

CONNECTING UP AUSTRALIA

RESPONSE TO DRAFT REPORT OF THE PRODUCTIVITY COMMISSION ON THE CONTRIBUTION OF THE NOT-FOR-PROFIT SECTOR

Introduction

Connecting Up Australia commends the Productivity Commission for the breadth of scope of its report and the valuable information it has collated, although we believe there are some unfortunate omissions of crucial importance, which we will outline below. Those omissions are mainly in the area of capacity development strategies for the sector, especially in the area of technology capacity development. This is an area of particular interest to our organisation and one which was barely mentioned in the Draft Report.

Australian non-profit associations, charities and social enterprises continue to lag in the adoption of information and communications technologies. This has led to a substantial sector of the Australian society and economy failing to benefit from the productivity growth afforded by ICT.

Australian society needs a strong and efficient non-profit sector. Investing in sector-wide improvements in ICT capacity will result in a not-for-profit community better able to respond to the service delivery and accountability challenges required by the Federal and state government as it seeks to maximise the value of investing limited resources in key social and economic programs.

A strategy to improve the technology capacity of Australia's not-for-profits should be underpinned by three primary goals:

- Encouraging non-profits to take responsibility for a strategic approach to ICT capacity development within their own organisation.
- Developing major strategic investment by corporate and philanthropic organisations and Federal and state governments, and the sector itself, to support ICT capacity.
- Linking the non-profit sector into policy debates about the potential of technology to impact Australia's social, environmental and economic development.

This could be achieved through:

- Building an ongoing and active network of third sector organisations with an interest in ICT capacity development
- Mapping of existing and required ICT needs and support required by non-profits in urban and regional Australia
- Developing system of endorsement of suppliers of ICT services to non-profits.
- Establishing an executive briefing centre to upgrade the strategic ICT planning skills of boards and senior management
- Researching the measurable impact of improved ICT capacity on non-profit service delivery and community outcomes.
- Preparing a plan for a long-term investment fund for non-profit ICT capacity development and the mechanisms for its development and management.
- Implementation and development of projects to support non-profits such as ICT health checks/assessment programs, Circuit riders, ICT volunteering, ICT training and development.

The technology trends we see as important for not-for-profits are:

1. Software As a Service (SaaS) and cloud computing, where applications sit on someone else's server rather than in your office, will become increasingly prevalent. This will bring with it dilemmas of trust and privacy protection that will challenge the very foundations of what we understand to be the internet and ownership of data.
2. Online fundraising and campaigning will continue to grow in importance.
3. Not-for-profits need to become skilled purveyors of social web technologies and to employ/upskill accordingly.
4. Organisations can no longer rely on the support of passive lists of supporters and donors. They will need to create and nurture a genuine community of supporters, which will open them up to being 'steered' in directions they may never have imagined and which may be disruptive to their thinking.
5. They will need to build alliances with like-minded nonprofits and with business, rather than looking to governments for support.
6. The Boards and staff will need to broaden their vision of the possible and become far more entrepreneurial in their activities. Simply having a good cause will be far from enough.
7. They need to find ways to be constantly noticed and quoted in decision making circles and challenge the status quo.
8. They need to get a whole lot better at assessing ROI, especially when it comes to measuring actual behavioural change from their interventions and providing tangible evidence of their value.

General Comments on the Draft Report

We do not propose to comment on all aspects of the report but have chosen to highlight some specific topics and recommendations.

Consolidating Commonwealth regulation and improving transparency

Recommendation 6.4 The Australian Government should establish a one-stop shop for Commonwealth regulation by consolidating various regulatory functions into a new national Registrar for Community and Charitable Purpose Organisations with the following key functions to promote confidence in the not-for-profit sector:

register and regulate Commonwealth incorporated associations, companies limited by guarantee and Indigenous corporations

register and endorse not-for-profits for commonwealth tax concession status

registration of cross-jurisdictional fundraising by not-for-profit organisations

a single reporting portal for public record corporate and financial information, proportionate to the size and scope of functions of not-for-profit organisations

provision of appropriate governance education

complaints handling

The Commission seeks comments on:

whether the proposed national Registrar be a separate agency under the *Financial Management and Accountability Act 1997*,

Comment: Yes

or whether it should be an additional function and separate division of the Australian Securities and Investments Commission

Comment: No

the appropriate reporting thresholds and requirements under the Registrar's proposed functions.

Comment: All not-for-profit entities either raising funds from the public and/or receiving public funds via any level of government should be obliged to register and report.

whether the Office of the Registrar for Indigenous corporations should be transferred to the new regulatory organisation.

Comment: Yes

General Comment: As we stated in our original submission, we believe that nothing less is required than a 'root and branch' comprehensive plan to develop the overall capacity of the Australian nonprofit sector. A worthwhile model for this approach can be found in the Change Up program in the UK, where the government made major investments in 6 major hubs: Governance, Finance, Information and Communications Technology (ICT), Performance, Volunteering, and Workforce.

This work has now transferred to an independent authority, Capacity Builders, whose role is to:

"invest in support organisations (sometimes called infrastructure or second tier organisations). Our focus on 'support services' encompasses a huge range of activity and organisations within the third sector and beyond, which take a role in:

- providing advice, training and development for third sector organisations
- promoting communication and collaboration across the sector
- garnering third sector action where clear gaps exist
- ensuring the views and experience of the sector can influence policy and partnership working."

Ref: Capacity Builders website <http://www.capacitybuilders.org.uk/> – What We Do

7.2 Subject to considerations of affordability, the Australian Government should widen the scope for gift deductibility to include all charitable institutions and charitable funds as endorsed by the proposed national Registrar.

Gift deductibility should continue to be available to other eligible categories which fall outside this scope, such as cultural and environmental organisations endorsed by the proposed national Registrar and entities that are specifically named in the Income Tax Assessment Act 1997 or its Regulations.

The Commission seeks comments on whether the range of not-for-profits requiring formal endorsement for Commonwealth tax concessions (as distinct from self assessment) should be expanded.

Comment: Strongly agree and we believe that the processes for achieving the relevant status should be codified and formalised. As we stated in our original submission, we categorically reject the self-interested, exclusivist attitude of organisations such as ACOSS and its membership in this matter. Like some 70% of the Australian nonprofit sector, the only taxation concession available to us is our Income Tax Exempt (ITE) status, largely because we do not deliver traditional social services directly to the public. In the UK and the US taxation systems, we and many others like us would have access to tax deductibility for potential donors and there has been little or no resistance from their Governments to this notion.

Like many similar organisations, the lack of Deductible Gift Recipient (DGR) status severely hampers our ability to attract corporate and foundation funding. In the case of foundations and trust funds they are legally obliged to only provide funds to tax deductible organisations. This essentially locks up these funds for the use of the privileged 30% who have this status and who usually have emotionally appealing causes to supplement their fund-raising as well. We applaud the Commission's visionary stance on this matter.

Supporting sector development

9.3 Australian governments should explore options to expand the business support programs they provide for small and medium sized enterprises to not-for-profits engaging in social enterprise activities. Programs that may be suitable include the Australian Government's Business Enterprise Centre, state and territory governments' small to medium enterprise business assistance programs, and local governments' business incubators or infrastructure hubs.

Comment: While we strongly support the need for management support programs for the not-for-profit sector, we disagree that these should be operated by BEC's and other business incubators, except perhaps in the case of social enterprises. There are significant differences of culture, focus and purpose between running a business and managing a not-for-profit and this would not be a good fit. In addition, it is highly likely that unless such centres were given sufficient additional and specifically targeted and accountable funds, not-for-profits would soon get 'lost in the mix' of business-focused priorities.

Building governance capabilities

10.4 Australian governments should provide support to develop and promote training for not-for-profit management and boards in governance and related areas. They should explore the options for improving access to and quality of such training in these areas with peak bodies and appropriate training providers.

Comment: Strongly agree. However, funding would need to be provided to relevant training providers to allow this to occur. In this context, serious consideration should be given to developing nationally recognised qualifications in not-for-profit management and governance.

Supporting effective relationships and driving change

13.2 The Australian Government should establish an Office for Not-For-Profit Sector Engagement within the Prime Minister's portfolio, for an initial term of five years. The Office would support the Australian Government in its efforts to:
 implement sector regulatory and other reform and the implementation of the

Government's proposed compact with the not-for-profit sector

promote the development and implementation of the proposed Information Development Plan

initially fund and oversee the establishment of the proposed Centre for Community Service Effectiveness

implement the proposed contracting reforms in government-funded services

act as a catalyst for the promotion and funding by government agencies of social innovation programs

facilitate stronger community and business collaboration.

The Office should, through the relevant Minister, report publicly on an annual basis on its achievements.

Comment: Strongly agree. Once again, the development of this idea would benefit greatly from close study of the Capacity Builders model in the UK (see above).