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Submission to the Inquiry into the Disclosure regimes for Charities and not-for-profit organisations from Southern Youth and Family Services (Association Incorporated).

Southern Youth and Family Services is a community based organisation which is incorporated as an association and a registered charity. The organisation was established thirty years ago and provides a range of support services in the areas of accommodation, education, health and outreach support to young people who are homeless or at risk of homelessness.

Like many not-for-profit organisations in Australia, Southern Youth and Family Services receives government funding to carry out its aims and objectives. Like many other organisations, this funding comes from a number of different government departments, at both State and Federal level and from different programs within those departments. A small proportion of our income is derived from fund-raising and donations and is used to provide services which are not in receipt of government funds or to extend services for which the funding provided is inadequate.

In recent years changes to the way funds are applied for have demanded a significant increase in the financial skills of organisations. Organisations must be able to submit comprehensive tender documents, assess and accommodate potential risk, develop long term budgets, calculate unit costs, demonstrate financial viability and an appropriate policy framework of good governance. Organisations are required to demonstrate the capacity of their management systems and infrastructure in slightly different ways for each and every tender.

When organisations are successful in obtaining funding, it is accompanied by growing compliance and administrative requirements. When funding is obtained from a number of different sources the reporting mechanisms and accountability requirements also differ as do the time frames for providing information. Nor is the complexity of compliance and acquittal mechanisms related to the amount of funding being provided. In some instances it can be argued that the effect of the imposition of some requirements almost exceeds the value of the funds provided. Certainly they divert valuable resources away from direct service to clients into administrative tasks.

In addition to the accountability and acquittal requirements of government funding, organisations may also have to report to other funding sources such as philanthropic

trusts or clubs who provide small grants for specific purposes. Programs which are jointly funded by State and Federal government may require double reporting. Outside of these funding sources then are the regulatory bodies – in NSW the Department of Gaming and Racing, Office of Charities and Department of Commerce, Office of Fair Trading, ASIC and the Australian Taxation Office – which require additional information. The complexity of multiple reporting requirements adds significant costs to day to day administration and annual external auditing which most organisation must undertake to meet their constitutional obligations.

Much of the information which we are currently required to provide to funding bodies and regulators does not assist in developing our organisation or our capacity to meet the needs of clients and in many instances we receive little feedback on information and data which we provide.

Within the community sector, in children's services, youth services, aged services, disability services and others, there is a high degree of monitoring and accreditation processes which scrutinize service delivery policy and practice and also financial management and governance. Most organisations undergo this intensive examination of their services on a regular basis, at least every three years. These audits use extensive tools or quality management systems to measure compliance with established standards or benchmarks and require substantial documentation, interviews, stakeholder participation and on site inspections as part of the process. Accreditation is not transferable and some organisations may have to undergo two or more separate audit/accreditation processes. In the majority of cases the cost of preparing for these audits is not recognized by funding bodies nor are additional resources provided to organisations to meet new benchmarks or standards.

Relevant to this is the failure of governments to provide adequate increases to funding through indexation to allow funded organisations to maintain clients services whilst meeting increased levels of compliance and reporting which in turn leads to a reduction in service levels.

Southern Youth and Family Services contends that community organisations which are charities require simpler and consistent standards of reporting and accountability. Standardised and consistent contracts within a government department would be a start. Consistency in requests for tenders across government agencies would be a help. Consolidated reporting and acquittal of multiple contracts and the elimination of differing data requirements would reduce the resources currently required to meet multiple accountability requirements. Within our agency we currently have five contracts with one government department using five different funding systems, requiring five different data returns, with five different financial report structures. The recognition of accreditation systems across State and Federal jurisdictions would also be helpful. Where organisations have undergone extensive monitoring and achieved a high level of compliance should be recognized by other funding bodies. The establishment of a single national accreditation system would be one way to address this issue.

Within any proposals to regulate further the management of charities must be a recognition of the role of volunteers within these organisations and the contribution that these organisations make to the social capital of our communities. As not-for-profit organisations, donations to charities are not going into the pockets of individuals but back into the community in some form. If there is concern that a 'charity' is not spending its resources in this way then that must be addressed. However most people contributing to a charity do so because they are interested in the cause or client group that that charity supports and are not concerned about the exact distribution of their donation. We would contend that most donors think it is reasonable that their donations support the administration and infrastructure of an agency which allows that agency to deliver services to the community.

Southern Youth and Family Services would support changes to the current regulatory requirements that simplified the current systems in place for community organisations. Reform must move towards a whole of government approach which is reflected in a consistent and efficient framework for financial and performance reporting. Perhaps there is a need for a system which can take into account the widely differing nature of the charitable sector. Consideration needs to be given to the impact of increased accountability and administration which could force some small agencies out of the sector. Is it appropriate that the same levels of accountability are imposed on local community based organisations with low levels of fund-raising and donations as on large national organisations with large infrastructure and extensive untied resources ? Are there particular areas which need regulation to manage particular risks ?

The current accountability and reporting systems with which community based organisations which are charities must comply is already onerous and complex. Governments need to acknowledge that a significant proportion of this sector meets high standards of transparency and governance through its relationships with governments and within the current regulatory framework. Increasingly governments are shifting services and programs once provided by government into the not-for-profit sector. Any changes to the system must support the role of charities and encourage the development of the sector on which increasing numbers of Australians rely for basic services.

Submitted by Narelle Clay on behalf of the Board of Management, Southern Youth and Family Services.

A handwritten signature in black ink, appearing to read 'Narelle Clay'.

Narelle Clay. AM
CEO, Southern Youth and Family Services