



Submission to the Productivity Commission Review of the Not For Profit Sector

November 2009

About Vision Australia

Vision Australia Ltd (Vision Australia) is Australia's largest provider of services to people who are blind or have low vision. It has been formed over the past five years through the merger of several of Australia's oldest, most respected and experienced blindness and low vision agencies. Our vision is that people who are blind or have low vision will increasingly have the choice to participate fully in every facet of life in the community.

To help realise this goal, we are committed to providing high-quality services to the community of people who are blind or have low vision, and their families, in areas that include early childhood, orientation and mobility, employment, accessible information, recreation and independent living. We also work collaboratively with Government, business and the community to eliminate the barriers people who are blind or have low vision face in accessing the community or in exercising their rights as Australian citizens.

The knowledge and experience that Vision Australia gains through its interaction with clients and their families and also by the involvement of people who are blind or have low vision at all levels of the Organisation, means that it is well placed to provide advice to governments, business and the community on the challenges faced by people who are blind or have low vision fully participating in community life.

Also, the lived experience we have had in bringing together several blindness organisations, which were largely state-based organisations, into the Vision Australia we see today which operates nationally and delivers services to all states and territories in Australia, has given us an insight into the challenges faced by not for profit organisations walking the Federal/State/Territory legislative compliance and reporting requirements tightrope.

Vision Australia believes that it is important for us, as a disability organisation in the not for profit sector, to submit comment on the Productivity Commission's Draft Research Report into the Not For Profit sector. Our clients are profoundly affected in all aspects of their lives by what we can do as an Organisation providing direct services, and by our advocacy to Government, business and the community to build a more inclusive and accommodating society. In turn, Vision Australia, as a service provider and advocacy organisation, is also affected by relationships with various levels of government, managing multiple program and service audits, meeting multiple Federal/State/Territory funding acquittals, and managing national fundraising campaigns while attempting to comply with non-harmonised charitable collections related legislation.

Vision Australia at a Glance

Vision Australia emerged as the result of a decision of the Boards and Members of Royal Blind Society, Royal Victorian Institute for the Blind, Vision Australia Foundation, and the National Information and Library Service to bring the previously separate organisations together for the benefit of service users. In bringing the organisations together there was a deliberate and conscious decision to merge under one incorporated company rather than as a federation of separately incorporated organisations or associations.

Since the initial merger in 2004 several other blindness organisations including the Royal Blind Foundation of Queensland, Hear A Book Tasmania, and Seeing Eye Dogs Australia have merged in to Vision Australia. This has created an organisation which provides services into every State and Territory in Australia where savings made through management efficiencies can be applied to direct service delivery.

Vision Australia operates in every jurisdiction reaching out to over 41,000 clients and their families through 31 service centres (plus conducting regular clinics in 40 other locations), just under 750 full time equivalent staff, over 4,500 volunteers, and corporate partners including Myer, Microsoft, Channel 9, the Australian newspaper and Prime Television.

Vision Australia has an annual operating budget of \$80 million with 37.5% of this coming from Government, 40.9% from fundraising activity and 21.6% from product sales and investments. The 2009 Annual Report is attached as Appendix A and the 2009 Audited Financial Report is attached as Appendix B.

Comment on Report Proposals and Recommendations

Vision Australia applauds the Productivity Commission for its work in undertaking this review and for attempting to address the complex legislative and compliance framework which organisations in the not for profit sector have to manage. This is particularly the case for organisations, such as Vision Australia, which work nationally and where there are interactions with Government at all levels around service funding, compliance with standards and corporate reporting.

In general we are supportive of the recommendations and proposals set out in the report. We are of the view that, if implemented, the proposals would simplify reporting, remove some of the red tape and potential pitfalls that can confront not for profit organisations in dealing with Government. Below we have commented on relevant recommendations and proposals set out in the report.

1. Smarter regulation of the not-for-profit sector - A new national one stop shop to consolidate Commonwealth regulatory oversight.

We agree with the report's finding that the current regulatory framework is complex, lacks coherence and is costly for NFPs, especially those operating across jurisdictions. There is no consolidated location to examine regulatory matters for NFPs at the Federal level and there is no central public record data location.

We would like to see the establishment of a national Registrar to:

- consolidate Commonwealth regulation for incorporation of NFP associations and companies;
- register and endorse tax status;
- register national fundraising organisations; and
- provide a single portal for corporate and financial reporting.

Our view is that this would reduce corporate reporting compliance costs and would certainly encourage reforms such as adoption of a Standard Chart of Accounts and streamlined reporting. Its success would be dependent however on successful harmonisation of legislative aspects such as the various State and Territory legislation regulating fundraising and charitable collections.

It would also be dependent on accurate information being made accessible to the community and for complaint handling mechanisms to be simplified.

Simplifying these aspects and standardising reporting would not only eliminate red tape for NFPs but would also improve trust and confidence in the community of the not for profit sector.

2. Simplifying processes for, and improving effectiveness of tax endorsement.

Vision Australia agrees that currently there is unnecessary complexity and inconsistency in handling applications for tax concessions and that charitable purpose definitions are out of date.

We believe that, given an agreed framework, that a Registrar could endorse Commonwealth tax concession status for NFPs based on specified criteria and a statutory definition of charitable purpose. We are strongly of the view that the definition of NFP charitable purpose in the disability sector should include advocacy linked to social inclusion and eliminating discrimination as well as direct service delivery to alleviate the impact of disability.

We also believe that if State and Territory governments recognised Federal tax concession status and adopted an agreed single national application process, it would simplify the process for NFPs.

3. Improving fundraising legislation and reporting requirements

As an organisation which has to generate over 40% of our operating budget from fundraising efforts, we are certainly aware of the compliance costs and unnecessary jurisdictional differences associated with managing fundraising activity. We are also aware that in order to remain relevant, from a fundraising perspective, we need to innovate with revenue generating activities so as to attract new supporters. This includes the use of new technologies such as the internet - an area which is not currently covered or included in fundraising legislation.

While Vision Australia prides itself on the transparency of corporate reporting including annual financial reporting, it is difficult for us to compare our performance against other NFPs as there is no consistency allowing comparability with other organisations.

We support the proposed approach to register cross jurisdictional fundraising organisations. If this eliminates the need for organisations such as Vision Australia which are active in all States and Territories to apply for fundraising permits in each jurisdiction it would certainly be resource saving.

In particular we endorse the proposal to fast track the harmonisation of state and territory fundraising legislation. We also support the proposal to fast track the introduction of a Standard Chart of Accounts for reporting by NFPs and governments in all jurisdictions and extend the Standard Business Reporting Program to NFPs.

These reforms would, in our view, reduce the cost of fundraising resulting in a more efficient use of resources. They would also improve the ability of the community and funders to compare the financial performance of NFPs.

4. New legal forms to improve options for NFPs

At the time of merging the previously separate state-based organisations into Vision Australia, a decision was taken to incorporate as a public company limited by guarantee under Federal Corporations Law 2001 rather than incorporating in each jurisdiction as an Association. While we recognise that incorporating in this way might result in disproportionate reporting requirements on small NFPs we are of the view that there is a balance to be found between the cost of compliance, such as the need for additional audits, and the additional protection that incorporating in this manner can afford to directors and the community.

We would only be supportive of the proposal that the Australian Government establish a Commonwealth Associations Incorporation regime if it provides the same protection as the Corporations Act 2001 and if reporting and audit requirements could be simplified.

We are supportive of the proposal that all governments should allow easier migration from one legal form to another and between jurisdictions. While this would not affect Vision Australia today it may offer incentive to smaller state-based NFPs to consider mergers into larger national bodies.

We are also supportive of the proposal that States and Territories reform their Association legislation to reduce the reporting burden on small incorporated NFPs.

5. Building knowledge systems- Promoting national data systems on the NFP sector.

We agree with the notion put forward in the report, that there is a lack of timely and quality data on the economic and social contribution, scale and scope of the sector. Vision Australia has done significant work to provide greater insight into the social and economic impact of our services on the lives of our clients and the community. A recent study of our employment

services, which are mainly around job placement and job retention for people who are blind or have significant vision loss, showed that for every \$1 spent on the service almost \$16 could be identified as the social return on investment (SROI). We are currently studying other service areas to do a similar SROI so that in addition to providing us with useful data it can also be of value to Government and other NFPs.

Therefore, we are supportive of the proposal in the report to implement an Information Development Plan to assess the desirable frequency of satellite accounts for the sector and build databases for assessing the contribution the sector makes over time.

6. Building a better evidence base for social policy.

As a disability service provider with funding from various arms of government targeted at various services we are certainly of the view that current evaluation requirements for NFPs funded by government can be complex and provide little meaningful information for either party in evaluating the contribution of NFPs and service outcomes. Vision Australia receives funding for library services, employment services, early intervention and children's services, community and aged care services, workplace modifications and community access. While this funding constitutes around 35% of our overall funding it comes from a number of Federal and State Government Departments and a number of different program areas within those Departments. This not only makes acquittals and audits complex but it also diminishes the value Government and the sector could derive from an organised and standardised way of collecting and measuring outcomes.

Vision Australia supports the report's proposal that Australian governments endorse a common framework for measuring and evaluating the contribution of NFPs and that governments ensure that reporting and evaluation processes align with the proposed measurement framework.

We are also strongly of the view that Government should fund the reporting and evaluation it requires of NFPs and consolidate and report back to the sector the key data and evaluative information collected in a timely manner. This would support improvement of the sector and innovation around smarter ways of delivering services to affect social change.

7. Promoting dissemination of evidence on effectiveness of social programs.

Feedback from the initial study by the Productivity Commission indicates that the sector is of the view that learning is limited due to lack of quality

evaluation of activities and no systematic dissemination of evaluation information. Vision Australia identifies with this finding and we urge Government to endorse the report's proposal that the Federal Government initially funds a Centre for Community Service Effectiveness. This would provide a portal for gathering and disseminating evaluations and analysing evaluation methodologies for NFPs involved in the delivery of government funded community services.

8. Sector development - Supporting capacity to access capital.

While the relatively young Vision Australia had its foundations in several organisations which were over 100 years old, and therefore has a solid historical base and significant recognition in the community, we have not always had access to adequate funding or capital to establish new services or service outlets.

Many of our services, providing people who are blind with skill development such as Braille, orientation and mobility, adaptive technology and training, living skills, information and library services and job searching and placement are well understood by the community and therefore attract relatively good community support. Other activities such as advocacy to eliminate the barriers our clients face in accessing the community or in exercising their rights as citizens, exploring innovative technology to deliver information access or mobility information, exploring new ways of breeding and training Seeing Eye Dogs, are not well understood and therefore more difficult to "sell" to the community or to government as an activity deserving of funding. This is exacerbated by the fact that blindness is a low incidence disability and therefore difficult to "sell" on the basis that Government or the community will get an economic return. This is why we have worked recently to adopt a social return on investment model as described in point 5 above.

Vision Australia endorses the report's proposal that a joint working party made up of sector, business, philanthropic and government representatives be established to explore obstacles to NFPs raising capital. We support the notion that the working party should evaluate options to enhance access to capital by the sector, such as: supporting financial intermediaries who serve NFPs, pooled /matching funds and provision of loan guarantees (noting that these last two options may pose a financial risk to government).

9. Encourage philanthropy and giving.

Vision Australia is aware that despite growth in philanthropy over recent years, Australia's individual and corporate giving is relatively low compared

with similar countries. While we have worked to diversify our revenue streams to maintain services we still rely significantly on individual philanthropy. This includes direct donations as well as planned giving - legacies and bequests.

We are of the view that, in addition to having a credible “ask” and being an organisation which has the confidence of the community, tax deductibility does play a role in a supporter’s decision making.

We support the Report’s proposal to find options to promote and support planned giving, especially payroll giving and bequests, to lower the cost of fundraising. We agree that the options should include increasing the awareness of tax benefits, and financial assistance and advice to organisations to help them establish planned giving programs. We do not agree however with the Report’s proposal that this should only be available to “small” NFP organisations.

We do believe that it is appropriate to expand DGR status to all charitable institutions and funds endorsed by the proposed National Registrar as recommended under point 1 above.

10. Building sector capabilities in evaluation and governance.

While Vision Australia is fortunate, through deliberate planning and strong governance, we are aware that many NFPs, including some in the disability sector, lack the skills and knowledge required to meet increasing public, government and donor demands for accountability and risk management.

A strength of Vision Australia is that we have a skilled and diverse voluntary Board and experienced and professional senior management. We are supportive therefore, with the Report’s recommendation that States and territory government programs aimed at building the capacity of NFPs for service delivery or community development should include specific training and guidance on undertaking evaluations and that the Federal Government should provide financial support to promote training for board and management in governance and related areas.

11. Support for paid workforce development.

A hallmark of Vision Australia is the skill, professionalism and dedication of staff and management. We take pride in the fact that across our Organisation staff build the skills and experience they need to deliver a high quality service to people who are blind or have low vision. However, whether in direct service delivery or support areas such as marketing and

fundraising, human resources, finance or facility management, we face difficulty attracting staff with adequate skills. This is particularly problematic in a sector such as ours, given the specialist skill required to work with people who are blind or have low vision, but also because salaries are low relative to market salaries for similar work. While we strive to be as competitive as we can from a salary perspective, it is difficult to compete with organisations outside the NFP sector.

Our ability to attract and retain skilled staff is essential to us so we work hard to demonstrate that we are an attractive employer, that we care about the fundamental and professional needs of staff and that working for Vision Australia is a “good” career move. There are many aspects that assist to attract and retain skilled staff and to our ability to be competitive. These include, importantly, our ability to enhance the salary component of staff through being able to offer a tax free component available to organisations such as ours. We see this as vital to retain and we do support the Report’s proposal that Government funded services delivered through NFPs should be fully funded, based on independent costing assessments that are comprehensive in accounting for all costs including wages at market rates.

12. Volunteers.

Vision Australia, as mentioned earlier, has over 4,500 valued volunteers. These volunteers work in all areas of the Organisation including direct service delivery and corporate support.

We take a professional approach to the recruitment and management of this element of our workforce including induction, training, recognition and awards. We are, like many NFPs, experiencing a rising cost of recruiting and managing volunteers due to qualification and other requirements such as police and working with children checks.

We endorse the Report’s recommendation that mandatory vetting requirements for working with children and vulnerable people should be streamlined and police checks should be portable, for a specified period of time.

13. Stimulating social investment - Promoting social innovation.

While many of the services delivered by Vision Australia are fundamental by nature, orientation and mobility for getting around, Braille for reading and writing, living skills for independence at home and in the community, provision of accessible material for library and information services, the way in which those services are delivered and the technologies used have

evolved through innovation and research over time. A good example is that when talking books were first introduced they were on LP records, then large cartridge tape, followed by 8 track, 4 track, 2 track cassette tape and compact disk. Through Vision Australia's innovation we have now, through our i-access® service, commenced delivering information access through a range of channels and digital media.

Like many of the innovations we introduce, research and development of this service was largely funded through our own effort making it difficult to continue existing services while developing new models.

We believe there would be enormous benefit in Australian governments exploring the potential to expand existing programs such as the Cooperative Research Centres (CRC) program to support service and social innovation. We also endorse the recommendation that other options could include establishing 'social innovation funds' in key program areas to support trials and demonstration programs and that philanthropic foundations and business be invited to contribute to these innovation funds.

14. Improving the effectiveness of direct government funding - Providing clarity over funding obligations.

While Vision Australia considers that there would be significant outcome benefit to people who are blind from increased government funding, particularly for research and innovation of new approaches to services, we are generally realistic about what governments will fund. For the majority of our services that do receive funding it is certainly the case that they are not fully funded and there is often significant shortfall.

We agree with the Report's finding that there is a perception that current procurement and grant making processes do not adequately take account of the wider benefits (or spillovers) NFPs may be able to offer or the full social benefit of service outcomes.

Vision Australia supports the Report's proposal that governments should determine and explicitly state in any tender or negotiated contracts whether they intend to fully fund such service provision or only make a contribution to such costs, and, if so, the extent of that contribution.

We believe that the models of engagement underpinning service delivery should be consistent with the principle of achieving best value for money for the community (including any spillover benefits that providers generate).

15. Ensuring appropriate independence and minimal compliance burden.

Vision Australia acknowledges that it is appropriate, and desirable, that organisations funded by government grants and community generated donation, must be accountable and apply the funds to the purpose for which they are provided. Some government funding grant arrangements however, from our perspective, are overly restrictive and compliance can be burdensome. This can lead to significant constraints on our ability to experiment with new activities and approaches to service delivery.

We support the Report's recommendation that where Australian governments provide specific purpose or operational grants they should ensure that compliance requirements are proportionate to the scale of the program (in terms of the level of government funding) and risk involved and restricted to the activity funded. Also that where possible prescriptive requirements on approaches and processes be removed. We also support the notion that funded organisations should be allowed to keep any surplus generated by improvements in their efficiency.

16. Removing impediments to better value government funded services - Getting the model right.

We agree with the finding that although the purchaser-provider model is appropriate in many cases and has delivered efficiencies, there is an over-reliance on the purchaser-provider model and it is being applied in situations where other models of engagement would be more appropriate.

We would like to see Governments better match the approach to engagement with organisations such as Vision Australia especially in the delivery of disability services. This would include greater use of collaborative models and, where appropriate, client directed funding models.

This could deliver empowerment to consumers through direct funding where appropriate.

17. Improving purchaser-provider processes.

Vision Australia agrees with the Report's finding that in some cases the purchaser-provider model is being poorly applied thereby eroding the 'natural' advantages of NFPs in delivering services. These include:

- poor consultation with the sector;
- excessively short-term contracts given the nature of the problems being addressed;

- tendering, contractual and reporting requirements that impose significant compliance costs; and
- overly prescriptive contracts resulting in micromanagement.

We endorse the recommendation that governments should continue to work to improve the quality of their engagement processes with the NFP sector. Also that governments should adopt a flexible approach to the lead agency model, assessing its relative merits on a case-by-case basis and ensure that the length of service agreements reflect the period required to achieve agreed outcomes.

18. Improving management and appropriate sharing of risk.

Vision Australia takes its obligations around risk management seriously however, we are of the view that some contract clauses, sometimes found in grant agreements, that shift risk to NFPs may reduce government's incentive to manage the implications of policy change on NFPs.

Therefore we support the recommendation that an explicit risk management framework should be prepared by government agencies as part of the contracting process in collaboration with the service providers to determine the nature of risk, who should bear such risks and the costs associated with managing and bearing risks.

19. Building stronger, more effective relationships for the future.

While Vision Australia has strong and positive relationships with governments at all levels, we believe that a sector/government compact could set out a framework for future engagement and collaboration. We believe that effective working relationships also need and can be enhanced by supportive mechanisms.

In our view the Report's finding that a number of reviews have recommended appropriate change but that few have been adopted, in part due to a lack of a policy driver in the Australian government is valid.

Vision Australia is strongly supportive of the NFP sector view that any compacts entered into with governments and the sector need robust mechanisms for implementation, monitoring and evaluation. We would like to see the Federal Government establish an Office for NFP Sector Engagement within the Prime Minister and Cabinet portfolio to:

- drive the reform agenda;

- oversee the implementation of the proposed Commonwealth Compact; and
- drive a review of government contracting with the NFP sector.

Conclusion

Vision Australia believes that it is timely to reform the legislative framework within which the NFP sector in Australia operates. To harmonise the plethora of Federal/State/Territory legislation and regulation governing fundraising, to simplify incorporation, reporting and compliance , and to establish a national framework and office to oversee the sector, in our view, would benefit Government, Business and the community.

The proposals and recommendations as set out in the Report are generally positive and we believe that if implemented, in line with our comments above, the NFP sector will operate more efficiently and there will be more confidence in the sector by the community.

Vision Australia is willing to work with the Productivity Commission, and governments, in whatever way we can to build the capacity of the sector. We are also keen to demonstrate to governments, business and the community, that given the “right” governance, operational framework and resource support from governments, that disability service organisations such as Vision Australia can make a strong contribution to social and economic development of Australian society.

Vision Australia contact:

MICHAEL SIMPSON
General Manager
Policy and Advocacy

02 9334 3284

1300 847 466

Michael.simpson@visionaustralia.org

Attachments:

Appendix A: 2008-09 Annual Report

Appendix B: 2008-09 Financial Report