

**Scouts Australia – New South Wales**

Response to the  
Productivity Commission  
Contribution of the Not-for-Profit Sector

**Scouts**

**Be Prepared**

**Submitted by**

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## **Background**

Scouts is the largest youth development organisation in Australia and is a leader in the non-formal education sector. The Scouting Program prepares young people (female and male) aged 6-26 for business and community leadership. Australian Scouting is strong with around 60,000 male and female members, and in 2008 celebrated its Centenary Year. **In NSW more than 20,000 young people and adults are members of Scouts NSW, supported by some 3,000 or more volunteers. These members are represented by Scouts Australia NSW.**

Scouts delivers a wide range of programs across New South Wales (and Australia) to enhance youth development and build community. Scouts aim is to be inclusive, community minded and assist children and young people achieve their full potential in life. "Be Prepared" is the well known motto for Scouts, and sums up the essence of what Scouting aims to teach young people.

For more than 100 years we have been continually providing young Australians with a foundation for life built on a wider range of skills, understanding, knowledge and leadership ability than that normally gained through formal education systems or sporting teams. We have been providing young people and their families access to opportunities not available any where else. As a not-for-profit organisation highly dependent on community contributions of funding and volunteer labour. Scouts Australia NSW is well positioned to provide informed comment in relation to the Productivity Commission's Inquiry into the not-for-profit sector.

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## **Scouting Sections**

Scouting is programmed in age-appropriate sections, as follows;

- Joey Scouts - 6 to 7.5 years of age.
- Cub Scouts - 7.5 to 10.5 years of age.
- Scouts - 10.5 to 14.5 years of age.
- Venturer Scouts - 14.5 to 17.5 years of age.
- Rovers - 17.5 to 26 years of age.
- Adult Leaders and Support Members

This submission responds to specific items in the issues paper of 7 April 2009 from the perspective of Scouting in NSW. This submission takes the form of posing the issue raised in the paper (shown in italics), with the response following.

### **Access to human resources**

*The quantity and quality of human resources available to not for profit organisations and the way in which these are managed are important drivers of efficiency and effectiveness. Thus, a fundamental issue for this review is whether not for profit organisations face unique impediments in attracting the people they require, whether in a paid or volunteer capacity.*

*The availability and use of human resources is influenced by labour market policies or other regulations which affect the cost of using paid or volunteer employees. For example, rules surrounding public liability and special requirements for those involved in work with children or the aged may impact differentially on volunteer and paid labour.*

*With an ageing population, concerns have been raised about the future supply of the sector's paid and voluntary workforce. In particular, higher participation rates in the paid workforce may reduce the supply of volunteers, while the same trend could increase the demand for not for profit services as informal carers move to paid work. However, changes in the supply of volunteers is uncertain, as higher workforce participation rates are not necessarily associated with lower volunteering, and can enhance the skills of volunteers (PC 2008).*

*Not for profit organisations are invited to comment on their experiences with attracting both paid and volunteer workers with the appropriate level of skills. Comments are also invited on the extent to which regulations surrounding the use of paid and volunteer labour adversely affect the capabilities of not for profit organisations to undertake their activities. Where adverse effects occur, how might these be overcome?*

One particular issue faced by Scouts in NSW is in regard to the application of FBT legislation. Scouts attracts DGR status and as such benefits from not having to pay income tax and concessional FBT. However we have recently encountered difficulties in the way FBT legislation is interpreted in regards to employment. Scouting is a volunteer based organisation which relies on the volunteer efforts to perform tasks that in any other circumstances may attract remuneration. One example of this is the voluntary labour provided by caretakers at Scout campsites in exchange for the option to reside at the camp.

Unfortunately this arrangement attracts the imposition of FBT. Including accommodation benefits as assessable income for the volunteer becomes quite problematic. The motivation for the volunteer to provide caretaking services is primarily the altruism of providing a service to children and Scouting. Often those who wish to provide such services are Scouts who (for numerous reasons including age) are not in full time employment. However, the services caretakers provide to the community are 'full time', and can include being 'on call' 24 hours a day. The community benefits from full time supervision of an important asset, access to well kept camping and recreational facilities and associated public savings in security, emergency services and the like. Further, workers are engaged in worthwhile roles, and continue to be an active part of the community. Particularly in the case of older workers, significant societal benefits flow from this arrangement, specifically in relation to health and well-being.

Being assessed for taxable income as a result of providing volunteer services operates as a disincentive. Including such arrangements as assessable income can result in high effective rates of tax and the withdrawal of social security benefits on which many volunteer caretakers rely for living expenses. In reality no financial advantage has been gained by the caretaker; the proprietorship and contribution of volunteer caretakers greatly outweighs any personal benefit gained through accommodation in basic living quarters. A comparison of the high costs of

engaging commercial operators to provide the services typically contributed by caretakers versus the potential rental income generated by basic living quarters is clear evidence that the caretaker contribution is far in excess of any personal benefit. The caretaker is generally in a position of having contributed at a much greater level than the nominal benefit gained through accommodation. Arguably, living on site commits the volunteer caretaker to provide greater services due to being available and expected to act in a security keeping role 24/7. Accommodation could be seen as a necessary requirement of the caretaker role, rather than a personal benefit.

An attachment is included at the end of this submission showing an example list of duties undertaken by a camp caretaker, usually on a voluntary basis. It would facilitate continued security and care of community infrastructure such as Scout camps, if the disincentive generated by the current FBT application was removed. This could be achieved by the removal of FBT from caretaker arrangements, or alternatively, by a less didactic application of the definition of employment when considering the "benefit" received from volunteering.

Whilst Scouts appreciates the need for FBT and fulfils its obligation in relation to it, having to provide a payment summary represents a significant regulatory burden. For Scouts NSW this particular FBT issue affects just a small number of volunteer caretakers, yet consumes up to 20 hours of organisational time each time it is required. This time and these organisational resources could be better spent supporting delivery of activities for children and families. Relieving NFPs of the burden of producing payment summaries for volunteer caretaker arrangements, and not requiring the volunteer "benefit" to be assessed for FBT purposes will release significant NFP resources back to core purposes.

The issues paper also raises questions about the differential application of the FBT legislation to different types of NFPs. Public Benevolent Institutions (PBI) enjoy FBT-free privileges such as salary sacrificing that allows them to offer competitive salaries at low cost to their budgets.

To be a PBI an organisation must meet certain criteria e.g. alleviating poverty. Scouts NSW believes more NFPs should benefit from PBI status. This move would recognise that many NFPs undertake preventative work that ensures more Australian families do not fall into a poverty cycle. Scouts NSW and Guides are two organisations engaged in valuable community work supporting and developing young people, yet we are both identified by the Australian Tax Office as NOT eligible for PBI status.

Allowing NFPs engaged in preventative work to qualify for PBI status is a relatively simple measure that would ensure that more NFPs can be competitive in the labour market and attract high calibre staff, while directing the maximum possible resources to community benefit. It seems inequitable that some charities benefit from PBI status, while preventative organisations such as Scouts do not. We believe broadening the PBI qualification criteria to include organisations focussed on prevention would be wholly consistent with the government's social reform agenda. Scouts NSW believes that differential application of PBI status currently causes distortion in the market for labour for NFPs.

*Skilled staff and volunteers at management level are also important for efficient and effective organisations. Not for profit organisations are invited to share their thoughts on pre-requisites for success (including 'stand-out models' within the sector). Comments are invited on approaches taken by not for profit organisations in forming partnerships with businesses for improving access to human resources and organisational capabilities and also on any impediments experienced. How might any such impediments be resolved?*

Scouting recognises the importance of skilled staff and volunteers at management level and indeed Scouting would not be able to operate without it. Many of the skills exhibited by volunteers to the organisation have been gained through their involvement with Scouting both at a youth and adult levels. Examples of highly developed skill sets include event management, peer leadership, and financial management. Many of the skills developed through Scouting benefit in society in other areas and in particular improve the skill sets available to employers.

Many Scouting volunteers commit significant hours of time to providing outstanding opportunities for young people. Often this requires understanding and appreciation by an employer that is not always prevalent. Whilst volunteering is an individual choice, government can assist by providing education and resources to employers and employer groups. This would help employers to understand the volunteer contribution their staff may be making, and how this benefits the employer economically in both the short and long term. The current economic circumstances and falling job security make ensuring employer support for voluntary activities even more important.

In addition to greater education, Scouts NSW has long argued that employers should be incentivised to consider employee voluntary contributions as part of the employers' social responsibility. Government and regulatory support for this position would increase the number and quality of volunteers available to support NFPs. Additional consideration of tax concessions for individuals flowing from voluntary hours invested in supporting NFPs would encourage further engagement in social causes by highly skilled workers.

*Partnerships with businesses can provide access to a supply of labour generally or particular skills. They may share their resources and organisational skills to assist not for profit organisations to improve managerial capabilities. In this area too, government regulations can affect the incentives facing organisations and individuals to provide and/or use those resources.*

Scouting in NSW regularly looks outside its membership for individuals to provide their expert skills in specialist areas. This has proved and continues to be an invaluable resource for Scouting. Having a clear structure and levels of accountability based on corporate governance principles helps in this regards. Governments can assist by continuing to promote the benefits of volunteering to the community at large so that employers also recognise the benefits accruing to them and society from volunteering.

As above, Scouts NSW has long argued that employers should be incentivised to consider employee voluntary contributions as part of the employers' social responsibility. Government and regulatory support for this position would increase the number and quality of volunteers available to support NFPs. Additional consideration of tax concessions for individuals flowing from voluntary hours invested in supporting NFPs would encourage further engagement in social causes by highly skilled workers.

*Comments are invited on whether the governance and accountability regulations faced by not for profit organisations are appropriate and whether they provide sufficient flexibility to account for the diversity of scale and form of not for profit organisations. Where such regulations are deemed inappropriate or impose an unnecessary burden, how might they be improved? For example, are there significant regulatory burdens associated with not for profit organisations operating across jurisdictions? How might these be addressed?*

Scouting NSW questions the need for all-encompassing application of Australian Accounting standards in respect of NFP's, where external financial reporting requirements are fulfilled by reporting under the respective State Charitable Fundraising Acts. The need to have accounts audited as general purpose financial reports adds to administrative and audit costs but, in our experience, adds no further improvement in control and negligible information benefit to the true users of the financial reports. It would help if financial reporting and charitable fundraising reporting requirements were brought under a single regime. Scouting NSW argues that greater benefits could arise from producing special purpose financial reports that may provide better information benefits to the actual rather than assumed users of the financial reports.

*In the Commission's preliminary consultations, concerns were also raised about the need for an organisation to establish its financial and service delivery credentials by providing the same information multiple times to different government agencies (or, indeed, to the same government agency). The problem has been acknowledged by government.*

This has certainly been to the experience of Scouts Australia in NSW. Examples include having to submit labour force statistics to both ABS and State governments. Scouts recognises the importance of providing such information but with limited resources it can detract from the provision of services. This may be one benefit of a whole of government body to monitor NFP activities. Other examples of providing the same information multiple times to different government agencies include when applying for government grants through different departments and levels of government, often in different formats. Consideration should be given to utilising the simplified reporting regime being developed by the ATO for this purpose.

If a 'whole-of-government' body were to be created it is important that layers of reporting and bureaucracy in all other levels of government are removed. Such a body could add real value, increase efficiency and add value but must not duplicate work and become another body to report to.