

**CONTRIBUTION OF THE NOT-FOR-PROFIT SECTOR**  
**PRODUCTIVITY COMMISSION REPORT November 2009**  
**ST VINCENT DE PAUL (NSW) SOCIETY RESPONSE**

<b>Where comments are sought: Recommendation number / page number</b>	<b>Heading</b>	<b>Response</b>
Rec 6.1	Smarter regulation of the NFP	<p>The creation of a purpose based NFP registration process and reporting regime is supported based on a \$10m national minimum income threshold for federal registration; below \$10m for state registration and regulation. It would be essential that all state requirements for entities below \$10m were treated as the minimum standard for all NFPs. Smarter legislation design and consistency through a single agency (state or federal) would benefit all, both financially and operationally.</p> <ul style="list-style-type: none"> <li>• Many larger NFPs may have smaller independent subsidiaries. Suggested consolidated income thresholds are: STATE BASED NFPs: maximum of \$10m regulated at the state level; MULTI STATE / FEDERAL NFPs: with income above \$10m should be regulated at the national level, with uniform reporting / governance / compliance, as per federal requirements. Criteria for national identification can include: brand name, trading name, etc..</li> <li>• Income threshold of \$10m is a practical way of distinguishing large (national) from small (state) NFPs. This frees small state based NFPs from ASIC (or equivalent) compliance burdens. Variations to the threshold could be based on breaks of \$2m. Migration is then based on entity size and is consistent up to \$10m.</li> <li>• There should be some restrictions on moving from one form to another. Having moved once, tighter justification should be applied for any subsequent moves. It is costly for the organisation and ensures that organisations are moving for the right reasons.</li> </ul>
6.2	Harmonised fundraising	SVPDPSW supports national legislation for fundraising regulation, with suggestions (below) on how it might work.
Page 6.11	Confusing advice and self-help	Although the ease of migration from one legal form which may no longer be appropriate to another legal form will probably not result in 'forum shopping', it is still worth putting in place a reporting regime which would keep track of NFPs which may make such a move. Any NFP moving from one to another could be made to report to both jurisdictions/regulators for a transitional period.
Pages 6.32-6.33	National legislation	SVPDPSW agrees with the objective to have NFPs provide consistent reporting and that there are benefits in clearly defining accounting terms. However, there is uncertainty as to how a Standard Chart of Accounts would work, as NFPs are such a diverse group in terms of

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		objectives across all sectors of activity. Providing standard accounting headings with definitions would be a way forward. Another development which would support this would be an accreditation of NFPs, for funding purposes. When funding applications are lodged through the new portal, an accreditation rating would reduce the steps/repetitions which NGOs must go through. This would support a 'report once, use often' way to do business.
Rec 6.4	Consolidating Commonwealth regulation and improving transparency	<p>SVPDPSW supports the opportunities that having a one stop shop for Commonwealth regulation would present. The new regulator should:</p> <ul style="list-style-type: none"> <li>• Include the Office of the Registrar for Indigenous Corporations and</li> <li>• Be a separate division of ASIC.</li> <li>• Registers can be national or state based, depending on 6.1 (above), as long as an umbrella approach to minimum standards covers state and national reporting. Varying levels of in-depth reporting should be applied with an overall consistent direction but with varying layers of detail required dependent on scale. ASIC reporting should be for above \$10m. Uniform state based accounting requirements should be applied within the ASIC context or philosophy. Consideration could be given for those operating below \$10m to be on a cash basis, with transactions recorded on bank statements. This would reduce accounting costs and simplify processing. Cash is usually more important to an NFP than profit calculated on an accrual basis. Financial auditing standards should be less onerous.</li> <li>• Any new regulatory regime should ensure that operations fall into line with all others. Government funding may be required to assist in applying appropriate commercial support at all levels.</li> <li>• The proposed national registrar would be better as a separate division of ASIC to avoid additional costs in setting up a new agency and ensure consistency in regulation. As a separate division, it should function considering the specific requirements or issues required by the NFP sector.</li> <li>• Responsibilities of the Board should be very clear as already defined under ASIC.</li> <li>• In the interest of transparency and accountability appropriate to size and resources, all NFPs should report on the basis of scale: <ul style="list-style-type: none"> <li>○ Large: general purpose accounts / audited;</li> <li>○ Medium: specific purpose accounts / audited; and</li> <li>○ Small: standard basic accounts / signed off by an accountant.</li> </ul> </li> </ul>
Rec 7.2	Simplify processes for and	All NFPs need ATO endorsement. Current application to the ATO is not onerous, if the entity

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	improving effectiveness of tax endorsement	objectives are clear. The distinction between Public Benevolent Institutions and other forms of NFP operations need to be clear and it may be a differentiation which the ATO could examine more closely.
Rec 7.4	Improving the environment to support sector access to funding	<ul style="list-style-type: none"> <li>• The setting up of a working party is appropriate as it appears that it is currently necessary for government to provide seed funding to NFP lenders (of any type of intermediaries) that they see fit to engage. Equally, NFPs need to be able to access assistance to prepare business plans that are based on appropriate levels of funding, and also access professional support through monitoring of progress.</li> <li>• The established modus operandi in the UK could be introduced in Australia.</li> </ul>
Page 8.13		NFPs should not be advantaged in the awarding of government contracts over other commercial operations. It is far better to maintain income streams by awarding tax concessions to donors and NFPs.
Part 10	The NFP workforce	Currently there is much NFP expertise overseas. Yet the skills identified by the Department of Immigration and Citizenship on the Skilled Occupational List and the Employer Nomination Scheme Occupational List do not include NFP specific skills, like fundraising.
Page 10.9	The NFP workforce	Rather than playing a greater role in facilitating insurance, government could be playing a greater role in funding the ongoing training of volunteers, which is a consideration in relation to insurance. In order to have best practice safety procedures, the cost of the ancillary conditions surrounding insurance should not be prohibitive.
Page 10.20	Portable long-service leave scheme for community services	<p>A portable long service leave scheme would seem to be a recruitment and retention tool for the sector. However, the cost to the employer is a deterrent. The nature of the sector's funding structure means that the sector is managing ever decreasing margins, while managing ever increasing costs of staff and the delivery of compliant and quality services. Leave provisions, including accrued long service leave, must be closely monitored and managed as a cost factor by employers. It is this cost, plus the cost of setting up such a scheme, which would be a burden which many employers in the sector could not viably carry and retain. Therefore this is proposal not supported.</p> <p>Labour mobility is indeed a feature of the sector. However, the complex reasons for this are more suitably covered in the section related to career paths, staff turnover and access to</p>

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		training and development (pages 10.19, 10.20, 10.21).
Page 11.4	Direct Government Funding	<p>It is entirely appropriate that the provision of direct government funding requires accountability. However, many of the reporting processes are onerous, resulting in excessive administrative expenditure and information gaps. The proposed net benefit test for funding proposals will address this. The aim to imbue evaluation processes with macro sector-wide analysis will benefit NFPs seeking to build a broader evidence base for the value of their contribution to complex, longitudinal social issues. The proposed input/output scheme would consolidate information across the sector without losing the uniqueness of the various NFP programs.</p> <p>The proposed net benefit test must be based on agreed definitions of all measures, from quantitative input data through to qualitative outputs. Therefore, social and health measures, such as social capital, community development, liveability and wellbeing need to be clearly defined and integrated (while remaining rational and transparent) into the net benefit test.</p> <p>Using the common data that is already collected by some agencies, a proposed Federal Office for the Not for Profit Community Services Sector might engage stakeholders in strategic planning and information sharing for the sector by:</p> <ul style="list-style-type: none"> <li>• Providing a summary of commonly collected data back to the sector through an agreed channel;</li> <li>• Implementing a representative style of strategic planning, involving stakeholders from the state agencies and NFPs to inform the process; and</li> <li>• Producing a Future Plan, with projected funding for 3 years which might form the basis of state planning.</li> </ul> <p>The costs and benefits of social programs flow beyond the parameters of an organization and beyond the parameters of a discrete program. The proposed net benefit test could be developed so that NFPs can better capture and provide more pertinent information for government agencies to make better funding decisions.</p> <p>The SVDPNNSW supports the Report's push towards finding an innovative and commonly shared way to describe and categorise costs (full, partial and shared) and (tangible and intangible) benefits (within or across services, agencies and providers). This will enable benchmarking of costs and benefits of services and programs. This, in turn, will better inform</p>

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		funding decisions.
Page 11.5	Value of improved certainty about funding	The efficient and effective delivery of essential human services by SVDPNSW needs to be sustained across cycles (economic, election, public opinion, emergency). Therefore, improved certainty (predictability) about funding would be a great benefit for the organisation and its many clients. Government would benefit from using a simple reporting mechanism so that NFPs delivering such services can indicate areas of greater social need without further burdening their front line service professionals and volunteers, who are already working to full capacity, with onerous reporting details.
Page 11.7	Performance reporting	A standard federal framework for application for and reporting against funding would greatly reduce the burden of NFPs. Determining what is good practice should be done collaboratively by the sector. This could be done by releasing a draft framework using currently recognised good practice, seeking comments. Then what the sector itself identifies as good practice would be the benchmark required by funding agencies.
Page 11.26	Lessons for funding models	There is much to be learned from the evolution of aged care both from a perspective of a positive way forward and in identifying improvements. The opportunities for NFPs in the operation of shared funding models exist in: <ul style="list-style-type: none"> <li>• The standard framework which would need to be adopted and therefore would be able to be the subject of joint understanding by the sector;</li> <li>• Potential for predictability of cash flow and improved financial management;</li> <li>• Potential for engaging the sector in creation, implementation and periodic review of the model;</li> <li>• The sector developing standard electronic systems of reporting and acquitting funds;</li> <li>• The sector developing an e-business interface with funding bodies which might then become a mechanism for data transfer on a broader scale.</li> </ul>
Rec 12.7	Streamlining tendering, contracting and reporting requirements	This Recommendation is supported, as it would minimise duplication and ensure that correct information of NFPs is maintained. However, the following points should be considered: <ul style="list-style-type: none"> <li>• Central authority and regulation of data could be facilitated via an online portal and registration process;</li> <li>• Each NFP could be given a nationally recognised status which could include categories and items such as the current PBI/DGR system;</li> </ul>

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		<ul style="list-style-type: none"> <li>• The above points would address the recommendation of pre-qualifying levels of service providers; and</li> <li>• Master agreements should have schedules, which would provide individual program details, funding amounts and funding periods, of relevant sections/departments of the NFP.</li> </ul>
Page 12.56	Adopting a common set of core principles for service contracts	As recommended in 6.1 (above), state based / small NFPs should have a single agency / clear fit in the state-wide sector as well as a single line / agency clear fit federally. Adopting a common set of core principles for service contracts is supported, as there is the assumption that there would be common principles of respect and trust.
Page 12.56	Joining up funding streams	There would be no benefit to NFPs in joining up funding streams, as each funding stream needs to have clearly identified goals and outcomes.
Rec 13.2	Drivers of Change	<p>Leadership and collaboration are both essential elements for the Australian government to design and implement reform for the NFP Community Services sector. Therefore, draft recommendation 13.2 is supported with the additional functions of the Office for Not For Profit Sector to include:</p> <ul style="list-style-type: none"> <li>• Establishing a collaborative policy formation working group at the federal level, consisting of government and NFP representation, and</li> <li>• Through this working group, ensuring that state and federal policies already in existence and those which are newly formed, serve the best interests of the clients and become standard where possible.</li> </ul> <p>A Commissioner with delegated authority to approve policy is recommended to head up the Office for the Not For Profit Sector.</p>
Page 13.25	Joint ventures and partnerships between NFPs, business and government	Clearer articulations of partner capacities, roles and responsibilities would enable greater consolidations of aims and improve reporting against objectives and achieving outcomes. Government could broker and register partnership agreements between NFPs and other public/private organisations. Such agreements should specify common aims, objectives and outcomes. This would inform net benefit testing (refer to Society's response to 11.4). It would also identify gaps, duplication and opportunities for new or improved collaborations.
Page 13.28	A formal mechanism for ongoing dialogue between business and the sector?	A formal mechanism for consistent and ongoing dialogue between business and the NFP sector should be supportive, not burdensome. Much current dialogue is unstructured, informal and articulates diverse meanings of corporate social responsibility (CSR). A formal

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		<p>mechanism could be instrumental in raising awareness of CSR principles. This would educate NFPs and business of CSR and would lead to all parties 'speaking the same language', sharing in and growing the discourse of CSR.</p>
<p>Page 13.34</p>	<p>Leadership and policy coordination</p>	<p>This is covered in comments on Recommendation 13.2.          Whatever sector wide policies are developed by government, they must be developed and governed in close collaboration and consultation with NFPs. This will ensure that the wider social net benefits, which are presently difficult to capture and quantify, can be captured and included in the whole mix of efficiencies required by all parties in:</p> <ul style="list-style-type: none"> <li>• funding (granting and applying);</li> <li>• reporting (NFPs to government funders, then funders to Treasury);</li> <li>• service delivery (high quality, sustainable, integrated, flexible); and</li> <li>• wider social benefit (clients, communities, business, demand on services).</li> </ul>