

More than charity

Victoria's community
sector charities

JULY 2016



ABOUT VCOSS

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to and a fair share of the community's resources and services, through advocating for the development of a sustainable, fair and equitable society. VCOSS members reflect a wide diversity, with members ranging from large charities, sector peak organisations, small community services, advocacy groups and individuals involved in social policy debates.

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VCOSS acknowledges the traditional owners of country and pays its respects to Elders past and present.

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EXECUTIVE SUMMARY

Victoria's community sector charities work to support and connect people, strengthen communities and advocate for a fair and just society. More than charity, they also make a significant economic contribution to the state, forming an \$11 billion industry that employs more than 135,000 people. In regional centres, community sector charities often act as the key employer. These findings turn on its head any perception that the community sector is a cost to society. Rather it is a key asset.

The sector is made up of a vast range of organisations, both in terms of their size, and the services they provide. They also generate income from a wide range of sources. These organisations face a myriad of reporting requirements, which in many cases are becoming ever more complex, time-consuming and costly.

This report details the economic contribution of Victoria's community sector charities, analysing the data these organisations have provided to the Australian Charities and Not-for-profit Commission (ACNC) in 2014 Annual Information Statements. It also details the reporting burden being borne by organisations. In the future many of these reporting obligation issues could be addressed through state and Commonwealth governments working together with the community sector to streamline reporting and accountability mechanisms.

Key findings

- Victoria's community sector charities form an \$11 billion industry.
- Victoria's community sector charities draw on a diverse range of funding sources, with just over half their income (54%) derived from sources other than government funding, including donations, bequests and other revenue generation activities.
- Just over half (52%) of Victoria's community sector charities receive income from government grants and the vast majority (86%) generate income from other revenue sources (including service fees and charges).
- Employee expenses make up the majority (54%) of community sector charities' expenses.
- The majority of community sector charities operate balanced budgets (68%). A further 21% operate surplus budgets.
- Victoria's community sector charities employ 134,958 workers across the state.
- Almost a quarter (22%) of community sector workers are employed casually, and therefore face an insecure employment situation.
- Victoria's community sector charities make a strong economic contribution in regional areas, and provide significant employment in these areas.
- ACNC and case study data show Victorian community sector charities face a range of reporting and compliance challenges including:
 - » Spending on average 291 paid staff hours and 47 unpaid hours a year reporting to either Commonwealth or state government agencies.
 - » Large organisations on average spending 523 paid staff hours and 80 unpaid hours on reporting obligations.
 - » Social services and other health service delivery subsectors spending the most time and bearing the greatest cost meeting reporting obligations, spending far more time and money meeting reporting obligations than, for example, the aged care subsector, despite having far lower annual incomes than the aged care subsector.
 - » Spending an estimated \$23 million across the sector to fulfil reporting obligations.
 - » Multiple and duplicated reporting and auditing requirements.
 - » Inconsistent auditing requirements of the same standards from different funding bodies.
 - » Being required to provide information to funding bodies that is irrelevant to service quality improvement and delivery.
 - » Financial reporting requirements that do not equate to the level of funding or the risk associated.
 - » Inconsistency in funding acquittals and reporting formats.
 - » Inconsistency in definitions between funding streams.
 - » Frequent changes in reporting requirements.

BACKGROUND

The Victorian community sector is made up of a wide range of community-based, not-for-profit organisations, some of which are also registered as charities with the Australian Charities and Not-for-profit Commission (ACNC) in its role as regulator of Australian charities. This report analyses 2014 Annual Information Statement (AIS) data provided to the ACNC by Victorian community sector charities, to create a snapshot of those registered charities that aim primarily to support people to overcome poverty and disadvantage. The 2014 AIS covers the 2013-2014 financial year.

While this analysis indicates the Victorian community sector's contribution to the state's society and economy, it does not provide the full picture of the sector's contribution, as there are many Victorian community sector organisations that support people to overcome poverty and disadvantage, but are not registered charities. However, in the absence of fuller data, this report can be considered to provide an indication, if an underrepresentation, of the community sector's contribution to Victoria.

This report, *More than charity: Victoria's community sector charities*, builds on the 2015 VCOSS report *Strengthening the state: A snapshot of Victoria's community sector charities*.

As well as outlining the sector's scope, size and economic contribution, this report also seeks to further explore the regulatory and red tape burden placed on Victoria's community sector charities. Data is augmented by case studies provided by VCOSS members, which outline the effect of regulatory and red tape burdens.

To produce this report, VCOSS analysed data for community sector charities which in their 2014 AIS nominated one of the following as their 'main activity': aged care activities; civic and advocacy activities; economic, social and community development; emergency relief; employment and training; housing activities; income support and maintenance; international activities; law and legal activities; mental health and

crisis intervention; other education; other health service delivery and social services (n=3,243). This is the same as the categories used for the 2015 *Strengthening the state* report. In this 2016 report however, we have also expanded the definition of community sector charities to include charities which listed their main activity as 'other', but reported delivering one or more of the above 13 activities (n=313). All these charities are defined as 'Victorian community sector charities' for the purpose of this 2016 report.

Further differences between the 2015 and 2016 VCOSS reports include that in 2014, the ACNC for the first time collected data on charities' number of casual employees, as well as full-time and part-time employees; and asked charities to provide financial data. These changes enable discussion of the extent of insecure work faced by community sector employees. They also enable us to provide a fuller picture of the community sector's role as an industry generating strong employment and economic benefits for Victoria.

Unlike in the 2013 AIS however, the 2014 data collection did not record the absolute numbers of volunteers employed by charities, reducing the ability to quantify the numbers of volunteers employed overall and by sub-sectors in this report.

For these reasons, VCOSS notes that while the 2015 and 2016 reports each provide strong standalone snapshots of the Victorian community charities sector using the data available in each year, it is difficult to compare or identify trends in the sector's economic contribution or employment across the reports.

The methodology for the data analysis in this report is provided in the Appendix, and is informed by the methodological work completed by the Centre for Social Impact and the Social Policy Research Centre in preparing *Australian Charities 2014*¹ and *Australian Charities and Red Tape 2014: Measuring the Reporting Burden of Australia's Charities*² for the ACNC.

1 N Cortis, I Lee, A Powell, R Simnett and R Reeve, *Australian Charities Report 2014*, Centre for Social Impact and Social Policy Research Centre, UNSW Australia, 2015.

2 R Reeve, I Lee, R Simnett, N Cortis and E Chew, *Australian Charities and Red Tape 2014*, Centre for Social Impact and Social Policy Research Centre, UNSW Australia, 2016.

VICTORIA'S COMMUNITY SECTOR CHARITIES

This report analyses 2014 Annual Information Statement (AIS) data collected by the ACNC for the 3,556 community sector charities both based and operating in Victoria. Table 1 compares the number of these registered charities in 2014 to the number reported in the 2013 AIS data collection.

TABLE 1: Types of charities categorised as community sector charities for this report

MAIN ACTIVITY AS SPECIFIED IN THE AIS	NO. OF CHARITIES 2013	NO. OF CHARITIES 2014	CHANGE	TYPES OF CHARITIES REPRESENTED IN THE ACNC DATA
Aged care activities	226	266	▲ 40	Residential aged care, meals on wheels, community care, hostels
Civic and advocacy activities	66	83	▲ 17	Peak and advocacy organisations for disability, women's health, child abuse and neglect, culturally and linguistically diverse groups
Economic, social and community development	359	499	▲ 140	Neighbourhood houses, Aboriginal community-controlled organisations, youth services, men's sheds
Emergency relief	317	216	▼ 101	Emergency relief services, State Emergency Services, neighbourhood houses
Employment and training	111	136	▲ 25	Adult education, youth services, Local Learning and Employment Networks, neighbourhood houses, employment services
Housing activities	123	159	▲ 36	Community housing, housing co-operatives, housing support groups
Income support and maintenance	25	31	▲ 6	Trusts/foundations/information and support centres
International activities	47	90	▲ 43	Aid organisations
Law and legal activities	36	44	▲ 8	Community legal centres
Mental health and crisis intervention	65	98	▲ 33	Mental health, crisis support, drug and alcohol services
Other education	790	969	▲ 179	Kindergartens, early childhood services, U3A
Other health service delivery	264	336	▲ 72	Community health, Aboriginal health co-operatives, women's health services
Social services	243	316	▲ 73	Family services, foster care, community support, sexual assault services, disability services, services for culturally and linguistically diverse communities, family violence services, LGBTI services
Subtotal	2,672*	3,243	▲ 571	Community sector charities
Other		313		Charity conducted one or more main activities above
Total		3,556		Victorian community sector charities for this report

*These charities were included in the 2015 VCOSS report *Strengthening the state: A snapshot of Victoria's community sector charities*.

The number of charities classified as Victorian community sector charities increased between 2013 and 2014. Reasons for this include:

- A new category of community sector charities was included in this report, being where the charity reported providing one or more of the 13 activities that characterise community sector charities, even if this was not their 'main activity' (n=313).
- There were 164 charities registered with the ACNC after 1 July 2013 and before 30 June 2014, which would not have completed a 2012-13 AIS.
- Charities may have changed their main activity between the years of data collection.

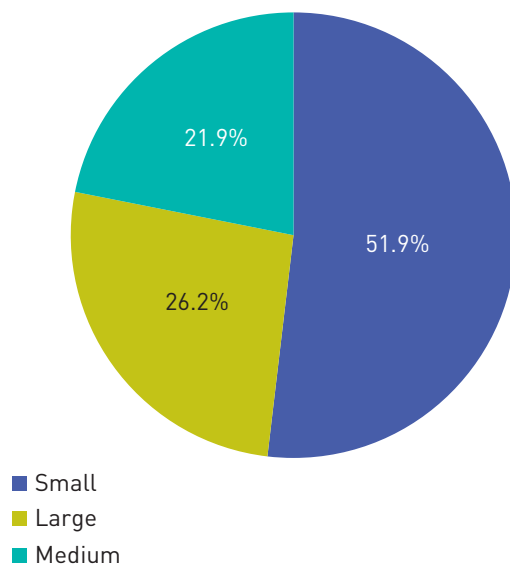
When comparing the AIS data reported between 2013 and 2014, it is evident that many organisations reported a differing 'main activity' across the two years. Therefore any change in subsector data should be interpreted with caution when comparing movements by main activity. The number of charities reporting emergency relief as their main activity dropped by 101 organisations, however the charities may still exist, but no longer classify their main activity as emergency relief.



Size of community sector charities

As shown in Figure 1, the majority of Victoria's community sector charities (52 per cent, 1,844 charities) were classified by the ACNC as small charities (with annual revenue of less than \$250,000). Twenty two per cent (778) were classified as medium-size (annual revenue of \$250,000 to \$1 million), and 26 per cent (933) were classified as large (annual revenue greater than \$1 million).

FIGURE 1: Community sector charities by size, Victoria (n=3,555)*



* Organisation size was not reported by one charity.

CONTRIBUTION TO THE ECONOMY

Employment

TOTAL EMPLOYMENT OF THE SECTOR

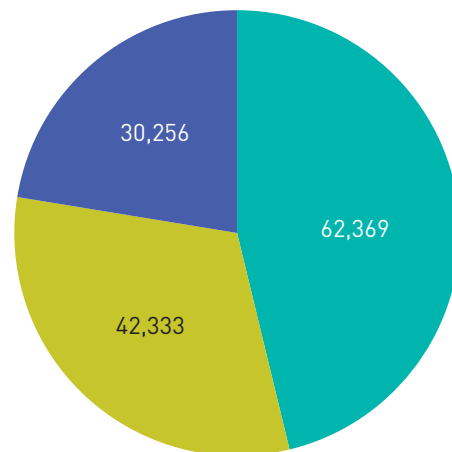
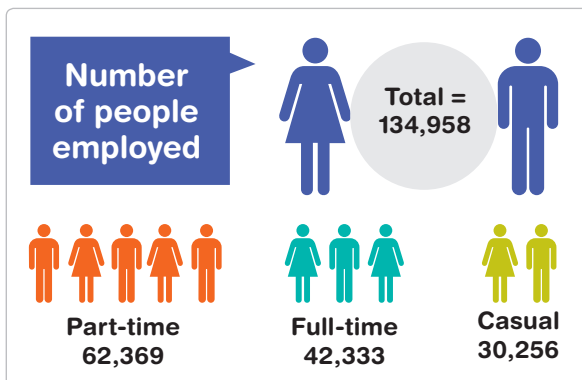
The *Australian Charities Report 2014* revealed the entire registered charities sector employs almost one tenth of Australia's workforce.³ The data in this report also show the significant contribution of community sector charities to Victoria's employment.

Analysis of the ACNC 2014 AIS data for this report shows that over 2013-14, Victorian community sector charities employed 134,958 people. This is significantly higher than the employment generated by Victoria's mining sector (9,300), automotive manufacturing sector (25,000),⁴ electricity, gas, water and waste services (34,900), rental, hiring and real estate services (47,300), information, media and telecommunications (64,000), arts and recreation services (69,600) and agriculture, forestry and fishing (82,200).⁵

In 2014, the ACNC asked charities to report the number of employees as full-time, part-time or casual. Casual workers were not separately identified in 2013. Figure 2 shows that in 2014 Victoria's community sector charities reported 42,333 employees were full-time workers (31 per cent), 62,369 were part-time workers (46 per cent) and 30,256 were casual (22 per cent).

The VCOSS 2015 *Strengthening the state* report found there were 96,958 full-time and part-time workers employed in community sector charities, compared with the 134,954 workers found in this 2016 report. The increase in this number may be accounted for by the introduction of a casual category of employment in the 2014 AIS data (n=30,256), as well as by the inclusion of a new category of charities in this VCOSS report — 'other community sector charity' — under which there were 16,060 employees. Therefore these data are more likely to be an accurate reflection of the scope of employment in community sector charities.

FIGURE 2: Victorian community sector charities – Number of paid workers (Total = 134,958)



- Part-time (46%)
- Full-time (31%)
- Casual (22%)

3 Australian Charities and Not-for-profit Commission, *Australian Charities Report 2014*, p. 41.

4 <http://www.liveinvictoria.vic.gov.au/working-and-employment/victorian-industries/automotive#VQu9ffmUdig>

5 Australian Bureau of Statistics, *Labour Force, Australia*, Detailed, Quarterly, 6291.0.55.003, November 2014.

EMPLOYMENT BY CHARITY SIZE

Large charities (with annual revenue greater than \$1 million) employ more than 90 per cent of Victorian community sector charity workers, despite making up only about one quarter of the number of charities in the sector. In the 2013-14 reporting period, there were 933 large charities, employing 122,314 paid workers. This is an average of 131 employees per large organisation.

Table 2 shows the number of workers in the sector by charity size and employment status.

TABLE 2: Paid workers by size of charity

CHARITY SIZE	NUMBER OF CHARITIES	NUMBER OF FULL-TIME WORKERS	NUMBER OF PART-TIME WORKERS	NUMBER OF CASUAL WORKERS	TOTAL NUMBER OF PAID WORKERS
Small	1,844	620	2,196	1,290	4,106
Medium	778	1,429	4,584	2,521	8,534
Large	933	40,284	55,585	26,445	122,314

In percentage terms, the large charity workforce comprised:

- 33% full-time workers
- 46% part-time workers
- 22% casual workers.

Medium-size charities (annual revenue of \$250,000 to \$1 million) employed 7 per cent of the total sector workforce across 778 organisations. This is an average of 11 workers per medium-size organisation.

In percentage terms, the medium-size charity workforce comprised:

- 17% full-time workers
- 54% part-time workers
- 30% casual workers.

Small charities (annual revenue of less than \$250,000) employed three per cent of the total sector workforce, across 1,844 organisations. This is an average of two workers per small organisation.

In percentage terms, the small charity workforce comprised:

- 15% full-time workers
- 54% part-time workers
- 32% casual workers.

EMPLOYMENT BY CHARITY MAIN ACTIVITY

The subsector employing the greatest number of people was aged care activities, with 30,284 employees (23 per cent). However, aged care service organisations employed few full-time workers as a proportion of this (4,660, or 16 per cent).

The second largest employer sub-sector was 'other health services', which includes charities such as community health, women's health and Aboriginal-controlled community health, with 21,733 employees (17 per cent).

The greatest number of full-time paid workers were employed by charities whose main activity was nominated as 'other education' (6,827), followed by 'other community sector charities' (6,794).

Table 3 shows the breakdown of workers employed across the sector in terms of the charities' main activity as nominated in their 2014 AIS.

TABLE 3: Paid workers by charity type

MAIN ACTIVITY	FULL-TIME	PART-TIME	CASUAL	TOTAL EMPLOYEES
Aged care activities	4,660	19,089	6,535	30,284
Civic and advocacy activities	268	317	177	762
Economic, social and community development	2,663	3,337	2,543	8,543
Emergency relief	727	546	524	1,797
Employment and training	5,094	2,998	1,610	9,702
Housing activities	963	534	400	1,897
Income support and maintenance	7	17	34	58
International activities	997	294	50	1,341
Law and legal services	896	329	52	1,277
Mental health and crisis intervention	1,543	1,243	404	3,190
Other education	6,827	7,171	4,848	18,846
Other health service delivery	5,474	11,631	4,628	21,733
Social services	5,420	8,646	5,402	19,468
Other - community sector charity	6,794	6,217	3,049	16,060
Total	42,333	62,369	30,256	134,958

Income

SOURCES OF INCOME

The Victorian charity community sector's income over the 2013-14 period was almost \$11 billion, almost half of which was generated from non-government sources. Table 4 shows that government grants made up \$5.8 billion of this income (54 per cent), 'all other revenue' (e.g. fees and service charges) contributed \$3.5 billion (33 per cent), donations and bequests contributed \$0.94 billion (9 per cent), and other income (e.g. sale of non-current assets) contributed \$0.59 billion (5 per cent).

As can be seen from Table 4, just over half (52 per cent) of Victorian community sector charities received income from government grants (federal, state and local government), while 86 per cent generated income from 'all other revenue' sources, which includes income from fees and service charges.

TABLE 4: Income source of community sector charities

INCOME SOURCE	% OF CHARITIES THAT RECEIVED INCOME FROM THIS SOURCE	TOTAL INCOME (\$)	% OF TOTAL GROSS INCOME
Government grants	52.2	5,844,689,701	53.5
All other revenue (e.g. fees and service charges)	85.5	3,552,209,906	32.5
Donations and bequests	65.6	942,767,099	8.6
Other income (e.g. sale of assets)	29.3	590,906,479	5.4
Total gross income		10,930,452,791*	

*Total gross income figure does not equal sum of totals due to data being self-reported and auto-calculation options not being available online when data was entered by charities.



INCOME SOURCE BY CHARITY SIZE

Large community sector charities raised substantial income from non-government sources, including almost \$3.9 billion from other income and revenue, and \$0.85 billion from donations and bequests. They raised \$5.7 billion from government grants (see Table 5).

Medium-size charities raised \$185 million from other income and revenue, almost \$57 million from donations and bequests, and \$144 million from government grants.

Small charities raised almost \$68 million from other income and revenue, almost \$35 million from donations and bequests, and \$34 million from government grants.

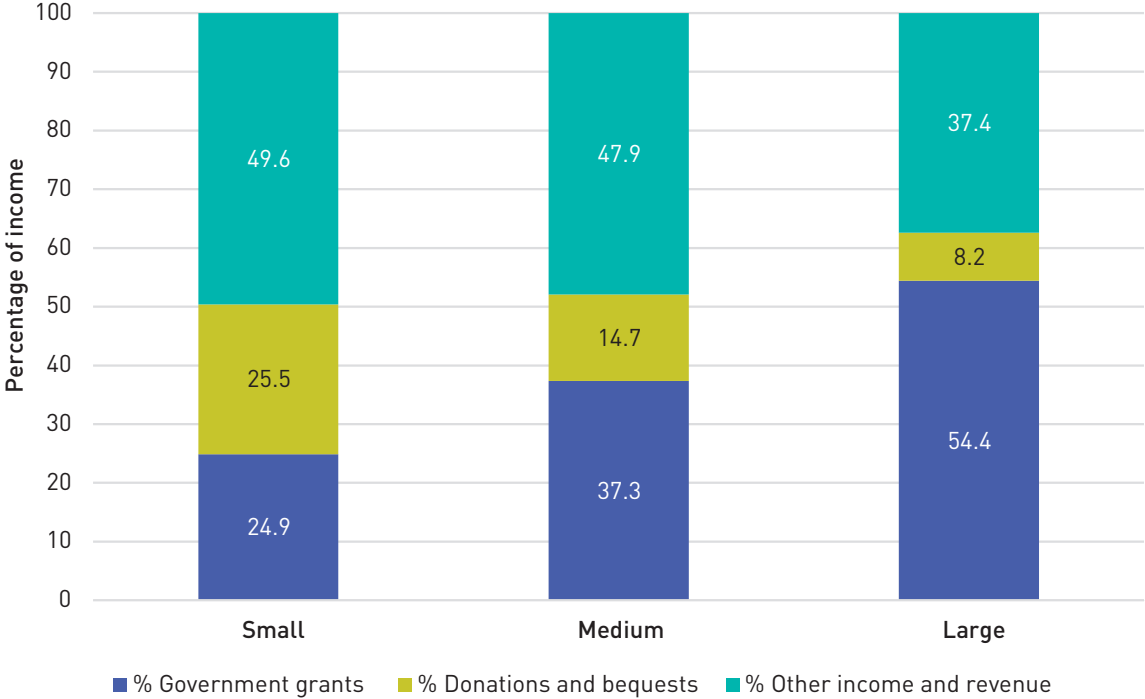
TABLE 5: Income source by community sector charity size (\$)

INCOME SOURCE	SMALL (\$)	MEDIUM (\$)	LARGE (\$)
Government grants	34,069,000	144,294,345	5,666,326,356
Donations and bequests	34,939,615	56,870,803	850,956,681
Other income and revenue#	67,943,864	185,156,289	3,890,016,232
Total gross income	136,958,343	386,331,576	10,407,162,872

Merges 'all other revenue' and 'other income' categories included in Table 4.

Large community sector charities were proportionally more reliant on government grants than their small and medium counterparts, with 54 per cent of the income of large community sector charities being derived from government grants, compared with 37 per cent of income for medium-sized charities and 25 per cent for small charities (see Figure 3).

FIGURE 3: Income source by community sector charity size (%)



INCOME SOURCE BY CHARITY MAIN ACTIVITY

The aged care sector reported more than \$2 billion in annual income, accounting for 19 per cent of the overall charity community sector’s total income and making it the biggest area of activity in dollar terms. The subsector reporting ‘other’ as its main activity and categorised as a community sector charity, reported the greatest level of government grants (\$1.2 billion, or 21 per cent of total government grants for the sector). Community sector charities undertaking international activities received the greatest level of donations and bequests (\$0.4 billion, or 43 per cent of donations and bequests received overall across the sector).

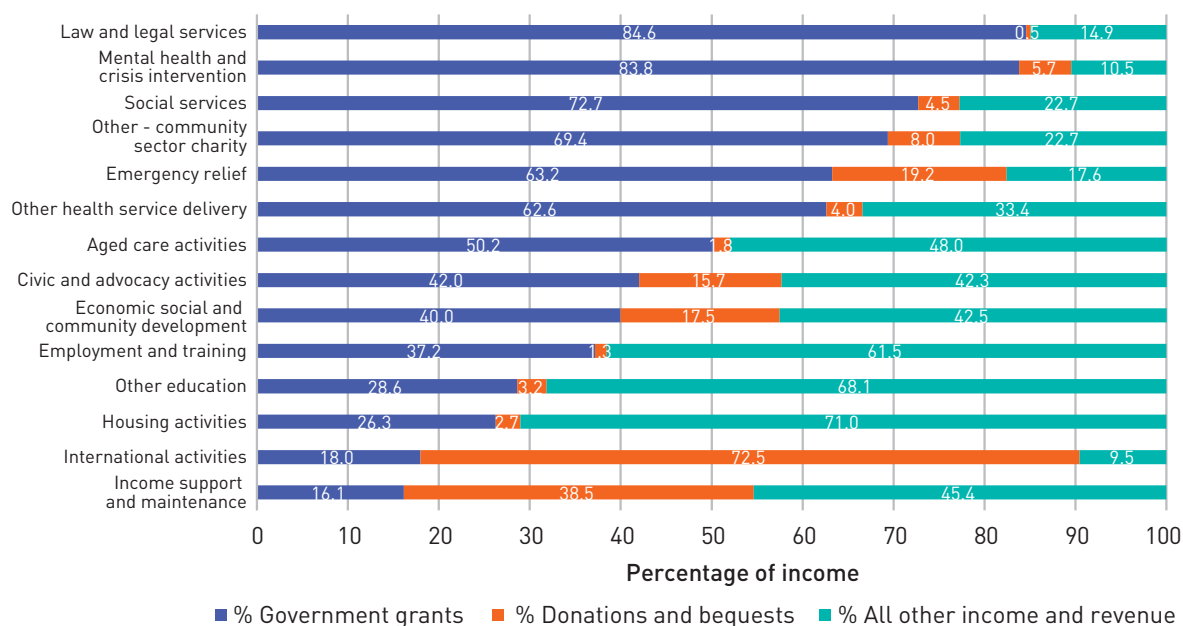
Table 6 shows the income source of community sector charities by their main activity.

TABLE 6: Income source by main activity

MAIN ACTIVITY	GOVERNMENT GRANTS (\$)	DONATIONS AND BEQUESTS (\$)	ALL OTHER INCOME AND REVENUE (\$)	TOTAL GROSS INCOME (\$)
Aged care activities	1,025,300,539	36,865,265	979,970,753	2,041,978,526
Civic and advocacy activities	33,251,681	12,420,162	33,486,086	79,155,346
Economic social and community development	236,992,125	103,709,927	252,108,592	592,804,870
Emergency relief	143,626,326	43,586,688	39,923,518	227,137,615
Employment and training	242,096,384	8,468,500	400,366,641	651,134,204
Housing activities	95,128,857	9,876,865	257,302,381	362,309,102
Income support and maintenance	1,070,571	2,551,143	3,009,927	6,631,641
International activities	100,422,332	404,257,429	53,249,108	557,928,890
Law and legal services	191,562,161	1,174,902	33,807,345	226,544,408
Mental health and crisis intervention	303,971,619	20,736,717	37,980,827	362,689,635
Other education	356,830,950	40,243,765	849,599,511	1,246,678,139
Other health service delivery	956,956,729	60,627,255	510,467,472	1,528,162,762
Social services	939,197,887	58,596,577	293,586,028	1,291,389,985
Other - community sector charity	1,218,281,540	139,651,904	398,258,196	1,755,907,668

Community sector charities providing law and legal services were proportionally the most dependent on government grants, with 85 per cent of this sub-sector's income derived from these (see Figure 4). Mental health and crisis intervention services were also heavily dependent on government grants (84 per cent). Charities whose main activities were international activities, or income support and maintenance, were the least reliant proportionally on government grants. Charities engaged in international activities were most reliant on donations and bequests, deriving 73 per cent of their income from this source (see Figure 4).

FIGURE 4: Income source by charity main activity (%)



Expenses incurred

The largest expense area for community sector charities was employee-related expenses, being 54 per cent of total expenses (see Table 7). Operating costs (reported as all other expenses) were the second largest expenses for community sector charities, making up 38 per cent of total expenses.

TABLE 7: Expenses of community sector charities

EXPENSES	AMOUNT (\$)	% OF TOTAL EXPENSES
Employee expenses	5,642,722,438	54.3
All other expenses	3,905,769,939	37.6
Grants and donations made for use outside Australia	470,814,454	4.5
Grants and donations made for use in Australia	320,435,186	3.1
Interest expenses	50,673,673	0.5
Total expenses	10,391,214,441*	

*Total expenses figure does not equal sum of totals due to data being self-reported and auto-calculation options not being available online when data was entered by charities.

EXPENSES BY CHARITY SIZE

Large charities spent \$5.4 billion on employee expenses, compared with \$0.7 billion on making grants and donations and \$3.8 billion on all other expenses (see Table 8).

Medium-sized charities spent \$201 million on employee expenses, \$28 million making grants and donations and \$137 million on all other expenses.

Small charities spent \$52 million on employee expenses, \$21 million making grants and donations and \$63 million on all other expenses.

TABLE 8: Expenses by charity size

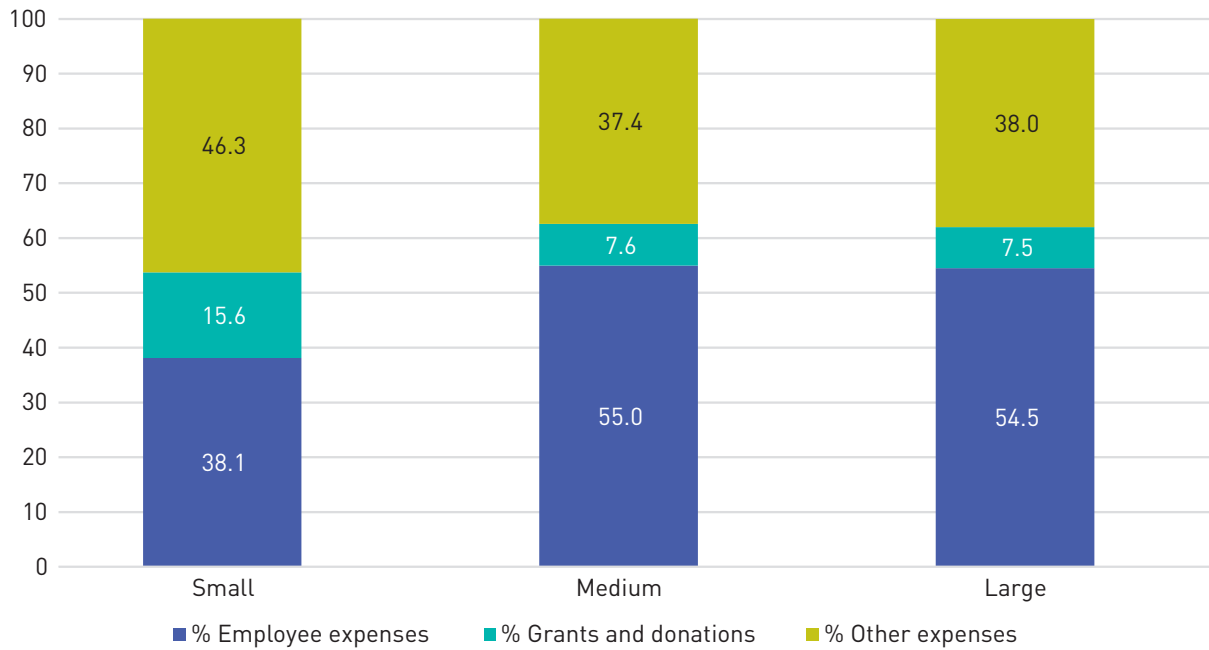
EXPENSES	SMALL (\$)	MEDIUM (\$)	LARGE (\$)
Employee expenses	51,531,926	201,161,635	5,390,028,877
#Grants and donations	21,154,406	27,886,507	742,208,727
All other expenses	62,582,926	137,027,140	3,756,833,546
Total expenses	135,225,510	365,957,228	9,890,031,703

Merges 'grants and donations made for use outside Australia' and 'grants and donations for made for use in Australia' categories included in Table 7.

Large charities and medium-sized community sector charities had proportionally more employee expenses than small organisations, as can be seen in Figure 5.

Large and medium-size community sector charities reported employee expenses as making up 55 per cent of their total expenses. Small community sector charities reported employee expenses as making up 38 per cent of total expenses.

FIGURE 5: Expenses by charity size (%)



EXPENSES BY CHARITY MAIN ACTIVITY

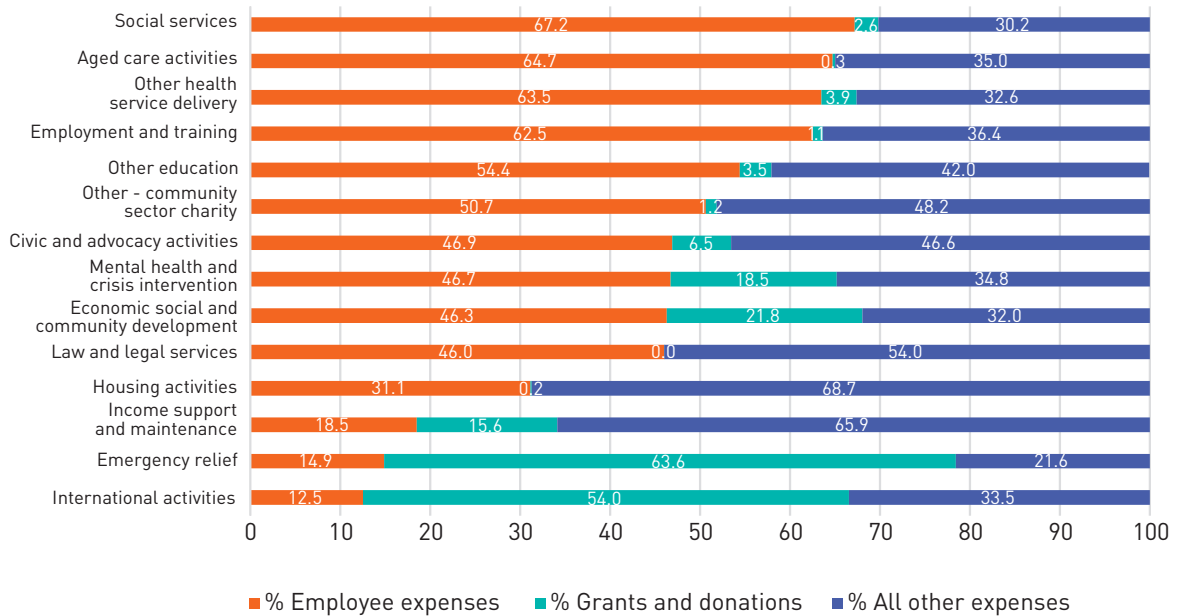
As can be seen in Table 9, the aged care subsector reported the greatest level of expenses overall (\$1.9 billion) and employee expenses (\$1.2 billion). The 'other health service delivery' subsector had the next highest level of employee expenses (\$918 million).

TABLE 9: Expenses by charity main activity

MAIN ACTIVITY	EMPLOYEE EXPENSES (\$)	GRANTS AND DONATIONS (\$)	ALL OTHER EXPENSES (\$)	TOTAL EXPENSES (\$)
Aged care activities	1,245,583,970	5,014,769	673,369,972	1,923,938,715
Civic and advocacy activities	34,732,152	4,824,367	34,463,968	74,027,064
Economic social and community development	271,399,345	127,628,604	187,419,349	586,351,716
Emergency relief	33,401,185	142,848,183	48,428,910	224,692,274
Employment and training	404,795,677	7,119,199	235,613,213	647,528,269
Housing activities	93,894,886	467,966	207,277,991	301,640,443
Income support and maintenance	1,075,155	906,941	3,826,835	5,808,931
International activities	66,167,696	285,565,329	176,869,146	528,602,171
Law and legal services	95,136,919	550	111,644,388	206,781,557
Mental health and crisis intervention	168,239,069	66,544,891	125,246,769	360,036,388
Other education	650,650,864	42,028,108	501,942,298	1,195,578,257
Other health service delivery	917,994,714	56,922,103	471,415,732	1,446,332,756
Social services	795,346,321	30,978,168	357,239,641	1,183,525,400
Other - community sector charity	864,304,485	20,400,462	821,685,400	1,706,370,500

The 'social services' subsector spent proportionally more on employee expenses (67 per cent) than other subsectors (see Figure 6). The emergency relief subsector spent the most proportionally on making grants and donations (64 per cent), followed by the international activities subsector (54 per cent). Housing charities spent the most proportionally on all other expenses (69 per cent), followed by the income support and maintenance subsector (66 per cent).

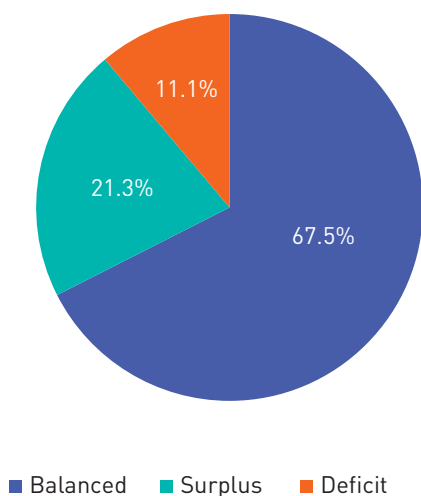
FIGURE 6: Expenses by charity main activity (%)



Budget position of charities

The budget position and financial health of community sector charities affects their ability to deliver vital services to people facing disadvantage. Using the financial data reported to the ACNC in the 2014 AIS, it can be seen in Figure 7 that more than two thirds of charities (67.5 per cent) operated with a 'reasonable budget balance' (defined by the ACNC as reported expenditure being within 20 per cent of reported income). A significant proportion of charities (21.3 per cent) operated budget surpluses (surplus defined as greater than 20 per cent of reported income). A small proportion (11.1 per cent) operated budget deficits (deficit defined as greater than 20 per cent of reported income).

FIGURE 7: Budget position of charities (%)



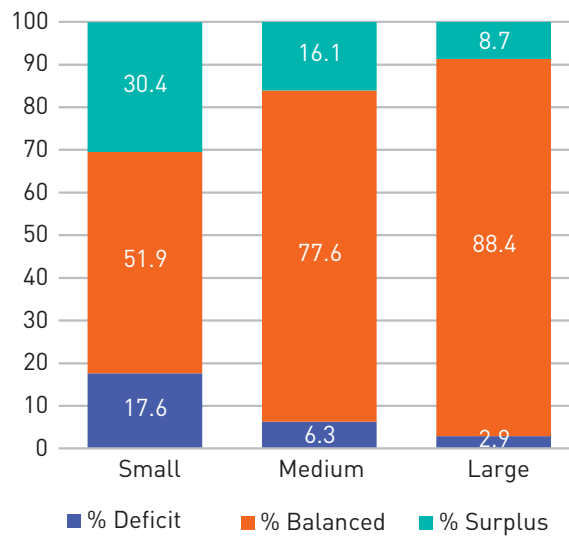
BUDGET POSITION BY CHARITY SIZE

Small community sector charities were more likely to operate budget surpluses and budget deficits compared to medium-sized and large community sector charities (see Figure 8).

Thirty per cent of small community sector charities operated budget surpluses, compared to 9 per cent of large charities and 16 per cent of medium-sized charities. At the same time, almost 18 per cent of small charities operated budget deficits, compared to 3 per cent of large charities and 6 per cent of medium-sized charities.

Large charities were more likely to run balanced budgets (88 per cent), compared to 78 per cent of medium-sized charities and 52 per cent of small charities.

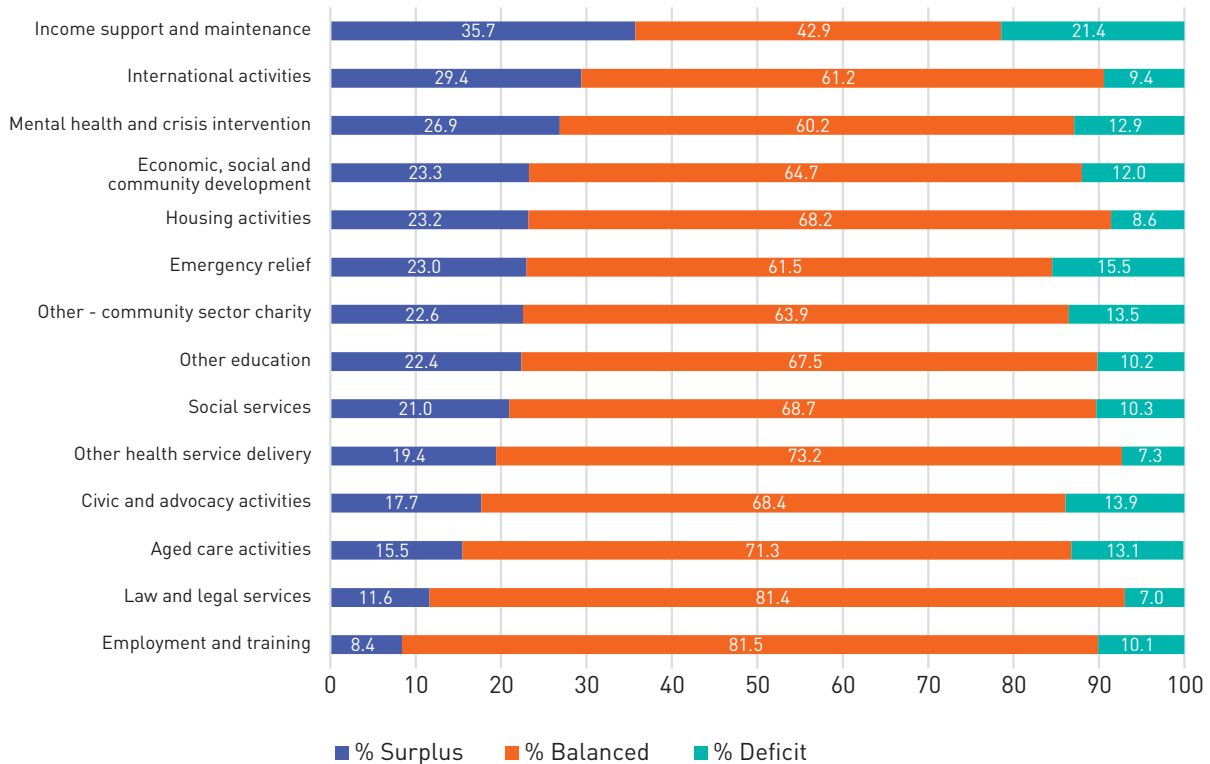
FIGURE 8: Budget position of community sector charities by charity size



BUDGET POSITION BY CHARITY MAIN ACTIVITY

Charities whose main activity was income support and maintenance were the most likely to operate budget deficits and surpluses (see Figure 9). Twenty one per cent operated a budget deficit and 36 per cent operated a budget surplus. Charities whose main activities were employment and training, and law and legal services, were the most likely to have balanced budgets (81 per cent).

FIGURE 9: Budget position of community sector charities by main activity



THE ECONOMIC CONTRIBUTION OF COMMUNITY SECTOR CHARITIES TO REGIONAL COMMUNITIES

The importance of community sector organisations to the Victorian economy can be particularly illustrative when the ACNC AIS data is broken down into geographic regions. For many regional communities, community sector charities can be the major employer in the area.

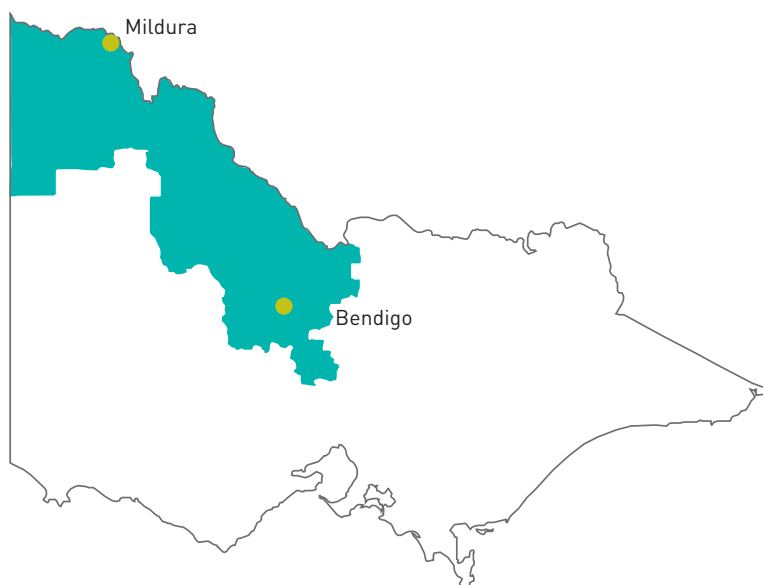
There are some limitations of using AIS data to quantify the economic contribution of community sector charities to regional communities, as it only records the registered headquarter address of the organisation, not the other locations in which it may operate across Victoria, nor how its income, expenses and employment are spread across the state. Therefore at this stage the AIS data cannot be conclusively used to quantify the economic contribution of the community sector in regional Victoria.

In future years, the ACNC could further enhance the utility of the AIS data for regional communities by collecting information on organisations which may be based in one area, but operate across many, and by including data on the number of employees and volunteers per regional office.

The usefulness of such data would be particularly significant in light of major reforms affecting community sector organisations, such as the introduction of the National Disability Insurance Scheme (NDIS), My Aged Care and Primary Health Networks. For example it has been predicted the full implementation of the NDIS will lead to up to 19,000 full-time equivalent jobs being directly created and flow-on effects of up to 39,000 new full-time equivalent jobs⁶. This increases the importance of monitoring community sector employment growth in regional areas across Victoria, and the ACNC data could provide an extremely valuable data source for tracking this over time.

The following case study draws on ACNC 2014 AIS data to help illustrate the economic contribution of the sector in just one region of Victoria, the Loddon Mallee region, noting the above limitations.

LODDON MALLEE REGION



⁶ National Disability Services, *Economic benefits of the NDIS in Victoria, 2016*.

CASE STUDY: THE ECONOMIC VALUE OF LOCAL COMMUNITY SECTOR CHARITIES IN THE LODDON MALLEE REGION

The Loddon Mallee region encompasses 10 local government areas stretching from Gisborne, west of Melbourne, through to the state's far north-west. It includes the major population centres of Bendigo (population 146,000), and Mildura (population 51,000), however, 84 per cent of towns in the region have populations of less than 3,000 people⁷. It is a diverse region, with areas close to Melbourne experiencing population growth, and more remote areas having stable or declining populations.

ACNC 2014 AIS data shows there were 259 community sector charities based in the Loddon Mallee region, with the majority of these being small charities (62 per cent), almost a quarter being large charities (24 per cent) and 14 per cent being medium-sized.

Local community sector charities employed almost 7,000 people across the region, with 2,007 full-time staff, 3,628 part-time staff and 1,302 casual staff. This is likely to underestimate community sector charity employment in the region, as statewide services based outside the region, but potentially operating services within the region, were not included in the data. For example, St Luke's Anglicare, a division of Anglicare Victoria, is a major provider of social services and employed a large number of staff in the Loddon Mallee region, but as a statewide service with headquarters based outside the region, its activity is not broken down by region in the ACNC data to reflect its activity in the Loddon Mallee region.

Aged care charities employed the greatest number of part-time workers (1,127) and casual workers (261) in the region, whilst economic,

social and community development charities, such as neighbourhood houses and Local Learning and Employment Networks employed the greatest number of full-time workers (548).

The value of these Loddon Mallee community sector charities to the region is further enhanced through volunteering, with 34 per cent working with 1-10 volunteers (88 organisations), 37 per cent working with 11-50 volunteers (95 organisations), and 8.5 per cent working with 51-100 volunteers (22 organisations).

The Loddon Mallee Regional Development Committee has noted the largest industry of employment in the region is healthcare and social assistance, with 15,588 people employed in this industry.⁸ ACNC data shows a large proportion of the jobs in this industry are provided by locally-based community sector charities.

As well as the employment opportunities community sector charities provide in the region, their economic contribution is significant. The total gross income of local community sector charities was \$413.7 million, including \$222.7 million in government grants and \$6 million in donations and bequests. Small and medium charities had sizeable fundraising capacity, with 43.5 per cent of donations and bequests made to local community sector charities in the region going to small and medium-sized charities with annual incomes of less than \$1 million.

7 Loddon Mallee Region, *2016 Investment Prospectus*, Loddon Mallee Regional Development Australia Committee.

8 REMPLAN <http://www.economicprofile.com.au/loddonmallee/economy/employment#bar-chart> cited in *Loddon Mallee Regional Strategic Plan 2015-2018*, 2015.

REPORTING AND REGULATORY BURDEN

In recent years there has been an increasing push by governments and other funders for greater accountability of not-for-profit organisations. Whilst there is an understanding within the sector that accountability for public expenditure is required, there are also concerns expressed, such as that “current [reporting] requirements are not appropriate, impose compliance costs without commensurate benefits and are lacking any sense of proportion in regard to the size of the organisation or scale of the undertaking”.⁹

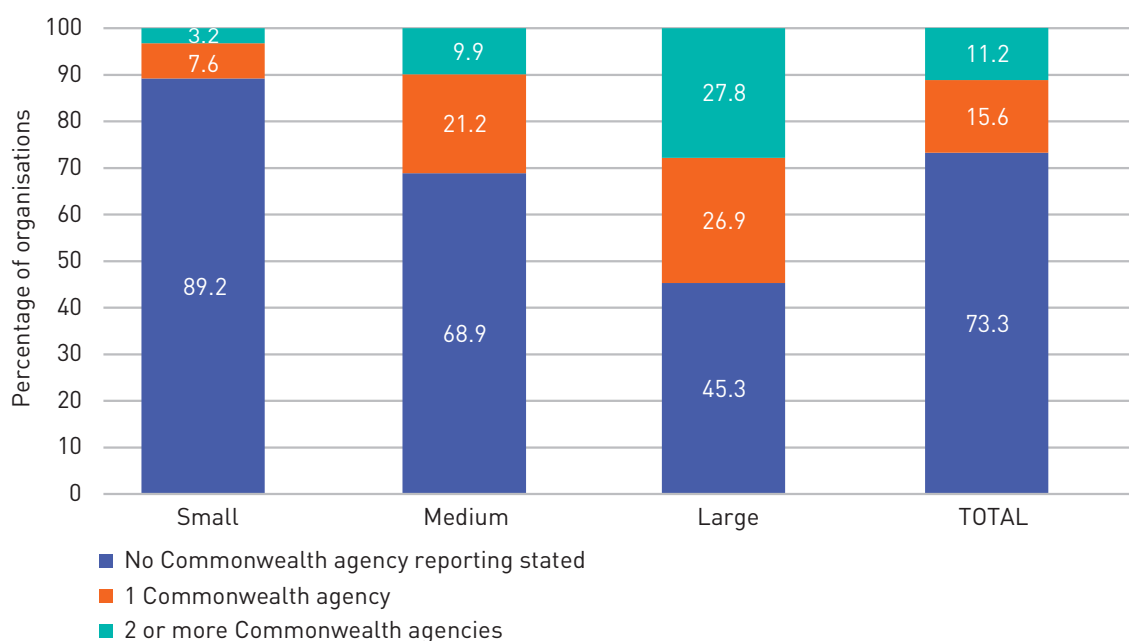
There were three optional questions included in the 2014 AIS forms about charities’ reporting obligations to Commonwealth, state or territory governments. Reporting was defined as being obligations regarding fundraising or grant acquittals and other reporting activities over the 2013–14 financial year, but excluded Australian Taxation Office or other state and territory regulators’ requirements.

Reporting to government agencies

The most common reporting obligations for Victorian community sector charities were to Commonwealth government agencies (618) or Victorian government agencies (1,048).

Small community sector charities were the least likely to report to Commonwealth government agencies, with only 11 per cent reporting to one or more Commonwealth agencies (see Figure 10). In contrast, nearly 55 per cent of large community sector charities indicated they reported to one or more Commonwealth government agencies, including more than one quarter that reported to two or more Commonwealth government agencies. About 30 per cent of medium-sized community sector charities reported to one or more Commonwealth government agency.

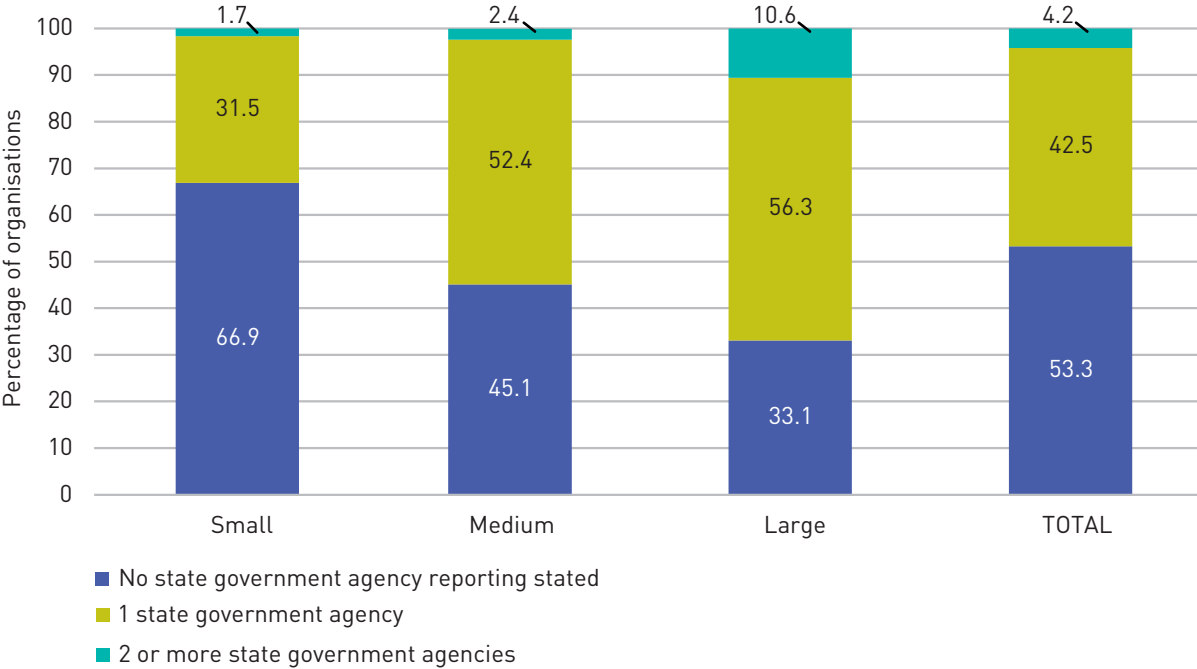
FIGURE 10: Victorian community sector charities’ reporting to Commonwealth government agencies



9 Productivity Commission, *Contribution of the Not-for-Profit Sector, Research Report*, Canberra, 2010, p. XXX.

Small community sector charities were more likely to report to a state government agency than a Commonwealth government agency, with about 33 per cent reporting to one or more state government agencies (see Figure 11). About two thirds (67 per cent) of large community sector charities reported to one or more state government agency. Just over half (55 per cent) of medium-sized charities reported to one or more state government agencies.

FIGURE 11: Victorian community sector charities reporting to state government agencies



Time spent on reporting¹⁰

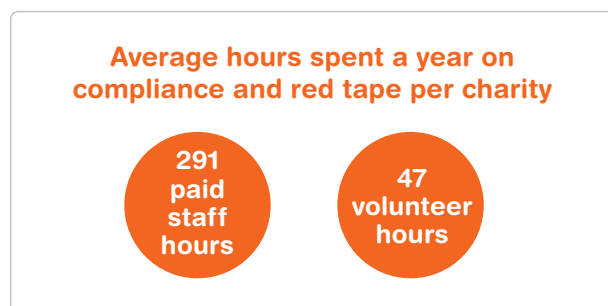
Victorian community sector charities spent on average 291 paid staff hours in 2013-14 meeting reporting obligations to either Commonwealth or state and territory agencies, and on average, 47 unpaid volunteer hours over the year (see Table 10).

Large Victorian community sector charities spent an average of 523 paid worker hours meeting reporting obligations in the 2013–14 financial year. Medium-sized charities spent an average of 117 paid hours, and small charities spent an average of 39 paid hours.

Table 10 also shows the number of unpaid volunteer hours spent by charities of different sizes on reporting obligations. Large community sector charities spent an average of 117 volunteer hours on reporting in 2013–14. This compared with 58 average volunteer hours for medium-sized charities and 23 hours for small charities.

TABLE 10: Average paid and unpaid hours spent meeting reporting obligations hours to government: by charity size

CHARITY SIZE	NUMBER OF CHARITIES WITH PAID REPORTING HOURS	AVERAGE PAID WORKER REPORTING OBLIGATION HOURS 2013–14	NUMBER OF CHARITIES WITH UNPAID REPORTING HOURS	AVERAGE UNPAID VOLUNTEER REPORTING OBLIGATION HOURS 2013-14
Small	259	39.2	321	23.4
Medium	360	116.6	169	58.3
Large	551	523.3	80	116.8
Total	1,170	291	570	46.9



¹⁰ There were some methodological changes in the way the reporting data were analysed between this current report and the 2015 *Strengthening the state* report. In this report only charities that were required to report to any state or Commonwealth government agency were included, whereas in the 2015 report all charities recording reporting obligation hours were included. In this report, when calculating (average) hours of reporting obligations, organisations reporting zero hours were not included, whereas in the previous report those reporting zero were included. Therefore it is not considered valid to compare changes in organisations' time spent on reporting between these two reports.

The data on reporting burden by type of charity (see Table 11) shows social services charities on average spent the most paid worker time meeting reporting obligations over the 2013-14 period (638 hours), followed by the other health service delivery subsector (449 hours).

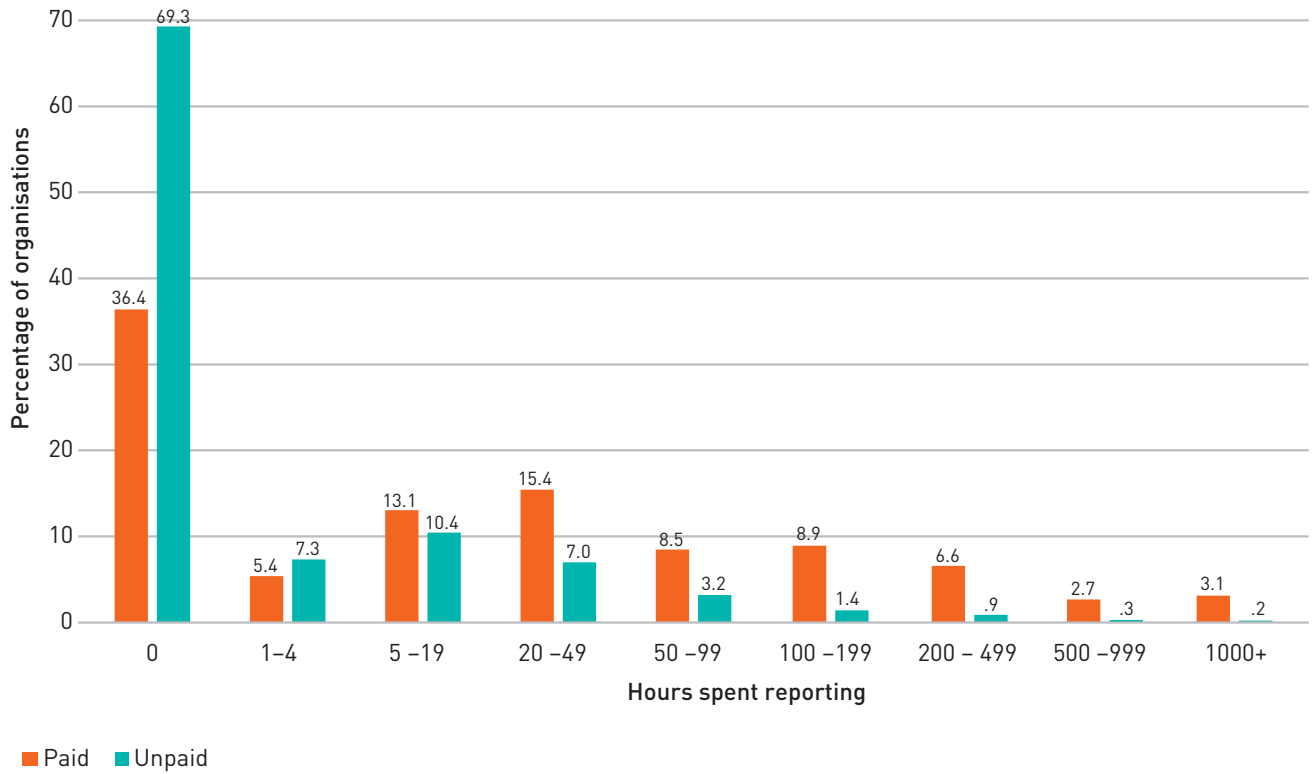
Whilst the largest charities subsector in income terms is the aged care subsector, with an income of more than \$2 billion (see Table 6, page 13), aged care charities on average spent comparatively far less time on meeting reporting obligations (220 hours) than charities in either the social services subsector (638 hours) or the other health service delivery subsector (449 hours).

TABLE 11: Average paid and unpaid hours spent meeting reporting obligations hours to government: by main activity

MAIN ACTIVITY	NUMBER OF CHARITIES WITH PAID REPORTING HOURS	AVERAGE PAID WORKER REPORTING OBLIGATION HOURS 2013-14	NUMBER OF CHARITIES WITH UNPAID REPORTING HOURS	AVERAGE UNPAID VOLUNTEER REPORTING OBLIGATION HOURS 2013-14
Aged care activities	116	219.6	43	83.9
Civic and advocacy activities	31	85.3	16	13.9
Economic social and community development	172	314.0	91	36.7
Emergency relief	34	41.7	44	44.7
Employment and training	73	172.6	12	36.8
Housing activities	49	288.7	31	16.7
Income support and maintenance	2	37	5	12.6
International activities	10	59.4	11	13.5
Law and legal services	32	93.1	4	43
Mental health and crisis intervention	31	149.1	10	53.2
Other education	271	172.9	170	39.2
Other health service delivery	141	449.4	36	31.9
Social services	122	638.4	52	73.1
Other - community sector charity	86	393.4	45	91.4

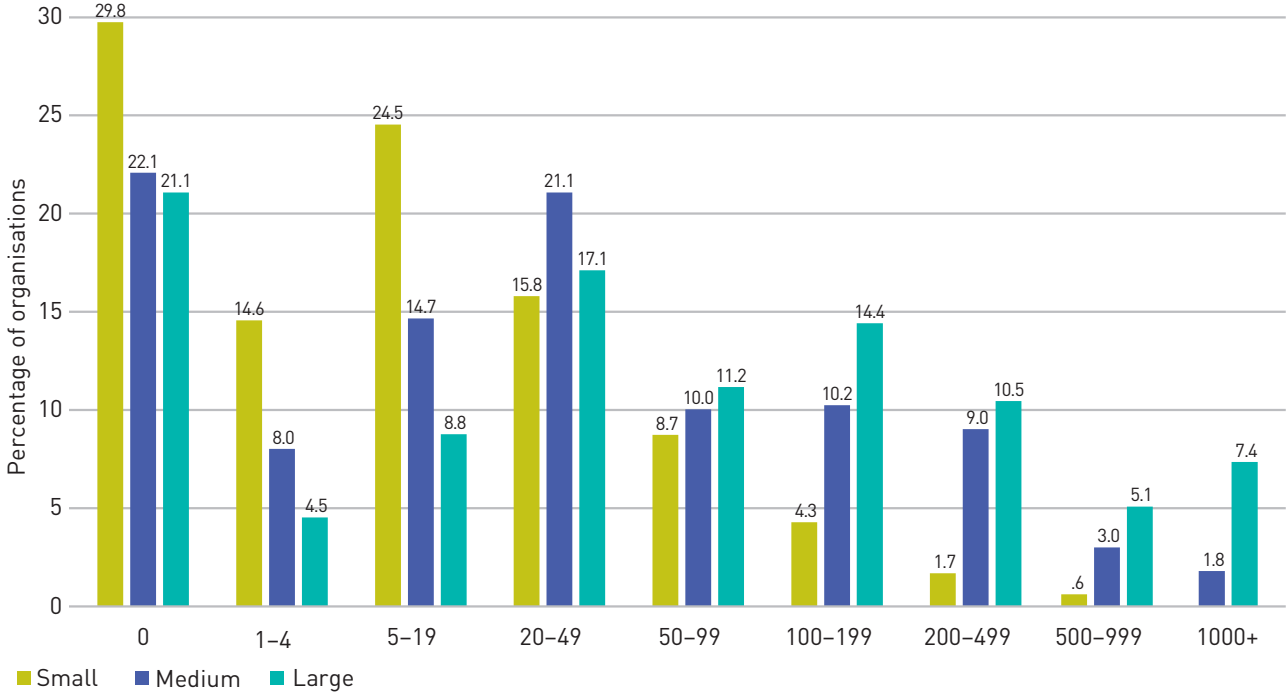
A small number of community sector charities spent an extraordinary amount of time reporting (see Figure 12). About six per cent of organisations spent 500 hours or more of paid staff time reporting, including three per cent that spent 1000 hours or more.

FIGURE 12: Hours spent on reporting obligations to government in 2013-14 (paid and unpaid)



Not surprisingly, large charities were more likely to spend a high number of hours meeting reporting obligations compared to small and medium sized charities (see Figure 13). About seven per cent of large charities spent more than 1000 hours meeting reporting obligations in 2013-2014.

FIGURE 13: Hours spent on reporting obligations to government in 2013-14 (paid and unpaid): by charity size



Cost of reporting

Using the methodology laid out in a report prepared for the ACNC,¹¹ and including both paid and unpaid costs (as shown in Table 12), the cost of meeting reporting obligations for community sector charities in 2013-14 is calculated to be greater than \$23 million.

The average cost of reporting for charities, if tallying the cost of paid and unpaid hours, for large organisations was \$37,640, compared with \$9,321 for medium-sized organisations and \$3,246 for small organisations.

TABLE 12: Cost of reporting obligations to government in 2013-14

CHARITY SIZE	COST TO ORGANISATIONS OF PAID REPORTING OBLIGATIONS (\$)	COST TO CHARITY OF UNPAID REPORTING OBLIGATIONS (\$)	AVERAGE COST PER CHARITY FOR PAID REPORTING (\$)	AVERAGE COST PER CHARITY FOR UNPAID REPORTING (\$)	AVERAGE COST PER CHARITY OF PAID AND UNPAID REPORTING (\$)
Small	664,972	217,964	2,567	679	3,246
Medium	2,746,347	286,027	7,629	1,692	9,321
Large	18,873,293	270,976	34,253	3,387	37,640
Total	22,284,612	774,967	19,047	1,360	20,407



¹¹ R Reeve, I Lee, R Simnett, N Cortis and E Chew, *Australian Charities and Red Tape 2014*, Centre for Social Impact and Social Policy Research Centre, UNSW, 2016.

Social services charities on average spent the most, in dollar terms, on meeting their reporting obligations (see Table 13). The average annual cost of paid reporting obligations for social services charities in 2013-14 was \$41,785. This subsector also spent the most overall on meeting its reporting obligations, at almost \$5.1 million. Other health service delivery organisations were next in line, spending on average \$29,415 on paid reporting obligations, and about \$4.1 million overall.

This is compared with aged care charities, which spent far less, on average \$14,372 on reporting obligations, and almost \$1.7 million as a subsector overall.

The aged care subsector has an annual income of more than \$2 billion (see Table 6), compared with the social services subsector (about \$1.3 billion) and the other health service delivery subsector (about \$1.5 billion). This means that the social services subsector has an income about two thirds the size of the aged care sector, but spends about three times as much on meeting its reporting obligations. Similarly, the other health service delivery subsector, with an income of about \$1.5 billion, has an income about three quarters the size of the aged care subsector, but spends more than twice as much on meeting its reporting obligations.

TABLE 13: Cost of reporting obligations to government in 2013-14 by main activity

ORGANISATION	COST TO ORGANISATIONS OF PAID REPORTING OBLIGATIONS (\$)	AVERAGE COST PER CHARITY FOR PAID REPORTING (\$)	COST TO ORGANISATIONS OF UNPAID REPORTING OBLIGATIONS (\$)	AVERAGE COST PER CHARITY FOR UNPAID REPORTING (\$)
Aged care activities	1,667,208	14,372	104,661	2,434
Civic and advocacy activities	172,984	5,580	6,438	402
Economic social and community development	3,535,347	20,554	96,831	1,064
Emergency relief	92,285	2,714	57,014	1,296
Employment and training	824,605	11,296	12,818	1,068
Housing activities	925,856	18,895	15,051	486
Income support and maintenance	4,843	2,422	1,827	365
International activities	38,877	3,888	4,292	390
Law and legal services	194,976	6,093	4,988	1,247
Mental health and crisis intervention	302,444	9,756	15,428	1,543
Other education	3,065,809	11,313	193,372	1,137
Other health service delivery	4,147,567	29,415	32,654	907
Social services	5,097,639	41,784	110,287	2,121
Other - community sector charity	2,214,174	25,746	119,306	2,651
Total	22,284,612	19,047	774,967	1,360

Reporting burden and red tape: case studies

To better understand what is driving reporting burden and its effects on organisations, VCOSS consulted several member organisations. The case studies presented below, drawn from these consultations help form a picture of the reporting obligations organisations are facing, and the red tape burden being created. They also illustrate problems organisations are experiencing in regard to reporting obligations, particularly as these relate to their funding compliance.

Multiple and duplicated auditing requirements

VCOSS members consulted report facing multiple and duplicated auditing requirements across differing funding streams. As outlined in Case Study 1, there are significant areas of duplication between the Human Services Standards, the Home Care Standards, the Child Safe Standards and the International Organization for Standardization (ISO), particularly in regard to management and governance. Audits may occur around the same time as each other, and cover the same matters, but take no account of each other.

Inconsistent auditing of same standards across funding bodies

As outlined in Case Study 1, this charity reports to two government agencies, a Commonwealth agency and a state agency, both of which currently audit the Home Care Common Standards. The agencies use a common framework and coordinate their audit activities. However, auditors have recently taken a different approach to the same standards and produced two different reports, resulting in different recommendations.

CASE STUDY 1: REGIONAL COMMUNITY SECTOR CHARITY

Located in regional Victoria, this organisation has been a long-term provider of family and children's services. It also provides aged and disability support services, support services for carers, and community development activities.

The organisation employs almost 100 staff and has around 50 volunteers. It has an annual income of \$6-7 million. It is an incorporated association under the Victorian *Associations Incorporation Reform Act 2012* and is a registered charity with the Australian Charities and Not-for-profit Commission.

This organisation receives government funding from a number of departments, the largest amount being from the Victorian Department of Health and Human Services (DHHS). Other funding is received from the Australian Department of Social Services and the Australian Department of Health, as well as project funding from a range of other government and philanthropic sources.

DHHS-funded community service organisations are required to adhere to the department's main quality compliance obligation, the Human Services Standards. The organisation's aged

and disability care programs must also report in line with a separate set of standards – the Home Care Common Standards. Further, from 1 January 2016, the organisation has had to adhere to the Victorian Child Safe Standards. The organisation also chooses to comply with ISO 9001 because of the systematic approach it takes to management and governance, making it easier to self-assess compliance with ACNC governance standards.

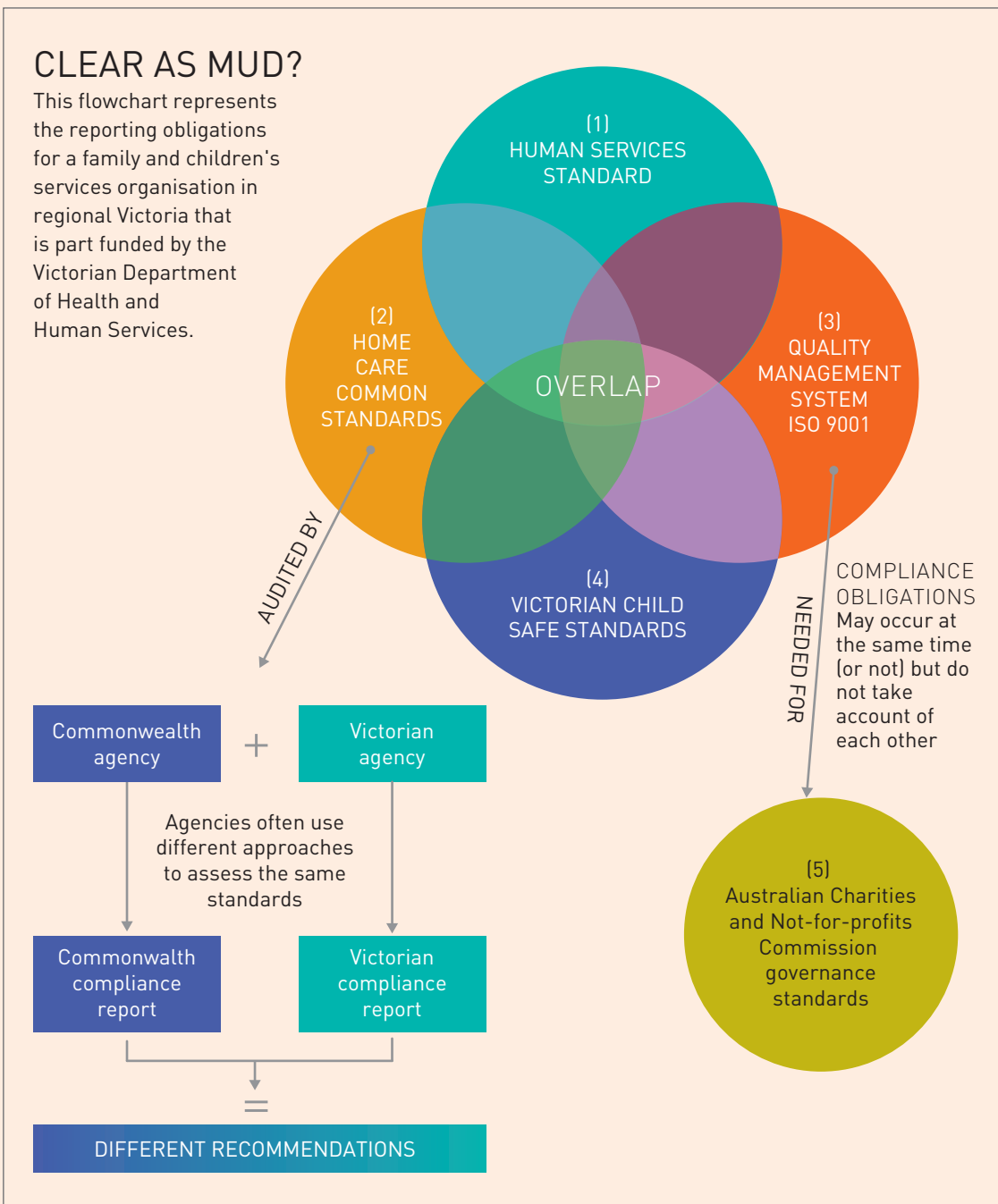
Compliance with all these standards is ensured through auditing processes.

Two government agencies – one Commonwealth and one state – currently have a role in auditing the Home Care Common Standards. They use a common framework and coordinate their audit activities. However, in previous activities auditors have taken a different approach to the same standards and produced two different reports, resulting in different recommendations.

There are significant areas of duplication between the Human Services Standards, the Home Care Standards, the Child Safe Standards and the ISO, particularly in regard to management and governance. Audits may

➤ occur around the same time as each other, and cover the same matters, but take no account of each other. Some rationalisation may occur as remaining state roles in aged care and disability funding and supervision transition to the Commonwealth. Early indications are that the duplication will be carried forward rather than being recognised and addressed.

If the various layers of government could streamline quality assurance systems across human services, this could significantly reduce duplication of quality assurance processes for community sector organisations. As well as creating cost and efficiency issues, duplication diverts attention from the true purpose of standards, to ensure acceptable quality and continuous improvement.



Relevance of data reported reducing the ability for statistical analysis and outcome reporting

Organisations are often required to provide data to funding bodies based on prescribed formats. The usefulness of these data to inform ongoing monitoring and outcomes measurement can be limited. For example Case Study 2 highlights how family violence services are often funded out of a homelessness funding stream, which imposes reporting obligations on them that are intended to cover the entire homelessness sector. However, data that would be of greater use for family violence services is not collected other than in qualitative data fields, meaning that it cannot be easily analysed for statistical or other purposes. This has implications at the service level and at the system level.

CASE STUDY 2: SPECIALIST FAMILY VIOLENCE CHARITY

This organisation provides services for women and their children facing violence and abuse from a partner or ex-partner, another family member or someone close to them. It offers women and their children risk assessment, emergency accommodation, safety planning, support, information, advocacy and referral services.

The organisation has about 30 staff and an annual income of \$3-6 million. It is an incorporated association under the Victorian *Associations Incorporation Reform Act 2012* and is a registered charity with the Australian Charities and Not-for-profits Commission.

This organisation is funded primarily through the Victorian Department of Health and Human Services (DHHS) via homelessness funding streams.

Under the National Partnership Agreement on Homelessness, services funded through the states use the Australian Institute of

Health and Welfare's (AIHW) Specialist Homelessness Information Platform (SHIP) as a client management platform. Data reports are submitted via SHIP to the AIHW Specialist Homelessness Online Reporting (SHOR). There is some duplication of reporting, as the same data is sent to DHHS, but this is not particularly onerous.

The SHIP and SHOR tools are not particularly useful for an organisation that focuses on supporting women experiencing family violence, because they are designed for homelessness services. Data relating to women experiencing family violence is entered in the qualitative fields of SHIP but this means it cannot easily be collected for statistical analysis and other purposes.

Proposals to develop a separate funding stream for supporting women experiencing family violence may require a new data collection and reporting process to be developed, to enable family violence services to collect and report more relevant data.

Financial reporting requirements not equating to the level of funding or the risk associated with the funding

The Victorian and Commonwealth governments have traditionally provided funding in direct relation to outputs achieved. Outputs are the direct products or services resulting from a program or interventions. For example, it might be the number of people assisted, places reached, supports provided or activities conducted.¹²

The organisation featured in Case Study 3 receives several large funding grants, but as it is output funded, faces minimal financial reporting requirements. On the other hand, funding that is more flexible, but of far smaller amounts, such as for brokerage funds (used to address individual, one-off, short term needs or crisis situations), has more frequent reporting requirements attached, and significant justifications needed for minimal variations.

¹² K Muir and S Bennett, *The Compass: Your Guide to Social Impact Measurement*, The Centre for Social Impact, 2014.

Different financial reporting formats for funding agencies

Financial reporting requirements across different departments often require different financial systems to be in place to meet them. For example, the organisation featured in Case Study 3 uses the standard chart of accounts to prepare financial reports for several of its various funding agencies, however the Victorian Department of Education and Training uses a different chart of accounts, which is said to be more useful for schools. This means some account items are not comparable across the services. The organisation is a multi-state child and family charity, and has also chosen to become a provider of disability services under the NDIS, meaning it charges the National Disability Insurance Authority (NDIA) for services delivered after these have been provided. This has added further complexity in the organisation's financial system, as it requires a new billing system.

CASE STUDY 3: A MULTI-STATE CHILD AND FAMILY CHARITY

This organisation provides home-based and residential care services for children and young people. It also provides youth support and outreach services, disability services, education services, family support services and services for refugees. It operates in three states.

The organisation employs about 800 staff and has more than 400 volunteers. It has an annual income of more than \$60 million. It is a company limited by guarantee under the *Commonwealth Corporations Act 2001* and is a registered charity with the Australian Charities and Not-for-profits Commission.

This organisation receives government funding from three different states and three Commonwealth government departments, the largest amount being from the Victorian Department of Health and Human Services (DHHS). Other funding is received from the Victorian Department of Education and Training (DET), NSW Department of Family and Community Services, NSW Department of Health, the WA Department for Child Protection and Family Support, the Australian Department of Social Security, the Australian Department of Health, and the Australian Department of Education and Training. The organisation is a registered provider of disability services through the National Disability Insurance Authority (NDIA).

The organisation has multiple contracts with all funding agencies. The financial reporting requirements often do not equate to the level of funding and the degree of risk associated with the funding. For example, tens of millions of dollars is paid to the organisation by the DHHS for home-based and residential care services for children and young people. This funding requires minimal financial reporting, as it is based on a price per client. In contrast, small amounts of funding for brokerage services require frequent reporting, as well as significant justification for minimal variations in projected budgets.

Financial reporting across different departments often requires different financial systems. For example, while the standard chart of accounts can be used in financial reports to funding agencies, DET uses a different chart of accounts, which is said to be more useful for schools. This means that some account items are not comparable across the services.

The organisation has chosen to become a provider of disability services under the National Disability Insurance Scheme meaning the organisation charges the NDIA for services delivered after these have been provided. This has added further complexity for the organisation's financial system, as it requires a new billing system.

Inconsistent definitions between funding streams

Charities are often required to report to government in multiple forms. The organisation profiled in Case Study 4 makes 70 regular reports per year to government agencies. The lack of a common data dictionary across funding streams and funding departments has increased the complexity of the organisation's client management system. For example, the organisation is required to report on the number of clients from culturally and linguistically diverse backgrounds. However, different reports use different definitions of 'cultural and linguistic background'. Some use country of birth, others use language spoken at home and some use self-identified 'ethnicity'. This results in the same piece of information requiring four fields in the organisation's client management system.

Frequent changes in reporting requirements

A common theme VCOSS hears from its members is that there are frequent changes in reporting requirements made by government departments, which may be generated from a central or regional department level. As outlined in Case Study 4, departments frequently change their reporting requirements. This can require the organisation to recode its client management system, which usually causes a cost to the organisation. Rarely do funding departments provide organisations with financial assistance to recode their client management systems.

CASE STUDY 4: STATEWIDE SERVICE WITH MULTIPLE FUNDING STREAMS FOR SIMILAR CLIENTS

This statewide organisation works to improve families' health, wellbeing, resilience and economic security. It provides advice, information and support to families, including: information and advice through a telephone advisory line, emotional support through counselling, education and training, and practical support and respite services.

The organisation employs about 100 staff and has an annual income of \$10-12 million. It is an incorporated association under the Victorian *Associations Incorporation Reform Act 2012* and is a registered charity with the Australian Charities and Not-for-profits Commission.

The organisation receives funding from the Victorian Department of Health and Human Services (DHHS) and the Commonwealth Department of Social Security and the Commonwealth Department of Health.

The organisation makes about 70 regular reports per year to government agencies. These reports focus on the performance and activities of the organisation for accountability purposes.

The organisation has developed its own client management system, designed with case management in mind, to help manage clients through a number of different programs in different parts of the state. The system was

also developed to generate reports required by funding departments. While many organisations manually enter data into government databases, this organisation is able to transfer its data electronically from its client management system.

However, despite this there are some disadvantages for the organisation in using its own client management system. The lack of a common data dictionary across funding streams and within funding departments has increased the complexity of the client management system. For example, the organisation is required to report on the number of clients from culturally and linguistically diverse backgrounds. However, different reporting systems use different definitions of 'cultural and linguistic background'. Some use country of birth, others use language spoken at home and some use self-identified 'ethnicity'. The same piece of information requires four fields in the organisation's client management system.

Further, departments frequently change their reporting requirements. This means the client management system requires recoding, and this usually comes at a cost to the organisation. Rarely do funding departments provide financial assistance to recode client management systems.

SUMMARY AND DISCUSSION

This analysis of ACNC 2014 AIS data for Victorian community sector charities indicates the extent of the Victorian community sector's contribution to the state's society and economy. It does not provide a full picture of the sector's contribution, as there are many Victorian community sector organisations operating that are not registered charities. However, in the absence of fuller data, this report can be considered to provide an indication of the community sector's contribution to Victoria.

This report shows there were 3,556 Victorian community sector charities in 2014, as per the definition used in this report. The majority of these (52 per cent, 1,844 charities) were classified by the ACNC as small charities (incomes with annual revenue of less than \$250,000). Twenty per cent (527 charities) were classified as medium-sized charities with annual incomes of greater than \$250,000, and just over a quarter (26 per cent) were classified as large, with annual incomes of more than \$1 million.

Victoria's community sector charities are significant employers, with almost 135,000 people employed in full-time, part-time and casual capacities. Most were employed either on a part-time or casual basis, with only around 42,000 employed full-time. About 22 per cent of employees were employed casually, a figure not dissimilar to national employment figures. For close to one quarter of Australian employees, earnings or income vary from one pay period to the next, with 19 per cent of employees not guaranteed a minimum number of hours each week and 21 per cent not usually working the same hours each week.¹³

Amongst community sector charities, aged care charities were the biggest overall employer, with more than 30,000 employees. However only a small proportion of these were full-time workers (4,660). The other health service delivery, social services and other education (i.e. not schools) subsectors were also large employers within the sector.

The Victorian community sector provides greater levels of employment than several other key industries. For example, the electricity, gas, water and waste services (38,000 employees), rental, hiring and real estate services (47,600), information, media and telecommunications (57,100), arts and recreation services (67,700),

agriculture, forestry and fishing (92,500) and mining (9,800) industries provide lower levels of employment than the Victorian community sector.¹⁴

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In planning for this future workforce, it is important to note the large numbers of community sector workers who are employed casually, and therefore face an insecure employment situation. Insecure work has been defined as:

"poor quality work that provides workers with little economic security and little control over their working lives".¹⁶

Insecure work is characterised by:

"...unpredictable and fluctuating pay; inferior rights and entitlements; limited or no access to paid leave; irregular and unpredictable working hours; a lack of security and/or uncertainty over the length of the job; and a lack of any say at work over wages, conditions and work organisation".¹⁷

¹³ Australian Bureau of Statistics, *Characteristics of Employment, Australia*, Cat. No. 6333.0, August 2014.

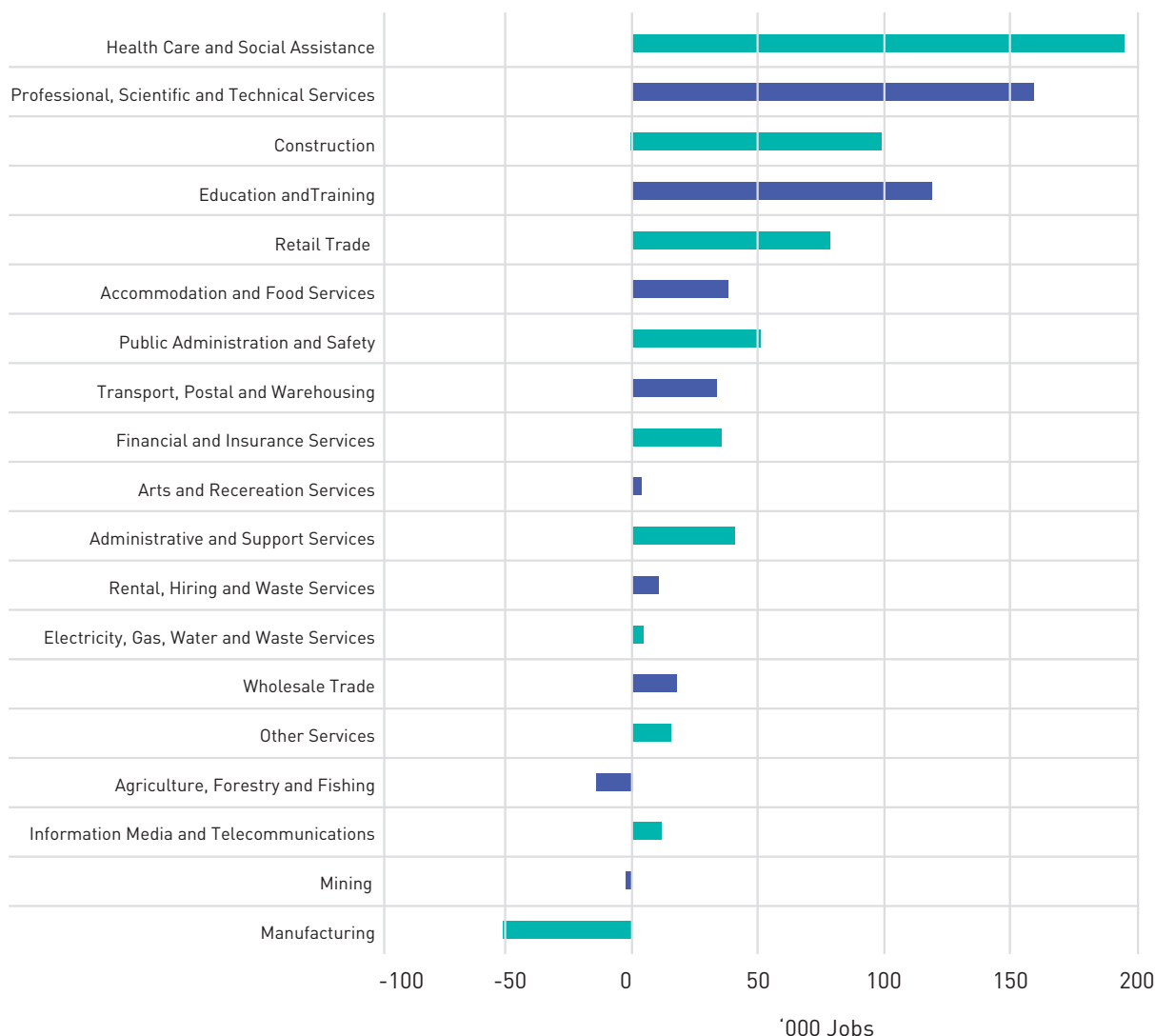
¹⁴ Australian Bureau of Statistics, *Labour Force, Australia*, Detailed, Quarterly Cat. No. 6291.0.55.003, February 2016.

¹⁵ Presentation by Richard Bolt, Secretary, Department of Economic Development, Jobs, Transport and Resources, *The Future Economy and the role of Government*, Institute of Public Administration forum, February 2016.

¹⁶ *Lives on Hold: Unlocking the potential of Australia's workforce*, Independent inquiry into Insecure work, commissioned by the Australian Council of Trade Unions, 2012, p. 14.

¹⁷ Ibid.

FIGURE 14: Victorian employment growth by industry, next 15 years (2016-2031)



Data source: Deloitte Access Economics for the Victorian Department of Economic Development, Jobs, Transport and Resources, as presented in *The Future Economy and the Role of Government* (presentation), 26 February 2016, unpublished.

Elements of work insecurity may exist in different employment arrangements. Insecure work is most commonly associated with non-permanent or non-regular work, such as casual work, seasonal work, fixed-term contracts, independent contracting and labour hire.¹⁸ People facing disadvantage are more likely to be employed in insecure work and receive low incomes. Insecure work can lead to underemployment and result in irregular and uncertain incomes. It can also contribute to housing insecurity and poor health and wellbeing. Insecure workers are also less likely to access training and development.¹⁹

The rollout of the NDIS and other market systems may lead to an increase in casual employment at a rate faster than either full-time or part-time employment in the community sector. Health and social assistance sectors have disproportionately high numbers of women working within them. Government funding and policies that result in insecure funding models may drive community sector charities to employ more casual staff. This may increase gender inequality and create a growing tier of workers who miss out on the basic employment protections afforded to other workers.

18 Ibid.

19 Victorian Council of Social Service, *VCOSS Submission to the Victorian Inquiry into the Labour Hire Industry and Insecure Work*, November 2015.

Using the financial data reported to the ACNC in 2014, it can be seen that Victorian community sector charities generated around \$11 billion in income in the 2013-14 financial year. About 54 per cent of this was from Commonwealth, state and local government funding sources. The remainder was generated from fundraising, service fees, and other income sources.

Most Victorian community sector charities receive the majority of their funding from sources other than government, which is an important premise for recognising their independence and contribution to society. In 2010 the Productivity Commission found many not-for-profit organisations feel they are poorly understood by government and the general public. This report, *More than charity*, aims to increase the understanding of the sector's economic and social contribution and the need for protecting its independence and reducing the red tape burden it faces.

Small community sector charities were less reliant on government funding than their large and medium-sized counterparts. About one quarter of small charities' overall income came from government sources, compared to 37 per cent for medium-sized charities and 54 per cent for large charities.

The community sector is a major driver of social innovation and uses its on-the-ground experience to identify emerging trends and develop new and improved ways of tackling complex disadvantage. VCOSS members regularly report using their diversified revenue for innovation in developing, trialling, delivering and evaluating services to improve the lives of people in the Victorian community.

Small community sector charities' lesser reliance on government sources for income may be one reason for the greater financial variability reported amongst them. These small charities were more likely to have both budget surpluses as well as budget deficits, than their large and medium-sized counterparts. However caution is needed in drawing conclusions from this data about organisations' long-term financial viability, as it is a snapshot of one year and does not indicate the long-term financial position of community sector charities.

Employee expenses are the single largest cost to most community sector charities. This reflects the labour-intensive, people-oriented nature of service delivery within the community sector, which is characterised by people working directly with people to support them and provide services. Overall, employee expenses make up 54 per cent of the sector's total costs. However, this is variable across the community sector charities when analysed by the charities' main activity. Community sector charities delivering social services, aged care, health and employment and training services spent

more than 60 per cent of their total expenditure on employee costs. International activities, emergency relief, housing and income support and maintenance were less employee intensive.

The contribution of community sector charities through employment and revenue-generation cannot be understated in regional Victoria, where often health and community sector organisations are the major employers in town centres. This turns on its head any perception that the sector is a cost to society. Rather it is a key asset.

Government funding is leveraged through organisations' fundraising and revenue generation activities, and through their contribution to strengthening the social fabric of society. This includes the contribution of about 135,000 volunteers, as outlined in VCOSS' 2015 *Strengthening the state* report.

.....
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Despite its important contribution to the economy, the community sector is also heavily burdened by reporting and compliance obligations. Community sector charities spent a significant amount of time reporting to government agencies. On average in 2013-14, these charities spent 291 paid staff hours and 47 unpaid volunteer hours meeting reporting obligations to either Commonwealth or state government agencies. This was at an estimated cost to the sector of about \$23 million. This is based only on paid and unpaid staff hours, and does not include other factors such as the costs of auditors, software systems to support reporting, and staff time entering data into client management systems to generate report data, meaning the true costs are likely to be far higher.

Charities from the social services subsector on average spent the most time and money on government reporting obligations in 2013-14 (638 hours and \$41,785), followed by the other health services delivery subsector (449 hours and \$29,415). They also spent the most on reporting obligations overall, with the social services subsector spending almost \$5.1 million and the other health service delivery subsector spending about \$4.1 million.

Whilst the largest subsector in income terms is the aged care activities subsector, with an income of more than \$2 billion, charities in this subsector on average spent comparatively far less time (220 hours) and money (\$14,372), on reporting obligations, and far less overall on reporting obligations, at about \$1.7 million. This means the social services subsector, which, with an annual income of about \$1.3 billion, has an income about two thirds the size of the aged care sector, but spends almost three times the amount of time and money meeting reporting obligations. Similarly, the other health service delivery subsector, with an income of about \$1.5 billion, has an income about three quarters the size of the aged care subsector, but spends more than twice the amount of time and money meeting reporting obligations.

VCOSS member case studies presented in this report illustrate the stories that sit behind these ACNC data around reporting burden. The cost of reporting could be cut by streamlining reporting requirements within and between government agencies, providing consistent definitions regarding clients and accounting terms, and cooperation between tiers of government undertaking similar activities. The case studies in this report highlight key areas of duplication and waste that could reduce red tape and save money that could be put to better use to support the people of Victoria. The case studies also speak to the lack of effectiveness or value in some reporting requirements, particularly in regard to measuring outcomes for the clients being supported.

It is understandable for governments to increasingly want to know whether their social spending improves people's lives. Governments are seeking to measure the benefits that people, or groups of people, gain from particular funding programs, and they do this by measuring

outcomes. However the move to outcome measurement could substantially increase the reporting burden on community sector charities if poorly implemented. Getting this right from the start and involving the sector, as well as service users, in the development of outcomes measures would help reduce red tape growth.

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Generating substantial economic activity and employment, operating from diverse revenue streams, running balanced and surplus budgets in the main, and strengthening society, the community sector is more than charity, it is a significant and growing industry.

In conclusion, this report highlights the important economic contribution made by Victoria's community sector charities. Generating substantial economic activity and employment, operating from diverse revenue streams, running balanced and surplus budgets in the main, and strengthening society, the community sector is more than charity, it is a significant and growing industry.

This is particularly so in regional areas, where the community sector is already a significant employer and is now set to expand further with the advent of major reforms such as the NDIS. At the same time there is a substantial reporting burden placed on the sector that is costly and inefficient. Through collaboratively designing more effective reporting mechanisms with the sector, governments can further leverage their investment in the community sector, to generate even greater benefits for Victoria.



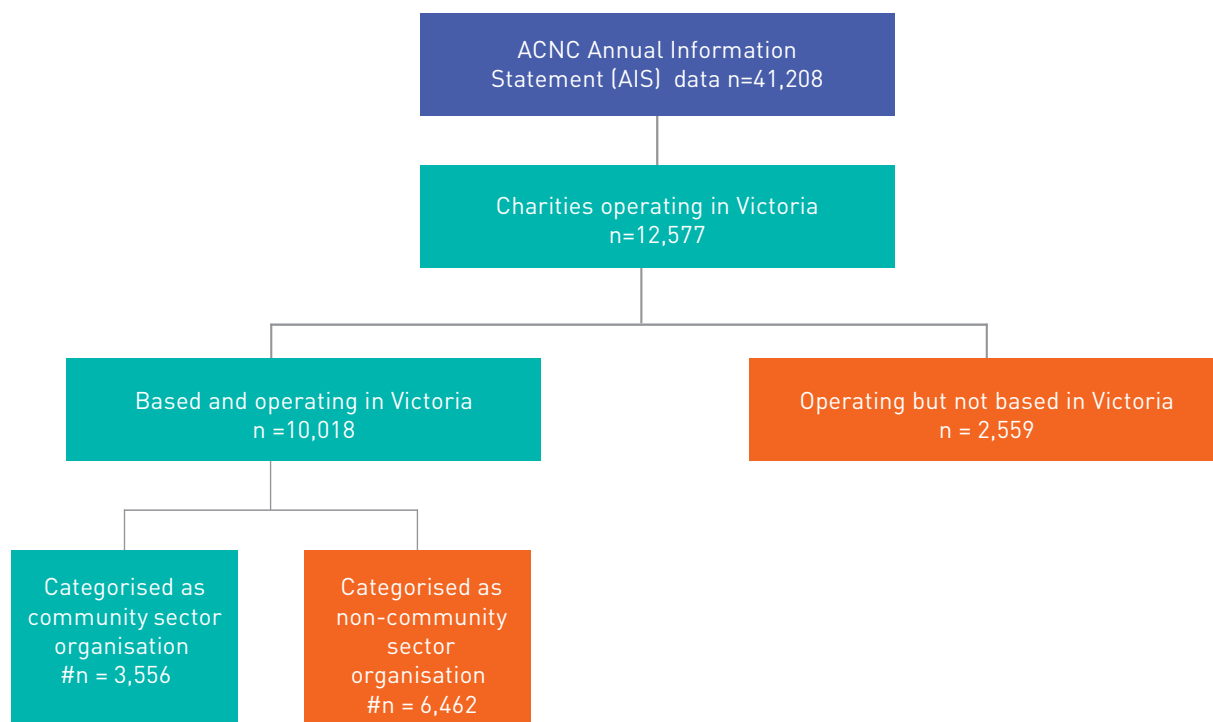
APPENDIX: METHODOLOGY

The data used for this report were collected by the Australian Charities and Not-for-profit Commission (ACNC) through its role as regulator of Australian charities. ACNC registered charities are a type of organisation defined for Commonwealth purposes by the *Charities Act 2013* (Cth). This Act states that a charity must be a not-for-profit organisation and have only charitable purposes that are for the public benefit, and that they must not pursue disqualifying purposes. Charities are required to submit an Annual Information Statement (AIS) to the ACNC within six months of the end of each financial year.

The 2013-14 ACNC AIS data analysed in this report was published by and sourced from www.data.gov.au. Datasets on www.data.gov.au are updated fortnightly. Data used in this report were downloaded on 4 December 2015.

The ACNC data is collected from a broader range of not-for-profit charity organisations than VCOSS generally works closely alongside. This broader range includes registered charities such as schools, hospitals, arts and environment organisations, and also, organisations based and operating interstate. Therefore, to use these data to demonstrate the value of the Victorian community sector that VCOSS generally works alongside, various parameters were applied to create a subset of data from the AIS data for this report, as outlined in Figure A.

FIGURE A: Victorian 2013-14 ACNC Annual Information Statement (AIS) dataset



VCOSS has analysed data for community sector charities which in their 2014 AIS nominated one of the following as their 'main activity': aged care activities; civic and advocacy activities; economic, social and community development; emergency relief; employment and training; housing activities; income support and maintenance; international activities; law and legal activities; mental health and crisis intervention; other education; other health service delivery and social services (n=3,243). This is the same as the categories used for the VCOSS 2015 *Strengthening the state* report. In this 2016 report however, we have also expanded the definition of community sector charities to include charities which listed their main activity as 'other', but reported delivering one or more of the above 13 activities (n=313).

Data cleaning

The data provided on www.data.gov.au for analysis is the raw data provided by charities, and had not been cleaned to identify inaccuracies or implausible information. The data cleaning for the data used in this report was informed by the methodological work completed by the Centre for Social Impact and the Social Policy Research Centre in preparing *Australian Charities 2014*^a and *Australian Charities and Red Tape 2014: Measuring the Reporting Burden of Australia's Charities*^b for the ACNC.

Filter tests were conducted to exclude likely inaccuracies in financial information. Filters were applied for size of organisations, to identify inaccurate financial data, income and expenditure data and ratios and negative values (see pp.110-11 *Australian Charities Report 2014*).

For the reporting obligations of charities, some charities reported implausible values for the “number of hours spent reporting”. Using the methodology as described in the *Australian Charities and Red Tape 2014: Measuring the Reporting Burden of Australia's Charities 2014* report, charities whose cost of hours spent reporting exceeded their expenditure, were excluded. This is likely to pick up those with incorrect information, without excluding charities with a genuinely large reporting burden.

In this *More than Charity* report, only charities that were required to report to any state or Commonwealth government agency were included, whereas in the 2015 *VCOSS Strengthening the State* report, all charities recording reporting obligation hours were included. In this report, when calculating (average) hours of reporting obligations, organisations reporting zero hours were not included, whereas in the previous report those reporting zero were included. Therefore it is not recommended to compare changes in the time spent by charities on reporting, between these two reports.

a N Cortis, I Lee, A Powell, R Simnett and R Reeve, *Australian Charities Report 2014*, Centre for Social Impact and Social Policy Research Centre, UNSW Australia, 2015.

b R Reeve, I Lee, R Simnett, N Cortis and E Chew, *Australian Charities and Red Tape 2014*, Centre for Social Impact and Social Policy Research Centre, UNSW Australia, 2016.

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