

Finance for the Not-for-Profit Sector

**Discussion starter
19 September 2011**

Senate Inquiry and our role

- Committee to report 31 October 2011
- 27 submissions received
- Hearings held in Canberra, Melbourne, Sydney

CCA is keen to:

- Bring together key experts to provide advice on priorities
- Understand where collective consensus exists and provide a supplementary submission to Senate Economics Committee

Inquiry on at a time of broad sector reform

National Compact

Office of the Not-for-Profit sector, PM&C

NFP Reform Council

Regulatory framework

Implementation Taskforce ACNC

Tax reform and consultation

Tax Summit (Oct)

COAG reform – SCOA & fundraising

Definition of charity

Social innovation

Social Enterprise Development and Investment Fund launched

Sector capacity

Inquiry into finance for sector

Contracting environment

Volunteering strategy

Philanthropy Taskforce high wealth individuals

NBN

Regional grants

Key themes drawn from 27 submissions

- Investment and banking options – new impact investment class?
- Role of financial intermediaries
- Growing social businesses and enterprises
- Strengthening NFP sector capacity
- Measuring impact and new trends

Theme 1:

Investment and Banking Options – a new impact investment class?

Key findings (submissions):

- Transaction banking options available but not tailored to NFPs.
- Mainstream banks have a role to develop products
- Access to finance (debt and equity capital) elusive for small-med NFPs
- Variety of capital sources needed over life cycle
- Lack of understanding by financial sector of NFP needs

Discussion points

- What actions can be taken to address the gaps in access to finance?
- Which products or sources are best suited to the different stages of the life cycle of organisations?
- What role can partnerships play?
- How can NFPs articulate the need?

Theme 2:

Role of intermediary organisations

Key findings (submissions):

- There are few active intermediaries in Australia
- They have a key role in growing the pool of finance options and solutions
- Regulatory frameworks may not suit intermediaries
- Public funds have been made available but evaluation required

Discussion points

- What regulatory conditions are needed to support the growth of intermediaries?
- How could investment principles and lending guidelines be best developed that work for both finance and NFP sectors?
- Is there a role for a wholesale investor in Australia?

Theme 3:

Growing social businesses and enterprises

Key findings (submissions):

- Clarity needed on definition of social businesses and enterprises to reduce confusion
- Tax concessions and public funds for social enterprises could support expansion
- No legal entity for social enterprises in Australia
- Social procurement models have a role
- Business skills and resources needed to grow sector
- Recognise the growing area between NFP to for-profit and the rise of social entrepreneurs

Discussion points

- How can we best define social businesses?
- Is a new legal form required for social enterprises and what are the regulatory impediments for them?
- What role do community-business partnerships play?

Theme 4:

Strengthening NFP financial capacity

Key findings (submissions):

- Access to finance just one capacity constraint facing the sector
- Operating cost shortfalls prevent innovation and create risk aversion
- Government compliance regimes can be at odds with outcome focus policy.
- There are a range of cultural barriers for NFPs to increase financial capacity.
- Lack of understanding of NFP assets
- Lack of title to assets impacts on types of investments NFPs can make.

Discussion points

- How can the National Compact develop best contracting practice and what are the key actions needed?
- How can governments be an enabler for NFPs to access markets?
- How can we better understand NFP assets?
- How do we best support orgs to be investment ready?

Theme 5:

Measuring impact, new trends and incentives for investment

Key findings (submissions):

- The Australian social bond market is nascent and tax concessions could encourage investment
- There are a range of pilots and new programs being developed but they will require ongoing evaluation.
- Philanthropy is only one form of capital for sector finance and cannot be the only source as will not keep up with growth of sector.

Discussion points

- How can the social bond market be developed more fully?
- How can tax treatments of NFP commercial activity be targeted?
- Do we need a new investment class or hybrid form?
- What lesson can be learnt from the NRAS?
- What can be done to increase the impact of corpus funds and PAFs?

Cross cutting issues

Discussion points

- What does a vision for the sector include and how can it be developed?
- What could a Social Investment Taskforce look like? How can we build the evidence base on the financial needs of the social economy?
- How can the need for better finance options be voiced?
- How can this Inquiry sit alongside other sector reforms?

About Community Council for Australia:

- independent, non-political, diverse member-based organisation
- dedicated to building thriving communities by enhancing the extraordinary work and effort undertaken within the not-for-profit sector in Australia
- seeks to change the way governments, communities and the not-for-profit sector relate to one another
- including establishing a regulatory environment that works for the sector