drug
 Rehabilitation Aboriginal Corporation
Queensland Council of Social Service
Springwood Blue Nursing Service
St Johns Home
St Vincent de Paul
Sunnybank Family Support
The Community Emergency Support Centre
 Inc
Youth and Family Services Inc (Logan
 City)
Zig Zag Women's Service

South Australia

Adelaide Central Mission
AIDS Council of South Australia - Positive
 Living Centre
Bedford Industries
Cancer Care Centre
Consumer Advocacy Program of South
 Australia
COPE
Hindmarsh Centre
Industry Training Advisory Board
Mental Health Education and Resource
 Centre
Mission SA
North Adelaide Womens Shelter
Parents Against Child Sexual Abuse
Port Employment Project
South Australian Council of Social Service
SPARK
Spastic Centres of South Australia -
 Community Accommodation Respite
 Agency
Survivors of Torture and Trauma
 Assistance Rehabilitation Service
Volunteer Centre

Working Womens Centre
Western Australia
Advisory Council for Disability Services
Armadale Information and Referral Centre
Beehive Industries
Bloodwood Tree Association
Citizens Advice Bureau - Albany
Department of Community Development
Ethnic Communities Council of WA
Good Shepherd Family Services (WA)
Immigration Centre
Kununurra Youth Centre
Lions Aged Day Care Services - Albany
Lotteries Commission
Perth Inner City Housing Association
Port Hedland Regional Aboriginal
 Corporation
Rainbow Coast Neighbourhood House -
 Albany
‘Step 1’
Waringarri Aboriginal Corporation in
 Kununurra
Wyndham local service providers
Western Australia Council of Social Service
Yorganup Child Care Aboriginal
 Corporation
Young House Youth Service - Albany

Tasmania

ACROD and the Retarded Citizens Welfare
 Association
Anglicare Youth Services
Centacare
Goodwood Community Centre
Hampden House
ITec
Migrant Resources Centre
Mum’s Mobile Meals
Rheumatism and Arthritis Foundation
‘Stepping Stone’ Street Workers Group
Tasmanian Council of Social Service

Northern Territory

Aboriginal and Islander Womens Shelter
Anglicare
Centacare
Council on the Ageing
Deafness Association of the Northern
 Territory Inc.
GROW
Karu
Northern Territory Association for Mental
 Health

Northern Territory Council for Intellectual Disability	Department of Internal Affairs - Te Tari Taiwhenua
Northern Territory Council for Volunteering	Department of Social Welfare
Northern Territory Council of Social Service	Community Funding Agency: - Social Services; - Adult and Community Services; and - Senior Citizens Department
Northern Territory Red Cross	Department of Commerce
PANTHER	Inland Revenue
Relationships Australia	Institute of Policy Studies
<i>Australian Capital Territory</i>	Lotteries Commission
ACROD	New Zealand Council of Christian Social Service
ACT Disability Aged and Care Advisory Service	New Zealand Council of Social Service
ACT Playgroups Association	<i>United Kingdom</i>
AIDAB	Association of Charitable Foundations
Arcadia House Detox Centre	Australian High Commission
Australian Capital Territory Council of Social Service	Centre for Business Strategy, London
Australian Council for Overseas Aid	Business Centre
Australian Council of Social Service	Centre for Economic Performance
Australian National Audit Office	Centre for Voluntary Organisations
Australian Taxation Office	Charities Aid
Council on the Ageing	Charity Commission
Credit and Death Counselling Service	National Council for Voluntary Organisations
Department of Employment, Education and Training	University of Kent, Personal Social Services Research Unit
Department of Housing and Regional Development	<i>United States of America</i>
Department of Human Services and Health:	American Council of Learned Societies
- Aged and Community Care;	Centre for the Study of Philanthropy
- Policy Development Division;	Centre of Philanthropy
- Children's Services; and	Council on Foundations
- Disability Programs	Foundation Centre
Department of Treasury	International Trade Commission
Domestic Violence Service and Toora Women's Refuge	Port Authority of New York and New Jersey
Migrant Resource Centre	Program of Philanthropy and the Law
Salvation Army - National Secretariat	Progressive Policy Institute
St Vincent de Paul Society	State Regulator of Charities (California)
Tuggeranong Community Service Inc.	The Ford Foundation
United Nations Association of Australia	The Johns Hopkins University - Institute for Policy Studies
Overseas Visits	University of San Francisco, Institute for Nonprofit Organisation Management
<i>New Zealand</i>	Ways and Means Committee House
Anglican Care - Canterbury Westland	Subcommittee on Oversight
Barnardos	Yale, Program on Non-Profit Organisations

B SUBMISSIONS RECEIVED AND PUBLIC HEARING PARTICIPANTS

Table B.1 Submissions received

<i>Participant</i>	<i>Submission Number</i>
A	
Abbeyfield Society (Australia) Ltd	267
Accountants Christian Fellowship - NSW, The	496
ACROD Ltd	152, 644, 777
ACT Council of Social Service Inc	218, 514
ACT Council on Intellectual Disability	165
Action Partners	714
ACTIV Foundation Inc	178, 476
Adelaide Central Mission	271
Adventist Development and Relief Agency	10
Adventist Retirement Villages (South Queensland)	41
Advisory Council for Children with Impaired Hearing (Victoria), The	102
Advisory Council for Disability Services	717
After Care Association of New South Wales	14, 545
Aged Care Australia Inc	97, 192, 604
Aged Care Tasmania Inc	363, 749
Aged Care Victoria Inc	360, 608
Aged Cottage Homes Inc	485
Aged Services Association of NSW and ACT Inc	177, 405, 572, 786
Ainslie Village Ltd	368
Airdrie House Society Inc	586
Al-Anon Family Groups (Australia) Pty Ltd	384
Alcohol and Other Drugs Council of Australia	157, 541
Alice Springs Town Council	756
Alzheimer's Association Australia	194
Amaroo Foundation Inc	470
Amaroo Retirement Village	465
Amnesty International Australia	50
Anglican Home Mission Society	475
Anglican Church Diocese of Sydney	287
Anglican Church of Australia (Brisbane)	95, 383
Anglican Community Services (Northern Territory)	226, 770
Anglican Community Services (South Australia)	333, 357, 759
Anglican Counselling Centre	70
Anglican Deaconess Institution Sydney	495
Anglican Family Care	355
Anglican Home Mission Society	241
Anglican Homes for the Elderly - Diocese of Melbourne	74, 492
Anglican Homes Inc	508
Anglican Mission to The Streets and Lanes, The	757
Anglican Retirement Villages - Diocese of Sydney	181, 598
Anglicare - Anglican Diocese of Brisbane	500

CHARITABLE ORGANISATIONS

Anglicare - Anglican Health and Welfare Services Inc (WA)	193, 565
Anglicare Tasmania Inc	362
Anti-Cancer Council of Victoria	754
Anti-Cancer Foundation of the Universities of South Australia	54
ANZ Trustees	191
Appropriate Technology for Community and Environment Inc	715
Arthritis Foundation of Australia	84, 380, 546
ASCPA and ICAA Accounting Bodies	733
Association For Disability Employment, Placement And Training Ltd	673
Association for the Blind	412
Association for the Blind and Yooralla Society of Victoria	755
Association for the Blind, Spastic Society of Victoria and the Yooralla Society of Victoria	347
Association of Children's Welfare Agencies Inc	79
Association of Neighbourhood Houses and Learning Centres Inc	359
Association of Relinquishing Mothers (WA) Inc	575
Association of Self Help Organisations and Groups	208, 522
Association of Services Supporting Australia's Families	203
Asthma Foundation of Queensland, The	38
Asthma Foundation of South Australia	524
Asthma Foundation of Victoria	154, 478
Asthma Foundation of Western Australia Inc	553
Aubrey Downer Memorial Orange Homes for the Aged and Invalid	112
Audit Office of New South Wales, The	493
Australasian Management Institute for Non profit Associations	647
Australia and New Zealand Third Sector Research	68
Australian Association of Asthma Foundations Inc	214
Australian Association of Philanthropy Inc	310, 600
Australian Birthright Movement, The	51
Australian Brain Foundation	240
Australian Cancer Foundation for Medical Research	336
Australian Caption Centre	509
Australian Catholic Bishops Conference	326, 655
Australian Catholic Health Care Association	232, 737
Australian Catholic Relief	182, 511
Australian Catholic Social Welfare Commission	327, 669
Australian Community Health Association	13
Australian Conservation Foundation	132
Australian Council for Overseas Aid	78, 659, 764
Australian Council for Volunteering	233, 698
Australian Council of Social Service	286, 443, 679
Australian Council of the Royal Flying Doctor Service of Australia	520
Australian Down Syndrome Association Inc	292
Australian Federation of Deaf Societies	207
Australian Institute of Company Directors	670
Australian Institute of Health and Welfare	677
Australian International Development Assistance Bureau (now AusAID)	219, 738
Australian Management Institute for Non profit Organisations	30
Australian National Lifeline and Lifeline State Council Queensland	117
Australian National Lifeline Inc	94
Australian Nursing Homes and Extended Care Association Ltd	439, 651
Australian Quadriplegic Association (Ltd)	591
Australian Red Cross Society	161, 748

Australian Refugee Association, Multicultural Mental Health Project, SACOSS and Anglican Community	761
Australian Services Union	418
Australian Society for Intercountry Aid (Children) Victoria Inc	220
Australian Society of Certified Practising Accountants	317, 422
Australian Taxation Office	693
Australian Tinnitus Association Victoria Inc	474
Australian Youth Foundation Inc, The	695
Australian Youth Policy and Action Coalition	697
Autism Association of South Australia Inc	146, 451

B

Bankstown Community Resource Group Inc	661, 758
Bankstown Community Services Co-operative Ltd	590
Baptist Community Services - NSW and ACT	296, 718
Baptist Community Services Queensland	519
Baptist Homes - WA Baptist Hospital and Homes Trust Inc	108, 703
Baptist Social Services	87
Baptist Union of Queensland, The	209
Barkuma Incorporated	702, 771
Barnardos Australia	91, 560
Barrett, Mr R.	442
Bega Valley Community Transport Service Inc	20, 432, 536
Benevolent Society of NSW	489
Benevolent Society of NSW, The	200
Berry Street Incorporated	624
Better Hearing Australia (Sydney) Ltd	81
Better Hearing Australia (Vic)	549
Better Hearing Australia (WA)	144, 592
Better Hearing Australia Inc	559
Bevil Purnell	238
Blake Dawson Waldron Solicitors	445
Boekholt, Mr R.	211
Bondi Beach Cottage	579
BoysTown National Community Projects	569
Brotherhood of St Laurence	301, 746
Burdekin Community Association Inc	53, 397, 577
Burnside	469
Byrne, Ms E.	441

C

Caboolture Family Haven Inc	136
Cabramatta Community Centre and Ettinger House - Fairfield Resource Centre	627
Campbell, Mr R.	366, 466
Cancer Foundation of Western Australia Inc	86
Canterbury/Bankstown Migrant Resources Centre	403
CARE Australia	411, 648
Catherine McAuley Family Centre	614
Catholic Aged Care Association Queensland	625
Catholic Archdiocese of Brisbane	353
Catholic Care for Intellectually Handicapped Persons	151, 606
Catholic Social Response - Brisbane Archdiocese	691

CHARITABLE ORGANISATIONS

Catholic Social Services (Melbourne)	170
Centacare Australia Ltd	653
Centacare Family Services (Tasmania)	375, 750
Central Coast Community Care Association Ltd	45
Central Coast Community Council	660
Central Queensland University - Rural, Social and Economic Research Centre	450
Centre for Australian Community Organisations and Management	63, 512
Centrecare Marriage and Family Service - WA	601
Cerebral Palsy Association of Western Australia	448, 325
Charitable Collections Advisory Committee (Western Australia)	277
Charity Commission for England and Wales	461
Child Accident Prevention Foundation of Australia	185
Child Adolescent and Family Welfare Association of Queensland	318
Children's Welfare Association of Victoria Inc	303, 730
Children Australia Inc	221
Children by Choice Association	307
Christian Blind Mission International	573
Christian Children's Fund of Australia	538
Christian Community Aid Service Inc	675
Church and Charitable Private Hospitals Association Inc	416, 723
Churches of Christ - Community Care	562
Churches of Christ - Retirement Services Inc	39
Churches of Christ Care - Queensland	523
Churches of Christ in Queensland Conference Executive	237
Churches of Christ in Queensland Social Service Department	46
Churches of Christ Retirement Services Inc	518
CIPAID Inc (Community and Institutional Parents Action on Intellectual Disability)	22
Citizens Advice Bureau of WA Inc	700
City of Greater Geelong	147
CLAN (Community Link and Network) Association Inc	202
Clarence Respite Service Inc	507
Coalition of Generalist Services in Southern Queensland	121
Coffs Harbour Interagency	690
Combined Pensioners and Superannuants Association of NSW Inc, The	247
Commonwealth Department of Housing and Regional Development	407, 780
Commonwealth Department of Human Services and Health	414, 583, 769
Communicare Inc	179
Community Aid Abroad	298, 555
Community Child Care Co-operative Ltd	224
Community Disability Alliance Inc	652
Community Emergency Support Centre Inc	175
Community Health Accreditation and Standards Program	517
Community of Inala Legal Service Inc	186
Community Party of Australia, The	726
Community Resource Centre Ltd	696
Community Services Australia - Uniting Church	597
Compton, Mr E.	131
Concerned Citizens Association of Australia	16
Concerned Citizens Group Grafton	632
Consumers Health Advocacy Queensland	463
Continence Foundation of Australia Ltd	491
Coogan, Mr K.	340

Corinella and District Community Centre - Program Sub-committee	684
Corporation of the Sisters of Mercy of the Diocese of Townsville	37
Cosmos Inc	128
Council of Single Mothers and their Children Inc	664
Council on Intellectual Disability Agencies (Victoria) Inc	358
Council on the Ageing (Australia)	159, 722
Council to Homeless Persons	180
Crisis Accommodation Support Association Inc	313
Crossroads (Qld)	35
Cystic Fibrosis Association of Queensland Limited	245, 535
Cystic Fibrosis Association of Victoria	225
Cystic Fibrosis Foundation	98

D

Dale, Mr H. P.	654
Davies, Ms D. R.	2
Deaf-Blind Association, The	276
Developmental Disability Council of WA Inc	156
Diabetes Australia	548
Dimond, Ms J. and Ms C. Gibson	734
Disability Services Commission of Western Australia	297, 671
Dollery, Dr B. and Wallis, Dr J.	482
Domestic Violence 008 Telephone Service	350
Drug and Alcohol Services Association - Alice Springs Inc	477
Drug and Alcohol Services Council	386
Dubbo Welfare Interagency	568
Dyslexia-Speld Foundation (WA) Inc	196

E

Eastwork Employment Inc	421
Echo Inc	382, 480
Eldercare Inc (SA)	472
Elderly Citizens Homes of SA Inc	61, 490
Endeavour Foundation	248
Epilepsy Association of NSW	487
Epilepsy Association of Queensland Inc	636
Epilepsy Foundation of Victoria Inc	217
Equity Personnel/Jobmatch/Northern Employment Service	742
Ethnic Communities' Council of NSW	337
Ethnic Communities' Council of Queensland Ltd	272
Eventide Homes (Stawell) Inc	153, 550

F

'Fair Share' - A Joint Churches Poverty Watch Program	55
Family and Youth Support Services of Wyong Shire Inc	268
Family Based Respite Care Inc	111, 712
Family Emergency Accommodation Townsville Inc	199
Family Life - NSW Branch	529
Family Planning Australia Inc	58, 585
Family Resource Centre	701
Family Support Services Association of NSW and Local Community Services Association	621

Family Support Services Association of NSW, Local Community Services Association and the Network of Community Activities	166
Family Support Services Association of Tasmania	745
Far North Queensland Family Resource Service Inc	265, 708
Federal Attorney General's Department - Legal Aid and Family Services	783
Federation of Community Legal Centres (WA) Inc, The	243
Fentiman, Mr J.	174
Financial Markets Foundation for Children	402
Fitness Corporation of Australia Pty Ltd	315, 396
Flynn, Mr P.	294
Foundation for Development Co-operation	329
Foundation for Development Cooperation Ltd, The	716
Fundraising Institute - Australia Inc	160, 570

G

Gaudron, Dr A. W.	1, 427, 447
George Alexander Foundation, The	172
Georges River Community Service	11, 473
Gippsland Bushfire Relief Fund Inc, The	36
Girl Guides Association of Australia Inc	137, 678
Gold Coast Project for Homeless Youth Inc	378
Good Shepherd Youth and Family Service	27, 515
Gordon Darling Foundation	306
Graduate School of Business Administration, University of New England	642
Grant Thornton Services Pty	438
Great Lakes Interagency	719
GROW	311
GSI	389
Guide Dog Association of NSW and ACT	67
Guide Dogs Association of SA and NT Inc	282, 610
Guide Dogs for the Blind Association of Queensland	215
Gunnedah Nursing Home	467
Gunnedah Shire Council	429

H

HACC Development Officers - New England Region	635
Haemophilia Foundation of Australia	162, 530
Hanich, Mr A.	173
Hanover Welfare Services	130
Hastings Councils Community Services Committee	683
Hawkins Masonic Village	425, 502
Head Injury Council of Australia Inc	195
Health Care of Australia	228, 552
Helen M Schutt Trust	103
Holy Spirit Home	222, 278, 510
Homeswest	782
Horne, Ms S.	774

I

Ian Potter Foundation, The	17
'Icy Tea' - Inala Community Theatre Inc	229
Illawarra Forum Inc	113, 649

Illawarra Retirement Trust	658
Inner City Neighbourhood Centres' Forum	341
Inner Sydney Neighbourhood and Community Centres' Forum	619
Institute of Sisters of Mercy of Australia	747
Intellectual Disability Services Council Inc	364
International Women's Development Agency	574
Interserve Australia Inc	729
Invicta Services Ltd	100
Ipswich Central Parish Mission	135
ITRAC Wyong Shire Inc	155

J

James Brown Memorial Trust	622
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K

Kaloma Home for the Aged	28
Kanyana Activity Therapy Centre	431
Karingal Inc	709
Karras, Ms B.	351
Karuna Hospice Service Ltd, The	6
Kellerberrin Care of the Aged Committee Inc	464
Kimberly Smith and Associates	542
Kinway (Anglican Marriage and Family Counselling Service Inc)	437
Knoxbrooke Inc	138
Koomarri Association of ACT Inc	17, 449
KU Children's Services	293

L

Lamberti, Mr J. M. M.	373, 423
Lance Reichstein Charitable Foundation	328, 446
Lane Cove Community Aid Service	259
Lawson, Mr H. D.	69
League of Help For The Elderly Inc	481
Learning Centre Link	323, 501
Legacy Co-ordinating Council Inc	109
Legal Aid and Family Services, Federal Attorney - General's Department	783
Leprosy Mission Australia Ltd, The	724
LifeLine - Australia Inc	543, 766
Lifeline - Bundaberg Inc	460
Lifeline State Council - Queensland	547, 784
Little Sisters of the Poor - Glendalough	484
Liverpool Districts Neighbourhood Centres Association	114, 589
Logan Regional Resource Centre Inc	25, 398, 505
Lord Mayor's Fund (Melbourne)	163
Lost Dogs' Home	19
Lotteries Commission of Western Australia	344
Lower North Shore - Family Support Service	521
Lutheran Community Care (Qld)	184, 410, 611, 667

M

Mackay Regional Council for Social Development Ltd	689
Maclean-Lower Clarence Meals On Wheels Association Inc	731

Malcolm Sargent Cancer Fund for Children in Australia, The	206
Malvern Elderley Citizens' Welfare Association (MECWA)	266
Manly Warringah Pittwater Community Information and Service Centre Inc	663
Marist Welfare Services	352
Marriage Guidance Australia	129
Marshall, Ms L.	707
Martin, Mr J.	499
Mawarra Centre	433
McGregor, Ms J. D.	612
Meals on Wheels (SA) Inc	169, 656
Meath Anglican Ministering League Inc	434
Meath Care Inc	516
Meerilinga Young Children's Foundation Inc	299, 581, 772
Melbourne Citymission Inc	48, 665
Mellow Yellow Products Pty Ltd	5
Mental Health Co-ordinating Council Inc	309, 563
Mercy Family Centre	242
Mercy Foundation Ltd, The	342
Merrick, Ms N.	390
Migrant Resource Centre (Southern Tasmania) Inc	158
Mission of St James and St John, The	281, 744
Mission SA (Australia)	80, 760
Motor Neurone Disease Association of Australia Inc	205, 580
Motor Neurone Disease Association of Western Australia Inc	145
Mulleraterong Centre Inc	428
Multiple Sclerosis Society of WA Inc	615
Municipal Association of Victoria	82
Murray, Dr A.	263, 372
Myrtle Cottage Group for the Physically Disabled Inc	457

N

Nambucca Valley Care Ltd	576
Nathan, Mr A.	134
National Anglican Caring Organisation Network	189, 694
National Association of Charitable Recycling Organisations Inc	332, 452
National Association of Community Legal Centres	260
National Association of Nursing Homes and Private Hospitals Inc	409
National Council of Women of Tasmania	77
National Council on Intellectual Disability	620
National Council YMCA of Australia	417
National Epilepsy Association of Australia Inc	588
National Federation of Blind Citizens of Australia, The	149
National Heart Foundation of Australia	454
National Meals on Wheels Association Inc	295
National Shelter Inc	33, 685
National Skillshare Association Ltd	304
Nature Conservation Council of NSW	400, 419
Nelson Bay RSL and Citizens Retirement Village Ltd - Harbourside Haven Village	7
Network of Alcohol and Other Drugs Inc	269
Network of Community Activities	532
New South Wales Government	356, 728
Newcastle Family Support Service	126, 456

Newtown Neighbourhood Centre Cooperative Ltd	711
North and West Melbourne Community Action Group	244, 618
North Queensland Domestic Violence Resources Centre	743
Northern Rivers Social Development Council Inc	720
Northern Territory Association for Mental Health Inc	210
Northern Territory Council for Volunteering, The	236
Northern Territory Council of Social Service	640
Northern Territory Government	345
Norwood Community Legal Service Inc	316
NSW Association of Major Charitable Organisations (AMCO)	300, 533
NSW Cancer Council, The	246
NSW Consultative Committee on Ageing	526
NSW Council of Social Service - NSW Forum of Non Government Agencies	284, 643
NSW Migrant Resource Centre Forum	768
Nulsen Haven Association Inc	274, 736
Nursing Mothers Association of Australia	415

O

Odyssey House McGrath Foundation	279, 335, 498
Older Persons Rights Service Inc	140
Our Lady of Consolation Home	96, 609
Outer Liverpool Community Services	83
Overseas Service Bureau	305, 556

P

Palmerston Drug Research and Rehabilitation Association	631
Paraplegic and Quadriplegic Association of Queensland Inc	513
Paraplegic and Quadriplegic Association of Victoria Inc	348
Paraplegic and Quadriplegic Association of Western Australia Inc	231, 626
Parents without Partners (Queensland) Inc	106
Parker, Mr P.	376, 395, 607
Parkerville Children's Home Inc	252, 710
Pensioners' Action Group Inc	561
People with Disabilities (WA) Inc	72, 637
Perth ITeC Pty Ltd	721
Phoebe House Inc	324
Pierce, Ms N.	594
Pilgrim Services	593
PLAN International Australia	537
Playgrounds and Recreation Association of Victoria Inc, The	308
Pole Depot Neighbourhood Centre Incorporated	650
Port Adelaide Central Mission Inc	256, 584
Port Macquarie Garden Village, The	40, 430
Port, Ms D.	374
Prahran City Parish Mission	213
Pregnancy Help Queensland Inc	289
Presbyterian Church in NSW - Social Services	12
Prevost, Ms D.	385
Price, Mr G. J.	280
Princess Alexandra Hospital Research and Development Foundation	93
Private Geriatric Hospitals Association of Victoria Ltd, The	367
Psychiatric Disability Services of Victoria Inc	275

Psychiatric Rehabilitation Association	291
Public Health Association of Australia Inc	551

Q

Quaker Service Australia	64
Queensland Anti-Discrimination Commission	255
Queensland Association of Independent Legal Services	288
Queensland Cancer Fund	198, 558
Queensland Community Foundation	85
Queensland Council of Social Service Inc	261, 666
Queensland Country Women's Association	36
Queensland Country Women's Association, The	36, 566
Queensland Deaf Society Inc, The	105
Queensland Disability Housing Coalition	52
Queensland Government	273, 578
Queensland Joint Churches Fair Share Campaign	613
Queensland Meals on Wheels Services Association Inc	127, 629
Queensland Shelter Inc	142, 676
Queensland Spastic Welfare League	528
Queensland Sudden Infant Death Syndrome Foundation Inc, The	674
Quirk, Mr A.	680

R

R.P.D. Wright - Solicitor	257
R.S.L. War Veterans' Homes - Western Australia	458
RAM Consulting	763
Randwick Family Support Service	65, 630
Randwick Information and Community Centre Inc	455
Ranger, Fr H.	687
Rationalists Association of New South Wales, The	381
Relationships Australia (ACT)	686
Resthaven Inc	767
Restoration	623
Rev. L. Van Laar	557
Richmond Fellowship of Victoria	167
Rosewood Aged Peoples' Home Committee Inc	204
Royal Blind Society of NSW	183, 645
Royal Brisbane Hospital Research Foundation	567
Royal District Nursing Service - Melbourne	338, 727
Royal Guide Dog Associations of Australia	148
Royal Life Saving Society Australia, The	699
Royal Melbourne Hospital, The	150
Royal New South Wales Institute for Deaf and Blind Children	251, 531
Royal Society for the Blind of SA Inc	544
Royal Victorian Institute for the Blind	354
Royal Victorian Institute for the Blind Parent Association	88
RSL National Headquarters	176
RSPCA Australia Inc	15, 471
Ryde Family Support Service Inc	99

S

Sacred Heart Mission - St Kilda Inc	435
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Salvation Army Australian Eastern and Australia Southern, The	662
Salvation Army Australian Southern Territorial Headquarters, The	394
Sargeant, Dr M.	32
Schizophrenia Australia Foundation	76, 404, 688
Scott, Mr D.	188
Secomb, Ms D.	212
Secretariat for National Aboriginal Islander Child Care	752
Sellars, Mr L. G.	18
Seventh-day Adventist Church	253
Shepparton and District Retirement Villages Inc	92
Silver Chain Nursing Association	741
Sir Moses Montefiore Jewish Home	525
Sisters of St John of God Inc	705, 762
Snedden Hall and Gallop	234
Social and Community Services Industry Training Board	369
Society for Multiple Disabled People of Tasmania Inc, The	399
Society of St Vincent de Paul - Archdiocesan Council of Canberra and Goulburn	6
Society of St Vincent de Paul - National Council of Australia	393, 646
Society of St Vincent de Paul - State Council of Queensland	187
South Australian Council of Social Service	250, 628
South East Metropolitan Local Authorities Group	8
South East Queensland Youth Accommodation Coalition	190
South Sydney Committee of the Australian Assistance Plan	503
South West Child, Adolescent and Family Services Association - CAFS Inc	34, 540
South West Women's Housing Inc	371
Southern Cross Homes (Australia) Inc	617
Southern Cross Homes (Tasmania) Inc	773
Southern Cross Homes (Western Australia) Inc	486
Southern Cross Homes Inc (Victoria) Inc	104
Southside Community Services Inc	120
Spastic Centres of South Australia	639
Spastic Society of Victoria	420
Speld (Qld) Inc	197
Spina Bifida Association of WA	264
Sports Federation Foundation Inc	89
St Anthony's Family Service	312
St Bartholomew's House	122
St Catherine's Homes for the Aged Inc	201
St George Association for Disabled Inc	47, 713
St George Backstop Family Support Service Inc	66
St George Community Services Inc	657
St Giles Society	392, 616
St John Ambulance Australia	3, 59, 488
St John of God Health Care System Inc	705
St John the Apostle Parish	571
St Luke's Hospital Complex	139
St Luke's Nursing Service	21
St Vincent's Boys' Home	57
Standards Association of Australia	440
Stegley Foundation, The	49, 776
Sunnybank Family Support Inc	387
Sunshine Foundation	377, 634, 739

Surf Life Saving Australia Ltd	223, 603
Surry Hills Neighbourhood Centre Co-operative Ltd	119
Sutherland Shire Council	230
Sutherland Shire Family Support Service	285, 459
Swan Caring Centre Inc	262
Swan Cottage Homes inc	29
Sydney City Mission	168, 633
Sydney Legacy Appeals Fund	110, 494

T

Tasmanian Council of Social Service Inc	388, 534
Tasmanian Government	765
Tax Reform Australia Inc	4
Technical Aid to the Disabled Inc	9
Teen Challenge	638
Tehan Enterprises	23
Tenants Advice Service	258
Tenants Union of Queensland Inc	124, 349
'The Factory' Community Centre Inc	101, 504
'The Shop' - Family and Children's Centre Inc	24, 587
Third Sector Management Services	44
Thomas, Ms M.	692
TRI Community Exchange Inc	672
Trustee Corporations Association of Australia	239, 406

U

UNICEF - Office for Australia and New Zealand	779
United Way Australia Ltd.	339, 605
United Way Sydney Ltd	785
Uniting Church Child, Youth and Family Care Agencies	753
Uniting Church in Australia - Qld Synod - Division of Aged Care and Domiciliary Services	116
Uniting Church in Australia - Qld Synod - Division of Child and Family Care	31
Uniting Church in Australia Community Services Australia, The	270
Upper Hunter Village Association Ltd	444

V

Valued Independent People (VIP) Inc	321, 596
Varney, Mr D.	426
Vasey Housing Limited	107, 468
Victorian Adult Literacy and Basic Education Council Inc	334, 424
Victorian Association for Hospice and Palliative Care Inc	641
Victorian Associations of Citizens Advice Bureaus	320
Victorian Bush Nursing Association	143, 706
Victorian Community Foundation	290
Victorian Community Services Employers' Association Inc	56
Victorian Council of Social Service	302
Victorian Deaf Society	133, 483
Victorian Government	346, 778
Victorian Vocational Rehabilitation Association	123
Victorian Women's Trust	668
Vietnamese Community in Australia - NSW Chapter	401, 408
Villa Maria Society for the Blind	90

Volunteer Centre of New South Wales, The	361
Volunteer Centre of Queensland	254
Volunteer Centre of South Australia Inc	249, 506
Volunteer Centre of Western Australia Inc	216, 735

W

WA Network of Alcohol and Other Drug Agencies	73, 497
Walker, Mr R. A.	164, 479
Walpole, Ms A.	118
War Widows' Guild of Australia NSW Inc	704
Wentworth District Hostel Society Inc	60
Wesley Central Mission (Brisbane) - Community Support Services Division	42
Wesley Central Mission - Melbourne	75, 595
Wesley Mission - Sydney	370, 582
West Lake Macquarie Community Activities Association Inc	681
Westcott Nursing Home and Hostel	436
Western Australia Council of Social Service	331, 602
Western Australia Department for Community Development	775
Western Australia Department of Commerce and Trade	330
Western Australian Deaf Society Inc	539
Western Australian Deaf Society Inc, The	125
Western Support Services	71, 453
Westlake, Mr R.	314
Whitcher, Mr B.	527
Whiteley, Mr M.	413
Whyalla Senior Citizens Welfare Association Inc	564
Wildlife Preservation Society of Australia	391
Wintringham Hostels	26
Women's Legal Resources Ltd	283
Women's Refuge Group of Western Australia	227
Woolloongabba Laundry Pty Ltd	781
World Vision Australia	235, 599
Woy Woy Community Nursing Home Ltd	43
Wyndarra Centre Inc	751

Y

Young Women's Christian Association of Australia	725
Youth Affairs Network of Queensland Inc	732, 740
Youth and Family Services (Logan City) Inc	115, 462
YWCA of Australia	319, 554

Z

Zig Zag Young Women's Resource Centre Inc	141, 682
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The Arthritis Foundation in each state prepared a submission which was subsequently forwarded to the Industry Commission by a number of branches and individuals in that state. These were treated as single state submissions. The branches and individuals supporting those submissions, by state are listed below.

Table B.2 Arthritis Foundations submissions

<i>Arthritis Foundation of New South Wales</i>	
Albury/Wodonga	Ulladulla/Milton
Bankstown	Warilla/Shellharbour
Bathurst	Wollongong
Blacktown	Woonona/Bulli
Blue Mountains	Woy Woy/Peninsula
Bourke	<i>Arthritis Foundation of Victoria</i>
Campbelltown	Bairnsdale
Canterbury	Benalla
Cessnock/Kurri-Kurri	Box Hill
Coffs Harbour	Brighton
Cooma	Broadmeadows
Cootamundra	Caulfield
Cowra	Central Bayside
Crookwell	Coburg
Dapto	Colac
Dubbo	Collingwood
Eastern Suburbs	Craigieburn
Eurobodalla	Cranbourne
Forbes	Deer Park Community Health Centre
Forster/Tuncurry	East Bentleigh
Gosford	East Preston
Goulburn	Eltham and District
Grafton	Emerald
Hawkesbury	Essendon
Holroyd	Euroa
Juvenile Branch	Geelong
Ku-Ring-Gai	Hamilton
Lismore	Hawthorn/Camberwell
Lower Clarence	Horsham
Maitland	Kew
Malong	Kiewa and Ovens
Manley	Knox
North Sydney	Latrobe Valley
Pagets	Malvern
Parramatta	Maryborough and District
Penrith	Mulgrave-Monash
Quinindi	Narre Warren
Rockdale	Ouyen
Ryde	Pakenham
Shoalhaven	Peninsula
Southern Highland	Prahran
St George	Ringwood
Tamworth	Rochester
Tara	Rosebud
Toronto	Sale
Tuggerah	Seymour
Tuggerah Lakes	Shepparton
Tweed Heads	Sherbrooke

South Port	Bunbury
Springvale	Cannington
St Arnaud	Carine
Stawell	City Beach
Sunraysia	Como
Swan Hill and District	Darlington
Upper Goulburn	East Perth
Wangaratta	East Victoria Park
Warragul and District	Esperence
Warrnambool	Floreat
West Heidelberg	Forrestfield
Whittlesea	Funisdale
Williamstown	Geraldton
Yarram	Gnowangerup
Yarrawonga/Mulwala	Hamilton Hill
Young Adults	Hillarys
<i>Arthritis Foundation of Queensland</i>	Kalamunda
Gold Coast	Kalgoorlie/Boulder
Toowoomba	Kwinana
<i>Arthritis Foundation of South Australia</i>	Kardinya
Barossa Valley	Kewdale
Bordertown	Kingsley
Broken Hill	Lesmurdie
Burnside	Mandurah
Central Yorke Peninsula	Marmion
Clare Region	Medina
Kangaroo Island	Merredin
Lupus/Scleroderma Group	Melville
Marion	Morley
Murray Bridge	Mt Pleasant
Northern Districts	Mullaloo
Pinnaroo Districts	Mundaring
Port Pirie	Narrogin
Renmark	Nedlands
Riverton	North Perth
Rocky River	Osborne Park
Tea Tree Gully	Pemberton
Thirty Something Group	Salmon Gums
Twenty Plus	Sorrento
Whyalla	Support Group (HAGS)
	Swan View
	Thornlie
	Trayning
	Wagin
	Wanneroo
	Waterman
	Wembley Downs
	West Leederville
	West Swan
	Willetton
	Youth Forum
<i>Arthritis Foundation of Western Australia</i>	
Albany	
Armadale	
Arthritis Hydrotherapy	
Balcatta	
Bassendean	
Beverley	
Bridgetown	
Bullcreek	

Table B.3 Public hearing participants

First Round Hearings	
<i>Canberra — 26 and 27 April 1994</i>	
ACT Council of Social Service	Lotteries Commission of Western Australia
ACT Red Cross	Meerilinga Young Children's Foundation
Australian Catholic Health Care Association	Surf Lifesaving of Western Australia
Australian Council for Overseas Aid	Valued Independent People
ACROD Ltd	Volunteer Centre of Western Australia
Australian Council for Volunteering	WA Association for Self Advocacy Inc
Australian International Development Assistance Bureau	WA Network of Alcohol and other Drug Agencies
Family Based Respite Care	Walker, Mr A.
Family Planning Australia	Western Australia Council of Social Service
Fundraising Institute Australia Inc	
Koomarri Association	
National Shelter	
RSL National Headquarters	
Sellars, Mr L. G.	
Sneddon Hall and Gallop	
Southside Community Services	
Third Sector Management Services	
<i>Adelaide — 9 and 10 May 1994</i>	
Adelaide Central Mission Inc	
Anglican Community Services	
Cielens, Mr A.	
Council on the Ageing Inc (SA)	
Hutt Street Centre Ltd	
Karras, Ms B.	
Meals on Wheels (SA)	
Mission SA	
National Association of Charitable Recycling Organisations	
South Australian Council of Social Service	
Volunteer Centre of South Australia	
<i>Perth — 11 and 12 May 1994</i>	
ACTIV Foundation	
Anglicare	
Arthritis Foundation of Western Australia	
Better Hearing and Tinnitus Association	
Boekholt, Mr R.	
Cancer Foundation of Australia	
Catholic Care	
Cerebral Palsy Association of Western Australia	
Communicare Southcare	
Department of Commerce and Trade Western Australia	
Development Disability Council of WA	
	<i>Sydney — 16 and 17 May, 14, 15 and 16 June 1994</i>
	Aged Care Australia
	Aged Services Association of New South Wales and the ACT
	Andrew Hestelow
	Anglican Counselling Centre
	Anglican Home Mission Society
	Anglican Retirement Villages
	Arthritis Foundation of Australia
	Association of Major Charitable Organisations
	Association of Self Help Organisations and Groups
	Australian and New Zealand Third Sector Research
	Australian Council of Social Service
	Australian National Lifeline
	Australian Services Union
	Barnardos Australia
	Better Hearing Australia (Sydney)
	Centre of Australian Community Organisations in Management
	Community Services Support
	Concerned Citizens Association of Australia
	Council on the Ageing
	Domestic Violence Advocacy Services
	Ethnic Communities Council
	Family Support Services Association
	Gaudron, Dr A.
	GROW
	Health Care of Australia
	Inner City Neighbourhood Centres Forum
	Legacy Co-ordinating Council and Sydney Legacy Appeals Fund
	Liverpool Interagencies
	Local Community Services Association
	Mental Health Co-ordinating Council

- Nature Conservation Council
Network of Community Activities
NSW Council of Social Service
Odyssey House McGrath Foundation
Presbyterian Church in New South Wales
Royal Blind Society of New South Wales
Royal New South Wales Institute for Deaf and Blind Children
Seventh Day Adventist Church
South West Child Adolescent and Family Services
St Vincent de Paul Society - National Council
Surf Life Saving Australia
Surry Hills Neighbourhood Centre Co-operative
Sutherland Shire Council
Sydney Citymission
The Australian Birthright Movement
The Benevolent Society of New South Wales
The Salvation Army
Uniting Church in Australia
Vietnamese Community in Australia New South Wales Chapter
Wesley Central Mission
Wildlife Preservation Society of Australia
Wittingslow, Mr N. W.
Women's Legal Resources Centre
YWCA of Australia
- Melbourne — 23 and 24 May, 9, 10, 20, 21 and 22 June, 19 July 1994*
- Al-Anon Family Groups (Aust) Pty Ltd
Association for the Blind
Australasian Management Institute for Non Profit Organisations
Australian Association of Philanthropy
Australian Conservation Foundation
Brotherhood of St Laurence
CARE Australia
Children's Welfare Association of Victoria
Church and Charitable Private Hospitals Association Inc
Commonwealth Department of Housing and Regional Development
Commonwealth Department of Human Services and Health
Community Aid Abroad
Council on the Ageing (Australia)
Council to Homeless Persons
Eventide Homes (Stawell) Inc
Fitness Corporation of Australia Pty Ltd
- Good Shepherd Youth and Family Services
Hanover Welfare Service
Knoxbrooke Inc
Lance Reichstein Charitable Foundation
Lost Dogs Home and Western Suburbs Cat Shelter
Marriage Guidance Council
Melbourne Citymission
Mission of St James and St John
Lamberti, Mr J.
Scott, Mr S.
Wright, Mr R.
Prevost, Ms D.
Nation Federation of Blind Citizens of Australia
National Anglican Caring Organisations Network
National Skillshare Association
North and West Melbourne Community Action Group
Nursing Mothers Association of Australia
Overseas Service Bureau
Private Geriatric Hospitals Association of Victoria
Psychiatric Disability Services of Victoria
Royal District Nursing Service
Royal Melbourne Hospital
Royal Society for the Prevention of Cruelty to Animals
Royal Victorian Institute for the Blind Parent Association
Schizophrenia Australia Foundation
Shepparton and District Retirement Villages Inc
Spastic Society of Victoria Ltd
St Anthony's Family Services
Trustees Corporation Association of Australia
United Way Australia
Victorian Adult Literacy and Basic Education Council Inc
Victorian Bush Nursing Association
Victorian Council of Social Service
Victorian Deaf Society
Victorian Government
Volunteer Centre of New South Wales
Wesley Central Mission
Western Support Services
World Vision
YMCA
YMCA in response to Fitness Corporation of Australia

Yooralla Society of Victoria, Spastic Society of Victoria and Association for the Blind

Hobart — 30 May 1994

Aged Care Tasmania
Anglicare Tasmania
Centacare Family Services
Port, Ms D.
Smith, Ms E.
Tasmanian Council of Social Service
Trimble, Ms A

Brisbane — 6, 7 and 24 June 1994

Anglican Diocese of Brisbane and National
 Anglican Caring Organisation Network
 Anglican Family Care
Burdakin Community Association
Caboolture Family Haven
Catholic Archdiocese of Brisbane
Church of Christ in Queensland Social
 Service Department
Community of Inala Legal Service
Endeavour Foundation
Everald Compton
Foundation for Development Co-operation
Joint Churches Fair Share Campaign
Karuna Hospice Service
Lawson, Mr H.
Lifeline Queensland
Logan Regional Resource Centre
Lutheran Church of Australia
Merrick, Mr N.
Nathan, Mr A.
National Association of Community and
 Legal Centres
Parents Without Partners – Queensland
Queensland Council of Social Service
Queensland Country Women's Association
Queensland Meals on Wheels
Queensland Shelter
Rosewood Aged Peoples Home Committee
South East Queensland Youth
 Accommodation Coalition
Speld Queensland
St Lukes Nursing Service
St Vincent de Paul State Council
Sunnybank Family Support Inc
Tenants Union of Queensland
Volunteer Centre of Queensland
Zig Zag Women's Resource Centre

Canberra — 15 February 1995

ACROD Ltd
ACT Council of Social Service
Aged Care Australia
Australian Council for Overseas Aid
Bega Valley Community Transport Service
 Inc
Community Services Australia - Uniting
 Church
International Womens Development
 Agency

Sydney — 22, 23 and 24 February 1995

Aged Services Association of NSW and
 ACT Inc
Anglican Retirement Villages — Diocese of
 Sydney
Arthritis Foundation of Australia
Association of Self Help Organisations and
 Groups
Australian Caption Centre
Australian Catholic Social Welfare
 Commission
Australian Council for Volunteering Inc
Australian Council of Social Service
Australian Services Union
Australian Youth Policy and Action
 Coalition
Benevolent Society of NSW
Byrne, Ms E.
Community Transport Organisation
Consultative Committee on Ageing
Diabetes Australia
Family Support Services Association of
 NSW and Local Community Services
Fundraising Institute (Australia) Inc
Hawkins Masonic Village
Illawara Forum Inc
Inner South West Community Development
 Organisation
LifeLine Australian Inc — Haymarket
Lower North Shore — Family Support
 Service
Newcastle Family Support Service
NSW Council of Social Service - NSW
 Forum of Non Government Agencies
Randwick Information and Community
 Centre Inc
Relationships Australia (ACT)
Royal Blind Society of NSW
Royal NSW Institute for Deaf and Blind
 Children

Second Round Hearings

- Society of St Vincent de Paul - National Council of Australia
South West Child, Adolescent and Family Services Association
Surf Life Saving Australia
Surry Hills Neighbourhood Centre Co-operative Ltd
The Factory Community Centre Inc
The Salvation Army - Australia Eastern and Australia Southern Commands
Wesley Mission - Sydney
West Lake Macquarie Support Community Activities Association Inc
Yong, Mr L.
YWCA of Australia
- Brisbane — 8 and 9 March 1995*
- Anglicare - Diocese of Brisbane
Central Queensland University - Rural, Social and Economic Research Centre
Churches of Christ Care - Queensland
Consumers Health Advocacy Queensland
LifeLine State Council - Brisbane
Paraplegic and Quadriplegic Association of Queensland Inc
Powell, Ms B.
Queensland Cancer Fund
Queensland Council of Social Service Inc
Queensland Meals on Wheels Services Association
Queensland Shelter Inc
Queensland Spastic Welfare League
St John Ambulance Australia
Teen Challenge - Brisbane
The Cystic Fibrosis Association of Queensland Ltd
The Queensland Country Women's Association
The Queensland Sudden Infant Death Syndrome Foundation Inc
Youth Affairs Network of Queensland Inc
Zig Zag Young Women's Resource Centre
- Perth — 15 and 16 March 1995*
- ACTIV Foundation Inc
Anglicare - Western Australia
Catholic Care for Intellectually Handicapped Persons
Cerebral Palsy Association of Western Australia
Citizens Advice Bureau of WA Inc
Meerilinga Young Children's Foundation Inc
- Multiple Sclerosis Society of Western Australia
Nulsen Haven Association Inc
Pierce, Ms N.
Restoration Inc
Sisters of St John of God Inc
Society of St Vincent de Paul
Surf Life Saving Australia
The Royal Life Saving Society Australia
Volunteer Centre of Western Australia Inc
WA Network of Alcohol and other Drug Agencies
- Adelaide — 22 and 23 March 1995*
- Aged Cottage Homes Inc
Anglican Community Services - South Australia
Australian Refugee Association and Anglican Community Services and Multicultural Mental Health Project, Parks Community Centre
CARE Australia
Churches of Christ - Retirement Services Inc
Guide Dogs Association of South Australia and Northern Territory
James Brown Memorial Trust
Meals on Wheels (SA) Inc
Mission SA
National Association of Charitable Recycling Organisations Inc
Port Adelaide Central Mission Inc
South Australian Council of Social Services
- Hobart — 24 March 1995*
- Aged Care Tasmania Inc
Centacare Family Services
Family Support Services Association of Tasmania
Save the Children Fund
Southern Cross Homes Inc - Tasmania
Tasmanian Council of Social Service
Wyndarra Centre Inc
- Melbourne — 29, 30 and 31 March 1995*
- Anti-Cancer Council of Victoria
Association for the Blind and Yooralla Society of Victoria
Australian Association of Philanthropy Inc
Australian Catholic Health Care Association
Australian International Development Assistance Bureau
Australian Red Cross

Richard Barrett	National Heart Foundation
Berry Street Incorporated	North and West Melbourne Community
Better Hearing Australia (Vic)	Action Group
Boffa, Mr G.	Overseas Service Bureau
Brotherhood of St Laurence	Ryan, Ms M.
Children's Welfare Association of Victoria Inc	Secretariat for National Aboriginal Islander Child Care
Church and Charitable Private Hospitals Association Inc	Southern Cross Homes (Vic) Inc
Community Aid Abroad	Uniting Church Child, Youth and Family Care Agencies
Council on the Ageing (Australia)	Victorian Association for Hospice and Palliative Care
Department of Human Services and Health	Victorian Bush Nursing Association Inc
Echo Inc	Wesley Central Mission - Melbourne
National Anglican Caring Organisations Network	World Vision Australia

C THE LARGEST 50 COMMUNITY SOCIAL WELFARE ORGANISATIONS

The largest 50 community social welfare organisations (CSWOs) in Australia are a very small proportion of all organisations in the sector. At the same time, the total income of these organisations accounts for about one-third of the total income of the sector. Key financial and non-financial characteristics of these large organisations provide a valuable reference point for examining the sector.

C.1 Objective of the study

Extensive financial and non-financial information on the largest 50 CSWOs¹ in Australia is provided in this appendix. Generally identified characteristics at this aggregate level cannot and should not be presumed to apply to the sector as a whole or to each of the very diverse CSWOs that comprise the largest 50. Information on small organisations is provided in Appendix D.

C.2 Methodology

Information was obtained through a number of literature searches and direct contacts by the Commission with the community social welfare, public, and private sectors. More than 200 CSWOs were identified initially as sufficiently large potentially to qualify as one of the largest 50 CSWOs in Australia. Data in annual reports and financial statements provided to the Commission was used to identify the largest 50 CSWOs in Australia.

C.3 Data

C.3.1 Measurement of size

Total annual income was used as the measure of size of the organisation. This was the most commonly recorded and readily available statistic relating to size

¹ The identification of the largest 50 CSWOs was based on information collected by the Commission as part of the Inquiry. Any omissions are unintentional.

of CSWOs. In addition, since expenditure of CSWOs depends on income and they are unable to distribute earnings, expenditure is likely to reflect income closely. Income will therefore equate with the impact of CSWOs on their societies.

C.3.2 Sources

Information was obtained from annual reports, financial statements, public submissions and personal contact with the CSWOs.

C.3.3 Availability and quality

Data on CSWOs is not collected centrally. Neither are there uniform standards of reporting for CSWOs. While most CSWOs publish annual reports, or make financial statements available, the detail of information provided varies extensively. In general, difficulties were attributable to inappropriate and disparate reporting methods used by CSWOs.

C.4 Data points

Data was assembled on the following characteristics:

- Non-financial:
 - sub-sector;
 - location;
 - date of formation; and
 - legal structure.
- Financial:
 - total income;
 - main sources of income; and
 - assets and liabilities.

C.5 Defining the largest CSWOs

There are a wide range of organisational structures used by CSWOs in the sector for effective service delivery. For the purposes of this study, an organisation was defined by its internalised, or direct, financial and management systems and, hence, by its income as reported in consolidated accounts of operations.

Based on this definition, key financial and non-financial characteristics for the largest 50 CSWOs in Australia are shown in Attachment C1. They are listed in descending order by magnitude of income. All of the listed CSWOs had incomes in excess of \$11 million in 1993–94.

The definition of an organisation used in this study meant that unless CSWOs operating under the same auspice had consolidated accounts of operations, they were treated as separate organisations. For example, the Eastern and Southern Commands of the Salvation Army were treated as separate organisations and the network of Spastic Societies were treated as separate state organisations. This had an impact on their respective income ranking. For example, the aggregated income of the Salvation Army was \$255.5 million. This was \$79.1 million more than the income of Australian Red Cross, listed as highest in Attachment C1. Use of this definition also meant some decentralised national networks, where management and financial systems were internalised at the state level. For example, the Multiple Sclerosis Societies were excluded from the list of the largest 50.

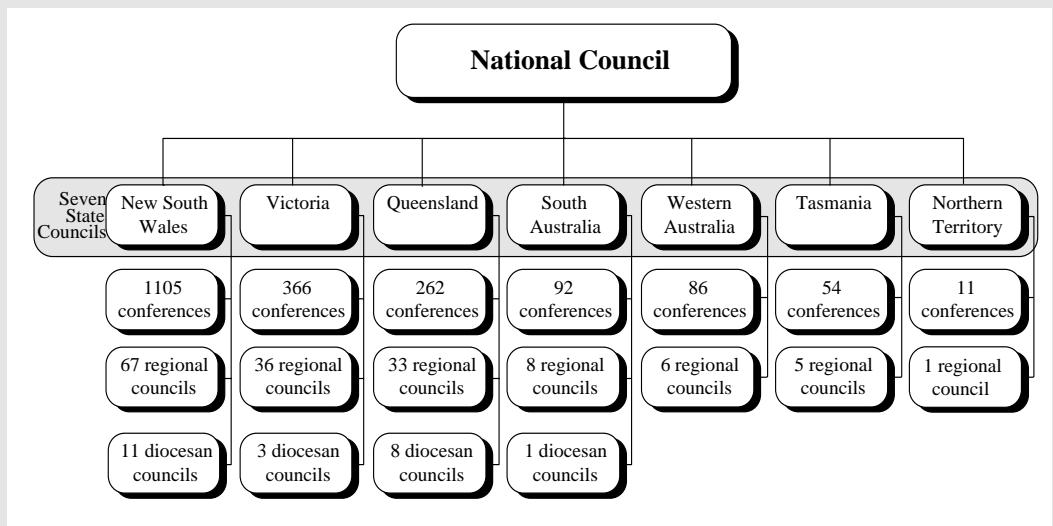
This definition also excluded coalitions of local service units with their own management and financial autonomy unless a local service unit had an income that was large enough to be included in its own right. Exclusion of these coalitions recognised the management and financial autonomy of the local service units in the coalition. In part, it also reflected serious constraints on data collection and analysis due to decentralised and often disparate accounting techniques at local levels.²

This coalition service model generally applied to CSWOs that were church sponsored, in particular, by the Catholic Church, Churches of Christ, the Lutheran Church and the Uniting Church. It also applied to a number of aged care and intellectual disability CSWOs that were not church sponsored.

Prominent coalitions following this model of service delivery (and therefore absent from Attachment C1) are the St Vincent de Paul Society; Lifeline; Blue Nurses in Queensland (except for Brisbane Central which qualifies in its own right); and Challenge in New South Wales. These coalitions are a substantial presence in the sector.

The St Vincent de Paul Society, for example, can be regarded as a decentralised coalition of local service providers (see Box C.1).

² See St Vincent de Paul Society submission for expansion of this point. (sub. 393, pp. 18-19).

Box C.1 Case study, St Vincent de Paul Society
Organisational Form

Non-financial characteristics:

Sub-sector:	Multi-service
Location:	National
Date of formation:	1854
Affiliation:	Catholic Church

Financial Characteristics, 1992–93:

<i>Sources of income</i>	<i>\$ million</i>	<i>per cent of total income</i>
Government funding	49.8	43.5
Fundraising and donations	12.4	10.8
Commercial	36.5	31.8
Client fees	15.6	13.6
Other	0.3	0.3
Total income	114.6	100.0

Source: Society of St Vincent de Paul, sub. 393.

A large number of different groupings exist within the Society, each with its own authority and autonomy as defined under *The Rule* of the Society in Australia.

Accordingly, the Society is both a large organisation and a collection of small organisations. From a client point of view, the Society delivers services as a small organisation and has the flexibility of small organisations. Through its councils, it has the size, stability and legal status to negotiate effectively with Government and respond to common needs (sub. 393, p. 20).

If coalitions were included in this study, they would have a substantial impact on observed value of characteristics reported. There would be more older, multiple service, and church-sponsored organisations with substantially greater income, expenditure, and assets and greater reliance on public donations and voluntary activity.

C.6 Non-financial characteristics

Hereafter, unless specified otherwise, CSWOs and all related observations refer only to the largest 50 CSWOs in 1993–94 as shown in Attachment C1.

C.6.1 Sub-sector

The study identified six sub-sectors: multi-service; aged care³; overseas aid; physical disability; intellectual disability; and sensory disability. Multi-service CSWOs provided two or more separate community social welfare services and committed less than 90 per cent of their income to any single service. Distribution by sub-sectors is shown in Figure C.1.

The aged care sub-sector was most represented with 18 CSWOs. This is attributable to a number of factors including the high cost of residential aged care; the large and growing aged population; and the current social preference for placing the frail aged in professional care. At least three of the large aged care CSWOs provided a substantial level of home and community care services.⁴ Two of the large aged care CSWOs also had more general community welfare divisions but committed less than 10 per cent of income to this area.⁵

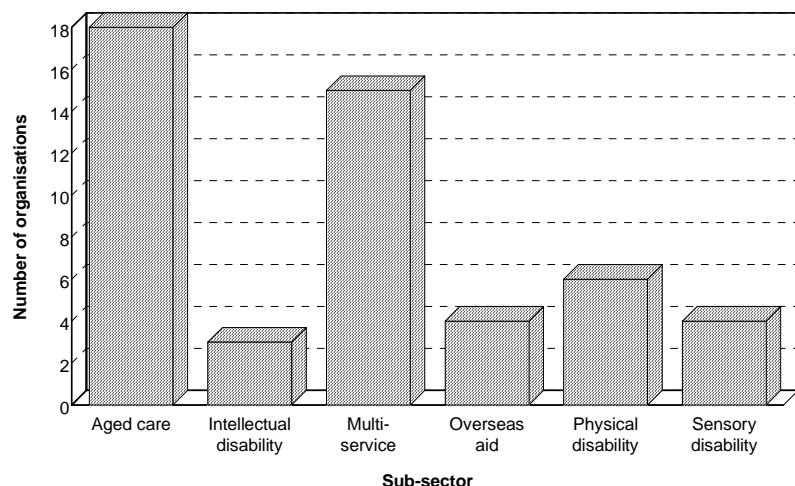
Multi-service was the second biggest sub-sector represented with 15 CSWOs. This is probably attributable to the overlap of this sub-sector with almost all other sub-sectors. In general, missions of the large multi-service CSWOs sought to empower their clients, which included the less privileged, the aged and people with disabilities.

³ For consistency with the overall report, organisations receiving substantial government funding for home and community care (HACC) services are included in aged care.

⁴ Blue Nurses (Brisbane); Royal District Nursing Service (Victoria); and Silver Chain Nursing Association (Western Australia).

⁵ Baptist Community Services (New South Wales and ACT) and Wesley Central Mission (Brisbane).

Figure C.1 Number of organisations in top fifty — by sub-sector



Source: Annual Reports.

Following these two dominant sub-sectors, physical disability had six CSWOs represented: these were all large state-wide organisations providing services to sufferers of cerebral palsy. Sensory disability had four CSWOs represented: these were mostly large state-wide organisations providing services to the blind. Overseas aid also had four CSWOs represented: all these were very large national organisations.

Intellectual disability was the smallest sub-sector with only three CSWOs represented. In part, this reflected the effect of a recent shift in service delivery in this sub-sector from large centralised CSWOs to the coalition model described in section C.5. In particular, Challenge in New South Wales has recently moved from being a single large organisation, with central administration and financial control, to a collection of smaller organisations each with its own management authority and financial autonomy. Similarly, in Victoria, services to people with intellectual disabilities are generally provided by local service units.

Notably, none of the large CSWOs provided services solely to children and youth.⁶

⁶ There are several medium sized organisations in both New South Wales and Victoria with incomes ranging between \$5 million to \$10 million which provide services for children.

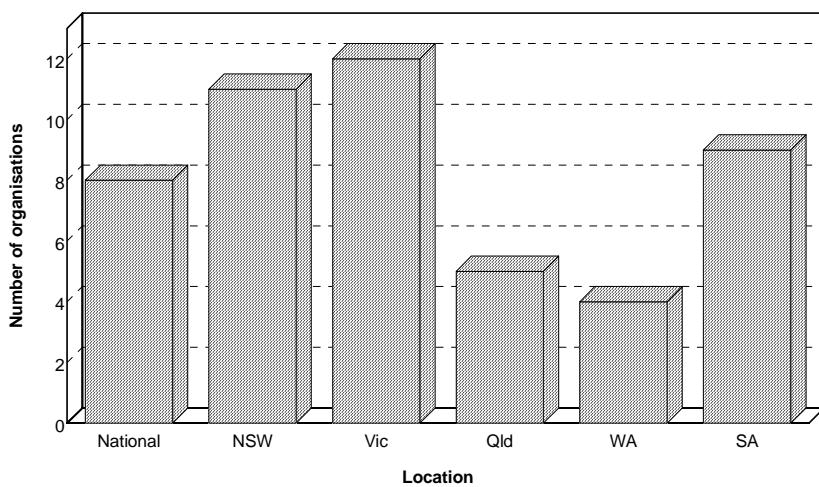
C.6.2 Location

Organisations were grouped into those operating in a single state and those operating nationally. The distribution of CSWOs by location is shown at Figure C.2.

The distribution of CSWOs by state was generally proportional to population. Just under half were located in New South Wales and Victoria. The number of CSWOs located in South Australia was disproportionate in per capita terms. This was mostly due to an above average number of aged care CSWOs located in this State.

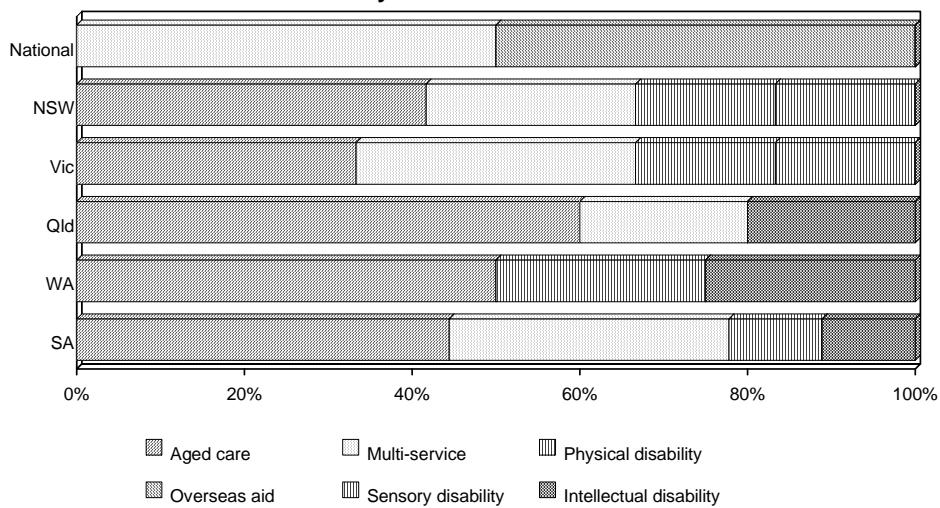
Distribution of CSWOs in each sub-sector by location is shown at Figure C.3. Of the national CSWOs, all were either multi-service or overseas aid providers. The distribution of sub-sectors in Victoria and New South Wales, the states with the largest numbers of CSWOs, was similar, although there was a higher concentration of sensory disability CSWOs in Victoria and a higher concentration of aged care CSWOs in New South Wales. Aged care and physical disability CSWOs were located in all states. Sensory disability CSWOs were only located in New South Wales and Victoria. There were no intellectual disability CSWOs in New South Wales and Victoria, and there were no multi-service CSWOs in Western Australia or Queensland.

Figure C.2 Number of organisations — by location^a



^a Excludes The Wheelchair and Disabled Association of Australia which operates in both NSW and Qld.

Source: Annual Reports.

Figure C.3 Sub-sector by location

Source: Annual Reports.

C.6.3 Date of formation

The range and frequency of date of formation is shown at Figure C.4.

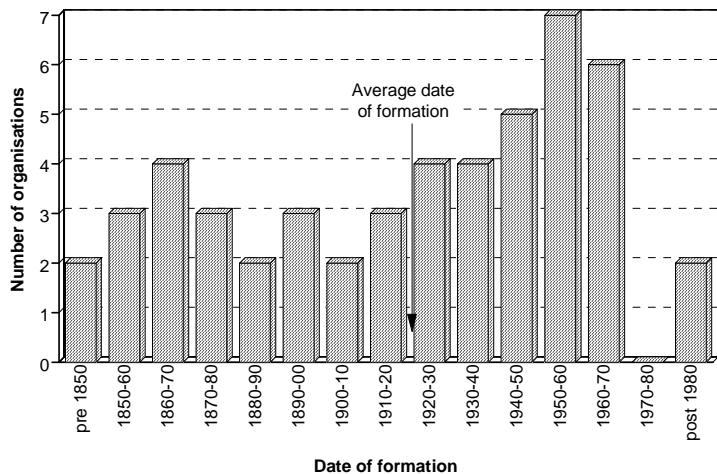
In general, CSWOs were among the oldest in the sector: the average date of formation was 1919; 28 per cent were formed prior to 1900; and 64 per cent were formed prior to 1950. As Lyons (1994) indicated:

Successful not-for-profit endeavours tend to become institutionalised. Many of the largest not-for profit organisations in a particular industry are also the oldest; their form and orientation testifies to the major sources of community endeavour many decades before. For example, of the five largest not-for-profit welfare organisations in NSW ... four were formed in the nineteenth century. (p. 8)

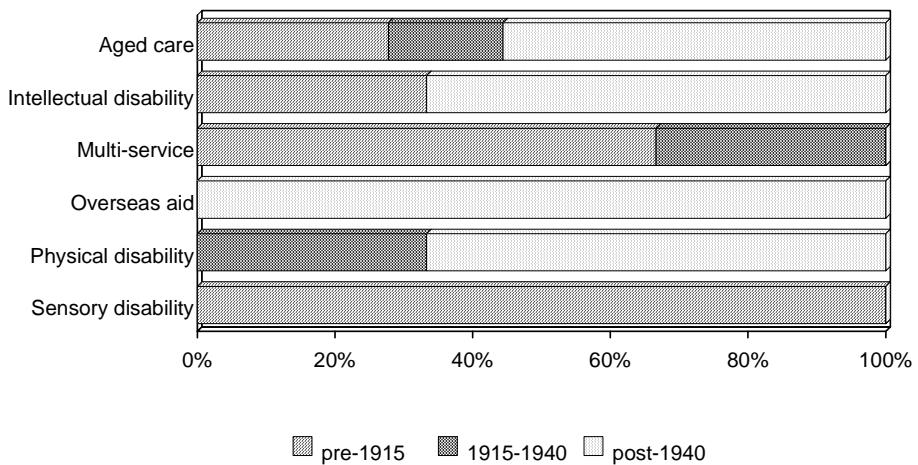
At the same time, the modal period of formation was relatively recent: 1940 to 1960. The date of formation by sub-sector is illustrated in Figure C.5.

In the multi-service sub-sector, most CSWOs were formed prior to 1915 and many of these were church sponsored. From the 1880s until World War I, churches were the major source of non-profit endeavour and especially active in the areas of health and welfare services.

In the overseas sub-sector, all CSWOs were formed after World War I.

Figure C.4 Number of organisations — by date of formation

Source: Annual Reports.

Figure C.5 Date of formation by sub-sector

Source: Annual Reports.

Most aged care CSWOs were formed after World War II. This probably reflects a shift in service delivery to residential care and the relatively recent growth in aged populations.

In the disability sub-sectors, all sensory disability CSWOs were formed prior to World War II while the majority of physical and intellectual disability CSWOs

were not formed until after World War II. This reflects the historical development of welfare activity in the disability area. The earliest disability CSWOs concentrated on the deaf and the blind. Post World War II, the most noticeable innovation in community welfare has been the emergence of parent-run CSWOs providing care for children with disabilities (Lyons 1994, p. 7).

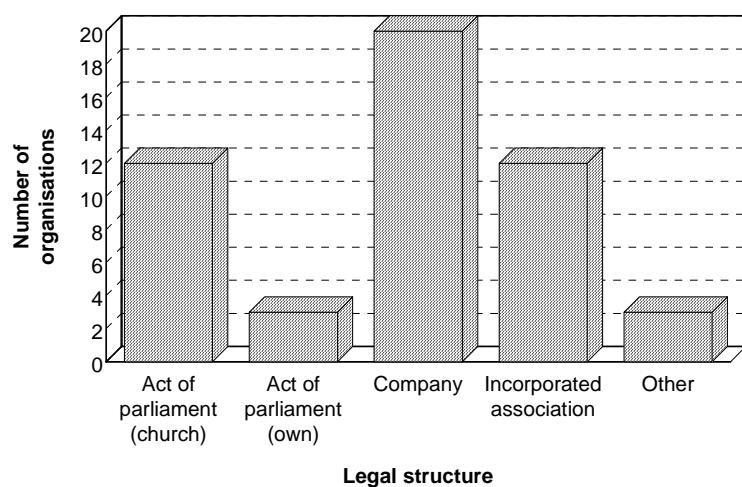
Only a few CSWOs were formed between the two world wars. In the years between the wars, businessmen were the largest single source of not-for-profit innovation, starting community service clubs, such as Rotary, Apex and Legacy. These organisations are substantially a network of social and fundraising bodies that provide funds and labour to local projects. They follow the coalition model of service delivery outlined in Section C.5 and are excluded from this study.

C.6.4 Legal structure

The distribution by legal structure is shown in Figure C.6.

The most common legal structures were establishment by Act of Parliament, company, and incorporated association. This distribution is more meaningful when discussed in the context of church and non-church sponsorship of CSWOs in the study: 19 were church sponsored, 21 were not. Legal structures by church and non-church sponsorship are shown in Figure C.7.

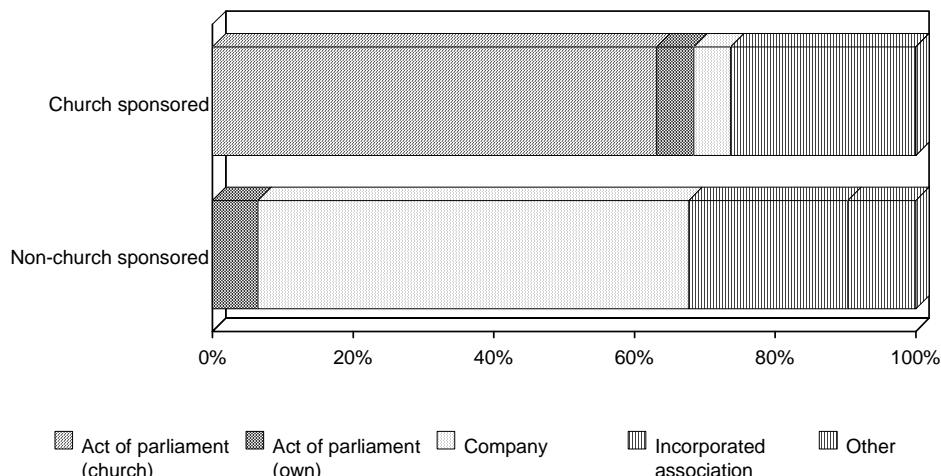
Figure C.6 Number of organisations — by legal structure



Source:

Annual Reports.

Figure C.7 Legal structure by church and non-church sponsorship, (per cent)



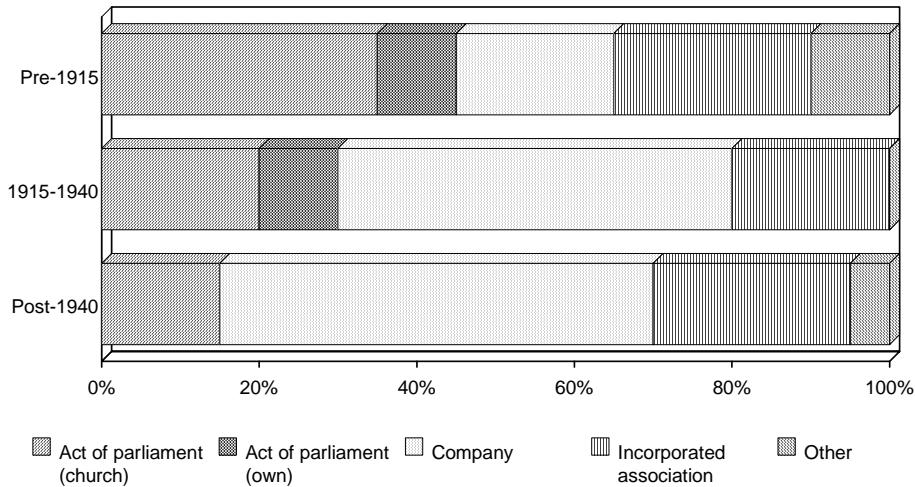
Source: Annual Reports.

Most church-sponsored CSWOs were part of larger church structures. They had no clearly defined legal identities of their own. They received their civil identities by Acts of Parliament which allowed their sponsoring denomination to hold property. There was one church-sponsored CSWO that was established by its own Act of Parliament, one was a company, and five were incorporated associations. This last group was administered in the same manner as comparable CSWOs that were not church sponsored. Most non-church sponsored CSWOs were incorporated either as companies limited by guarantee under the Corporations Law or as associations under state legislation. Two non-church sponsored CSWOs were established by their own Acts of Parliament; one was established by Royal Charter; and one was a Trusteeship.

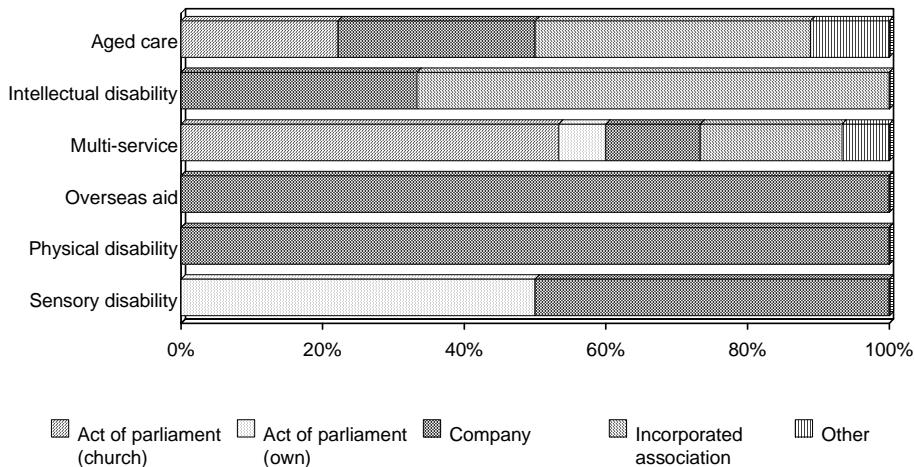
Legal structure by date of formation is shown in Figure C.8.

Over time, there appears to have been a trend in legal structures away from church-sponsored organisations with legal identities obtained through Act of Parliament, and from non-church sponsored organisations that are incorporated associations; towards companies limited by guarantee.

Legal structure in each sub-sector generally reflected the most common periods of formation and type of sponsorship of CSWOs in the sub-sector. It is shown in Figure C.9.

Figure C.8 Legal structure by date of formation, (per cent)

Source: Annual Reports.

Figure C.9 Legal structure by sub-sector, (per cent)

Source: Annual Reports.

Multi-service CSWOs were older and most were church sponsored. Hence, many received legal identity from Acts of Parliament permitting sponsoring denominations to hold property. Overseas aid, physical and intellectual disability CSWOs were more recently formed and not directly church sponsored. Most of these were companies limited by guarantee. The sensory

disability CSWOs were among the oldest in the sector. Two of these were established by their own Act of Parliament according to common legal practice in the nineteenth century. Most of the large aged care CSWOs were incorporated associations.

C.7 Financial characteristics

C.7.1 Income

Incomes of the largest 50 CSWOs totalled \$1.57 billion. Incomes ranged from \$11 million to \$176 million with an average of \$31 million. The distribution of CSWOs over specific ranges of income is shown in Figure C.10.

Total and average income by location is shown in Table C.1. The distribution of income by location is shown in Figure C.11.

Table C.1 Income by location, (\$ million)

	<i>National</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Total</i>
Total income	621.1	322.2	250.5	117.1	153.9	106.8	1 571.7
Average income	77.6	26.8	20.9	23.4	17.1	26.7	31.4

National organisations had the greatest proportion of income. This group was characterised by an average income that was \$50 million greater than that of any state based group.

At the state level, total income was skewed predominantly towards New South Wales and Victoria. While average income was also highest in New South Wales, it was higher in Queensland and Western Australia than Victoria.

Total and average income by sub-sector is shown in Table C.2.

Table C.2 Income by sub-sector, (\$ million)

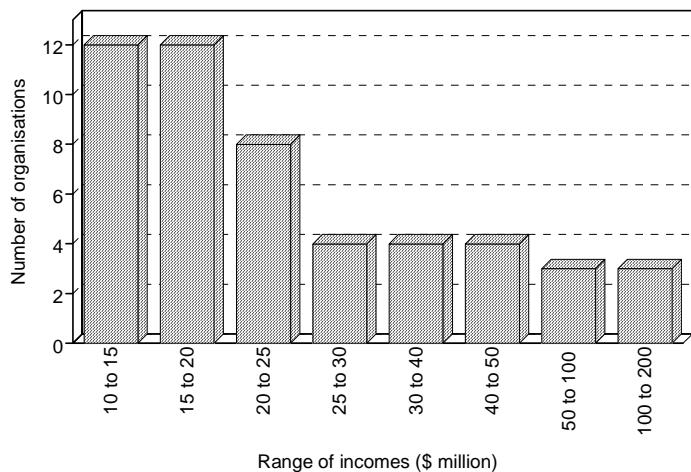
	<i>Aged care</i>	<i>Intellectual disability</i>	<i>Multi-service</i>	<i>Overseas aid</i>	<i>Physical disability</i>	<i>Sensory disability</i>	<i>Total</i>
Total income	404.8	96.9	730.2	162.4	106.6	70.8	1 571.7
Average income	22.5	32.3	48.7	40.6	17.8	17.7	31.4

The distribution of income by sub-sector is at Figure C.12.

Income was concentrated in the multi-service sub-sector. This sub-sector had the largest number of organisations. The income concentration was also,

however, at least partly explained by the wide client base, older age and location of CSWOs in this sub-sector.

Figure C.10 Number of organisations by range of income, (\$ million)



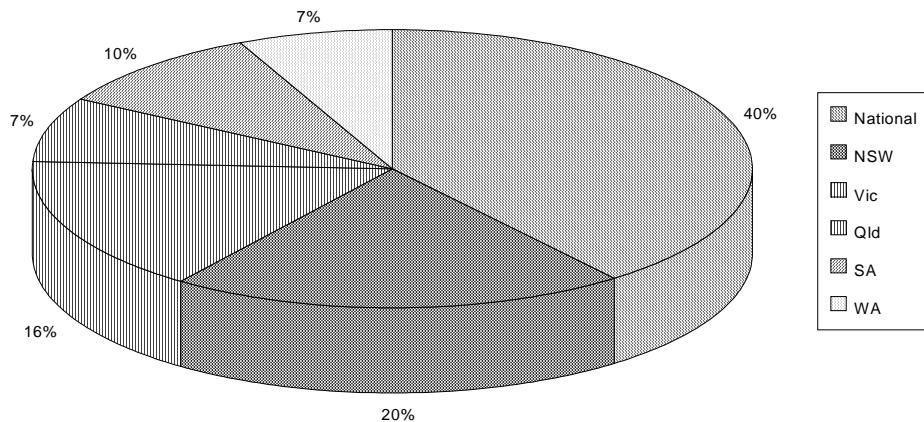
Source: Annual Reports.

The distribution of income over the other sub-sectors also generally reflected number, age and location of their CSWOs. For example, the relatively high total income of the aged care sub-sector reflected the large number of aged care CSWOs while the relatively high total income of the overseas aid sub-sector reflected the national base of overseas aid CSWOs.

Average income was highest in the multi-service sub-sector. This was in part attributable to a few national CSWOs. Excluding national CSWOs, average income for this sub-sector was \$24.7 million. Similarly, average income in the overseas aid sub-sector was high because all CSWOs in this sector were nationally based.

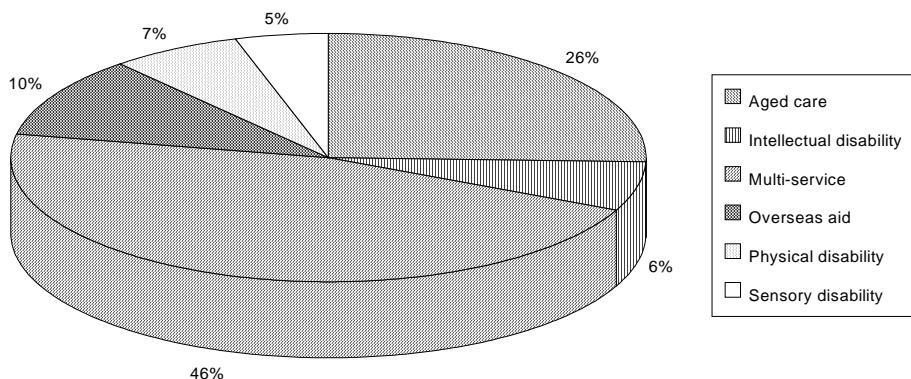
Of the remaining sub-sectors, average income in the intellectual disability sub-sector was highest. The physical and sensory disability sub-sectors had the lowest average incomes.

Figure C.11 Income by location, (per cent)



Source: Annual Reports.

Figure C.12 Income by sub-sector, (per cent)



Source: Annual Reports.

C.7.2 Expenditure

Total expenditure was approximately \$1.52 billion; average expenditure was \$30.4 million per CSWO. Individual expenditures ranged from \$12 million to \$132 million.

Expenditure distributions generally mirrored the income distributions shown in Figures C.10, C.11 and C.12.

In aggregate, the largest 50 CSWOs generated a total surplus of \$27 million or 1.7 per cent of total income. Most CSWOs either broke even or deviated from break even by less than 4 per cent of income. At the extremes, one CSWO had a deficit of 40 per cent of income while another CSWO had a surplus of 27 per cent of income.

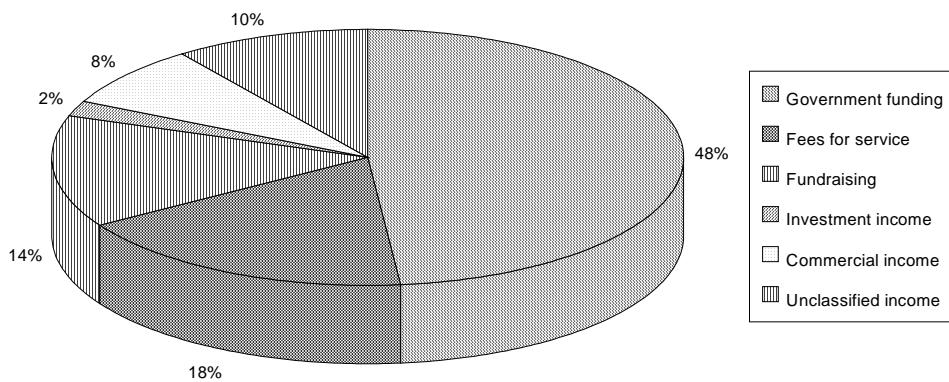
For most CSWOs, surpluses were used to replace existing assets, meet unexpected costs, and expand or improve services while deficits reflected capital works.

C.7.3 Sources of income

Five major sources of income were identified; government funding; fundraising; client fees for service; investment income; and commercial income. Where sources of income could not be identified according to these broad classifications, they were reported as unclassified.

The percentage contribution of each of the sources of income is shown in Figure C.13.

Figure C.13 Sources of income, (per cent)



Source:

Annual Reports.

Government funding contributed nearly 50 per cent of income. This was followed by substantially lesser contributions from fundraising and client fees. Commercial and investment income provided a relatively small contribution.

These are aggregate statistics. They do not apply to each individual CSWOs. There was a marked variation between individual CSWOs in relation to sources of income. An extreme contrast was between the Royal District Nursing Service in Victoria, which received 90 per cent of income from government funding and 0.8 per cent from fundraising and donations, and the Smith Family, which received 12 per cent of income from government funding and 68 per cent from fundraising.

Furthermore, very large national organisations had a significant impact on the distribution of income: for example, the Australian Red Cross, the largest CSWO with an income of \$176.4 million, obtained 80 per cent of its income from government funding. This primarily reflected funds for services to hospitals and blood banks. If the Australian Red Cross is excluded, overall income from government funding is reduced to 45 per cent.

Table C.3 Sources of income — excluding aged care, (per cent)

<i>Sources of income</i>	<i>Per cent of total income</i>
Government funding	44.5
Client fees for service	22.7
Fundraising	9.3
Investment income	2.2
Commercial income	10.2
Unclassified	11.2

In addition, the statistics were dominated by the funding pattern of the aged care sub-sector. Not only does aged care service delivery favour large and centralised CSWOs but they have a uniform substantial reliance on government funding and client fees, and have little or no reliance on fundraising or commercial income. Sources of income, excluding aged care, are shown in Table C.3. Significantly, government funding decreased by 2 per cent; client fees decreased by 6 per cent; and fundraising increased by 5 per cent.

There were notable difference in dependence on sources of income across sub-sectors. The distribution of sources of income by sub-sector is shown in Table C.4. The distribution in percentage terms is shown in Figure C.14.

The aged care sub-sector had an 11 per cent greater dependence on government funding and a 15 per cent greater dependence on client fees than the overall average. Conversely, they were 14 per cent less dependent than average on fundraising, and received almost no commercial income.

The notable difference in the intellectual disability sub-sector was its greater commercial income. It was a 16 per cent greater than the overall average. This was due to extensive sheltered employment programs in industries owned and operated by CSWOs in this sub-sector.

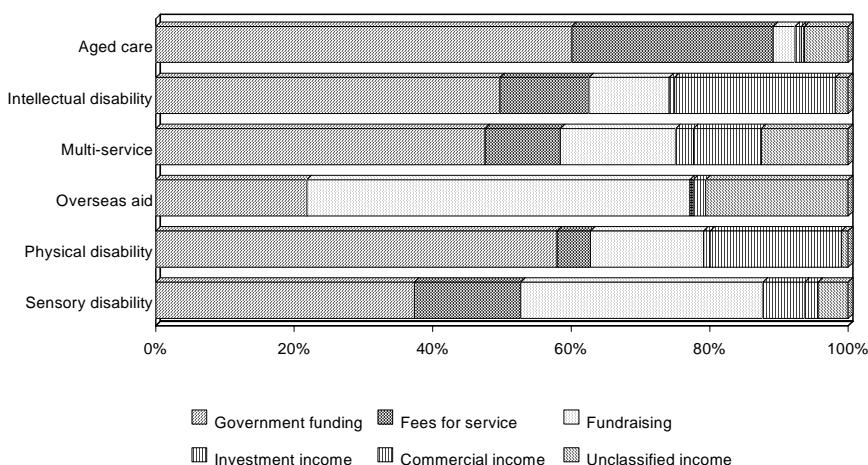
Table C.4 Sources of income by sub-sector, (\$ million)

Sub-sector	Government funding	Client fees for service	Fundraising	Investment income	Commercial income	Unclassified income
Aged care	243.2	117.8	12.6	3.8	1.7	25.6
Intellectual disability	48.2	12.4	11.2	0.7	22.5	1.8
Multi-service	347.3	79.5	121.6	18.6	71.6	91.5
Overseas aid	35.4	..	89.8	0.8	2.9	33.4
Physical disability	61.8	5.1	17.4	1.0	20.2	1.0
Sensory disability	26.4	10.9	24.8	4.3	1.4	3.1
Total	762.4	225.8	277.4	29.2	120.3	156.5

.. Zero value.

The distribution of sources of income in the multi-service sub-sector was reasonably similar to the distribution overall: government funding, client fees and fundraising were slightly lower, commercial income was slightly higher. Again, the very large national organisations in this sub-sector had a substantial impact on this distribution, in particular, government funding to the Australian Red Cross for hospitals and blood banks. If the Australian Red Cross is excluded, government funding is reduced by about 10 per cent, and client fees are increased by 3.5 per cent.

Figure C.14 Sources of income by sub-sector, (per cent)



Source: Annual Reports.

In the overseas aid sub-sector, government funding was substantially lower than average and fundraising was substantially higher than average, and higher than in any other sub-sector. The high proportion of income that was unclassified was attributable to substantial grants received by CARE Australia from multilateral organisations. This does not fall into the categories of government funding or donations. If CARE Australia is excluded, dependence on government funding increases by 4.4 per cent and dependence on fundraising increases by 14 per cent.

The physical disability sub-sector was substantially more reliant than average on government funding and less reliant on fundraising and client fees than average. The sensory disability sub-sector was less dependent on government funding, client fees, and commercial income than average. Significantly, it received almost 18 per cent more income than average from fundraising.

C.7.4 Assets

Total assets were valued at \$2.59 billion. The value of assets is likely to be far greater than this amount since most CSWOs valued fixed assets at their depreciated historic cost, the average age of organisations is 76 years, and many assets have been held for many years.

Variations in the relationship between asset value and income are partly due to state governments in the latter half of last century granting tracts of inner urban land, now prime real estate, to some CSWOs. Thus, CSWOs established at the turn of the century may have disproportionately more fixed assets than more recently established CSWOs.

Variations in the relationship between asset values and income are also partly explained by asset requirements being linked to service provision rather than income generation. For example, CSWOs providing accommodation to clients have higher fixed asset requirements, regardless of their incomes.

The distribution of the value of assets by sub-sector is shown in Table C.5.

The multi-service and aged care sub-sectors dominated the asset value distribution over sub-sectors. This was at least partly due to the high number of CSWOs that fell into these sub-sectors and their significant accommodation requirements. For the multi-service sub-sector, it was also due to the predominance of older CSWOs that received fixed asset grants in the latter half of last century.

The overseas aid and sensory disability sub-sectors did not have the proportional relationship of income with assets values evident in the other sub-sectors. The lower ranking of the overseas aid sub-sector by asset value

was due to the relatively recent formation of this sub-sector and the lower asset value requirement for service provision. The higher ranking of the sensory disability sub-sector by asset value was attributable to the early formation of CSWOs in this sub-sector and the requirements for sophisticated technology in service provision (for example, in diagnosis and assessment).

Table C.5 Value of assets by sub-sector

<i>Sub-sector</i>	<i>Total value of assets (\$ million)</i>	<i>Proportion of overall assets (per cent)</i>	<i>Average value of assets (\$ million)</i>
Aged care	994.7	38.4	55.3
Intellectual disability	192.1	7.4	64.0
Multi-service	1 101.6	42.5	73.4
Overseas aid	43.8	1.7	10.9
Physical disability	87.1	3.4	14.5
Sensory disability	170.0	6.6	42.5
Total	2 589.3	100.0	51.8^a

a Weighted average across sub-sectors.

C.7.5 Liabilities

The largest 50 CSWOs had total liabilities of \$935 million. This was about 36 per cent of asset value and more than 60 per cent of income.

For the most part, liabilities reflect the need for capital works to provide services. They must in part, however, also reflect ability to repay debt. The latter is influenced by income flows. For example, services provided by aged care CSWOs require substantial capital works and aged care CSWOs can generate income by charging client fees. Accordingly, the aged care sub-sector held substantially more liabilities than any other sub-sector. The distribution of liabilities by sub-sector is shown in Table C.6.

Table C.6 Liabilities by sub-sector

<i>Sub-sector</i>	<i>Total value of liabilities (\$ million)</i>	<i>Proportion of overall liabilities (per cent)</i>	<i>Average value of liabilities (\$ million)</i>
Aged care	355.5	38.0	19.7
Intellectual disability	86.0	9.2	28.7
Multi-service	434.4	46.5	29.0
Overseas aid	26.4	2.8	6.6
Physical disability	21.6	2.3	3.6
Sensory disability	11.3	1.2	2.8
Total	935.2	100.0	18.7^a

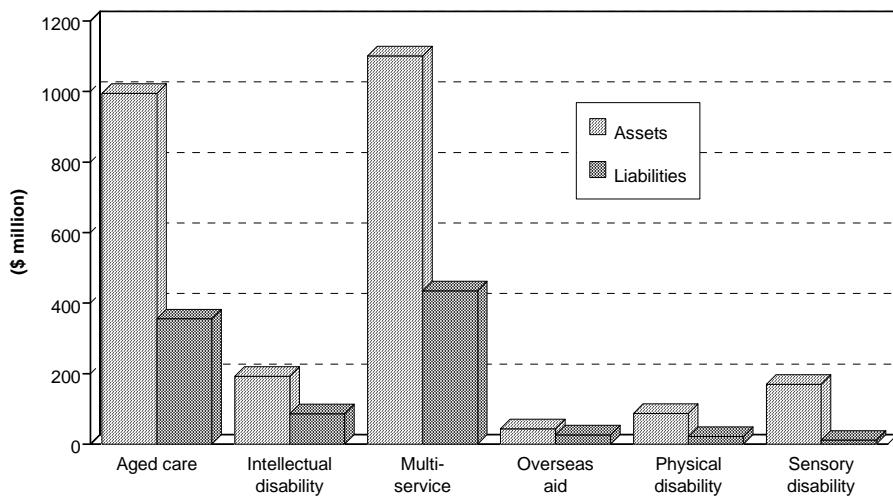
a Weighted average across sub-sectors.

C.7.6 Equity

A good measure of equity is net assets.⁷ The largest 50 CSWOs had total net assets of \$1.75 billion. A comparison of value of assets with liabilities by sub-sector is shown in Figure C.15.

The distribution of net assets by sub-sectors is shown in Table C.7.

Figure C.15 Value of assets and liabilities by sub-sector, (\$ million)



Source: Annual Reports.

Table C.7 Net assets by sub-sector

Sub-sector	Total value of net assets (\$ million)	Proportion of net assets (per cent)	Average value of net assets (\$ million)
Aged care	639.2	38.6	35.5
Intellectual disability	106.2	6.4	35.4
Multi-service	667.2	40.3	44.5
Overseas aid	17.4	1.1	4.4
Physical disability	65.5	4.0	10.9
Sensory disability	158.7	9.6	39.7
Total	1 654.2	100.0	33.1^a

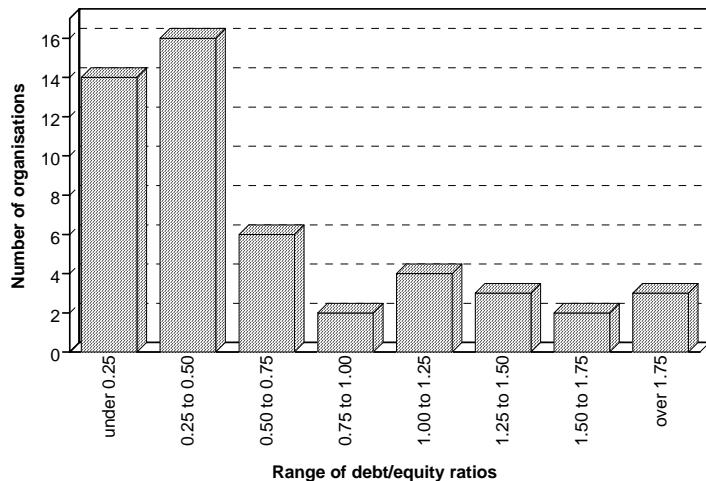
^a Weighted average across sub-sectors.

⁷ Net assets is defined as assets less liabilities.

C.7.7 Debt/equity ratio

The debt/equity ratio⁸ indicates the extent to which an organisation is financed by creditors as opposed to owners or members. The debt/equity ratio for the largest 50 CSWOs was 0.53. The distribution of the debt/equity of the largest 50 CSWOs is shown in Figure C.16.

Figure C.16 Debt/equity ratios of top fifty CSWOs



Source: Industry Commission estimates based on Annual Reports.

Table C.8 Debt/equity ratios by sub-sector

Sub-sector	Debt/equity ratio
Aged care	0.56
Intellectual disability	0.81
Multi-service	0.65
Overseas aid	1.51
Physical disability	0.33
Sensory disability	0.07
Weighted average	0.57

Debt/equity ratios by sub-sector are shown in Table C.8. Those sub-sectors with high debt/equity ratios (overseas aid and intellectual disability) are those with a greater ability to generate income flows. In the intellectual disability sub-sector, major sources of funds are commercial operations, client fees and

⁸ The debt/equity ratio is defined as liabilities divided by net assets.

fundraising. In the overseas aid sub-sector, the major source of funds is fundraising.

C.8 Key findings

The largest 50 CSWOs were generally located across Australia according to the distribution of population. Most were either national or located in New South Wales or Victoria. They provided a diverse range of services from employment for people with intellectual disabilities to funding for overseas aid projects. Many were multi-service and had more than one client base. Many provided services to the aged. These latter were generally involved in providing long term accommodation. Others provided services to people with intellectual or physical disabilities. There were also a smaller number of CSWOs providing overseas aid.

While the date of formation of the largest 50 CSWOs spanned more than a century, most were among the oldest in the sector. Only two were formed after 1980. Many of the large CSWOs were church sponsored and many were established by Acts of Parliament, either indirectly through their church sponsors or in their own right as was common at the turn of the century. More recently formed organisations were generally companies or incorporated associations.

The largest 50 CSWOs had total income of \$1.57 billion, assets with a total value of at least \$2.6 billion, and liabilities of some \$935 million. Overall, they depended on government funding for half their income. Client fees and fundraising were important sources of income, commercial and investment income were less important.

Attachment C1 Largest fifty CSWOs by total income, 1993–94

Organisation ^a	Sub-sector ^b	Location	Date formed	Legal structure	Affiliation	Total income (\$m)	Government funding		Fundraising ^c (per cent of total income)	Fee for service	Investment income	Commercial income	Other	Expenditure (\$m)	Assets (\$m)	Liabilities (\$m)	Equity (\$m)
1 Australian Red Cross Society	MS	National	1914	Incorporated by Royal Charter	International Red Cross	176.4	d 79.2%	15.6%	nsa	2.0%	3.2%	nsa	129.0	129.1	30.4	98.6	
3 Salvation Army Southern Command	MS	National	1880	Act of Parliament (church)	Salvation Army	129.1	30.7%	14.9%	27.3%	3.0%	15.7%	8.4%	132.1	305.1	61.9	243.2	
2 Salvation Army Eastern Command	MS	National	1880	Act of Parliament (church)	Salvation Army	126.4	23.0%	23.6%	nsa	3.4%	nsa	50.0%	126.4	152.7	135.6	117.3	
4 World Vision of Australia	OA	National	1965	Company	World Vision International	88.5	19.6%	79.7%	nsa	0.8%	nsa	nsa	92.6	19.1	11.5	7.7	
5 Wesley Mission Sydney	MS	NSW	1812	Act of Parliament (church)	Uniting Church in Australia	60.3	35.2%	7.0%	2.0%	1.5%	42.9%	11.4%	59.3	121.1	63.4	57.6	
6 Silver Chain Nursing Association (Inc.)	AC	WA	1905	Incorporated Association	None	50.6	78.8%	3.6%	5.7%	nsa	nsa	11.9%	50.0	33.7	7.7	26.0	
7 Care Australia	OA	National	1987	Company	Care International	43.8	9.9%	17.7%	nsa	nsa	nsa	72.4%	46.8	11.6	6.5	5.2	
8 Anglican Retirement Villages (ARV)	AC	NSW	1957	Act of Parliament (church)	Anglican Church of Australia	42.8	45.1%	nsa	40.0%	nsa	nsa	14.9%	42.2	71.3	38.9	32.4	
9 Endeavour Foundation	ID	Qld	1951	Company	None	42.3	26.1%	25.7%	13.9%	nsa	30.8%	3.4%	59.3	152.2	75.0	77.2	
10 Royal District Nursing Service	AC	Vic	1885	Company	None	40.5	87.4%	0.8%	9.0%	nsa	nsa	2.7%	38.9	11.3	7.3	4.0	
11 Baptist Community Services - NSW & ACT	AC	NSW/ACT	1944	Company	Baptist Union of NSW	34.3	56.4%	1.9%	39.8%	nsa	0.2%	1.8%	33.5	101.3	56.5	44.8	
12 Anglican Home Mission Society	MS	NSW	1856	Act of Parliament (church)	Anglican Church of Australia	31.2	52.9%	5.7%	13.1%	12.1%	8.5%	7.6%	29.6	66.1	9.2	52.9	
13 Activ Foundation Inc	ID	WA	1951	Incorporated Association	None	31.0	64.4%	1.1%	6.2%	2.0%	26.0%	0.4%	31.2	18.6	5.9	12.7	
14 Spastic Society of Victoria	PD	Vic	1948	Company	None	30.2	72.7%	17.4%	5.9%	1.0%	2.1%	0.9%	30.8	21.7	5.8	16.0	
15 Churches of Christ Care	MS	Qld	1930	Act of Parliament (church)	Church of Christ in Queensland	28.3	48.8%	1.0%	32.8%	nsa	nsa	17.4%	26.9	92.3	53.9	38.4	
16 Sydney City Mission	MS	NSW	1862	Company	None	27.4	61.8%	27.3%	9.1%	nsa	nsa	1.8%	27.6	26.4	7.4	19.0	
17 Brotherhood of St Laurence	MS	Vic	1930	Act of Parliament (own)	Anglican Church of Australia	27.2	53.9%	e 22.5%	21.2%	1.4%	1.0%	nsa	28.0	19.9	9.6	10.2	
18 The Smith Family	MS	National	1922	Company	None	26.8	11.9%	68.4%	3.8%	nsa	12.5%	3.4%	26.2	27.4	10.2	17.1	
19 The Spastic Centre of NSW	PD	NSW	1945	Company	None	23.9	60.4%	23.8%	9.7%	nsa	6.0%	nsa	24.4	12.1	5.8	6.2	
20 Minda Incorporated	ID	SA	1898	Incorporated Association	None	23.5	72.9%	nsa	19.7%	0.5%	5.8%	1.2%	23.6	21.4	5.0	16.3	
21 Frank Whiddon Masonic Homes of NSW	AC	NSW	1947	Unincorporated Association	Freemasons	22.8	57.3%	2.0%	38.3%	1.7%	nsa	0.7%	24.1	40.8	22.1	18.7	
22 Association for the Blind	SD	Vic	1895	Company	None	22.4	45.4%	15.3%	37.5%	nsa	nsa	1.8%	22.2	38.6	3.8	34.8	
23 Elderly Citizens Homes of SA Inc.	AC	SA	1965	Incorporated Association	None	21.3	41.5%	0.2%	48.9%	9.0%	nsa	0.4%	18.4	112.0	9.7	102.4	
24 Resthaven Inc.	AC	SA	1935	Incorporated Association	Uniting Church in Australia	20.7	58.3%	4.6%	36.0%	0.1%	nsa	1.1%	21.0	75.1	27.6	47.6	
25 Illawarra Retirement Trust	AC	NSW	1969	Company	None	20.2	57.2%	4.9%	34.3%	nsa	2.9%	0.7%	19.5	109.2	69.8	39.3	
26 Wesley Central Mission - Brisbane	AC	Qld	1906	Act of Parliament (church)	Uniting Church in Australia	20.1	55.1%	1.3%	0.5%	0.1%	nsa	43.0%	20.5	49.3	8.3	41.0	
27 Adelaide Central Mission Inc	MS	SA	1870	Incorporated Association	Uniting Church in Australia	18.1	35.3%	17.8%	15.0%	1.4%	30.4%	nsa	18.3	34.8	10.7	24.0	
28 Wesley Central Parish Mission	MS	Vic	1893	Act of Parliament (church)	Uniting Church in Australia	18.0	41.0%	11.4%	8.6%	1.1%	35.8%	2.2%	19.1	20.3	4.3	16.0	
29 Royal Blind Society of NSW	SD	NSW	1875	Act of Parliament (own)	None	17.9	29.2%	53.2%	11.1%	2.4%	nsa	4.0%	17.6	25.7	3.1	22.6	
30 Royal Freemasons' Homes of Victoria	AC	Vic	1867	Trusteeship	Freemasons	17.8	64.0%	nsa	34.6%	nsa	nsa	1.4%	18.0	58.5	5.5	53.0	
31 Montefiore Homes for the Aged - Victoria	AC	Vic	1848	Incorporated Association	Victorian Jewish Community	17.5	51.3%	24.4%	23.0%	1.1%	nsa	0.2%	16.5	32.5	8.2	24.3	
32 Melbourne City Mission	MS	Vic	1854	Incorporated Association	None	17.0	74.9%	6.0%	15.5%	1.4%	1.3%	0.9%	17.5	17.2	10.7	6.5	
33 Royal NSW Institute for Deaf and Blind Children	SD	NSW	1860	Act of Parliament (own)	None	16.9	30.8%	42.3%	2.9%	22.7%	nsa	1.3%	15.4	74.2	2.1	72.1	
34 Aged Cottage Homes Inc.	AC	SA	1952	Incorporated Association	None	16.6	64.6%	nsa	31.7%	nsa	nsa	3.7%	17.6	60.1	11.3	48.8	
35 Baptist Social Services	MS	Vic	1930	Act of Parliament (church)	The Baptist Union of Victoria	16.2	50.5%	1.4%	33.8%	2.0%	6.6%	5.7%	16.9	34.8	12.7	22.1	
36 Community Aid Abroad	OA	National	1953	Company	Oxfam (Great Britain)	16.1	27.0%	59.0%	nsa	nsa	5.2%	8.8%	16.1	9.2	5.8	3.4	
37 Yooralla Society	PD	Vic	1918	Company	None	15.6	71.1%	5.0%	5.1%	nsa	16.0%	2.8%	17.1	21.9	3.2	18.7	
38 Anglican Community Services ^f	MS	SA	1882	Act of Parliament (church)	Anglican Church of Australia	15.6	64.0%	0.8%	27.6%	5.2%	1.6%	0.9%	16.0	29.0	6.5	22.5	
39 Blue Nursing Service - Brisbane Central	AC	Qld	1953	Act of Parliament (church)	Uniting Church in Australia	14.5	63.1%	14.2%	17.8%	1.5%	nsa	3.3%	13.8	19.8	4.8	15.0	
40 Anglican Homes for the Elderly	AC	Vic	1947	Act of Parliament (church)	Anglican Church of Australia	14.4	58.0%	nsa	41.9%	nsa	nsa	0.0%	16.0	35.2	10.9	24.3	
41 Unicef Australia	OA	National	1967	Company	Unicef	13.9	67.8%	14.6%	nsa	0.7%	15.1%	1.9%	13.7	3.8	2.6	1.1	
42 Royal Victorian Institute for the Blind	SD	Vic	1866	Company	None	13.6	42.9%	34.4%	nsa	nsa	10.0%	12.8%	13.5	31.4	2.2	29.1	
43 Anglican Homes Inc - Western Australia	AC	WA	1962	Incorporated Association	Anglican Church of Australia	13.6	49.4%	1.8%	44.6%	nsa	2.4%	1.7%	13.4	45.1	10.4	34.8	
44 Bedford Industries Rehabilitation Association Inc	PD	SA	1935	Company	None	13.3	17.3%	5.8%	nsa	1.8%	73.4%	1.7%	12.2	13.8	2.1	11.8	
45 Eldercare Incorporated	AC	SA	1985	Incorporated Association	Uniting Church in Australia	12.8	60.9%	0.5%	35.0%	1.5%	0.6%	1.4%	12.2	28.7	9.6	19.1	
46 United Protestant Association of NSW	AC	NSW	1939	Company	None	12.5	34.1%	0.8%	51.1%	5.6%	5.6%	2.8%	11.7	48.6	20.5	28.2	
47 Port Adelaide Central Mission	MS	SA	1919	Incorporated Association	Uniting Church in Australia	12.0	65.4%	1.4%	30.2%	1.0%	nsa	2.0%	11				

D THE SMALLEST COMMUNITY SOCIAL WELFARE ORGANISATIONS

D1 Introduction

The sector is characterised by a small number of large organisations and a large number of small organisations. Appendix C examined the 50 largest organisations which, in terms of income, make up some 33 per cent of the overall sector and receive some 28 per cent of the government funding. In terms of numbers, these large organisations represent fewer than 0.5 per cent of the sector.

This appendix examines the characteristics of very small organisations — those organisations that receive less than \$100 000 in government funding. In fact, many of these organisations receive no government funding. In terms of numbers, these organisations make up about 50 per cent of the sector, while in terms of government funding they receive about 5 per cent of the funding from governments.

The appendix examines:

- the nature of the activities undertaken by these organisations;
- the level of government funding they receive; and
- the particular key issues raised during the Inquiry.

D2 Methodology

The information analysed in this appendix includes:

- submissions from small organisations;
- submissions and annual reports from peak councils representing small organisations;
- information on the government funding of small organisations from the database of government funding developed by the Commission;
- information from the questionnaires of peak councils; and
- published studies of small organisations.

Using the database of government funding, the Commission has been able to obtain comprehensive data on the organisations receiving funding from

governments of less than \$100 000. This does not, however, cover those small organisations that do not receive government funding.

D3 Activities of very small organisations

From the database of government funding it is possible to determine the nature of the activities of the organisations that receive less than \$100 000 in government funding. (see Table D.1)

Around 50 per cent of the smallest organisations are funded through community, individual and family support programs. Another 24 per cent are in disability services and 20 per cent in Home and Community Care (HACC). (See Figure D.1).

Table D.1 Organisations which receive government funding less than \$100 000, 1993-94

<i>Nature of activities</i>	<i>Number of organisations</i>	<i>Government funding (\$ million)</i>
Community, individual and family support	2684	60.2
SAAP services	353	17.6
HACC services	1040	29.8
Disability services	901	27.5
Community Legal Centres	na	na
Total	4982	135.1

Source: Industry Commission estimates.

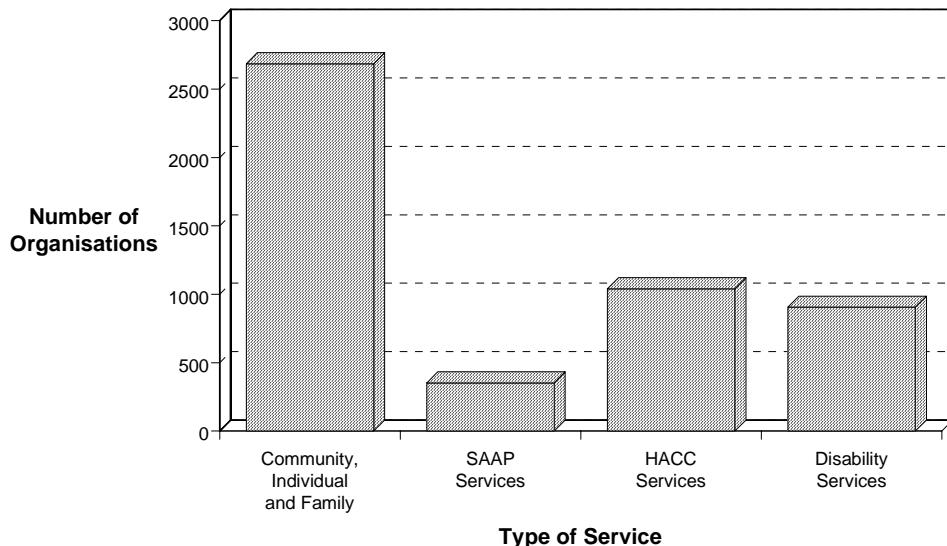
D4 Major groupings

The nature of the activities undertaken by these organisations varies greatly. They can be grouped for further analysis as follows:

- Community, individual and family support including:
 - neighbourhood houses;
 - family support services; and
 - youth services.
- HACC services including:
 - meals on wheels; and
 - other HACC services.
- Disability services:

- Self help groups;
- Ethnic groups; and
- Community legal services.

Figure D.1 Number of organisations by type of service, 1993-94



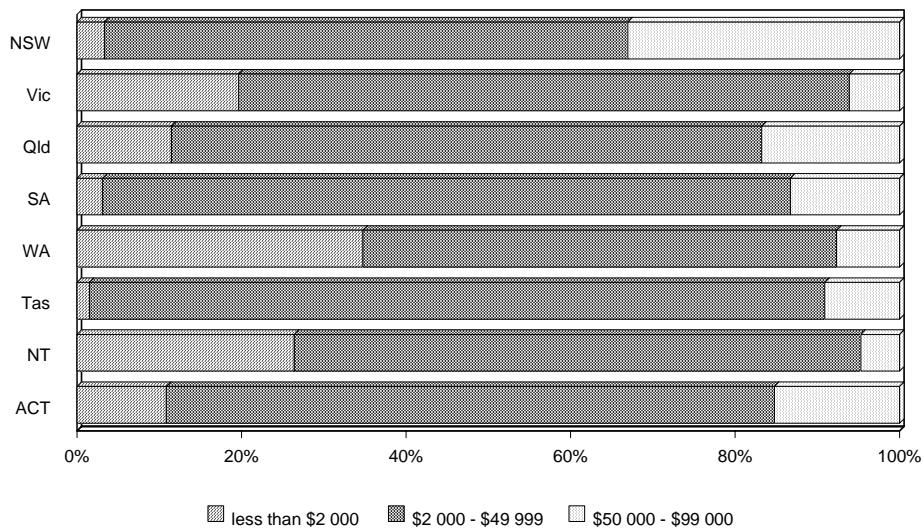
Source: Industry Commission estimates.

D4.1 Community, individual and family support

The funding for family support services, neighbourhood houses and youth services is classified differently among the various states. Also some organisations receive funding from more than one program. The data has been aggregated to determine the number of organisations that have funding of less than \$100 000.

Table D.2 shows that there is a disproportionate number of small organisations in Victoria and Western Australia. However, many of the very small organisations in Victoria have had their funding withdrawn since 1992-93. This data by state and level of funding is shown in Figure D.2.

Figure D.2 Individual, community and family support organisations by level of funding and by state, 1993-94



Source: Industry Commission estimates

Table D.2 Community, individual and family support — organisations receiving less than \$100 000 government funding, 1993-94

State/territory	Number of organisations	Percentage of total organisations
NSW	451	17%
Vic	703	26%
Qld	531	20%
WA	653	24%
SA	128	5%
Tas	66	2%
ACT	46	2%
NT	106	4%
Total	2684	100%

Source: Industry Commission estimates.

Sources of income

The most recent material on sources of income for small organisations is the study by the Department of Community Development in Western Australia published in 1994 related to programs funded by the Department (see Table D.3).

Nature of activities and issues

Within the area of community, individual and family support, the Commission received submissions from peak councils representing family support services and neighbourhood houses.

Table D.3 Sources of income — Community, family and individual support, Western Australia, 1992–93

	<i>Government funding per cent</i>	<i>Fundraising fees per cent</i>	<i>Client income per cent</i>	<i>Other per cent</i>	<i>Total funding \$ million</i>
Community development	96	4	..	1	1.2
Family and individual support	79	11	10	1	34.2
Services for young people	77	15	5	2	20.3

Source: DCD 1994, p. 31.

Family support services

The Association of Services Supporting Australia's Families (ASSAF) provided the following definition of family support:

'Family Support Service' refers to personal support offered to families by programs set up by organisations. These organisations employ staff to help achieve their aim of assisting families to cope with the challenges of family life and of bringing up children. (sub. 203, p. 3)

Family Support Services provide a variety of services to families in their community including family worker services (both home visitation and centre based), group activities, information and referral, community development and mobile services amongst others. (sub. 166, p. 9)

Date of establishment

The Commonwealth Government initiated a pilot funding program in 1979 to provide family support services throughout Australia. In 1986 this was developed into a formal program, under which many of the family support services were established. In 1988 this program was transferred to the states in the form of untied grants.

Nature of activities

Family Support services include:

- home visitation and support;
- family counselling;
- parenting and support groups; and
- information and referral.

Scope of activities

In New South Wales the statistics collected in the 1993 state wide data collection showed that the 125 services in census week 1993:

- took approximately 2950 requests for information, referral and advice over the phone;
- serviced approximately 4500 family worker clients (that is, the number of family worker clients receiving service at any one time);
- worked with approximately 1070 families who have children who are known to have been notified to the Department of Community Services as being at risk; and
- provided groups for approximately 3400 participants during Census week.

Differences between states

The Family Support Services Association of New South Wales in 1992 had 137 members, of which 121 were funded through the Community Services Grants program of the New South Wales Department of Community Services. Sixty two of these organisations were in the Sydney Metropolitan Area and 59 were outside this area. The Association conducts an annual state-wide data survey in June.

ASSAF commented that Western Australia has developed perhaps the most comprehensive family service base of any state where family support services are based with other family services such as child care, youth services, and other general forms of community support and development in regional centres covering larger geographic areas. This has meant that services in Western Australia are perhaps more integrated with the general service base than in other states.

ASSAF noted that the funding in Queensland seems to be spread more thinly on the ground than in other States and Territories. They argued that it was not uncommon to hear of services operating on 0.25 of a staff member. They said this meant that a very part time worker was being asked to contribute significant numbers of hours voluntarily if the service was to function at all effectively.

Issues raised

The two major issues in this area raised by the participants were the relative lack of funding and the use of volunteers.

ASSAF stated that, since the transfer to the states in 1988, there 'has been a serious deterioration in the level of funding in many states and territories and a

great divergence in program type and funding level between States' (sub. 203, p. 2):

FSSA, LCSA and Network members and other similar services may be better off funded through Commonwealth programs. Experience has shown that Commonwealth funded programs have had better security of funding than when they have been handed to the States. Within the changing context of state-Commonwealth relations the Commonwealth has a responsibility to maintain equity between states, maintain national service standards and promote innovation. (FSSA, sub. 166, p. 6)

Western Australia has established a form of family support based on a voluntary program whereby volunteers, after screening and training, are matched with families to provide a basis for ongoing support within the community (ASSAF, sub. 203).

The Family Support Services Association noted that direct service provision was not appropriate for volunteers in the family support area:

Smaller community based organisations have a unique contribution to make and have significant differences from larger organisations. Smaller organisations need effective management and support structures to ensure they effectively capitalise on what they do well - provide services that are highly flexible and responsive to the needs of service users. (FSSA, sub 166, p. 7)

Neighbourhood centres

Date of establishment

Neighbourhood and Community Centres have existed in NSW since at least 1961. They grew along with the movements for self help, resident action and welfare rights. Neighbourhood and Community Centres reflect the move away from dependence on traditional welfare towards disadvantaged people and communities participating in the decisions which affect their lives. NSW Government funding began with small seeding grants in the late 1960s and was boosted by Australian Federal Government funding through the Australian Assistance Plan (AAP). The AAP emphasised the development of local initiatives and participation. The numbers of centres in New South Wales have grown from 32 in 1977 to 250 in 1991.

Nature of activities

In general, Neighbourhood and Community Centres carry out five main areas of work:

- community information, education and advocacy;
- community activities;
- individual counselling and direct assistance;
- service development and delivery; and

- social research and planning.

Differences between states

In New South Wales, the Local Community Services Association (LCSA) is the peak body for Neighbourhood and Community Centres. It was founded in 1974.

Learning Centre Link, represents 74 neighbourhood houses and learning centres in Western Australia. Membership of the centres range from 50 to 400 with an estimated 200 000 users per annum. Staffing of centres ranges from zero to eight full-time equivalents with approximately half of the centres funded by the Department of Community Development.

In Victoria, the Association of Neighbourhood Houses and Learning Centres (sub 114) represents the 300 neighbourhood houses and learning centres in Victoria. Approximately 120 neighbourhood houses are in rural Victoria and 180 in the metropolitan area.

Issues raised

One issue raised was the difficulty of management for small organisations. The submissions to the Inquiry reflected a number of different management models in this area.

For example, the Liverpool District Neighbourhood Centres Association (sub. 114) was reported to be heavily reliant on volunteers for the administrative work. There are 11 management members who are the legal identity and the employer of 12 paid workers. The Chairperson's role is to supervise the workers and the Treasurer's role is to be 'responsible that all programs are financially viable and all co-ordinators are keeping within their budgets' (sub. 114, p. 1).

The small budgets and the dependence on voluntary support was stressed by the Association of Neighbourhood Houses and Learning Centres Inc:

Neighbourhood houses and their associations operate on very small budgets and rely heavily on voluntary input and in-kind support. Their scarce resources have been husbanded to form state/territory associations to act at that level as peak resources and representatives. Neither individual houses nor their very small state associations can afford effective national contact, liaison, information exchange, skills development, research or policy formulation. Consequently they are not well informed about federal government and national policy and program issues, nor do they have effective input into national policies, programs or debates. (sub. 359, p. 1)

and the Neighbourhood Centre Forum:

Managing a community organisation such as ECHO is not unlike running a small business, and requires considerable daily administrative work, attention to statutory requirements, adequate and informative filing systems and accounting systems of some complexity. Administration has become a large part of the work of the project staff, and places additional strain on management committees. (sub. 341, p. 12)

Youth services

The Inquiry received relatively few submissions for organisations representing youth services so it is difficult to present a national focus in this area. One submission representing this area was the South East Queensland Youth Coalition (SEQYC).

Date of establishment

The first specific funding for youth accommodation in Queensland was announced in the form of the Youth Services Scheme in 1979. Eleven projects were funded throughout the state over the first three years. In 1979 there were eleven youth services in Queensland. In 1994 there are approximately 48 youth services in South East Queensland alone. This demonstrates the rapid growth of the sector over the past 15 years.

Nature of services

Youth services offer a variety of programs including:

- information and referral;
- counselling and support;
- pre-employment training; and
- accommodation.

Issues raised

An issue raised was scarcity of resources. It was reported that the large majority of organisations depend predominantly on recurrent government funding to deliver their services to young people. Fundraising is rarely seen as a cost effective way to raise organisational funding bases, due to the scarcity of resources available to divert to fundraising activities.

A second issue raised by SEQYC was the view that the funding program does not allocate adequate resources for salaries in Queensland, due to the absence of a State or Federally based award for workers in this industry.

D4.2 Organisations for people with disabilities

The ACROD survey (sub. 152, att. B) compares small disability organisations with larger disability organisations.

Sources of income

A survey by ACROD found that around a quarter of the smallest bodies (income less than \$200 000) are wholly government-funded and about an eighth have no government funding. The difference in the distribution of income sources is shown by the following table derived from the ACROD survey.

Table D.4 Sources of income — disability organisations, 1992-93

Size of organisation	Government funding	Fundraising	Other income	Total funding
	%	%	%	\$m
Greater than \$5 million	52	20	28	348
\$0.5 million to \$5 million	52	12	36	129
\$0.2 million to \$0.5 million	57	17	26	19
Less than \$0.2 million	78	6	16	22

Source: ACROD, sub. 152, att. B

Nature of services

Services to people with disabilities include:

- employment training and placement;
- accommodation and support;
- social skills training; and
- advocacy and referral.

Issues raised

An issue raised by organisations was obtaining funding for infrastructure when funding is allocated for service only. ACROD state that smaller services (which tend to have higher costs per client) have particular difficulties in this area. There are many smaller agencies funded under Home and Community Care (HACC) or as Competitive Employment, Training and Placement (CETP) services. Some may be below the ideal scale, but often (for example in country centres) their size simply reflects the limits of the area they can serve.

D4.3 HACC services

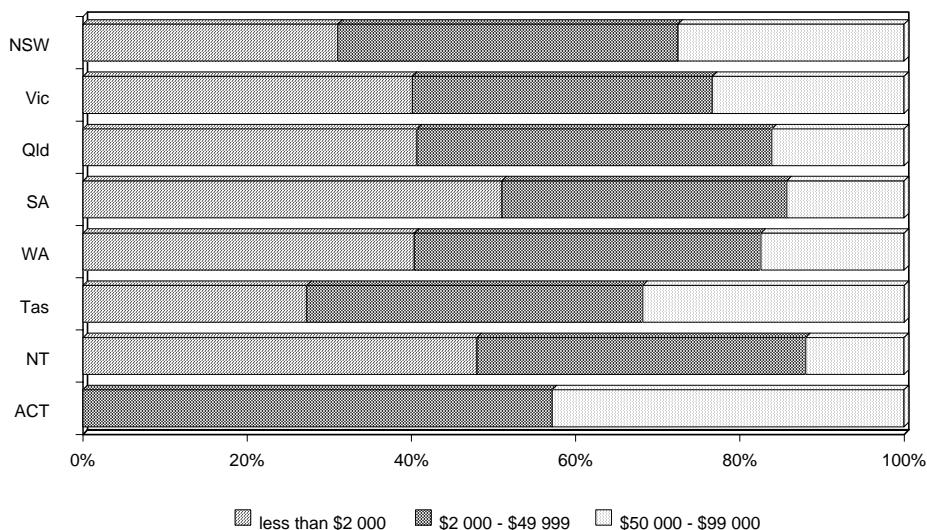
In 1993-94, 1040 CSWOs received funding under \$100,000 from the HACC program. Their distribution by state and level of funding is shown in Figure D.3.

Meals on wheels

The National Meals on Wheels Association was formed relatively recently in 1989. All states and territories are affiliated with the exception of Victoria, which at the time of the submission was in progress of affiliating.

The National Association presented the following data on the extent of services and the meals delivered.

Figure D.3 HACC, CSWOs by level of funding by state, 1993-94



Source: Industry Commission estimates.

Differences between states

The National meals on Wheels Association (sub. 295) noted that Australia wide, state/territory Meals on Wheels Services have been founded, and subsequently developed, with no national oversight. As a result, state or territory systems of organisation and management differ markedly. For example, in South Australia there is a parent body, with a degree of centralised control; while the Queensland State body was formed by its affiliated services, but has no power of direction. Northern Tasmania and the Northern Territory are heavily tied to Red Cross for their organisational needs, while Victoria has particularly strong linkages with Local Government, as is the case with Western Australia. New South Wales is systematically implementing Project Funding with support of its State Government.

Table D.5 Meals on Wheels — number of services and meals delivered

<i>State/territory</i>	<i>Number of services</i>	<i>Meals delivered (daily)</i>
New South Wales	297	16 500
Victoria	215	17 400
Queensland	na	8 500
South Australia	106	4 800
Western Australia	71	4 300
Tasmania	41	1 900
ACT	4	450
Northern Territory	21	525
Total	755	54 375

Source: National Meals on Wheels, sub. 295, p. 5.

Issues raised

One issue raised by the national Association was the attempts by HACC administrators to widen the role of meals on wheels organisations into areas beyond established meal preparation and delivery procedures. The National Meals on Wheels Association regarded this development as ‘fraught with danger’ as extra-work loads would damage their capacity to attract volunteers.

Another issue raised by the Association was the increase in bureaucracy. This was regarded as seriously damaging client relationships and potentially undermine the trust which has developed between sector and the clients. The Association considered that volunteers are welcomed by recipients because they are warm, caring and perceived as having no particular axe to grind — and that this perception must not be destroyed.

D4.4 Community legal centres

The aims of Community Legal Centres (CLCs) were stated as follows:

- to provide accessible legal services;
- to advocate for legal and social changes which redress injustices and inequalities in the law and society;
- to promote and undertake legal education strategies which enable communities and individuals to develop an understanding of the legal system and the law;
- to facilitate community participation in the legal system to make it more equitable and accessible; and

- to encourage and facilitate community participation in, and control over, the work and management of CLCs.

The centres emphasise preventive legal services as legal aid strategies. In particular they have emphasised the need for advice and information about the law, community legal education and participation in the promotion of law reform processes.

Date of establishment

Community legal centres were first established in the early 1970s because of concerns on the part of lawyers, community workers and community members that the law and the legal system were inaccessible and irrelevant to a large number of people and that, as a result, the quality of, and access to, justice were affected. The centres have continued to grow and now constitute a significant part of the national legal aid framework.

Nature of services

Community Legal Centres provide the following services:

- legal advice;
- legal representation;
- community education on legal issues;
- advocacy; and
- promotion of law reform.

Funding

There are 126 Community Legal Centres across Australia. They receive funding from a variety of sources, but primarily from the Commonwealth CLC Program and various State CLC programs. In 1993–94 these programs provided \$13.1 million to 105 organisation. In most cases both programs are administered through the relevant State Legal Aid Commission. Of the 96 organisations funded under the Commonwealth program, 63 receive less than \$100 000.

Scope of services

The submission from the Federation of Community Legal Centres (WA) noted that in 1992 Western Australian CLCs assisted at least 30 000 people by providing a range of legal services (sub 243). In that state the 11 CLCs were established in three distinct time periods, 1979–81, 1985–86 and 1990–91.

The use of volunteers by CLCs is unique within the legal system. Volunteers come from a variety of backgrounds including; the private legal profession, social/community workers, public sector employees, financial advisers, tertiary students, and other members of the general community.

D4.5 Self help organisations

Many small organisations, such as self help groups, receive no government funding. It is difficult to determine how many organisations are in this category but some efforts are made below to consider the activities and problems of these organisations:

A self help organisation is made up of people with common or similar problems and/or relatives and friends of such people working to overcome the practical obstacles caused by their problems and attempting to change community attitudes by education and example. Such an organisation or group provides emotional support, that one essential support that the major systems, by their very nature, cannot. The dignity of the individual is a fundamental element of the Association's philosophy. Its members insist that they exercise the right to determine their own affairs. (Association of Self help Organisations and Groups — New South Wales Independence, p. 23)

Differences between states

The Association of Self Help Organisations and Groups — New South Wales maintains:

- an up to date register with over 200 registered in the network as self help organisations;
- operates a telephone advice line with volunteer staff; and
- receives no government funding.

Issues raised

The major issues raised by self help groups were the lack of:

- government funding;
- status as Public Benevolent Institutions; and
- tax deductibility status.

Some self help groups receive funds from trusts. The Lance Reichstein Trust used, as an example of its funding of their activities, the funding of a self help group for wives of truck drivers.

Another issue raised by the Mental Health Co-ordinating Council was the increased pressure on self help groups with deinstitutionalisation.

D4.6 Ethnic groups

The Vietnamese Community in Australia (NSW Chapter) expressed concern about the working conditions in small organisations:

Another concern we have is the working conditions of workers in the small organisations. I think perhaps the most miserable working conditions in the social welfare sectors are enjoyed by those working in the community-based organisations, the reason being, number 1, the funding structure formula is so rigid in a way that we cannot have any room to move. Number 2, because of the limitation of funds most of them work in very substandard conditions, whereby if some inspections are made as to the aspects of occupational health and safety standards, I would propose that the majority of them would fail the test. (trans, p. 2131)

D4.7 Other issues — rural and remote area problems

Some additional issues were raised by small organisations in rural areas. for example:

Small rural organisations are very different from large, city-based institutions. Access to good, professional legal and accounting advice is a real issue for many organisations as they cannot pay for it. (YWCA, sub. 319, p. 27)

ACROD also said:

... and particularly in country areas I get the concerns over and over again from the members that they cannot get quality people to serve on the boards, you know, a large number of small community organisations in one country area. (trans. p.17)

D5 Governance

Information was obtained from the CSV study for those organisations with income less than \$100 000. Eighty five per cent of the organisations responding to the question on incorporation were incorporated under the Associations Act, 9 per cent incorporated under other Acts and only 2.5 per cent were companies limited by guarantee.¹

The New South Wales study of the Community Services Grants Program found that most organisations were incorporated as associations.

¹ The remaining 3.6 per cent were in the other category.

D6 Human resources

Comparisons of human resources between small and large organisations are considered in Chapter 5.

E OFFICIAL AID THROUGH OVERSEAS AID ORGANISATIONS

Overseas aid is an important part of the community social welfare organisations (CSWO) sector. Issues relating to the operation of overseas aid organisations were dealt with in Chapter 6. In 1993–94, about \$71m of government assistance was channelled through overseas aid organisations. A breakdown of Commonwealth programs in which funding was made available to overseas aid organisations in 1993–94 is provided in this appendix.

E.1 Introduction

Official aid is made available through the Australian Development Cooperation Program (ADCP) which is administered by the Australian Agency for International Development (AusAID)¹. Funding is available for both Australian and overseas based Non-Government Development Organisations (NGDOs). A total of \$90 million was made available to NGDOs in 1993–94 through the various programs. Of this amount, \$70.8 million was made available to Australian NGDOs. Table E.1 provides a breakdown of funding by the various programs over the past four years. A comparison is also given between total funding for NGDOs and the total ADCP budget.

The following discussion will describe the AusAID — NGDO programs in some detail. Its focus will be on Australian NGDOs, although many programs also provide funding for overseas based NGDOs.

E.2 NGDO funding programs

E.2.1 Emergency relief and refugees

The largest amount of funding available to Australian NGDOs is that for Emergency Relief and Refugees. The purpose of this program is to alleviate suffering in developing countries caused by natural disasters and other short

¹ Prior to 29 March 1995 the agency was called the Australian International Development Assistance Bureau (AIDAB). For consistency AusAID is used in the text except where references or submissions refer to AIDAB.

term and chronic emergencies. This assistance includes relief to refugees and displaced people.

Table E.1: Summary of official development assistance through Australian and non-Australian NGDOs (\$ million)

	1990-91	1991-92	1992-93	1993-94
Australian NGDOs				
<i>Programs</i>				
Emergency Relief and Refugees	27.422	23.774	32.816	26.675
NGDO Projects Funded from Country Programs	15.988	18.021	22.783	18.377
Development Project Subsidies (AusAID / NGO Cooperation Program) ANCP	8.704	10.008	12.359	12.903
Volunteer Programs	4.774	5.020	8.176	8.360
Small Grants Activity Schemes .	1.518	1.933	3.680	3.651
Direct Aid Program				0.072
ACFOA Core Grant, NGDO consultancies, administration and special programs.	1.361	0.703	0.978	0.811
Total for Australian NGDOs	59.771	59.460	80.790	70.848
Total for Non-Australian NGDOs	7.156	7.134	11.955	19.242
Total NGDOs	66.927	66.594	92.745	90.090
Total ADCP	1261.0	1330.3	1384.6	1486.5

Source: AIDAB 1994.

The reasons why some government funds are channelled into NGDOs in this program are twofold. First, NGDOs are an effective vehicle for such aid because of their local networks and knowledge. Second, Australian NGDOs carry the Australian flag raising the visibility of Australia's aid effort. This is not the case when assistance is delivered through multilateral agencies, such as the United Nations (UN). National identity is considered to be an important element of the Australian aid program.

NGDOs often work in close collaboration with UN agencies such as the United Nations High Commissioner for Refugees, the World Food Programme and UNICEF in addressing the needs of refugees and the internally displaced. In recent years, assistance has been provided to NGDOs for programs in sub-Saharan Africa, South Asia, Afghanistan and South Eastern Asia (AIDAB, sub. 219, annex A).

In 1993–94, \$26.7 million, or about 38 per cent of all funding for Australian NGDOs, was allocated from the Emergency Relief and Refugees program. There were 16 Australian NGDOs receiving funding through this program.

Most funds, however, went to a few of the large organisations, with World Vision Australia, UNICEF, Food Security Working Group and Austcare (a specialist refugee agency) taking over 82 per cent of the total.

E.2.2 Bilateral (country) programs

There are a number of opportunities for NGDOs to participate, and receive funds, under AusAID's country programs. Total funds available to NGDOs under this program was \$18.3 million in 1993–94. Projects within country programs vary in size and the largest 12 funding recipients received \$15.4 million.

Some of the projects have been solely designed within the country where the project is being carried out. In other cases AusAID establishes the priorities before NGDOs are invited to access the funds. This is particularly the case for funds going to Vietnam or Cambodia. NGDOs sign a grant agreement with AusAID and generally receive full funding for the activity with no requirement to provide matching funds.

Current country programs are:

- Projects funded outside specific NGDO country programs**

This accounts for funding of ad-hoc bilateral programs not falling within any defined category. Funding is disbursed on a projects basis.

Seven NGDOs received a total of about \$1.9 million in funding in 1993–94.

- Small Activity Schemes (SAS)**

Direct Aid Program (DAP)

Funding under the DAP is allocated by the Department of Foreign Affairs and Trade and administered by AusAID. Activities funded are those which assist poor and other disadvantaged people directly, or to assist women where cultural constraints minimise women's involvement in the bilateral program. DAP may also be used to assist small projects ancillary to the ADCP where that program opens opportunities for small projects but cannot fund them.

There were 10 NGDOs receiving funding under the DAP program in 1993–94 and total funding was about \$72 000.

Other SAS

Other SAS are directed at Embassies and High Commissioners in response to identified needs in funding small but important development activities. SAS is a mechanism to quickly and flexibly disburse funds at small administrative

expense. Funds can be programmed or provided on an 'as required' basis. Single activities will not normally exceed \$100 000.

Activities eligible for funding under SAS vary with each country and include, activities to support the Women in Development policy; provision of labour, materials, equipment, buildings, short term training, conferences, research and other development activities; pre-investment or feasibility studies and pilot/demonstration projects related to downstream commercial activities; short term advisers; and contribution towards a component of a bilateral program.

Eight Australian NGDOs accessed this program in 1993–94, receiving about \$260 000.

- **Bougainville Program**

The purpose of this program is to provide rehabilitation assistance to North Solomons Province in Papua New Guinea. Its activities include rehabilitation activities for women and youth, conflict resolution and income generation.

There were three NGDOs participating in this program in 1993–94 and total funding was about \$230 000.

- **South Pacific Regional Programs**

There is a range of funding opportunities for projects dealing with women in development, population, health, and HIV/AIDS in the Pacific. Activity proposals, in collaboration with existing Pacific community based organisations are examined on their merits.

In 1993–94, there were 15 NGDOs participating in this program. Total funding amounted to about \$3.1 million.

- **Middle East Projects**

There are two Middle East projects currently funded under country programs: West Bank Women and Children Rehabilitation and Development Project; and the Reintegration of Released Palestinian Detainees (in Gaza at the West Bank) Project. These projects are being carried out by World Vision Australia and the Australian Red Cross Society respectively. Total funding in 1993–94 was about \$1 million.

Africa Program

- **HIV/AIDS initiatives**

The AIDS/Health Initiative is designed to assist communities and people at high risk of HIV infection or those already infected with AIDS. Its emphasis is on developing effective measures for prevention and control of the disease.

In 1993–94, there were four NGDOs participating in this initiative. Total funding amounted to about \$440 000.

- **Special Assistance Program for South Africans (SAPSA)**

SAPSA began in 1986 to assist South Africans and, before their independence in 1990, Namibians disadvantaged by apartheid. Given recent political reforms in South Africa, the program and its future is currently under review.

In 1993–94, there were six NGDOs participating in this program. Total funding amounted to \$1.6 million.

- **Southern African NGO Participation Program (SANGOP)**

The purpose of SANGOP is to facilitate the involvement of NGDOs in the Africa program. SANGOP objectives are to facilitate community based development in Africa and to foster NGDO links at the village level. The program presently covers a range of countries within Southern and Eastern Africa. There were ten NGDOs participating in this program in 1993–94 and total funding was about \$1.6 million.

Vietnam, Cambodia and Laos Program

- **Cambodia NGO Special Assistance Program (CSAP)**

CSAP was a response to the return of 350 000 Khmers from Thailand under the Paris Peace Accord. It currently supports 15 projects which provide support to community development, health, food security, credit schemes and projects targeted at assisting women. CSAP is currently under review and may be replaced by a new program.

There were six NGDOs participating in CSAP in 1993–94 and total funding was about \$836 000.

- **Cambodia NGO Program**

This program is designed to provide short-term and immediate assistance to returnees, internally displaced people, demobilised soldiers and locally affected communities of Cambodia at the village level over a two year period. AusAID will provide a total of \$5 million in funding over the program period beginning in 1993–94.

- **NGO Vietnam-Australia Program (NOVA)**

NOVA aims to alleviate poverty and promote sustainable economic and social development among poorer Vietnamese rural and urban communities. Projects must be sustainable and meet environmental concerns and the needs of women. NGDOs are required to be closely involved in the identification, design and management of projects.

There were 10 NGDOs participating in NOVA in 1993–94 and total funding was \$2.2 million.

- **Laos NGO Program**

This program aims to alleviate poverty and promote sustainable economic and social development among poorer rural and urban communities.

There were five NGDOs participating in this program in 1993–94 and total funding was about \$825 000.

Thailand and South East Asia programs

- **HIV/AIDS initiatives**

The HIV/AIDS Initiative is designed to assist communities and people at high risk of HIV infection or those already infected with AIDS. Its emphasis is on developing effective measures for prevention and control of the disease. The Initiative for the South East Asia Region is administered by AusAID's Thailand, Burma and Regional Section. Funding was \$1.5 million in 1993–94.

- **Micro Enterprise Development**

This program targets priority areas of development of the private sector in the fringes of the recorded economy. Its aims are poverty alleviation, support for women and the promotion of participatory approaches to development. The Maranatha Trust was the sole recipient in 1993–94. Funding of \$250 000 was provided.

- **Thai-Australia Community Assistance Program (TACAP)**

TACAP is an embassy based program aimed to assist disadvantaged groups within the Thai community by encouraging participation in their own economic and social development. Disadvantaged groups include women, landless agricultural workers, small farmers and the urban poor. TACAP also aims to strengthen the institutional capacity of the local NGDO community in Thailand. The program is administered by the TACAP Secretariat located within the Technical and Economic Cooperation Section of the Australian Embassy, Bangkok.

A total of \$1 million in funding was made available in 1993–94. The maximum grant per project is baht 500 000 (approximately \$A30 000 per year). A contribution of cash or in kind of at least 25 per cent of the total project cost is required from the proponent NGDO or the beneficiaries themselves.

- **Thai-Australia AIDS Prevention Program (Northern) (NAPAC)**

NAPAC aims to reduce the rate of transmission of HIV/AIDS infection in northern Thailand. Assistance is provided to the Thai government, non-government and private sector organisations to develop effective measures for the prevention and control of the disease, and to develop and implement strategies for the care of those infected with HIV/AIDS. The program is administered by the Thai–Australian NAPAC office located in Chiang Mai. The grant per project will not normally exceed 1 million baht (approximately A\$60 000 per year) and a total of \$600 000 was allocated in 1993–94.

- **Thai-Australia AIDS Prevention Program (Non-Northern) (NONAP)**

Arrangements under NONAP are similar to those under the Health/AIDS initiative. Eligibility is open to ANCP members only and funding contributions are expected from eligible NGDOs. Total funding under NONAP will be about \$1 million in 1994–95 and a maximum of \$300 000 is to be allocated per project.

There were two NGDOs, World Vision Australia and UNICEF participating in NONAP in 1993–94. Total funding was \$160 000.

- **Burma HIV/AIDS NGO Program**

This program aims to assist in combating the spread of HIV/AIDS in Burma through community based activities and to foster Australian NGDO links with local structures in Burma. Priority will be given to activities which: educate the community about the nature and significance of HIV/AIDS with strategies for prevention and care with particular emphasis on high risk groups; assist communities to identify needs to combat the spread of HIV/AIDS; assist carers of people living with AIDS who fall outside the public health facilities; train local health workers; strengthen the capability of community organisations involved in health and community development; and integrate HIV/AIDS with others targeting sexually transmitted disease and drug dependence.

There were three NGDOs participating in this program in 1993–94 and total funding was about \$200 000.

Philippines Program

- **Philippines Australia NGO Program (PANGOP)**

PANGOP is a four year embassy program providing support for sustainable, integrated, community based self help projects which seek to alleviate poverty. Individual projects carry a notional funding ceiling of \$1 million and must be jointly initiated and implemented by Australian and Philippines NGDOs. Total funding will be \$2.5 million in 1994–95.

There were five NGDOs participating in PANGOP in 1993–94 and total funding was about \$1 million.

Pacific Islands Regional Program

• **HIV/AIDS Initiative – Pacific Region**

Similar to the HIV/AIDS Initiative in the South East Asia Region. However, funding is small (about \$10 000 to \$30 000 per project) and priority is given to projects that are acceptable within the framework of local government policies and programs.

There was one NGDO participating in this program in 1993–94, the Australian Federation of AIDS Organisations, which received funding of about \$2 500.

North – Asia Program

• **China NGO Scheme (CHANGES)**

CHANGES projects are targeted at poverty alleviation in China and to facilitate community development and to assist Australian NGDOs operating in China. Each project must have involvement by the local community and be consistent with AusAID policies in areas such as Ecologically Sustainable Development and Women in Development.

Individual projects are funded for a minimum of \$30 000 and a maximum of \$100 000. Preference is given to projects where the NGDO contributes 25 per cent of funds. An estimated \$500 000 will be spent on CHANGES in 1994–95.

There were two NGDOs participating in CHANGES in 1993–94, CARE Australia and UNICEF. Total funding was about \$44 000.

E.2.3 The AusAID/NGO Cooperation Program

The AusAID/NGO Cooperation Program (ANCP) in its various forms, dates back to 1974. Funding is disbursed through a three tier funding scheme. The ANCP is covered in detail in Chapter 6.

In addition to funding through the three tier scheme, limited funds are available to NGDOs as special purpose grants. The Committee for Development Cooperation advises AusAID on the merits of these grants which focus on institutional and management support for NGDOs. About \$50 000 was expended on special purpose grants in 1993–94.

E.2.4 Volunteer programs

AusAID support is provided to four NGDOs with volunteer sending programs. The largest organisation is the Overseas Service Bureau (OSB) which is responsible for the Australian Volunteers Abroad program. The OSB received \$6.7 million in 1993–94. The Palms Lay Missionary Service (PALMS) and Interserve together received \$460 000 while the Australian Executive Service Overseas Program (AESOP) received \$1.2 million. Funding under volunteer programs has been growing rapidly in recent years.

E.2.5 Small Grants NGDO activity schemes

AusAID manages five small cooperative programs to enable specific parts of the Australian community with development expertise to contribute to the development cooperation program. The five programs are:

- the NGO Environment Initiative (NGOEI). The NGOEI aims to assist environmental projects initiated by NGDOs. Priority is given to projects which have a clear environmental focus and are innovative in their approach. \$1.431 million was allocated to the NGOEI in 1993–94;
- the Women in Development Fund (WID). This scheme was established to assist the effective implementation of the Australian Government's aid policy relating to women in developing countries. Eligibility is open to NGDOs, academic organisations and government and multilateral agencies. A total of \$1.279 million in funding was available in 1993–94;
- the Professional Associations' International Development Scheme (PAIDS). Grants under the PAIDS program support activities by Australian professional associations aimed at strengthening the professional capacities of their counterparts in developing countries.

Proposals are only accepted from non-profit Australian professional associations, institutes and foundations which demonstrate strong organisational and financial credentials. NGDOs, associations, institutes and foundations are ineligible to receive grants or subsidies from the ANCP and PAIDS in the same year. The maximum grant per project would not normally exceed \$20 000 and total funding for 1993–94 under this scheme was \$225 000;

- the Development Education Project Scheme (DEPS); Development Education Special Projects Scheme (DESPS); Resource Centres: Development Education Core Funding and Projects; and other development education projects. These funds are managed by AusAID's Public Affairs Section which allocates funds with the help of an expert panel. Members of this panel include two NGDO representatives

nominated by ACFOA. Individual projects may not exceed \$35 000 and, although projects may be of a recurring nature, approval is granted on an annual basis. The total available to NGDOs for DEPS and DESPS and other development education schemes was about \$553 000 in 1993–94; and

- the International Seminar Support Scheme (ISSS). The purpose of the ISSS is to support seminars related to social and/or economic development issues, to help developing countries by building up their human resource capacity to meet their own needs. Funding applications can only be accepted from conference organisers, not individuals. Organisations which receive core funding from AusAID are not eligible for ISSS funding. ISSS can provide an accountable cash grant of up to \$20 000 to any one conference. A total of \$133 000 was made available in 1993–94.

E.2.6 Bilateral NGDO projects through public tender

NGDOs may also compete (but few do) to implement identified country or regional programs on a commercial basis. NGDOs that tender for the supply of services are regarded as contractors similar to commercial organisations. Expenditure figures are unable to be identified.

E.2.7 International NGDOs

In 1994–95, a total of \$12.8 million will be made available for non-Australian NGDOs. Much of this will go through NGDOs based in the Philippines and Thailand where AusAID believes that direct support to community groups for development assistance can work well.

F NON-GOVERNMENT DEVELOPMENT ORGANISATIONS

Australian non-government development organisations (NGDOs) that have been granted approved status, under sub-section 78(19) of the *Income Tax Assessment Act 1936*, by the Minister for Foreign Affairs and Trade are listed in Table F.1. The list provides the best information available on NGDOs currently in existence.

Although the actual number of NGDOs is estimated to be about 120, there are 130 NGDOs in the following list. As approved organisations are not regularly reviewed, the list contains some NGDOs which no longer exist. Further, not all NGDOs are approved organisations under s.78(19) of the Act.

Table F.1 Approved NGDOs under Section 78(19) of the *Income Tax Assessment Act 1936*

African Enterprise	Australian Committee for UNICEF Limited
AFS International Exchanges	Australian Council for Rehabilitation of Disabled
Aid to Children of Asia & Pacific	Australian Council of Churches
Aid to the Church in Need	Australian Cranio-Maxillo-Facial Foundation Limited
AIF Malayan Nursing Fund	Australian Executive Service Overseas Program
Australian Churches of Christ Overseas Mission Board	Australian Federation of Islamic Councils ^a
AMURT and AMERTEL Ltd.	Australian Foundation for International Credit Union Development
Anglican Church of the Diocese of Sydney	Australian Jesuit Mission in India
Appropriate Technology for Community and Environment Incorporated (APACE)	Australian Lebanese Christian Federation
Archbishop of Melbourne Fund	Australian National Council of and for the Blind
Archbishop of Melbourne's International Relief and Development Fund	Australian Overseas Disaster Response Organisation
Archbishop of Sydney's Overseas Relief Fund	Australian People for Health, Education and Development Abroad
Asia Pacific Christian Mission	Australian Red Cross Society
Asian Aid Organisation	Australian Society for Inter-Country Aid (Children) Victoria
Association for Research, Exploration and Aid Limited (AREA)	Australian Society for Inter-Country Aid Children Inc.
Association of Adoptive Parents of the Territory	Australian Society for Inter-Country Aid Children S.A.
Austcare	Australian Tuberculosis and Chest Association
Australia Papua New Guinea Friendship Trust	Australind
Australian Aid Organisation for Assisi Projects Inc.	Campaigners for Christ
Australian Association of Ryder-Cheshire Foundations	Care Australia Limited
Australian Baptist World Aid and Relief Committee	CBMI (Australia) Overseas Development Fund (previously name the Christian Ceylon Tamil Association (Victoria) and the Sri Lankan Tamil Distress Fund
Australian Board for the Vellore Christian Medical College Hospital	
Australian Board of Missions	
Australian Catholic Relief	

CHARITABLE ORGANISATIONS

Christian Children's Fund of Australia Ltd.	Overseas Service Bureau
Christian Nationals Evangelism Council	Palms
Church Missionary Society of Australia	Pammessian Brotherhood of Melbourne and Victoria ^b
Commission for World Mission	Peloponnesian Brotherhood of WA ^b
Committees in Solidarity with Central America and the Caribbean	Project Adoption
Community Aid Abroad Freedom From Hunger Limited (previously Community Aid Abroad or Australian Freedom From Hunger Campaign)	Project Concern
Compassion Ltd	Quaker Service Council Australia
Cumberland College Foundation	Rotary
Daughters of Our Lady of the Sacred Heart Overseas Aid Incorporated	Royal Australian Planning Institute
Divine Word Missionaries Incorporated	Salvation Army
Dr Graham's Homes Association Incorporated	Save the Children Fund Australia
Eelam Tamil Association (Australasia)	Save the Children Fund NSW Division
Eritrean Relief Association in Australia Incorporated	Service Fellowship International Incorporated
Fijian Orthopaedic Training Programme Foundation	Society for the Propagation of the Faith
Foresight	Society of Saint Vincent de Paul
Foundation for the Peoples of the South Pacific	South Sea Evangelical Mission
Fourth Avenue in Motion	St John Ambulance Australia
Franciscan Missionary Union	St Veronica's Welfare Committee
Fred Hollows Foundation Incorporated	St Columban's Mission Society
Grace Ministeries	Sudan Interior Mission
Indianaid	Sudan United Mission
Innocents Relief Appeal Association	Survive International Mobile Medical Aid (Australia)
Institute of Cultural Affairs	Sydney Talmudical College Association
International Children's Aid	TEAR Fund
International Children's Aid Limited	The Association of Apex Clubs of Australia
International Christian Aid Relief Enterprise Limited	The Australian Federation of Family Planning Associations Inc.
International Disaster Emergencies Committee	The Bible Society
International Service Fellowship Pty. Ltd.	The Filipino Community Welfare Services
International Women's Development Agency	The National Council of the Young Men's Christian Associations of Australia
Interplast Australia	The Returned Services League of Australia
L'Arche Australia	The Salesian Society Incorporated
Leprosy Mission (Australia)	The Samaritan's Purse Limited
Lions Club International	The Secular Franciscan Order
Lutheran Church of Australia Incorporated (previously Lutheran World Federation)	The South Australian Association for Kalimpong Children's Homes, India
Marist Mission Centre	The Young Women's Christian Association of Australia
Marist Sisters Provincialate	Tripoli and North Lebanon Aid Committee
Melbourne Overseas Missions Fund Incorporated	UNIFEM Australia Inc
Missionaries of St Andrew – Anglican Aid Abroad	United Israel Appeal Refugee Relief Fund Limited
MSC Provincialate	United Nations Association of Australia
National Council of Women	World Concern
Oblates of Mary Immaculate	World Literature Crusade Ltd
Opportunity Foundation Limited (previously Maranatha Trust)	World Vision of Australia
Overseas Children Aid Association	

a An approved organisation in respect to their Iran Earthquake Relief Fund.

b An approved organisation in respect to their Earthquake Disaster Appeal.

G PEAK COUNCIL SURVEY

As with most aspects of the sector, there is a lack of basic data on the activities and structure of peak councils. This appendix presents the results of the Industry Commission's survey of peak councils

Paragraph 3(a) of the Terms of Reference requires the Industry Commission to report on the size, scope, efficiency, and effectiveness of peak councils which represent organisations covered under paragraph 2(a).

The principal objective of this appendix is to provide empirical support for the analysis of peak councils presented in Chapter 7.

G.1 Previous studies

G.1.1 Bailey Report – 1978

The Bailey Task Force in 1978 surveyed 183 organisations in the welfare and health sector ‘known for their coordinating activities, or whose title suggested this to be one of their functions’ (Bailey Report 1978, p. 275). The sample comprised 154 state level and 29 national organisations of which 98 responded:

The aim of the survey was to ensure the Task Force to become more aware of the role of peak councils in the coordination of social policy. The survey called for information relating to the activities, membership, methods of operation, inter-agency and governmental relationships of the organisations. (Bailey Report 1978, p. 275)

The Bailey Report framework distinguished between two broad categories and seven sub-categories. The two broad categories were based on the constitutional power of the organisation to influence the activities of its members. The sub-categories were based on the breadth of client interest and service provision of member agencies.

The first broad category is *cooperative coordinators*. These are organisations with little constitutional or executive power over the activities of their members. These coordinating bodies appear to have originated as coalitions formed by one or two services to reduce the costs of facilitating, educating and advocacy functions. Following the initial impetus of the founding agencies, other agencies have shown interest and joined. Organisations in this category provide a forum for consultation between members that leads to coordination of services. Forums allow agencies to plan with greater knowledge of current

practices in their respective field and an awareness of the activities of other agencies. (Bailey Report 1978, p. 277)

The sub-categories for cooperative coordinators based on the breadth of client interest and service provision of member agencies are:

- *range of service-specific client group.* The member agencies provide a range of services with the goal of relieving stress on specific interest or client groups, for example, the Council of the Ageing;
- *specific service-specific client group.* The member agencies provide specific services to a specific client group, such as, the Australian Pre-School Association;
- *specific service-broad client group.* The members provide a specific service to a broad client base, for example, SHELTER; and
- *the broad basers.* The membership is large and diverse as is the breadth of issues addressed, for instance, the Councils of Social Service (Bailey Report 1978, p. 279).

The second broad category of organisations are *corporate coordinators*. This type of organisation has some form of corporate power over its members. In some instances the coordinating body technically owned the member organisations. This was typical of many of the religious organisations which responded. In other cases, the coordinating body was established by its members with substantial executive power over the otherwise autonomous members. For example, where the coordinating body establishes standards and principles that member organisations must maintain in order to retain membership (Bailey Report 1978).

The sub-categories for corporate coordinators based on the breadth of client interest and service provision of member agencies are:

- *range of service-specific client group.* The member agencies provide a range of services with the goal of relieving stress on specific interest or client group. For example the Multiple Sclerosis Society of Queensland;
- *range of services-broad client group.* This group consists of almost entirely religious organisations. Membership is extensive in terms of service and range of client. An example of a national body is the Catholic Social Welfare Commission; and
- *area/branch coordinators.* Each branch provides similar services to an area. Different jurisdictions are determined by geographical or demographical factors. An example is the Royal Guide Dogs for the Blind (Bailey Report 1978, p. 281).

Although the Task Force survey provides a useful foundation for developing a framework for classifying peak councils, it is not universally applicable to this Inquiry in its original form for three reasons.

First, the Bailey Report survey includes many coordinating bodies that are not peak councils. Some examples are The Royal Guide Dogs for the Blind, The Australian Red Cross and Royal Flying Doctors Service. These non-peak secretariat organisations represent most organisations classified as corporate coordinators.

Second, the Task Force itself conceded that at times questions were interpreted differently, and essay style answers made compilation of results difficult. As a result the Bailey Report was unable to classify 20 of the 98 respondent organisations using this framework. (Bailey Report 1978, p. 276)

Finally, the Task Force surveys include organisations from the ethnic and health sectors, neither of which is included in the terms of reference for this Inquiry.

G.1.2 Serving Communities – 1993

In 1993 the South Australian Council of Social Service (SACOSS) conducted a survey of state level peak organisations in the South Australia community service sector. The objective of the survey was to assemble a minimum data set to support the first stage of the Serving Communities review of the community service sector in South Australia.

The survey involved a questionnaire distributed to 35 organisations of which 22 replied. The questionnaire sought data in the following areas:

- age and process of establishment;
- legal structure;
- scale and type of membership;
- forms of governance;
- size in terms of expenditure and revenue;
- sources of revenue;
- relationship to government in areas of funding and policy; and
- key roles and functions undertaken.

The questionnaire was followed up with interviews of respondents and government departments.

The major survey findings were:

- more than two thirds of the responding organisations were formed since 1980;
- organisations formed earlier tend to have a comprehensive social policy focus, while those formed later appear to have a specific consumer focus;
- there are large variations in revenue raised from membership fees, with six of twenty one¹ respondents reporting zero revenue from membership fees. The report also found little perception by respondents of their constituency as the source of legitimacy and mandate;
- grants and subsidies made up 76 per cent of total revenue for the sector;
- most organisations had five or fewer staff members, with wages, salaries and on costs representing approximately 50 per cent of total expenditure; and
- it was noted that many respondents had difficulty in answering questions in relation to resource allocation between the functions they performed.

The sample is too limited to be used to drawing national inferences.

G.2 Industry Commission – 1994

G.2.1 Methodology

Definition

Defining a peak council is a difficult task for three main reasons:

- the variation in structural and functional form of peak councils in the sector;
- the requirement that peak councils should be representative and accountable to their constituency; and
- the conceptual differences between direct service and services provided to members and interested parties.

It is difficult to formulate an unqualified definition that applies to all peak councils operating in the sector. This is because peak councils are as varied as the issues and concern of their members. There is a need for the definition to be broad while still encompassing common characteristics.

There is also a need to distinguish between peak councils and secretariats. One of the major characteristics of peak councils is that they are representative of

¹ Indicates respondents to relevant question (Serving Communities 1993, p. 22).

their constituency. A legitimate mandate requires that the executive be elected from the constituency and that members should be free to join or leave. Therefore, while acknowledging that many of the functions of peak councils may be performed to some extent by secretariat bodies, the requirement for representativeness excludes bodies that are head offices of large organisations.

There is a conceptual difference between services provided to members and direct service to clients. Services provided to members have the objective or potential to facilitate indirectly service provision for a single or range of target client groups. However, direct service to clients has only the potential to benefit those receiving the service. For example, a staff training program that increases counselling skills (a membership support service) may indirectly benefit many clients or client groups by increasing the quality and or efficiency of service delivery. Alternatively, provision of counselling to a single client (a direct service) benefits only the recipient and those directly connected to the recipient.

For the purposes of this Inquiry, peak councils are defined as follows:

Peak councils are organisations which act as representative bodies that provide information dissemination services, membership support, coordination, advocacy & representation, and research & policy services for their members and other interested parties. The peak council role of such organisations involves no direct service delivery.

Sampling strategy

The objective of the survey was to select a representative sample of peak councils that would provide descriptive data on peak councils for the sector as a whole.

The sampling strategy adopted was a three stage, non random, sampling methodology based on convenience² and judgement³ sampling techniques.

The first stage of the sampling strategy was to identify an initial mailing list. In Australia there does not exist any comprehensive directories of peak organisations on a national level. The approach was to compile a comprehensive a list of potential peak councils as possible from all conveniently available sources, then to eliminate from this list organisations that appeared unlikely to meet the definition of a peak organisation.

² Convenience sampling refers to the selection of elements that can be obtained simply and conveniently (Mendenhall *et al* 1993, p 859).

³ Judgement sampling refers to the selection of elements that, according to the judgement and intuition of the sampler, accurately reflect the population (Mendenhall *et al* 1993, pp. 859-60).

The final mailing list of 518 organisation was compiled from various sources, including:

- Council of Social Service New South Wales (NCOSS) and Victorian Council of Social Service (VCOSS) directories;
- Community service organisation directories (TAS, NT, SA, ACT);
- Original sample of South Australian Council of Social Service (SACOSS) survey;
- Lists complied by Queensland Council of Social Service (QCOSS), COSP, DFCS (WA);
- The interested parties list of the Inquiry; and
- Miscellaneous sources (including organisations identifying themselves).

Although there is a possibility of bias entering the sample at this point there are two reasons for believing that this is unlikely. First, the definition of peak council for this initial stage was extremely broad. Where any doubt existed, the organisation was included in the mailing list. Second, the final mailing list was considered large enough to absorb any bias. It is important to note that this final mailing list was not intended to be an exhaustive list of all peak councils in the sector.

The second stage of the sampling strategy involved modified judgement techniques whereby organisations were asked to use their own judgement in a self selection process. The rationale is that organisations are most aware of the nature of their activities and know if it conforms to what the Commission defines as a peak council. Question one of the questionnaire asks the organisation to decide whether or not it meets the definition of a peak council being used by the Commission for this Inquiry.

While there is the possibility of bias using this method, the Commission could identify no incentive for strategic bias. Any bias that does result is most likely to arise from uncertainty. Once again the sample is considered large enough to absorb any such bias if it exists.

The final stage of the sampling strategy involves using judgement techniques to deal with the problem of mixed organisations and to isolate inconsistent or spurious returns.

The definition of a peak council being used by the Commission implies that such activities do not involve direct service provision. However, in some cases a *Chinese wall* may separate the peak council functions and the service delivery functions of an organisation. This is more likely in smaller local or regional organisations.

Organisation whose activities were not predominantly peak council functions were excluded. Therefore, even in the case were organisations indicated that they were peak councils in question one, if they expended more than 50 per cent of their resources on direct service delivery they were not included in the sample.

Inconsistent or unclear returns were followed up and clarified where possible. Otherwise they were eliminated from the sample to minimise data distortion.

Of the initial 518 questionnaires sent, 188 respondents indicated they were peak councils and hence represent the final sample.

G.2.2 Results

Survey questionnaire

The full questionnaire is reproduced as Attachment G1.

Self identification as a peak council – question one

Of the responding organisations 188 organisations indicated that they were peak councils and were not eliminated from the sample for other reasons.

Year established – question two

Of the 188 sample organisations only six could not or did not provide a year of establishment.

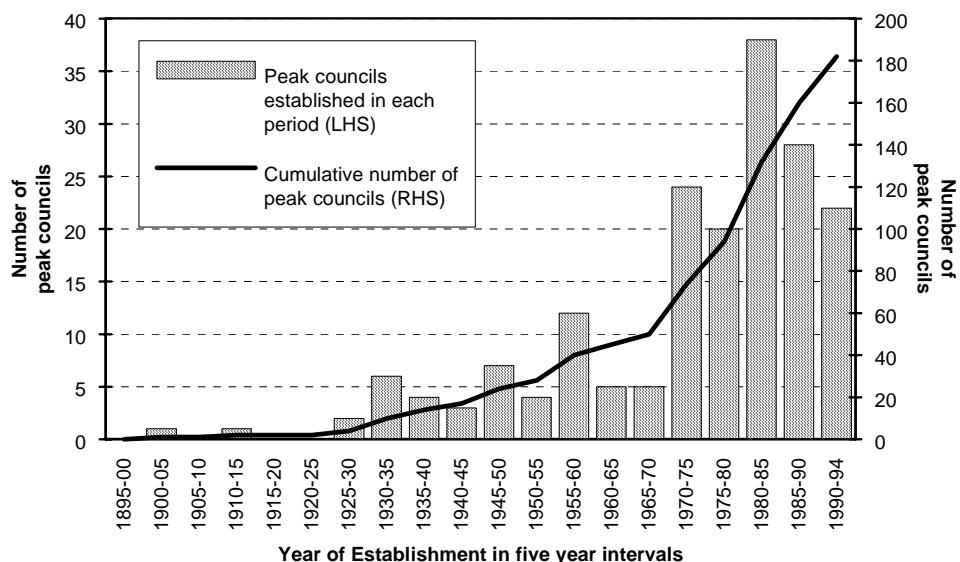
The majority of the sample organisations were less than 25 years old and more than 75 per cent of the sample organisations were formed post 1970 (see Table G.1 and Figure G.1). While the growth rate appears to have slowed since the mid 1980s there may be a slight bias in the sample against organisations formed only recently.

Table G.1 Number of peak councils by period of establishment

5 year period	Frequency	Cumulative
1900	0	0
1905	1	1
1910	0	1
1915	1	2
1920	0	2
1925	0	2
1930	2	4
1935	6	10
1940	4	14
1945	3	17
1950	7	24
1955	4	28
1960	12	40
1965	5	45
1970	5	50
1975	24	74
1980	20	94
1985	38	132
1990	28	160
1994 ^a	22	182

a 1994 is a four year period.

Figure G.1 Number of peak councils by year of establishment



Note:
Final interval is a four year interval.
Does not include organisations which no longer exist.
N = 182.

Reason for formation – question three

Most organisations indicated that they were formed as a grass roots response to social or welfare issues. The next major reason for formation was for organisations to be sponsored by direct service providers. Together these two reasons for formation accounted for over 75 per cent of the sample (see Table G.2 and Figure G.2).

Legal structure – question four

The overwhelming majority of organisations, 80 per cent, are formed as Incorporated Associations. Of the organisations which responded ‘other’, six were religious organisations or formed under special legislation and five had no separate legal identity (see Table G.3 and Figure G.3).

Executive structure – question five

As was expected from such representative bodies, more than 81 per cent indicated that their executive was elected from the membership by members. Organisations responding ‘other’ were predominantly religious based or organisations who fell into more than one category (see Table G.4 and Figure G.4).

Table G.2 Reason for formation

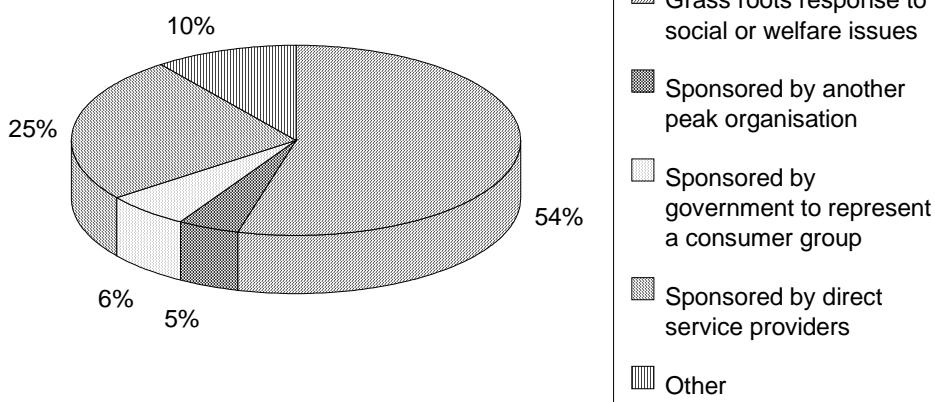
	<i>Number</i>	<i>Per cent</i>
Grass roots response to social or welfare issues	101	53.7
Sponsored by another peak organisation	9	4.8
Sponsored by government to represent a consumer group	12	6.4
Sponsored by direct service providers	47	25.0
Other	19	10.1
Total	188	100.0

Membership structure – question six

Organisations had difficulty reporting details of their membership and some inconsistencies were observed including:

- some organisations did not differentiate between service provider organisations and other non profit organisations;
- some organisations entered no figures but simply ticked to indicate they had members of this or that type; and
- in a very few cases, the reported number of members conflicted with the membership lists from annual reports.

Inconsistent responses and non responses were excluded from the summary of data for this question.

Figure G.2 Reason for formation

Note:

N = 188.

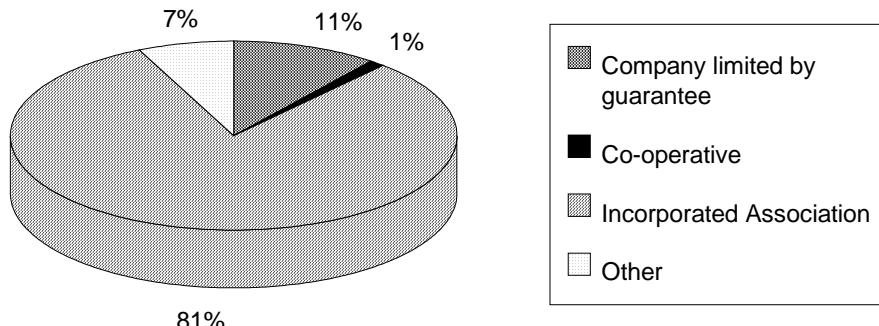
The data on types of membership is collated with the responses on membership functional and policy focus (question 8). The functional and policy focus of a peak councils membership is used as a proxy for the peak council's own policy and functional focus. For example, if a peak council's membership is predominantly broad-based covering a wide range of interest and client groups, it is reasonable to assume that this represents the policy and functional focus of the peak council. In this case using the membership as a proxy, we can assert that this peak council falls under the social policy peak category.

Table G.3 Legal structure

	Number	Per cent
Company limited by guarantee	20	10.6
Cooperative	2	1.1
Incorporated Association	153	81.4
Other	13	6.9
Friendly society	..	..
Total	188	100.0

Zero values.

Figure G.3 Legal structure



Note:

N = 188.

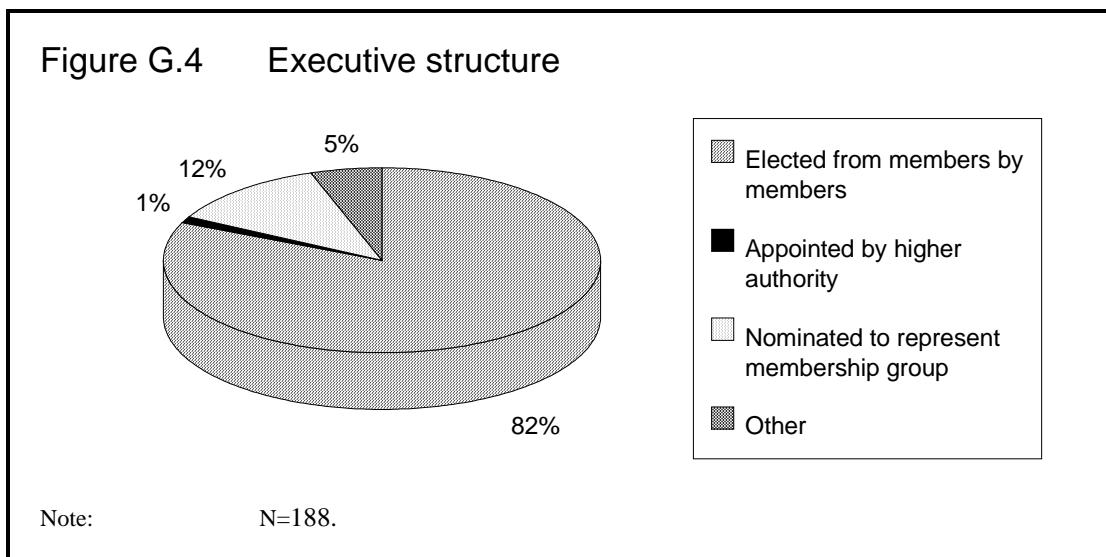
The peak council functional and policy focus categories and membership focus proxies are:

- social policy peak councils have memberships which can best be described as broad-based covering a wide range of interest and client groups;
- service development peak councils have memberships predominantly of organisations focused on a particular client groups or type of service delivery;
- consumer peak councils are organisations whose membership is made up from individuals from specific interest or client groups; and
- employer/employee peak councils have predominantly employers or employees as members.

Using membership functional and policy focus as a proxy allows the membership characteristics of peak councils to be examined with respect to the four categories. The predominant findings are that:

- social policy peak councils have a membership dominated by reasonably equal proportions of service provider organisations and individuals;
- service development peak councils, have a membership weighted towards service provider organisations. However, individuals still constitute over 20 per cent of membership;
- consumer peak councils, have a constituency which is predominantly individuals; and
- employer/employee peak councils, while having a membership predominantly of individuals, also have a high proportion of service provider organisations.

The data for this question is summarised as percentages of total membership for each organisation in Tables G.5 and Figures G.5.



Types of membership – question seven

As with question six above the data is collated with responses on membership functional and policy focus to provide a proxy for the peak council's own policy and functional focus.

The data provides an insight into the predominant form of membership offered by peak councils and also in terms of the median size of membership for

different types of peak councils. A further, and equally valuable, insight is gained by the comments of those organisations responding ‘other’.

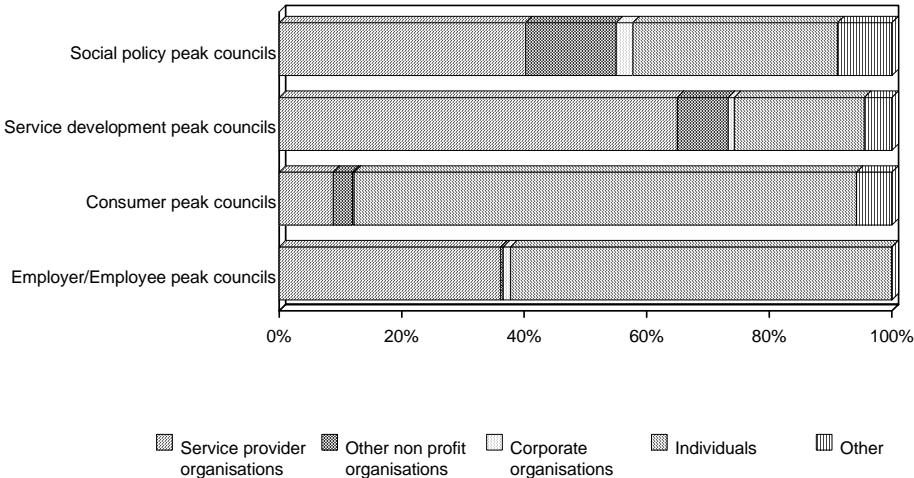
Table G.5 Membership of peak councils, (per cent)

	<i>Service provider organisations</i>	<i>Other non profit organisations</i>	<i>Corporate organisations</i>	<i>Individuals</i>	<i>Other</i>
Social policy peak councils	40.2	14.8	2.7	33.4	8.9
Service development peak councils	65.0	8.3	1.0	21.2	4.5
Consumer peak councils	8.8	3.1	0.3	82.0	5.8
Employer/employee peak councils	36.2	0.4	1.2	62.2	..

Note: N = 50 for social policy peak councils, 78 for service development peak councils, 29 for consumer peak councils and 6 for employer/employee peak councils.

.. Zero values.

Figure G.5 Membership of peak councils



Note: N = 50 for social policy peak councils, 78 for service development peak councils, 29 for consumer peak councils and 6 for employer/employee peak councils.

The predominant form of membership is full membership. Median sizes varied for the different categories of peak council with consumer and employer/employee peak councils having the largest median memberships followed by social policy, then service development peak councils.

The responses to ‘other’ give a valuable insight to the range of organisations dealing with peak councils. Membership types under ‘other’ included: charitable trusts, trustee companies, corporate donors, churches, families, government bodies and departments, neighbourhood house networks, state or regional branches and sections and subscribers (see Table G.6).

Table G.6 Membership types for social policy peak councils

	<i>High</i>	<i>Low</i>	<i>Median</i>	<i>Mean</i>
<i>Social policy peak councils</i>				
Full members	15 000	..	150	1 002
Associate members	669	..	..	46
Honorary members	418	..	..	12
Other	176	..	..	8
<i>Service development peak councils</i>				
Full members	3 000	..	82	186
Associate members	139	..	..	10
Honorary members	80	..	..	3
Other	254	..	..	9
<i>Consumer peak councils</i>				
Full members	46 800	..	145	3 190
Associate members	13 200	..	..	483
Honorary members	6	..	..	1
Other	100	..	..	8
<i>Employer/employee peak councils</i>				
Full members	8 500	..	57	1 446
Associate members	6	..	..	1
Honorary members	..	..	..	..
Other	35 000	..	..	5 095

Note: N = 49 for social policy peak councils, N = 77 for service development peak councils, N = 27 for consumer peak councils and N = 6 for employer/employee peak councils.
.. Zero value.

Membership functional focus – question eight

The data on membership functional and policy focus was intended to provide a proxy for the peak councils own policy and functional focus. Of the sample most organisations can be classified, by proxy, as service development peak councils. The second most common classification is social policy, consumer and employer/employee peak councils.

The result on membership functional and policy focus provide a caveat for inferences about employer/employee peak councils. This is because only seven of the organisations could be classified as employer/ employee peak councils. Conclusions on collated data relating to such a small sample should be treated with care (see Table G.7 and Figure G.6).

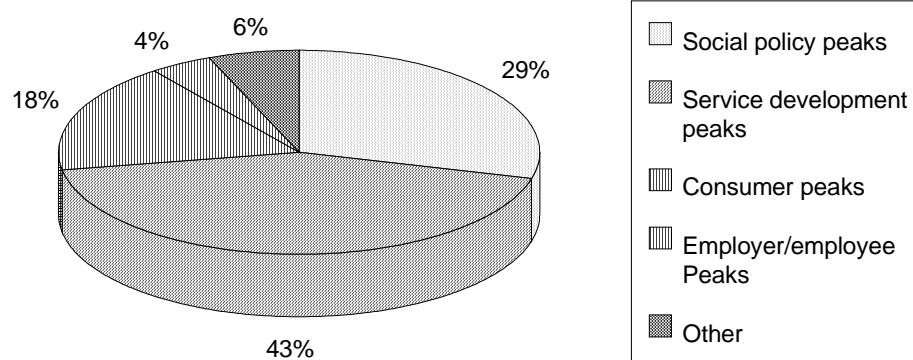
Table G.7 Policy and functional focus

	<i>Number</i>	<i>Per cent</i>
Social policy peak councils	55	29.3
Service development peak councils	81	43.1
Consumer peak councils	33	17.6
Employer/employee Peak councils	8	4.3
Other	11	5.9
Total	188	100.0

Sphere of operation – question nine

Approximately 60 per cent of the respondents, indicated that their sphere of operation was either state, regional or local. While these responses describe well the sphere of operation for the sample, inferences about national distributions should be made with care due to the difficulty in identifying organisations (see Table G.8 and Figure G.7).

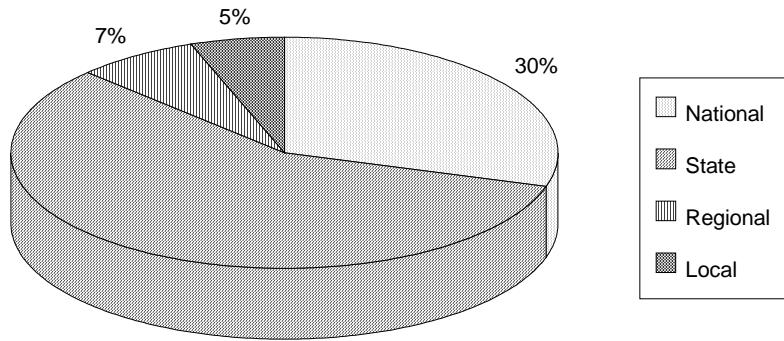
Figure G.6 Policy and functional focus



Note:

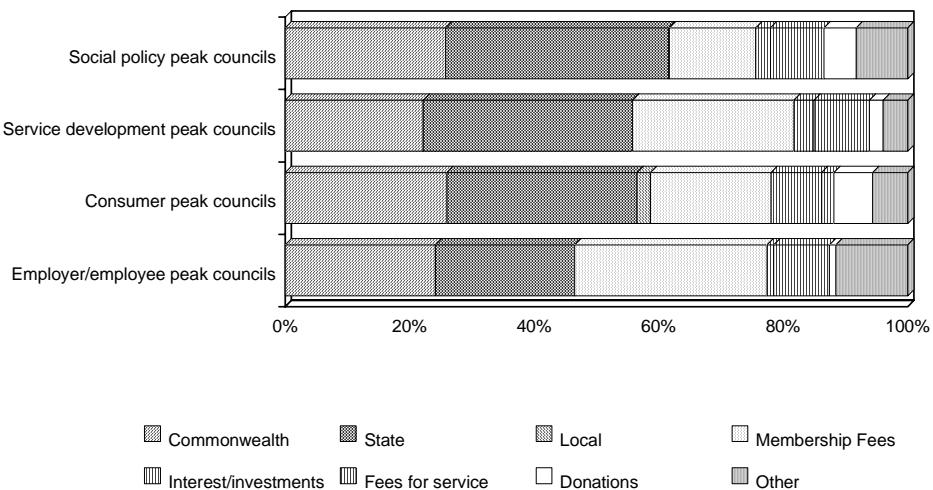
N=188.

Figure G.7 Sphere of operation



Note:

N = 188.

Figure G.8 Sources of funding for peak councils

Note: N = 50 for social policy peak councils, 76 for service development peak councils, 32 for consumer peak councils and 8 for employer/employee peak councils.

Income sources – question ten

Of the sample, 176 organisations responded with information about the size and sources of income. These amounts were not adjusted to reflect resource allocation between peak council and other functions, level of volunteer usage or differences in accounting periods. Therefore, total amounts should only be considered a guide.

Table G.8 Sphere of operation

	<i>Number</i>	<i>Per cent</i>
National	56	29.8
State	108	57.4
Regional	14	7.4
Local	10	5.3
Total	188	100.0

Once again the data is collated with responses on membership functional and policy focus to provide a proxy for the peak council's own policy and functional focus. This gives an aggregate view of funding sources for the various policy and functional focus categories of peak councils.

On average, government funding accounts for 60 per cent of social policy peak council funding, 55 per cent of service development peak council funding, 59 per cent of consumer peak council funding and 53 per cent of employer/employee peak council funding.

However, of the sample, 53 organisations receive no funding from any level of government. Total income ranges between six hundred and over five million dollars. More than 70 per cent of respondents had total incomes less than

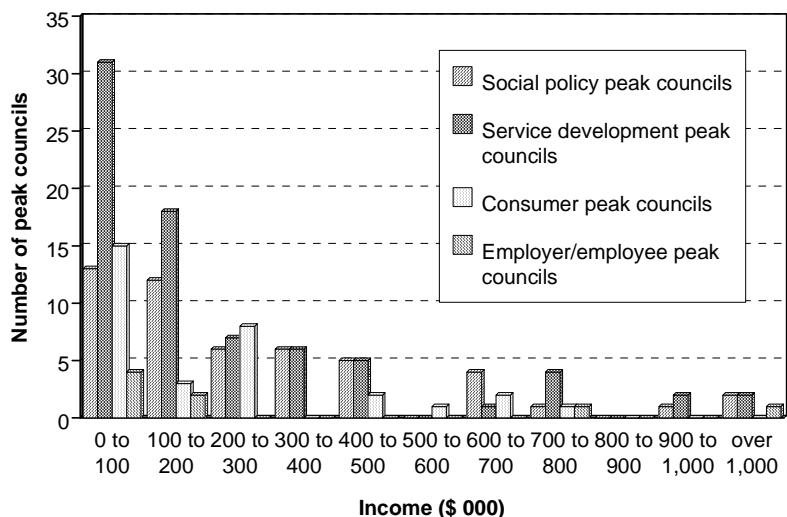
\$300 000. On average, employer/employee peak have the highest incomes, followed by social policy peak councils, service development and consumer peak councils respectively (see Tables G.9 to G.10 and Figures G.8 to G.9).

Table G.9 Sources of funding for peak councils

	Commonwealth Government	State Government	Local Government	Membership fees	Interest/investments	Fees for service	Donations	Other	Total
<i>Social policy peak councils</i>									
High (\$)	715 322	3 766 808	13 650	299 905	80 319	1 035 799	226 000	875 270	5 044 034
Low (\$)	..	..	..	..	..	..	..	..	700
Median (\$)	..	10 000	..	4 638	2 441	7 000	125	..	197 201
Mean (\$)	104 253	152 337	273	27 462	6 694	50 338	8 565	30 437	380 360
Mean (%)	25.8	35.8	0.1	13.9	2.3	8.6	5.2	8.3	
<i>Service development peak councils</i>									
High (\$)	805 309	398 000	..	757 700	116 000	451 000	151 953	420 959	1 242 929
Low (\$)	..	..	..	..	..	..	..	..	600
Median (\$)	..	2 100	..	6 898	1 595	864	..	..	128 912
Mean (\$)	67 813	58 914	..	51 356	6 261	30 110	5 604	13 611	233 669
Mean (%)	22.2	33.7	..	25.9	3.2	8.9	2.2	3.9	
<i>Consumer peak councils</i>									
High (\$)	272 864	682 344	10 000	199 312	50 849	103 051	400 723	100 000	756 209
Low (\$)	..	..	..	..	..	..	..	..	1 150
Median (\$)	12 924	7 343	..	2 576	2 500	..	1 069	378	114 958
Mean (\$)	59 720	76 621	419	14 352	4 694	7 047	15 824	14 712	194 882
Mean (%)	26.0	30.6	2.2	19.3	8.1	2.0	6.2	5.6	
<i>Employer/employee peak councils</i>									
High (\$)	601 583	106 635	..	927 494	58 000	1 422 300	5 330	63 499	3 179 511
Low (\$)	..	..	..	..	..	..	..	..	18 600
Median (\$)	..	1 750	..	3 606	367	3 841	..	4 066	98 980
Mean (\$)	104 577	24 242	..	211 381	8 121	182 966	697	13 829	545 812
Mean (%)	24.1	22.4	..	30.9	1.1	9.0	1.0	11.6	

Note: N = 50 for social policy peak councils, 76 for service development peak councils, 32 for consumer peak councils and 8 for employer/employee peak councils.

.. equals zero values.

Figure G.9 Distribution of total income for peak councils

Note: N = 50 for social policy peak councils, 76 for service development peak councils, 32 for consumer peak councils and 8 for employer/employee peak councils.

Funding departments – question eleven

Table G.11 summarises government funding departments at state and national level identified by peak councils in the questionnaire. More information on government funding is presented in Attachment G2.

Table G.10 Distribution of total income for peak councils

\$'000	Social policy	Service development	Consumer	Employer/employee
0 to .5	..	..	..	..
.5 to 5	3	7	5	..
5 to 50	4	12	7	3
50 to 100	6	12	3	1
100 to 500	29	36	13	2
500 to 1000	6	7	4	1
1000 to 2000	1	2	..	..
2000 to 3000	..	..	..	..
3000 to 4000	..	..	..	1
4000 to 5000	..	..	..	..
5000 to 6000	1	..	..	..
over 6000	..	..	..	..

Note: N = 50 for social policy peak councils, 76 for service development peak councils, 32 for consumer peak councils and 8 for employer/employee peak councils.
.. Zero values.

Table G.11 Funding departments identified by peak councils in the survey

Commonwealth	Queensland Health Department
Attorney General's Department	
Department of Human Services and Health	South Australia
Department of Communication and the Arts	Attorney General
Department of Employment, Education and Training	Department for Family and Community Services
Department of Immigration and Ethnic Affairs	Department of Employment, Training and Further Education
Department of Prime Minister and Cabinet	Department of Housing and Urban Development
Department of Veterans' Affairs	Department of Premier and Cabinet
New South Wales	Department of Public and Consumer Affairs
Department of Community Services	SA Health Commission
Department of Consumer Affairs	
Department of Housing, Planning and Urban Affairs	Western Australia
Department of Industrial Relations, Employment, Training and Further Education	Authority for Intellectually Handicapped Persons
NSW Health Department	Department for Community Development
Premier's Department	Health Department of Western Australia
	Homeswest (State Housing Commission)
Victoria	
Department of Health and Community Services	Tasmania
Queensland	Department of Community and Health Services
Department of Administrative Services	
Department of Employment, Vocational Education, Training and Industrial Relations	Northern Territory
Department of Family Services and Aboriginal and Islander Affairs	Department of Health and Community Services
Department of Housing, Local Government and Planning	Department of Lands, Housing and Local Government
Department of Premier, Economic and Trade Development	
	Australian Capital Territory
	Chief Minister's Department
	Department of Education and Training
	Housing and Community Services Bureau

Note: Table represents current (as at October 1994) names of departments which may vary from reported names.

Staff structure – question twelve

After collating the data with responses on membership functional and policy focus to provide a proxy for the peak councils' own policy and functional focus we are able to gain a picture of staffing characteristics for peak councils. However, full time equivalent staff for part time, casual and volunteer staff was not required. Therefore, reported staff levels may overstate the full time equivalent level.

Social policy, service development and employer/employee peak councils draw more than 70 per cent of their staff from full time or part time workers. Consumer peak councils, however, rely much more on voluntary staff.

The data also shows that the majority of organisations have total staff levels of fewer than ten⁴. Tables G.12 and G.13 summarise the detail of responses on staffing levels. This data is also presented in Figures G.10 and G.11.

Table G.12 Staffing characteristics of peak councils

	<i>Full time</i>	<i>Part time</i>	<i>Casual</i>	<i>Voluntary</i>
<i>Social policy peak councils</i>				
<i>High</i>	66	11	3	100
<i>Low</i>	..	..	..	..
<i>Median</i>	3	2	..	..
<i>Mean</i>	6	3	..	6
<i>Mean (%)</i>	48.1	33.9	3.7	14.3
<i>Service development peak councils</i>				
<i>High</i>	15	8	14	69
<i>Low</i>	..	..	..	..
<i>Median</i>	1	1	..	..
<i>Mean</i>	2	1	1	4
<i>Mean (%)</i>	43.2	30.0	8.0	18.9
<i>Consumer peak councils</i>				
<i>High</i>	14	12	5	30
<i>Low</i>	..	..	..	..
<i>Median</i>	2	1	..	6
<i>Mean</i>	3	2	1	8
<i>Mean (%)</i>	22.3	27.5	7.4	42.7
<i>Employer/employee peak councils</i>				
<i>High</i>	4	1	..	13
<i>Low</i>	..	..	..	..
<i>Median</i>	1	1	..	..
<i>Mean</i>	1	1	..	3
<i>Mean (%)</i>	43.3	31.4	..	25.2

Note: N = 51 for social policy peak councils, 75 for service development peak councils, 29 for consumer peak councils and 5 for employer/employee peak councils.

.. Zero values.

Resource allocation – question thirteen

The survey methodology excludes organisations which expend less than 50 per cent of their resources on peak council functions. This is because, while the peak council functions of an organisation and direct service provision by the same organisation may only be separated by a *Chinese wall*, the survey is

⁴ Not full time equivalents.

concerned only with organisations who perform predominantly peak council functions.

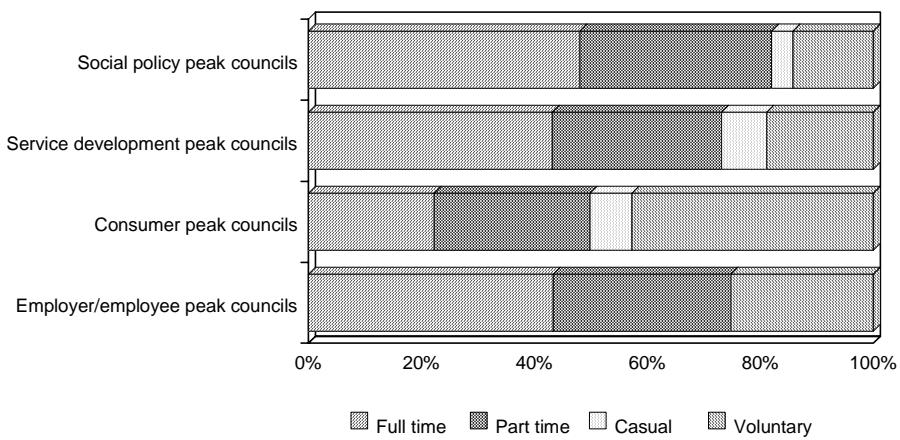
Table G.13 Distribution of total staff levels

(Total staff)	Social policy	Service development	Consumer	Employer/employee
0 to 5	23	47	10	4
6 to 10	10	14	4	..
11 to 15	10	5	4	1
16 to 20	1	4	4	..
21 to 40	2	2	6	..
41 to 60	1	2	1	..
61 to 80	1	1	..	..
81 to 100	2	..	..	..
101 to 120	1	..	..	..
120 and over	..	..	..	..

Note: N = 51 for social policy peak councils, 75 for service development peak councils, 29 for consumer peak councils and 5 for employer/employee peak councils.

.. Zero values.

Figure G.10 Staffing characteristics of peak councils



Note: N = 51 for social policy peak councils, 75 for service development peak councils, 29 for consumer peak councils and 5 for employer/employee peak councils.

The question proved to be a successful instrument in achieving the desired objective. There was some confusion and subjective judgement at the margin relating to the definition of total resources or direct service provision. However,

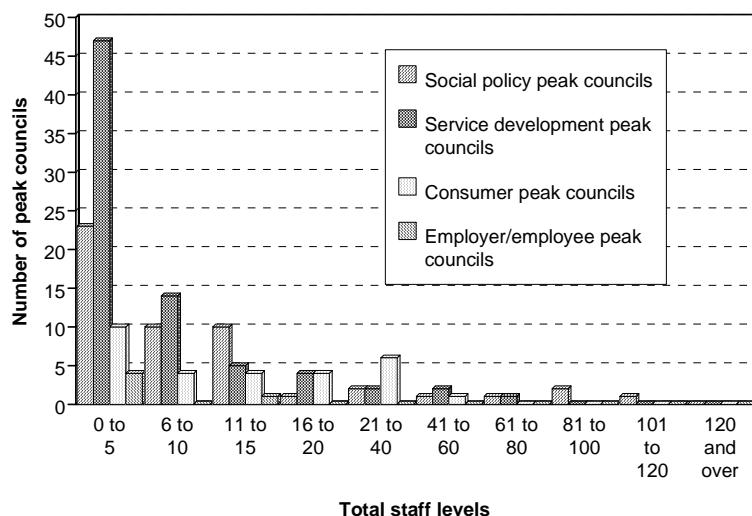
marginal responses were confirmed by direct consultation before elimination to reduce the risk of bias. Table G.14 and Figure G.12 summarise the responses of that organisation not eliminated from the sample.

Table G.14 Distribution of resource expenditure on peak functions

(% of total)	Social policy	Service development	Consumer	Employer/employee
50 to 60	7	5	5	1
61 to 70	1	1	1	..
71 to 80	2	3	3	..
81 to 90	6	3	1	1
91 to 100	34	67	21	5

Note: N = 50 for social policy peak councils, 79 for service development peak councils, 31 for consumer peak councils and 7 for employer/employee peak councils.
.. Zero values.

Figure G.11 Distribution of total staff levels

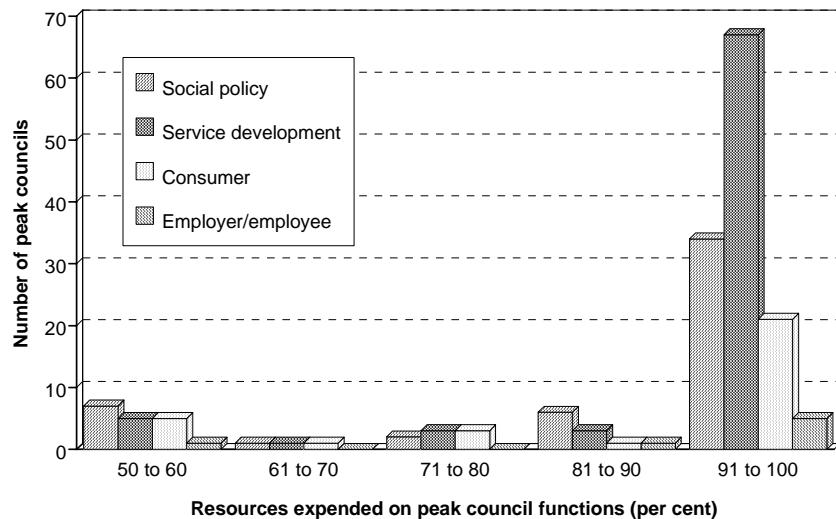


Note: N = 51 for social policy peak councils, 75 for service development peak councils, 29 for consumer peak councils and 5 for employer/employee peak councils.

Taxation concessions/exemptions – question fourteen

The responses describing which tax concessions and exemptions peak councils have, or believe they have are summarised in Table G.15. In general, responses indicated either a great deal of inconsistency or a great deal of confusion over the tax concessions and or exemptions to which organisations are entitled.

Figure G.12 Distribution of resource expenditure on peak functions



Note: N = 50 for social policy peak councils, 79 for service development peak councils, 31 for consumer peak councils and 7 for employer/employee peak councils.

Table G.15 Tax concessions/exemptions for peak bodies

(Number of organisations with concession)	Income tax exemption	Tax deductibility of donations	Training guarantee levy exemption	Fringe benefits tax exemption	Sales tax exemption	Capital gains tax exemption	Pay-roll tax exemption	State land tax exemption/concession	State/local charges exemption/concession	State/local rates exemption/concession
<i>Income tax exemption</i>	100	56	43	40	64	33	42	18	12	11
<i>Tax deductibility of donations</i>	..	72	39	39	69	29	31	17	12	12
<i>Training guarantee levy exemption</i>	52	38	44	26	36	16	11	9
<i>Fringe benefits tax exemption</i>	46	42	29	30	15	10	10
<i>Sales tax exemption</i>	98	30	35	18	12	13
<i>Capital gains tax exemption</i>	36	26	15	10	9
<i>Pay-roll tax exemption</i>	50	16	12	10
<i>State land tax exemption/concession</i>	19	11
<i>State/local charges exemption/concession</i>	14
<i>State/local rates exemption/concession</i>	16

Note: N = 188

Attachment G1 Questionnaire

Figure G1.1 Page 1 of the Industry Commission questionnaire

INDUSTRY COMMISSION

QUESTIONNAIRE - PEAK COUNCILS

Organisation Number: 279

Organisation Details

What is your organisation's full registered name?

By what acronyms is your organisation known?

Definition

For the purposes of the inquiry into charitable organisations the Industry Commission is defining peak bodies and councils (hereafter referred to as peak councils) as follows:

Peak councils are organisations which act as representative bodies that provide information dissemination services, membership support, co-ordination, advocacy & representation, and research & policy development for their members and other interested parties. This role does not involve direct service delivery.

Question 1: Do you consider your organisation to be a Peak Council according to the above definition? Please tick yes or no.

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

- ☞ If you answer “no” to question 1, proceed no further, and return the questionnaire as soon as possible.
-

Figure G1.2 Page 2 of the Industry Commission questionnaire

Question 2: In what year was your organisation established? *Enter year eg "1967".*

Year

Question 3: What led to the formation of your organisation? *Tick one only.*

- Grass roots response to social or welfare issues
- Sponsored by another peak organisation
- Sponsored by government to represent a consumer group
- Sponsored by direct service providers
- Other (specify):

Question 4: What is the legal form of your organisation? *Tick only one.*

- Company limited by guarantee
- Incorporated Association
- Co-operative
- Friendly Society
- Other (specify):

Question 5: How is the membership of your organisation's executive determined?

Tick only one

- Elected from membership by members
- Nominated to represent membership group
- Appointed by higher authority
- Other (specify):

Question 6: How many of your members fall into the following categories? *Enter appropriate numbers.*

- Service provider organisations
- Other non profit organisations
- Corporate organisations
- Individuals
- Other (specify):

Question 7: What is your membership breakdown? *Enter appropriate numbers.*

- Full members
- Associate members
- Honorary members
- Other (specify):

Figure G1.3 Page 3 of the Industry Commission questionnaire

**Question 8: Which of the following categories best describes your membership?
Tick only one.**

Broad-based covering a wide range of interest and client groups (eg aged, families and youth)

Organisations focused on a particular client group or type of service delivery (eg aged care or disabilities support)

Individuals from specific interest or client groups (eg a constituency who are disabled or aged, etc)

Employers and/or employees

Other (specify):.....

Question 9: At which level does your organisation generally operate? Tick only one.

National

State

Regional

Local

If not national, specify state, region or locality:.....

Question 10: What is your income from the following sources? Please supply 1992/93 data.

Commonwealth Government

State Government

Local Government

Membership fees

Investments/interest

Fees for

Donations

Other

TOTAL

Question 11: What are your major sources of government funding for your role as a peak council? Supply 1992/93 data.

Cwlth, State, or Local	Department	Program

Figure G1.4 Page 4 of the Industry Commission questionnaire

Question 12: How many staff does your organisation currently employ under each of the following categories? Fill in number of staff.

Full time	<input type="text"/>
Part time	<input type="text"/>
Casual	<input type="text"/>
Voluntary	<input type="text"/>
TOTAL	<input type="text"/>

Question 13: To what extent does your organisation expend resources on the following. Show percentages.

Peak council functions as broadly defined in the definition given in
 Direct service provision to clients rather than members and interested
 Other (specify):.....

TOTAL	100%
--------------	-------------

Question 14: Which of the following concessions/exemptions does your organisation have? Tick the appropriate boxes.

Income tax exemption	<input type="checkbox"/>
Tax deductibility of donations	<input type="checkbox"/>
Training guarantee levy exemption	<input type="checkbox"/>
Fringe benefits tax exemption	<input type="checkbox"/>
Sales tax exemption	<input type="checkbox"/>
Capital gains tax exemption	<input type="checkbox"/>
Pay-roll tax exemption	<input type="checkbox"/>
State land tax exemption/concession	<input type="checkbox"/>
State/local charges exemption/concession	<input type="checkbox"/>
State/local rates exemption/concession	<input type="checkbox"/>
Other (specify):.....	<input type="checkbox"/>

Conclusion

We thank you for your participation in this questionnaire. We would be most grateful if you could return it in the envelope supplied at your earliest convenience. We would also be grateful if you could enclose the latest version of the following documents if available:

- Annual report;
- Financial statement; and
- Strategic plan.

Attachment G2 Government funding of peak councils

G2.1 Level of Government funding

To compile an estimate of total government funding state and Commonwealth funding departments were requested to supply:

- the name of any peak councils funded by the department;
- the amount of recurrent funding for each peak councils;
- the amount of project funding for each peak councils;
- a description of the programs under which peak councils are funded; and
- a description of the criteria peak councils must meet to qualify for funding.

Table G2.1 presents a summary of estimated government funding for peak councils in the sector. These figures do not include local government funding or assistance in kind, for example, free accommodation.

Table G2.1 Summary of Government funding^a, 1993–94

	\$1993–94	Per cent of total
Commonwealth	13 046 925	48.8
New South Wales	3 948 538	14.8
Victoria	2 314 900	8.7
Queensland	2 628 491	9.8
South Australia	1 215 032	4.5
Western Australia	1 287 030	4.8
Tasmania	1 130 119	4.2
Northern Territory	357 300	1.3
Australian Capital Territory	781 635	2.9
Total Government Funding^a	26 709 970	100.0

a Does not include local government funding.

Source: Industry Commission estimates from information supplied by government departments.

Three principle problems were encountered when collating this data. First, as discussed above there is no universally accepted definition of what a peak council is. Second, many departments do not have specific funding programs for peak councils (see Table G2.3), and some peak councils are funded for service provision functions. Finally, the artificial boundaries of the terms of reference has made the inclusion or exclusion of some organisations a matter of judgement. As a result some departments had difficulties identifying peak councils and, as such, the data in this attachment should only be treated as estimates.

Table G2.2 Government funding^a to peak councils, 1993–94

		\$1993–94
<i>Commonwealth</i>	Attorney-General's Department	1 534 419
	Department Human Services and Health	9 066 390
	Department of Communication and the Arts	58 000
	Department of Employment, Education and Training	911 093
	Department of Housing and Regional Development	700 993
	Department of Immigration and Ethnic Affairs	392 530
	Department of Prime Minister and Cabinet	304 500
	Department of Veterans' Affairs	79 000
	Sub total	13 046 925
<i>New South Wales</i>	Department of Community Services	2 498 395
	Department of Consumer Affairs	325 000
	Ministry of Housing, Planning and Urban Affairs	490 943
	NSW Health Department	634 200
	Sub total	3 948 538
<i>Victoria</i>	Department of Business and Employment	660 000
	Department of Health and Community Services	1 654 900
	Sub total	2 314 900
<i>Queensland</i>	Department of Family Services and Aboriginal and Islander Affairs	1 289 818
	Department of Housing, Local Government and Planning	284 228
	Queensland Health	1 054 445
	Sub total	2 628 491
<i>South Australian</i>	Department for Employment, Training and Further Education	262 500
	Department for Family and Community Services	477 465
	Department of Housing and Urban Development	415 067
	Department of Public and Consumer Affairs	45 000
	SA Health Commission	15 000
	Sub total	1 215 032
<i>Western Australia</i>	Department for Community Development	768 001
	Disability Services Commission	256 000
	Homeswest	100 824
	Lotteries Commission	92 205
	Office of Senior's Interests	70 000
	Sub total	1 287 030
<i>Tasmania</i>	Department of Community and Health Services	1 130 119
	Sub total	1 130 119
<i>Northern Territory</i>	NT Department of Health and Community Services	357 300
	Sub total	357 300
<i>Australian Capital Territory</i>	Chief Minister's Department	168 910
	Housing and Community Service Bureau	612 725
	Sub total	781 635
	Total Government Funding^a	26 709 970

a Does not include local government funding.

Source: Industry Commission estimates from information supplied by government departments.

G2.2 Funding criteria and arrangements

A second information request to funding departments was used to compare the funding arrangements and selection criteria between different departments. Departments were asked to classify their funding guidelines as:

- A Formal funding guidelines have been developed specifically for peak councils;
- B Formal funding guidelines developed to meet departmental or program objectives;
- C Funding criteria and arrangements based on individual applications; or
- D Funding is based on historical or other non specific criteria not otherwise covered by A, B or C.

The resulting responses are summarised in Table G2.3 and reflect the inconsistency of funding arrangements across the sector even at the most basic level of comparison.

Table G2.3 Funding arrangements by department and program area

<i>Commonwealth</i>	
Attorney-General's Department	
Family Services Program	B
Commonwealth Community Legal Centre Program	B
AFCCRA Grant	C
AFCO Grant	C
Payments to Australian Bodies Program—GIA	C
Corporate funding to Australian Red Cross Society	C
Department Human Services and Health	
COSP: International Year of the Family	C
COSP: National Secretariat Funding	A
COSP: Volunteer Management Program	B
COSP: Projects	C
Aged Care Program Grants	B
Disabilities Program	B ^a
Drug Abuse Reduction	A ^b
Department of Communication and the Arts	
Indirect grant via Community Broadcasting Foundation (CBF)	B
Department of Employment, Education and Training	
AVC Pilot Projects Program	B
Evaluation Research and Development Program	B
NSA Grant Agreement?	C
Department of Housing and Regional Development	
The New Homes for Old Program	B
The Support Accommodation Assistance Program	C
Community Housing Program	B ^c

Table continued over page.

**Table G2.3 Funding arrangements by department and program area
(Continued)**

<i>Commonwealth (Continued)</i>		
Department of Immigration and Ethnic Affairs		
Minor Migrant Access Projects Scheme (MAPS) Grants	C	
Major Migrant Access Project Scheme (MAPS) Grants	C	
Grant-In-Aid Scheme	C	
Department of Prime Minister and Cabinet		
National Agenda for Women Grants Program: 93/94 Operational Grants	B	
Department of Veterans' Affairs		
Grant-In-Aid	A	
<i>New South Wales</i>		
Department of Community Services		
Community Services Grants Program	B	
Department of Consumer Affairs		
008 Credit Helpline Program	D	
Ministry of Housing, Planning and Urban Affairs		
Community Housing Program	B	
Local Government Housing Initiatives Program	B	
Shelter NSW	C	
NSW Health Department		
Health Promotion & Education	B	
External Health Services	B	
Community Health Services	B	
Services mainly for the Psychiatrically Ill	B	
Services mainly for the Aged and Disabled	B	
<i>Victoria</i>		
Department of Business and Employment		
Regional & Statewide Program	B	
Department of Health and Community Services		
Primary Care, Community Health and Support, Community Support		
Community Development and Assistance	B ^d	
Financial Counselling	B	
Grant for Unit Funding Co-ordination Project	B	
Neighbourhood Houses	B	
Family Violence	B	
Innovation Awards	B	
Primary Care, Community Health and Support, Specialist Children's Services		
Early Intervention Services	B	
Child, Adolescent and Youth Welfare, Policy, Community and Service Development		
Service Support, Training and Advocacy	B	
Information Dissemination, Membership Support, Co-ordination, Advocacy		
and Representation	C	
Homesharer' Project (Information, Co-ordination and Advocacy for home-based		
care services)	B	

Table continued over page.

**Table G2.3 Funding arrangements by department and program area
(Continued)**

<i>Queensland</i>	
Department of Family Services and Aboriginal and Islander Affairs	
Family and Individual Support Program	B
Grants to Community Organisations	B
Alternative Care and Intervention Services Program	B
Youth and Community Combined Action Program	B
Disability Program	B
Child Care Sub-program, Resource and Advisory	B
Child Care Sub-Program, RAATSICC	B
Department of Housing, Local Government and Planning, Local Government and Community Housing	
and State based Cooperative Housing Program	B
Grants to Community Organisations	B
Queensland Health	
National Drug Strategy	B
Community Grants	B
Minister's Grant-in-Aid Fund	B
Initiative under growth funding	B
Home and Community Care Program	B
National Women's Health Program	B
Mental Health Community Organisations Funding Program	B
<i>South Australia</i>	
Department for Employment, Training and Further Education	C
Department for Family and Community Services Industry Support Sub-Program	D
Department of Housing and Urban Development Minister's Community Housing Organisations Grant Fund	C
Department of Public and Urban Affairs	D
SA Health Commission Disability Services Office (via Dept Family and Community Services)	D
<i>Western Australia</i>	
Department for Community Development Peak councils and Service Organisations Program	A
Disability Service Commission Community Development & Service Improvement Program	D
Homeswest	D
Lotteries Commission General Grants Program	C
Office of Senior's Interests Grant to COTA (WA)	C

Table continued over page.

**Table G2.3 Funding arrangements by department and program area
(Continued)**

<i>Tasmania</i>	
Department of Community and Health Services	
Housing Services	B
Mental Health	D
Aged & Disability: Advocacy and Community Education	B
Volunteer Training Service	B
Child, Family & Community Support: Advice, information and referrals	B
<i>Australian Capital Territory</i>	
Chief Minister's Department	
Youth Services Grants Program	B
ACT Housing and Community Services Bureau	
Grants Program	B
Community Housing Program	B
<i>Northern Territory</i>	
NT Department of Health & Community Services	
Aged & Disability Services Program-HACC	B
Disease Control Program	B
Mental Health Program	B
Alcohol and Other Drugs Program	B
a	Disabilities programs are both B and C, but B has been nominated as probably the more significant category.
b	Drug Abuse Reduction has a minority of grants which could fall into category C, but it has nominated A as the more accurate for the whole program.
c	CHP funding details are the responsibility of State Government, and may vary between states.
d	Programs are both D and B, but B is the more common.
A	Funding is based on formal arrangements specifically developed for peak councils.
B	Funding is based on formal arrangements developed to meet departmental or program objectives.
C	Funding is based on individual applications.
D	Funding is based on historical or other non specific criteria not otherwise covered by A, B or C.
<i>Source:</i>	Complied from information supplied by government departments.

H AN OVERSEAS EXAMPLE OF ACCOUNTABILITY RETURNS

Incorporation for community social welfare organisations (CSWOs) could be made more relevant for donors, if it required submission of an Annual Return which provided information on sources of income and breakdown of expenditure and a brief description of the purpose and activities of the CSWO. The Information Return of Revenue Canada is included in this appendix as an overseas example of such an Annual Return.

Figure H.1 Charity information and public information return —
page one

Figure H.2 Charity information and public information return —
page two

Figure H.3 Charity information and public information return —
page three

Figure H.4 Charity information and public information return —
page four

Figure H.6 Canadian survey of registered charities — page two



Figure H.7 Canadian survey of registered charities — page
three

Figure H.8 Canadian survey of registered charities — page four

Figure H.9 Canadian survey of registered charities — page five

I FUNDRAISING LEGISLATION

This appendix sets out the general requirements of fundraising in Australia. All jurisdictions with the exception of Tasmania and the Northern Territory have fundraising legislation. In most States, the legislation explicitly applies to charities and includes definitions of ‘charity’ and ‘charitable purpose’. However, in Victoria and the Australian Capital Territory the legislation has a general application to all public fundraising.

I.1 Introduction

Most fundraising legislation dates from the 1930s to 1950s and emerged as a way of ensuring that only genuinely charitable organisations were permitted to raise funds from the public. The legislation generally required that organisations be registered as ‘charitable’ or having a ‘charitable purpose’ in order to conduct fundraising and comply with detailed reporting procedures. Organisations such as churches, church schools and public hospitals were generally exempted from most fundraising legislation because they were considered to be trustworthy organisations.

Over the past decade, several States have reviewed their legislation and focused it more on regulation of appeals rather than organisations. In Victoria, the *Fundraising Appeals Act 1984* replaced many of the provisions of the *Hospitals and Charities Act 1958*. Reviews have since been conducted in Western Australia, South Australia and New South Wales and are currently being conducted in Tasmania. As a result of these reviews, New South Wales introduced the *Charitable Fundraising Act 1991*. To date, there have been no changes in the other states.

Most jurisdictions regulate the operation of lotteries, bingo, art unions and raffles through separate legislation. Local governments may also regulate against public nuisance created by excessive fundraising particular to those regions. These regulations are not considered in this appendix.

I.2 New South Wales

The NSW Government commenced a review of charitable collections legislation in September 1989 and provided proposals to review the *Charitable*

Collections Act 1934. There were several reasons given for the review of fundraising legislation in New South Wales (Browne 1992):

- some elements of legislation affecting charities had been overtaken by changes to other legislation, for example, changes to corporations and associations incorporation laws;
- the sector had undergone massive change since the period of the 1930's including a significant growth in the number of organisations and in fundraising activities; and
- the Act was not being used for the purposes for which it was intended.

As a result of this review, a new system of legislation was introduced, the principal instrument being the *Charitable Fundraising Act* 1991. The Act is supported by a series of regulations, authority conditions imposed by the Minister and the adoption of 'Best Practice Guidelines' which assist authority holders to attain the level of accountability required under the Act by suggesting practices which they may adopt. The organisation has the flexibility to adopt other practices so long as they achieve a similar or better level of accountability.

Charitable Fundraising Act 1991

The objectives of the Act are:

- to promote proper and efficient management and administration of fundraising appeals;
- to ensure proper keeping and auditing of accounts; and
- to prevent deception of the public.

Exemptions

The Act does not apply to all religious bodies or organisations in respect of which a proclamation is in force under section 26 of the *Marriage Act* 1961, or an organisation or office within a denomination where a proclamation is in force. In addition, the Act does not apply to a body or organisation affiliated with and approved by the religious body or organisation referred to previously. The exemption can be withdrawn by the Minister publishing an order in the Gazette declaring that the Act applies to a specific religious body or organisation (section 7(2)).

Authorisation

The main feature of the Act was the abolition of the concept of registration as a charity. This was replaced with the requirement that a person or organisation intending to conduct a fundraising appeal must hold an authority to fundraise

unless they are subject to another Act of Parliament which is under the direct control of a Minister (section 9).

The Minister may grant the application for authority unconditionally, or subject to certain conditions (section 16(1)). It may be granted for a specific number of fundraising appeals or indefinitely (section 17). The authority remains in force for the duration of the period (normally five years) unless sooner revoked (section 18). The Minister may also refuse to grant an application for an authority to fundraise under certain circumstances (section 16(2)).

Application of funds

The Act requires that the proceeds of an appeal must be applied according to the cause represented by or on behalf of the persons conducting the appeal (section 20).

Further, organisations conducting ‘donations only’ must take reasonable steps to ensure that fundraising expenses do not exceed 40 per cent of gross receipts (Schedule 1 s8). In all other forms of fundraising, such as the sale of goods and services, the expenses should not exceed a fair and reasonable proportion of the gross proceeds available.

Record keeping

The Act specifies obligations to maintain records relating to appeals and to submit accounts at regular intervals, as specified by the authority (section 23). The Act has attempted to avoid duplication of reporting requirements by exempting incorporated bodies from the need to submit financial returns (section 23).

Records of income and expenditure in relation to appeals must be kept in written English for a period of seven years at the office of the person conducting the appeal and subject to any particulars required by accompanying regulations and the conditions of the authority administering the Act (section 22). These accounts must be audited by a person with appropriate qualifications (section 24).

Public disclosure and access to information

Any person engaged in the supply of goods or services or otherwise deriving benefit in the course of a fundraising appeal may only do so if any advertisement, notice or information relating to the appeal discloses:

- the identity of the trader (that is, a person who receives a commercial benefit) and the holder of the authority; and

- the intended distribution of funds raised in the appeal or any guaranteed minimum payment; or the proportion of profits to be paid to the trader to any person or organisation as a result of the appeal (section 11).

Members of the public may request certain information concerning fundraising appeals, such as audited financial statements or information concerning the objects and constitution of the organisation, upon the payment of a relevant fee prescribed by the regulations. This information must be supplied within 30 days of a request to do so (section 47).

Powers of inquiry and inspection

The Minister can inquire into any person or organisations involved in a fundraising appeal on any matter under the Act or have an authorised inspector such as the Auditor-General (section 26). For the purposes of any inquiry, the Minister (or authorised inspector) can require particular types of information and documentation (section 27).

An authorised inspector has the power to enter and inspect premises where it is believed that documents that are relevant to an investigation are likely to be found (section 28).

Powers also exist for the Minister to appoint an administrator to any organisation involved in conducting fundraising appeals (section 33).

Penalties

The maximum penalties under the Act are 50 penalty units (\$5 000) and/or six months imprisonment.

I.3 Victoria

Hospitals and Charities Act 1958

The Hospitals and Charities Act delegates administration and oversight of the organisations to the Department of Health and Community Services. Sections 86 to 88 were repealed and replaced by the *Fundraising Appeals Act 1984*.

Under the Act, all charities and benevolent institutions were required to register with the Commission as well as apply for written consent if a new organisation wished to be established. The Act provided for the funding of organisations under the Hospitals and Charities Fund. The regulation and monitoring of organisations was more extensive for those which actually received government subsidies under the Act (Williams and Wharfe, 1982).

The Act was repealed on 30 June 1994.

Fundraising Appeals Act 1984

The Fundraising Appeals Act regulates the raising of funds and other benefits from the public and protects the public from misappropriation of funds. It aims to complement existing legislation by exempting those organisations which were already registered under the *Hospitals and Charities Act*.

Authorisation

Any person or organisation intending to conduct a fundraising appeal, unless that person or organisation is exempt or an approved organisation, must:

- lodge a notice of intention to conduct a fundraising appeal 28 days before that appeal giving specific details in a prescribed form (section 11). If the Minister does not object to the appeal, impose conditions or request further information within 21 days of receiving the notice, the appeal can proceed in accordance with the details provided in that notice; or
- apply (in urgent cases) for a permit to conduct a fundraising appeal which is intended to commence less than 28 days after the date of application (section 17).

Assessment or authorisation of appeals under the Act does not depend on definitions of charity or charitable purpose.

Non exempt organisations can apply to the Minister to become ‘approved organisations’ (section 8–9). Approved organisations are not required to give notice of each proposed fundraising appeal.

Exemptions

Section 6 of the Act allows exemptions for 18 classes of persons from all of the provisions of the Act other than sections 20 (demand by Minister for information), 22 (interim stay of fundraising appeal, consent of beneficiaries to an appeal), 36 (consent to appeals for named persons/identified classes of persons) and 37 (identification badges).

Record keeping, auditing and reporting requirements

Persons conducting a fundraising appeal who are not exempt must keep records (at the address or the registered office or principal place of business of that person) of the names of persons authorised to participate in that appeal, the dates on which the appeal commenced and finished, the gross amount of funds received, the net amount of money applied to the purpose of the appeal and any

other persons receiving money or reward from the appeal (other than persons for whose benefit the appeal was held) and the amount that they received (section 19).

Approved organisations must provide an annual return in a prescribed form within three months of the end of its financial year or whenever the Minister directs the organisations to do so (section 10). This must include information regarding the gross amount raised in fundraising appeals and the net amount after overheads for those appeals have been deducted.

This Act makes no explicit provision for auditing.

Inquiry and investigation

Records kept by persons conducting a fundraising appeal can be inspected by the Minister or someone authorised by the Minister during normal business hours (section 19).

In addition, certain information can be demanded by the Minister of a person (including ‘exempt persons’) wishing to conduct fundraising appeals.

Where the Minister has requested information, the Minister may refer to the County Court of Victoria certain matters relating to his request for information (section 21).

Public disclosure of and access to information

Collectors, including exempt persons, are required to wear identification badges bearing such information as prescribed in the course of conducting or participating in a fundraising appeal (section 37).

The Act makes no explicit provision for public access to information.

I.4 Queensland

Collections Act 1966

Authorisation

An appeal for charitable or community purposes can only be made under the *Collections Act 1966* if the organisation is registered or the purpose sanctioned (section 10). A ‘charity’ is defined as ‘any association established for any charitable purpose’ (section 5).

Exemptions

Religious bodies registered under the *Marriage Act* 1961 are specifically exempted from all provisions of the Act with the exception of those applying to street collections and door to door appeals which are not conducted for the purpose of the ‘advancement of religion’.

Record keeping, auditing and reporting requirements

Registration of charities

Section 19 provides that a register will be kept of all Charities registered under the Act.

Record keeping

The constitution of registered ‘charities’ must provide for the keeping of proper books and accounts of a financial nature.

Promoters of fundraising appeals must keep records of the appeals detailing the purpose for which it was conducted, the details of the promoter, details of the income and expenditure associated with the appeal and of the disposal of money and property received (section 30).

Promoters of fundraising appeals and charities must prepare financial statements and other prescribed information, and in a particular form (section 31).

Reporting

Promoters may hand over records of fundraising appeals to the governing body of a ‘charity’ (section 30).

Every ‘charity’ and promoter of an appeal must comply with certain requirements as to the lodgement of copies of financial statements with the Director General (section 31).

Every ‘charity’ and promoter of fundraising appeals must lodge a return with the Director General (section 32). These requirements may differ according to whether the charity is ‘exempted’ or ‘non-exempted’ (section 19).

Auditing

Records of fundraising appeals must be audited (section 31(1)(f)).

Inquiry and inspection

The Minister, Director – General, Inspector or any police officer may obtain certain information or require a charity to answer any question, produce any records or lodge any or all returns (section 25).

An inspector or a police officer can:

- undertake inquiry to ascertain whether the provisions of the Act are being complied with;
- require any person to produce records for examination and inspection; and
- require the disclosure of all accounts pertaining to the appeal and the production of money raised from an appeal (section 26).

The Minister may also cause an investigation to be made or authorise an inspector or a police officer to make such an investigation (section 27).

Public disclosure of and access to information

Disclosure

This Act makes no explicit provision for disclosure.

Access

A register of charities will be open to the public at all reasonable times and extracts or copies of entries are available (section 19).

Charities and promoters of fundraising appeals must allow financial statements to be inspected by the public upon payment of the prescribed fee.

I.5 South Australia

Collection for Charitable Purposes Act 1939

Authorisation

The collection of money and goods or solicitation of money by the sale of discs, badges, tokens, flowers or other devices for charitable purposes is only authorised if the person is a holder of a licence under the Act (section 6). Charitable purposes are defined under section 4.

In addition, no individual or organisation may hold or attempt to charge for admission for entertainment where the proceeds of the entertainment are to be donated to a charitable purpose unless they hold a licence (section 7).

Applications for licences must be made to the Minister who may consider, among other things, the objects of the applicant, and whether those objects may be more effectively or economically carried out by another organisation or individual (section 11).

The Minister, in granting a licence, may do so for a period or for as many occasions (section 12), and subject to whatever conditions, as the Minister sees fit (section 12(2)). The Minister may revoke the licence for reasons such as:

- mismanagement or misapplication of donations;
- excessive commission or remuneration paid to any person out of the proceeds of the donations; or
- any other circumstances that the Minister believes justify revocation of the licence.

Record keeping, auditing and reporting requirements

Any person or organisation issued a licence under the Act, collecting money for any charitable purpose, must submit a statement to the Minister which states the money and goods received and the manner in which they were distributed (section 15). The accounts of individuals or organisations licensed under the Act must be certified by a statutory declaration.

While there are no explicit provisions to keep records, this is implicit in the reporting requirements.

Inquiry and inspection

This Act makes no explicit provision for inquiry and inspection.

Public disclosure of and access to information

This Act makes no explicit provision for public disclosure of and access to information.

Maximum penalties

The maximum penalty under the Act is \$100.

1992 Review of the Collections for Charitable Purposes Act

In August 1990, a discussion paper was issued to licensed charitable organisations to elicit possible improvements to the existing legislation.

A working party was established in 1992 to review the *Collections for Charitable Purposes Act* and to make recommendations to the government on possible changes to the regulations and procedures which affected collections from the general public. The terms of reference for the working party gave particular attention to disclosure by charities regarding the distribution of proceeds from donations between administration and programs.

The working party recommended that:

- a two tier system of licensing be introduced with respect to collections, subject to prescribed conditions, and based upon gross receipts from collections per annum;
- commercial fundraising agents should be licensed;
- the contractual arrangements between ‘A’ and ‘B’ licence holders and commercial agents be subject to prescribed conditions;
- collection activities be subject to prescribed conditions in terms of other identity of collectors and the reconciliation of proceeds;
- paid collectors be subject to induction and training;
- penalties be reviewed and graded to reflect the seriousness of any breaches and be determined to distinguish between organisational and individual misconduct;
- collection times be defined;
- the age of collectors be defined;
- conditions be prescribed relating to the identity of collectors and collection processes;
- an Advisory Committee be established;
- conditions be prescribed with respect to the making and operation of collection bins;
- collection boxes and tins be subject to prescribed conditions with respect to construction and security;
- ‘A’ licence category organisations be subject to meaningful disclosure provisions;
- problems in particular council areas be resolved by use of local by laws;
- telemarketing be subject to the same contractual conditions as are prescribed for commercial agents generally and conditions relating to timing of collections;
- merchandising campaigns be subject in principle to similar requirements to those prescribed for sale of goods campaigns conducted by charities; and
- licence fees to apply for new and renewed licences to offset administrative costs (WPRCCA 1993).

This discussion paper was then circulated for comment. However, no action has yet been taken as a result of these recommendations.

I.6 Western Australia

Fundraising activities in Western Australia are regulated by the *Charitable Collections Act 1946* and the *Street Collections (Regulation) Act 1940*. These Acts are administered by the Attorney-General acting on advice from the Charitable Collections Advisory Committee.

Legislation in Western Australia is very similar to that in South Australia although there is no provision in South Australia for a statutory advisory committee.

Charitable Collections Act 1946

Authorisation

There are two elements to the control of fundraising under the *Charitable Collections Act*. First, funds collected from the public must be efficiently applied towards a charitable purpose which is extensively defined (section 5). The definition of a charitable purpose is broad and includes, among other things, affording relief to the diseased, sick, infirm, poor, destitute, unemployed, or, the support of hospitals, infant health centres, kindergartens and other activities of a social welfare or public character, as well as any other benevolent, philanthropic and patriotic purpose. Second, the organisation or individuals conducting the appeal must be licensed.

The Act requires individuals or organisations to hold a licence if they wish to:

- collect or attempt to collect any money or goods;
- attempt to sell any discs, badges, tokens, flowers, or any other device;
- charge admission for entertainment; or
- advertise any sports, races, fete, bazaar or other function;

where it is held that the proceeds are for a charitable cause (section 6)¹.

An advisory committee is set up for the purposes of the Act consisting of five members (section 10). Applications for a licence must be made to the Minister. The advisory committee is responsible for the consideration of applications for licences and must report to the Minister (section 11). The Minister may also refer an inquiry in relation to the revocation of a licence to the Advisory Committee and they may recommend that a licence be revoked under certain conditions (section 13).

The licence may be made for as many occasions or for as long a period, or subject to as many conditions as the Minister sees fit and may be revoked by the Minister (section 12).

¹ The Charitable Collections Advisory Committee (sub. 277) argued that section 6 excludes certain important methods of raising funds such as raffles. The intention is to develop new legislation which replaces the definition of charitable purpose with the licensing of public collections of any kind, subject to various exemptions.

Record keeping, auditing and reporting requirements

Individuals or organisations collecting money must submit audited financial accounts at the end of each organisation's financial year, setting out the details of the money and goods collected and the way in which they have been distributed (section 15).

While this Act makes no explicit provision for record keeping, the need to keep records is implied by provisions relating to reporting and auditing.

Inquiry and inspection

The Auditor General, or some other authorised officer may inspect accounts of money raised or collected for charitable purposes and must forward to the Minister a report of the result of the investigation including the manner in which the accounts are kept, and any amounts which have been omitted from the accounts (section 20). The Minister may have the result of the investigation published in any newspaper.

Maximum penalty

The maximum penalty under the Act is \$100.

Street Collections (Regulation) Act 1940

The *Street Collections (Regulation) Act 1940* applies to any organisation conducting street collections, not exclusively to charities.

Authorisation

A permit is required to undertake street collections (section 3). Applications for permits must be made to the Chief Secretary, or the Attorney General, detailing the purpose and the locality of the collection and any other information which the Chief Secretary requires (section 5). The Chief Secretary may grant a permit for the object or purpose, on the day, between the hours and within the area specified on the permit, provided that there are no more than fifty days in the year (normally Fridays) on which collections may take place (section 4).

Record keeping, auditing and reporting requirements

Details of the amounts received and the expenses incurred in relation to a street collection must be forwarded to the Chief Secretary within 14 days after the date of collection (Regulation 13).

Inquiry and inspection

The Auditor General, upon receipt of a request from the Chief Secretary, may investigate the affairs of any organisations conducting an authorised street appeal (Regulation 14).

Public disclosure of and access to information

The provisions of the Act imply that a collector must display or use an 'appropriate' badge or certificate of authority (section 6).

This Act makes no explicit provision for public access to information.

Maximum penalty

Maximum penalty under this Act is \$100 or imprisonment for a period not exceeding six months (section 8).

1987–88 Review of Charitable Collections in Western Australia

In April 1987, a Select Committee of the Legislative Council was established to inquire and report on existing legislation and controls on the collection, management and distribution of charitable collections in Western Australia.

The Select Committee reported in October 1988. Its major recommendations were:

- that existing legislation affecting charitable collections in Western Australia should be repealed and replaced;
- basic penalties should be increased to a maximum fine of \$2000 with a provision for imprisonment of repeat offenders;
- the Charitable Collections Advisory Committee should be replaced by a Public Collections Board which, among other things, should be responsible for registering charities and issuing fundraising licences, monitoring the activities of charities and investigating complaints, providing advice to charities on management and formulating advice;
- that a register of charities be kept with all charities registered initially for one year and subsequently renewed for three years;
- that the use of children and telephones to solicit funds for charitable purposes be restricted; and
- all persons conducting public fundraising should be required to submit a standard financial return.

A draft Bill incorporating many of these recommendations was circulated for public comment during the term of the Labor government in 1992. However,

the new government and Advisory Committee expressed concerns over several sections of the Bill and the degree of public consultation that has been undertaken.

1994 Review of Charitable Collections legislation

The Charitable Collections Advisory Committee is currently in the process of reviewing existing legislation in Western Australia with a view to bringing in one simplified Act. The Committee is due to release a discussion paper in late 1995.

I.7 Tasmania

Tasmania does not currently have legislation covering charitable organisations or fundraising. However, in June 1994, the Tasmanian Attorney-General announced that the Law Reform Commission of Tasmania would conduct a review of the present law in Tasmania and advise whether there is a need to introduce legislation to control the collection of money and goods and disclosure by charitable organisations.

I.8 Northern Territory

The Northern Territory does not currently have legislation relating to charitable organisations or fundraising.

I.9 Australian Capital Territory

The legislation in the ACT is again similar to that in Western Australia and South Australia.

Collections Act 1959

Authorisation

A person may not receive any money by way of gifts or from the proceeds of the sale of discs, badges, tokens, flowers or any other device in a public street including door-to-door collection unless that person has a licence (section 2). Applications for licences must be made to the Minister detailing the purposes for which the money is being collected, the day or period for which the licence

is required and particulars of the expenses that are expected to be incurred (section 3).

Section 4 allows the Minister to issue a licence for any period and subject to any conditions as specified in the licence. The Minister may revoke the licence if the holder contravenes any of the provisions of the Act.

The Minister may refuse to issue a licence under a number of conditions including:

- if the issue will result in more than two licences being issued for the same day or period and in relation to the same place; or
- if the issue of a licence in relation to door-to-door collections will result in more than six licences being issued in a year to the same person or organisation or two or more persons or organisations being authorised to conduct door-to-door collections in the same area during a particular week (section 5).

The holder of the licence is not permitted to issue an authority to fundraise to any person under the age of 13 (section 6(5)).

Record keeping, auditing and reporting requirements

This Act makes no explicit provision for record keeping, but it is implied by the requirement to report to the Minister.

The holder of the licence must ensure that all monies or goods are properly accounted for (section 6(6)). In addition, the holder of the licence must submit a declaration to the Minister verifying the money and goods collected and the details of expenses incurred and the manner in which the funds have been distributed within 30 days after the period to which the licence relates (section 8(1)).

This Act makes no explicit provision for auditing.

Inquiry and inspection

The Minister may require by notice in writing the holder of a licence to produce relevant information or documents in relation to any collection (section 8(3)).

Maximum penalty

The maximum penalty under the Act is \$200.

Attachment I1: Fundraising legislation in Australia

Table I1.1 Fundraising legislation in Australia

<i>Title of Act</i>	
New South Wales	<i>Charitable Fundraising Act 1991</i>
Victoria ^a	<i>Fundraising Appeals Act 1984</i>
Queensland	<i>Collections Act 1966</i>
South Australia	<i>Collection for Charitable Purposes Act 1939</i>
Western Australia – Act 1	<i>Charitable Collections Act 1946</i>
Western Australia – Act 2	<i>Street Collections (Regulation) Act 1940</i>
Australian Capital Territory	<i>Collections Act 1959</i>
<i>Administering department</i>	
New South Wales	Charities Division – Chief Secretary's Department
Victoria ^a	Office of Fair Trading and Business Affairs – Department of Justice
Queensland	Office of Consumer Affairs – Dept of Emergency Services
South Australia	Dept of Treasury and Finance
Western Australia – Act 1	Charitable Collections Advisory Committee
Western Australia – Act 2	Charitable Collections Advisory Committee
Australian Capital Territory	City Operations Branch – Dept of Urban Services
<i>Definition of charity/charitable purpose</i>	
New South Wales	s4(1) Based on common law definition of charitable purpose and includes benevolent, philanthropic or patriotic purposes.
Victoria ^a	General application to fundraising.
Queensland	s5(1) Includes supplying help, aid, relief, or support to, or education, instruction, or the care, housing, or assistance of persons in distress, aiding any hospital, ambulance or nursing service.
South Australia	s4 Relief to diseased, sick, infirm, incurable, poor, destitute, helpless, unemployed, relief of distress occasioned by war, supply of equipment to naval, military or air forces or ambulances, hospitals and hospital ships, comforts or conveniences to the forces.
Western Australia – Act 1	s5 As for South Australian Act.
Western Australia – Act 2	General application to street collections.
Australian Capital Territory	General application to fundraising.
<i>Exemptions from the Act</i>	
New South Wales	s7(1) Religious bodies and organisations recognised under <i>Marriage Act 1961</i> .
Victoria ^a	s6(1) 18 classes of exemption including incorporated associations, to all provisions except s. 20, 22, 36, 37.

Table continues next page.

Table I1.1 Fundraising legislation in Australia (Continued)

<i>Exemptions from the Act (Continued)</i>	
Queensland	s6 Certain religious appeals.
South Australia	na
Western Australia – Act 1	na
Western Australia – Act 2	na
Australian Capital Territory	na
<i>Authority to conduct appeal</i>	
New South Wales	s9(1) Must have an Authority to fundraise.
Victoria ^a	s11 Must lodge notice of intention to conduct an appeal 28 days before the appeal; or s17 Apply for a permit on less than 28 days notice in urgent cases.
Queensland	s10 Must be a registered charity and for a purpose sanctioned under the Act.
South Australia	s6(1) Must hold a license.
Western Australia – Act 1	s6(1) Must hold a license.
Western Australia – Act 2	s3(1) Must hold a permit.
Australian Capital Territory	s2 Must hold a license.
<i>Limits to authority</i>	
New South Wales	s18 Authority issued for a specified period; s17 may limit an authority to a single fundraising event or a specified number of appeals or an indefinite number of appeals.
Victoria ^a	s13 12 months from date of commencement; s18(3) limitation in the length of appeal.
Queensland	na
South Australia	na
Western Australia – Act 1	na
Western Australia – Act 2	Reg 3 Permits only allowed on 50 days per year.
Australian Capital Territory	s5(3) Limit of 6 licenses issued to any organisation or person in one year.
<i>Records kept</i>	
New South Wales	s22(2) Accounting records must be kept in writing, in English for 7 years at the registered office in NSW; also refer to Sched 1 s4
Victoria ^a	s19 Persons involved in the appeal, date of commencement and conclusion, gross amount of funds received, net amount of money distributed and means by which it was distributed and identity of, and amount received, by each person receiving money, gain or reward from appeal (other than persons for whose benefit appeal was held).

Table continues next page.

Table I1.1 Fundraising legislation in Australia (Continued)

<i>Records kept (Continued)</i>	
Queensland	s30 Must keep a record in writing of appeal purpose, promoter, income and expenditure and audit report. s31 Promoters must prepare financial statements and other prescribed information.
South Australia	No explicit provision but implicit in reporting requirements.
Western Australia – Act 1	No explicit provision but implicit in reporting requirements.
Western Australia – Act 2	na
Australian Capital Territory	s8(3) Minister may require any books, documents or vouchers in connection with a collection.
<i>Reporting</i>	
New South Wales	s23(1) A natural person or unincorporated body must submit annual financial accounts. s23(3) return must show gross amount of each appeal and net amount after expenses; also refer to Sched 1 s5.
Victoria ^a	s10(1) Approved organisations must provide an annual return within three months of the financial year or when requested by Minister.
Queensland	s32 Must lodge a return with the Director-General.
South Australia	s15(1) Must submit a statement to the Minister stating money and goods received and the manner in which they were distributed.
Western Australia – Act 1	s15(1) Must submit a statement to the Minister stating money and goods received and the manner in which they were distributed.
Western Australia – Act 2	Reg 5 Form No 2 must be returned within 14 days of the completion of collection.
Australian Capital Territory	s8 Submit a statement setting out money or goods collected, details of expenses incurred, manner in which proceeds have been distributed.
<i>Audit</i>	
New South Wales	s24(1) Must be audited by a registered company auditor or by a person approved by Minister.
Victoria ^a	No provision
Queensland	s31(1) Must be audited by a Certified Practising Accountant or a member of the Institute of Chartered Accountants or approved person.
South Australia	s15(2) Must be audited by a person appointed by Minister.
Western Australia – Act 1	s15(2) Must be audited by a person approved by Minister.
Western Australia – Act 2	Reg 14 Must be audited.
Australian Capital Territory	s8(2) Must be verified by Statutory Declaration.

Table continues next page.

Table I1.1 Fundraising legislation in Australia (Continued)

<i>Public access to information</i>	
New South Wales	s47(1) Must furnish within 30 days audited financial statements, objects and constitution of request.
Victoria ^a	No provision.
Queensland	s19 Register of charities is open to the public.
South Australia	No provision.
Western Australia – Act 1	No provision.
Western Australia – Act 2	No provision.
Australian Capital Territory	No provision.
<i>Power of inquiry and inspection</i>	
New South Wales	s26(1) May inquire into any matter arising from the Act. s27(1) Minister has power to require accounts. s28(1) Power of entry and inspection.
Victoria ^a	s19(1) Power of the Minister or authorised officer to inspect. s20(1) Minister may demand information.
Queensland	s25 Power given to Minister, Director-General for inspector to obtain any information. s26 Inspector or police officer may undertake an inquiry. s27 Minister may cause an investigation to be made.
South Australia	No provision.
Western Australia – Act 1	s20 Auditor-General or some other officer may be appointed to investigate the affairs of an organisations.
Western Australia – Act 2	Reg 14 Auditor General may investigate the affairs of any organisation conducting a street appeal on request from the Chief Secretary.
Australian Capital Territory	No provision.
<i>Fundraising efficiency ratio</i>	
New South Wales	Reg Sched 1 s8 Must take all reasonable steps to ensure that fundraising expenses in relation to ‘donation only’ appeals do not exceed 40 per cent of the gross receipts. In relation to all other forms of fundraising, such as the sale of goods and services, the expenses should not exceed a fair and reasonable proportion of the gross proceeds obtained.
Victoria ^a	No provision.
Queensland	No provision.
South Australia	No provision.
Western Australia – Act 1	No provision.
Western Australia – Act 2	No provision.
Australian Capital Territory	No provision.

Table continues next page.

Table I1.1 Fundraising legislation in Australia (Continued)

<i>Identification of fundraisers</i>	
New South Wales	Reg 9, Sched 1 s11 Face-to-face appeals must wear numbered identification badges containing certain information. When conducting appeals other than face-to-face, the authority must be in writing and contain certain information. Where a collector is in receipt of remuneration the badge must also include the words 'paid collector'.
Victoria ^a	s37(1) Must wear an identification badge with prescribed information.
Queensland	Reg 19 Must wear numbered badges and have a written authority.
South Australia	No provision.
Western Australia – Act 1	Reg 14 Must have a written authority with certain details included. Must have a numbered badge.
Western Australia – Act 2	Reg 8 Must wear an approved badge.
Australian Capital Territory	s6 Must have written authority. Must issue receipts.
<i>Collection limitations</i>	
New South Wales	No general limits imposed on collections face-to-face. Limits imposed in respect of participation of children in appeals, and telephone canvassing and direct marketing appeals.
Victoria ^a	na
Queensland	Reg 20 Only collect from houses between 9am and 5pm.
South Australia	na
Western Australia – Act 1	Reg 14 Only collect between 9am and 6pm Monday to Saturday.
Western Australia – Act 2	Days, dates and times must be approved in permit application.
Australian Capital Territory	na
<i>Commercial fundraisers</i>	
New South Wales	Sched 1 s20 Appeal must be conducted jointly with charity with written agreement.
Victoria ^a	While there are no separate requirements relating to commercial fundraisers, they must comply with the Act's requirements in the same way as charities or other bodies soliciting funds.
Queensland	Where commercial enterprise will receive a commission or payment for certain purposes there must be a written agreement approved by the Minister.
South Australia	No provision.
Western Australia – Act 1	No provision.

Table continues next page.

Table I1.1 Fundraising legislation in Australia (Continued)

Commercial fundraisers (Continued)

Western Australia – Act 2	No provision.
Australian Capital Territory	No provision.

Telephone canvassers

New South Wales	Sched 1 s13 Restriction on calls between 9pm and 8am and on public holidays.
Victoria ^a	No provision.
Queensland	No provision.
South Australia	No provision.
Western Australia – Act 1	No provision.
Western Australia – Act 2	No provision.
Australian Capital Territory	No provision.

Participation of children

New South Wales	Sched 1 s12 Minimum age of volunteer – 8. Minimum age for receiving payment – 13. Codes of Practice include minimum standards for conditions under which children may be used as collectors, supervision, conditions of employment, and obligations to protect health and welfare of children. Sched 2 refers to limits imposed on hours of participation.
Victoria ^a	No provision.
Queensland	Reg 20(1)(d) Minimum age of collector – 15, except with written consent of one parent provided the child is supervised.
South Australia	No provision.
Western Australia – Act 1	Reg 14(d) No person under the age of 16 without the authority if the Minister.
Western Australia – Act 2	Sched Reg 9 No person under the age of 16 without the authority of the Minister.
Australian Capital Territory	s6(5) Minimum age of collector – 13.

Collection boxes

New South Wales	Sched 1 s14 Must be securely constructed, properly sealed, consecutively numbered and clearly labelled.
Victoria ^a	No provision.
Queensland	Reg 20(h) Must be sealed, numbered and labelled with the name of the organisation constructed of metal (soldered at joints) or wood securely screwed or nailed together or other material approved by Minister.
South Australia	na
Western Australia – Act 1	na

Table continues next page.

Table I1.1 Fundraising legislation in Australia (Continued)***Collection boxes (Continued)***

Western Australia – Act 2	Reg 10 Must be numbered consecutively, securely closed and sealed. Reg 11 Must bear name of fund and date of collection.
Australian Capital Territory	na

Maximum penalties

New South Wales	\$5000 or 6 months imprisonment or both.
Victoria ^a	\$5000 or imprisonment for a term not exceeding 2 years
Queensland	Varies according to offence.
South Australia	\$100
Western Australia – Act 1	\$100
Western Australia – Act 2	\$100 or imprisonment for six months.
Australian Capital Territory	\$200

na Not applicable
a Hospitals and Charities Act 1958 was finally repealed on 30 June 1994.

J TAX DEDUCTIBILITY OF DONATIONS

Tax deductibility of donations is one way that the Commonwealth Government can encourage public support for CSWOs. Such a policy can be shown to be administratively simple and a relatively efficient way of encouraging public support.

J.1 The Australian situation today

Tax deductibility for donations encourages public support for certain organisations by reducing the cost to the donor. It does so by reducing the taxable income of, and hence the tax payable by, the donor.

Section 78 of the *Income Tax Assessment Act 1936* (ITAA) deals with tax deductibility of donations. This section specifies that a taxpayer¹ is entitled to a deduction from assessable income for individual gifts of \$2 or more made during the year to certain nominated funds, institutions or bodies listed in Box J.1. Donations to organisations specifically listed in S.78 are also deductible.

Community social welfare organisations (CSWOs) are a relatively minor component of those entities which enjoy tax deductibility. They qualify, most commonly, on the basis that they are public benevolent institutions (PBIs).

The courts have determined that a PBI is an institution organised for the relief of poverty, sickness, destitution or helplessness. The Australian Taxation Office (ATO) has interpreted the case law as meaning that a PBI is an organisation which:

- (a) has as its main or principal object, the relief of poverty, sickness, suffering, distress, misfortune, destitution or helplessness;
- (b) is carried on without purpose or private gain for particular persons;
- (c) is established for the benefit of a disadvantaged section or class of the public;
- (d) makes relief available without discrimination to every member of that section of the public which the organisation aims to benefit; and
- (e) gives aid directly to those in need. (Tax determination, TD 93/11)

¹ A taxpayer can be an individual, the trustee of a trust estate or superannuation fund, a partnership or a company, and a resident or non-resident of Australia.

Box J.1 Organisations to which donations are tax deductible

1. Public or non-profit hospitals.
2. Public benevolent institutions.
3. Public funds established to provide money for hospitals or institutions in (1) or (2) or to provide relief for persons in necessitous circumstances.
4. Public funds providing money to approved voluntary marriage guidance organisations.
5. Public authorities or institutions engaged in research into the cause, prevention or cure of disease in human beings, animals or plants.
6. Public funds or institutions maintained for the comfort, recreation or welfare of Armed Forces.
7. Public funds providing money for buildings used or to be used as government, semi-government or private non-profit schools or colleges.
8. Public universities or public funds for their establishment.
9. Residential educational institutions affiliated with a public university or established by the Commonwealth.
10. Public libraries, public museums and public art galleries.
11. Approved scientific research institutes.
12. The Commonwealth or a State where the gift is for defence purposes or for research in the Australian Antarctic Territory.
13. Public funds established by will or trust instrument.
14. Technical and further education institutions.
15. Higher education institutions.
16. Public funds established and maintained exclusively for the purpose of providing religious instruction in government schools in Australia.
17. Non-profit public building funds for hostels that provide residential accommodation for school students from rural areas.
18. Certain overseas aid funds.
19. Cultural organisations entered on the Register of Cultural Organisations.
20. Environmental organisations entered on the Register of Environmental Organisations.
21. Certain listed organisations.

Source: CCH (1994).

J.2 Advantages and problems with the current system of tax deductibility

The current system of tax deductibility of donations has a number of advantages.

J.2.1 Pluralism

Tax deductibility of donations supports civic values of pluralism. The current provision for tax deductions for donations is one opportunity for individuals to play a direct role in the allocation of their tax dollars. Indeed, taxpayers may be in a better position than government to identify charitable causes most appropriate for immediate support.

CSWOs play the important role of meeting needs in society that do not command widespread support. Tax deductibility allows individuals to direct public funds to organisations that are able to meet those needs in complex and responsive ways.

J.2.2 Administrative simplicity

The administrative simplicity of the tax deduction, from the point of view of donors and the ATO, is one of its strongest advantages. A deductible donation is subtracted from gross income by the ATO (or by the individual under self-assessment) when determining the taxable income. These types of adjustments are a normal part of the income tax system and do not require a large administrative effort. The only cost to the donor is the burden of having to hold receipts for audit purposes. If the administrative cost to donors becomes too high they can avoid the costs by not claiming the deduction.

There are higher administration costs for donee organisations. Once the CSWOs issue a receipt for a tax deductible donation, they are required to keep a record of the donation for seven years. These requirements impose costs on the organisation. The Salvation Army at the Public Hearings argued that the \$2 minimum should be increased because of the administration costs it imposes on organisations:

... the \$2 tax threshold creates enormous administrative problems in that official receipts have to be issued. In theory the Taxation Department can come and conduct an audit on all of those \$2 donations, which really makes it quite meaningless. (trans, p. 2396)

J.2.3 Treasury efficiency

The current system of tax deductibility appears to lead to a greater overall flow of funds to CSWOs than would be the case if government made direct grants equal to the reduction in taxation revenue forgone due to tax deductibility. The deduction is said to be treasury efficient if the value of induced giving exceeds the revenue forgone by government in allowing the deduction. Section J.5 provides an overview of the estimates of treasury efficiency of tax deductibility.

J.3 Problems with the current system of tax deductibility for donations

The current system of tax deductibility of donations has a number of problems.

J.3.1 Inequity

The tax deductibility of donations is inequitable when it operates in conjunction with a progressive system of taxation because the government's forgone revenue varies according to the donor's marginal tax rate. Krever (1991) considers this a major flaw of the current system:

Because higher income taxpayers can make more and larger donations, they would be able to allocate more government funding than lower bracket taxpayers even if the level of complementary government contributions remained constant for all donors. ... The government provides proportionally larger matching grants to organisations designated as worthy institutions by rich taxpayers than it does to bodies nominated by poor taxpayers. (Krever 1991, p. 20)

Donors on higher incomes (and hence, higher marginal rates of tax) face a lower cost of donating than those on lower incomes. Table J.1 demonstrates the fall in the cost of a \$100 donation as income increases.

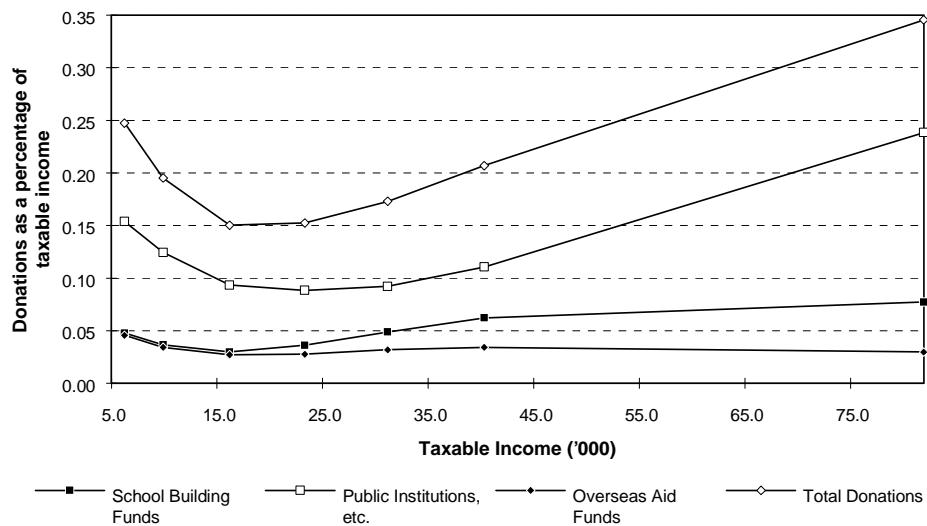
Figure J.1 shows the average propensity to donate for income earners in Australia in 1987-88. The graph shows that the rate of contributions is relatively high at lower income levels, declines as income levels approach the median and then increases for higher income earners. This pattern confirms the U-shape curve for charitable contributions discussed by Clotfelter and Steuerle (1981). Figure J.1, however, only shows the average propensity to donate. Taxation incentives focus on the marginal propensity to donate.

Table J.1 The cost of donating \$100 for individuals on different marginal rates of tax

Taxable income	Marginal Rate of tax	Tax deduction available	Total cost to donor
(\$)	(%)	(\\$)	(\\$)
0 to 5,400	0.0	0.00	100.00
5,400 to 20,700	20.0	20.00	80.00
20,700 to 36,000	35.5	35.50	64.50
36,000 to 38,000	38.5	38.50	61.50
38,000 to 50,000	44.0	44.00	56.00
50,000 or more	47.0	47.00	53.00

Source: Industry Commission estimates.

Figure J.1 Average propensity to donate for Australians, 1987–88



Source: Information supplied by the ATO.

J.3.2 Uncertainty of government expenditure

One of the problems that faces Governments with respect to all tax expenditures is the uncertainty of total government expenditure. Treasury (1985) argued that:

Because tax concessions must necessarily be open-ended — available to any taxpayer who meets the eligibility requirements — once they are enacted the government generally has no way of controlling the public money spent through them. Consequently, tax concessions can end up costing the government more than

anticipated and more than the government, in setting its spending priorities, had intended to spend in encouraging the particular activity or industry. (pp. 16-17)

Calculating government outlays for charitable purposes through tax expenditures is not something that can be budgeted with a high degree of accuracy. The government only knows how much revenue it has forgone once the tax concessions have been triggered by the actions of individuals who claim them.

J.3.3 Lack of regular review and scrutiny

Tax expenditures are not subject to the usual ministerial or parliamentary scrutiny and budget controls which other, more direct, expenditures must undergo. This means that the size and impact of the tax expenditure may change over time without any deliberate decision that such changes are desirable.

J.4 Other ways to encourage public support for CSWOs

There are some other ways in which the tax system could be used to encourage the public to support the growth and development of certain CSWOs. They are:

- Tax rebate;
- Matching grants; and
- Direct expenditure programs.

J.4.1 A tax rebate system

Under a tax rebate system the taxpayer would receive a tax rebate based on the amount of donations made to designated organisations. The tax rebate system differs from the current system in that it affects the taxpayer's tax liability directly rather than indirectly through the taxpayer's taxable income.

Once the appropriate level of the rebate has been decided, it will be the same for all taxpayers across all tax brackets. The taxpayer's marginal rate of tax will no longer dictate the size of the subsidy the donor receives.

A major problem with changing from a deduction to a tax rebate is that the revenue effects of the transition are unclear. If the rebate is to have the same cost to government as tax deductibility, the rate would need to be below the highest marginal rate of tax. Commission estimates suggest that the rebate rate for 1989-90 would have had to be about 35 per cent to be revenue neutral for

the Commonwealth Government. This, however, assumes that the marginal propensity to donate is the same for all income earners.

If the rebate were set at the flat rate of 35 per cent, the cost of donating for lower and middle income earners would fall, and giving by these groups would be expected to increase. However, higher income earners would face an increase in the cost of giving which may decrease the amount of giving made by these groups. The overall effect is uncertain. Krever (1991) believes that available evidence points to a decrease in contributions if the deduction were replaced by a rebate based on current giving patterns:

If taxpayers choose the amount of their gift by its eventual after-tax cost, adoption of a 50 per cent tax rebate could, in theory, result in an increase in charitable contributions because it would increase the government's subsidy of charitable gifts made by taxpayers in lower tax brackets. However, if instead ... taxpayers, particularly high income taxpayers, are motivated to donate by the tax deduction to a greater extent than is explicable simply by the tax savings, the change to a tax rebate could lead to fewer contributions. Available empirical evidence actually suggests that total contributions for a given revenue loss would fall if the deduction were replaced by a rebate. (p. 26)

The Commonwealth of Australia Taxation Review Committee (Asprey Committee) considered the introduction of a tax credit/rebate and its effect on equity and government control. They argued that the inequity associated with the current tax deductibility of donations was not a strong one because a donor cannot be said to obtain a material benefit from the making of a gift (Asprey 1975, p. 493). The Committee also conceded that, even if the tax credit did improve equity, there would be difficulties in setting the appropriate rate:

A tax credit would overcome any suggested inequity between taxpayers, but there is no empirical evidence to show at what percentage rate the credit would have to be set if the present incentive effect of deductibility were not to be reduced for high-income earners. ... If the percentage were put at a figure lower than ... [the highest marginal rate of tax] ... some higher rate taxpayers would have less tax incentive to give, some lower rate taxpayers would have more, but the outcome for total contributions to charity, and the resulting total subsidy, would be difficult to estimate. (p. 492)

There would also be distributional effects on both donors and donees of changing to a rebate system. The increased equity may have the effect of increasing giving by lower income earners. Different income groups give to different charitable organisations. Woodman (1988) argues that a change to a tax rebate/credit may affect other organisations:

Lower-income taxpayers give a very high percentage of their donations to religious organisations and, to a lesser extent, to certain social welfare agencies. Higher-income taxpayers tend to give to educational and cultural charities. Thus, a change from a deduction to a credit has profound implications for the funding of education and the arts. (p. 572)

The Filer Commission also examined the distributive effects of moving from a deduction to a rebate. It argued that:

... a 30 per cent charitable tax credit, which was one of the proposals the Commission considered, would induce approximately 9 per cent more giving than the current deduction does, according to the Commission's econometric projections. But because a 30 per cent credit provides more of a tax saving than most low and middle income taxpayers now enjoy using a deduction and less than most high-income taxpayers enjoy, giving to education and to hospitals would decrease by around one third each, while giving to religion would rise by around 14 per cent, absorbing most of the overall increase in contributions. (p. 133)

J.4.2 Matching grant

The government could provide grants to CSWOs which match the donations made by individuals. The matching grant could be set at a particular level and maintained for contributions by all donors. It would not vary according to the donor's income level or marginal tax rate.

There are advantages in a matching grant system. Government control is increased because it directly controls the amount and destination of the matching grant. Equity is increased because all individuals trigger an equal relative response in terms of the matching grant.

The problem with a move to a matching grant system is similar to that identified for the rebate. The effect on both total giving and the distribution of that giving is unknown.

J.4.3 Direct expenditure programs

The advantages of direct expenditure programs were outlined in Chapter 12. They include:

- regular review and scrutiny of the grants in the context of annual budgetary cycles. This allows funding to continue only if the recipient organisation continues the work which initially entitled it to a government grant; and
- transparency for the costs of funding CSWOs through the budgetary process. This enables both decision makers and the public to assess regularly whether there are other, more cost effective, ways of achieving the social objectives of the government.

There are two main problems with direct expenditure grants. The first is the greater administrative costs involved in making the grants. While tax

expenditures occur almost automatically, direct expenditure programs require a separate level of bureaucracy.

The second problem is that direct grants increase the administration costs for CSWOs. Thousands of CSWOs currently receive tax deductible donations. If tax deductibility were to be removed and replaced with direct grants, there would be massive administration costs as CSWOs apply to different governments to make up the shortfall in their funds.

J.5 The efficiency of tax deductibility

The efficiency of tax deductibility in encouraging donations is important when examining the effect on overall giving of alternatives. The deduction is considered efficient if the revenue forgone by government in allowing the deduction is at least matched by an increase in charitable giving.

The majority of studies in this area have been undertaken in the US where the data sets are better developed. The results of the US studies may not be strictly applicable to Australia, however, because of different social structures and tax incentives.

The effectiveness of tax incentives in encouraging donations is directly related to the price elasticity of giving². The price elasticity of giving measures the percentage change in donations resulting from a 1 per cent change in the price of giving (net cost to the donor), all else being equal. Generally, an increase in net cost to the donor (decrease in marginal tax rates) will lead to a decrease in giving. If the price elasticity of giving exceeds one (expressed in absolute terms), giving is considered to be ‘elastic’. That is, as the cost to the donor increases, the amount of giving falls. If the measure of elasticity is less than one (again, in absolute terms), giving is considered to be inelastic.

The treasury efficiency of tax deductibility is determined directly from the price elasticity of giving. If the price elasticity of giving is greater than one the value of induced giving exceeds the induced loss of tax revenue and tax deductibility is treasury efficient. Steinberg (1990) explains:

When a tax deduction is efficient, it would cost more for the Treasury to directly subsidise charitable output through grants to non-profit organisations than to indirectly subsidise output by forgoing some tax collections in order to encourage donations. It is easy to determine whether tax subsidies are treasury-efficient – tax deductions (or credits) are efficient if and only if giving is price elastic. (p. 69)

² The price of giving is measured by the net cost to the donor (after the tax deduction) of making a donation.

While donations are likely to be affected by changes in both the ‘price’ of giving and in the income of donors, the magnitude of these changes is unknown. The effect of income tax rates on giving has been estimated by a number of economists in the United States. Weisbrod (1988) has collated a number of studies which have estimated price elasticities ranging from as low as -0.10 to as large as -2.54. Weisbrod found that the mean elasticity from 16 econometric studies is -1.24. Table J.2 summarises a few such studies.

Table J.2: Some estimates of price and income elasticities of giving

<i>Study</i>	<i>Price elasticity</i>	<i>Income elasticity</i>
Taussig (1967)	-0.1	2.0
Schwartz (1970)	-0.7	0.8
Feldstein (1975)	-1.2	0.8
Feldstein and Taylor (1976)	-1.4	0.8
Feldstein and Clotfelter (1976)	-1.6	0.8
Boskin and Feldstein (1977)	-2.5	0.7
Clotfelter (1980)	-1.4	0.5
Schiff (1984)	-2.5	0.7
Reece and Zeischang (1985)	-0.9	1.4

Source: Johnson 1981, p. 260.

The majority of studies suggest a price elasticity of greater than one (in absolute terms). If this is so, the implications are important, that is, that tax deductibility of donations is an efficient and desirable way for governments to finance the output of the CSWOs. Schiff (1989) argues that:

... it implies that the donations stimulated by deductibility exceed the tax revenue lost by government due to that provision, so that to transfer the same number of dollars directly to non-profit organisations, say via grants, would be more costly to the government, in terms of revenue forgone, than allowing deductibility. (p. 131)

J.5.1 Problems with traditional tests for price elasticity of giving

Steinberg (1990) notes the wide variation in estimates and suggests that this results from ‘omitted variable bias’ (Greene, 1990). That is, the omission of important missing variables is likely to bias estimates of the price elasticity of giving.

The recent increased availability and exploitation of more detailed panel data sets in the United States has gone some of the way to correcting the problems resulting from omitted variables.³ Omitted variable bias is also reduced by using

³ With more detailed panel data there is less likelihood that relevant variables have been omitted from the estimation.

estimation techniques that combine cross-section and time series data. The omitted variable bias caused by those variables which are constant over time is removed by looking at the change from one year to another.

Steinberg (1990) concludes that the new panel data sets question the traditional belief that tax subsidies in the form of deductions and/or credits are efficient:

That consensus has been strongly questioned by recent progress in statistical techniques and by the availability of new data sets. Early analyses from panels of tax data indicate that giving is price inelastic, although further analysis is necessary to determine whether this conclusion is robust to plausible variations in statistical technique. Further progress will depend upon the availability of non-tax panel data sets and on theoretical developments that allow one to reconcile these seemingly disparate results. (pp. 76-77)

Overall, the evidence on the treasury efficiency of tax deductibility of donations is ambiguous. Unless evidence can be presented which strongly refutes the view that the incentive is treasury efficient, the benefit of the doubt must go to the retention of tax deductibility of donations.

K CSWOs AND COMPETITIVE NEUTRALITY

Competitive neutrality refers to the administrative, legal and commercial arrangements which treat all organisations and individuals in a manner which allows them to compete on an equal footing. Organisations will invariably have different characteristics such as size, wealth, skills, and culture. These normal differences are a part of any market economy. However, when a competitive advantage arises because of institutional arrangements (such as input taxation treatment or coverage by regulations), competitive neutrality (the equal treatment of organisations) is said to be compromised.

Community social welfare organisations (CSWOs), either through their core activities or unrelated activities, often compete with for-profit organisations in various markets. Core activities relate to the primary objectives or roles of an organisation. Examples include nursing homes, private non-profit hospitals, and training centres for disabled or unemployed people. Unrelated businesses are businesses that are established to raise funds to support the core activity of the CSWO: for instance, sales of Christmas cards and second hand clothing.

CSWOs receive taxation concessions from both the Commonwealth and State governments. This appendix examines whether the various taxes give CSWOs a competitive advantage over their for-profit competitors.

K.1 The importance of competitive neutrality

Differences that distort competition may lead to an inefficient allocation of resources in the economy. A less efficient organisation may be able to rely on special treatment (for example, more favourable input taxation treatment) to take business away from a more efficient firm. As a result, society's resources are not being put to their best use (Hilmer 1993, p. 297).

Another concern with policies that create a competitive advantage for individuals, firms, or organisations is that they may retard the development of effective competition in the economy and thereby prevent best practice from emerging. For example, in the area of mail and courier services, for-profits can only compete with Australia Post if they charge at least five times the standard postage rate. This regulation makes it difficult for competitors to enter the market and effectively compete against Australia Post. The reduction in

competition may lead to higher prices and a reduction in the quality of the services.

K.2 Exemption from income tax and competitive advantage

The income tax exemption applies to any income earned by ‘charitable organisations’. This includes any income earned by an exempt organisation from investment and from unrelated trading activities. The Asprey Committee (1975) warned that the exemption may give CSWOs an unfair advantage over for-profit competitors:

There is, however, a need for a close examination of the activities of charities to determine whether business income should continue to be exempt. If it appears that unfair competition with non-exempt persons results from exemption, specific measures should be introduced to qualify the exemption. These measures would limit the exemption to income from business activities directly related to the carrying out of the purpose for which the charity was established and which is the reason for its exemption from tax. (p. 494)

The advantage is said by critics of the exemption to be ‘unfair’ for a number of reasons including:

- Non-profits are able to cut their prices below those which taxed firms will charge because the surplus (the equivalent of profit for a private entity) required by them to justify continuing an activity is lower than for-profit firms; and
- Non-profits are able to expand their operations more rapidly than their for-profit counterparts because they can use their tax free surplus to fund such expansion whereas the for-profits can only use after-tax profits.

K.2.1 The validity of claims of ‘unfair competition’

The income tax exemption for CSWOs means that, for a given before tax surplus, those organisations have a higher after tax surplus (profit) than their non-exempt competitors. It is this difference which gives rise to the allegation that income tax exempt CSWOs can engage in price cutting. For example, the US Small Business Administration (USOCCA 1994) argued that:

A non-profit exempt from Federal and state taxes can rationally attempt to increase its market share by reducing prices below those charged by its for-profit competitors. The non-profit can do this as long as it maintains a return on its investment that is higher than the after-tax return which could have been obtained through an indirect passive investment in securities and the like. (p. 13)

This view can, however, be refuted in a number of ways. First, income tax (and exemption from the tax) may not change the behaviour of an organisation in a competitive market.¹ The output and price decisions made by income tax exempt CSWOs in order to maximise their surplus before tax will continue to maximise their surplus after an income tax is imposed. Organisations liable for income tax will not attempt to earn a larger surplus because they have to pay tax — if they were able to earn more they would already be doing so.

However, it is recognised that economic profit (or surplus as described above) and profit measured for accounting purposes are not identical. To the extent that organisations are able to take steps to reduce their accounting profit, and thereby minimise their taxation payments for a given level of economic profit, they will do so. However, this difference is likely to be small and will not affect the relative position of differently taxed organisations. Freebairn argues that because of those differences in economic and accounting profit, the decisions made by organisations may be affected:

In reality, business income tax systems are not comprehensive base systems with no distortions. For example, distortions stem from systems of accelerated depreciation, investment allowances, and the combination of inflation and historical accounting measures of interest, depreciation and stock valuations. These distortions result in different tax wedges between different decision choice options. (sub. 310, p. 42)

Where a CSWO is providing a core service its aim is not to earn a surplus at all. Instead it aims to provide the best possible service to those who use it. If the CSWO were engaging in an unrelated business, the organisation would wish to maximise the surplus so as to pass on the most funds to the core charitable activity. In order to maximise its surplus the CSWO will act in the same rational way as a firm liable to income tax.

It would also be irrational for CSWOs to use their tax exemptions to undercut for-profit competitors. If, for example, price cutting were profitable and could increase market share, for-profits would also be price-cutting. In a competitive market, price cutting would be ineffective. CSWOs, if they are spread throughout the economy, would have a negligible effect on the market price. Price cutting would mean that the CSWOs are giving away income to consumers. It would also mean that there are other investments in which CSWOs could be making a greater return on their investments.

It is the behaviour of CSWOs which may represent ‘unfair competition’ not the taxation advantage itself. For example, some CSWOs may indeed give away all, or part, of their potential surplus to consumers by selling at discounted prices.

¹ Rose-Ackerman demonstrates that claims of unfair competition may be valid under oligopoly with a fixed number of firms.

Examples include second hand clothing shops or some fitness centres. Giving away their surplus may be part of the purpose of the organisation and the imposition of an income tax would not change their behaviour.

Advantages for CSWOs

CSWOs do enjoy other advantages from the income tax exemption including better cash flows. If an organisation is income tax exempt it will have fewer outflows than a non exempt organisation. Peirson, Bird and Brown (1985) argue that income tax is a major cash outflow and should be considered along with other inflows and outflows.

Retained earnings

It has also been argued that tax exempt firms will use their exemption to grow more quickly than their for-profit counterparts because their tax-free earnings can be ploughed back into the business. Rose-Ackerman (1982) argued against this argument, claiming that it presupposes an inefficient capital market:

The more efficiently the capital market operates, the less important are retained earnings. If, however, lenders have difficulty evaluating a firm's investments, the firm may prefer to exploit internal sources of funds, and firms with high levels of retained earnings have an advantage. (p. 1024)

K.2.2 The effect of the dividend imputation system

The dividend imputation system in Australia also has relevance for the analysis of competitive advantage for CSWOs. Dividend imputation means that companies are no longer taxed as legal entities in their own right. Any income tax paid at the corporate level is imputed to resident individual shareholders. Company tax is simply a withholding tax.

The effect of the dividend imputation system is that the exemption from income tax (or company tax) is simply an exemption from any income tax for the 'shareholders' of the company. This has important implications for CSWOs as Freebairn in the Australian Association of Philanthropy's submission argues:

The non-taxation of the profits of charitable and philanthropic businesses simply means zero income taxation of funds which are then required to be allocated to charitable or philanthropic purposes. (sub. 310, p. 41)

K.2.3 Overseas experience

Some other countries have attempted to treat differently the income from commercial, non-core business activities of non-profit organisations. Table K.1 briefly summarises the approach some countries have taken.

Table K.1 International treatment of non-profit commercial ventures

<i>Country</i>	<i>Types of organisations</i>
Austria	Income from any commercial activity is taxable, but there is a reduction in the corporate income tax.
Belgium	The revenue from a commercial activity is subject to the ordinary corporate tax laws.
Israel	The law says income from commercial activities is taxable. In general, if an affiliate or a subsidiary of the non-profit organisation engages in commercial activities, it pays regular value added tax, but the profits are not taxed if they are used by the non-profit.
Spain	Income from commercial activities is taxable as ordinary corporate profits.
Thailand	A non-profit organisation may engage in commercial activities (if approved by the Minister of Finance), but it must pay ordinary corporate taxes. However, there is a reduced rate of 10 per cent on gross revenues (before deductions of expenses). The expenditure of an organisation must be at least 60 per cent or greater of total revenues.
United Kingdom	A non-profit may engage in commercial activity only through a separate non-charitable organisation that tends to covenant all its profits to the charity.
United States	A non-profit organisation may not engage in a ‘significant’ amount of legislative ‘lobbying’ – attempting to influence legislation. See Box K.1 for treatment of unrelated business income.
West Germany	Commercial activities may be pursued without losing the ‘public interest’ status if they do not dominate the non-profit activities. Dividends, interests, rents, royalties and business activities, which are related to the public interest purpose, benefit from all tax exemptions. Other unrelated business activities are subject to ordinary tax regulations.

Source: Weisbrod 1991, p. 19.

The Unrelated Business Income Tax (UBIT) in the United States has been developed in response to concerns raised by for-profit firms (Box K.1). The UBIT imposes a tax on the income of unrelated commercial earnings. Non-profits subject to UBIT do not qualify for tax credits, depreciation and other deductions from taxable income.

K.2.4 Conclusion

Income tax exemption does not compromise competitive neutrality between organisations. All organisations which, regardless of their taxation status, aim to maximise their surplus (profit), are unaffected in their business decisions by their tax or tax-exempt status.

CSWO commercial activities do have certain advantages over for-profit firms, such as better cash flows. However, for-profits also have certain advantages over CSWO commercial organisations. These include easier access to capital — both equity and debt, and the ability to personally benefit from profits. The overall situation is unclear.

Box K.1 The US Unrelated Business Income Tax

US Federal income tax law deals with the income producing activities of non-profit organisations in two ways. First, if the unrelated activities and income constitute a large proportion of total non-profit activity, the organisation's tax exempt status may be withdrawn. An example of this was the New York University manufacturing pasta. Secondly, the non-profit may be required to pay an unrelated business income tax (UBIT) on the commercial activity.

Under the UBIT arrangement, a federal tax is imposed on income earning activities that are 'not related' to the organisation's purposes. 'Not related' is taken to mean that the business activity does not 'contribute importantly' to the accomplishment of the non-profit's exempt purposes.

Skloot (1987) traces the steps that determine whether an activity is related to the organisation's purpose. They are:

- 1 Is the activity a 'trade or business'?
- 2 Is the activity 'regularly carried on' with a frequency and in manner comparable to non-tax-exempt organisations? and
- 3 Is the income earning activity 'substantially related' or does it contribute importantly to the accomplishment of its exempt purposes? This is known as the relatedness test. Skloot lists the factors that are examined in determining whether an activity is related to the non-profit's exempt purposes. They are:
 - Whether the organisation's charter, articles of incorporation, by-laws etc contain clear references to the related income earning activity in which it is engaged; and
 - Whether the organisation is operating its business in a way that is substantially related to its exempt purposes.

There is no set standard at which an organisation's venture is deemed to be unrelated. Skloot notes a 'danger zone' which has been identified both by legal opinion and a sense of the market place. The 'danger zone' is when gross income from unrelated activities exceeds 20 to 30 per cent of gross revenue.

K.3 Exemption from input taxes and competitive advantage

An input tax is a tax on good or service used by a CSWO in the course of providing a service (see Chapter 12). There are a number of input taxes from which CSWOs are exempt. These include:

- Sales tax (Commonwealth tax);
- Fringe benefits tax (Commonwealth tax);
- Payroll tax (state tax);
- Land tax (state tax); and
- Other taxes and charges.

The criteria for exemption vary according to the exemption and according to the State in which the CSWOs operate. For instance, to be eligible for both sales tax and fringe benefits tax exemptions the organisation must be a Public Benevolent Institution (PBI). The criteria for the State tax exemptions are in Appendix L.

K.3.1 Input tax exemptions and their effect on costs

Input tax exemptions lower the costs faced by CSWOs and give them an advantage over for-profit competitors. Health Care Australia argued that input tax exemptions lead to an operational advantage for private hospitals operated by charitable organisations:

Our problem is with ... the other taxes that change significantly the operating costs between the two sectors ... particularly payroll tax and sales tax have a big impact on the cost structures of the two sectors. (trans, pp. 2084-85)

The various tax exemptions affect CSWOs in different ways. This section explores the different effects for individual taxes.

Sales tax

Sales tax applies to a wide range of goods. An exemption would, therefore, lower the cost of taxable goods. The exemption is not, however, open ended. The key requirement is that the goods must be used by the organisation. Goods purchased to be re-sold are not exempt from the tax. The Motor Neurone Disease Association of Australia argued that sales tax exemption should be extended to goods intended for resale:

An area which would assist all charities would be the removal of sales tax on goods purchased for resale. An example of this is Christmas cards sales by which small organisations can raise necessary funds to provide much needed services. (sub. 205, p. 1)

The Private Geriatric Hospitals Association of Victoria Limited (PGHAV) estimated that to establish a typical 30 bed nursing home an organisation would be liable for about \$24 000 in sales tax. Thereafter, annual expenditure on sales tax would range between \$10 000 and \$15 000.

Fringe benefits tax

Fringe benefits tax (FBT) is a Commonwealth tax payable by employers on the value of certain fringe benefits. The effect of the FBT exemption is that, for a similar level of staff to a for-profit, the cost to the FBT exempt CSWO is lower.

The Sydney City Mission claimed that by utilising the FBT exemption they were able to pay certain staff half or two thirds of the current market rate. Similarly,

the Aged Services Association of NSW and the ACT favoured the FBT exemption for PBIs:

This exemption allows the charitable sector to offer salary packages that enable it to compete with the private for-profit sector for quality staff, particularly management. This ability to compete for staff is becoming increasingly important due to the dwindling supply of volunteer and very low paid staff of a religious vocation. (sub. 177, p. 14)

Pay-roll tax

Pay-roll tax is levied on employers and is based on wages paid or payable to employees. A tax free threshold exists for the tax in most States. This threshold ranges from \$450 000 in Western Australia to as high as \$700 000 in Queensland.

The exemption can, as argued by Health Care Australia above, contribute to a reduction in some of the operational costs for a large CSWO. However, because of the tax free threshold, many smaller organisations, regardless of their profit motive, would be exempt.

Land tax

Land tax is based on the unimproved value of land held at a particular date. Different methods are used by states to arrive at the amount of tax, though in most cases annual valuations are determined.

Like pay-roll tax, some States have general exemptions which apply to all tax-payers. For example, properties under \$200 000 in Victoria and \$160 000 in NSW are automatically exempt from land tax.

All state and territory governments provide at least some further land tax exemption for land owned and used by CSWOs. Queensland, Tasmania and South Australia exempt land owned by charitable bodies irrespective of the purpose for which it is currently used.

Any effect of land tax exemptions on competitive neutrality is minimised in some States. Victoria, for example, treats each parcel of land separately and removes the exemption where land is used for business purposes.

Other taxes and charges

Exemptions from other taxes and charges described in Appendix K also affect the cost structure of commercial activities of CSWOs. For instance, exemptions from local rates, bank charges and stamp duty provide CSWOs with cost savings unavailable to most for-profit firms. Fitness Corporation of Australia

submitted that it had difficulty competing with tax exempt fitness providers because of tax exemptions, including rates.

K.3.2 Input tax exemptions and efficiency

Input tax exemptions affect resource allocation in two ways. They create distortions in the use of different inputs and they provide a competitive advantage for the commercial activities of CSWOs compared with for-profits.

Input tax exemptions are distortionary because they change the relative price of inputs. The exemption lowers the price of some inputs and presents an incentive to CSWOs to favour the use of those inputs over other, relatively higher priced, inputs (see section 12.6.1). Given that CSWOs are labour intensive — that is, they rely more on people to achieve their outcomes — the exemptions from taxes on labour (FBT and pay-roll tax), may create significant distortions, particularly for the larger organisations. This could affect efficiency because it may mean that CSWOs, because of the tax exemptions they receive, favour the use of tax exempt inputs over other, more efficient, mixes of inputs.

Of course, the size of the distortions created by input tax exemptions are currently unknown. The inefficiency induced by the distortion is dependant upon how substitutable tax exempt inputs are with non-tax exempt inputs. As CSWOs are labour intensive, and are likely to be so regardless of tax treatment, the costs of the distortion may not be significant.

Input tax exemptions are also inefficient because they allow certain tax-exempt organisations to compete away resources from organisations that are not tax exempt. By lowering the costs faced by exempt organisations, less efficient organisations are able to survive — and perhaps even expand — often at the expense of firms that may be efficient but do not have access to the same competitive advantages. For instance, Health Care of Australia estimate that the input tax exemption represents a 5 per cent difference in costs between exempt and non-exempt hospitals. They went on to argue that tax exempt hospitals could afford to operate at inefficient levels because of the buffer given to them by the input tax exemptions. For-profit competitors have had to become more efficient to be able to compete against the tax exempt organisations.

L STATE TAX EXEMPTIONS

Community social welfare organisations (CSWOS) are exempt from a number of state taxes. These include pay-roll tax, land tax, stamp duty and debits tax. This appendix explores the different exemptions in different states and attempts to determine the revenue cost of the various exemptions. Information on the various exemptions was provided by the states themselves.

L.1 Pay-roll tax

Queensland

Exemptions from pay-roll tax are available to the following groups:

- a public benevolent institution or its trustees;
- an institution or the trustees of an institution the principal object of which is:
 - the relief of poverty; or
 - the care of sick, aged, infirm, afflicted or incorrigible persons or of children.
- an institution declared by the Minister to be an exempt charitable institution and which has charity or the promotion of public good as its principal object. Institutions having as their principal object sporting, recreational, leisure or social activities do not qualify for exemption under this provision;
- a non-tertiary educational institution, for example, a primary and secondary school, kindergarten, pre-school and rural training school; or
- a religious institution.

Tasmania

The payroll tax legislation provides for exemptions to:

- religious institutions;
- benevolent institutions;
- public and non-profit private hospitals (including medical unions and private nursing homes); and

- primary and secondary schools conducted by non-profit bodies.

Exemptions are provided to a number of community bodies (such as the Tasmanian Aboriginal Centre and Green Peace Australia) as well as to recognised charitable groups and overseas aid organisations.

Other bodies that are not exempted may benefit from the small business deduction scheme. Where an employer's payroll is less than \$565 000 per annum, no tax is payable. For firms with payrolls between \$565 000 and \$1 412 500 per annum, concession tax rates apply.

New South Wales

The *Pay-roll Tax Act 1971* provides for exemption from pay-roll tax to:

- a charity within the meaning of the *Charitable Collections Act 1934* which is registered or which is exempted from registration under that Act (other than a school or college or statutory body);
- a non-profit organisation having as one of its objects a charitable, benevolent, philanthropic or patriotic purpose;
- an organisation that:
 - was a charity within the meaning of the Charitable Collections Act and registered as exempted from registration under that Act, immediately before the Acts' repeal.
 - has not, since the repeal of that Act, altered its constitution in so far as its constitution relates to its charitable objects.
- a society or an institution (other than a school or college or a statutory body) which:
 - in the opinion of the Chief Commissioner, is a charitable society or institution; and
 - is for the time being approved by the Chief Commissioner for the purposes of this paragraph.
- a statutory body which:
 - is, in the opinion of the Minister, a charitable statutory body; and
 - is for the time being approved by the Minister for the purposes of this paragraph.

Table L.1 Estimated cost of pay-roll tax exemptions, 1986–87 to 1988–89

<i>Exempt body</i>	<i>Tax expenditure \$ million</i>		
	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>
Hospital employees (public and private not-for profit)	120	135	143
Local government (non-commercial)	54	57	61
Private education, libraries, museums	34	41	42
Welfare and religious, private	20	21	24
Small business	309	375	477
Total tax expenditure	538	629	749

Source: Sub. 356, Attachment B.

Australian Capital Territory

The ACT exempts charitable organisations from pay-roll tax. The definition of a charitable organisation is one that is:

- religious;
- educational;
- benevolent; or
- has a charitable purpose.

The ACT were unable to provide information on the nature and cost of the exemption. Once the exemption is granted, there is no requirement to keep separate records of the type of exemption or the amounts involved.

Western Australia

Charitable organisations (no definition provided) are exempt from pay-roll tax.

Northern Territory

The exemptions from pay-roll tax in the Northern Territory apply to the following organisations:

- religious;
- public benevolent institutions;
- public hospitals;
- non-profit hospitals; and
- non-profit schools or colleges.

The Commissioner must be satisfied that the person is exclusively engaged in the religious work, work of a public benevolent nature or work of the hospital.

The Northern Territory Government has no estimates on the revenue lost through pay-roll tax exemptions. The Act providing the exemption has not required the recipient organisation to account for the use of the exemption.

Victoria

Exemptions from pay-roll tax are available to the following:

- public benevolent institutions;
- religious institutions;
- public hospitals;
- not-for profit hospitals; and
- not-for-profit schools or colleges providing education at or below secondary level.

The Victorian Government in their submission to the Inquiry estimated that the pay-roll tax exemption was not significant with a revenue loss of \$3.2 million in 1993–94.

South Australia

Exemptions from pay-roll tax are available to the following:

- public benevolent institutions;
- religious institutions;
- public hospitals;
- not-for profit hospitals;
- groups offering health services;
- Family Planning Association of South Australia Incorporated; and
- not-for-profit schools or colleges providing education at or below secondary level.

L.2 Land Tax

Queensland

This exemption is quarantined to that portion of land owned by the qualifying institution which is used predominantly for charitable, education or religious purposes. The ultimate use of funds generated on the land does not guarantee exemption.

Fringe or associated uses and commercial enterprises do not qualify for the exemption.

The Minister may declare an organisation to be an exempt charitable institution.

Vacant land purchased after 29 June 1989 by an exempt charitable institution intended to be used for an exempt purpose within 3 years of acquisition is also exempt. However, if the land is not used for the exempt purpose or is sold within 3 years, it ceases to be exempt.

The land tax concession applies to land which the Commissioner determines is used for ‘less than commercial’ purposes (for example, thrift shop and associated warehouse).

Table L.2 Estimated cost of land tax exemptions in, 1993–94

<i>Institution receiving exemption</i>	<i>Estimated cost</i>
Institutions for the sick, aged and infirm	203 000
Institutions declared by the Minister	177 500
Institutions for the relief of poverty	81 500
Public benevolent institutions	313 600
Religious bodies	2 144 600
Total	\$2 920 200

Source: Correspondence, Office of the Cabinet Queensland, 1994.

Tasmania

Exemptions under the land tax legislation apply to land owned by:

- public or private hospitals or nursing homes;
- religious organisations for religious purposes;
- charitable institutions;
- friendly societies; and
- schools or educational institutions.

Some such bodies are specifically exempted by declaration of the Governor, including the Australian Red Cross and Fahan School.

It is estimated that the cost (in revenue foregone) of land tax exemptions to religious institutions and hospitals was \$1.6 million and \$0.2 million respectively for 1991–92.

New South Wales

Section 10(1)(d) of the *Land Tax Management Act 1956* provides for land tax exemption to:

- Land owned by or in trust for a charitable or educational institution is exempted from land tax unless the land, or any part of the land, is used solely or principally by a person other than such a charitable or educational institution and the land would not be exempt if it was owned by the person using it;
- Land owned by a charitable or educational institution or a religious body which is used for a commercial or fund raising activity, such as an opportunity shop, clothing store, coffee shop, hospital, nursing home, retirement village, hostel, school, kindergarten, *et cetera* is exempt from land tax where the activity is conducted by the charitable or educational institution or religious body;
- The casual hiring of a building, such as occurs with church halls, does not affect the exemption available to charitable or educational institutions or religious societies; and
- Vacant land owned by a charitable or educational institutions or religious society is also exempt.

In accordance with the precedents established by case laws, it is a requirement to first establish the existence of a charitable trust for the benefit of the public, before consideration can be given to whether an organisation can be regarded as a charitable institution.

In addition to its charitable object, it must be for public purpose and public benefit.

Western Australia

Charitable organisations are exempt from land tax.

Australian Capital Territory

The ACT Government exempt benevolent institutions and charitable organisations from land tax and general rates. To qualify for the exemption an institution need only prove that it is benevolent, whereas a charitable organisation must prove that the buildings on the land are used exclusively for a charitable purpose.

Information on the cost of these exemptions is unavailable.

Victoria

Land which is vested in any person or body and used exclusively by that person or body for charitable purposes is exempt from land tax.

The Victorian Government in their submission to the Inquiry estimated that the land tax exemption had a revenue cost of \$13 million in 1993–94.

South Australia

Land tax exemptions apply to land:

- used solely for religious purposes or used solely for the purposes of a hospital subsidised by the Government of the State, or used by any institute under the *Libraries Act 1982*;
- that is owned by an association whose objects are or include assisting necessitous or helpless persons;
- owned by a not-for-profit educational institution, occupied and used solely or mainly for the purposes of such an institution;
- that is owned by an association that is established for a charitable, educational, benevolent, religious or philanthropic purposes and is declared by the Commissioner to be exempt from land tax on the ground:
 - that the land is intended to be used wholly or mainly for that purpose; or
 - that the whole of the net income (if any) from the land is or will be used in furtherance of that purpose.

L.3 Stamp duties

Queensland

Stamp duty exemptions are available to the following institutions:

- educational;
- religious;
- public benevolent; and
- charitable.

The body must be an ‘institution’ and therefore more than a mere charitable trust, for example, there must be some form of administrative structure before it attains the status of an institution.

Public Benevolent Institutions And Charitable Institutions generally include institutions having as their principal object and pursuit:

- the relief of poverty; and
- the care of sick, aged, infirm, afflicted or incorrigible persons or of children

Having determined that a taxpayer is an exempt charitable institution it is also necessary to establish that the property is acquired for use solely, or almost solely, for an exempt qualifying purpose.

Tasmania

Exemptions from duty on the conveyance, mortgage or lease of property are provided to:

- the University of Tasmania;
- public hospital boards; and
- private hospitals (other than for the purchase of a private hospital).

Charitable bodies are generally liable for stamp duties.

Insurance policies taken out by the University of Tasmania, public hospital boards and private hospitals are exempt.

New South Wales

There is an exemption from stamp duty for any society or institution which, in the opinion of the Minister, is of a charitable or benevolent nature. There are, however, general requirements which state that:

- The resources of the organisation must be applied to New South Wales. Where the body is established on a national basis, the exemption is applicable only to acquisition by the NSW Division, but national headquarters located in NSW would qualify for exemption; and
- Property being acquired must be used for the charitable or benevolent purposes of the organisation, for example, it cannot be let or sold for profit.

Western Australia

Charitable organisations are exempt from stamp duties.

Australian Capital Territory

The ACT exempts charitable organisation from stamp duty. The ACT were unable to provide information on the nature and cost of the exemption. Once the exemption is granted, there is no requirement to keep separate records of the type of exemption or the amounts involved.

Northern Territory

Stamp duty exemptions are available to the following organisations:

- public hospitals;
- PBIs;
- religious institutions; and
- public education institutions.

Victoria

Exemptions from stamp duty are available to religious charitable or educational purposes for the following transactions:

- transfer of marketable securities;
- conveyance of real property and land transfer;
- lease or agreement for a lease;

- instrument of settlement;
- mortgage, bond, debenture, or covenant; and
- deed of any kind whatever.

No exemptions are provided for charitable, religious or educational purposes under the following heads:

- insurance and assurance business;
- policies of life insurance;
- betting instruments;
- rental business;
- instalment purchase agreements;
- statements and returns on sales of cattle; and
- statements and returns on sales of pigs.

The Victorian Government in their submission to the Inquiry estimated that the stamp duty exemption cost the Victorian Government \$6.8 million in 1993–94.

South Australia

Stamp duty is exempted from a voluntary disposition of property that is wholly for charitable or religious purposes.

L.4 Financial Institutions Duty

Queensland

A PBI is exempt from Financial Institutions Duty (FID).

Tasmania

FID is exempt from the accounts held by the following organisations:

- public benevolent institutions;
- religious institutions;
- friendly societies;
- public and private hospitals; and
- schools and the University of Tasmania.

Western Australia

Charitable organisations are exempt from FID.

Australian Capital Territory

The ACT exempts charitable organisations from FID. The ACT were unable to provide information on the nature and cost of the exemption.

Northern Territory

FID does not apply to the accounts of:

- religious institutions; and
- charitable or public benevolent institutions whose primary function is to provide direct aid to the needy.

The exemption does not extend to money derived from or deposited for the purposes of a commercial trading activity conducted by or on behalf of the institution.

New South Wales

Exemptions are provided for the following organisations for transactions which wholly and exclusively further the objects of the organisation in question:

- a religious or public benevolent institution;
- a public or other non-profit hospital;
- a school or college; and
- charitable bodies.

Victoria

Exemptions are provided to charitable institutions defined as:

- PBIs or religious institutions;
- a public or not-for profit hospital; and
- a not-for profit primary or secondary school or secondary college.

Also, exempt are:

- the trustees, for the time being, of a trust the moneys of which may not be applied otherwise than for charitable purposes; and

- a charitable institution not being a tertiary educational institution and not being a charitable institution as defined above.

The Victorian Government (sub. 346, p 13) estimated that the FID exemption and the exemption from the bank account debits tax cost the Victorian Government \$30 million in 1993–94.

South Australia

Charitable organisations are eligible to have any of their accounts to be exempt from financial institutions duty as long as amounts paid into the account are monies to which the charitable organisation is exclusively entitled. Charitable organisation, for this Act, means a non-profit body established for charitable, religious, educational or benevolent purpose and includes a trustee who holds property on behalf of such a body.

L.5 Debits tax

Queensland

A PBI is exempt from debits tax.

Tasmania

The accounts held by the following organisations are exempt from debits duty and the debits duty surcharge:

- public benevolent institutions;
- religious institutions;
- friendly societies;
- public and private hospitals; and
- schools and the University of Tasmania.

Western Australia

Charitable organisations are exempt from debits tax.

Australian Capital Territory

No information provided.

Northern Territory

Debits tax exemptions are available to various organisations including:

- PBIs;
- religious institutions;
- public hospitals and non-profit private hospitals; and
- non-profit universities, colleges or schools.

New South Wales

Exemptions from debits tax are provided for the following organisations for transactions which wholly and exclusively further the objects of the organisation in question:

- a religious or public benevolent institution;
- a public or 'non-profit' hospital;
- a university, government college or school, or 'non-profit' educational institution; and
- a society, institution or organisation established and exclusively carried on for the purpose of raising money or otherwise promoting the interests of any of the above.

Victoria

Exemptions from debits tax are provided to:

- PBIs;
- public hospitals and non-profit private hospitals;
- a non-profit university, a government college or government school, or a college or school for debits in relation to transactions carried out by or on behalf of the institution, hospital, university, college or school, wholly and exclusively in furtherance of its objects; and
- a society, institution or organisation that has been established, and is carried on wholly and exclusively for the purpose of raising money for an institution named above for debits in relation to transactions carried out by or on behalf of the society, institution or organisation, wholly and exclusively in furtherance of its objects.

South Australia

As in Victoria, exemptions from debits tax are provided to:

- PBIs;
- public hospitals and non-profit private hospitals;
- a non-profit university, a government college or government school, or a college or school for debits in relation to transactions carried out by or on behalf of the institution, hospital, university, college or school, wholly and exclusively in furtherance of its objects; and
- a society, institution or organisation that has been established, and is carried on wholly and exclusively for the purpose of raising money for an institution named above for debits in relation to transactions carried out by or on behalf of the society, institution or organisation, wholly and exclusively in furtherance of its objects.

L.6 Other rates and charges

Most states provide further exemptions and concessions from other rates and charges. This section does not provide a state-by-state description of these. Some examples are, however, provided for illustrative purposes. For example, in the ACT, PBIs (as defined under section 78 of the Income Tax Assessment Act) receive a 10 per cent discount on electricity charges for electricity installations at premises or properties which are used, owned or operated by non-profit organisations.

Sewerage services are provided at a reduced rate to parcels of land with buildings used for churches, hospitals, benevolent or charitable institutions, and schools.

Water usage is supplied to schools, churches and ecclesiastical establishments at half the price set for other customers.

Table L.3 Estimated annual cost of the exemptions from various charges in the ACT

<i>Exemption</i>	<i>Estimated cost</i>
Electricity charges	100 000
Sewerage services	950 000
Water usage	500 000

Source: Correspondence, ACT Treasury, August 23, 1994

Similarly, in the Northern Territory exemption from rates apply to land which is used or occupied for the purposes of a public hospital, benevolent institution or charity.

Certain bodies are also entitled to concessions on their water and sewerage charges. Eligible bodies include:

- churches;
- church schools; and
- charitable organisations to be defined as being PBI as outlined in the guidelines set out by the Commonwealth Government.

Table L.4 Estimated annual cost of the exemptions from various charges in the Northern Territory

<i>Exemption</i>	<i>Estimated cost</i>
Sewerage	24 000
Water	21 000

Source: Correspondence, Northern Territory Treasury, August 22, 1994

M OVERSEAS TAXATION ARRANGEMENTS

Most countries support the non profit sector by either granting exemptions from taxes on income and/or by encouraging public donations to certain organisations through tax deductibility. This appendix briefly surveys the arrangements in the United States, the United Kingdom and New Zealand.

M.1 The United States

M.1.1 Definition of charitable purpose

The definition of ‘charitable purpose’ includes but is not limited to the relief of the poor or underprivileged; advancement of religion; advancement of education or science; promotion of health (including hospitals); lessening the burdens of government; and the promotion of social welfare.

The Internal Revenue Service is responsible for assessing tax exempt status in the United States.

M.1.2 Exemption from Income Tax

Section 501(c)(3) of the *Internal Revenue Code* of 1986 exempts organisations operated from religious, charitable, scientific, literary or educational purposes, or for testing for public safety, the fostering of national or international amateur sports, or the prevention of cruelty to children and animals.

Income which is unrelated to the exempt purposes of charitable organisations is not exempt under the Code and is liable for income tax (see Appendix J for more detail on the Unrelated Business Income Tax in the United States).

M.1.3 Tax deductibility

Individuals

US tax law distinguishes between public and private charities. A public charity can be either a *per se* public charity or a charity that receives its funding from a number of different sources. *Per se* public charities include churches, educational organisations, organisations providing medical/hospital care or

education, and governmental units. Private foundations are those that are funded from one source, predominantly investment income, and which make grants for charitable purposes to other persons rather than conducting its own programs.

The Code allows a deduction against taxable income for charitable contributions to those organisations exempt under section 501(c)(3)¹. These include public charities and private foundations.

Not all organisations in section 501 of the Code are eligible for the tax deduction. Gifts to non charitable organisations are not tax deductible. These organisations, listed in Section 501(c)(4) – (21), include social clubs, veterans organisations, labour unions, burial societies, and chambers of commerce.

Generally, individuals are permitted to deduct up to 50 per cent, and corporations 10 per cent, of their income for donations. The actual amount allowable as a deduction depends on the type of charity receiving the donation.

If a donation is made to a public charity, the individual may claim a deduction subject to a limit of 50 per cent of adjusted gross income if the donation is cash and 30 per cent if the donation is of property. If the donation is made to a private foundation donors may only claim a deduction for up to 30 per cent of income if the donation is cash and 20 per cent if the donation is of property.

The tax system encourages donations to public charities by providing a greater deduction to those organisations. This is so because private foundations tend to be controlled by a small group of individuals and may not be as responsive to public needs (International Center for Not-For-Profit Law, 1994).

Companies

Donations by companies to charitable organisations are deductible up to ten per cent of their taxable income regardless of whether the donation is made to a public charity or a private foundation.

M.1.4 Other exemptions and concessions

Other exemptions and concessions include:

- Reduced postal rates available to non profits;
- Exempt under Federal Unemployment Tax Act;
- Entitled to offer employee annuities with tax benefits similar to those under a qualified pension plan;
- Exempt from Federal gambling tax; and

¹ Except for organisations testing for public safety.

- While volunteer time is not tax deductible, a deduction may be allowed for unreimbursed expenditures made in connection with donated services.

M.2 The United Kingdom

M.2.1 Definition of charitable purpose

Charity, or charitable purpose, is defined, as in Australia, as being involved in:

- the relief of poverty;
- the advancement of education;
- the advancement of religion; and
- other purposes beneficial to the community.

The charitable status of organisations throughout the United Kingdom is decided by the Charity Division of the Inland Revenue Department. Charities in England and Wales must be registered with the Charity Commission.

M.2.2 Exemption from Income Tax

A charity in the UK is exempt from income tax provided the income is applied to a charitable purpose. A non-profit organisation may only engage in commercial activities through a separate non-charitable organisation which covenants all of its profits to the charity subject to two exceptions:

- where the trade is exercised in the course of carrying out the charitable goals; and
- if the persons that carry on the trade are mainly the beneficiaries of the charity.

M.2.3 Tax deductibility

Individuals

A gift made by an individual to a charity can only attract tax relief in two instances. They are through a pay-roll deduction and through a deed of covenant.

A pay-roll deduction is an arrangement where an employer establishes a scheme by which employees may contribute funds to a charitable collecting agency. These gifts qualify for income tax relief. Employee donations up to £480 per annum are deductible.

Individuals can also donate through a deed of covenant. Under this arrangement, donations are made through the employee's pay-roll for a minimum of four years. The donor decides to donate a net amount to a charitable organisation. The charity then claims from the taxation office the difference between the net sum actually paid by the donor and the notional gross sum of the donation before tax had been deducted at the basic rate. Box M.1 illustrates how the system works:

Box M.1 The UK deed of covenant for donations to charities

The donor intends to donate £100 from their gross income. Assuming the basic tax rate is 25 per cent, the donor will give £75 to the charity. The charity will then claim the difference (£25) from the taxation office.

The effect of the UK system is the same as the system of tax deductibility in Australia. However, in Australia, the charity would have received the full \$100 from the donor and the taxation office would have provided the donor with a tax deduction worth \$25 (assuming a tax rate of 25 per cent).

Companies

An equivalent to the deed of covenant for individuals exists for corporations. One off donations by some companies are also deductible up to 3 per cent of dividends.

M.2.4 Other exemptions and concessions

Other exemptions and concessions include:

- Non-profits are exempt from capital gains tax; and
- Full exemption from VAT is granted to a subset of charitable organisations.

M.3 New Zealand

M.3.1 Definition of charitable purpose

The definition of charitable purpose in New Zealand is similar to that in Australia and the United Kingdom. That is an organisation advancing:

- the relief of poverty;
- the advancement of education;

- the advancement of religion; and
- other purposes beneficial to the community.

The Inland Revenue Department is responsible for assessing whether an organisation has tax exempt status. In order to qualify for tax exempt status, the organisation must:

- not be an individual;
- be exclusively established for charitable purposes;
- not carry on its operations for the private pecuniary profit of an individual; and
- have a winding up clause in the organisation's constitution or trust deed which provides for any surplus funds to be disposed either to another charitable organisation or as a Judge of the High Court directs.

M.3.2 Exemption from Income Tax

Under section 61(25) of the *Income Tax Act 1976*, an organisation is exempt from income tax if the income is derived by, either trustees in trust for charitable purposes, or by any society or institution established exclusively for charitable purposes. The organisation must not be carried on for the private pecuniary profit of any individual.

Some organisations, such as the Maori Education Foundation, The Royal New Zealand Foundation for the Blind and The Royal Society of New Zealand, have tax-exempt status conferred on them by statute.

Section 61(27) of the *Income Tax Act 1976* also exempts income derived directly or indirectly from any business that is carried on within New Zealand for or on behalf of a charitable trust or organisation. The exemption applies only to that portion of the income that is applied for charitable purposes within New Zealand. It applies only where:

- the business itself is carried on for charitable purposes and not where the income derived from business is held for charitable purposes; and
- the business or any part of it is not carried on for the private pecuniary profit of any person associated with the charity.

Where the charitable purposes are carried out both in New Zealand and overseas, an apportionment of the exemption will be necessary.

M.3.3 Tax deductibility

Individuals

The *Income Tax Act 1976* also encourages public support for charitable organisations by providing individuals with a rebate for donations made to approved organisations and charitable funds. The rebate is set at 33 per cent which, unlike the system of tax deductibility in Australia, does not vary with the donor's level of income.

The rebate is available for cash gifts and payments to the following:

- organisations in New Zealand not carried on for the private pecuniary profit of any individual, the funds of which are applied wholly or principally for charitable, benevolent, philanthropic or cultural purposes within New Zealand;
- special funds established in New Zealand to provide funds for any of the purposes specified above; and
- specific organisations listed in the legislation (which are either not charitable at law or which apply their funds outside New Zealand).

Section 56A of the *Income Tax Act 1976* imposes both upper and lower limits to the rebate. The lower limit is set at \$5 while the maximum rebate claimable is \$500. That is, donors receive a tax benefit for donations between \$5 and \$1500 to approved organisations and charitable funds.

Companies

Section 147 of the *Income Tax Act 1976* allows a public company to claim a deduction against assessable income for any gift of money made to organisation, society, trust or fund to which the donation rebate under section 56A applies. This is subject to the following limitations:

- the maximum deduction allowable in any one year for gifts to any one donee is the greater of \$4000 and 1 per cent of the company's assessable income; and
- the maximum deduction allowable for all gifts in any year us the greater of \$1000 and 5 per cent of the company's assessable income.

M.3.4 Other exemptions and concessions

Goods and Services Tax

A charity conducting a taxable activity (supplying goods and services for consideration on a regular and continuous basis) is required to register for GST

if its annual turnover exceeds \$30 000. It may voluntarily register if its turnover is less than \$30 000.

Once registered, the charity must account for GST on the supply of goods and services and is able to claim GST paid on purchases acquired to make those taxable supplies.

There are three specific aspects of GST applying to non-profit bodies:

- sale of goods and services that were donated to a non-profit body are exempt;
- cash donations are not payment for goods and services, and are therefore not subject to GST; and
- non-profit organisations may specially apply to the Inland Revenue Department to have branches or divisions of the organisation treated as separate entities.

Fringe benefits tax

Charitable organisations which are approved for the donation rebate under section 56A of the *Income Tax Act* 1976 are also exempt from fringe benefits tax on the organisation's non-business activities.

Land tax

Land used by a range of charitable organisations may be exempt from land tax if listed in Section 27 of the *Land Tax Act* 1976.

Estate and gift duties

The first \$25 000 of the value of an estate bequeathed to a charitable organisation is exempt from estate duty under the *Estate and Gift Duties Act* 1968 (section 5).

Gifts to trusts, societies or institutions established exclusively for charitable purposes are not subject to gift duty (section 73).

Stamp duty

There is no general exemption from stamp duty for charities although some specific organisations may be exempt.

N BENCHMARKING HUMAN SERVICES

The commission sponsored an exploratory study of benchmarking in the sector. The services studied were emergency relief, youth accommodation, and in-home respite and personal care. The consultants' conclusions are discussed in Chapter 13. This appendix provides further detail of the approach the consultants adopted and their results.

N.1 Introduction

A study of human service provision in three key areas of the community social welfare sector was undertaken by London Economics and Impact Consulting Group.¹ The services studied were emergency relief, youth accommodation and in-home respite and personal care. These services were chosen on the basis that useable reliable data could be obtained, that they were representative of the sector and they were amenable to quantitative analysis.

The technique used in the study to evaluate economic efficiency, Data Envelopment Analysis (DEA), is one of a number of measures of total productivity that have been developed. Measures of total productivity have been developed to overcome problems that arise when interpreting partial productivity indicators.

N.2 Why partial productivity indicators are insufficient

One common measure of productivity is average output per person hour. As an example, in a nursing home a partial productivity measure used may be number of residents per nurse.

Productivity expressed as output per unit of labour is one of several possible partial efficiency indicators; ratios characterising productivity as total output divided by a particular input.

Although contributing important information on current relationships between outputs and inputs, partial measures do not convey a complete picture. High

¹ Extensive tables of results and a comprehensive description of the technique used (Data Envelopment Analysis) and the methodology employed, are contained in the consultants' report — London Economics and Impact Consulting Group (1994).

labour productivity, for example, may result from high overall productivity or simply be a result of labour being used with relatively large, and perhaps excessive, quantities of capital and other inputs.

When a comparison is made between two organisations on the basis of partial indicators, one organisation can appear to perform better on some indicators and worse on others. On the basis of partial indicators alone, it is not clear which organisation is better overall. Organisations may choose to use partial indicators by which they *appear* to be outperforming other organisations. When a partial indicator is inappropriately used, as a target or as a comprehensive indicator of performance, it can lead to overuse of other inputs and overall performance can suffer.

Overall measures of efficiency do not suffer from these drawbacks. They allow valid comparisons between organisations and they are adequate for use as performance targets. They do not lead an organisation to overuse any particular inputs.

N.3 The technique used

Data Envelopment Analysis was used by the consultants because it is capable of measuring economic efficiency. The technique may indicate whether an organisation's inefficiency is because it:

- is the wrong size (scale inefficiency);
- is using too much of certain inputs (non-scale inefficiency); or
- is using the wrong mix of inputs (input allocative inefficiency).²

N.4 How performance was evaluated

The principal criterion used for performance evaluation was overall technical efficiency. This measure of efficiency is the ratio of output achieved by a service provider using a particular mix of inputs divided by the maximum possible output that can be achieved using the same mix. Maximum achieved

² Input allocative inefficiency, that is the measurement of the extent to which organisations minimised their costs for the level of output they produced, was not estimated. In the community social welfare sector a number of inputs are donated. For example there are substantial donations of volunteers' time and there are also donations in-kind of material. It is difficult to place appropriate dollar values on these contributions, particularly on the contributions made by volunteers (see Chapter 5). Consequently, information about the relative costs of all inputs, which is required for an analysis of input allocative inefficiency, was not available.

output, using that a particular mix of inputs is identified as part of DEA. DEA finds a number of best performing organisations. The performance of any other organisation is then compared, or benchmarked, against them. The best performance organisations have an overall technical efficiency score of one hundred per cent.

Overall technical efficiency scores of individual providers that are less than one hundred per cent, can be explained as resulting from a combination of scale inefficiency and non-scale inefficiency.³

The consultants estimated:

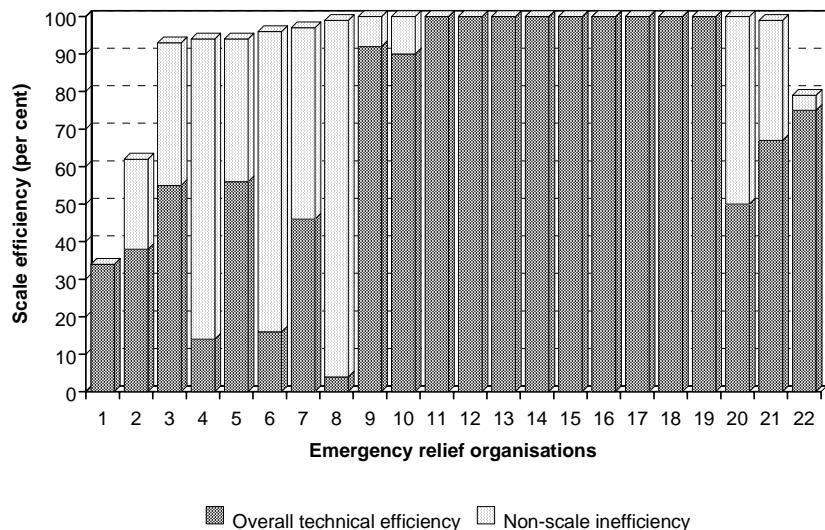
- **overall technical efficiency** which is an estimate of performance of the organisation as a service provider relative to the best identified organisations using similar mixes of inputs;
- **non-scale efficiency** which assumes that the best an organisation could achieve is the performance of the best organisations that use the same mix of inputs and are about the same size; and
- **scale efficiency** which measures the best performance possible for an organisation of the same size against the best performing organisations that are at the most efficient size.

Figures N.1, N.2 and N.3 above and on the following pages combine estimates of scale efficiency scores with overall efficiency scores for each organisation to give an indication of the variation in performance found and the scope for improvement in different organisations. For reasons of confidentiality, individual organisations are not identified.

Scale efficiency has to do with whether an organisation's scale of operation is the right size. If an organisation is too small, it will be unable to achieve the same output per unit of input as the best organisation using the same mix of inputs. Similarly, maximum overall technical efficiency is not possible if the scale of operation of an individual organisation is too large. At least, in the short term and possibly in the medium term, community social welfare organisations (CSWOs) can do little about their scale of operation, so this cause of inefficiency is not controllable. Moreover, the size of an organisation can be limited by its geographical region and by its funding base.

³ Overall technical efficiency scores (divided by one hundred) are equal to a provider's scale efficiency score (divided by one hundred) multiplied by their controllable efficiency score (divided by one hundred).

Figure N.1 Emergency relief — scale efficiency and overall technical efficiency



Note:

The dark portions of the columns indicate overall technical efficiency scores as a percentage of best performance. Data on the resource usage and output of all organisations supplying emergency relief were used to find best overall technical efficiency performance using the Data Envelopment Analysis. The measure of overall technical efficiency may be considered as a ratio of output achieved by the organisation divided by output achieved by best performers using a similar mix of inputs.

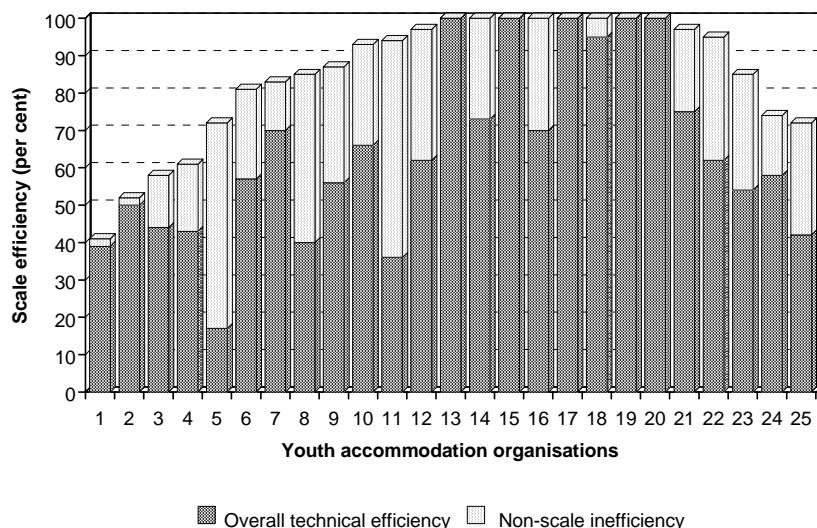
The whole column (the dark and lighter shaded portions) indicate the scale efficiency scores as a percentage of the performance possible at the optimum scale. The scores show the extent to which performance of organisations is constrained because their scale of operations (their size) is either too small or too large. It is assumed that they could achieve best performance at their scale of operation and to calculate the scale efficiency scores this potential performance is divided by the potential performance of organisations that are the right size.

The lightly shaded portion of the columns represent non-scale inefficiency. In the short to medium term it may not be possible to change the scale of operations but many other sources of efficiency ought to be under managerial control. The lighter shaded portion is the improvement possible if the organisation became fully efficient for their scale of operation.

Source: London Economics and Impact Consulting Group 1994.

In the short to medium term many other causes of inefficiency may be controllable. The non-scale efficiency scores indicate the extent to which performance can be improved without changing an organisation's size *assuming that all other causes of inefficiency can be remedied*. To the extent that this assumption is correct, these scores indicate the increase in service provision output obtainable (using the same inputs) if the organisation were to perform as

Figure N.2 Youth accommodation — scale efficiency and overall technical efficiency



Note:

The dark portions of the columns indicate overall technical efficiency scores as a percentage of best performance. Data on the resource usage and output of all organisations supplying youth accommodation were used to find best overall technical efficiency performance using the Data Envelopment Analysis. The measure of overall technical efficiency may be considered as a ratio of output achieved by the organisation divided by output achieved by best performers using a similar mix of inputs.

The whole column (the dark and lighter shaded portions) indicate the scale efficiency scores as a percentage of the performance possible at the optimum scale. The scores show the extent to which performance of organisations is constrained because their scale of operations (their size) is either too small or too large. It is assumed that they could achieve best performance at their scale of operation and to calculate the scale efficiency scores this potential performance is divided by the potential performance of organisations that are the right size.

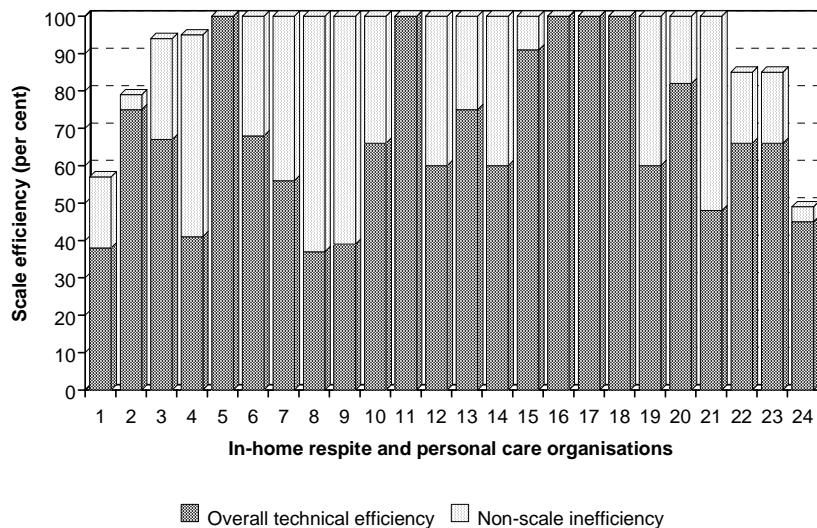
The lightly shaded portion of the columns represent non-scale inefficiency. In the short to medium term it may not be possible to change the scale of operations but many other sources of efficiency ought to be under managerial control. The lighter shaded portion is the improvement possible if the organisation became fully efficient for their scale of operation.

Source: London Economics and Impact Consulting Group 1994.

well as the best organisation of the same size (using a similar input mix) against which it is benchmarked.

Not all the inefficiency signified by ‘non-scale’ efficiency scores being less than one hundred per cent is necessarily controllable by management. Some sources of inefficiency are likely to be an unavoidable part of a particular organisation’s operating environment.

Figure N.3 In-home respite and personal care — scale efficiency and overall technical efficiency



Note:

The dark portions of the columns indicate overall technical efficiency scores as a percentage of best performance. Data on the resource usage and output of all organisations supplying in-home respite and personal care were used to find best overall technical efficiency performance using the Data Envelopment Analysis. The measure of overall technical efficiency may be considered as a ratio of output achieved by the organisation divided by output achieved by best performers using a similar mix of inputs.

The whole column (the dark and lighter shaded portions) indicate the scale efficiency scores as a percentage of the performance possible at the optimum scale. The scores show the extent to which performance of organisations is constrained because their scale of operations (their size) is either too small or too large. It is assumed that they could achieve best performance at their scale of operation and to calculate the scale efficiency scores this potential performance is divided by the potential performance of organisations that are the right size.

The lightly shaded portion of the columns represent non-scale inefficiency. In the short to medium term it may not be possible to change the scale of operations but many other sources of efficiency ought to be under managerial control. The lighter shaded portion is the improvement possible if the organisation became fully efficient for their scale of operation.

Source: London Economics and Impact Consulting Group 1994.

N.5 Data collection

As an initial part of their study, the consultants undertook a scoping exercise of the sector to find suitable service provision areas. The criteria they used to decide on the three service provision areas were:

- whether the data was more readily available and of relatively good quality;

- whether the inputs and outputs that characterise the particular service were easily definable; and
- whether the service was representative of the sector.

Problems arising from the available data

The data on which the study was based was collected through a survey of a sample of organisations and was supplemented by face-to-face interviews. The response rate was high. The survey data was screened for anomalies. Unusual responses were followed up and guidance was provided to organisations, when required, to improve the consistency of their responses.

The quality of data was important. Differences in what was being measured between organisations, and qualitative differences in inputs used and outputs produced, would have exaggerated estimates of performance variation between organisations.

Useable data was obtained on twenty-two providers of emergency relief, twenty-five providers of youth accommodation and twenty-four providers of in-home respite and personal care.

The limited number of responses obtained meant that only a limited number of input and output categories could be used. Reducing the number of input and output categories required the adding together of inputs and outputs that were as similar as possible. Errors introduced by this method tend to exaggerate estimates of performance differences.

Physical measures of inputs are preferred for the method used to estimate technical efficiency, but for many inputs these were not available, so expenditure on input categories had to be used instead. Because prices of inputs vary between organisations, variations in expenditure are not all due to variations in quantities used. This additional variation also tends to exaggerate estimates of performance variations.

The consultants took steps to identify and control for these sources of bias and for differences in each organisation's operating environment.

The consultants were also aware that there were other sources of variation not accounted for in the estimation of each organisation's efficiency. They undertook an econometric analysis to examine the extent to which estimated variation in efficiency may have been due to other factors.

Many organisations may not be of an 'optimum' size while still being of the right size relative to the demand for their services within a particular area, although some organisations may be able to benefit in terms of performance by joining with other nearby service providers.

N.6 Achievable improvements in performance

The best indicator of the scope for performance improvements was the consultants' estimates of non-scale efficiency. Again, there are likely to be some factors beyond the control of a particular organisation and reasons why an organisation may be unable to achieve the improvement their non-scale efficiency score suggests. In addition, to the extent that performance differences may have been over-estimated, there may also be unavoidable differences in an organisation's operating conditions that constrain performance.

To discover the extent to which differences in operating environments explain differences in performance (as indicated by non-scale efficiency scores), the consultants undertook further analysis. They examined the influence of a range of operating environmental factors that can be considered to be outside the control of a CSWO's management.

Factors considered in their statistical analysis were:

- socio-demographic factors — unemployment; population density; ethnicity; income level; and age distribution of population;
- client characteristics factors — gender; nature of disabilities, if any; age; and whether they were individuals or families; and
- economic and financial factors — sources of CSWO's funds; and quality of services provided.

They concluded:

Most of the efficiency is under the control of managers, and the sheer range of performance (and our statistical analysis) strongly suggest that this cannot be ascribed solely to differences in environmental conditions or quality of service. (London Economics and Impact Consulting Group 1994, p. vi)

O THE 20 ELEMENTS OF ISO 9001

The set of standards covered by the ISO 9000 series originally evolved over many years in a manufacturing environment. The language of the standards still retains much of the flavour of checking, controlling and measuring identical physical outputs.

The welfare, or indeed, any other service sector, needs the assistance of guideline documents to effect the bridge between the rather stark elements (above) of the standards and the actual outputs of the sector - human contacts, client service and levels of wellbeing. Such guideline documentation would be the link between welfare and the disciplines and management controls acquired in the field of manufacturing.

Management Responsibility. Requires that quality policy be defined, documented and communicated throughout the organisation.

Quality system. Requires a quality system that meets the criteria of the applicable ISO 9000 series standard be established and maintained (documented as a quality system manual and implemented) as a means of ensuring that the product or service conforms to requirements.

Contract review. Requires review of contracts to ensure requirements are adequately defined and to ensure the capability exists to meet the requirements.

Design control. Requires procedures for controlling and verifying product design to ensure that specified requirements are being met and to include procedures for design/development planning, design input/output, design verification and design changes.

Document and data control. Requires establishing and maintaining procedures for controlling documentation and data through approval, issue, change and modification.

Purchasing. Requires that purchased product conform to specified requirements; ensured through subcontractor assessments, clear and accurate purchasing data and verification of purchased product.

Control of Customer-Supplied Product. Requires procedures for verification, storage and maintenance of purchaser-supplied product.

Product Identification and Traceability. Requires procedures for identifying product during all stages of production, delivery and installation, and individual product or batch-unique identification as needed.

Process Control. Requires procedures to ensure that production and installation processes are carried out under controlled conditions, which include documentation, monitoring and control of suitable process and product characteristics, use of approved equipment and criteria for workmanship.

Inspection and Testing. Requires that procedures for inspection and test at receiving, in-process, and final stations be in place as documented in quality plan; must include maintenance of records and disposition of product.

Control of Inspection, Measuring and Test Equipment. Requires procedures for selection, control, calibration and maintenance of measuring and test equipment.

Inspection and Test Status. Requires that markings, stamps, or labels be affixed to product throughout production and installation to show conformance or nonconformance to tests and inspections.

Control of Nonconforming Product. Requires control of nonconforming product to ensure that it is not inadvertently used; includes identification, segregation and evaluation.

Corrective and Preventative Action. Requires procedures for investigating causes of nonconformance, taking action to rectify them and creating controls to prevent future occurrence.

Handling, Storage, Packaging, Preservation and Delivery. Requires procedures for handling, storage, packaging, preservation and delivery of product.

Control of Quality Records. Requires procedures for identification, collection, indexing, filing and storage of quality records.

Internal Quality Audits. Requires a system of internal audits to verify whether quality activities comply with requirements and to determine the effectiveness of the quality system.

Training. Requires procedures for identifying training needs and providing training for all personnel to meet those needs.

Servicing. Requires procedures for performing servicing as required by contract.

Statistical Techniques. Requires procedures for identifying the use of statistical techniques in process, product and service.

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