

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia



29/08/2008

Dear Senate Committee

Please find attached a submission to the *Inquiry into the Disclosure regimes for charities and not-for-profit organisations*.

Youth Off The Streets thanks the Government for the opportunity to submit our views to the Inquiry.

If you require any further information about our organisation or the view presented in our submission please contact me on vittoriab@youthoffthestreets.com.au or call my Personal Assistant Ms Karen Gray on 02 9721 5706

Warm Regards



Vittoria Borazio
Chief Operating Officer

Information about Youth Off The Streets (YOTS)

Youth Off The Streets is a community organisation working for young people aged 12 to 25 who are facing the challenges of homelessness, drug and alcohol dependency, and exclusion from school, neglect and abuse. We provide a range of services to support young people as they work to turn their lives around. It is our goal that these young people will leave our care drug and alcohol free, with a high school education, living skills and a full or part time job in hand.

Since opening in 1991, Youth Off The Streets has grown from a single food van delivering meals to young homeless people on the streets of Kings Cross to a major youth specific agency providing a wide range of services offering a full continuum of care.

We provide crisis care for young people still living on the streets with our food van, youth refuge and outreach programs. We operate an innovative drug and alcohol program specifically designed for young people. Our accredited independent high schools in Surry Hills, the Southern Highlands, Macquarie Fields and Merrylands provide flexible educational opportunities and support for young people living on the streets or who are unable to attend mainstream high schools. Many of these young people go on to successfully achieve their School Certificate and in increasing numbers, their Higher School Certificate.

Our medium to long-term residential rehabilitation programs, located in the Southern Highlands and the Hunter Valley provide support for young people who have made the commitment to living a drug and crime-free lifestyle. While they are in our care, young people attend school as well as receiving counselling, life skills and vocational training. Once they are ready to leave the residential programs, we offer a semi-independent living and mentoring program designed to help young people engage in further study or to find meaningful employment. We also provide an Aftercare service to support young people who have left our services as they begin to live independently.

Our Aboriginal Services responds to the specific needs of Indigenous young Australians and the high levels of disadvantage they experience. We currently run services in Walgett and Griffith in NSW as well as supporting Aboriginal youth in all our schools, Outreach programs and residential care programs.

Recognising the value of early intervention, we established a Scholarship program to help talented but disadvantaged young people to pursue their dreams. We have also developed a range of early prevention resources for schools and youth groups, including the *GetReel* drug and alcohol annual schools competition and *YOUth Making a Difference*, which encourages young people to develop positive values and put them into action in their own communities.

Background to our submission:

Charities and non-government organisations provide a wide range of services to Australia's poor, disadvantaged and marginalised, at a cost that is far lower than the government itself could provide.

In doing so, the sector is expected to work in partnership, provide high quality value-for-money programs at the same time as competing for funds that are offered, in many instances, on short-term or one-off government funding contracts. This creates a climate of uncertainty, inequitable competition, difficulties in attracting and keeping quality staff and lack of capacity to sustain programs over the longer term. The burden of accountability and reporting increases regularly with little consideration to the increasing costs of compliance.

Organisations in the non-government and not-for-profit and charity sector are unable to compete with the public sector and business for staff due to the much lower levels of remuneration and overall working conditions; leaving the most needy, vulnerable and marginalised Australians to be "looked after" by organisations that have difficulties attracting and retaining high quality, qualified staff.

While many in the sector work for lower wages due to a moral, ethical, spiritual and philosophical commitment to social good and social justice, in the end "*you get what you pay for*" and organisations continue to struggle because they cannot retain educated, ambitious and qualified staff in a context where remuneration and working conditions mean there are few prospects for life-long job satisfaction. In addition, the mounting daily living expenses for most Australians and their families are forcing more and more individuals to make pragmatic employment decisions and those that can, leave the sector for "more lucrative" pastures.

Recommendations:

The government could make a number of simple changes to support the sector to function more effectively, these include:

1. *Clearer definitions around the terms Not for Profit, Non Government Organisations and Charities.*

Youth Off The Streets as a charitable entity supports the sector's need for a national independent regulator for Charities, this regulator would oversee financial compliance & audit; sector education; disclosure protocol; standardisation of best practices and the development and implementation of a national standard of accounting for charities.

There needs to be clarity around the definitions of entities that define themselves as a Not For Profit Organisation, a Non Government Organisation or Charity. There is a great deal of confusion when these descriptions are used interchangeably and therefore definitions need to be clearer and more consistent.

The Report of the Inquiry into the Definition of Charities and Related Organisations has recommended the need for more consistent definitional guidelines and stringent criteria in relation to charities and associated entities¹.

Charities are afforded a range of legal and administrative concessions and they also receive support from all levels of government, including taxation relief. They are also entitled to collect donations from the public and donations to some charities are tax deductible to the donor through Deductible Gift Recipient status. Satisfying the requirements of the 'definition' of charity can therefore affect the way an entity operates and the level of public and government support it receives.²

The implications of the definition of a charity and not-for-profit and NGO status have a wider reach than the effects on individual entities.³ Charities, and the larger not-for-profit sector of which they are a part, are a significant contributor to the economy and society and are increasingly involved in the provision of publicly funded goods and services that generate income and profit.⁴

The Report into the Definition of Charities has also recommended that the principles enabling charitable purposes to be identified be set out in legislation.⁵ Furthermore, it is recommended that the Government seek the agreement of all State and Territory Governments to adopt a nationally defined framework for entities and the applicability of their status as either a charity, not-for-profit and non government organisation.⁶ It has also been recommended that Government seek the agreement of all State and Territory Governments to establish an independent administrative body for charities and related entities, and to the legislative changes necessary for its establishment.⁷

2. Implement Sector Wide Accounting Standards & Reporting.

A set of rules that govern all charities based on the size and financial thresholds of organisations needs to be established. A single independent regulator should administer this disclosure regime.

This regulator needs to incorporate an intimate awareness of the charitable sector within its governance. Rules should take into consideration the size, scope and financial position of both small charitable organisations that are minimally staffed (usually by volunteers) and larger charitable organisations that have full term directors, board members and financial staff. Therefore any regulatory system that is established needs to be tiered, to account for variation in size, structure and capability of the specific charitable organisations.

Any financial or auditing requirements introduced by a regulating body to govern the accounting standards of the charitable sector should be workable within the financial, auditing, professional and ethical capabilities of that organisation. There is a need to harmonise the financial reporting requirements of companies limited by guarantee

¹ Sheppard, I., Fitzgerald, R., & Gonski, D. (June 2001). Report of the Enquiry into the Definition of Charities and Related Organisations. Commonwealth of Australia Publishing Service: Canberra

² *ibid*

³ *ibid*

⁴ *ibid*

⁵ *ibid*

⁶ *ibid*

⁷ *ibid*

and incorporated associations to provide a consistent reporting framework for charitable entities within Australia. Reporting therefore needs to be standardised at all levels of government, federal, state and local.

A specific minimum accounting standard for charities that has the support of the Australian Accounting Standards Board needs to be designed developed and adhered to. This standard must be both cost effective and time efficient to keep from incurring large overheads. There should be a consistency in reporting by charitable organisations, periodical reporting is necessary for charities to be transparent and accountable to the government and their benefactors, namely the public.

3. *Transparency in reporting for organisations with DGR status, including audited financial statements as a minimum.*

Stricter reporting requirements are needed for organisations applicable for DGR status to ensure that total transparency of “use of funds” and “outcomes” are provided. “Benefit” equals “Accountability”.

Some organisations are entitled to receive tax deductible gifts; these are called Deductible Gift Recipients (DGRs). Income tax law determines which organisations can receive income tax deductible gifts. DGRs are endorsed by the Tax Office, or listed by name in the tax law. Most DGRs are endorsed by the Tax Office. The only DGRs that do not need to be endorsed are those listed by name in the income tax law, including Prescribed Private Funds (PPF's).

DGR Status also entitles organisations to offer staff fringe benefits and therefore there needs to be a specific criteria met by organisations applying for DGR Status to ensure benefits that come with DGR status are equitable. Monitoring and reporting of DGR status and staff fringe benefits needs to be both standardised and transparent.

Organisations which receive the benefit of DGR status and through that receive public funds should have more accountability for reporting back to the public. Volunteering, Gift In Kind and donations (i.e. clothing, furniture) are not considered tax deductible and these are avenues where tax deductibility should be extended for the benefit of charitable organisations.

4. *Standardise financial and non-financial reporting and reporting formats for funded services and programs across all government departments (whole-of government approach).*

Reducing or eliminating multiple reporting requirements in different formats to different government departments and other funding bodies would significantly reduce the burden on the sector.

The sector supports accountability and transparency. However, many organisations are required to provide individual annual and/or half-yearly or even quarterly reports to multiple Government, Philanthropic and Corporate bodies. Standardising reporting requirements and formats for all tiers of government and departments of government would reduce this burden and time-wasting duplication.

5. *Establish a Code of Conduct for Fundraisers, or legislate mandatory principles/standards.*

FIA for many years have implemented mandatory codes for *FIA members*. However this is a voluntary practice which attaches to membership.

It is recommended that the new regulator endorse the Fundraising Institute of Australia (FIA) in developing and managing a code of practice for fundraisers and that it changes the requirements from voluntary to mandatory.

6. *Provide end-user friendly, core data-sets to collect data on key outputs and out-comes for funded services and programs across all government departments (whole-of government approach). Match these with data requirements of the ABS and/or the Australian Institute of Health and Welfare so that base-line data from the sector can be used to support the national research agenda and guide policy development.*

Standardised data-sets would assist the national research agenda and provide more robust, valid and reliable information for policy-makers.

Streamlining data-sets would also assist to reduce the current burden of reporting. A central core data-set used by organisations with similar missions and target populations would be helpful. Providing funding to train staff and for infrastructure costs would assist compliance.

7. *Standardise the financial and non-financial reporting requirements of Annual Reports and provide an education campaign to the public about the sector and how it functions.*

It is necessary to clearly define what the “cost of fund-raising” is, there is no standard benchmark and clear definition has to be established.

Standardised Annual Reporting would provide some comparability and consistency in the sector. E.g. how the “cost of fund-raising” is measured across the sector. What costs legitimately fit or does not fit within this area? How are different organisations measuring (or hiding) their cost of fund-raising and their service support costs?

Develop a campaign in consultation with the sector to educate the public on how the sector functions and how funding and donations are spent.

Transparency is helpful only if the public understands the information being provided and has the framework for appropriately assessing and judging the sector. The public needs to be educated to understand that the sector cannot run services, provide programs, advocate and contribute to the national research agenda if it does not have adequate infrastructure and support staff. Public expectations that the sector spend all its funding and donations on “front-line” services is unrealistic and should be challenged.

8. *Simplify and stream-line/speed-up funding application and approval processes (secure funding, less waste and greater continuity).*

Like reporting requirements, the funding application process needs to be standardised.

A whole of government approach to the format and processing of submissions would help. Adequate time-frames for the sector to research and develop submissions and

a more timely response frame would assist the sector to function more efficiently. Waiting 9-12 months or longer for decisions on funding does not support continuity or program and service planning and threatens staff continuity.

9. Encourage and support volunteerism by providing greater tax incentives to volunteers.

In principle, volunteering should not leave a person financially out-of-pocket. A system should be developed to offer a tax rebate to Australian citizens who volunteer their precious time.

Australians are encouraged to donate money by receiving tax incentives such as work-place giving out of pre-income taxed salary and a tax rebate for donations over \$2 to registered charities. Many Australians also give in another, way through **Volunteerism**. They may not be able to donate money, or they may provide additional contributions to the community through also volunteering their time and expertise.

Some suggested options include funding organisations to reimburse out-of-pocket expenses with proof of receipts or use a “proof of contribution” system to provide a tax rebate to individuals on the number of hours contributed by volunteers per annum.

10. Practical acknowledgement that infrastructure, administration, reporting, research and evaluation and compliance and accountability carry a significant cost and needs to be adequately funded.

In conclusion, the sector should be properly funded to undertake its valuable work.

High burn-out rates are in part due to the multiple pressures of staff doing more than the role they are employed to do or doing their role with inadequate infrastructure support. The sector cannot continue to produce high quality results that includes developing functional partnerships, providing consistent quality and “best practice” services and programs, training and supporting staff, recruiting and retaining quality staff, contributing to the national research agenda, providing robust evidence of outcomes/outputs as well as develop innovative practice if it is inadequately funded. Moreover funding should be provided based on the needs of Australia’s poor, marginalised and vulnerable rather than on funding cycles structured to benefit government elections cycles.