



SUBMISSION IN RESPONSE TO THE OF PRODUCTIVITY COMMISSION DRAFT RESEARCH REPORT –CONTRIBUTION OF THE NOT-FOR-PROFIT SECTOR (October 2009). Submitted by email : nfp@pc.gov.au

Introduction: The Graham F Smith Peace Trust became aware of the Productivity Commission Draft Research Report by reading Christian Kerr's article in "The Australian". We are pleased to have the opportunity to provide input into the research study on the contribution of the not-for-profit sector.

The Peace Trust commends the Draft Research Report. It is a timely and valuable contribution to the understanding of the role and contribution of the NFP sector.

The final report will be an useful handbook for NFP organisations as it will bring together a great deal of important and helpful information about the NFP sector in one location.

The draft report and its considered recommendations are in the main focused on NFP organisations, which have financial arrangements with government. This is understandable because organisations using public monies must be accountable for the way in which the monies are used and the subsequent outcomes. Furthermore the terms of reference are directed in this direction. However there are a large number of organisations that do not depend on government funding but contribute economically, culturally and socially. It is evident that these organisations are, to a large extent, **not** represented in the submissions received by the research study. It would be unfortunate if the study did not take this opportunity to also concentrate on these organisations and their needs. The Peace Trust is a case in point.

The Graham F Smith Peace Trust: The Peace Trust is a grassroots, non-profit, incorporated organisation in SA, which is independent of government funding. It was established in 1989 to work for peace through the arts. Key words that identify the work of the Trust are peace, education, human rights, environmental sustainability, artists and community.

The Peace Trust undertakes projects in the fields of performing and visual arts that relate to human rights and environmental sustainability. All projects must include an educational component. The Peace Trust provides grants annually to artists for arts projects, which supports its aims. The Peace Trust also has the potential to commission projects e.g. Kurna Reconciliation Sculptures and the Walking Trail Booklet. (See www.artspeacetrust.org for details.) The work of the Trust is carried out by volunteers. Income is derived from membership, donations and fundraising events, which are the Trust's main source of income. The ATO has granted the Peace Trust tax exempt status.

Peace Trust – Future Activities; Capacity Building is a ‘work in progress’ which will be finalised at our annual strategic planning day in January 2010. It is provided for the information and use of the research study on a confidential basis.

In achieving the educational, cultural and social aims of the Peace Trust contributes to the community and artists gain financially. It is not always possible to measure educational, cultural and social outcomes e.g. our ongoing work on aboriginal reconciliation through the Kaurua walk for the last 7 years.

Comments in response to recommendations etc:

Table 5.1 ‘Populating’ the measurement framework: macro data

These indicators are not intended to be definitive and the Commission would appreciate comments on the worth of these or other indicators, which could be utilized in the measurement framework.

Indicators listed could be useful but they need further clarification and a generic approach be taken if it is to be used for all NFP organisations. The purposes need to be connected to the aims of the organisation. In the ‘Community endowments’ section we would like to see physical outcomes such as artwork and documents included under ‘Outcome’.

Draft Recommendation 6.1

The Commission seeks comment on whether state/territory based incorporation of associations should be restricted to not-for-profits with income less than \$150,000 per annum.

We believe the limit of \$150,000 for State only registration is appropriate as it is in agreement with the GST reporting limit for not-for-profit organisations.

Draft recommendation 6.2

Promote confidence in the not-for-profit sector and reduce regulatory burden

We agree that ‘reducing unnecessary compliance burdens’ is a very positive step where ever it is found to be excessive. At present the Peace Trust is accountable to its members and supporters through the annual general meeting of members and trustees. As is the usual practice at these meetings reports including the audited financial report are presented for scrutiny and acceptance. We would not want to see this form of accountability expanded in anyway. We hope that ‘Ensure that the Standard Business Reporting initiative be expanded to include reporting requirements by not-for-profits’ refers to NFP organisations that have financial arrangements with government.

Draft recommendation 7.2

Scope for gift deductibility

Whether the range of not-for-profits requiring formal endorsement for Commonwealth tax concessions (as distinct from self assessment) should be expanded.

We agree that the Government should consider widening the scope for gift deductibility to include all charitable institutions and charitable funds as endorsed by the proposed national Registrar.

This is an issue of great concern to the Peace Trust. In its 20 years of operation we applied twice, with legal help, for DGR status and on each occasion we were deemed

ineligible. This year the Peace Trust achieved tax deductibility by contributing to The Community Foundation of SA. This is a public charitable trust managed by the Public Trustee. Payments to the foundation are tax deductible. This has already helped us to boost donations. The problem with this process is that the Trust cannot have access to its funds directly. The Community Foundation of SA will only pay funds to an organisation, which has DGR status. This puts extra pressure on the Treasurer re writing of receipts, handling the associated paperwork and linking up with a DGR organization willing to work in with the Peace Trust. Although we are pleased to have this avenue of receiving tax deductible donations we will continue to endeavor to seek DGR status in our own right. The Peace Trust can no longer rely on the support of long-time grassroots supporters and donors. It is essential that we attract substantial investments and grants from business and foundations and improve online fundraising especially as we wish to improve/build the operational capacity of the Peace Trust. DGR status will enable us to attract investments, grants and donations which are so urgently needed.

Given the valuable work done by the NFP sector it is essential that the reach of gift deductibility is expanded. This support by the government is minimal but it will increase the not-for-profit sector's efficiency and effectiveness immensely.

Draft Recommendation 10.4

Building governance capabilities 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.

The Peace Trust is supportive of such initiatives and hopes that small to medium NFP organisations not connected to the government financially will be included on the basis that payment for such services are done on an 'ability to pay' basis. The Peace Trust is a member of the **Our Community** but the cost of programs and the location of programs make it impossible for Board and Management Committee to participate. Week day programs are also inappropriate as Board and Management members work. May be we should have 'special' leave for such situations. This is just another difficulty faced by NFP organisations served by volunteers.

In exploring options it is essential that the work undertaken by treasurers is given a high priority. The work of the treasurer is becoming more and more complex and time consuming and the understanding of financial matters is becoming more demanding. NFP organisations are finding it more and more difficult to get informed volunteers for this position.

As online fundraising and campaigning grows and social website technologies become significant it is essential that treasurers/volunteers are given the skills to be effective workers.

Draft Recommendation 13.2

Supporting effective relationships and driving change

The Peace Trust agrees that **the Government should establish an Office for NFP Sector Engagement within the Prime Minister's portfolio, with its role to include implementing sector regulatory and other reform, and overseeing the establishment of the proposed Centre for Community Service Effectiveness.** Once again the Peace Trust hopes small and medium organisations without financial arrangements with government will not be excluded from involvement with the Office of Engagement. It is essential that these organisations would appreciate having the opportunity of developing *'stronger community and business collaboration.'*

Additional Comments:

- (1) In accordance with the terms of reference which asked the Commission to “adopt in its consideration a broad definition of the NFP sector to encompass most categories of NFP organizations” it would be valuable to have included in the research report a section devoted on NFP organisations which do not have financial arrangements with government. This will acknowledge the important role these organisations play in society. It is also important to recognise that their contribution cannot be wholly measured in economic terms.
- (2) Chapters 4 and 10 include sections on volunteers. It is important to acknowledge the major contributions made by volunteers to achieve various outcomes for NFP organisations. These outcomes, in many situations, are achieved through the exclusive use of volunteers. Therefore the inclusion of additional recommendations which acknowledge the work of long-term volunteers by giving them some form of tax incentive or at least a certificate of recognition which could be organised through the **Office for Not-For-Profit Sector Engagement (Draft Recommendation 13.2)** if/when established, may need consideration.
- (3) Consideration should be given to include amongst the suggested support strategies for the NFP sector a recommendation for the Commonwealth government to set up an inexpensive public liability insurance scheme for small voluntary NFP organisations. This would be of benefit to the community.