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## **SUBMISSION ON THE COMPETITION POLICY REVIEW DRAFT REPORT**

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the opportunity to comment on the Competition Policy Review Draft Report (**Draft Report**). This submission relates to the implications of the Draft Report for charities and the broader not-for-profit (**NFP**) sector.

The ACNC notes the Panel's encouragement of a diversity of service providers and welcomes the Panel's intention to not 'discourage or crowd out the important contribution of the not-for-profit sector and volunteers currently make to the wellbeing of Australians'. The feedback provided in this submission is directed at supporting this intention and covers the following points:

- ACNC experience
- the importance and contribution of the NFP sector (providing up-to-date data)
- unique barriers to competition for NFPs
- the importance of appropriate regulation
- the value of sector data
- the risk of crowding or forcing out NFPs.

### **1. ACNC experience**

The ACNC has been regulating charities for two years, having been established as Australia's first specialist charity regulator on 2 December 2012. This submission draws on this experience as well as two significant pieces of research it has commissioned (Curtin University Report<sup>1</sup> and Ernst & Young Report<sup>2</sup>, copies attached).<sup>3</sup>

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<sup>1</sup> Knight P.A and Gilchrist D.J, 'Australian Charities 2013: The First Report on Charities Registered with the Australian Charities and Not-for-profits Commission', Report for the Australian Charities and Not-for-profits Commission, 2014.

<sup>2</sup> Ernst and Young, 'Research into Commonwealth Regulatory and Reporting Burdens on the Charity Sector', 2014.

<sup>3</sup> More information about the ACNC, its role in reducing red tape and the potential for an expanded role (for example, in reducing red tape associated with fundraising) is contained in its [submission](#) to the recent Senate Inquiry into the Australian Charities and Not-for-profits Commission (Repeal Bill) (No. 1) Bill 2014.





## **2. The importance and contribution of the NFP sector**

The Draft Report notes the contribution of NFPs in the context of human service delivery, but the full contribution of the NFP sector (social and economic) is much broader. For example, analysis of the 2013 Annual Information Statements lodged by charities with the ACNC shows that as well as human services, charities conduct activities in areas such as arts and culture, grant making, the environment, emergency relief, animal protection, and research.<sup>4</sup>

NFPs are estimated to comprise some 600,000 organisations, just over 60,000 of which are charities registered with the ACNC. The Australian Bureau of Statistics (Satellite Account, 2014)<sup>5</sup> estimates that the 56,894 economically significant NFPs employed over a million people in 2012-13 (1,081,900, or 9.3% of the Australian workforce). In 2006–07, an estimated 4.6 million volunteers, with a wage equivalent value of \$15 billion, worked with NFPs.<sup>6</sup> In 2010, 36% of Australians aged 18 years and over participated in voluntary work.<sup>7</sup>

The income of the charities submitting their 2013 Annual Information Statements to the ACNC has been estimated by Curtin University at over \$100 billion a year, excluding donations.<sup>8</sup> The charity sector receives approximately \$28 billion in government funding alone.

As well as accounting for approximately 4% of GDP (which does not include the contribution of volunteers), the NFP sector is estimated to be growing at around 6% each year in real terms, exceeding the mining industry in relative growth.<sup>9</sup> This growth has been achieved despite significant and unique barriers to competition not faced by the business sector ('for profits').

## **3. Unique barriers to competition for NFPs**

Unlike the business sector which has long enjoyed a national system of regulation under the Corporations Act, regulatory oversight of incorporated associations and fundraising remains fragmented across the country.

This fragmentation affects the majority of incorporated NFPs, as incorporated associations are the most common form of legal structure. If they 'carry on business' in more than one state, they are also required to register under the Corporations Law, creating dual reporting and complexity.

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<sup>4</sup> As above, 1.

<sup>5</sup> Australian Bureau of Statistics, 2012-13 Australian National Accounts: Non-Profit Institutions Satellite Account, Canberra, June 2014.

<sup>6</sup> McGregor-Lowndes, M., ACPNS Current Issues Information Sheet 2014/4, The Not for Profit Sector in Australia: Fact Sheet, August 2014, [http://eprints.qut.edu.au/75397/4/75397\(updated\).pdf](http://eprints.qut.edu.au/75397/4/75397(updated).pdf)

<sup>7</sup> Ibid.

<sup>8</sup> As above, 1.

<sup>9</sup> As above, 2.



Fundraising regulation in particular is detrimental to competition. Raising funds is already more difficult for NFPs than for business because they do not have the same access to equity financing or capital fundraising. Added to this inherent barrier is complex and inconsistent charitable fundraising regulation. NFPs wishing to fundraise across Australia have to apply for separate fundraising licences in different jurisdictions with very different reporting and regulatory obligations. This imposes significant and unnecessary costs, hindering their capacity to compete with for-profit businesses. For example, World Vision Australia has previously estimated that it spends \$1 million per year on fundraising compliance.<sup>10</sup>

Multiple government and independent reports<sup>11</sup> have identified fundraising red tape as a significant problem for the sector. There is a clear and urgent need for governments to take action on harmonising fundraising regulation across Australia.

#### **4. The importance of effective and appropriate regulation**

As the NFP sector is being increasingly asked to compete with for-profit providers and across state and territory borders, it is critical that the sector has a national regulator that is fit-for-purpose and supports it to be healthy and sustainable. The NFP sector has long recognised this and its advocacy for over the last two decades, including through six major parliamentary and independent inquiries, led to the establishment of the ACNC.<sup>12</sup>

The ACNC currently regulates charities, although this includes the vast majority of economically significant NFPs in Australia. Effective regulation provides assurance to the public that Australian charities are well-governed and doing good work for the community. This ultimately serves the public interest by underpinning public trust and confidence. This in turn helps to promote Australia's high levels of charitable giving and volunteering, which is vital to the sustainability of charities in a more competitive economy.

More consideration could be given in the Draft Report to the importance of appropriate and effective regulation. Consideration could also be given to the role a national regulator (be that the ACNC or any successor agency) could play by operating as a 'one stop shop' for registration and reporting, including for fundraising.<sup>13</sup>

#### **5. The value of sector data**

The ACNC collects vital sector data through annual reporting by charities. As the Draft Report notes, consumers must be able to gather and process the right information. The

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<sup>10</sup> Australian Productivity Commission Research Report: Contribution of the Not-for-Profit Sector, 2010, p. 138.

<sup>11</sup> Industry Commission, Charitable Organisations in Australia (1995); Charities Aid Foundation, Giving Australia: Research on Philanthropy in Australia (2005); Senate Standing Committee on Economics Inquiry into the Disclosure Regimes for Charities and Not-for-profit Organisations (2008); the Productivity Commission Report on the Contribution of the Not-for-profit Sector (2010); The Treasury, Charitable fundraising regulation reform: Discussion paper (2012).

<sup>12</sup> See ACNC submission (Submission 95) to the Senate Inquiry into the Australian Charities and Not-for-profits Commission (Repeal) (No.1) Bill 2014, p.3, <http://www.aph.gov.au/DocumentStore.ashx?id=5cf5b3ee-efb6-4faf-b7e1-0e30df7bb7e8&subId=252173>.

<sup>13</sup> Ibid, p.29.



same is true for consumers of NFP services, but also for other NFP-specific stakeholders such as volunteers, carers (who may not be ‘consumers’ or clients) and philanthropic funders.

**The ACNC Register provides what the Draft Report states is the ideal – information that is “freely available, aggregated (e.g. on a single website), easy to interpret and access, and relevant to the user’s needs.”<sup>14</sup>**

The collection and publication of this information is also critical to sector planning and collaboration, which is important for competitiveness with large for-profit providers. For example, the ACNC data, especially if collected over time, can show possible gaps/gluts in service delivery in particular locations, workforce (paid and volunteer) growth/decline and revenue growth/decline. ACNC datasets have already been uploaded to [data.gov.au](https://data.gov.au) so they are freely available for the sector, researchers and government.

Under the ACNC’s ‘report once, use often’ reporting framework, the data can also be shared by secure electronic transfer with Commonwealth, state and territory agencies, thereby reducing the number of times charities need to provide the same data to different agencies.

The important role regulators such as the ACNC can play in facilitating the collection, publication and distribution of vital sector data should be recognised.

## **6. The risk of crowding or forcing out NFPs**

The Draft Report points out the strengths for-profit providers may bring to human services markets, such as stronger incentives to minimise cost. The Report also notes that policy design needs to be sensitive to the risk that for-profit providers may ‘cherry pick’ lower-risk or more profitable consumers, and suggests ways to counter this risk.

Conversely, it is important to recognise that NFP providers do not have the same incentive to maximise profit at the potential expense of vulnerable consumers. Indeed, NFPs can deliver greater value for funders and consumers by leveraging volunteer participation and donations without needing to extract profit. The danger in the push for increased diversity of service providers is that program and reporting requirements will be increased to address the additional risks posed by for-profit providers, but applied across all providers (for-profit and NFP). This could significantly reduce competition by driving NFPs (particularly smaller NFPs), which have limited resources available for compliance activity, out of the market.

A 2014 report by Ernst and Young on regulatory burdens in the charity sector recommended that government funders should:

*“reconceptualise risk management in the context of charities, taking into account the broad risk mitigation role played by the charity regulator and the mission of charities.”<sup>15</sup>*

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<sup>14</sup> Draft Report, p 152.



It is reasonable for government funders to determine that an NFP should be subjected to less rigorous program and reporting requirements than a for-profit provider, particularly where the NFP's purpose is aligned with that of the program. The Australian National Audit Office Better Practice Grants Administration Guide recognises this:

*“the key principle of proportionality is relevant in determining the information required of applicants. For example, the extent of financial and other information required to assess grant applications for low-risk projects by community organisations may be considerably less than the information required for complex or high-risk projects submitted by commercial organisations.”<sup>16</sup>*

To avoid the crowding out of NFPs, the Draft Report should acknowledge the unique value proposition offered by NFPs and make clear that the principle of contestability must be complemented by that of proportionality.

## **7. Final comment**

The underlying theme of this submission is that the NFP sector faces unique barriers that should be addressed and possesses unique attributes that should be recognised and promoted in the design of competition policy.

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## **About the ACNC**

The ACNC was established in December 2012 as Australia's first independent national charities regulator. Approximately 60,000 charities are registered with the ACNC. As regulator, the ACNC maintains, protects and enhances public trust and confidence in the charity sector through increased accountability and transparency. It also has a broader role in supporting, and promoting the reduction of unnecessary regulatory obligations on, the not-for-profit sector as a whole.

It is the Government's intention to abolish the ACNC and return functions to ATO and ASIC. The Australian Charities and Not-for-profits Commission (Repeal) (No.1) Bill was introduced into the House of Representatives on 19 March 2014, but has not yet passed. This Bill does not come into effect until a future ACNC (Repeal) (No.2) Bill is passed by both houses of Parliament. At this time the (Repeal) (No.2) Bill has not yet been released. Unless and until the ACNC Act is amended or repeals, the ACNC Commissioner must and will continue to implement the Act.

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<sup>15</sup> As above, 2.

<sup>16</sup> Australian National Audit Office, Implementing Better Practice Grants Administration, 2013, p. 36.



Australian  
**Charities** and  
Not-for-profits  
Commission

# Australian Charities 2013

**The first report on charities registered with the  
Australian Charities and Not-for-profits Commission**

**Penny Knight  
David Gilchrist**

24 September 2014



**Curtin University**

Not-for-profit Initiative



This study was undertaken by the Curtin Not-for-profit Initiative, Curtin School of Accounting and commissioned by the Australian Charities and Not-for-profits Commission.

#### **Citation Information**

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#### **The Curtin Not-for-profit Initiative**

Curtin's School of Accounting established the Curtin Not-for-profit Initiative in 2011 following a refocus of research objectives toward industry-ready research outputs that are readily applicable in practice. As such, the aims of the Initiative are to:

- 1) Develop a body of research focused on practical and implementable outcomes that will enhance the resilience, efficiency and the sustainability of the Not-for-profit Sector Australia-wide;
- 2) Build significant and effective industry engagement in order to identify and prioritise the topics of research, and to facilitate dissemination and discussion of the findings to the best effect for the sector; and
- 3) Build a body of up-to-date, Australia specific knowledge that can be used to inform policy and practice within government, the Not-for-profit Sector and the broader community with a view to enhancing policy outcomes to the greater benefit of all communities in Australia.

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# Executive Summary

This report summarises the information collected via the first Annual Information Statements (AIS) submitted by charities to the Australian Charities and Not-for-profits Commission (ACNC) for the 2013 financial year. It has been supplemented with 2012-13 data from the Australian Taxation Office (ATO) and the Australian Business Register (ABR), making it the first comprehensive report on charities in Australia.

This report paints a picture of Australian charities that will be new for many readers. Firstly, it highlights the economic importance of the charity sector as a whole and, particularly, its significant contribution to national employment. The ATO records show that the charities in this study had a combined 2012-13 income of approximately \$100bn. This total is based on conservative calculations, and the income of the whole sector may, in fact, be much higher. Secondly, there were also 919,000 staff – or approximately 8% of Australia's workforce - employed by the 30,000 or so charities that provided employment data to the ACNC. Double this number - 2 million people - were supporting these charities as volunteers.

Importantly, this analysis also draws attention to the distribution of income and employment. Ten percent of charities account for \$90bn (90%) of income and 90% of jobs. At the other end of the scale, it appears that 20% to 30% of charities may be inactive or have very low incomes.

When the analysis of charity activities and beneficiaries is added, it is clear that it is an oversimplification and inappropriate to treat Australian charities as a single sector. A hospital or higher education provider with income over \$500m, employing 2,000 staff and providing complex services is a completely different entity to a small religious group or volunteer fire brigade - they have different objectives, risks and impact. All of these provide vital and valuable services, but every aspect of their activities and their relationships with stakeholders, including governments is vastly different.

The need to understand the complexity of the sector is clearly evident in the analysis of the hours spent reporting to the Commonwealth and state/territory governments. AIS questions regarding reporting were not compulsory, but were answered by over 9,000 organisations - mostly larger charities. When ATO reporting was excluded, over a third of these charities reported that they spent no paid staff time reporting to governments. The median time spent by those with reporting obligations was 40 hours of paid staff time in the last year, or about one working week. At first glance this result is somewhat surprising given popular perceptions about reporting burden. However, detailed analysis shows that about 10% of these charities are experiencing 80% of the reporting burden and these are mostly the large organisations, which are more likely to have government contracts and/or are operating in the human services sectors, which are generally more highly regulated.

The findings in this report challenge policy makers, those running charities and others active in supporting Australian charities to deconstruct their understanding of the sector, examine received wisdoms, and determine strategies that better meet the needs or opportunities of each individual sub-sector.

The information assets built by the ACNC through the AIS and used to produce this report provide a wealth of information that now enables an evidence-based approach to the development of policy and regulation of the sector. This is an area of the economy for which we have had comparatively little understanding, and continued thoughtful investment in gathering essential information and improving data quality will pay dividends for policy makers, users and recipients of the benefits of these organisations and Australian society broadly.

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# 1. Introduction

From December 2012, Australian Not-for-profits that want to access Commonwealth tax concessions available to charities are required to be registered with the Australian Charities and Not-for-profits Commission (ACNC). From 1 July 2013, registered charities must submit an Annual Information Statement (AIS) containing basic information about their charity to the ACNC. Most AISs are published on the ACNC Register.<sup>1</sup>

This document presents the first report analysing the data provided via these AISs. As the 2013 AIS is the first reporting obligation for charities, it is called a “transitional” AIS and it did not require the provision of financial information. The provision of financial information will be a requirement of the 2014 and subsequent AISs. To provide a more complete picture of these charities, this information has been supplemented with records from the Australian Business Register (ABR) and the Australian Taxation Office (ATO). As such, this report provides the first comprehensive summary of administrative data<sup>2</sup> on Australian charities.

## Definition of charity

A not-for-profit (NFP) organisation is an entity formed to achieve a purpose and does not operate for the profit, personal financial gain or financial benefit of particular people. An NFP can make a profit, but that profit must be applied to the organisation's purpose. NFPs may have certain tax concessions available to them, including exemption from income tax.

A charity is a type of NFP defined for Commonwealth purposes by the *Charities Act 2013 (Cth)*. This Act states that a charity must be a NFP and have only charitable purposes that are for the public benefit and not pursue disqualifying purposes<sup>3</sup>.

Charities can apply to be registered in order to receive specific Commonwealth tax concessions. Prior to 3 December 2012, NFPs would apply to the ATO for endorsement to access charitable tax concessions and the ATO determined whether the NFP was a charity. Since 3 December 2012, charities are required to apply to the ACNC to be registered as charities if they want to access charitable tax concessions while the ATO remains responsible for assessing entitlement to tax concessions. On 3 December 2012, those charities that were endorsed by the ATO to receive charitable tax concessions were automatically included on the ACNC Register when it was created.

Only charities registered with the ACNC provide AISs, and so for the purposes of this report, a charity is defined as an ACNC registered charity.

<sup>1</sup> *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*

<sup>2</sup> Administrative data is data collected for reporting, record keeping or administrative processes rather than via other methods, such as a survey.

<sup>3</sup> For the full definition, see *Charities Act 2013 (Cth)*

## Structure of this report

The aim of this report is to provide readers with insight into the Australian charity sector and to support decision making. It is presented in two sections:

### Section 1: The 2012-13 Australian charity information

This section provides an overview of all charities that submitted an AIS to the ACNC.<sup>4</sup>

### Section 2: Differences between small, medium and large charities

This section disaggregates the data to identify differences between small, medium and large charities.

The ACNC and other datasets that underpin this report are extensive and provide opportunities for further analysis. The focus of this first report is to identify the main features of the Australian charity sector. Further information will be made available over the next year. The ACNC 2013 AIS data used in this report has also been published on [www.data.gov.au](http://www.data.gov.au).

## Data sources

As stated above, the information for this report comes from three datasets.

### The Annual Information Statement (AIS) dataset

The majority of the data used in this report is from the database holding AIS data. The ACNC Register is also the source of identifying charities to enable data to be extracted from other datasets.

### Records included

Approximately 40,000 registered charities had submitted an AIS by 30 June 2014. Of this group, about 1,000 charities had requested to have data withheld from the ACNC Register for reasons such as commercial sensitivity, or where publication could endanger public safety. For example, Public and Private Ancillary Funds are organisations that provide a link between people who donate funds and organisations that can receive tax deductible donations, and some of these may wish to be anonymous. Organisations for which publication may cause harm include charities providing services in child protection or supporting victims of violence<sup>5</sup>. There were also a number of hardcopy and bulk records that could not be entered into the database by the date the data was downloaded. Therefore, the total number of charities published in the ACNC Register and included in the analysis undertaken for this report is 38,341.

### Populations and response rates

Some questions in the AIS were not answered by all charities, even when the question was compulsory. In other cases, questions in the AIS were optional or did not apply to all charities. As such, the population included in each data category is not always 38,341. This reduces the capacity of the findings to be extrapolated to the whole dataset. To assist with interpretation, the total number of respondents to each question is provided with the particular data reported and advice provided on how the data may be used.

<sup>4</sup> This report does not include data on charities whose information is withheld from publication on the Register.

<sup>5</sup> For further information on the circumstances in which the ACNC will allow information to be withheld, see [www.acnc.gov.au/2013AIS](http://www.acnc.gov.au/2013AIS) and the Commissioner's Policy Statement: "Withholding or removing information from the ACNC Register".

## Reporting period

The 2013 AIS covers the 2012-2013 reporting period, which includes all financial year-ends that occur during 2013. The ACNC's standard reporting period is 1 July to 30 June and therefore for charities that use the standard reporting period, the data in this report represents the period 1 July 2012 to 30 June 2013.

Thirty seven percent of charities do not use the standard reporting period and made a request to report using a Substituted Accounting Period (SAP). The majority of charities using a SAP (29% of all the reporting charities) requested a reporting period based on the calendar year and so the data in this report relating to these charities reviews the period 1 January to 31 December 2013.<sup>6</sup>

## Data collection methods and accuracy

The data in the AIS was provided to the ACNC by a representative of each charity, either online (approximately 79%) or in hardcopy (about 2%). Approximately 7,200 statements were provided to the ACNC as part of bulk lodgements (19%). Information submitted in hardcopy was entered into the database by ACNC staff and for both online and hardcopy submissions, it is possible that charity representatives entered erroneous data, or that some questions were skipped or answered incompletely. Neither online nor hard copy data has been audited or verified by Curtin University or the ACNC and the data has been assumed correct. However, our analysis of the data identified some obvious anomalies that made a material difference to the aggregated findings. If, after a brief investigation and discussion with the ACNC, these responses looked erroneous, we removed the data and made a note in the text. Less than 200 individual or bulk records were removed or altered. These anomalies have been reported back to the ACNC along with recommendations regarding how data quality might be improved. In addition, this is the first time that charities have submitted an AIS and the results suggest some variations in interpretation of terms and possible over counting. Reporting accuracy is likely to improve as data collection is continued.

## Australian Business Register (ABR) dataset

The ABR is a database of the information provided by organisations when they register for an Australian Business Number (ABN). It contains information on an organisation's legal structure, legal name, location, activity type, Australian and New Zealand Standard Industrial Classification (ANZIC), authorised contact details, charity and Deductible Gift Recipient (DGR) status and Goods and Services Tax (GST) status<sup>7</sup>. The ACNC collected relevant data from the ABR and matched it, on a unit record basis, to the data collected via the AIS. The ABR data may not be as current as that sourced from the AIS or the ATO. Although entities are required to update ABR details within 28 days of any changes, this does not necessarily occur and, unlike the ACNC records, there is no annual reporting requirement.

The AIS data and the ABR data were combined to form a single dataset described in this report as the ACNC dataset.

## The Australian Taxation Office dataset

The ATO has been very supportive of this project and provided a set of data on charities obtained from two sources.

<sup>6</sup> For further information on Substituted Accounting Period, see Commissioner's Policy Statement: [www.acnc.gov.au/ACNC/Publications/Policy\\_PDFs/CommSt\\_SAP.aspx](http://www.acnc.gov.au/ACNC/Publications/Policy_PDFs/CommSt_SAP.aspx)

<sup>7</sup> Source: <http://abr.gov.au/About-us/Our-work/ABR-explained>

## **Business Activity Statements**

Charities are not generally required to submit annual tax returns to the ATO. However, charities that are GST registered and/or employ staff must submit a Business Activity Statement (BAS) to the ATO either monthly, quarterly or annually.

A charity with GST turnover above \$150,000 in a financial year must be GST registered, but many with turnover below this threshold also choose to be GST registered so they can claim back GST they pay on the goods and services they buy. (The ATO's definition of GST turnover and Sales are different. However, as an indicator, 52% of charities in the ATO data-set had sales of less than \$150,000 for 2012-13.)

In addition, all entities that employ staff must withhold tax from employees' pay (called Pay as You Go, or PAYG), report the amount withheld, and forward these amounts to the ATO. Both GST and PAYG data can be provided via activity statement submissions.

## **PAYG payment summary - Individual non-business**

Employing entities must provide each employee with an annual PAYG payment summary – non-business; which is a summary of all wages and salaries, fringe benefits, reportable superannuation amounts and other payments made to or on behalf of each employee. A copy of this statement must be submitted to the ATO.

## **Records included and population**

The ACNC provided the ATO with the ABNs of the 38,341 charities that are included in the analysis for this report. The ATO extracted data for these charities and found the following:

- Over 11,000 charities did not lodge a BAS for the 2012-13 reporting year and of these, less than 1,000 had lodged a BAS for the previous financial year. The majority of these charities will not have lodged a BAS because they were not registered for GST or did not have other reporting obligations. In other words, they had GST income of less than \$150,000 and no employees. Around 1,200 of the 11,000 that did not lodge a BAS had an active GST status, meaning they were registered but had not submitted GST information.
- The ATO had some data, such as accounting method and entity type for 1,600 charities but there was no income or employment data; likely because these charities were not required to report.

The result was that the ATO had 2012/13 BAS or PAYG payment summary information for 26,365 or 83% of the 31,888 charities for which the ATO had records.

Essentially, this means the charities with relevant data and included in the ATO data are a subset of the ACNC registered charities and the two populations are not the same. Importantly, the ATO dataset contains a higher ratio of large charities - those with annual income over \$1m - and a corresponding smaller proportion of charities with income below \$1m. As such, it cannot be extrapolated and used to draw conclusions about the whole population of registered charities, or the whole of the sector. To preserve taxpayer confidentiality, the BAS data was de-identified and therefore could not be matched on a unit record basis, so we could not examine this group in more detail.

## Data accuracy

The ATO have highlighted to the ACNC the most reliable sources of data but also commented that due to differing accounting and other requirements, data is not always consistent<sup>8</sup>. The ATO have confirmed that the information provided is accurate according to their records - that is, the data reported was what was lodged by the charities - but Curtin University has not audited or verified the accuracy of the data and, for the purposes of this report, has assumed it is correct. The data has not been further processed by the ATO to remove anomalies. Curtin has removed obvious anomalies where they would make a material difference to results and could have created what we believe to be an incorrect understanding of the sector. We have identified in this report instances where individual records have been removed and where readers should be careful in drawing conclusions.

Despite these limits, the ATO data provides significant and important insights into the charity sector - particularly the larger charities - and therefore it has been included in this report. In addition, using this information allows readers to better understand the scope and quality of the datasets currently available (which is itself information about the charity sector) and it can support further discussion about the data needed to support policy development and regulation.

## Interpretation

All data collections and research studies have limits. Readers should note the advice provided in this section and throughout this report on how to interpret and use the findings.

The number of registered charities in Australia in July 2014 is estimated to be around 60,000. Therefore, the 40,000 or so charities that lodged their AIS by 30 June 2014 represent approximately 67% of the known sector<sup>9</sup>. Data is not currently available on the estimated 20,000 charities that had not submitted an AIS and, until this information is available, we do not know the extent to which the population of charities included in this report is representative of the sector. As such, while we believe this report provides a good general understanding of the sector, readers should not extrapolate these results to all charities. Furthermore, as discussed above, a NFP organisation that undertakes charitable work does not have to be registered with the ACNC and may not provide information to the ATO unless it wishes to be registered to receive charitable tax concessions, it has GST turnover above \$150,000 or it has paid employees.

In addition, as the charities included in the ATO records are a subset of those in the ACNC's data, the datasets have been examined separately and cannot be consolidated nor can findings out of the ATO data be extrapolated to the wider charity sector. To highlight the difference between the ACNC and ATO data, the information from the ATO is reported and discussed in separate sections throughout this report. These sections are shaded so that readers can differentiate the results derived from the ATO data from those results derived from the ACNC data.

## Rounding

In most cases, data is rounded to the nearest decimal point. In some cases, totals may not add to 100% due to rounding or multiple responses.

<sup>8</sup> Inconsistencies may have arisen due to different information systems and because data has not been subject to ATO cross-checking.

<sup>9</sup> The ACNC estimates that when adjusted for recently registered charities, charities registered with the Office of the Registrar for Indigenous Corporations, and other adjustments, the compliance rate with the 2013 AIS lodgement requirements to date is between 77-82%.

## Other reports on the Australian charity sector

Several other studies can provide further information and context for interpreting this research, particularly the following, which are mentioned specifically in this report.

### **1.3.1 Australian Bureau of Statistics 2012-13, Australian National Accounts Non-profit Institutions Satellite Account, cat.no. 5256.0**

This report, published by the Australian Bureau of Statistics (ABS) on 1 July 2014, identifies and measures 'non profit' activities within the national accounting framework to enable a complete set of national accounts to be compiled. The organisations included in the ABS data collection included both charities and other NFPs. The main source of data is the Economic Activity Survey, which included approximately 4,000 NFPs. Data was also obtained from the ATO. This study concluded that there were 56,894 nonprofit entities, but does not identify the number of registered charities. The ABS study and the results from ACNC data vary on key factors, including the populations included and data collection methods, and therefore are not directly comparable. For further information see [www.abs.gov.au](http://www.abs.gov.au).

### **1.3.2 Ernst & Young, Research into Commonwealth Regulatory and Reporting Burdens on the Charity Sector, due for release in September 2014**

Ernst and Young (EY) was commissioned by the ACNC to undertake research relating to the regulatory and reporting burden imposed on charities by the Commonwealth government. Their study was conducted in the first half of 2014 and included 15 case studies of charities operating in a range of key sectors and an online self-selection survey. The EY report provides information that may support interpretation of the findings of this report and makes recommendations for reducing the regulatory and reporting burden on charities.

## 2. Australian Charity Information 2012-13

This section of the report summarises the aggregate information available on all reporting charities. It starts by describing the size of charities in terms of income, employment and the engagement of volunteers. It then presents data on charitable purpose, activities, beneficiaries and location and includes information provided on charity reporting obligations to the Commonwealth government.

Section 3 breaks down this information in more detail and examines the differences between charities based on their size.

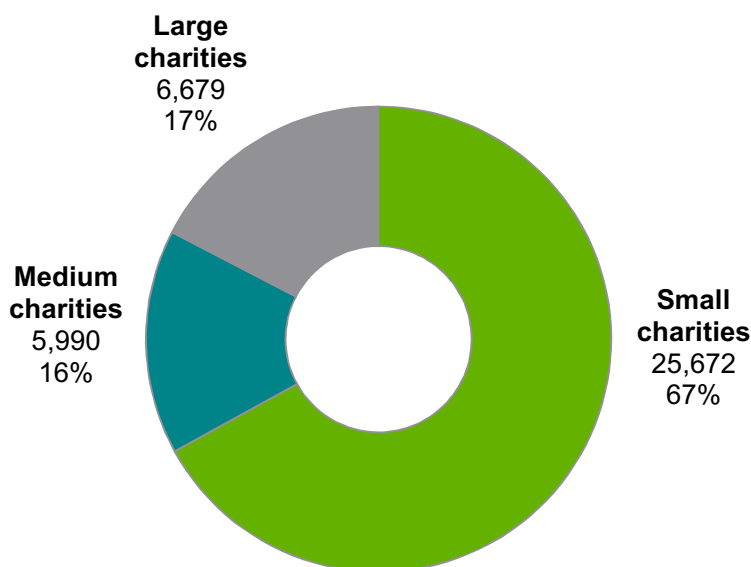
### 2.1. Income and size classification

**For the 2012-13 reporting period, 67% of reporting charities were small, 16% medium and 17% large.**

Under the ACNC Act,<sup>10</sup> charities are classified as small, medium or large in a financial year depending on their total revenue generated during the reporting period. Charities with revenue of less than \$250,000 are classed as small; those between \$250,000 and \$1m are medium; and charities with revenue above \$1m are large<sup>11</sup>. In this report the terms small, medium and large refer to these revenue groups.

Data on charity size provides contextual information essential to understanding the sector and policy development.

Figure 1 Size of charities – Revenue for the 2013 financial year (n: 38,341)



<sup>10</sup> Australian Charities and Not-for-profits Commission Act (2012) (Cth).

<sup>11</sup> Revenue is defined as income that arises in the ordinary course of activities – see Glossary.

## **The ATO data on income, purchases and GST payments**

The 2013 year is the first year of reporting of the AIS and charities were not required to provide financial information. Reporting of financial data will be included in the 2014 and subsequent AIS returns. Therefore, for this report, ATO data was used to gain an understanding of the sector by size of turnover.

The Business Activity Statements (BAS) and the annual Pay As You Go (PAYG) payment summaries submitted by charities to the ATO provide information via several income, expenditure and tax fields. The definitions of these fields can be found in the glossary of this report. We found some inconsistencies with the data provided and therefore it should be treated with caution<sup>12</sup>. It is provided to support on-going discussion and to identify opportunities for improving data quality and for further research.

### **BAS and Annual PAYG payment summary data**

The BAS collects data on a charity's Annual Total Sales (label G1 on the BAS form). This data gives an indication of the level of income, but is not the complete picture. Annual Total Sales includes items such as sales of goods and services, membership fees, income from government grants and some private sector grants. However, it does not include donations or certain supplies that are GST free or Input Taxed. There is also variation in the way charities report sales data. As such, the Annual Total Sales recorded for each charity is only a proxy for its income and is likely to be an understatement of charities' actual income. It, and the purchase data, should be used as an indicator of the lower boundary, and not considered a point measure. The BAS also collects data on capital, noncapital expenditure and other data.

The annual PAYG payment summary statement collects information on the total amount of salaries and wages paid and reportable superannuation payments.

### **Key findings:**

- Of the 38,341 charities in the ACNC Register, the ATO had records for 31,888 or 83%. The remaining charities did not have an active GST registration or did not make any payments to staff. Therefore the ATO had no BAS or PAYG payment information relating to these charities. (GST registration is only compulsory for charities with GST income over \$150,000. Completion of BAS and PAYG payment summary is only required if charities are registered for GST and/or have paid staff.)
- For these 31,888 charities, the ATO had 2012-13 BAS or PAYG payment information for 26,365 charities or 83%. For the remainder, the ATO had a record of these organisations and some details, such as their method of accounting or registration type, but did not have income or payment data for 2012/13, or in most cases for the 2011-12 year either.

<sup>12</sup> Inconsistencies may have arisen from comparing data between different datasets. The ATO has advised that this data would undergo further cross-checking which may remove such inconsistencies.

As such, the ATO had some financial information such as sales and wages data for 69% of 38,341 ACNC registered charities in the dataset.

- Of the 26,365 that reported any income or payments, 23% or approximately 6,000 reported their income as \$0. This does not mean that they had no income, only that the income received did not fit into the categories required to be reported as turnover for BAS purposes. However, it is possible that many of these charities had no or little revenue.
- These results suggest that a significant proportion of charities - perhaps 20% to 30% of ACNC registered charities – may be very small or inactive. Further research needs to be done to explore this group.
- Noting the comments earlier in this report regarding data accuracy and reliability, the sum of the 2012-13 Annual Total Sales for the 20,316 charities that reported an income over \$1 was \$99bn. This amount under-estimates total income for these charities.<sup>13</sup>
- The median Annual Total Sales of the charities in the ATO records was \$285,000 (excluding those reporting \$0 in sales).
- Of the 26,365 charities reporting GST payment or refunds (BAS label 9), 14,259 or 54% received a refund. The net total GST payments for 2012/13 were \$2.7bn.
- Just over 11,200 charities reported making capital purchases (BAS label G10). The Total Capital Purchases for these charities was \$9.2bn and the median was \$31,000 (excluding those that reported \$0 capital purchases).
- The total non capital purchases (BAS label G11) were \$45bn. The median non capital purchases reported was \$122,000 (excluding those reporting \$0 in non capital purchases).
- There were 3,314 charities that applied for a refund of franking credits.<sup>14</sup>

### Contribution of charities by Annual Total Sales

While the collective sales for this group of charities is large, analysis shows that it is heavily concentrated within a small proportion of charities.

- Of the total \$99bn in sales reported, \$79.6bn, or 80% was contributed by the 5% percent of the charities with sales of over \$11.6m.
- The next 5% of charities adds a further \$10bn,
- Approximately 90% (23,800) of charities contributed the remaining \$10bn or 10% of charity sales.

<sup>13</sup> One charity reported annual total sales of more than \$10bn. This record has been excluded from all analysis, as the data could not be verified and this reduced the totals and averages across all measures.

<sup>14</sup> Franking credits are available to charities that invest in shares and which entitled the shareholder to franked dividends.

Figure 2 Contribution to total Annual Total Sales (BAS G1). ATO data – see notes to interpret. (n: 26,364)

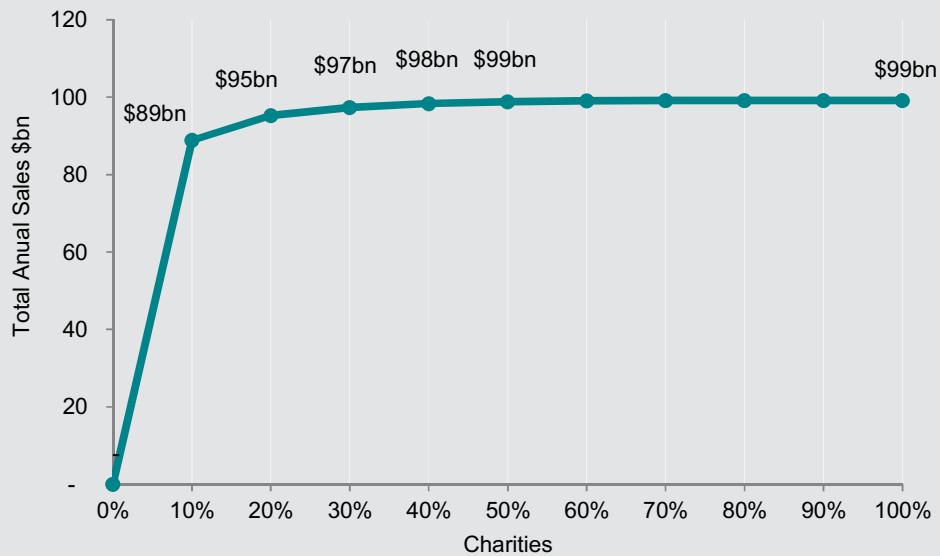


Figure 3 provides an alternative illustration of the extent to which Annual Total Sales are concentrated among a small percentage of charities.

Figure 3 Contribution to Annual Total Sales - largest 10% of charities (n: 26,364)

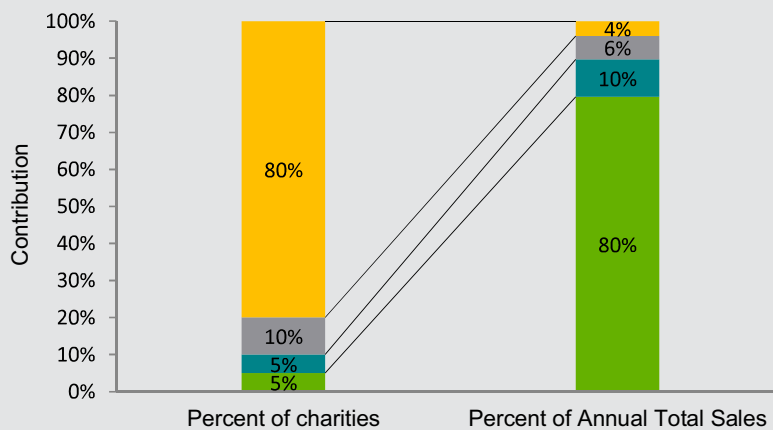
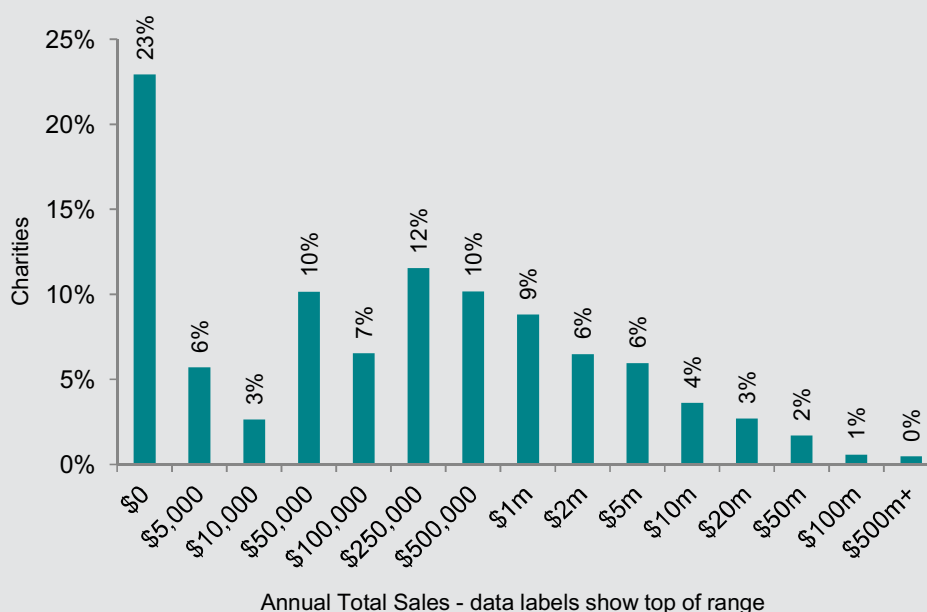


Figure 4 shows the distribution of the Annual Total Sales in more detail. This data shows that the ATO data includes a smaller proportion of small charities than is included in the ACNC records. Approximately 61% of charities in the ATO dataset had Annual Total Sales of less than \$250,000; 19% had sales of between \$250,000 and \$1m, and 20% had sales over \$1m. This could be expected given all charities have to complete the AIS whereas only some registered charities complete a BAS.

This chart also highlights the distribution of sales within the ACNC size categories. It shows that, although submitting a BAS, more than one in five (23%) of small charities reported \$0 of sales and, further, that 19% reported Annual Total Sales of between \$1 and \$50,000 (remembering income such as donations is not included in Annual Total Sales).

Three percent of charities reported Annual Total Sales above \$20m, with 125 charities (less than 1%) having sales of over \$500m in 2012-13. Once the 2014 financial year AIS data is available it will give us a greater understanding of these important organisations.

Figure 4 Distribution of Annual Total Sales. ATO data – see notes to interpret. (n: 26,364).



## 2.2. Employment – Full time and part time paid staff

**The charities reporting staff numbers employed more than 919,000 full time or part time staff, equivalent to approximately 8% of the Australian workforce.<sup>15</sup>**

**Just over half (56%) of reporting charities had one or more full or part time employees.**

**A small number of charities provide the majority of sector employment. When ranked by number of employees, 10% of reporting charities account for 90% of full time jobs and 85% of part time jobs.**

This data represents the output from the questions on the AIS regarding the number of full time and part time paid employees during the last pay period of the charities' last financial year<sup>16</sup>. Although obligated to provide this data, not all charities complied and therefore the results are not completely representative of all charities in the ACNC dataset.<sup>17</sup> The group of charities that provided this data included a slightly higher proportion of medium and large charities. This means that the totals may understate total employment and employment ratios. The AIS online and paper forms have been amended to encourage better compliance for the 2013-14 reporting period.

The ABS Non-profit Institutions Satellite Account<sup>18</sup> reported similar employment numbers of both full and part time staff but for approximately 57,000 non-profit organisations, as per the ABS definition of nonprofit and within the scope of their study. This may be explained by the differences between the ABS data collection and the ACNC data in the population of organisations included and data collection methods. In particular, the ABS data is based on a survey of over 4,000 NFP organisations whereas the ACNC data is based on all data submitted to the ACNC through the AIS. Further research is needed to clarify the differences between the findings.

Table 1 The sample of charities providing employment information compared with the ACNC dataset

	ACNC dataset	Respondents Full time employment	Respondents Part time employment
Total	38,341	28,907	30,462
Small	67%	60%	61%
Medium	16%	18%	18%
Large	17%	22%	21%

### Full time staff

Key findings:

- Half (49.5%) of the reporting charities employed full time staff.

<sup>15</sup> This total is for 27,255 charities reporting on both full and part time staff. Australian Bureau of Statistics 6202.0 Labour Force, Australia, June 2014. Total employed persons 11.5718m.

<sup>16</sup> Approximately 800 charities provided their AIS in a paper form. The paper form question asked for the number of paid employees and unpaid volunteers who worked for your charity during the last financial year, rather than in the last pay period of the financial year.

<sup>17</sup> Charities that did not provide data are recorded as non-responses. Zero values counted only where the data entered was zero.

<sup>18</sup> See Section 1.3 of this report.

- Sixteen percent of charities had only one full time employee and 7% had two full time employees. That is, of the 14,309 charities that employ full time staff, approximately a third employed only one full time member of staff.
- Nine percent of reporting charities (2,684) employed 20 or more full time staff (See Table 2). Over 700 charities (708) reported employing 100 or more full time staff.
- Of the charities that employ full time staff, the median number of full time employees was three.
- In total, these charities employed 428,549 full time staff.

### Part time staff

#### Key findings:

- Fifty seven percent of reporting charities employed part time staff.
- Twelve percent of charities had only one part time employee and 8% had two part time employees. That is, of the 17,264 charities employing any part time staff, 22% employed one and a further 15% employed two part time staff.
- Eleven percent of reporting charities employed 20 or more part time staff (See Table 2). Nearly 800 charities (796) reported employing 100 or more part time staff.
- Of the charities that employed part time staff, the median number of part time employees was four.
- In total, the reporting charities employed 490,814 part time staff.

Figure 5 Distribution of full time and part time employment

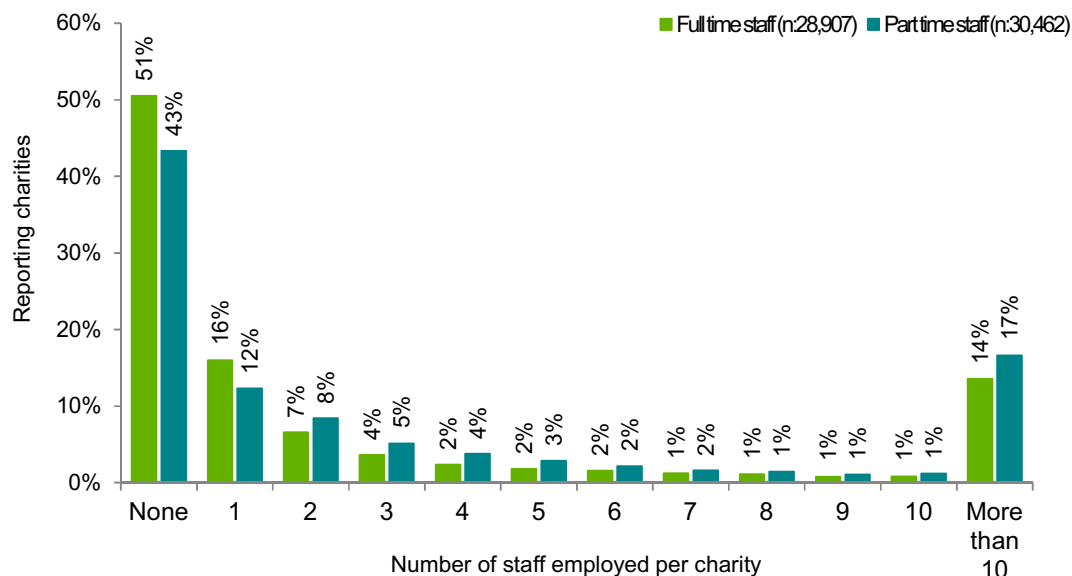


Table 2 Full time and part time staff

Number of staff per charity	Number of charities	
	Full time paid staff	Part time paid staff
0	14,587	13,190
1-4	8,280	9,031
5-19	3,359	4,882
20-49	1,283	1,755
50-99	690	808
100-199	412	440
200-499	193	221
500-999	49	68
1000+	54	67
<b>Total charities</b>	<b>28,907</b>	<b>30,462</b>

### Charities that employ both full and part time staff

The data was analysed to enable an examination of employment relating to charities that employ both full and part time staff. In total, 27,255 charities provided information on both part time and full time employees.

#### Key findings:

- Forty four percent of reporting charities did not employ any staff. That is, 56% of responding charities employed at least one member of staff - either full or part time employees.
- Approximately 17% (2,459) of charities that had no full time employees had one or more part time employees.
- Employment of full time and part time staff is correlated. Of the 51% of charities that do not employ any full time staff, more than 80% also did not employ any part time staff.
- Large employers of full time staff are also large employers of part time staff. For example, approximately 60% of charities employing more than 200 full time staff also employ more than 200 part time staff.

Table 3 Charities that employ both full time and part time staff

Number of charities employing full and part time staff										
Part time employees	Full time employees									
	0	1-4	5-19	20-49	50-99	100-199	200-499	500+	Total	
	0	12,021	1,043	80	14	12	0	2	0	13,172
	1-4	1,879	3,699	752	113	16	7	3	5	6,474
	5-19	526	1,795	1,455	372	118	38	5	0	4,309
	20-49	47	295	610	421	222	95	18	1	1,709
	50-99	5	98	212	170	170	114	26	5	800
	100-199	1	22	96	102	96	72	42	4	435
	200-499	1	3	15	44	33	59	49	17	221
	500+	0	0	0	3	10	23	40	59	135
Total	14,480	6,955	3,220	1,239	677	408	185	91	27,255	

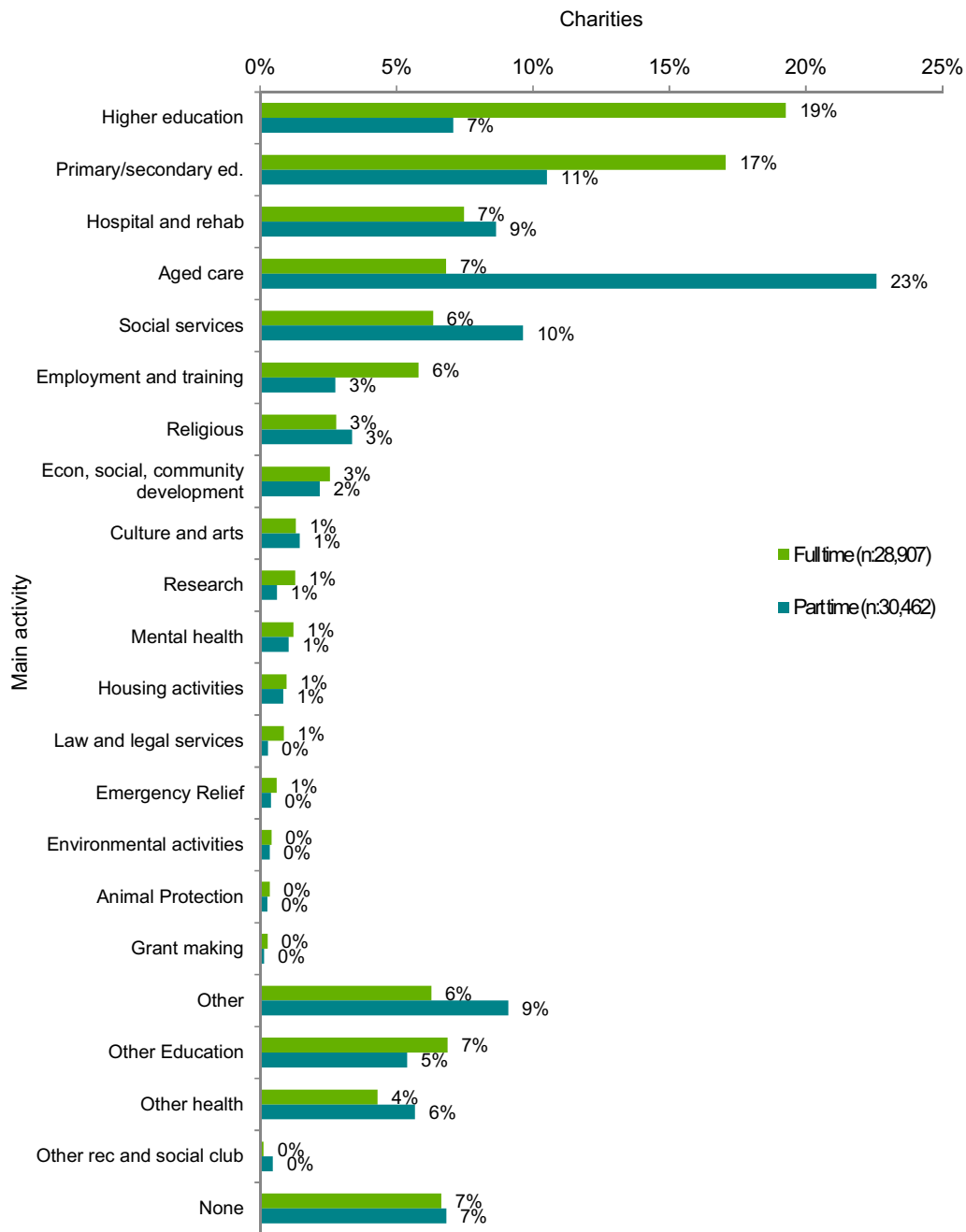
### Employment by main activity sector

This data on employment should be read in conjunction with the data in Section 2.5 of this report on the number of charities operating in each activity area.

#### Key findings:

- Nineteen percent of all full time staff employed by these reporting charities are working for charities active in higher education, and 17% are working for charities in primary and secondary education. Charities whose main activity is operating hospitals and providing rehabilitation services, or aged care services each account for 7% of employment of full time staff.
- The largest employers of part time staff are charities whose main activity is aged care (23%). Charities with their main activity in primary and secondary education account for 11% of part time employees and those in social services and higher education account for 10% and 7% respectively.
- Of the 103 charities employing 500 or more full time staff (see Table 2), 31% have their main activity in higher education; 15% in hospital and rehabilitation; 9% in aged care, and 8% in social services. These social services include activities related to disability and other human services.
- Compared to the whole group average of 50.5%, higher proportions of charities in the sectors with the activities of grant making (91%), recreation and social clubs (76%), emergency relief (74%), income support (75%) and animal protection (72%) reported having no full time staff.
- Although 25% of charities (see Section 2.5) stated that their main activity is religious, religious charities are not significant employers of staff.

Figure 6 Full and part time employment by charity main activity



Note: Totals do not add to 100% due to rounding.

Table 4 Full and part time employees by charity main activity

	Staff employed by main activity and average staff per charity by main activity			
	Full time		Part time	
	Total	Average	Total	Average
Higher education	82,541	213.3	34,749	89.8
Primary/secondary ed.	73,108	37.2	51,616	24.3
Hospital and rehab	32,026	145.6	42,448	192.1
Aged care	29,215	29.3	110,834	103.1
Social services	27,180	27.3	47,328	44.0
Employment and training	24,886	66.5	13,564	36.3
Religious	11,959	1.7	16,556	2.4
Econ, social, community dev.	10,947	10.6	10,714	9.5
Culture and arts	5,608	5.5	7,121	6.4
Research	5,515	17.2	3,037	9.6
Mental health	5,249	19.6	5,156	18.7
Housing activities	4,139	8.6	4,147	8.1
Law and legal services	3,747	22.0	1,416	8.6
Emergency Relief	2,619	3.8	1,988	2.8
Environmental activities	1,809	3.9	1,758	3.5
Animal Protection	1,533	7.7	1,332	6.6
International activities	1,210	6.7	702	3.8
Civic and advocacy activities	918	4.0	1,029	4.2
Grant making	522	0.4	538	0.4
Sports	258	2.8	513	5.5
Income support and maintenance	61	0.9	219	2.9
Other Education	29,421	14.7	26,466	11.5
Other health	18,460	22.1	27,904	31.5
Other rec. and social club	557	1.9	2,310	6.9
Other	26,589	9.3	43,879	14.3
None	28,472	6.2	33,490	7.0
<b>Total staff</b>	<b>428,549</b>	<b>14.8</b>	<b>490,814</b>	<b>16.1</b>

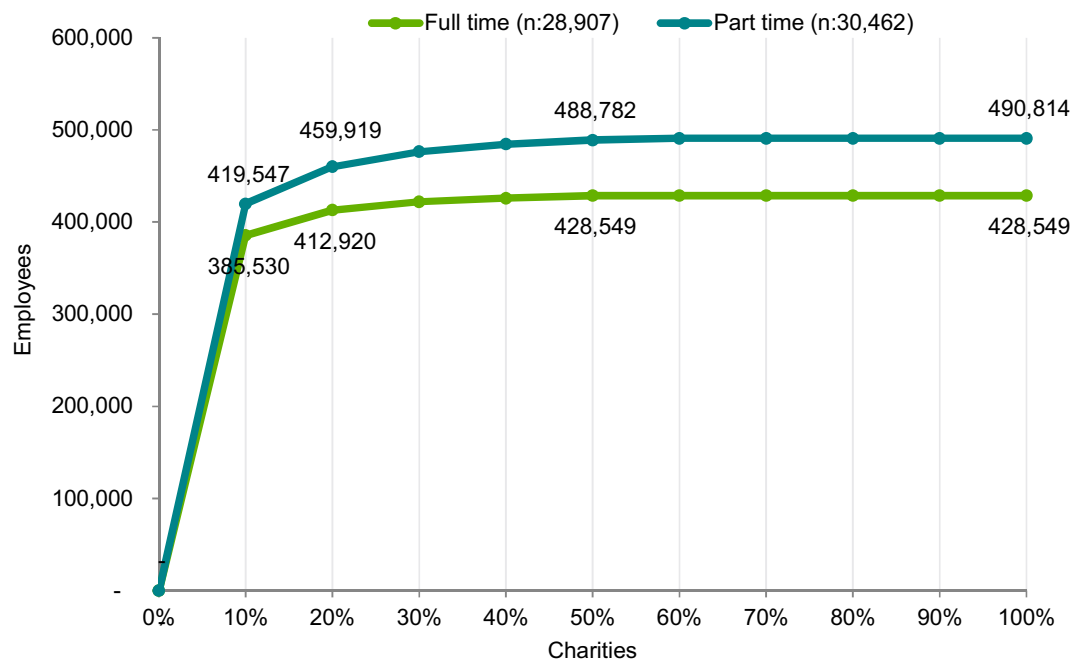
Note: Excludes political activities.

## Contribution to employment

Employment is heavily concentrated in a small number of charities. Ninety percent of all full time staff (385,530) were employed by only 10% (2,981) of reporting charities.

Employment of part time staff is also heavily concentrated in a small number of charities. Of the total number of part time employees, 419,547 or 85% were employed by only 10% (3,045) of reporting charities.

Figure 7 Contribution to full and part time employment



## ATO data on salaries and fringe benefits tax

Charities report information on their salaries, wages and fringe benefits payments to the ATO as part of their activity statements, PAYG reporting systems and/or through the annual PAYG payment summaries that they provide to employees and the ATO. The following data is sourced from the ATO dataset.

### Salaries and wages

Salaries and wages include salaries, wages and other payments to staff and are reported as part of a charity's or individual payment summary data and/or at BAS label W1.<sup>19</sup> Where payments summary data is available, this was used as the primary source of information. BAS Salaries and Wages data was only used if no payment summary data was available. There are some discrepancies in the datasets and these results should be used as an indicator not an absolute measure.

Key findings:

- The ATO had 2012-13 payment summary information or BAS salaries and wages data for 26,335 charities. Of these, 9,431 (36%) recorded \$0 in salaries and wages leaving 16,904 (64%) recording payments of wages and salaries of more than \$0.
- The total amount of wages and salaries recorded was \$41bn.<sup>20</sup>
- Ten percent of charities with wages and salaries records (approximately 2,600) account for 89% of all salaries and wages paid.
- Excluding charities not recording wages and salaries in the year, the median amount of wages and salaries recorded was approximately \$178,000.

<sup>19</sup> This category also includes leave loading and payments to labour hire firms for workers, but does include amounts subject to salary sacrifice arrangements or super contributions.

<sup>20</sup> This amount excludes a single data record that included a large amount of wages and salaries but which could not be verified.

## Fringe benefits tax

Fringe benefits tax (FBT) is paid on certain benefits employers provide to their employees in place of salaries and wages and out of otherwise untaxed remuneration. FBT is complex and applies differently to charities depending on their exemption and rebate status.<sup>21</sup> Essentially, if a charity is exempt from FBT it can provide fringe benefits to staff (up to a threshold) and not pay fringe benefits tax on these benefits. This is an important concession to charities as it enables them to offer more competitive remuneration packages to attract and retain staff.

The data on FBT was sourced from employer's payment summary statements. There are some areas in which this data does not provide a complete picture. For example, the data does not include entertainment, fringe benefits of less than \$2,000 per employee and some other fringe benefits. Therefore this data should be considered an indicator of the lower boundary rather than an absolute measure.

### Key findings:

- Of the 26,335 charities with records, 6,226 charities (24%) reported providing fringe benefits in 2012-13.
- In 2012-13 these charities reported providing fringe benefits to a total of approximately 288,000 staff.
- The average amount of fringe benefits provided per staff member was approximately \$21,000 and the median \$22,000. Ninety percent of charities reporting fringe benefit payments provided less than \$28,400 in fringe benefits per staff member.
- From this data, the median number of staff per charity for whom the charity was providing fringe benefits was eight. Some charities reported having more than 1,000 staff receiving fringe benefits.
- The total amount of fringe benefits reported as provided by the 6,226 charities in 2012-13 was approximately \$6.4bn. The median amount provided was \$173,000 per charity.

<sup>21</sup> For further information see the ATO website: [www.ato.gov.au/non-profit/fringe-benefits-tax](http://www.ato.gov.au/non-profit/fringe-benefits-tax)

## 2.3. Volunteers

**Approximately 33,800 charities reported being supported by a total of more than 2 million volunteers<sup>22</sup>.**

**Seventy six percent of volunteers (1.6m people) worked for 10% of these charities.**

**Of charities with volunteers, the median number of volunteers was 15.**

**Volunteer numbers peak at five to nineteen per charity rather than show the downward curve evident in employment numbers per charity.**

There were 33,840 charities that provided information on the number of volunteers that worked for their organisation during the last pay period of their financial year.<sup>23</sup> The ratio of small, medium and large charities that responded is similar to that of the full ACNC dataset. However, there may have been a higher response rate from charities with volunteers than others, so this data cannot be extrapolated to all registered charities. Further, charities may define the term volunteer differently. For example, surf life saving organisations or men's sheds may include members in their volunteer numbers.

Table 5 Sample of charities providing information on volunteers compared with the ACNC dataset

	ACNC dataset	Sample of charities reporting volunteer numbers
Total	38,341	33,840
Small	67%	68.4%
Medium	16%	15.4%
Large	17%	16.1%

### Key findings:

- Of the charities reporting on volunteers, 29,156 or 86% reported having one or more volunteers during the last pay period of their last financial year. (Note: as mentioned above this data cannot be extrapolated to all charities.)
- In total, charities had more than twice the number of volunteers as paid employees.
- Of the charities reporting information on volunteers, more than a third (35%) had five to nineteen volunteers. As such, the distribution of volunteer numbers is quite unlike that for paid staff and peaks at five to nineteen volunteers.
- For charities with one or more volunteers, the median number of volunteers was 15.
- Overall, volunteer numbers are correlated with employment. The higher the number of full and part time staff, the higher the numbers of volunteers.

<sup>22</sup> Volunteering numbers for one charity were removed, as it appeared to double count affiliated organisations. It is possible that other entities with parent and subsidiary bodies may have double counted volunteers. This data is being further investigated.

<sup>23</sup> One group of charities made an error in reporting of volunteers that resulted in a significant over-count. The reported results were adjusted accordingly.

Figure 8 Charity volunteers compared with full time and part time paid staff

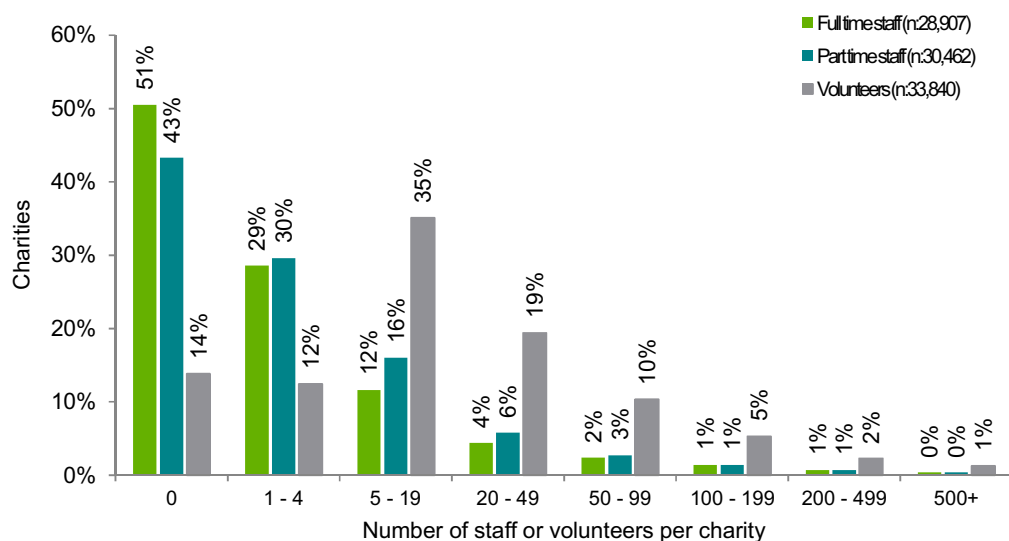


Table 6 Number of charities with volunteers, full time and part time staff

Number of charities employing staff and volunteers										
Volunteers										
	0	1 - 4	5 - 19	20 - 49	50 - 99	100 - 199	200 - 499	500 - 999	1000+	Total
Full time staff	0	3,159	1,589	5,250	2,399	1,263	387	172	42	14,300
	1 - 4	553	947	2,318	1,738	955	508	216	37	7,301
	5 - 19	509	409	753	449	257	178	147	36	2,775
	20 - 49	213	112	257	167	81	88	51	28	1,026
	50 - 99	128	40	118	88	63	45	33	19	554
	100 - 199	56	19	63	49	37	43	39	10	335
	200+	44	6	19	27	17	28	38	22	243
	<b>Total</b>	<b>4,662</b>	<b>3,122</b>	<b>8,778</b>	<b>4,917</b>	<b>2,673</b>	<b>1,277</b>	<b>696</b>	<b>194</b>	<b>26,534</b>
Part time staff	0	3,114	1,423	4,734	2,118	1,141	253	114	42	12,976
	1 - 4	620	1,038	2,680	1,824	963	549	228	38	7,982
	5 - 19	546	574	1,308	764	415	303	196	45	4,193
	20 - 49	217	164	462	254	129	117	66	26	1,454
	50 - 99	100	45	209	138	78	54	35	17	692
	100 - 199	42	20	59	92	68	48	32	10	394
	200+	31	6	26	48	37	49	51	24	308
	<b>Total</b>	<b>4,670</b>	<b>3,270</b>	<b>9,478</b>	<b>5,238</b>	<b>2,831</b>	<b>1,373</b>	<b>722</b>	<b>202</b>	<b>27,999</b>

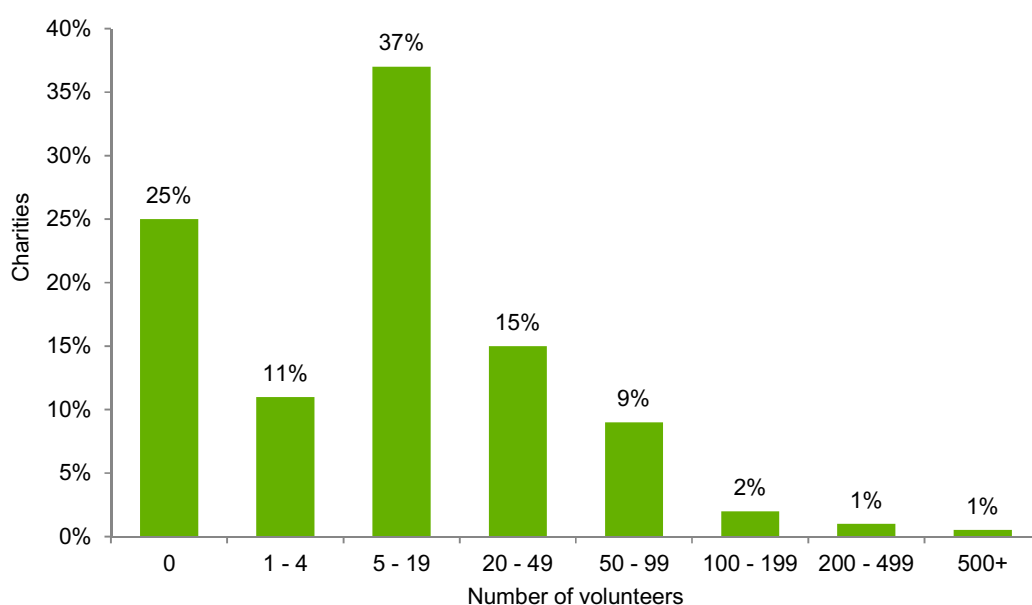
Note: Only charities that provided information on full and part time employees, and volunteers are included in this table.

### Charities with volunteers but no paid staff

There were approximately 25,000 charities that provided data on full and part time staff and volunteers. Of these, approximately 48% (11,829) had no paid staff.

- Of the 11,829 charities without paid staff, 75% reported having volunteers.
- Eleven percent of reporting charities without staff had 1 to 4 volunteers, and 37% had 5 to 19 volunteers.
- A significant number of these organisations reported having more than 500 volunteers; for example, charities in neighbourhood watch and the volunteer fire brigades.

Figure 9 Volunteering with charities with no staff (n:11,829)



### Volunteering by main activity sector

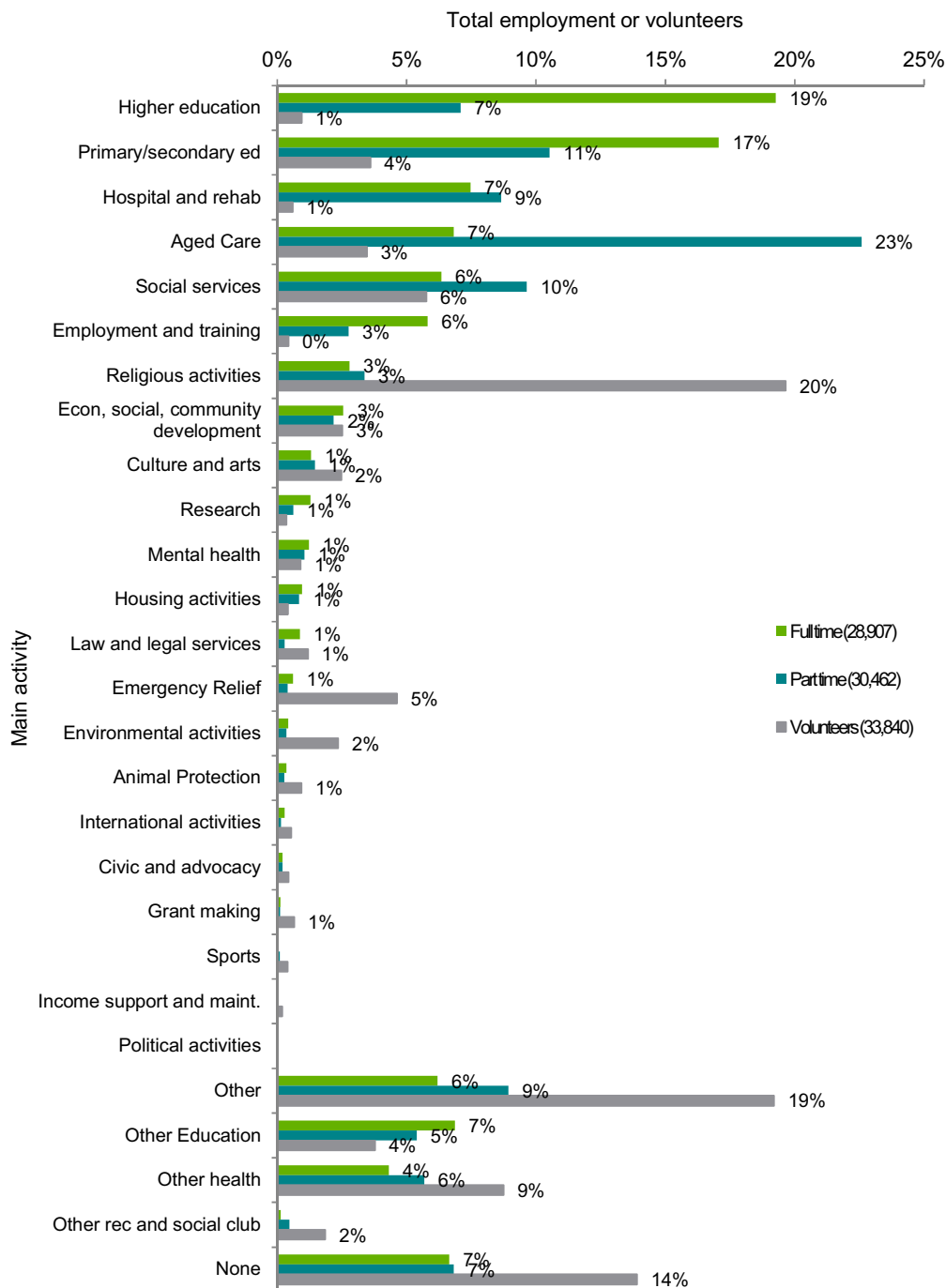
The data on employment should be read in conjunction with the data in Section 2.5 of this report on the number of charities operating in each activity area.

#### Key findings

- Charities whose main activity is religious account for 20% of all volunteers. The median number of volunteers for religious charities is 20 (compared with the 15 for all reporting charities) and as religious charities account for 25% of all charities by activity, these charities account for the largest share of volunteers (See Section 2.5).
- There are comparatively lower proportions of volunteers in charities active in higher education, and hospital and rehabilitation.

- The data shows a large number of volunteers working in 'other' categories or 'none'. This is partly the result of the structure of the online information form and is being investigated. At this stage, the data cannot be disaggregated further but it includes a broad range of other activity types including disability services, children's services and other human services.

Figure 10 Volunteers and full and part time employment by charity main activity

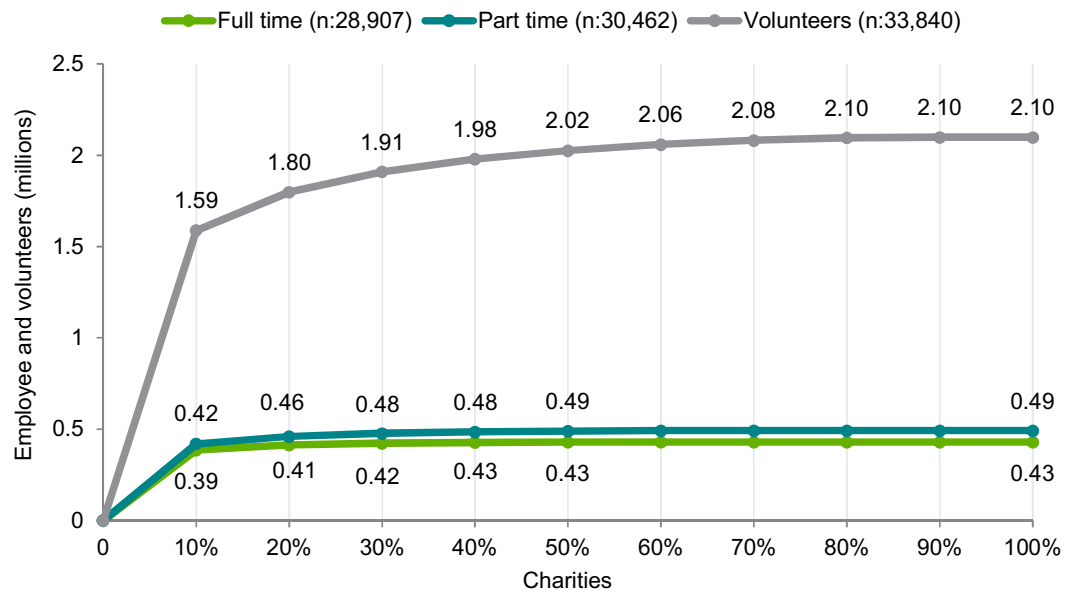


Note: Only shows activities that account for 1% or more of total volunteers. Bars without data labels are less than 1%. Total does not add to 100%

### Contribution to volunteering

Charities that fall into the top ten percent in terms of volunteer head count (those with more than 85 volunteers) accounted for 76% of all volunteers. As such, the contribution to total volunteer numbers per charity is less concentrated in a small number of charities than the contribution towards employment.

Figure 11 Contribution to full time, part time employment and volunteers



## 2.4. Charitable purpose

**For an NFP to be a charity it must be established to pursue one or more charitable purposes.**

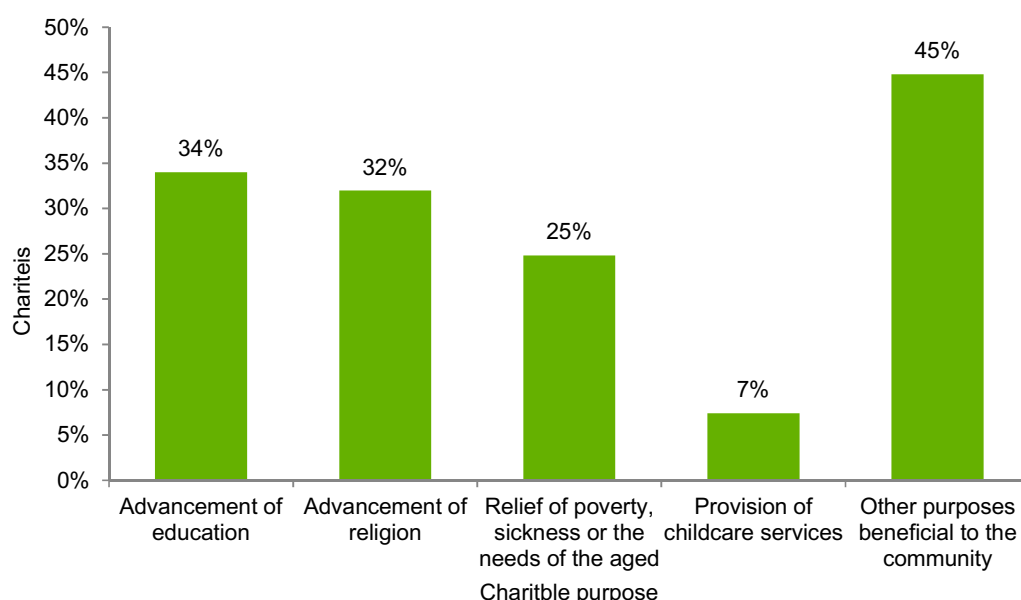
**When lodging their AIS, charities could nominate one or more of their charitable purposes. A third of charities' purposes included the advancement of education and 32% aimed to advance religion.**

**A quarter of charities aimed to relieve poverty, sickness or the needs of the aged and 45% advanced one or more "other purposes beneficial to the community".**

A charity's purpose is the main reason it exists and is usually described in its governing documents (that is the constitution or rules). Prior the introduction of the *Charities Act 2013 (Cth)*, there were essentially five broad classifications of charitable purpose recognised by general law and taken into account when identifying a charity's eligibility to be categorised into a subtype and receive additional tax benefits. The Charities Act lists 12 charitable purposes, and two additional subtypes (Health Promotion Charity and Public Benevolent Institution). Effectively the Act provides a codification of charities law relating to the recognition of charities. In future, charities will be registered under one or more of these charitable purposes, providing greater detail than is available under the old classifications.

The data relating to classifications provides an indication of the breadth of the charitable aims of organisations in the sector. Charities that completed the AIS were asked to identify all their charitable purposes and 35,450 responded to this question. Of these, 22,084 (62%) provided a single purpose, 8,758 (25%) two purposes, and 4,608 provided (13%) three or more purposes. As a result, this data does not provide clarity of main charitable purpose. The AIS is being revised to enable greater distinction in future.

Figure 12 Charitable purpose (n:35,450)



Note: The term "Other charitable purposes beneficial to the community" includes activities such as advancing arts and culture, health, animal welfare and the environment, and may include a wide range of other purposes. Total adds to more than 100% due to multiple responses.

## Basic Religious Charities

Charities that reported that advancement of religion as one of their purposes were required to state if they met the criteria for a Basic Religious Charity as set out in the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*.

Basic Religious Charities are exempt from certain reporting obligations including the requirement to answer financial questions in the AIS from 2014 onwards, submit annual financial reports or to comply with ACNC governance standards. Of the 12,253 charities that listed the advancement of religion as their purpose, 9,809 or 80% self identified as Basic Religious Charities, which is equivalent to 26% of all charities in the ACNC dataset. An ACNC investigation has found that the actual percentage of Basic Religious Charities is likely to be under 20%, and therefore it appears that some charities have incorrectly reported as Basic Religious Charities. This is the first year that religious charities have had to self-assess their status and the ACNC has since provided more guidance to ensure charity representatives have a better understanding of the meaning of Basic Religious Charity as it pertains to reporting obligations.

## Diversity of services to achieve charity purpose

The AIS provided a field for charities to describe how they pursued their charitable purpose(s) in the 2013 financial year.

The diversity in activity is enormous and examples of the information provided by charities are included here and in other sections of this report. Information for individual charities can be found on the ACNC Register.

### How did your charity pursue its charitable purpose?

*"We provide free, accessible and quality legal services to people in need focusing on disadvantaged individuals."*

*"We offer accessible gallery space, at no profit, for emerging and established artists and community groups. We are run entirely by volunteers. We also applied for government grants on behalf of artists and community groups."*

*"We provide breakfast and lunch to the school community."*

*"We have raised funds to support Veterans and their families in need; as well as continuing to support the [Name of regional city] Men's Shed."*

*"Retired volunteer teachers travelled to isolated and remote stations to provide educational support to the school children's tutor. Usually this freed the tutor (usually mother) for a well earned break or for other station operational activities"*

*"Teaching Buddhist meditation and the Buddha dhamma."*

Source: 2013 Annual Information Statements

## 2.5. Main and additional activities

**Religious activities were the main activity for a quarter of charities, making this by far the largest area of charity work - more than four times higher than any other single activity.**

**The distribution of charity activity across this broad range of services and the number of charities undertaking more than one activity illustrates the huge diversity and complexity of the sector.**

In addition to identifying their charitable purpose, the AIS required charities to state whether they had been active in the reporting period and to identify the main activity they undertook. They were also given the opportunity to nominate additional activities they carried out. This information enables segmentation of the sector by activity and, particularly when used with other data, can be used to support policy evaluation and development.

The AIS included 25 categories of activity, plus an 'Other, please describe' option. Charity representatives marked the category that believed best described their main and other activities.

To enable comparison with other data, the categories provided were based on the International Classification of Non-profit Organisations (ICNPO) which is commonly used for examining this sector and was used by the ABS in the 2012-13 report on Australian National Accounts Non-profit Institutions referred to in Section 1.2 of this report. The ICNPO classifications can be found in appendix 2. The AIS categories had some minor variations from ICNPO, namely the inclusion of a category for aged care and the exclusion of business and professional associations and unions. The ICNPO category of philanthropic intermediaries and volunteerism promotion was replaced by grant-making activities. The ICNPO also includes a category titled 'political activities' which although appropriate for NFP organisations, is not a category of activity that a charity can pursue in Australia.

Despite being provided with a full list of categories, a significant proportion of charities used 'other categories' or none. This is the first time charities have had to provide this data and this is likely to be the result of a lack of familiarity with the categories and the design of the online form. The ACNC is providing more guidance for completion of the 2014 AISs and is updating the web interface to encourage more accurate representation of activities.

### Main activity

Key findings:

- Eighteen percent of charities did not report a main activity type. This is most likely the result of a number of charities failing to complete the form accurately but may also indicate that there is significant percentage of charities are not active. The ACNC continues to investigate this finding.
- Religions have had a major impact on the development of charities and religious activities are the main activity for a quarter of all reporting charities.
- After the advancement of religion, primary and secondary education (6%) and grant making (5%) were the largest individual categories of activity nominated.

- Charities undertook a very broad range of activities in 2012-13. Excluding charities nominating religion as their main activity, no more than 6% of charities report undertaking the same main activity. Again, this data highlights the diversity and inherent complexity of the Australian charity sector.
- Although there were 23 headings provided, 20% of answers regarding main activity were identified as 'other'. For the main activity question, these fields cannot be broken down further. However, the 'other category' in the question related to additional activities can be analysed and it is evident that many had chosen to select the 'other' answer even though an appropriate category was provided. In some cases the field for 'other' was used to upload bulk entries that would have been better described using the specific fields. This is being addressed in the 2014 AIS.
- There were some areas of charity activity that charity representatives may have found difficult to allocate to a category provided. These include childcare, kindergarten and other early childhood activities (i.e. those that don't fall into primary education); activities for veterans; fundraising (as the principal activity itself); and the provision of information and training. The ACNC has revised the list to be more reflective of the full range of ICNPO categories and should support this with more guidance about the definition and scope of these categories and structuring the online form to ensure that answers such as 'none' and 'other' are less easy to access.

### How did your charity pursue its charitable purpose?

*"We provide services to people who are homeless or at risk of homelessness. This is combined with employment & training services to find stable accommodation. Many of our services users have mental health issues. They are referred to our in-house psychologist who provides counselling and referral services. We have an Indigenous Mentor Support Program with a male & a female Indigenous worker who provide one-to-one mentor support to Indigenous jobseekers. We also provide Disability Employment services and job services for Youth at Risk. The youth unemployment rate is over 20% and we have youth workers who provide assistance to help these clients participate in training/education or find employment. We also deal with their barriers to employment that includes homelessness, family breakdown, substance abuse and mental health issues. We also provide assistance to young people who were leaving Juvenile Justice Facilities. This support begins prior to their release."*

Source: 2013 Annual Information Statements

Figure 13 Charities' main activity in the last financial year (n:38,341)

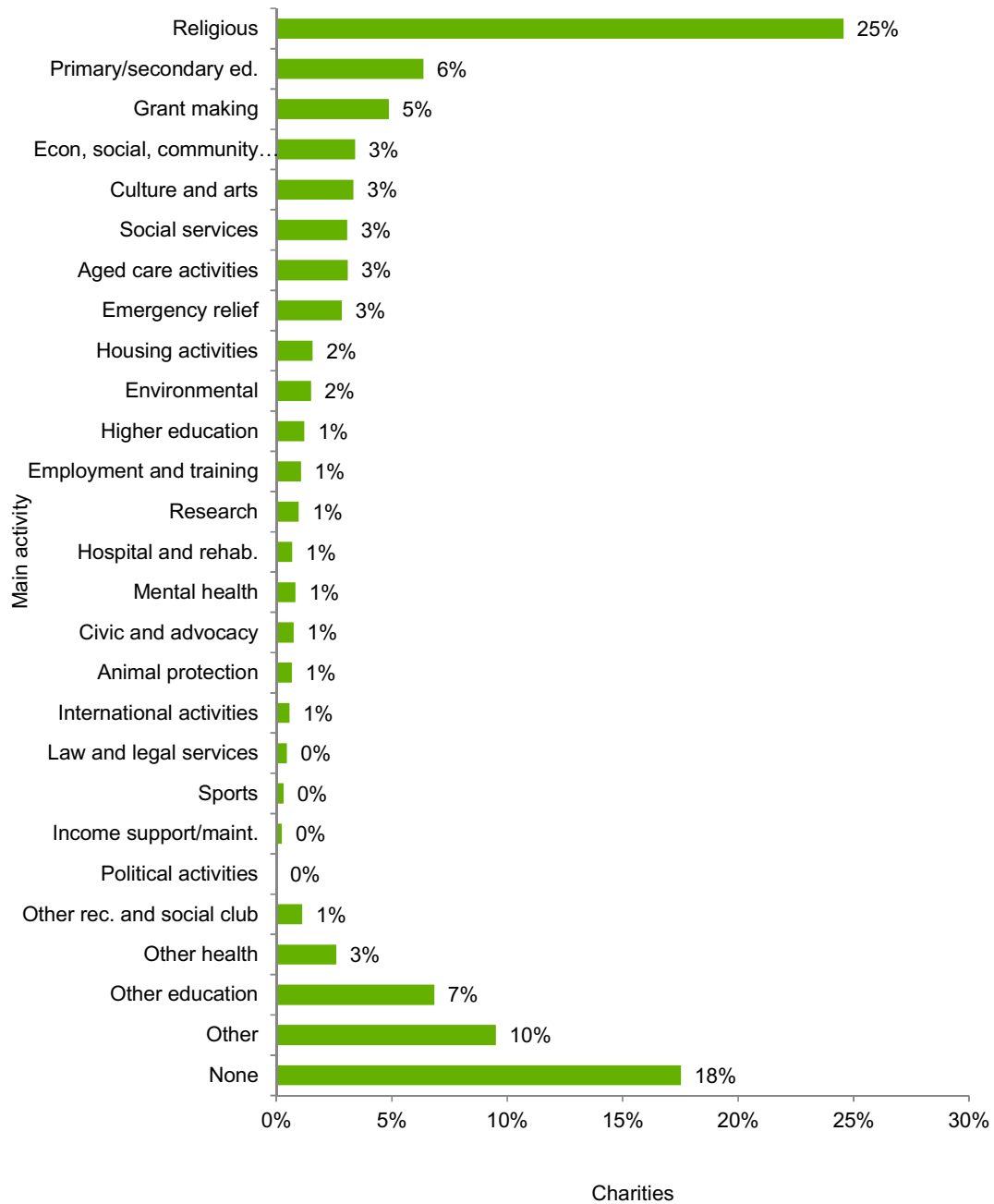


Table 7 Main activity

Main activity	No.	Main activity	No.
Religious	9,421	Civic and advocacy	284
Primary and Secondary Education	2,441	Hospital and rehab	263
Grant making	1,867	Animal protection	259
Economic, social and community development	1,309	International	218
Culture and arts	1,279	Law and legal services	176
Aged care activities	1,184	Sports	118
Social services	1,177	Income support and maintenance	93
Emergency relief	1,089	Political	4 <sup>24</sup>
Housing	605	Other	3,626
Environmental	576	Other education	2,642
Higher education	466	Other health service	994
Employment and training	410	Other rec and social club	430
Research	371	None	6,720
Mental health	319	Total	<b>38,341</b>

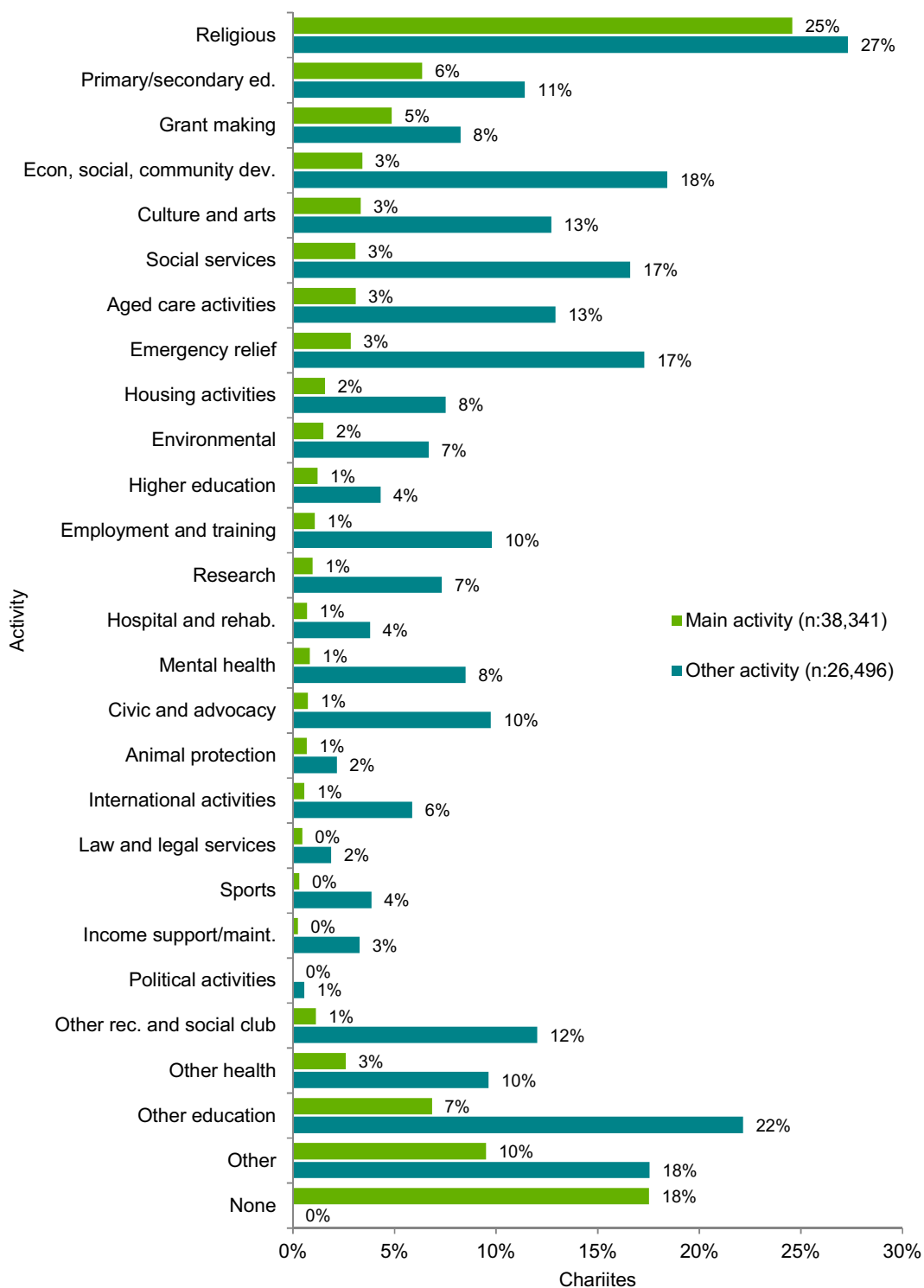
### Additional activities

#### Key findings:

- Nearly 70% of charities reported that they worked in one or more areas in addition to that of their main activity - on average these charities nominated three additional areas. Again, this data highlights the diversity and complexity of the services provided by individual charities and of the sector as a whole.
- Religious activity was still the dominant category, but 18% undertook work in economic, social and community development, 17% in emergency relief, and 17% in social services. 'Other education' was also a significant area of activity with 22% of charities reporting being active in this sector.
- Thirteen percent of charities were active in aged care, and a further 13% in cultural and arts areas. The more specialist areas, such as law and legal services, and animal protection received fewer responses, indicating that these areas of work are less likely to be additional activities undertaken.

<sup>24</sup> The charity activity categories are based on the International Classification of Non-profit Organisations (ICNPO) used to classify all NFPs not specifically charities. In Australia, organisations undertaking political activities as their primary purpose could be NFPs but would not be registered as charities.

Figure 14 Main and other activities



Note: 'Main Activity' data adds to 101% due to rounding. 'Other Activity' data adds to 200% due to multiple response.

### Plans to change charity activity in the next financial year

Three percent (1,062) of charities reported that they intend to change the way they pursue their charitable purpose in the next financial year. Approximately a quarter of these charities reported that they intend to close and deregister. This is the first time information about charity closure has been available and could be an area for further research including longitudinal studies to determine the factors that influence charity closure.

Most of the charities reporting that they will change their charitable purpose are shifting their focus and activities in response to changing funding sources, changing needs, or aiming to grow or diversify.

#### **Is your charity going to change the way it pursues its charitable purpose in the next financial year? If so, please describe.**

*"Funding arrangement cease to exist in 2015. We rely on one funding source and are currently searching for new revenue streams which may dictate the mode of delivery we undertake."*

*"Amalgamating with [name of entity]. Hence, deregistration of this entity is pending."*

*"[Name of entity] will be pursuing a self-supporting social enterprise model with the help of grants from various sources, so that we may continue addressing the efficiency and educational needs of [residents], in the absence of the [Name of] program."*

*"A Car Show is on the Agenda as well as Healthy Breakfast mornings at the School."*

*"We are re-evaluating the purposes of the PAF as the trustee of the fund to determine whether a change of purpose is appropriate or alternatively to close the fund."*

*"Not sure if will be finalised within the 12 months but working towards day respite services, dementia cafe and men's shed to be housed on neighbouring block of land. This area will also house additional independent living units, supported housing and community housing into the future."*

*"Last year our federal funding finished in December 2012. Next year we will be much smaller, with no federal funding. We will continue to promote primary health care via policy and engagement with stakeholders."*

Source: 2013 Annual Information Statements

## 2.6. Beneficiaries

**Charities provide services across the full breadth of Australian society.**

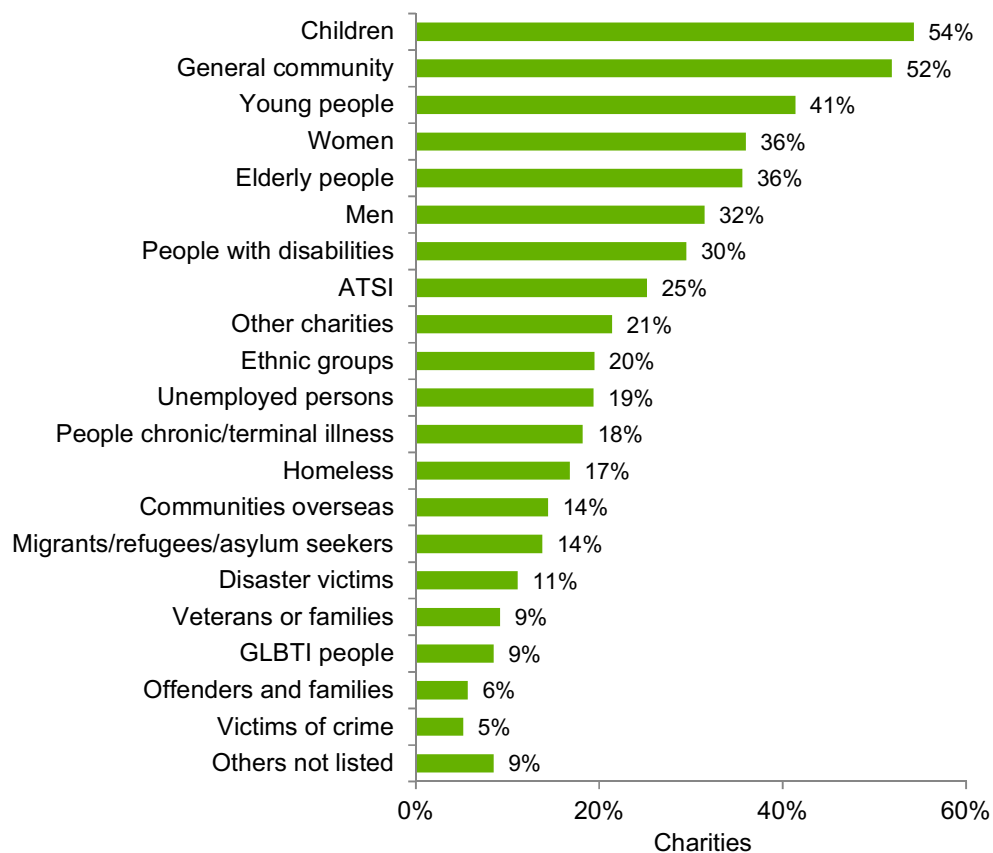
**They serve both the general population and particular groups of people that have specific long or short term needs. In many cases, these populations intersect and it is not possible to accurately count the charities serving different groups. In general, more charities nominated children, young people, women and/or the elderly as beneficiaries of their work.**

The number of charities supporting specific beneficiary groups may reflect both the relative size of that segment within the Australian population and the needs of that group. On average, charities nominated more than 4.1 different beneficiary groups and the definitions of these groups intersected.

Key findings:

1. Just over half of all reporting charities provide services to children and/or the general community, and a third are supporting young people, women, the elderly, and/or men.
2. Thirty percent provide services to people with disability.
3. A quarter of reporting charities benefit Aboriginal and Torres Strait Islander (ATSI) peoples.
4. One in five charities support other charities.
5. As might be expected, analysis shows that many charities provide services to communities of people with related challenges or needs, such as unemployed people and homeless people, or the elderly and those living with chronic illness. Others, such as those working with ATSI peoples, identified a broad range of beneficiaries, including children, women, men, elderly people, young people and the general community.
6. The beneficiary groups served by fewer, more specialised charities were: offenders and their families; veterans and their families; disaster victims; and victims of crime.

Figure 15 Beneficiaries of charities (n:34,556)<sup>25</sup>



### How did your charity pursue its charitable purpose?

*"The practice and advancement of the Christian religion founded on the Holy Bible as understood by the denomination of Christians known as Jehovah's Witnesses."*

*"[Name of entity] is an independent Islamic co-education school...founded to provide boys and girls to acquire knowledge and education of Islamic ethical values and to excel in this life and the Hereafter through the provision of a wide range of learning experiences in a supportive, caring and intellectually stimulating environment..."*

Source: 2013 Annual Information Statements

<sup>25</sup> GLTBI: Gay, lesbian, transgender, bisexual and intersex people ATSI: Aboriginal and Torres Strait Islander peoples

## 2.7. The location of charities and their operations – within and outside Australia

**The distribution of charities across the states or territories is correlated with the Australian population. More than half of all reporting charities had their head office located in New South Wales or Victoria.**

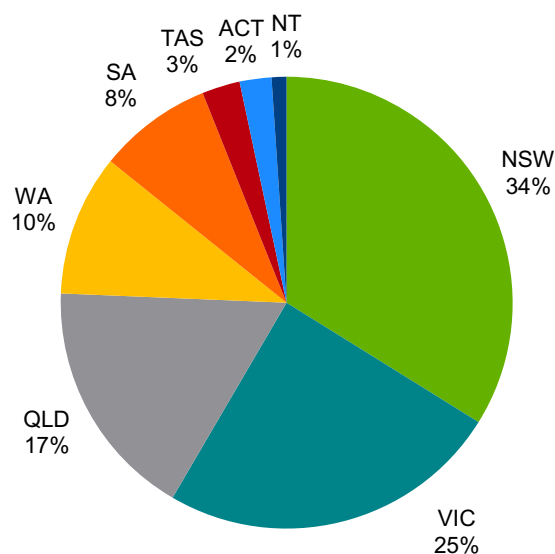
**Approximately 13% of charities reported that they conducted activities in Australian states or territories outside their home jurisdiction.**

The AIS collected information identifying the location of charities' primary business address and also asked charities to specify the Australian states or territories in which they operate, and if they operate overseas. Among other things, this data provides information on the extent to which charities may be affected by differences in state and territory based legislation.

### Location of main business address

Overall, the number of charities in each jurisdiction is proportionate to the population. The exception is Queensland, which has a slightly lower count of charities per head of population than other states or territories.

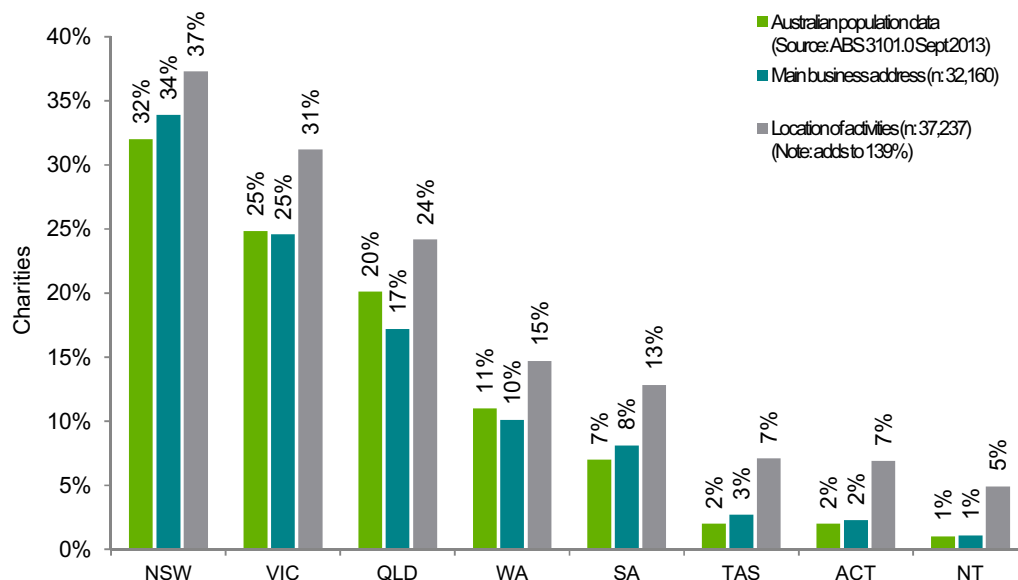
Figure 16 State or territory of primary business address (n:32,160)



## Location of charity activity in Australia outside of home jurisdiction

The AIS asked charities where they operated in the 2013 reporting period. The states receiving the most service from charities outside their home jurisdiction are the Northern Territory (NT), the Australian Capital Territory (ACT) and Tasmania (TAS).

Figure 17 Location of charities primary business address and states/territories of operation



Information on the location of activity combined with data on the postcode of the main business address allows for an estimation of the number of charities operating outside their home jurisdiction.

Of the charities that provided both location and postcode information, these initial results indicate that approximately 13% of charities conducted activities in more than one Australian jurisdiction. The definition of 'activities' could include fundraising, donating, operating or providing services.

Activity outside home jurisdiction varies considerably between the states and territories. Charities located in the ACT are much more active outside their home jurisdiction than all others. Charities located in WA, TAS and the NT report the least activity in other jurisdictions.

This data provides important information regarding the development of centralised source of charity data and harmonisation of state/territory legislation.

Table 8 Charities active outside of home jurisdiction (n: 32,159)

		Percent charities main office location							
		NSW	VIC	QLD	WA	SA	TAS	ACT	NT
States active	NSW	99%	12%	7%	3%	6%	3%	38%	4%
	VIC	11%	99%	5%	3%	6%	4%	26%	4%
	QLD	11%	9%	100%	3%	5%	3%	25%	6%
	WA	7%	8%	4%	100%	4%	2%	22%	7%
	SA	7%	8%	4%	2%	100%	2%	22%	7%
	TAS	6%	7%	3%	1%	3%	100%	17%	2%
	ACT	9%	7%	3%	1%	3%	1%	98%	3%
	NT	6%	5%	3%	1%	5%	2%	18%	97%

Note: Totals do not add to 100% due to multiple response

### Charities conducting activities outside Australia

Charities could indicate that they were involved with countries outside of Australia in three ways; by nominating 'international activities' as one of their activities, by nominating 'communities overseas' as one of their beneficiaries, or by advising that they operate outside of Australia.

In total, 6,476 charities or 17% of all reporting charities indicated they were involved in some way internationally. This could include sending donations or other aid or more active involvement.

Of the reporting charities, 2,402 (6%) specifically reported one more country outside Australia where they were active and most of these are developing countries. In total charities nominated more than 100 countries.

The countries in which charities reported they were involved in were India (5%), the Philippines (4%), New Zealand (4%), Papua New Guinea (4%), Indonesia (4%) Cambodia (5%) and the USA (3%).

These charities also reported having multiple beneficiaries. Sixty three percent of charities active overseas benefit children and 56% support young people. Just over half (55%) service the general community in these countries and 50% specifically benefit women.

Table 9 Countries conducting activities (n:2,402)

Country	No. Charities active in country	Charities active (%)
India	346	5%
Philippines	295	4%
New Zealand	258	4%
Papua New Guinea	246	4%
Indonesia	244	4%
Cambodia	231	3%
USA	207	3%
Thailand	186	3%
China	166	2%
Uganda	166	2%
Kenya	162	2%
Great Britain	155	2%
Fiji	143	2%
Nepal	119	2%
All others	3,765	56%
Total	6,689	98%

Note: Adds to 98% due to rounding

## 2.8. Reporting to the Commonwealth and state and territory governments

The AIS included three optional questions regarding reporting obligations to Commonwealth, state or territory governments. The AIS defined reporting obligations as including fundraising or grant acquittals and other reporting activities, but excluded reporting obligations to the ATO and state and territory corporate reporting obligations such as those set by state or territory regulators of associations.

The charities that answered these questions are a subset of those in the ACNC dataset as a whole and consist of a greater proportion of the larger charities. Reporting obligations are related to charity size (see Section 3), and this means these results provide a better indication of the experience of large organisations and cannot be extrapolated to apply to all charities in the ACNC dataset.

### Reporting to Commonwealth agencies

**Thirty one percent of responding charities reported to the Department of Education, Employment and Workplace Relations (DEEWR), 27% to the Department of Health and Aging (DoHA) and 25% to the Department of Families, Housing Community Services and Indigenous Affairs (FaCHSIA – now called the Department of Social Services).**

Commonwealth agencies can change names or acronyms, merge or restructure from time to time, and most recently in the 2013 machinery of government changes. This may contribute to the relatively large number of 'other' responses at this question. The agency formerly known as FaCHSIA is now named Department of Social Services (DSS). The Department of Health and Ageing has now been renamed the Department of Health. We have retained the department names used in the 2013 AIS.

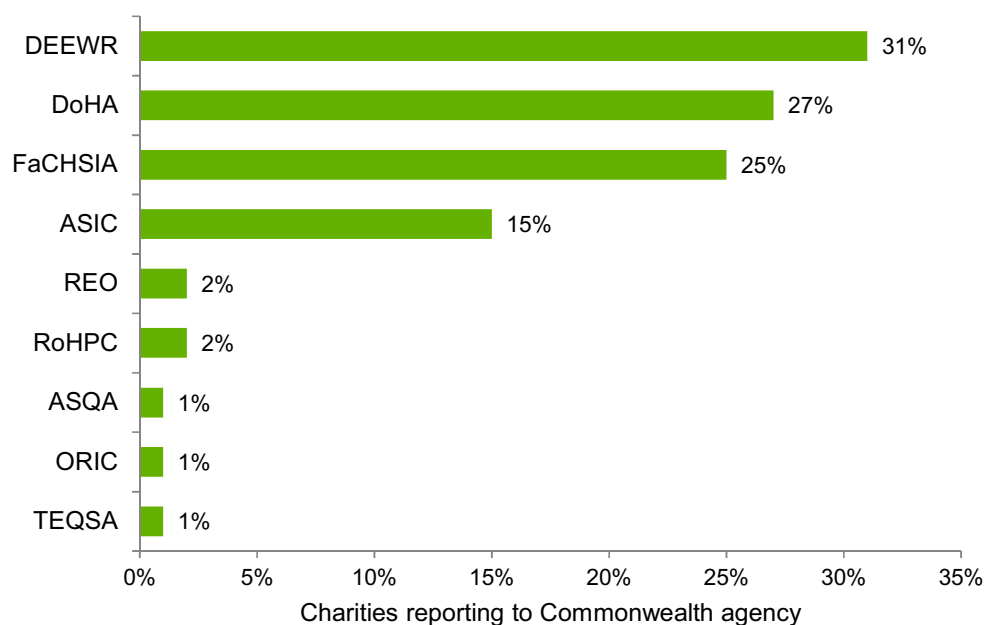
#### Key findings:

- There were 5,821 charities that answered that they had corporate or financial reporting obligations to a Commonwealth government department or agency over the last financial year. This represents a question response rate of 15% but does not represent a measure of the percent of charities that report to the Commonwealth government.<sup>26</sup>
- More than half (52%) of this group were large charities, compared with 17% for the whole of the ACNC dataset, meaning this sample was strongly skewed towards, and is therefore more representative of, the large organisations.
- Just under a third of these charities report to DEEWR, and about a quarter reported to DOHA and/or FaHCSIA. It is important to note that these results reflect the number of charities that are operating in each of the relevant areas and not the amount of reporting burden. For example, the analysis of main activity found there are over 5,000 charities active in education and therefore may be reporting to DEEWR, compared with about 576 active in environmental sectors and potentially reporting to the Register of Environmental Organisations (REO).
- Of the charities reporting to the Commonwealth government, 25% reported to more than one agency.

<sup>26</sup> This data only measure charities that answered that they have reporting obligations. Charities that did not respond may or may not have reporting obligations.

- Figure 18 shows the responses to the pre-set answers provided on the AIS form. There was a large selection of 'other' for this question (26%). Analysis of the 'other' category shows charities also reported to a wide range of other Commonwealth agencies, including the Australia Council for the Arts, the Australian Attorney-General's Department, the Australian Children's Education and Care Authority, the Australian Agency for International Development (most often cited as AusAID), the Department of Foreign Affairs and Trade, the Department of Immigration and the Department of the Environment.<sup>27</sup>
- Although this question was specific to Commonwealth government agencies, many of the responses were relevant to state or territory government organisations, which may indicate that charity representatives do not clearly distinguish between the two levels of government.

Figure 18 Commonwealth agencies to which charities report (n:5,821)



Note: Percentage of respondents. Adds to more than 100% due to multiple responses.

<sup>27</sup> The agencies included here are those nominated by the charities. A range of abbreviations were used and some of these may no longer exist or may have changed name.

Table 10 Reporting to Commonwealth Government agencies (n:5,821)

Commonwealth agency	Abbreviation	Charities reporting
Department of Education, Employment and Workplace Relations	DEEWR	1,817
Department of Health and Ageing	DoHA	1,560
Department of Families, Housing, Community Services and Indigenous Affairs	FaHCSIA	1,455
Australian Securities and Investments Commission	ASIC	901
Register of Environmental Organisations	REO	140
Register of Harm Prevention Charities	RoHPC	134
Australian Skills Quality Authority	ASQA	52
Office of the Registrar of Indigenous Corporations	ORIC	33
Tertiary Education and Standards Quality Authority	TEQSA	30
Other	-	1,496
<b>Total responses</b>		<b>7,618</b>
<b>Total respondents</b>		<b>5,821</b>

### How did your charity pursue its charitable purpose?

*“Research grants awarded to Kimberley Rock Art research projects; programs developed to interpret and record the rock art in remote Kimberley communities; hosting public lectures, lunches and dinners.*

*“Provided Chaplaincy services at prisons, hospitals, and educational institutions.”*

*“Provide Islamic special religious education to Public schools in NSW. Interfaith, multicultural and harmony activities.”*

(Source: 2013 Annual Information Statements)

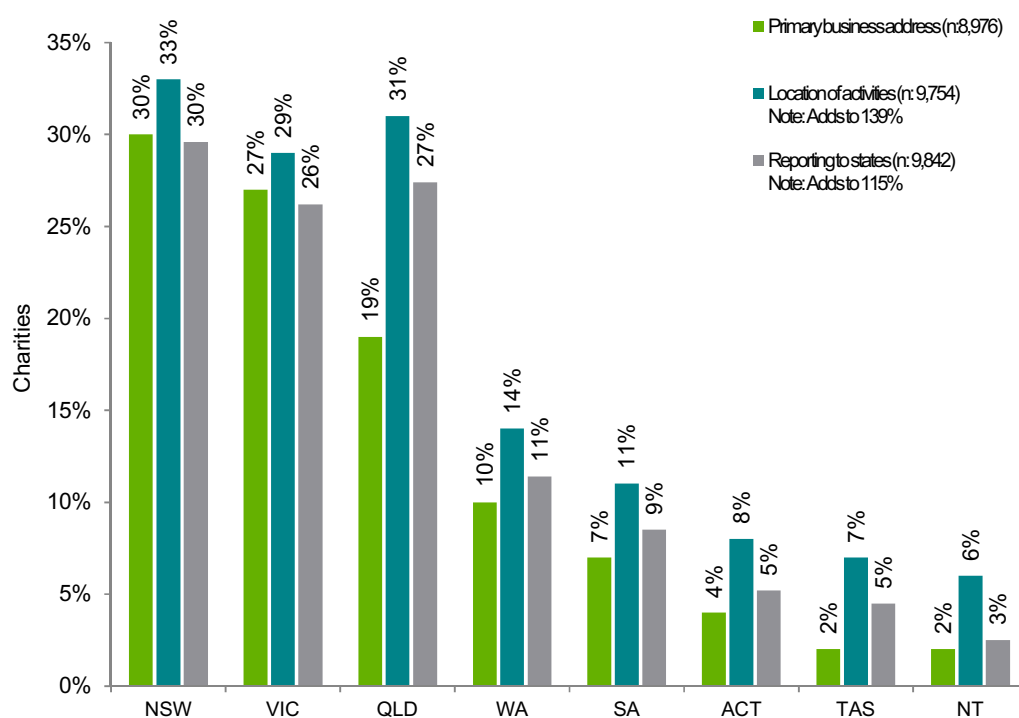
## Reporting to state and territory governments

**The proportion of charities required to report to state and territory governments is similar across the jurisdictions and reflects the location of charity activity.**

Key findings:

- Over 9,800 charities stated they reported to state or territory governments (excluding reporting to their state or territory corporate regulator). This represents a question response rate of 26% but does not represent a measure of the percent of charities that report to state or territory governments. This cohort of charities is also skewed toward the larger charities; 36% were large and 22% were medium sized.
- The results show that the reporting obligations in each state or territory apply to a proportionate number of charities in each jurisdiction. That is, although more charities report to New South Wales government agencies than to the Tasmanian government agencies, there is little difference to the proportion of operating charities being asked to report in these states.
- This data indicates that there is a lower ratio of reporting by charities operating in the Northern Territory, the ACT and Tasmania. This may indicate that these 'out of state' charities are reporting to Commonwealth not local state agencies but more investigation is required to confirm this.

Figure 19 Reporting to state and territory government compared with business address and location of activities



## 2.9. Time spent meeting Commonwealth and state and territory reporting obligations

**More than one in three charities (37%) did not use any paid staff time to meet Commonwealth and state / territory reporting obligations (excluding reporting to the ATO).**

**For charities that provided information on their reporting obligations (a sample of 50% small, 29% medium and 21% large charities), the median amount of paid staff time spent reporting to government was 40 hours per year, or about one working week.**

**One in five charities reported spending more than 100 paid staff hours (or two and a half weeks) reporting in the last year.**

**Reporting obligations for paid and unpaid staff were concentrated into a small group of charities. Eighty one percent of paid reporting hours and 85% of unpaid reporting hours were spent by 10% of charities.**

**Differences in reporting burden are related to charity size, the sector in which they operate, the range of activities they undertake, their entity and charity type.**

Reporting in this context includes reporting to both Commonwealth and state/territory governments and includes time spent writing government funding acquittals but excludes reports to the ATO.<sup>28</sup> Charity representatives were asked to estimate the number of hours spent reporting over their last financial year. This is difficult to estimate and to divide into different tasks, such as separating ATO obligations from other types of reporting.

Importantly, this data also estimates all reporting obligations, not 'red tape' which is defined by Ernst and Young in its investigation of charities reporting burdens as "obligations that are excessive, unnecessary or confusing".<sup>29</sup> Many organisations, whether commercial, NFP or charities must undertake some reporting to government, particularly if they are operating in regulated sectors, such as in human services and education. Organisations undertaking work under grant or contract with governments are also required to provide additional information in order to acquit funding provided.

### Time spent reporting – paid staff

Of the total 38,341 charities, 27% provided information on the time spent by paid staff to meet reporting obligations. Similar to respondents to the other questions about reporting obligations, the charities reporting on paid staff time are not representative of all ACNC registered charities and included more of the larger charities (29%) and fewer small charities (only 50%). This is expected as only a third of small charities had paid staff. Data on employment shows that charities operating in more regulated areas, such as education, social services and aged care are larger and are more likely to be spending time meeting reporting obligations and acquitting government funding.

### Key findings:

<sup>28</sup> Note: For both paid and unpaid staff time, seven records were removed that appeared erroneous. For example, a medium sized charity reported over 1m paid reporting hours (125,000 days) and a small religious charity reported over 11,000 unpaid reporting hours (1,375 days). The total of the entries removed for paid and unpaid was 1.3m and 97,000 respectively.

<sup>29</sup> Ernst & Young, Research into Commonwealth Regulatory and Reporting Burdens on the Charity Sector 2014.

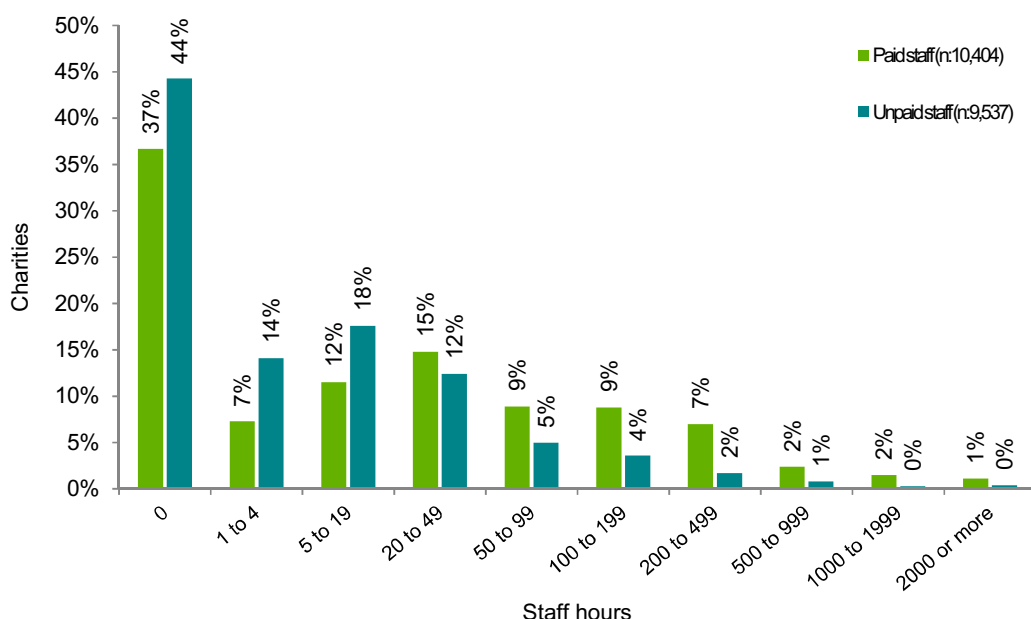
- More than a third (37%) of responding charities reported that they did not spend any paid staff time reporting to government.
- Excluding the 37% not using any paid staff time for reporting, the median amount of paid staff time spent reporting to government was 40 hours per year – about one working week.
- Approximately 19% of the responding charities spent more than zero, but less than 20 hours of paid time a year and a further 15% spent 20 to 49 hours a year. However, one in five (21%) stated they allocated over 100 hours - two and a half weeks - of paid staff time to reporting to governments.
- For the 10,404 charities that provided information, the total number of paid staff hours spent reporting in the last year was 1,384,416 hours.
- The mean reporting hours were higher than average for charities operating in the sectors of employment and training, law and legal services, social services or housing. It was lowest for charities whose main activity is grant making or religious. Similarly, mean reporting hours were higher than average for Companies Limited by Guarantee and Public Benevolent Institutions.
- Reporting obligations for paid staff were concentrated into a small group of charities. Eighty one percent of paid staff reporting hours were spent by 10% of charities.
- Charities active in mental health and crisis intervention, higher education, employment and training, and other health service delivery reported a higher than average number of paid staff hours in reporting.

#### Time spent reporting – unpaid staff

To examine the impact of reporting on volunteers, the AIS also requested information on the number of hours of unpaid staff time required to meet reporting obligations. Fewer charities answered this question (25%) but this group was more representative of the overall ACNC dataset in regard to size. Nearly 62% of this group of charities were small and 20% large, the balance (18%) being medium size.

- The median amount of time spent reporting by unpaid staff was 12 hours (1.5 days).
- Seven percent reported that they spent more than 100 hours (2.5 weeks) of unpaid staff time in the last year responding to reporting requirements.
- For the 9,537 charities that provided information, the total number of unpaid staff hours spent reporting in the last year was 388,000 hours.
- Reporting obligations for unpaid staff were concentrated into a small group of charities. Eighty five percent of unpaid staff reporting hours were spent by 10% of charities.

Figure 20 Time spent reporting in the last 12 months.



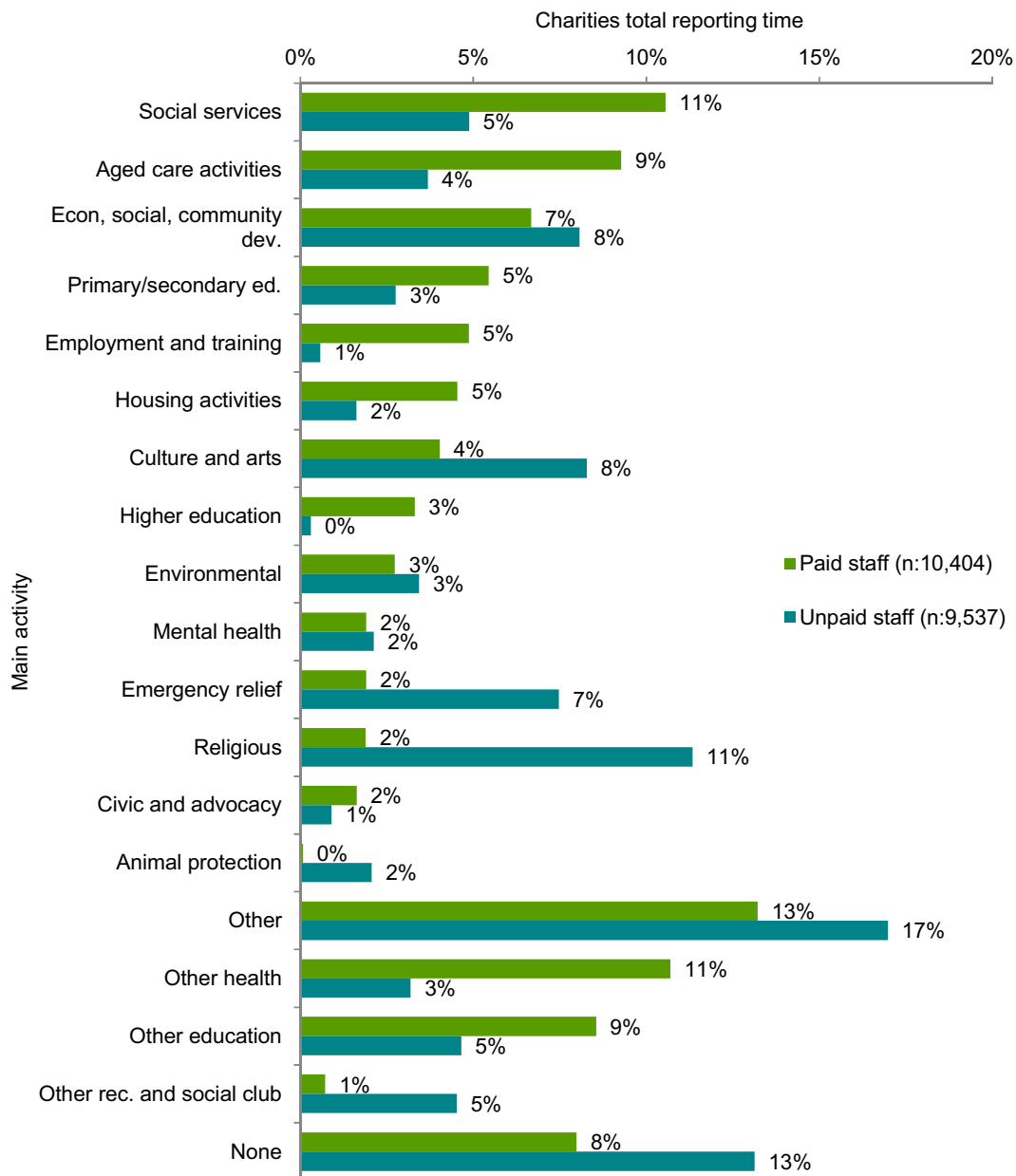
### Time spent reporting – paid and unpaid staff

Just over one in five charities (22%) that provided data reported that they spent no paid or unpaid staff time reporting to governments.

Charities whose main activity is in social services, aged care, economic, social and community development and primary and secondary education report the highest percentage of paid reporting hours. Religious charities report the highest percentage of unpaid reporting hours, followed by charities operating in culture and the arts, and in economic, social and community development. It should be noted that the data in Figure 21 reflects both the number of charities in these activity sectors as well as their reporting burden.

Although this data does not represent all reporting charities and is based on charities estimating time taken in meeting reporting obligations, it shows that reporting obligations are not evenly distributed among charities and that a more disaggregated, tactical approach is required to identify the areas of greatest reporting obligations and to identify opportunities to reduce these. This data should also provide context to interpret the Ernst and Young report into reporting burden.

Figure 21 Percentage of total reporting time paid and unpaid staff by main activity



## 2.10. The age of charities and sector growth

**The average age of reporting charities is 34 years and half of these charities were established before 1980.**

**There are 1,884 charities (5%) over 100 years old and 2,895 (8%) less than four years old.**

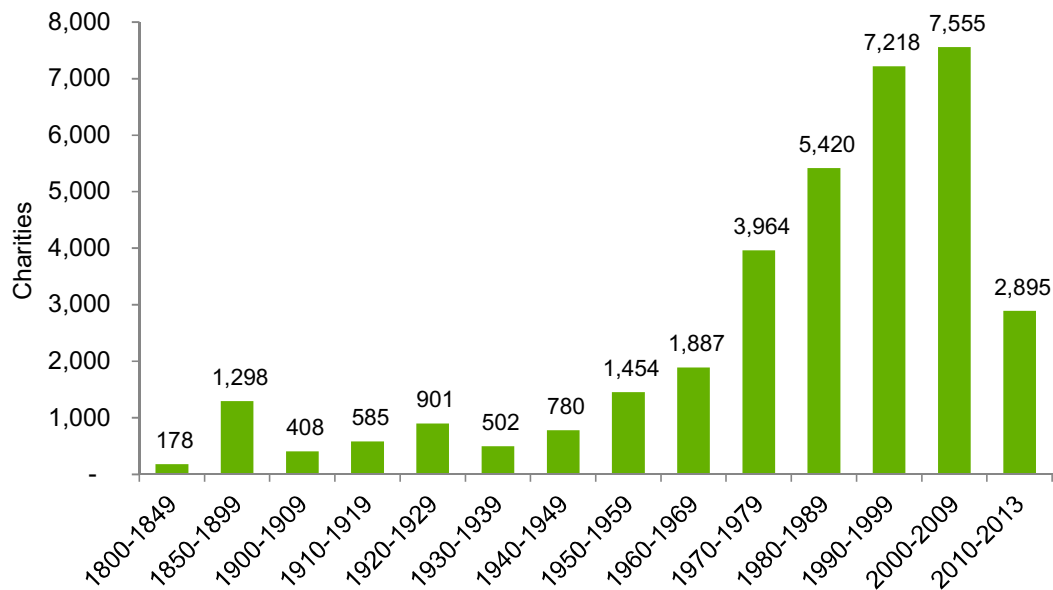
The date of establishment provides the age of currently registered charities and allows us to analyse the net growth in the number of charities. It also provides context for the development of policy as younger or older charities may be subject to different kinds of challenges.<sup>30</sup> Longitudinal analysis of charity age can also assist in evaluating policy in terms of net charity closures as the average age and number of charities shifts over time. Information on the date of establishment was extracted by the ACNC from the ACNC Register and was available for 35,045 (91%) of charities.

Key findings:

- Since 1990, the number of active charities has grown at a steady rate of approximately 2% per year, which represents a net increase of an average 736 charities per year.
- Of the 10,450 charities established since 2000, religious activities were the main activity for 18%, and 6% were working in either economic, social or community services; grant making; or 'other education'. Just over 4% were charities in the cultural and arts sectors.
- Since 1980, the rate of establishment of charities advancing religion has slowed compared with charities active in other areas. Half of the charities established between 1900 and 1909 stated their main activity is religious, compared with 30% of those established in the ten years from 1950 to 1959, and 18% in period from 2000 to 2009.
- Since 2000, there has been a higher rate of establishment of charities providing services in the areas of income support, mental health, environment, and law and legal services. However, this growth is from a low base.
- Charities can have long lives and the sector grows slowly. Data on deregistration was not available for this study, but these results show that any changes in law or regulation that apply only to newly registered charities rather than all charities (that is, those changes in law that "grandfather" new arrangements) are likely to take more than 20 years to impact the majority of organisations. Again, this finding is an important consideration about the speed and extent of impact of any changes in government policy.

<sup>30</sup> Note: This data includes charities established up to December 31, 2013.

Figure 22 Year of establishment (n:35,045)



Note: Last period is only four years - from 2010 to 2013.

### How did your charity pursue its charitable purpose?

*"[Name of entity] provides national programs, education and facilitates research to bring the Arts into health and aged care environments. A strong research program contributes to knowledge of the impact of Arts in health and aged care environments."*

*."Administration of an overseas aid fund"*

*"Name of entity] Accommodation Services continued to provide rental accommodation to [.....] University students, generating rental revenue and government incentive payments under NRAS. The 600 bed accommodation facility was occupied at full capacity in 2013."*

*"Through the provision of residential aged care, community based aged care, rehabilitation programmes for individuals with acquired brain injuries, supported housing for ABI sufferers, specialist Huntington's disease facilities and support programmes, provision of respite and palliative care facilities."*

*"Technological innovations efficiently translated to direct value for dairy farmers, through partnerships with commercial organisations."*

(Source: 2013 Annual Information Statements)

## 2.11. Legal structure, charity subtype and tax status

**Forty one percent of charities are reported to be incorporated associations and 33% unincorporated associations.**

**Twenty percent of charities are classified as Public Benevolent Institutions or Health Promotion charities.**

**For 2012-13, 20% were exempt from paying fringe benefits tax and 63% were eligible to receive a rebate of fringe benefits tax.**

Along with other data, the Australian Business Register (ABR) provides information on the legal structure, charity subtype and tax registrations and exemptions applicable to the charities registered with the ACNC. The data in this section was sourced from the ABR and the information provided by charities on their AISs.

### Legal structure

A charity's legal structure determines how it is regulated and governed, who it reports to, how it can operate, what it can do, and, to an extent, if it is eligible for certain tax exemptions. There are seven common legal structures and a few other specialist legal structures that charities can adopt. These legal structures can have different names in different databases, so this can be a complex area<sup>31</sup>.

Most charities are structured as either an Association (Unincorporated or Incorporated), a Company Limited by Guarantee or a Charitable Fund.

- An Incorporated Association is a separate legal entity (a corporation) and can continue to operate regardless of changes to membership. The liability of members of an Incorporated Association is generally limited.
- Unincorporated Associations are an association of individuals and are not recognised as a separate legal entity to the members associated with it. Significant liability can attach to members in these organisations.
- A Company Limited by Guarantee (Australian Public Company) is an entity incorporated under Commonwealth legislation (the *Corporations Act 2001*), which is administered by the ASIC and, therefore, all of these charities have the same rights and obligations regardless of where they are located.
- A Charitable Fund (Other trust) is a trust established for charitable purposes and has different obligations again.

Associations are established under state or territory laws, meaning that they are likely to have different rights and obligations depending on the states in which they were established. To be able to be active outside their state of registration, associations must take additional legal steps and typically they will register with ASIC as a Registered Australian Body, which means it will be regulated by ASIC as well as its state/territory regulator.

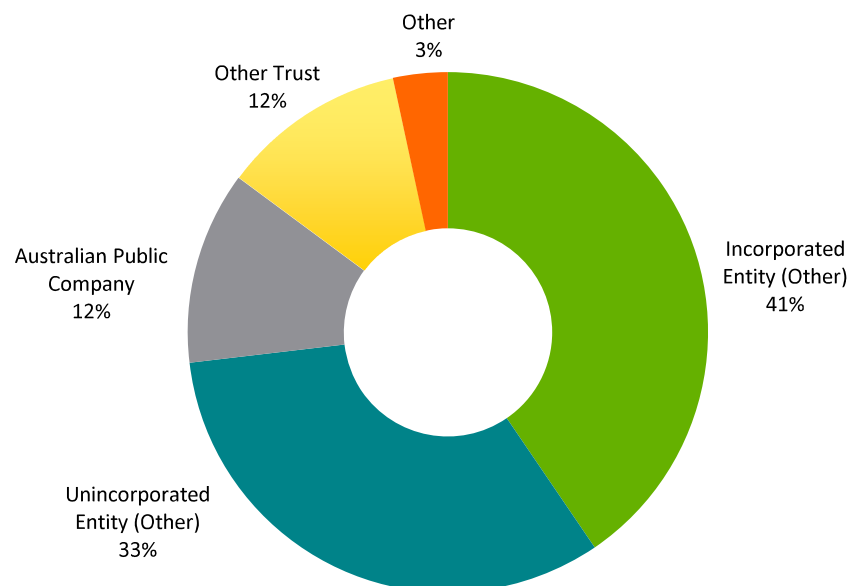
<sup>31</sup> The Productivity Commission recommended simplification of charity legal structures in its report *Contribution of the Not-for-Profit Sector*, Research Report, Canberra, 2010.

For completeness' sake, it should be noted that organisations can be also incorporated by a private Act of Parliament. Such organisations are mostly churches and their attendant charitable organisations. These organisations were often incorporated under this manner before any alternative enabling legislation was put in place or were established as churches which subsequently undertook charitable work. By and large, the Acts of Parliament establishing such organisations do not provide for significant regulatory arrangements.

**Key findings:**

- ABR records show that 41% percent of charities are recorded as Incorporated Associations and 33% are Unincorporated Associations. There is no way to assess the extent to which this figure represents the proportion of unincorporated associations compared to all other unincorporated charities as there is no register and no way to identify them. In addition, it is possible that organisations originally established as Associations have subsequently changed status and not updated ABR records.
- Twelve percent of charities are Australian Public Companies (Company Limited by Guarantee)<sup>32</sup> and 12% are Trusts (Other Trust). The remaining 3% are charities with other legal structures.
- Thirty eight percent of Unincorporated Associations are charities whose main activity is religious, and 11% are charities mainly active in primary and secondary education.
- There are some differences in the representation of legal structures in the different areas of activity. For example, 40% of charities reporting research is their main activity are Australian Public Companies (Company Limited by Guarantee) compared with only 5% of grant making organisations.

**Figure 23 Charity Legal structure (n: 36,927)**



<sup>32</sup> The ASIC does not differentiate between charities and other Not-for-profit entities. The ACNC data identifies charities as a population separate from other NFPs.

## Charity subtype

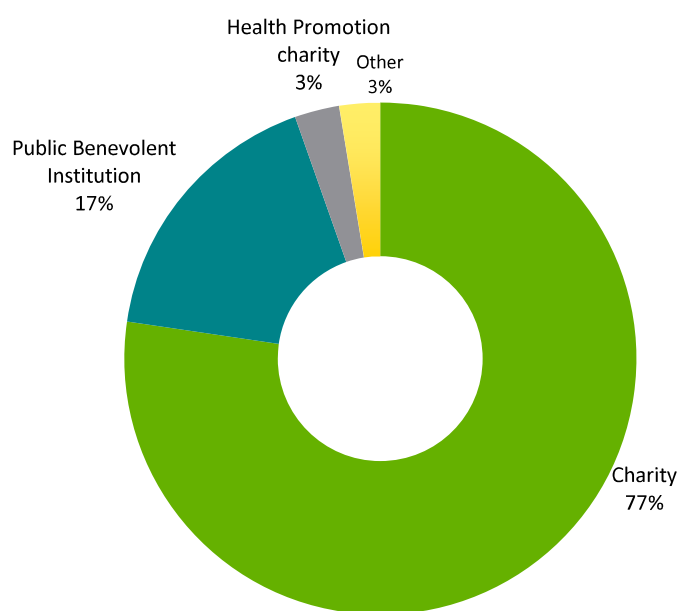
The charity subtype relates to its purpose and activities, and among other things, is used to determine charities' eligibility for tax concessions. Prior to the introduction of the *Charities Act 2013 (Cth)*, there were five main categories of charity identified and listed in the ABR records. The ACNC Act recognises 14 subtypes of charity – the 12 purposes listed in the Charities Act, plus Public Benevolent Institutions (PBI) and Health Promotion charities. All new charities will be registered under these subtypes.

The data in the chart below shows the currently available information on charity subtypes. PBIs are organisations that help relieve poverty or distress for a particular class of people and are not providing services to the whole community. PBIs are often organisations providing hospital, disability, aged care or housing support. Health Promotion charities promote disease prevention and control and can include certain medical research organisations, community health providers, and health education organisations. In addition to the other tax concessions, both PBIs and Health Promotion charities may be eligible for exemption from fringe benefits tax.

Over three quarters (77%) of organisations are classed as charities (but not PBIs or HPCs), 17% are PBIs, and 3% are Health Promotion Charities.

Thirteen percent of all PBIs reported their main activity is in aged care, 12% in social services and 8% in emergency relief.

Figure 24 Charity sub-type (n:38,007)



## Tax status

Registered charities can apply to the ATO to access charity tax concessions available under income tax, Goods and Services Tax (GST) and fringe benefits tax (FBT) laws. These include exemption from income tax, and concessions up to a set value for GST and FBT. Charities that are exempt from income tax can also apply for a refund of franking credits if they receive dividends from tax paying companies.

As mentioned in Section 2, all charities can apply to be registered for GST, which enables them to claim a refund for the GST component of the goods and services they buy. However, it is only compulsory for charities to be registered for GST if their turnover for GST purposes exceeds \$150,000 in the relevant financial year.

In addition to obtaining tax benefits, certain charities may apply to be registered as a Deductible Gift Recipient (DGR), which means that people or organisations that make donations to that charity can deduct the donation from their taxable income, reducing the tax payable by the donor.

### Key findings:

- It would be expected that all entities in the ACNC dataset are income tax exempt and are registered for GST concessions. Instead the ABR data shows that 96% are recorded as income tax exempt and 94% as GST exempt, indicating there may be some errors in the ABR or ACNC data.
- Seventy one percent of charities are registered for GST. This supports the finding in Section 2.1 of this report that a significant proportion of the small charities have income below the \$150,000 threshold, and/or that there are a number of charities that are inactive. Over half of the charities that reported no sales or payment summary information were also not registered for GST.
- The majority (63%) of charities are recorded as eligible for a rebate for FBT paid and 20% for exemption from FBT<sup>33</sup>. The ATO data on FBT shows significantly fewer charities reported paying fringe benefits in 2012-13.
- Eighty four percent of charities exempt from FBT (up to a set limit) are PBIs and 13% are Health Promotion charities. The remaining 3% appears to be a discrepancy in the ABR data.
- Fifty eight percent of charities exempt from FBT are classified as 'other incorporated entities' (most commonly incorporated associations) and 22% are Australian Public Companies.

<sup>33</sup> FBT exemption or rebates are usually subject to capping.

Figure 25 Tax status (n: 38,341)

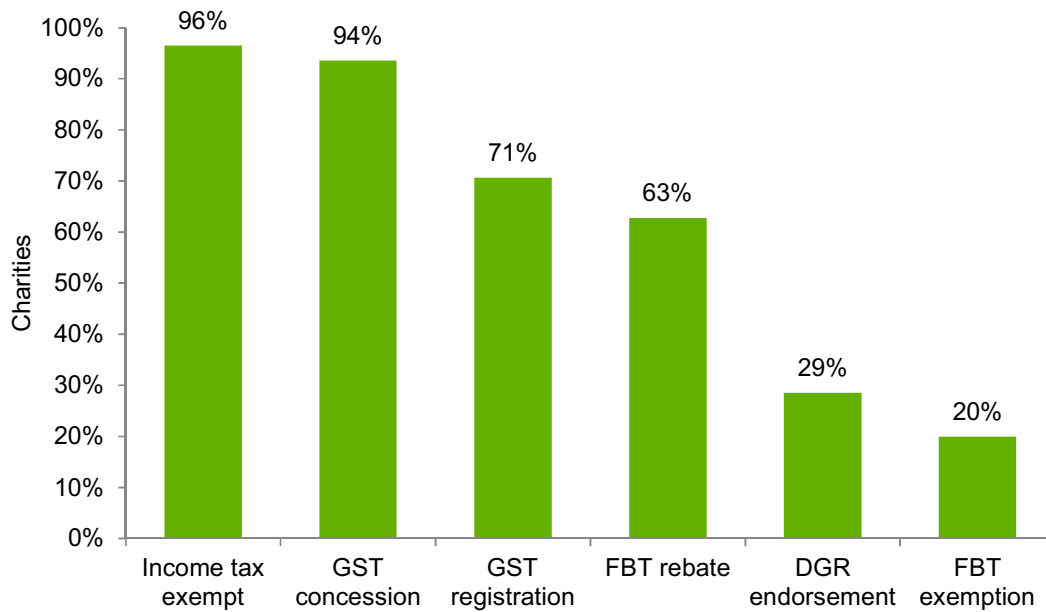


Table 11 Tax status

Tax status	Number charities
Income tax exempt	36,993 <sup>34</sup>
GST concession	35,880
GST registration	27,077
Fringe benefits tax rebate	24,052
Deductible gift recipient (DGR) registration	10,938
Fringe benefits tax exemption	7,648

<sup>34</sup> All charities should be recorded as exempt from income tax, therefore this appears to be a discrepancy in the ABR data.

### 3. Differences between small, medium and large charities

This section disaggregates the ACNC data to identify any differences between small, medium and large charities in regard to their structure or activity. Small charities are those with revenue in a financial year of less than \$250,000, medium size charities have revenue of \$250,000 to \$1m and large charities are those that have revenue above \$1m. This section highlights any differences within the charity sector that may be caused by or related to charity size.

#### 3.1. Charity size and employment

**As might be expected, employment of full time and part time staff is correlated with charity size.**

**Twenty five percent of small charities, 76% of medium size charities and 94% of large charities employ full time staff.**

##### Full time staff

Key findings:

- Three quarters of small charities do not employ full time staff and 24% employed one to four staff. Only one percent of small charities reported employing five or more full time staff.
- Around two thirds (63%) of medium size charities employ between one and four full time staff. Fourteen percent employ more than five staff and the remainder have no full time staff.
- Thirty two percent of large charities employ five to nineteen full time staff and a further 24% employ 20 to 49 full time staff. Six percent of large charities (approximately 300 charities) employ more than 200 full time staff.
- Large charities show a broader distribution in their employment of full time staff.

##### Part time staff

Key findings:

- Two thirds (64%) of small charities do not employ part time staff and 31% employed one to four staff. Only 5% of small charities reported employing five or more part time staff.
- Forty four percent of medium size charities employ between one and four part time staff. Forty one percent employ more than five part time staff and the remainder have no part time staff.
- Forty percent of large charities employ five to nineteen part time staff and a further 19% employ 20 to 49 part time staff. Five percent of large charities (approximately 300 charities) employ more than 200 part time staff.

Figure 26 Charity size and employment of full time staff and part time staff (see table below for sample sizes)

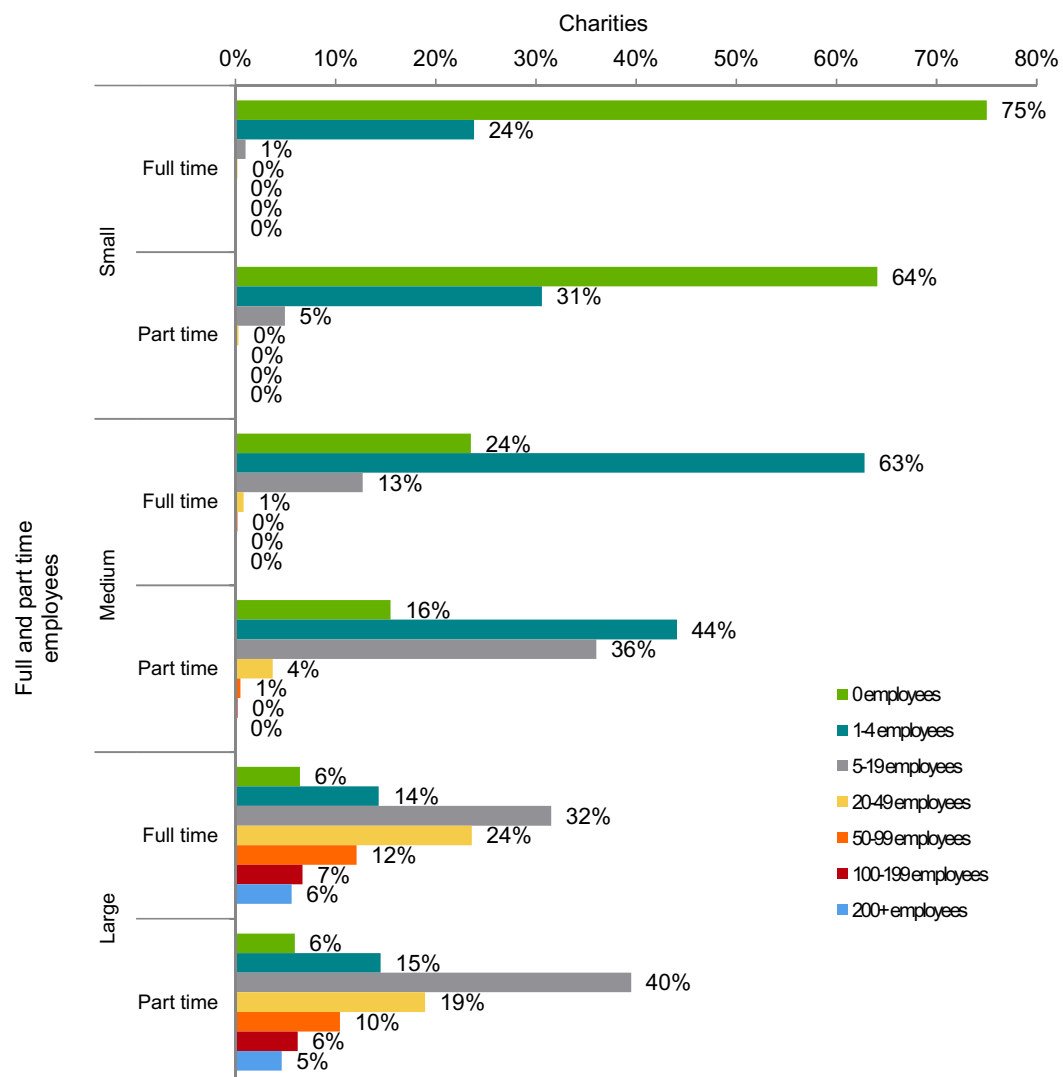


Table 12 Charity size and employment

Staff per charity	Number of charities employing					
	Small		Medium		Large	
	Full time	Part time	Full time	Part time	Full time	Part time
<b>0</b>	13,001	11,932	1,207	853	378	404
<b>1-4</b>	4,127	5,697	3,218	2,429	935	905
<b>5-19</b>	168	909	649	1,980	2,542	1,993
<b>20-49</b>	29	59	40	203	1,214	1,493
<b>50-99</b>	8	12	10	27	672	769
<b>100-199</b>	8	7	3	9	401	424
<b>200+</b>	2	5	0	2	294	349
<b>Total</b>	<b>17,343</b>	<b>18,621</b>	<b>5,127</b>	<b>5,503</b>	<b>6,436</b>	<b>6,337</b>

Note: One charity did not provide data on size.

### Charities that employ both full time and part time staff

The data was analysed to identify charities employing both full and part time staff and then compared across charity size.

Key findings:

- Sixty nine percent of small charities had no part time or full time staff.
- Thirteen percent of medium size charities had no part time or full time staff.
- Five percent of large charities have no full time or part time staff.

### 3.2. Charity size and volunteers

**The peak in volunteer numbers in the five to nineteen range is highest for small charities, but is still evident in medium and large charities. Within this range there may be a natural or most functional size when considering volunteer workforce.**

It was reported in Section 2 that the number of volunteers is correlated with the number of employees. Therefore volunteer numbers would also be expected to correlate with charity revenue.

Key findings:

- The chart shows the distribution of volunteer numbers and the degree these reflect charity size for 33,839 charities that provided both size and volunteer data. Fifteen percent of medium size charities and 19% of large charities had 100 or more volunteers. Close to 400 large charities had over 500 volunteers.
- As was shown in the aggregate data in Section 2, there is a peak in volunteer numbers in the five to nineteen range. This peak is most evident in small charities.
- About 21% of large charities had no volunteers and there were over 300 small charities that reported having over 200 volunteers; several of these have no paid staff. These results indicate that subsectors may exist within the size categories and this warrants further research. In addition, it would be interesting to determine why volunteer numbers cluster in the five to nineteen range.

Figure 27 Charity size and volunteers

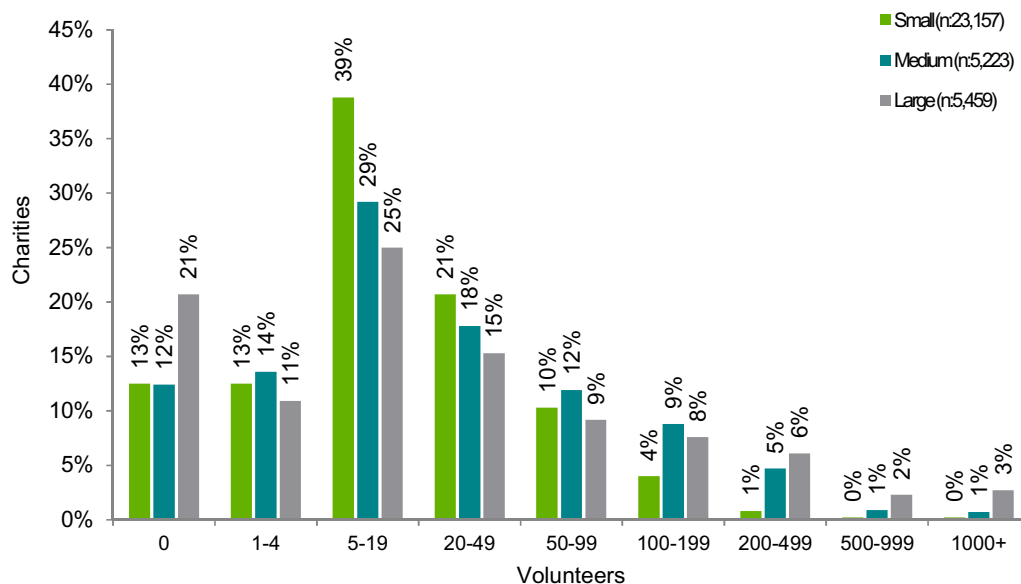


Figure 28 Charity size, employment and volunteers (See table below for sample sizes)

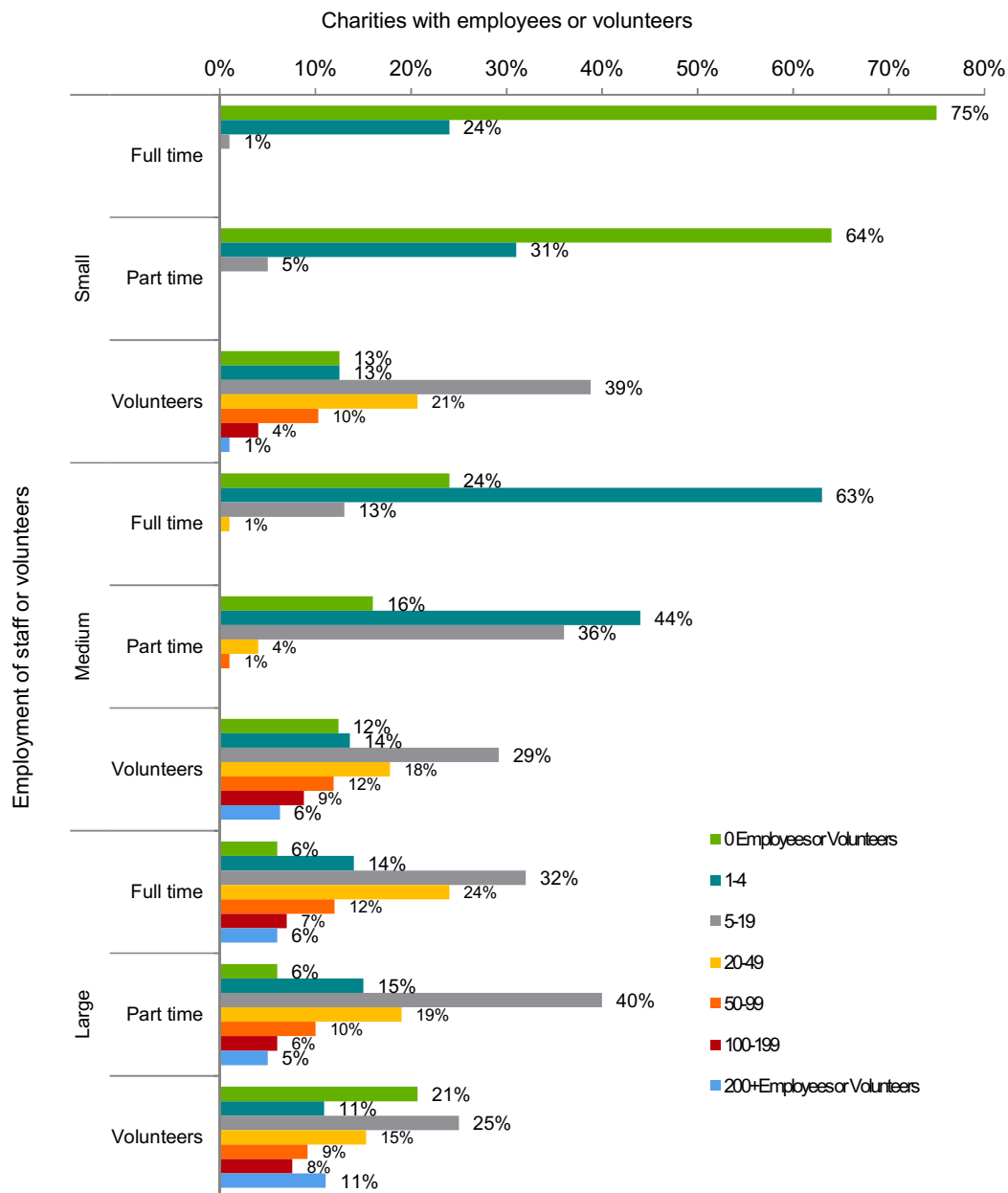


Table 13 Charity size, employment and volunteers

Employees or volunteers	Number of charities employing								
	Small			Medium			Large		
	Full time	Part time	Volunteers	Full time	Part time	Volunteers	Full time	Part time	Volunteers
<b>0</b>	13,001	11,932	2,906	1,207	853	648	378	404	1,130
<b>1-4</b>	4,127	5,697	2,904	3,218	2,429	710	935	905	597
<b>5-19</b>	168	909	8,978	649	1,980	1,526	2,542	1,993	1,366
<b>20-49</b>	29	59	4,804	40	203	932	1,214	1,493	836
<b>50-99</b>	8	12	2,374	10	27	619	672	769	503
<b>100-199</b>	8	7	918	3	9	461	401	424	417
<b>200+</b>	2	5	273	0	2	327	294	349	610
<b>Total</b>	<b>17,343</b>	<b>18,621</b>	<b>23,157</b>	<b>5,127</b>	<b>5,503</b>	<b>5,223</b>	<b>6,436</b>	<b>6,337</b>	<b>5,459</b>

Note: One charity did not provide data on size.

### How did your charity pursue its charitable purpose?

*"We have [...] properties scattered around the local community. We place families (couples or single parents with their children, not adults only) in these properties as a temporary solution to their accommodation needs. While these families are with us we support them by identifying services that help them to address whatever issue contributed to them being homeless. We also support them to find a more permanent solution to their housing needs. Part of the support encourages them to develop links to the local community (schooling, other support organisations, service providers, etc). We develop activities that cater for the needs of the families."*

(Source: 2013 Annual Information Statement)

### 3.3. Charity size and location

Nearly one in five (19%) of large charities and 15% of medium size charities reported that they are active in more than one state or territory. This finding has implications in support of a strategic red tape reduction strategy that takes a national view.

#### Charity size and location of main business address

Key findings:

- The proportion of small, medium and large charities varies to some degree across the states and territories. Compared with the average, the Northern Territory, the ACT and to a lesser extent Victoria, have bigger proportions of large charities.
- Of the 6,308 large charities in Australia, Victoria is the home state for 1,909 (30%) and 1,809 (29%) reside in New South Wales.

Figure 29 Charity size and location of primary business address. (See table below for sample sizes)

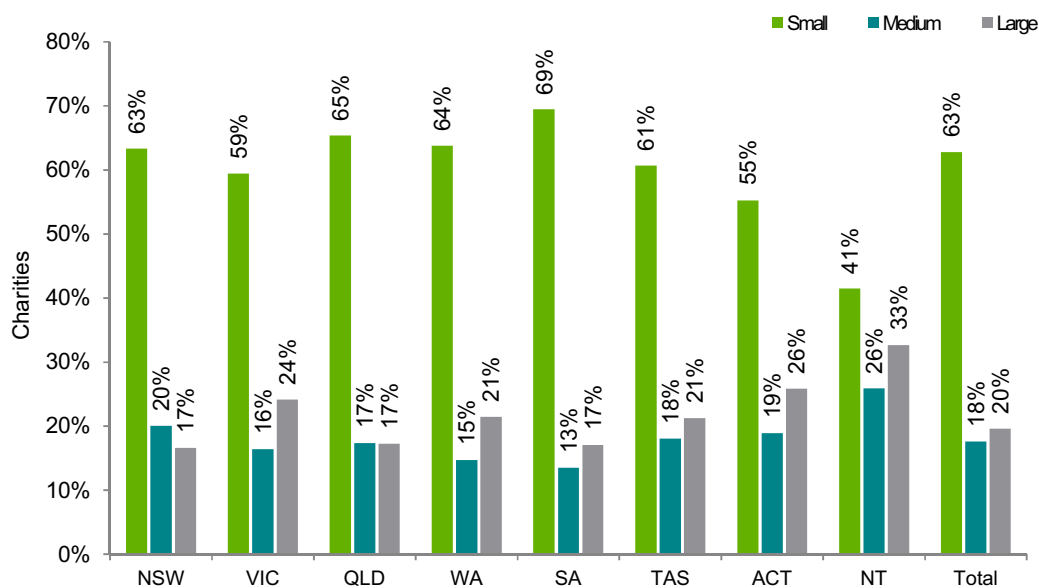


Table 14 Charity size and location of primary business address

Location	Charities location of primary business address			Total
	Small	Medium	Large	
NSW	6,893	2,185	1,809	10,887
VIC	4,695	1,296	1,909	7,900
QLD	3,623	961	956	5,540
WA	2,082	480	701	3,263
SA	1,818	353	446	2,617
TAS	535	159	187	881
ACT	404	138	189	731
NT	141	88	111	340
<b>Total charities</b>	<b>20,191</b>	<b>5,660</b>	<b>6,308</b>	<b>32,159</b>

### Charity size and states/territories conducting activities

#### **Larger charities are more active outside their home jurisdiction, and that activity is often located in states and territories with smaller populations.**

Charities provided the postcode of their main business address and information on the states and territories in which they are active. Analysis of this combined data provides initial information on the extent to which charities are active outside their home jurisdiction.

#### Key findings:

- Initial data indicates that, overall, 13% of charities are active in more than one state or territory, but as could be expected, this varies with the size of the charity. Approximately one in five (19%) of large charities, 15% of medium size charities and 10% of small charities are active in more than one jurisdiction.
- In addition to having a slightly higher ratio of larger charities, the states and territories with the smaller populations, are also more likely to be receiving support from large charities outside their state. Of the charities operating in the Northern Territory and the ACT, 39% and 33% respectively are large. Similarly, 30% of charities operating in Tasmania are large.

Figure 30 Charity size and location of activity

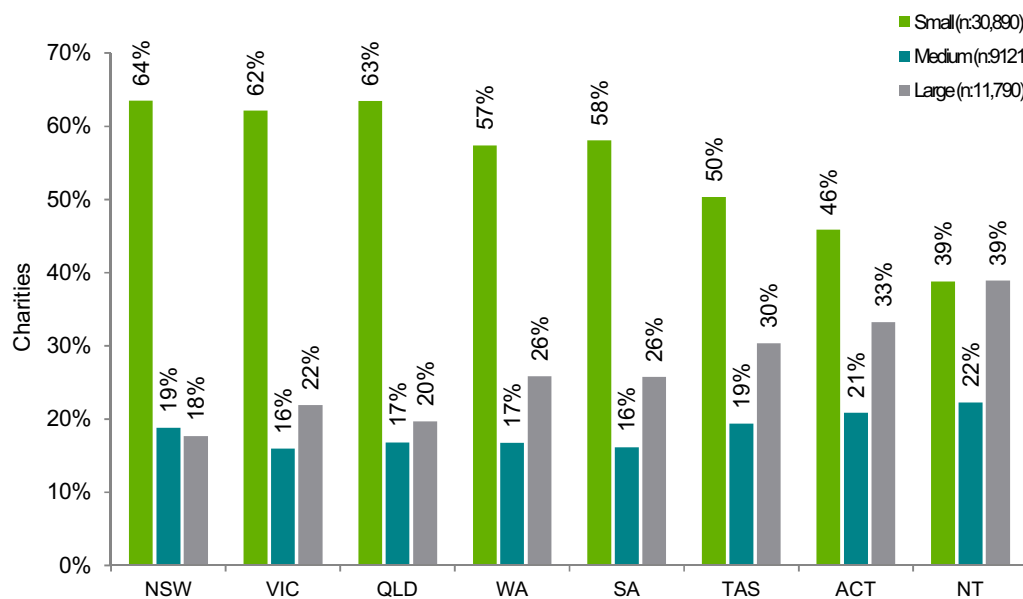


Table 15 Charity size and location of activities

Location	Number of charities active in each jurisdiction			
	Small	Medium	Large	Total
NSW	8,824	2,613	2,455	13,892
VIC	7,209	1,849	2,542	11,600
QLD	5,714	1,515	1,774	9,003
WA	3,147	917	1,419	5,483
SA	2,777	773	1,232	4,782
TAS	1,333	513	804	2,650
ACT	1,178	535	854	2,567
NT	708	406	710	1,824
<b>Total responses</b>	<b>30,890</b>	<b>9,121</b>	<b>11,790</b>	<b>51,801</b>

### Charity size and activities outside Australia

In contrast with the extent to which they operate in multiple jurisdictions within Australia, charity size is not strongly correlated with the level of activity in relation to those charities reporting that they are active overseas.

### 3.4. Charity size and purpose

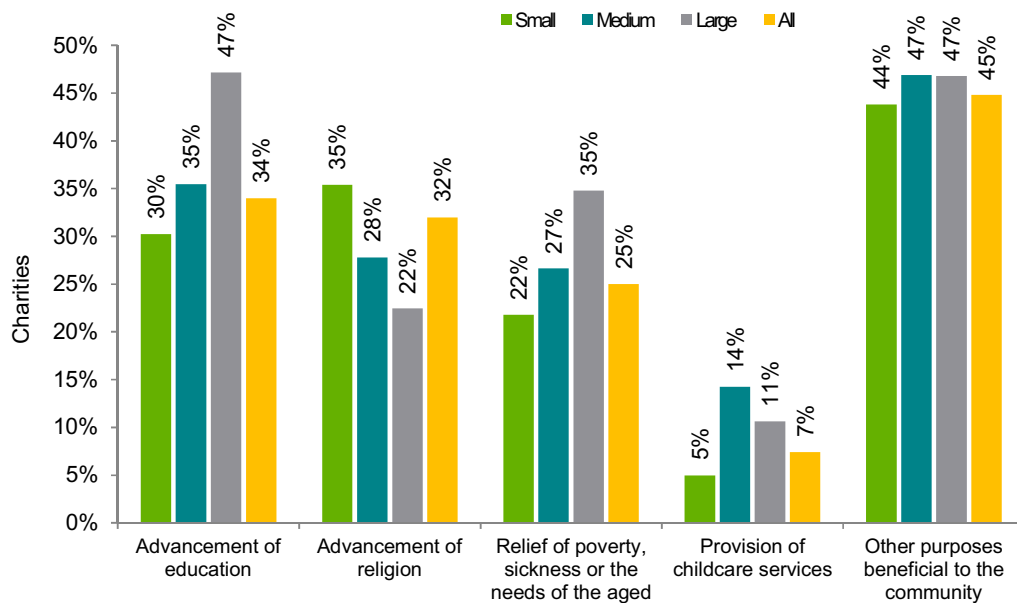
**Large charities were nearly twice as likely as smaller charities to nominate more than one charitable purpose.**

**Advancement of religion was nominated as a purpose mostly by small charities, and advancement of education; and the relief of poverty, sickness or the needs of the aged, were nominated mostly by large charities.**

Key findings:

- Nearly half of all large charities reported that their purposes included the advancement of education and/or 'other purposes beneficial to the community'.
- Just over a third of small charities aim to advance religion compared with only 22% of large charities.
- Medium size charities are the largest group in the provision of childcare services.

Figure 31 Charity size and charitable purpose (See table below for sample sizes)



Note: Totals add to more than 100% due to multiple response.

Table 16 Charity size and charitable purpose

Purpose	Number of charities nominating as purpose			
	Small	Medium	Large	Total
Advancement of education	7,759	2,123	3,151	13,033
Advancement of religion	9,087	1,665	1,500	12,252
Relief of poverty, sickness or the needs of the aged	5,590	1,596	2,323	9,509
Provision of childcare services	1,274	853	709	2,836
Other purposes beneficial to the community	11,244	2,809	3,126	17,179
<b>Total responses</b>	<b>34,954</b>	<b>9,046</b>	<b>10,809</b>	<b>54,809</b>

### How did your charity pursue its charitable purpose?

*"[Name of entity] Community Care provides support to the frail aged and younger people with disabilities or needing special care, including support for carers, to enhance their quality of life, and assist them to continue to live in the community. This is achieved by providing packaged care, nursing services to eligible veterans, domestic assistance, home and garden maintenance, nursing care, personal care assistance, in-home respite, respite for carers through day centres operated by our social support, transport to non urgent medical appointments, foot care service and provision of equipment on short term loan."*

(Source: 2013 Annual Information Statement)

### 3.5. Charity size and main activities

**There is considerable variation in the proportion of small, medium and large charities operating in each of the main activity sectors.**

**This data illustrates the significant diversity of activities and charity sizes within the sector. It can be used to inform the development and implementation of regulatory and sector development policy.**

Key findings:

- Charities operating in the environmental sector show a proportion of small, medium and large charities that most closely matches that of the whole population of charities in the ACNC dataset.
- The emergency relief sector is dominated by small charities; examples include the many volunteer fire brigades and state emergency service units.
- Approximately 80% of charities whose main activity is religious, grant making, animal protection or 'other recreation and social club' are small.
- Charities operating in primary and secondary education are split nearly evenly between small and large charities, with only 7% of charities medium sized.
- Social services and 'other health services' are similarly split, with around 40% of these charities small and a similar number being large.
- Half of charities in the aged care sector are large.
- The employment and training sector has the highest proportion of large charities.

#### How did your charity pursue its charitable purpose?

*"By managing, investing and distributing the property of the assets of the trust in accordance with the religious charitable purposes for which they are held.*

*"Our charity directly relieved the suffering of persons receiving aged care services who experience depression, spiritual or existential distress."*

(Source: 2013 Annual Information Statement)

Figure 32 Charity size and main activity

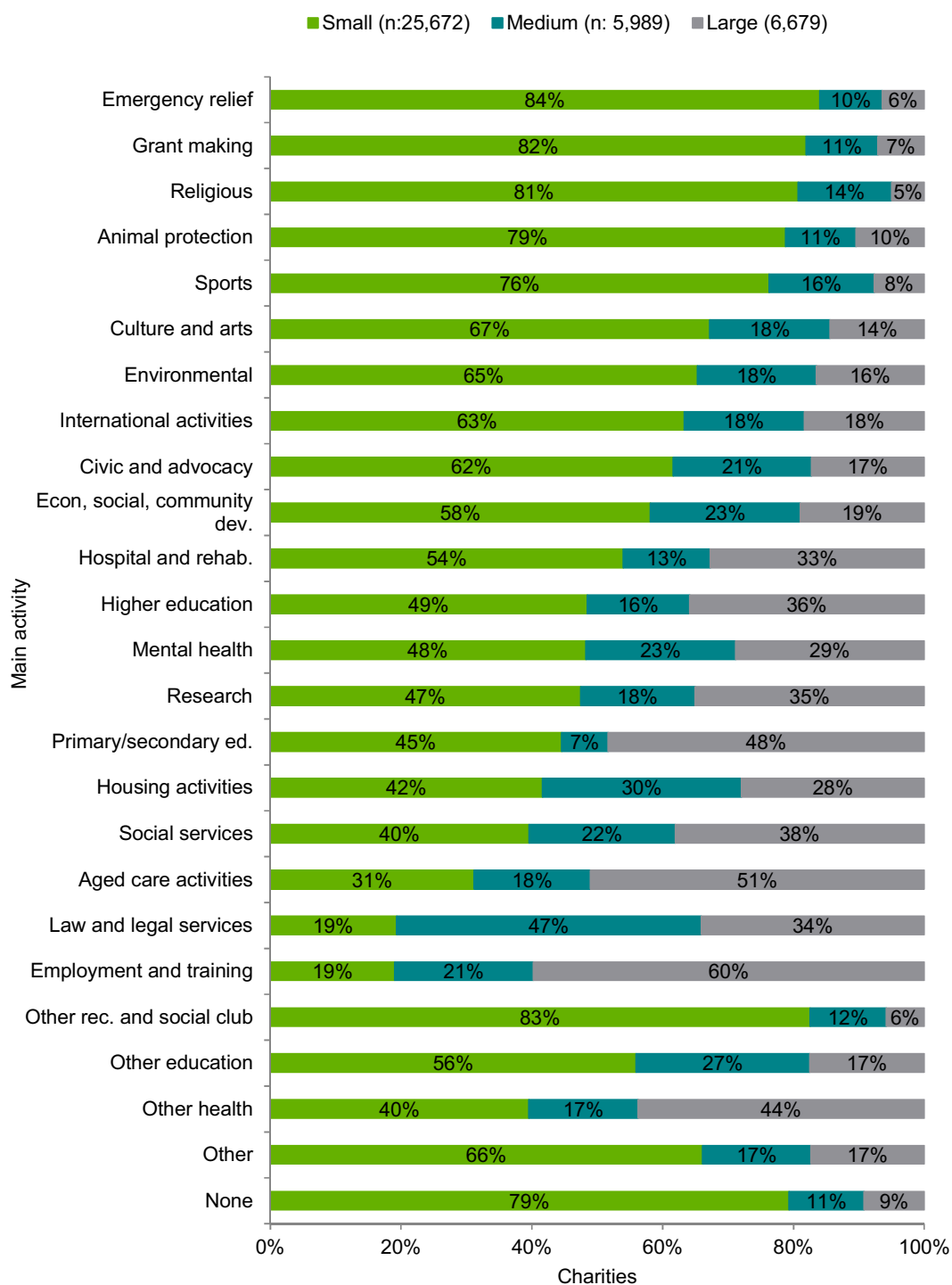


Table 17 Charity size and main activity

Activity	Number of charities nominating activity			Total
	Small	Medium	Large	
Religious	7,602	1,348	470	9,420
Other education	1468	697	459	2,624
Primary / Secondary education	1,087	174	1,180	2,441
Grant making	1,530	205	132	1,867
Econ, social, community development	761	300	248	1,309
Culture and arts	859	236	184	1,279
Aged care activities	369	211	604	1,184
Social services	466	263	448	1,177
Emergency relief	915	104	70	1,089
Other health service	393	166	435	994
Housing activities	252	184	169	605
Environmental	376	105	95	576
Higher education	226	73	167	466
Other recreation and social club	355	50	25	430
Employment and training	78	87	245	410
Research	176	65	130	371
Mental health	154	73	92	319
Civic and advocacy	175	60	49	284
Hospital and rehabilitation	142	35	86	263
Animal protection	204	28	27	259
International activities	138	40	40	218
Law and legal services	34	82	60	176
Sports	90	19	9	118
Income support and maintenance	78	10	5	93
None	5330	771	619	6,720
Other	2414	603	631	3,648
<b>Total charities</b>	<b>25,672</b>	<b>5,989</b>	<b>6,679</b>	<b>38,340</b>

### 3.6. Charity size and other activities

#### Charities of all sizes undertook a very wide range of activities, with many active in three or more sectors.

This question on the AIS allowed charities to select one or more additional activities. The results are similar to the main activity data, but show less variation due to the option of multiple responses. The average number of responses per charity was very similar for charities of all sizes.

Figure 33 Charity size and other activities

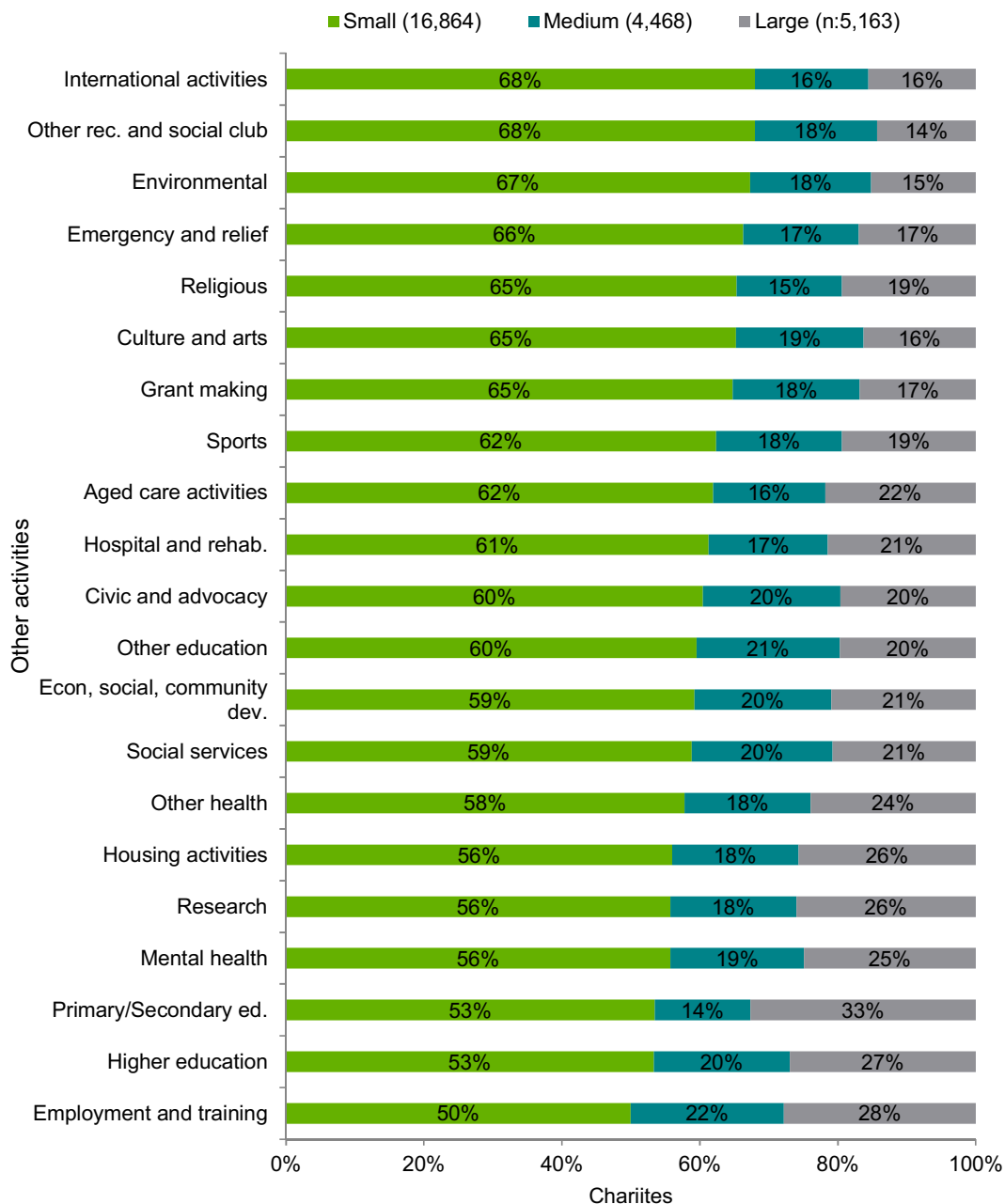


Table 18 Charity size and other activities

Activity	Number of charities nominating activity			Total
	Small	Medium	Large	
Religious	4,729	1,103	1,406	7,238
Emergency and relief	3,036	770	776	4,582
Econ, social, community development	2,891	968	1,022	4,881
Social services	2,588	897	914	4,399
Culture and arts	2,198	624	548	3,370
Aged care activities	2,121	555	748	3,424
Primary/Secondary education	1,616	420	987	3,023
Civic and advocacy	1,559	515	506	2,580
Grant making	1,416	402	368	2,186
Employment and training	1,296	577	722	2,595
Mental health	1,255	436	561	2,252
Environmental	1,192	310	269	1,771
Housing activities	1,115	365	512	1,992
Research	1,082	354	505	1,941
International activities	1,057	256	242	1,555
Sports	639	187	199	1,025
Hospital and rehab	617	174	216	1,007
Higher education	609	225	308	1,142
Income support and maintenance	537	155	176	868
Animal protection	401	90	82	573
Law and legal services	281	119	100	500
Political activities	91	30	27	148
Other education	3,494	1,221	1,157	5,872
Other health	1,475	465	612	2,552
Other recreation and social club	2,163	564	456	3,183
Other	3,143	762	745	4,650
<b>Total responses</b>	<b>42,601</b>	<b>12,544</b>	<b>14,164</b>	<b>69,309</b>

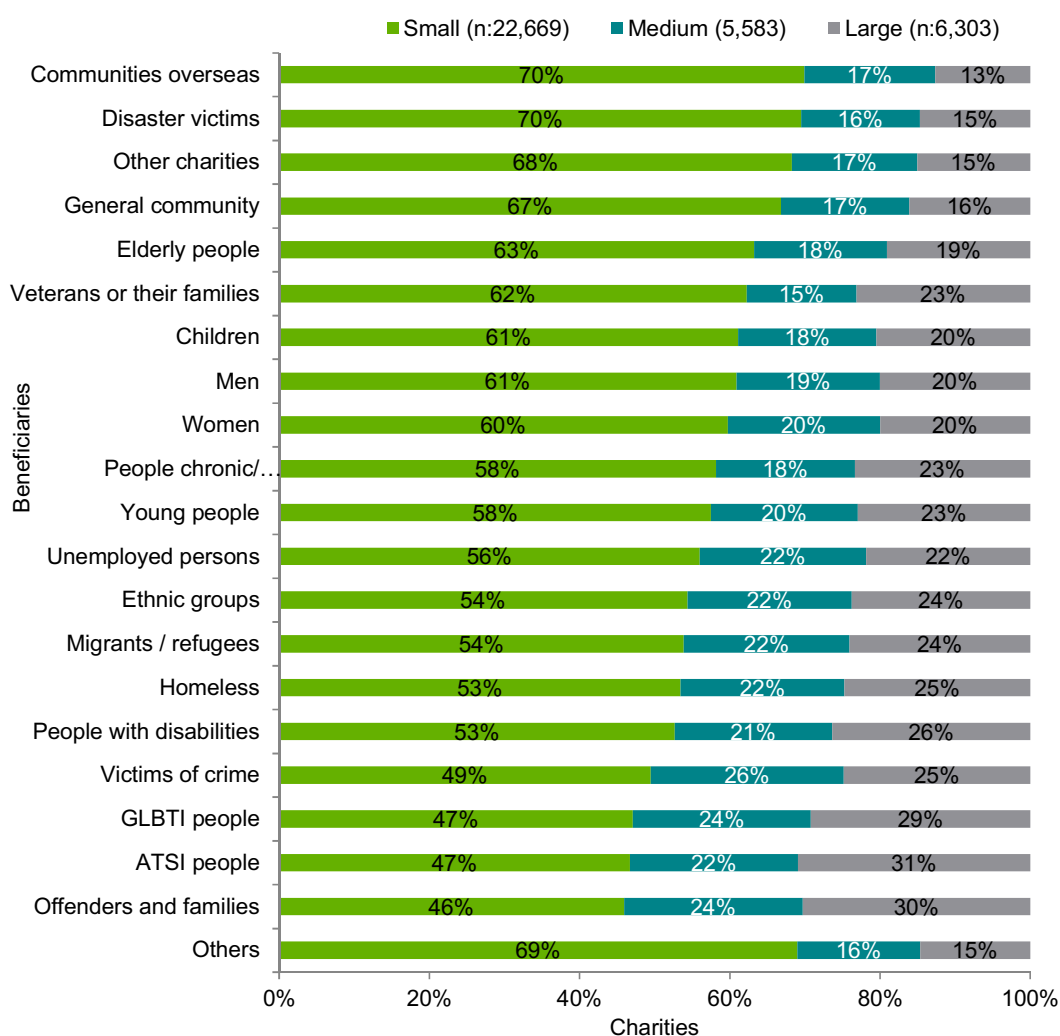
### 3.7. Charity size and beneficiaries

**There was a small degree of variation in the ratio of each size of charity serving each beneficiary type.**

Key findings:

- The beneficiaries served by most charities are children, the general community, young people, women, people with disability, and elderly people (see Section 2). For all these groups, the ratio of small, medium and large charities is similar, except for charities serving people with disability. Just over a quarter of the charities benefiting people with disability are large.
- Charities supporting each of these beneficiary groups vary. Seventy percent of charities supporting communities overseas are small, compared with to 46% of those serving offenders and their families.

Figure 34 Charity size and beneficiaries<sup>35</sup>



<sup>35</sup> ATSI: Aboriginal and Torres Strait Islander peoples; GLBTI: gay, lesbian, bisexual, transgender and intersex people

Table 19 Charity size and beneficiaries

Beneficiary	Number of charities nominating beneficiary			
	Small	Medium	Large	Total
Children	11,477	3,459	3,844	18,780
General community	11,985	3,059	2,890	17,934
Young people	8,235	2,796	3,289	14,320
Women	7,440	2,523	2,493	12,456
Elderly people	7,782	2,176	2,350	12,308
Men	6,621	2,072	2,179	10,872
People with disabilities	5,369	2,132	2,688	10,189
Aboriginal and Torres Strait Islander peoples	4,073	1,949	2,695	8,717
Other charities	5,051	1,237	1,113	7,401
Ethnic groups	3,658	1,473	1,599	6,730
Unemployed persons	3,757	1,488	1,464	6,709
People chronic or terminal illness	3,652	1,158	1,468	6,278
Homeless	3,100	1,264	1,437	5,801
Communities overseas	3,470	867	627	4,964
Migrants / refugees	2,572	1,055	1,150	4,777
Disaster victims	2,655	603	561	3,819
Veterans or families	1,978	464	735	3,177
Gay, lesbian, bi-sexual, transgender and intersex people	1,383	697	858	2,938
Offenders and families	907	470	598	1,975
Victims of crime	884	459	444	1,787
Others not listed	2,024	451	450	2,925
<b>Total responses</b>	<b>98,073</b>	<b>31,852</b>	<b>34,932</b>	<b>164,857</b>

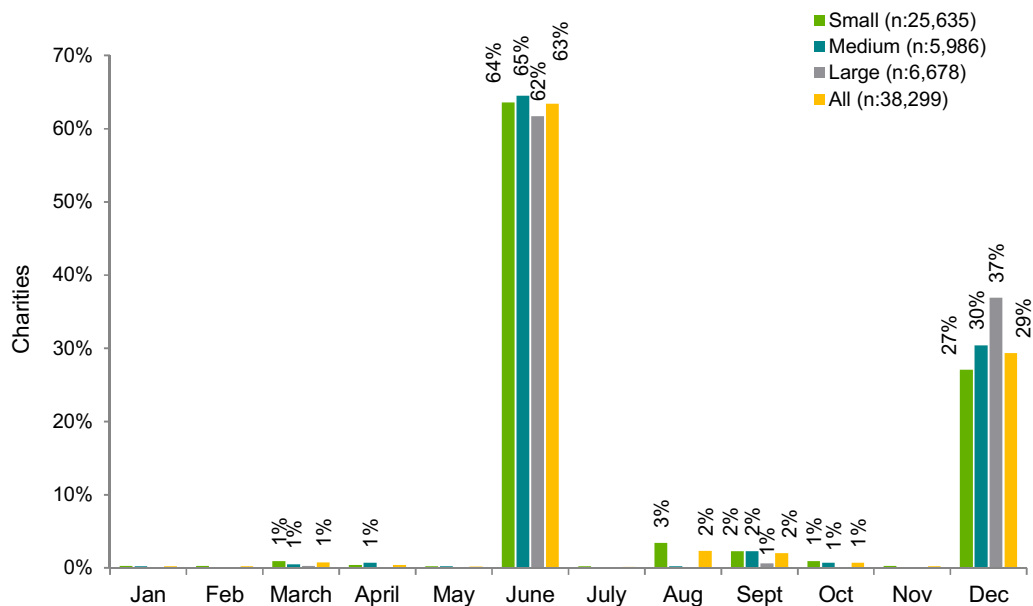
### 3.8. Charity size and reporting period year end

**Over one third (37%) of large charities use a January to December reporting period.**

Key findings:

- More than a third (37%) of all charities registered with the ACNC did not use a 1 July to 30 June reporting year end. Of these nearly all (29%) used a 1 January to 31 December period.
- Nearly 60% of large charities with a 31 December year end operate in the education sector, and 9% are religious charities.
- Smaller charities had a wider range in the reporting periods used. Nine percent had a reporting year end other than June 30 or December 31.
- Nearly all large charities used either 30 June or 31 December as their year end.

Figure 35 Charity size and reporting period year end



### 3.9. Charity size and reporting to Commonwealth and state and territory governments

Disaggregating data on reporting obligations demonstrates the variations in the types of charities reporting to each Commonwealth agency. For example, three quarters of all charities reporting to Department of Education and Workplace Relations (DEEWR) are large, whereas only 16% of charities reporting to the Register of Environmental Organisations are large.

This information provides a starting point for examining the differences in charity reporting obligations and developing more targeted strategies for reducing the reporting burden. Achieving meaningful reductions in red tape is likely to flow from focusing on key operating areas rather than implementing whole-of-sector policy frameworks.

Section 2.8 included a summary of the data on reporting obligations for all charities that provided information. As mentioned in Section 2.8, reporting obligations include preparing funding submissions and acquittals, and other reporting activities, but excluded reporting obligations to the ATO and state or territory corporate reporting obligations to state/territory regulators of associations.

When interpreting the results in this section, it is important to note that only 5,821 charities provided information on reporting, and that the charities that responded included a higher proportion of large charities.

#### Reporting to Commonwealth government

The proportion of small, medium and large charities reporting to each Commonwealth agency reflects the number of agencies operating in the areas regulated by these agencies.

Figure 36 Charity size and reporting to Commonwealth government agencies

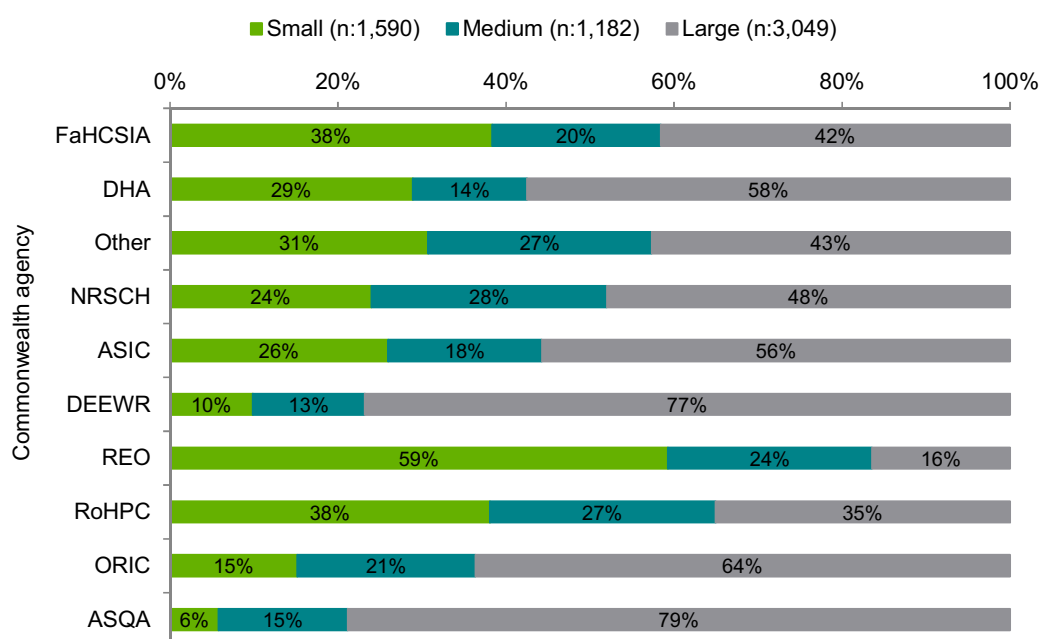


Table 20 Charity size and reporting to Commonwealth government agencies

Commonwealth agency	Abbreviation	Number of charities reporting to each agency		
		Small	Medium	Large
Department of Families, Housing, Community Services and Indigenous Affairs	FaHCSIA	558	292	605
Department of Health and Ageing	DoHA	451	212	897
Australian Securities and Investments Commission	ASIC	234	165	502
Department of Education, Employment and Workplace Relations	DEEWR	179	242	1,396
Registers of Environmental Organisations	REO	83	34	23
Register of Harm Prevention Charities	RoHPC	51	36	47
National Regulatory System for Community Housing	NRSCH	6	7	12
Office of the Registrar of Indigenous Corporations	ORIC	5	7	21
Australian Skills Quality Authority	ASQA	3	8	41
Tertiary Education Quality and Standards Agency	TEQSA	2	10	18
Overseas Aid Gift Deduction Scheme	OAGDS	1	1	7
Other	-	449	390	623
<b>Total (multiple responses)</b>		<b>2,022</b>	<b>1,404</b>	<b>4,192</b>

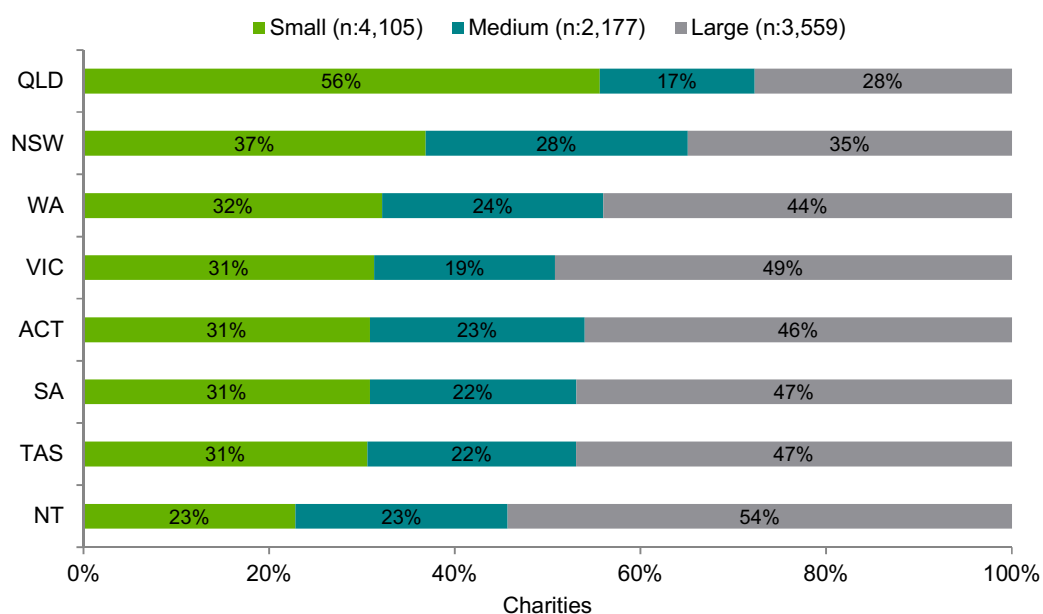
## Reporting to state and territory governments

Figure 39 shows the proportion of charities by size that report to each state.

Key findings:

- Queensland appears to have a proportionally higher number (56%) of small charities reporting to state and territory government whereas the Northern Territory has the lowest (23%)
- This data reflects the number of small, medium and large charities operating in each jurisdiction.

Figure 37 Charity size and reporting to state/territory governments



### 3.10. Charity size and time spent meeting Commonwealth and state and territory reporting obligations

**Nearly all large, nine out of ten medium size and a third of small charities used paid staff time to meet Commonwealth or state or territory government reporting obligations.**

**The median amount of paid staff time spent on reporting obligations by small charities was 16 hours, for medium size charities was 40 hours, and for large charities was 80 hours (excludes reporting to the ATO).**

**This data again reflects the significant variations in the experiences of charities of different sizes in their relationships with governments**

As explained in Section 2.9, reporting in this context includes reporting to both Commonwealth and state/territory governments and includes time spent writing government funding acquittals but excludes reports to the ATO.<sup>36</sup> Charity respondents were asked to estimate the number of hours spent reporting over their last financial year. It is difficult to estimate reporting obligations and the data includes all reporting obligations, not just amounts of time that would be considered 'red tape'.<sup>37</sup>

Of the total 38,341 charities, 27% provided information on the time spent by paid staff to meet reporting obligations. There are clear differences in the amount of paid staff time spent reporting for small, medium and large charities. As might be expected, larger charities used higher amounts of paid staff and less unpaid staff time to report to governments.

#### Time spent reporting – small charities

A third of small charities responding to this question used paid staff time and two thirds used unpaid staff time to report to governments. Excluding the charities that used no paid or unpaid staff time from this data, the average amount of reporting time for small charities in the last year was 16 hours paid staff time and ten hours of unpaid staff time.

#### Time spent reporting – medium sized charities

Nearly nine out of ten of the medium sized charities that responded used paid time to report to governments and 53% used unpaid time. For the charities reporting using paid or unpaid staff, the median number of hours was 40 for paid staff and 16 for unpaid staff.

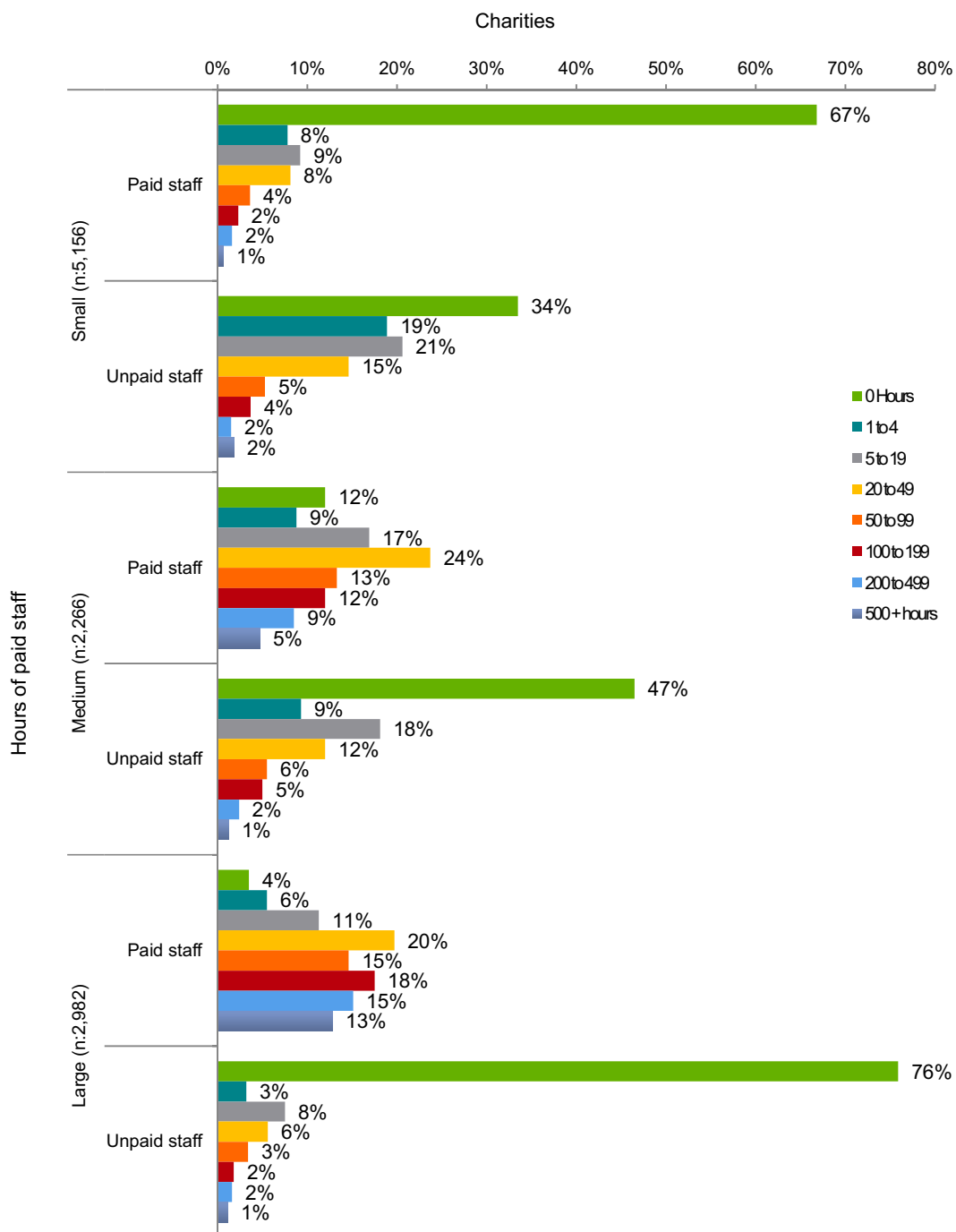
#### Time spent reporting – large charities

Nearly all large charities used paid staff to report to governments, and 24% reported using unpaid staff. For the large charities using paid or unpaid staff, the median amount of time used was 80 hours of paid staff time and 20 hours of unpaid staff time.

<sup>36</sup> Note: For both paid and unpaid staff time, five records were removed that appeared erroneous. For example, a medium sized charity reported over 1m paid reporting hours (125,000 days) and a small religious charity reported over 11,000 unpaid reporting hours (1,375 days). The total of the entries removed for paid and unpaid was 1.3m and 97,000 respectively.

<sup>37</sup> Defined by Ernst and Young in their report on Commonwealth reporting obligations as "obligations that are excessive, unnecessary or confusing"

Figure 38 Charity size and paid staff hours spent reporting to government



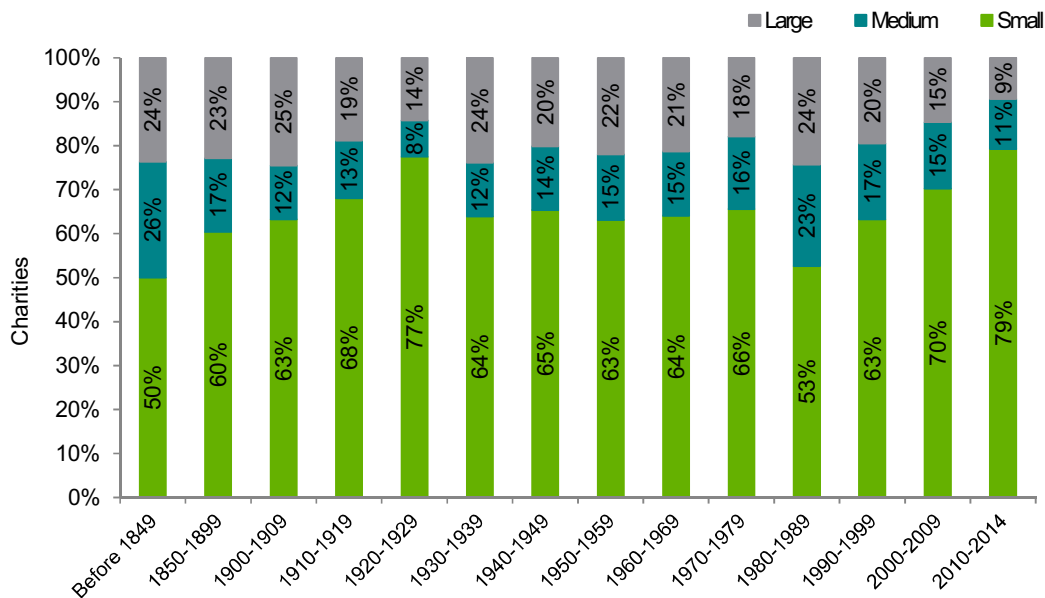
### 3.11. Charity size and age

**It could be expected that older charities are larger, however, there is little correlation between the age of a charity and its size.**

Key findings:

- The overall mean age of charities is 34 years, and this is only slightly higher (36 years) for large charities.
- Of the charities established since 2010, 79% are small, 11% are medium size, and 9% are large.
- This may be an area for further research to identify the causes of charity longevity and growth.

Figure 39 Charity size and year of establishment (See table below for sample sizes)



Note: Last period is only four years - from 2010 to 2013.

Table 21 Charity size and year of establishment

Year established	Small	Charities Medium	Large	Total
Before 1849	89	47	42	178
1850-1899	784	217	297	1,298
1900-1909	258	50	100	408
1910-1919	398	77	110	585
1920-1929	698	75	128	901
1930-1939	321	61	120	502
1940-1949	510	113	157	780
1950-1959	918	217	319	1,454
1960-1969	1,209	276	402	1,887
1970-1979	2,599	654	711	3,964
1980-1989	2,852	1,251	1,316	5,419
1990-1999	4,564	1,245	1,409	7,218
2000-2009	5,305	1,142	1,108	7,555
2010-2014	2,296	331	271	2,898
<b>Total</b>	<b>22,801</b>	<b>5,756</b>	<b>6,490</b>	<b>35,047</b>

### 3.12. Charity size and legal structure, entity type and tax status

A charity's legal structure is as recorded on the Australian Business Register<sup>38</sup>. Charities also have a charity 'subtype' for the purpose of the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)* and *Charities Act 2013 (Cth)* that is used to determine its eligibility for specific tax concessions. See section 2.11 for a description of the different legal structure, subtypes and tax status.

#### Charity size and legal structure

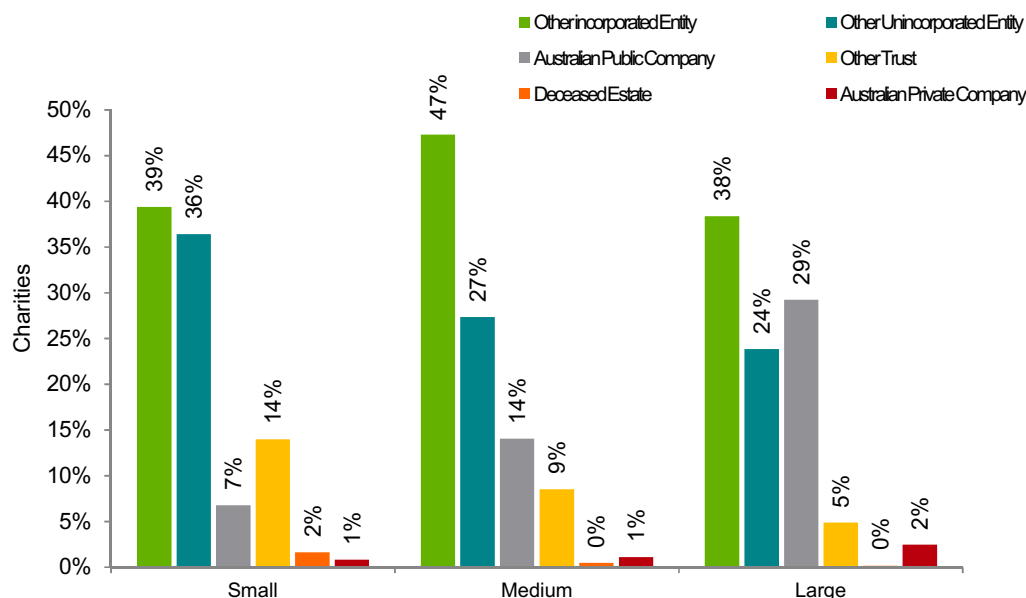
##### **Incorporated association is the dominant legal structure for all sized charities.**

Key findings:

- Due to issues related to member and director liability and perceived limits on inter-jurisdictional operation, large entities are more likely to be a Company Limited by Guarantee (Australian Public Company). Therefore it is not surprising that 29% of large charities have this legal structure. However, this data indicates that nearly one in four large charities is recorded as an unincorporated entity.
- Over a third of small charities and a quarter of both medium sized and large charities are Unincorporated Associations, that is, they do not function as a separate legal entity to their members.

The numbers of Unincorporated Associations is surprising and warrant further investigation. There may also be some errors in the data resulting from ABR data not being updated by charities when changes occur.

Figure 40 Charity size and legal structure (See table for sample sizes. Not all entities types graphed)



<sup>38</sup> The information contained in the ABR about legal structure is recorded at the time of applying for an ABN and may not reflect current legal structure.

Table 22 Charity size and legal structure

Type of legal structure	Number of charities with legal structure			
	Small	Medium	Large	Total
Other incorporated Entity	9,592	2,806	2,549	14,947
Other Unincorporated Entity	8,866	1,621	1,584	12,071
Australian Public Company	1,654	833	1,941	4,428
Other Trust	3,405	506	325	4,236
Deceased Estate	401	28	12	441
Australian Private Company	197	67	163	427
Cooperative	134	55	54	243
Others	107	16	10	133
<b>Total</b>	<b>24,356</b>	<b>5,932</b>	<b>6,638</b>	<b>36,926</b>

### Charity size and subtype

A higher proportion of charities that are Public Benevolent Institutions and Health Promotion charities are large and these entities receive additional tax concessions and rebates.

Figure 41 Charity size and subtype

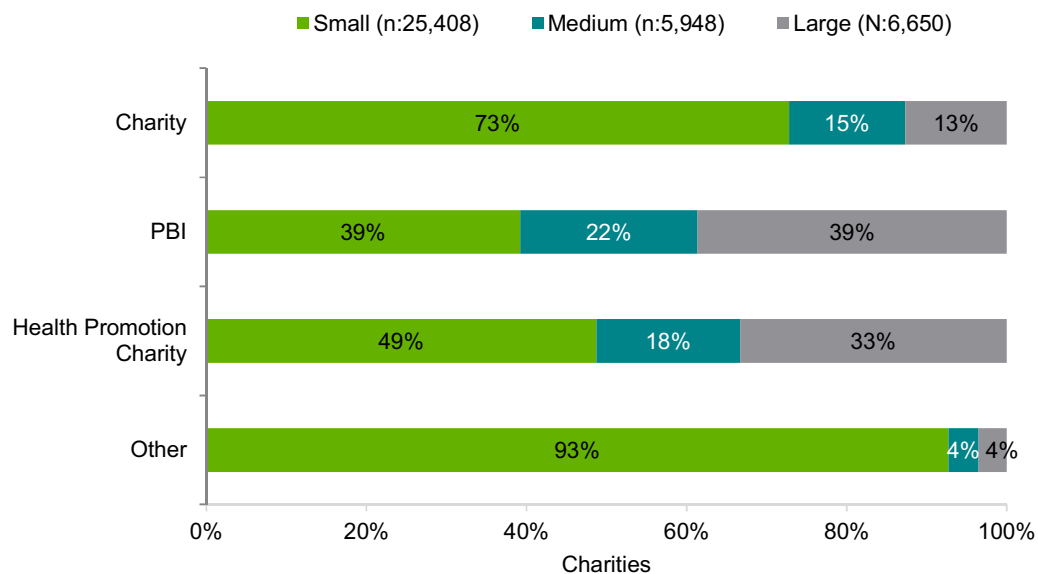


Table 23 Charity size and subtype

	Number of charities by subtype			Total
	Small	Medium	Large	
Charity	21,400	4,264	3,728	29,392
Public Benevolent Institution	2,577	1,458	2,537	6,572
Health Promotion Charity	512	189	350	1,051
Other	919	37	35	991
<b>Total charities</b>	<b>25,408</b>	<b>5,948</b>	<b>6,650</b>	<b>38,006</b>

### Charity size and tax status

**There are differences between the tax status of small, medium and large charities. Only 21% of small charities are endorsed as Deductible Gift Recipients, compared with 36% of medium size charities and 51% of large charities**

Key findings:

- As all charities should be exempt from income tax this initial data indicates discrepancies in the ABR data, which appears to be more evident with small charities.
- Nearly all of the medium sized and large charities are registered for GST, compared with 58% of small charities.
- Higher portions of large and medium charities, rather than small charities, are endorsed as a DGR. Only one in five small charities is endorsed as a DGR compared with half of the large charities.<sup>39</sup> Without DGR status, small charities may find it more difficult to attract donations and grow.
- Half of large charities are endorsed as a DGR and 43% are exempt from paying FBT<sup>40</sup>.

<sup>39</sup> Eligibility for DGR endorsement is not dependent on charity size, but rather based on the charity's activities and governing rules.. There is no category of DGR for religious purposes other than for funds established to assist with providing instruction in government schools.

<sup>40</sup> Subject to capping.

Figure 42 Charity size and tax status<sup>41</sup> (See table below for sample sizes)

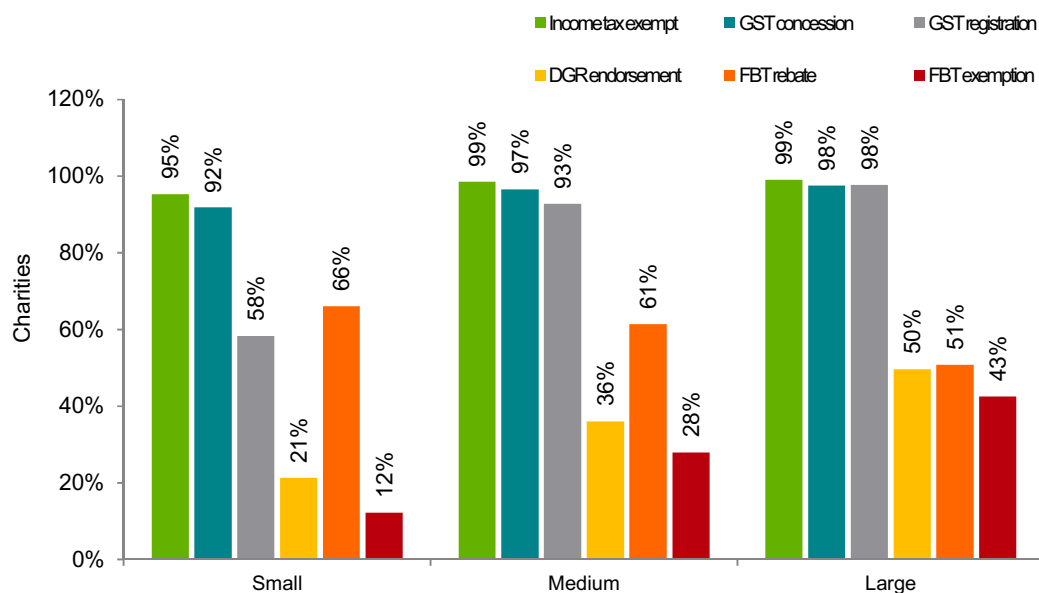


Table 24 Charity size and tax status<sup>42</sup>

	Number of charities with each tax status			
	Small	Medium	Large	Total
Income tax exempt	24,473	5,902	6,617	36,992
GST concession	23,579	5,786	6,514	35,879
GST registration	14,986	5,561	6,529	27,076
FBT rebate	16,978	3,677	3,396	24,051
DGR endorsement	5,467	2,155	3,316	10,938
FBT exemption	3,131	1,671	2,846	7,648
<b>Total charities</b>	<b>25,672</b>	<b>5,990</b>	<b>6,679</b>	<b>38,341</b>

<sup>41,43</sup> All charities should be recorded as exempt from income tax; therefore this appears to be a discrepancy in the ABR data.

## 4. Glossary

Most of the definitions and explanations in this glossary have been sourced from the ACNC or ATO websites. See [www.acnc.gov.au](http://www.acnc.gov.au) or [www.ato.gov.au/non-profit](http://www.ato.gov.au/non-profit). Definitions and explanations can change over time and these are provided as a guide only. Readers should seek clarification with the relevant authority.

### **ASIC**

See Australian Securities and Investments Commission

### **ACNC Act 2012**

See *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*

### **Australian Charities and Not-for-profits Commission Act 2012 (Cth)**

The *Australian Charities and Not-for-profits Commission Act 2012 (Cth)* can be found at [www.comlaw.gov.au/Details/C2014C00015](http://www.comlaw.gov.au/Details/C2014C00015)

### **Annual Information Statement -2013**

The 2013 Annual Information Statement (AIS) was completed by registered charities to provide non-financial information about their operations for the 2012-2013 reporting period. The 2013 AIS contains 17 mandatory and three optional questions.

### **Annual Total Sales**

This includes all GST free sales, input taxed sales and taxable sales.

### **ASIC**

See Australian Securities and Investments Commission

### **Australian Business Number (ABN)**

An Australian Business Number (ABN) is a single identifier for all business dealing with the ATO and for other government department or agencies.

See [www.ato.gov.au/Business/Australian-business-number/](http://www.ato.gov.au/Business/Australian-business-number/)

### **Australian Business Register**

The Australian Business Register is a central collection, storage and verification system for basic business identity information for all entities with an ABN. See [www.abr.gov.au/](http://www.abr.gov.au/)

### **Australian Private Company**

An Australian Private Company is a private company not listed on the stock exchange and is not included in the description of Australian public company or cooperative.

### **Australian Public Company**

A public company is a company other than a proprietary company. It includes:

- listed and unlisted companies that have more than 50 non-employee shareholders
- non-profit companies
- statutory corporations and their subsidiaries
- friendly society dispensaries
- mutual life assurance companies.

The financial reporting obligation of a public company is more onerous than that of a proprietary company.

### **Australian Securities and Investments Commission**

The Australian Securities and Investments Commission (ASIC) regulates the corporate, market and financial services sector.

## Basic Religious Charity

A basic religious charity is one that meets particular ACNC requirements that are defined in the ACNC Act 2012. A Basic Religious Charity is exempt from meeting some of the reporting obligations and governance standards. See

[www.acnc.gov.au/ACNC/Manage/Ongoing\\_Obs/Basic\\_rel\\_ent/ACNC/Edu/Basic\\_rel\\_char.aspx](http://www.acnc.gov.au/ACNC/Manage/Ongoing_Obs/Basic_rel_ent/ACNC/Edu/Basic_rel_char.aspx)

## BAS

See Business Activity Statement

## Beneficiaries

People or entities that receive benefit

## Business Activity Statement (BAS)

Businesses and charities report a number of tax obligations via a BAS, including GST, pay as you go (PAYG) instalments and fringe benefits tax (FBT). Charities registered for GST will submit a BAS monthly, quarterly or annually. For further information see [www.ato.gov.au/Business/Activity-Statements](http://www.ato.gov.au/Business/Activity-Statements)

### Total sales (BAS G1)

Total sales includes GST free sales, input taxed sales and taxable sales.

In includes:

- gross fees for services
- gross sales
- trade-ins and barter transactions
- the sale, lease or rental of land and buildings
- interest earned
- membership fees and subscriptions
- government grants and certain private sector grants
- the sale of business assets such as office equipment
- amounts recovered as a result of a lay-by sale being cancelled
- holding or security deposits forfeited by customers.

The following are not included in total sales

- dividends
- private sales not related to your business
- salary and wages you receive
- hobby activities
- gifts
- trust and partnership distributions you receive
- tax refunds
- government pensions, allowances and payments.

### Capital Purchases (BAS G10)

Capital purchases are money spent on assets such as property plant and equipment, building, goodwill and patents. It includes inventories.

### Non capital purchases (BAS G11)

Non capital purchases re things like trading stock and the normal running expenses such as stationery and repairs, equipment rentals and leases.

See [www.ato.gov.au/Business/Activity-statements](http://www.ato.gov.au/Business/Activity-statements)

### **Charitable trust or fund**

A charitable fund is a fund established under an instrument of trust or a will for a charitable purpose. The purposes set out in the will or instrument of trust must be charitable. Charitable funds mainly manage trust property, or hold trust property to make distributions to other entities or people. If the trustee mainly carries on activities that are charitable, the fund will be treated as a charitable institution and not as a charitable fund. See [www.ato.gov.au/Non-profit/NP/List-of-definitions---Tax-basics-for-non-profit-organisations/](http://www.ato.gov.au/Non-profit/NP/List-of-definitions---Tax-basics-for-non-profit-organisations/)

### **Charities Act 2013 (Cth)**

The *Charities Act 2013 (Cth)* came into effect on 1 January 2014. The Act can be found at [www.comlaw.gov.au/Details/C2013A00100](http://www.comlaw.gov.au/Details/C2013A00100)

### **Charity**

The *Charities Act 2013 (Cth)* specifies the definition and the legal meaning of charity, and came into effect on 1 January 2014. Previously, the definition of charity was defined by common law. Charities can choose not to register with the ACNC, however, only registered charities can access charitable tax concessions. See [www.acnc.gov.au](http://www.acnc.gov.au)

### **Charity Subtype**

The ACNC Act sets out 14 categories or 'subtypes' of charity that the ACNC can register. These include the 12 charitable purposes as set out in the Charities Act, as well as public benevolent institutions and health promotion charities. The 14 subtypes are:

- advancing health
- advancing education
- advancing social or public welfare
- advancing religion
- advancing culture
- promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia
- promoting or protecting human rights
- advancing the security or safety of Australia or the Australian public
- preventing or relieving the suffering of animals
- advancing the natural environment
- promoting or opposing a change to any matter established by law, policy or practice in the Commonwealth, a state, a territory or another country, and
- any other purpose beneficial to the general public that may reasonably be regarded as analogous to, or within the spirit of, any of the purposes mentioned above
- Health promotion charity
- Public benevolent institutions.

### **Company Limited by Guarantee**

A Company Limited by Guarantee is a public company incorporated under the Corporations Act 2001. It has a separate legal entity separate from its members and can operate anywhere in Australia.

A company limited by guarantee can continue regardless of changes to membership. The liability of company members is limited to the amount the members undertake to contribute to the property of the company if it ceases operation. See [www.ato.gov.au/Non-profit](http://www.ato.gov.au/Non-profit)

The *Corporations Act 2001* is administered by the Australia Securities & Investments Commission (ASIC).

### **Deductible Gift Recipient (DGR)**

An entity is a gift deductible entity if gifts or contributions made to it can be deductible under the income tax law. A charity can apply for endorsement as a DGR which enables donations to the charity to be tax deductible. The donor can deduct the amount of their donation from their taxable income.

See [www.ato.gov.au/Non-profit/NP/List-of-definitions---Tax-basics-for-non-profit-organisations/](http://www.ato.gov.au/Non-profit/NP/List-of-definitions---Tax-basics-for-non-profit-organisations/)

### **Franking credits**

Franking credits arise for shareholders when certain Australian-resident companies pay income tax on their taxable income and distribute their after-tax profits by way of franked dividends. These franked dividends have franking credits attached. Franked dividends are received either directly as a shareholder or indirectly as a beneficiary of a trust. Franking credits may be refundable for registered charities. See [www.ato.gov.au/Non-profit/Franking-credits](http://www.ato.gov.au/Non-profit/Franking-credits)

### **Fringe benefits tax (FBT)**

FBT is a tax payable by employers who provide fringe benefits to their employees or associates of their employees. For example, a fringe benefit is generally provided when an employer:

- allows an employee to use a work car for private purposes
- gives an employee a cheap loan
- pays an employee's private health insurance costs.

See [www.ato.gov.au/Non-profit/NP/List-of-definitions---Tax-basics-for-non-profit-organisations/](http://www.ato.gov.au/Non-profit/NP/List-of-definitions---Tax-basics-for-non-profit-organisations/)

### **Fringe benefits tax exemption**

Public benevolent institutions, health promotion charities, not-for-profit hospitals and some charities advancing religion can access FBT exemptions. See [www.acnc.gov.au/ACNC/register\\_my\\_charity/ACNC](http://www.acnc.gov.au/ACNC/register_my_charity/ACNC)

### **Fringe benefits tax rebate**

Registered charities can apply for a rebate of fringe benefits tax (capped at \$30,000)

### **Goods and Services Tax (GST)**

Goods and services tax (GST) is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia. See [www.ato.gov.au/Business/GST](http://www.ato.gov.au/Business/GST)

### **Goods and services tax concession**

Goods and services tax (GST) is a tax on transactions. Where goods and services are sold, the amount received for the sale may be subject to GST. Similarly, where goods and services are purchased, the purchaser may be able to claim a GST credit for the GST included in the amount paid. Charities that are registered with the ACNC may apply to access a number of GST concessions if they are also registered for GST.

### **Health Promotion Charity**

A Health Promotion Charity is 'a charitable institution whose principal activity is to promote the prevention or the control of diseases in human beings'. Examples of health promotion charities include some community health care providers, medical research organisations and organisations that work to raise awareness of human diseases.

See [www.acnc.gov.au/ACNC/FTS/Fact\\_HPC.aspx](http://www.acnc.gov.au/ACNC/FTS/Fact_HPC.aspx)

### **Income tax exemption**

Non profit organisations including charities may be exempt from income tax. If so, they do not pay income tax or lodge income tax returns (unless requested to do so by the ATO)

### **Incorporated Entity / Association**

Associations are incorporated under state and territory associations incorporation legislation, which is administered state and territory authorities. An incorporated association is a legal entity separates from its individual members and can hold property, sue and be sued.

### **Pay as You Go (PAYG)**

PAYG instalments are a system for paying amounts towards the expected tax liability on employment business and investment income for the financial year.

See [www.ato.gov.au/Business/Activity-statements](http://www.ato.gov.au/Business/Activity-statements)

### **Public Benevolent Institution**

A Public Benevolent Institution is a type of charitable institution whose main purpose is to relieve poverty or distress. Examples of charities who may be public benevolent institutions include those that:

- directly provide relief to people in need, such as:
- some hospitals and hospices
- some disability support services
- some aged care services, or
- providers of low rental or subsidised housing, for people in need
- directly engage others to provide relief to people in need, such as a charity that promotes benevolent relief by entering into contracts with service providers to deliver that relief in different areas, or
- provide relief within a relationship of collaboration, such as a charity that raises funds in order to channel these funds to specific programs that provide benevolent relief, through a collaborative arrangement with another organisation that delivers those programs.

See [www.acnc.gov.au/ACNC/FTS/Fact\\_PBI.aspx](http://www.acnc.gov.au/ACNC/FTS/Fact_PBI.aspx)

### **Public or private ancillary fund**

Ancillary funds are funds that provide a link between people who want to give ('donors') and organisations that can receive tax deductible donations ('deductible gift recipients' - DGRs). Ancillary funds are set up for the purpose of providing money, property or benefits to DGRs. Ancillary funds can be public in that they can receive donations from the general public or private, in that they can receive donations only from specified individuals or entities.

See [www.acnc.gov.au/ACNC/FTS/Fact\\_Type\\_PAF.aspx](http://www.acnc.gov.au/ACNC/FTS/Fact_Type_PAF.aspx)

### **Revenue**

The ACNC defines revenue for the purposes of the AIS as income that arises in the ordinary activities of a charity. Revenue can also be called sales, fees, interest, dividends or royalties. Revenue needs to be calculated by using the Australian Accounting Standards (AAS). See [www.acnc.gov.au/ACNC/FTS/Fact\\_CharSize.aspx](http://www.acnc.gov.au/ACNC/FTS/Fact_CharSize.aspx)

### **Total Salary, Wages and Other Payments (BAS W1)**

Include at W1 the total gross payments from which you are required to withhold amounts. These payments could include any of the following:

- salary, wages, allowances and leave loading paid to employees
- director fees
- salary and allowances paid to office holders, including members of parliament, statutory office holders, defence force members and police officers
- payments made by a labour hire firm to workers under a labour hire arrangement
- employment termination payments
- payments for unused annual or long service leave
- payments to religious practitioners
- superannuation (super) income
- super lump sum
- Commonwealth education and training payments.

See [www.ato.gov.au/Business/Activity-statements](http://www.ato.gov.au/Business/Activity-statements)

**Substituted Accounting Period**

Charities can apply for and be granted a substituted accounting period. This is an accounting period other than 1 July to 30 June. See [www.acnc.gov.au](http://www.acnc.gov.au)

**Unincorporated Association**

An unincorporated association is not recognised as a separate legal entity to the members associated with it. It is a group of people who agree to act together as an organisation and form an association. The group can remain informal and its members make their own rules on how the group is managed. The rules may also be referred to as a constitution. See [www.ato.gov.au/Non-profit](http://www.ato.gov.au/Non-profit)

# Appendix 1 – The 2013 Annual Information Statement

The hardcopy of the 2013 AIS

## 2013 Annual Information Statement



### CHARITIES

**Important information:**

- All registered charities are required to complete this statement.
- This statement must be lodged no later than six months after the end of your financial year.

**Instructions for completing this statement**

- Please ensure you complete all relevant sections of this statement. Failure to complete all sections might mean the ACNC cannot accept your statement, and you will be required to re-submit it.
- Please complete this statement in conjunction with the associated guidance notes.
- Print clearly, using a pen only.
- Use BLOCK LETTERS.
- Place an (X) in the relevant boxes.
- Do not use whiteout or covering stickers.

**1** All of the information you provide on this statement (apart from the details of the ACNC contact person and the details in Section F: Declaration) will be published on the ACNC Register. You can request that information be withheld from the ACNC Register. Before you submit this statement, refer to the guidance on [acnc.gov.au](http://acnc.gov.au) for more details on when information may be withheld, and instructions about how to request that information be withheld.

**Lodging this statement**

Make a copy of your completed statement for your records.

**Post to:**

Australian Charities and Not-for-profits Commission  
GPO Box 5108  
MELBOURNE VIC 3001

**Email it to:**

[advice@acnc.gov.au](mailto:advice@acnc.gov.au)

**Fax it to:**

1300 232 569

### Section A: Charity information

**1 What is your organisation's Australian Business Number (ABN)?**

--	--	--	--	--	--	--	--

**2 What is your charity's legal name?**

**3 Please provide details of any other names your charity is known by (such as a trading name).**


**4 What is your charity's address?**

**1** Please provide your charity's email, postal and business address. Both the email and business address will appear on the ACNC Register. Please provide the details you wish the public to use to contact you.

**Email address:**

@

**Postal address:**


**Suburb or town**

--

**State/territory** **Postcode**

--	--

**Country (if not Australia)**

--

## CHARITIES

Business address:

Suburb or town

State/territory

Postcode



Country (if not Australia)

### 5 What is your charity's contact and address for service?

- 1** Provide the details of the contact person and the address that you want the ACNC to send all correspondence to, including legal documents. We refer to this as your "address for service". This address can be the same as your postal and/or business address. The address for service will appear on the ACNC Register, but the contact person's details will not.

Title

Given name

Other given names

Family name

Date of birth

Daytime phone number

Mobile phone number

- 1** If you provide an email address below, the ACNC will treat this as your primary address for service and send all correspondence to this email address. The email and postal "address for service" will be published on the ACNC Register.

Address for service email address:

@

Address

Suburb or town

State/territory

Postcode



### 6 Does your charity have a financial year ending 30 June?

Yes ☐

No ☐

On what date does your financial year end?

Refer to the guidance note about what to do if you haven't already applied for a substituted accounting period.

### 7 Based on your revenue for the last financial year, is your charity:

Small ☐ Medium ☐ Large ☐

Size	Revenue estimate for the last financial year
Small	Revenue less than \$250,000
Medium	Revenue of \$250,000 to \$999,999
Large	Revenue of \$1 million or more

- 1** Detailed guidance on how to calculate revenue can be found on the ACNC's website [www.acnc.gov.au](http://www.acnc.gov.au)

## CHARITIES

### 8 What are the charitable purposes of your charity?

Select all that apply.

- ☐ The relief of poverty, sickness or the needs of the aged
- ☐ The advancement of education
- ☐ The advancement of religion
- ☐ The provision of child care services
- ☐ Other purposes beneficial to the community

If you selected 'Other purposes beneficial to the community', describe your charity's purpose:


### 9 If your charity's charitable purpose is the advancement of religion, do you meet the criteria of a 'basic religious charity', as set out in the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act)?

[See guidance note 9 for more information.](#)

Yes ☐

No ☐

Not applicable ☐

### 10 Is your charity part of a reporting group that has been approved by the ACNC?

Yes ☐

No ☐

## Section B: Activities

### 11 Has your charity conducted any activities in the last financial year?

Yes ☐

No ☐ Complete Question 14 and Section E only

### 12 What were your charity's activities in the last financial year?

Please select one main activity from the list below and enter it into the provided box, then select as many general activities as needed from the checklist.

Main activity

--

- |   |   |
|---|---|
| <input type="checkbox"/> Animal protection    | <input type="checkbox"/> International activities |
| <input type="checkbox"/> Aged care activities | <input type="checkbox"/> Law and legal services   |

- |  |  |
|--|--|
| <input type="checkbox"/> Civic and advocacy activities                   | <input type="checkbox"/> Mental health and crisis intervention     |
| <input type="checkbox"/> Culture and arts                                | <input type="checkbox"/> Political activities                      |
| <input type="checkbox"/> Economic, social and community development      | <input type="checkbox"/> Primary and secondary education           |
| <input type="checkbox"/> Emergency and relief                            | <input type="checkbox"/> Religious activities                      |
| <input type="checkbox"/> Employment and training                         | <input type="checkbox"/> Research                                  |
| <input type="checkbox"/> Environmental activities                        | <input type="checkbox"/> Social services                           |
| <input type="checkbox"/> Grant-making activities                         | <input type="checkbox"/> Sports                                    |
| <input type="checkbox"/> Higher education                                | <input type="checkbox"/> Other education                           |
| <input type="checkbox"/> Hospital services and rehabilitation activities | <input type="checkbox"/> Other health service delivery             |
| <input type="checkbox"/> Housing activities                              | <input type="checkbox"/> Other recreation and social club activity |
| <input type="checkbox"/> Income support and maintenance                  | <input type="checkbox"/> Other (please describe in the box below)  |

--

### 13 Describe how your charity pursued its charitable purposes in the last financial year:

Please limit your response to 300 words. You can attach your 300 word response if completing a hard copy of this statement.


### 14 Is your charity going to change the way it pursues its charitable purposes in the next financial year?

Yes ☐ Please describe what changes are planned in the box provided below.

No ☐ Go to Question 15.

Please limit your response to 300 words. You can attach your 300 word response if completing a hard copy of this statement.


## CHARITIES

### 15 Who was helped by your charity's activities in the last financial year? Select all that apply.

- |  |   |
|--|---|
| <input type="checkbox"/> Aboriginal & Torres Strait Islander people            | <input type="checkbox"/> People at risk of homelessness/the homeless                    |
| <input type="checkbox"/> Children  | <input type="checkbox"/> People with disabilities                                       |
| <input type="checkbox"/> Communities overseas                                  | <input type="checkbox"/> People with chronic or terminal illness                        |
| <input type="checkbox"/> Disaster victims                                      | <input type="checkbox"/> Pre/post release offenders and their families                  |
| <input type="checkbox"/> Elderly people  | <input type="checkbox"/> Unemployed persons   |
| <input type="checkbox"/> Ethnic groups   | <input type="checkbox"/> Veterans or their families                                     |
| <input type="checkbox"/> Gay, lesbian, bisexual, transgender, intersex persons | <input type="checkbox"/> Victims of crime   |
| <input type="checkbox"/> General community in Australia                        | <input type="checkbox"/> Women  |
| <input type="checkbox"/> Men   | <input type="checkbox"/> Young people   |
| <input type="checkbox"/> Migrants, refugees or asylum seekers                  | <input type="checkbox"/> Other charities  |
|  | <input type="checkbox"/> Others not listed<br>Please describe in the box provided below |

### Section C: Resources and operating locations

#### 16 What is the number of paid employees and unpaid volunteers who worked for your charity during the last financial year?

If exact figures are not available, please provide your best estimate.

- Full time employees
- Part time employees
- Volunteers

#### 17 Please indicate where your charity operated during the last financial year: Select all that apply.

- |                              |  |
|------------------------------|--|
| <input type="checkbox"/> ACT | <input type="checkbox"/> SA  |
| <input type="checkbox"/> NSW | <input type="checkbox"/> TAS   |
| <input type="checkbox"/> NT  | <input type="checkbox"/> VIC   |
| <input type="checkbox"/> QLD | <input type="checkbox"/> WA  |
|                              | <input type="checkbox"/> Overseas/outside of Australia<br>(Please list the relevant countries) |

### Section D: Reporting and regulatory obligations - this section is optional

**Any information you voluntarily provide will be used by the ACNC to identify ways to reduce unnecessary regulatory obligations and cut red tape in the future.**

#### 18 Did you have a corporate or financial reporting obligation to a Commonwealth department or agency over the last financial year?

For instance, did you report on funding you received from a Commonwealth agency? Do not include reporting obligations to the ATO.

If you need more space to complete this question, please attach a separate page.

Yes ☐ Please list the Commonwealth department or agency and the relevant program (if applicable) below.

No ☐ Go to Question 19.


#### 19 Apart from any corporate reporting obligation you may have to a state or territory regulator (under associated incorporations or cooperatives legislation), did you report to any state or territory department or agency over the last financial year?

For example, reporting in respect of fundraising or grant acquittals.

Yes ☐ Please indicate which state or territory you had non-corporate reporting obligations to.

No ☐ Go to Question 20.

- |                              |                              |
|------------------------------|------------------------------|
| <input type="checkbox"/> ACT | <input type="checkbox"/> SA  |
| <input type="checkbox"/> NSW | <input type="checkbox"/> TAS |
| <input type="checkbox"/> NT  | <input type="checkbox"/> VIC |
| <input type="checkbox"/> QLD | <input type="checkbox"/> WA  |

#### 20 If you had corporate or financial reporting obligations to a Commonwealth, state or territory department or agency in the last financial year, how many hours do you estimate your charity spent completing these reporting obligations over that 12-month period?

Include time spent reporting to Commonwealth, state and territory regulators, as well as time spent writing government grant acquittals, government fundraising reporting, etc. Do not include time taken to meet reporting obligations to the ATO.

Approximate hours spent reporting - by paid staff (a)

Approximate hours spent reporting - by unpaid volunteers (b)

Total hours spent reporting (add the totals for (a) and (b))

## CHARITIES

### Section E: Declaration

#### 21 Please complete the declaration below

**1** It is a serious offence to give false or misleading information. Penalties may be imposed.

Please tick the declaration relevant to you.

"Responsible person" has the same meaning as "responsible entity" which is defined in s.205-30 of the Act.

A responsible person is a person (or in some limited cases an organisation) responsible for directing a charity, and who is a member of the charity's governing body (including directors or committee members) or who is a trustee (including insolvency trustees or administrators).

##### Authorised person's declaration

We accept that you are authorised to sign on behalf of the charity if you:

- are a responsible person of the charity, or
- hold a position in the charity which gives you authority to do so.

☐ I declare that:

- I am authorised to sign on behalf of the charity whose ABN appears on this form about the contents of this form, and
- the information given on this form and any attached document is true and correct.

OR

##### Agent's declaration

An agent is a person (or entity) who has been authorised by the charity to complete and submit this form (for example, a professional adviser such as a lawyer or an accountant).

☐ I declare that:

- I have a signed, written authorisation from a responsible person of the charity (whose ABN appears on this form) to complete and submit this document as an agent, and
- this form has been prepared in accordance with information supplied by a responsible person of the charity who has advised me that the information on this form and any attached document is true and correct.

OR

##### Lodging entity declaration

This form is being provided by a lodging entity as an agent of the charity whose ABN appears above. A lodging entity within the meaning of section 190-40 of the Act is another charity which can amend the governing rules of the charity or charities on whose behalf it is lodging.

☐ I declare that:

- I have authority to sign on behalf of the lodging entity whose name and ABN appear below on this form, and
- the information given on this form and any attached document is true and correct.

Name of lodging entity

ABN of lodging entity

#### 22 Who is the person signing this declaration?

Title

Mr ☐ Mrs ☐ Miss ☐ Ms ☐ Other

Family name

Given name

Other given name(s)

#### 23 Phone number

Business hours phone number (including area code)

Mobile phone number

#### 24 Email address



#### 25 Position held

Please tell us your relationship to the charity and where appropriate include the position you hold in the charity. If you are completing the form as an agent of the charity, please provide details of your relationship to the charity (such as "legal representative" or "accountant" and include the name of your firm).



Signature

Date

Day	Month	Year
/	/	

#### Privacy

The ACNC is required to handle information we collect in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* (the ACNC Act) and the *Privacy Act 1988*. For more information about our information-handling policies please see [acnc.gov.au](http://acnc.gov.au) or contact us.

The ACNC is authorised by the ACNC Act to collect the information requested in this form. We may use information we collect to help us administer the ACNC Act, update our records about your organisation, maintain the ACNC Register or provide information to other government agencies when authorised to do so.

# Appendix 2 – The International Classification of Non-profit Organisations

The main and additional activity categories used in the AIS are based on the International Classification of Non-profit Organisations (ICNPO). The AIS does not include all ICNPO categories, but the full list is provided here for completeness. This list was sourced from the Australian Bureau of Statistics 2012-13, Australian National Accounts Non-profit Institutions Satellite Account, cat.no. 5256.0 and can be found at [www.abs.gov.au](http://www.abs.gov.au)

## **GROUP 1: CULTURE AND RECREATION**

### **1 100 Culture and arts**

- Media and communications - Production and dissemination of information and communication; includes radio and TV stations; publishing of books, journals, newspapers and newsletters; film production; and libraries.
- Visual arts, architecture, ceramic art - Production, dissemination and display of visual arts and architecture; includes sculpture, photographic societies, painting, drawing, design centres and architectural associations.
- Performing arts - Performing arts centres, companies and associations; includes theatre, dance, ballet, opera, orchestras, choirs and music ensembles.
- Historical, literary and humanistic societies - Promotion and appreciation of the humanities, preservation of historical and cultural artifacts and commemoration of historical events; includes historical societies, poetry and literary societies, language associations, reading promotion, war memorials and commemorative funds and associations.
- Museums - General and specialised museums covering art, history, sciences, technology and culture.
- Zoos and aquariums.

### **1 200 Sports**

- Provision of amateur sport, training, physical fitness and sport competition services and events; includes fitness and wellness centres.

### **1 300 Other recreation and social clubs**

- Recreation and social clubs - Provision of recreational facilities and services to individuals and communities; includes playground associations, country clubs, men's and women's clubs, touring clubs and leisure clubs.
- Service clubs - Membership organisations providing services to members and local communities, for example, Lions, Rotary Club.

## **GROUP 2: EDUCATION AND RESEARCH**

### **2 100 Primary and secondary education**

- Elementary, primary and secondary education - Education at elementary, primary and secondary levels; includes pre-school organisations other than day care.

### **2 200 Higher education**

- Higher education - Higher learning, providing academic degrees; includes universities, business management schools, law schools and medical schools.

## **2 300 Other education**

- Vocational/technical schools - Technical and vocational training specifically geared towards gaining employment; includes trade schools, paralegal training and secretarial schools.
- Adult/continuing education - Institutions engaged in providing education and training in addition to the formal educational system; includes schools of continuing studies, correspondence schools, night schools and sponsored literacy and reading programs.

## **2 400 Research**

- Medical research - Research in the medical field; includes research on specific diseases, disorders or medical disciplines.
- Science and technology - Research in the physical and life sciences and engineering and technology.
- Social sciences, policy studies - Research and analysis in the social sciences and policy area.

## **GROUP 3: HEALTH**

### **3 100 Hospitals and rehabilitation**

- Hospitals - Primarily inpatient medical care and treatment.
- Rehabilitation - Inpatient health care and rehabilitative therapy to individuals suffering from physical impairments due to injury, genetic defect or disease and requiring extensive physiotherapy or similar forms of care.

### **3 200 Nursing homes**

- Nursing homes - Inpatient convalescent care and residential care, as well as primary health care services; includes homes for the frail elderly and nursing homes for the severely handicapped.

### **3 300 Mental health and crisis intervention**

- Psychiatric hospitals - Inpatient care and treatment for the mentally ill.
- Mental health treatment - Outpatient treatment for mentally ill patients; includes community mental health centres and halfway homes.
- Crisis intervention - Outpatient services and counsel in acute mental health situations; includes suicide prevention and support to victims of assault and abuse.

### **3 400 Other health services**

- Public health and wellness education - Public health promotion and health education; includes sanitation screening for potential health hazards, first aid training and services and family planning services.
- Health treatment, primarily outpatient - Organisations that provide primarily outpatient health services, e.g., health clinics and vaccination centres.
- Rehabilitative medical services - Outpatient therapeutic care; includes nature cure centres, yoga clinics and physical therapy centres.
- Emergency medical services - Services to persons in need of immediate care; includes ambulatory services and paramedical emergency care, shock/trauma programs, lifeline programs and ambulance services.

## **GROUP 4: SOCIAL SERVICES**

### **4 100 Social services**

- Child welfare, child services and day care - Services to children, adoption services, child development centres, foster care; includes infant care centres and nurseries.
- Youth services and youth welfare - Services to youth; includes delinquency prevention services, teen pregnancy prevention, drop-out prevention, youth centres and clubs and job programs for youth; includes YMCA, YWCA, Boy Scouts, Girl Scouts and Big Brothers/Big Sisters.
- Family services - Services to families; includes family life/parent education, single parent agencies and services and family violence shelters and services.

- Services for the handicapped - Services for the handicapped; includes homes, other than nursing homes, transport facilities, recreation and other specialised services.
- Services for the elderly - Organisations providing geriatric care; includes in-home services, homemaker services, transport facilities, recreation, meal programs and other services geared towards senior citizens (does not include residential nursing homes).
- Self-help and other personal social services - Programs and services for self-help and personal development; includes support groups, personal counselling and credit counselling/money management services.

#### **4 200 Emergency and relief**

- Disaster/emergency prevention and control - Organisations that work to prevent, predict, control and alleviate the effects of disasters, to educate or otherwise prepare individuals to cope with the effects of disasters, or to provide relief to disaster victims; includes volunteer fire departments, life boat services etc.
- Temporary shelters - Organisations providing temporary shelters to the homeless; includes travellers' aid and temporary housing.
- Refugee assistance - Organisations providing food, clothing, shelter and services to refugees and immigrants.

#### **4 300 Income support and maintenance**

- Income support and maintenance - Organisations providing cash assistance and other forms of direct services to persons unable to maintain a livelihood.
- Material assistance - Organisations providing food, clothing, transport and other forms of assistance; includes food banks and clothing distribution centres.

### **GROUP 5: ENVIRONMENT**

#### **5 100 Environment**

- Pollution abatement and control - Organisations that promote clean air, clean water, reducing and preventing noise pollution, radiation control, treatment of hazardous wastes and toxic substances, solid waste management and recycling programs.
- Natural resources conservation and protection - Conservation and preservation of natural resources, including land, water, energy and plant resources for the general use and enjoyment of the public.
- Environmental beautification and open spaces - Botanical gardens, arboreta, horticultural programs and landscape services; Organisations promoting anti-litter campaigns; programs to preserve the parks, green spaces and open spaces in urban or rural areas; and city and highway beautification programs.

#### **5 200 Animal protection**

- Animal protection and welfare - Animal protection and welfare services; includes animal shelters and humane societies.
- Wildlife preservation and protection - Wildlife preservation and protection; includes sanctuaries and refuges.
- Veterinary services - Animal hospitals and services providing care to farm and household animals and pets.

### **GROUP 6: DEVELOPMENT AND HOUSING**

#### **6 100 Economic, social and community development**

- Community and neighbourhood organisations - Organisations working towards improving the quality of life within communities or neighbourhoods, e.g., squatters' associations, local development organisations and poor people's cooperatives.
- Economic development - Programs and services to improve economic infrastructure and capacity; includes building of infrastructure, such as roads, and financial services, such as credit and savings associations, entrepreneurial programs, technical and managerial consulting and rural development assistance.

- Social development - Organisations working towards improving the institutional infrastructure and capacity to alleviate social problems and to improve general public well-being.

#### **6 200 Housing**

- Housing associations - Development, construction, management, leasing, financing and rehabilitation of housing.
- Housing assistance - Organisations providing housing search, legal services and related assistance.

#### **6 300 Employment and training**

- Job training programs - Organisations providing and supporting apprenticeship programs, internships, on-the-job training and other training programs.
- Vocational counselling and guidance - Vocational training and guidance, career counselling, testing and related services.
- Vocational rehabilitation and sheltered workshops - Organisations that promote self-sufficiency and income generation through job training and employment.

### **GROUP 7: LAW, ADVOCACY AND POLITICS**

#### **7 100 Civic and advocacy organisations**

- Advocacy organisations - Organisations that protect the rights and promote the interests of specific groups of people, e.g., the physically handicapped, the elderly, children and women.
- Civil rights associations - Organisations that work to protect or preserve individual civil liberties and human rights.
- Ethnic associations - Organisations that promote the interests of or provide services to members belonging to a specific ethnic heritage.
- Civic associations - Programs and services to encourage and spread civic mindedness.

#### **7 200 Law and legal services**

- Legal services - Legal services, advice and assistance in dispute resolution and court-related matters.
- Crime prevention and public policy - Crime prevention to promote safety and precautionary measures among citizens.
- Rehabilitation of offenders - Programs and services to reintegrate offenders; includes halfway houses, probation and parole programs, prison alternatives.
- Victim support - Services, counsel and advice to victims of crime.
- Consumer protection associations - Protection of consumer rights and the improvement of product control and quality.

#### **7 300 Political organisations**

- Political parties and organisations - Activities and services to support the placing of particular candidates into political office; includes dissemination of information, public relations and political fundraising.

### **GROUP 8: PHILANTHROPIC INTERMEDIARIES AND VOLUNTARISM PROMOTION**

#### **8 100 Grant-making foundations**

- Grant-making foundations - Private foundations; including corporate foundations, community foundations and independent public law foundations.

#### **8 200 Other philanthropic intermediaries and voluntarism promotion**

- Volunteerism promotion and support - Organisations that recruit, train and place volunteers and promote volunteering.
- Fundraising organisations - Federated, collective fundraising organisations; includes lotteries.

## **GROUP 9: INTERNATIONAL**

### **9 100 International activities**

- Exchange/friendship/cultural programs - Programs and services designed to encourage mutual respect and friendship internationally.
- Development assistance associations - Programs and projects that promote social and economic development abroad.
- International disaster and relief organisations - Organisations that collect, channel and provide aid to other countries during times of disaster or emergency.
- International human rights and peace organisations - Organisations which promote and monitor human rights and peace internationally.

## **GROUP 10: RELIGION**

### **10 100 Religious congregations and associations**

- Congregations - Churches, synagogues, temples, mosques, shrines, monasteries, seminaries and similar organisations promoting religious beliefs and administering religious services and rituals.
- Associations of congregations - Associations and auxiliaries of religious congregations and organisations supporting and promoting religious beliefs, services and rituals.

## **GROUP 11: BUSINESS AND PROFESSIONAL ASSOCIATIONS, UNIONS**

### **11 100 Business associations**

- Business associations - Organisations that work to promote, regulate and safeguard the interests of special branches of business, e.g. manufacturers' association, farmers' association and bankers' association.

### **11 200 Professional associations**

- Professional associations - Organisations promoting, regulating and protecting professional interests, e.g., bar associations and medical associations.

### **11 300 Labour unions**

- Labour unions - Organisations that promote, protect and regulate the rights and interests of employees.

## **GROUP 12: NOT ELSEWHERE CLASSIFIED**

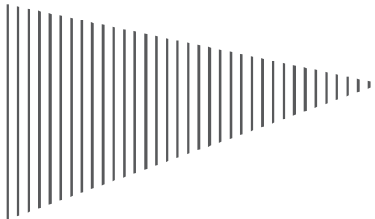
### **12 100 Not elsewhere classified**

- All other NPIs.

# Research into Commonwealth Regulatory and Reporting Burdens on the Charity Sector

A report prepared for the Australian Charities  
and Not-for-profits Commission

30 September 2014



Building a better  
working world

Ms Susan Pascoe AM  
Commissioner  
Australian Charities and Not-for-profits Commission  
Level 1, 747 Collins Street  
Docklands VIC 3008

30 September 2014

## Research into Commonwealth Regulatory and Reporting Burdens on the Charity Sector – Final Report

Dear Susan,

It is with pleasure that I submit our final report into the regulatory and reporting burden on the charity sector.

We have produced this document in accordance with our submitted and accepted Conceptual Framework and Measurement Methodology report.

Our research has demonstrated there is significant scope for the Commonwealth to improve the regulatory and reporting environment faced by charities and not-for-profits.

If you have any questions about this document, or our broader research project, please do not hesitate to contact me on 02 6267 3888.

Yours sincerely,



Mark Nixon  
Partner

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## Glossary

Burden	The incremental or additional costs incurred by charities in complying with Commonwealth Government obligations over and above their business-as-usual costs.
Business Cost Calculator	An online tool developed and administered by the Office of Best Practice Regulation that allows departments and agencies to calculate the compliance costs of regulatory proposals.
Costs	<p>The value of an act or course of action undertaken by an entity to comply with an obligation imposed by government. Types of costs include:</p> <ul style="list-style-type: none"> <li>Administrative costs – costs incurred primarily to demonstrate compliance with a rule, usually record keeping and reporting costs, and the compliance costs associated with financial costs. This includes the costs incurred through complying with government taxes, fees, charges and levies (excluding the actual amount paid).</li> <li>Substantive compliance costs – costs that directly lead to the regulated outcomes being sought, usually purchase and maintenance costs.</li> <li>Delay costs – expenses and loss of income incurred by a regulated entity through an application delay or approvals delay.<sup>1</sup></li> </ul>
Charity	<p>According to the <i>Charities Act 2013</i>, a charity is defined as an entity:</p> <ol style="list-style-type: none"> <li>that is a not-for-profit entity, and</li> <li>all of the purposes of which are: <ol style="list-style-type: none"> <li>charitable purposes<sup>2</sup> that are for the public benefit, or</li> <li>purposes that are incidental or ancillary to, and in furtherance or in aid of, purposes of the entity covered by subparagraph (i), and</li> </ol> </li> <li>none of the purposes of which are disqualifying purposes<sup>3</sup>, and</li> <li>that is not an individual, a political party or a government entity.<sup>4</sup></li> </ol>
Charity Passport	The ACNC's Charity Passport is the information collected by the ACNC from registered charities packaged in an electronic format for sharing with authorized government agencies. It is designed to reduce the number of times charities have to report the same information to different government agencies, in line with the development of the 'report once, use often' reporting framework. <sup>5</sup>
Not-for-profit	An entity that does not operate for the profit, personal gain or other benefit of particular people (for example, its members, the people who run it or their friends or relatives). <sup>6</sup>
Obligation	<p>An act or course of action that entities are required to undertake to comply with legally enforceable conditions imposed by government. There are three key types of obligations:</p> <ul style="list-style-type: none"> <li>Information obligations – these are requirements for entities to procure or prepare information and subsequently make it available to a public authority</li> <li>Substantive compliance obligations – these are requirements for entities to undertake an act or course of action to achieve a desired regulatory outcome.</li> <li>Causes of delay – these are requirements that prevent an entity from commencing its intended operations due to delays caused by application or approval processes.<sup>7</sup></li> </ul>
Red tape	<p>Obligations that are excessive, unnecessary or confusing. In this context:</p> <ul style="list-style-type: none"> <li>An excessive obligation is one that imposes a burden disproportionate to the policy goals or benefits of the obligation</li> <li>An unnecessary obligation is one that is redundant, duplicative or does not generate a material benefit</li> <li>A confusing obligation is one that, due to inconsistencies in definitions and requirements, generates confusion and uncertainty.<sup>8</sup></li> </ul>

<sup>1</sup> OBPR (2014), *Interim Regulation Impact Statement Process Guidance Note*, January.

<sup>2</sup> Part 3 of the *Charities Act 2013* provides greater detail about what constitutes a charitable purpose.

<sup>3</sup> Division 3 of the *Charities Act 2013* provides greater detail about what constitutes a disqualifying purpose.

<sup>4</sup> This definition is derived from Division 1 of the *Charities Act 2013*.

<sup>5</sup> ACNC (2014), 'Report Once, Use Often: Charity Passport guide for government agencies', Australian Government, Canberra, Australia.

<sup>6</sup> ACNC (2013), 'Not-for-profit', available at: [https://www.acnc.gov.au/ACNC/Register\\_my\\_charity/Who\\_can\\_register/What\\_is\\_NFP/ACNC/Reg/NFP.aspx?hkey=0c89fa5a-38dc-49af-b7aa-e8a6515fe8b1](https://www.acnc.gov.au/ACNC/Register_my_charity/Who_can_register/What_is_NFP/ACNC/Reg/NFP.aspx?hkey=0c89fa5a-38dc-49af-b7aa-e8a6515fe8b1)

<sup>7</sup> This definition of what constitutes an obligation is derived from EY analysis and the Victorian Regulatory Change Measurement Manual.

<sup>8</sup> EY definition, derived from: Industry Commission (1997), *Reducing the Regulatory Burden: Does firm size matter?*, Staff Research Paper; OBPR (2014), *Interim Regulation Impact Statement Process Guidance Note*, January; SCM Network (2005), *International Standard Cost Model Manual*; Victorian Department of Treasury and Finance (2013), *Victorian Regulatory Change Measurement Manual*, Version 2.0, November.

Regulation	Any rule endorsed by government where there is an expectation of compliance, including legislation, regulations, quasi-regulations, such as standards and codes of practice, and any other aspect of regulator behaviour which can influence or compel specific behaviour by business and the community. Red tape burden imposed by the Commonwealth Government's procurement, grants and cost recovery frameworks is also included. <sup>9</sup>
Regulatory and Reporting Burden	<p>The burden (see above definition) imposed by the Commonwealth which results from a charity meeting a regulatory obligation (Commonwealth primary, secondary or quasi legislation) or a reporting obligation (including those obligations which relate to the provision of information to the Commonwealth in instances where charities are receiving and acquitting for public money from the Commonwealth).</p> <p>There is some overlap between regulatory burden and reporting burden. For example, a charity may be required to submit a report to the Australian Government to comply with a piece of legislation. This report uses the term 'regulatory and reporting obligation' to avoid ambiguity – particularly given that under previous governments the concept of regulation did not necessarily include grants and other funding reporting.</p>
Regulatory Burden Measurement	A framework, developed by the Office of Best Practice Regulation, which must be used by departments and agencies to quantify the regulatory costs of all regulatory proposals. The framework outlines key costing parameters, including cost types and relevant populations.

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<sup>9</sup> OBPR (2014), *Interim Regulation Impact Statement Process Guidance Note*, January.

## Acronyms

ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACNC	Australian Charities and Not-for-Profits Commission
AIS	Annual Information Statement
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
BAS	Business Activity Statement
BCC	Business Cost Calculator
Commonwealth	Commonwealth or Federal Government
DGR	Deductible Gift Recipient
FBT	Fringe Benefits Tax
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GST	Goods and Services Tax
IT	Information Technology
NFP	Not-for-profit
OBPR	Office of Best Practice Regulation
PAYG	Pay As You Go
PBI	Public Benevolent Institution
RBM	Regulatory Burden Measurement
RCM	Regulatory Change Measurement
TCC	Tax Concession Charities

## Executive summary

In December 2013, the Australian Charities and Not-for-profits Commission (ACNC) engaged Ernst & Young (EY) to research the regulatory and reporting burden on charities. While our research focused primarily on Commonwealth burden, it also considered state and territory burden.

In conducting this research, EY focused primarily on the experiences of 15 case study charities drawn from three charity sub-sectors – social welfare, other education (excluding schools, higher education and research) and health/aged care. We supported the case study research through a review of publicly available data and an online survey of the broader charities sector (which received 378 responses).

### Key findings

#### Quantifying total burden

- Using the Business Cost Calculator (BCC), we estimate that the average Commonwealth burden imposed on the case study charities over the past 12 months of operations is \$108,000. The average Commonwealth burden was smaller for small charities (\$18,000) and larger for large charities (\$235,000).
- Feedback from survey respondents and previous studies suggest that our estimate of average Commonwealth burden derived from the case study charities is higher than the average Commonwealth burden imposed on the entire charity sector.
- Charities that we engaged with generally felt that their regulatory and reporting costs have increased over the past three years, and the Commonwealth burden is impacting on their ability to achieve charitable outcomes.

#### Quantifying the burden of individual obligations

- We estimate that the average annual burden imposed by the ACNC was \$150 (equal to 0.1 per cent of total annual burden).

#### Burden and obligation type

- Charities are principally exposed to two different types of regulatory and reporting obligations: obligations that derive from a legislative requirement; and obligations that derive from a funding agreement between the charity and a Commonwealth department or agency.
- Our research suggests that the second type of obligation is the largest source of Commonwealth burden imposed on charities. For example, of the 15 case study charities, 12 received Commonwealth funding over the past year. Using the BCC, we estimate that the average Commonwealth burden imposed on these charities was \$134,000. In comparison, for the three charities that did not receive Commonwealth funding, the average Commonwealth burden was only \$4,200.

#### Quantifying red tape

- For the purposes of this research project, we have defined 'red tape' as regulatory and reporting obligations that are deemed excessive, unnecessary or confusing.
- Drawing on feedback from the case study charities and survey respondents, we estimate that between 25 per cent and 35 per cent of Commonwealth obligations constitute red tape. Accordingly, we estimate that the Commonwealth imposed, on average, between \$27,000 and \$38,000 worth of red tape on the case study charities over the past 12 months of operations.

#### Sources of red tape

- As we note above, funding agreement obligations appear to be the largest source of Commonwealth burden imposed on charities. It is thus not surprising that the key sources of red tape identified through our research primarily relate to funding agreement obligations. These key sources are:
  - The level of information required and the frequency of reporting – case study charities and survey respondents indicated that the level of information they are required to provide funding departments, and the frequency of reporting, can be excessive, and is seemingly

driven more by an over-emphasis of the management of risk, rather than an objective consideration of what level of reporting is necessary to ensure funding outcomes are achieved.

- Inconsistencies in reporting requirements and processes – a number of survey respondents highlighted inconsistencies in financial reporting formats as a key source of unnecessary burden. Case study charities, survey respondents and professional advisors also highlighted policy and regulatory instability and the rotation of contract managers as sources of confusion and burden.
- Duplication in reporting requirements – based on our mapping exercise, there appears to be the potential for significant duplication between the financial reporting requirements of different funding programs. Furthermore, there is some duplication in the type of information requested under legislative obligations and funding agreement obligations – particularly in terms of core information and information relating to organisational viability.
- Case study charities and survey respondents indicated that inter-jurisdictional red tape remains a concern – in terms of:
  - Duplication in information requirements across different levels of government
  - Inconsistencies in key regulatory frameworks across the states and territories (particularly in the context of fundraising regulations and the Incorporated Associations regime).

## Recommendations

1. Commonwealth departments and agencies that provide funding to charities should ensure their reporting and acquittal requirements align with the Commonwealth Grants Rules and Guidelines and incorporate the charity passport and National Standard Chart of Accounts, where relevant.
2. The charity regulator should work together with funding departments and agencies to encourage the adoption and implementation of available tools (such as the Commonwealth Grants Rules and Guidelines, the charity passport and the National Standard Chart of Accounts) to reduce the reporting burden on charities. The charity regulator could achieve this through a mixture of promoting agencies/programs that represent 'best practice' and reviewing agencies and programs to identify areas for improvement.
3. In three years, the charity regulator could work with the Department of Finance to conduct a review of the Commonwealth Grants Rules and Guidelines, the charity passport and National Standard Chart of Accounts (in terms of their effectiveness in reducing the burden imposed on charities). This review should explicitly consider whether the Commonwealth Grants Rules and Guidelines need to become more prescriptive and/or mandatory to reduce the burden imposed on charities.
4. Future regulatory arrangements for the charity sector should retain existing red tape reduction tools (such as the 'report once, use often' framework, the charity passport and the National Standard Chart of Accounts).
5. The charity regulator should develop additional guidance material to assist departments and agencies in operationalising the Commonwealth Grants Rules and Guidelines from a charity and red tape reduction perspective, particularly in terms of: (a) the management of financial risk (and helping departments and agencies reconceptualise risk management in the context of charities, taking into account the broad risk mitigation role played by the charity regulator and the mission of charities); and (b) best practice reporting requirements.
6. Commonwealth departments and agencies that provide significant funding to the charity sector should continue to explore the potential for program rationalisation.
7. All jurisdictions should seek to harmonise their reporting and regulation with the charity regulator (including through the use of the charity passport) as a means of reducing duplication in information requests across different levels of government.
8. The charity regulator should consider adopting an 'honest-broker' role in driving reform on key inter-jurisdictional sources of regulatory burden on charities, such as fundraising regulation.

# 1. Introduction

## 1.1 Background and context

In 2012, the Federal Parliament enacted the *Australian Charities and Not-for-profits Commission Act 2012*. This Act formally establishes the ACNC and states the objects and functions of the ACNC.

Among the ACNC's objects and functions is the requirement to establish and maintain a register for charities as well as introduce and administer a national regulatory framework for charities. Under paragraph 15-5(1)(c), the ACNC is required 'to promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector'.<sup>10</sup>

According to the ACNC's Annual Report 2012-13, the ACNC is meeting this latter object by 'working with Commonwealth agencies and state and territory governments to reduce unnecessary regulatory obligations, streamline charity reporting requirements and develop a 'report once, use often' reporting framework for charities.'

Consistent with this object, the ACNC in December 2013 held its inaugural red tape forum. This drew a significant audience from the government as well as the NFP and charities sector. The forum discussed contemporary issues faced by the sector regarding regulatory and reporting obligations currently imposed by different levels of government in Australia. Forum participants expressed strong support for a project to measure the red tape imposed on charities.<sup>11</sup>

Coinciding with this forum, the ACNC engaged EY to research the extent of regulatory and reporting burden imposed on charities by the Commonwealth, and to identify the areas of greatest burden.

## 1.2 Future of the ACNC

On 19 March 2014, the Government tabled the *Australian Charities and Not-for-profits Commission (Repeal) (No. 1) Bill 2014* in the House of Representatives. The purpose of this Bill is to repeal the *Australian Charities and Not-for-profits Commission Act 2012*, thereby abolishing the ACNC. The Bill will not take effect, however, until the enactment of a later Bill, which will provide the details of the arrangements replacing the ACNC.

On 4 July 2014, the Department of Social Services released an Options Paper, the purpose of which was to explore, and solicit feedback on, options for the replacement arrangements following the abolition of the ACNC.<sup>12</sup> At this stage, it remains uncertain as to what will, if subsequent legislation is enacted, replace the ACNC, including the register, passport and regulatory functions.

Accordingly, where this report is forward-looking (particularly its recommendations for future burden and red tape reduction efforts), we have avoided referring explicitly to the ACNC; but rather, have referenced a generic 'charity regulator'.

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<sup>10</sup> The ACNC's functions include regulating the activities of charities who are established as a company under the *Corporations Act 2001*, whereas the incorporation and winding down of a company remains within the regulatory responsibilities of ASIC.

<sup>11</sup> See: ACNC (2014), 'Red tape reduction forum report - Measuring and Reducing Red Tape in the Not-for-profit Sector', available at: <http://www.acnc.gov.au/ACNC/Report/rtrforumreport.aspx>.

<sup>12</sup> See: Department of Social Services (2014), *Options Paper - Australia's Charities and Not-for-profits*, 4 July, available at: [http://www.dss.gov.au/sites/default/files/documents/07\\_2014/options\\_paper\\_-\\_australian\\_charities\\_and\\_not-for-profits.pdf](http://www.dss.gov.au/sites/default/files/documents/07_2014/options_paper_-_australian_charities_and_not-for-profits.pdf).

## 1.3 Approach and methodology

To address the Statement of Requirement issued by the ACNC, EY conducted multiple streams of work. These streams are described below.

### 1.3.1 Conceptual Framework

To conduct the research project, EY developed a conceptual framework (see Appendix B). This draws on the Commonwealth's Regulatory Burden Measurement (RBM) framework, relevant guidance issued by the Office of Best Practice Regulation (OBPR), the BCC, and the Victorian Government's Regulatory Change Measurement (RCM) methodology. This framework was submitted to and accepted by the ACNC on 28 February 2014.

### 1.3.2 Desktop research

EY conducted a desktop review of relevant documentation regarding the operation of the charity sector in Australia, as well as relevant Australian and international literature regarding regulatory management and measurement issues.

### 1.3.3 Regulatory mapping

To inform its broader analysis, EY mapped the regulatory and reporting obligations imposed on the case study charities by the Commonwealth. As part of this exercise, EY:

- Identified the Commonwealth obligations likely to be faced by the case study charities
- Categorised the identified obligations, in terms of their:
  - type (i.e. information or substantive compliance)
  - purpose (e.g. taxation, service delivery, human rights, etc.)
  - frequency (i.e. ongoing or one-off)
- Detailed the requirements associated with the obligations (e.g. in terms of what information the case study charities were required to provide).

The mapping process was informed by our pre-existing understanding of the regulatory framework surrounding non-government organisations in Australia, the knowledge of the case study charities we interviewed and publicly available documentation (including relevant legislation, program guidelines and departmental reporting on grant funding). While we strived for data completeness, we were not able to access some data (notably, detail about financial and performance reporting included in the funding agreements between the Commonwealth and the case study charities).

The results of the mapping exercise are summarised in chapter 3. A detailed spreadsheet has also been provided to the ACNC separately to this report.

### 1.3.4 Selecting and interviewing case study charities

As part of its original Statement of Requirement, the ACNC requested that the research project focus on charities operating in the social welfare, other education (excluding schools, higher education and research) and health/aged-care sub-sectors.<sup>1314</sup> These sub-sectors were chosen based on advice from the ACNC's own working groups, anecdotal evidence of significant burden in the sub-sectors, and a general absence of research on burden in these sub-sectors.

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<sup>13</sup> As the research focused on Commonwealth regulatory and reporting burden, the sub-sectors were delineated according to the Australian regulatory context. As such, the sub-sectors do not necessarily correspond to the International Classification of Non-profit Organisations (ICNPO). For example, child care is included in other education, and health care and aged care are combined. Further information is provided at section 5.1.4.

<sup>14</sup> It is important to note that the work of charities (including the case study charities) may cover more than one activity/sub-sector.

In selecting the case study charities, EY sought to achieve an even distribution of charities from the three sub-sectors, as well as from small, medium and large charities (in accordance with the ACNC's established definitions of charity size). Appendix B provides more detail about the methodology we used to select the case study charities.

All interviews with case study charities in NSW and the ACT, as well as one in Victoria, were conducted face-to-face. All other interviews were conducted by telephone. The average length of the case study interviews was approximately 1.5 hours.

The purpose of the charity case studies was to understand the nature and extent of charity interaction with the Commonwealth (from a regulatory and reporting perspective), and to identify and measure the administrative and compliance costs experienced by individual charities as a result of their interaction with the Commonwealth.

During interviews, charities were asked to describe the nature of their operations, the nature and level of interaction with the Commonwealth and the administrative, compliance and delay burdens experienced as a result of Commonwealth requirements over the previous 12 months of operations. Charities were also asked to describe any regulatory or reporting problem areas, and to identify areas where the Commonwealth could improve its regulatory and reporting performance which would reduce the burden imposed on the sector.

Where time permitted, EY also explored the regulatory and reporting burden imposed on the case study charities by state and territory governments. While no specific regulatory costing calculations from a state or territory government perspective are presented in this research report, some broad observations on the data received have been made.

A record of conversation was produced for each interview and sent to each charity for review and clarification, particularly around identified Commonwealth regulatory and reporting obligations and associated regulatory costs.

### 1.3.5 Online Survey

To triangulate the findings from the case study charities, EY developed (in consultation with the ACNC) a short, online survey to collect general information on the regulatory and reporting burden imposed on charities. This survey was developed using Survey Monkey, and comprised 17 questions (see Appendix E for more detail).

This survey was promoted by both EY and the ACNC through multiple platforms and communication channels including social media, e-mail, the Commissioner's column and direct phone calls.

The survey was launched on 17 March 2014 and was concluded on 11 April 2014. It received a total of 378 responses. A profile of the survey respondents is provided in Chapter 4 of this report.

### 1.3.6 Calculation of regulatory burden

We calculated the regulatory and reporting burden imposed by the Commonwealth on the case study charities by using the BCC and drawing on our conceptual framework (see Appendix B).

We have presented the total calculated burden in Table 15 as well as a breakdown of this burden according to administrative costs and substantive compliance costs. We have also indicated in Table 15 whether the burden is either:

- 'one-off' in nature – i.e. not a typical burden experienced over the previous 12 months and resulted from a unique regulatory or reporting requirement,<sup>15</sup> or

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<sup>15</sup> An example, of an 'one-off' burden is a child care centre who was required to alter the physical infrastructure of the centre in response to the introduction of the Commonwealth's National Quality Framework.

- 'on-going' in nature – i.e. a burden that is regularly experienced by the charity given its purpose and operating model.<sup>16</sup>

Our calculations of regulatory burden were based on estimates provided by the case study charities in the context of the 12 months prior to the interviews (approximately from the first quarter of 2013 to the first quarter of 2014).

### 1.3.7 Verification of data and results

In addition to the case study charities, EY interviewed stakeholders from Commonwealth departments and agencies, and professionals to the charity sector (e.g. the legal, accounting and directorship communities).

The methodology in selecting the government officials and professional advisors was based on our broad understanding of the regulatory issues affecting the charity sector, as well as the data obtained via the online survey and the 15 case study charities. A number of public officials were not able to meet with EY due to time and capacity constraints.

EY used these interviews to: outline the background and context of the research project; validate the methodology used to conduct the research; confirm preliminary observations and findings derived from the stakeholder consultations; and gauge responses from officials and professional advisors.

Important observations and findings obtained through the validation interviews are presented in Chapter 6 of this report.

## 1.4 Research assumptions

A series of assumptions were made during the research project which inform the findings, observations and recommendations made in this report. These assumptions are as follows:

- The research project primarily focused on understanding the burden placed on charities by the Commonwealth. The mapping, costing and exploration were conducted on this basis.
- The regulatory mapping exercise was conducted to record all possible regulatory and reporting obligations which a charity in the target sub-sectors would be likely to experience. EY sought to record items that were of a 'material' nature. EY made such decisions based on professional experience, readings and direct engagement with charities, government officials and professional advisors.
- The case study charities were drawn from three charity sub-sectors – in accordance with the Statement of Requirement issued by the ACNC.
- Six of the 15 charity case studies indicated that they experience delays between applying and receiving Commonwealth funding. Each of these organisations have applied different approaches to manage such delays, including:
  - reallocating staff to alternative work projects
  - reducing the work hours of staff
  - absorbing the financial cost of the employee.
- EY found it difficult to objectively determine (or obtain from the charity case studies) the actual cost of employees which have been absorbed during periods of delay. Hence, delay costs have been noted, but not calculated as part of this research project.
- In conducting the regulatory and reporting burden estimates, it was assumed that meeting Commonwealth obligations was done by manager level staff within each of the charity case studies. This assumption coincided with our findings that the regulatory and reporting burden typically falls on senior members of an organisation. Consistent with the OBPR's interim guidance

<sup>16</sup> An example of an 'on-going' burden could be complying with the GST BAS requirements or reporting requirements associated with regular Commonwealth funding which is closely aligned with the operational activities of the charity.

note, we have assumed a wage rate of \$41.60 per hour (with a 1.16 loading to take into account on-costs).<sup>17</sup>

- In determining whether a regulatory or reporting activity was to be included in the costing exercise, EY asked charities whether, in the instance that the Commonwealth did not exist, they would be likely to undertake the activity.
- The figures quoted in this report are expressed in Australian dollars.

## 1.5 Research limitations

There are several limitations (in addition to EY's general limitations as listed in Appendix A) that impact on our findings and observations. These limitations are as follows:

- The responses provided to EY via the online survey and from the case study charities are inherently drawn from the experiences of each individual charity. Individual responses may have been influenced by subjective perceptions of the individual survey respondents.
- This research project is primarily based on feedback provided by 15 case study charities and 379 survey respondents. Due to the relatively small size of the samples involved, our results should not necessarily be interpreted as representative of the charity sector.
- EY was limited by time available in being able to interview each charity. On average, EY was able to spend approximately 1.5 hours with each organisation. EY was also limited by which members of the charities were available to participate in the interviews.
- EY's mapping and costing of regulatory and reporting obligations by the specific charities interviewed can only be based on the data and documentary evidence provided to EY.
- This research project was solely focused on obtaining data from charities which were currently operating and were well established. This research project does not measure the burden imposed by the Commonwealth government during the establishment phase.
  - This limitation is quite significant given that professional advisors and government officials indicated that there is significant burden which is currently being experienced by organisations who are seeking either Deductible Gift Recipient (DGR) or Public Benevolent Institution (PBI) status.
- EY's findings and conclusions can only be based on the documentation reviewed and the data obtained.
- In conducting the mapping of the grant management processes which exist with the Commonwealth, EY approached several departments for interviews to develop an understanding of the grant management process across the Commonwealth. Only a select number of organisations were available to meet.
- The BCC methodology only focuses on burdens or costs imposed by Commonwealth law, policies and programs and does not consider or measure any benefits that the Commonwealth may generate through its regulatory and policy/program activities. This should be taken into consideration when considering the estimates of regulatory burden.

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<sup>17</sup> Office of Best Practice Regulation (2014), *Interim Regulation Impact Statement Process Guidance Note*, January.

## 2. Background and context

As at 30 June 2014, there were 60,736 charities registered with the ACNC.<sup>18</sup> Over half of these registered charities are located in either New South Wales (34 per cent) or Victoria (24 per cent).<sup>19</sup>

Charities within the NFP sector are divided into broad areas of activities and service delivery, such as the advancement of health, education, social or public welfare, religion and culture.

The NFP sector has enjoyed significant growth in recent years. According to the Australian Bureau of Statistics (ABS):

- The gross value added (GVA) of Non-Profit Institutions (NPI) grew from \$38.3 billion in 2006/07 to \$54.8 billion in 2012/13 (all figures in 2013 dollars) – an annual average increase of 6.1 per cent in real terms
- The NPI share of total industry GVA was 3.9 per cent in 2012/13, up from 3.2 per cent in 2006/07.<sup>20</sup>

### 2.1 The impact of regulatory burden on the charities

Over the past decade, there have been several attempts to understand the regulatory and reporting burden on the NFP sector. NFPs have raised concerns that the level of regulatory and reporting obligations imposed on them is hindering sector productivity. For instance, after conducting an extensive inquiry into the NFP sector in 2010, the Productivity Commission concluded that:

- 'Current information requirements imposed on NFPs for funding and evaluation purposes are poorly designed and unduly burdensome.'
- 'The current regulatory framework for the sector is complex, lacks coherence, sufficient transparency, and is costly to NFPs.'<sup>21</sup>

Studies have found that regulatory frameworks impose a considerable burden on charities and the broader NFP sector. According to these studies, the burden is largely driven by inconsistencies in regulatory requirements across jurisdictions, and perceptions of some obligations being excessive and duplicative in nature.<sup>22</sup> A summary of the publicly available studies is provided in Table 1.

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<sup>18</sup> Data supplied by the ACNC.

<sup>19</sup> ACNC (2014), 'Background to the not-for-profit sector', available at: [www.acnc.gov.au/ACNC/About\\_ACNC/NFP\\_reforms/Background\\_NFP/ACNC/Edu/NFP\\_background.aspx?hkey=e88db8f0-3e48-4408-ab99-c2acb6ef8a1d](http://www.acnc.gov.au/ACNC/About_ACNC/NFP_reforms/Background_NFP/ACNC/Edu/NFP_background.aspx?hkey=e88db8f0-3e48-4408-ab99-c2acb6ef8a1d).

<sup>20</sup> ABS (2014), 'Australian National Accounts: Non-Profit Institutions Satellite Account, 2012-13', cat. no. 5256.0.

<sup>21</sup> Productivity Commission (2010), *Contribution of the Not-for-profit Sector*, Research Report, January.

<sup>22</sup> Australian Institute of Health and Welfare (2006), *Cutting the Red Tape: Preliminary paper detailing the problem of multiple entry and reporting by service providers*; Christine Ryan, Cameron Newton and Myles McGregor-Lowndes (2008), *How Long is a Piece of Red Tape? The paperwork reporting cost of government grants*.

Table 1: Measuring regulatory and reporting burden – specific to the context of charities and NFPs

<p>Morgan Disney and Associates (for the Office of Indigenous Policy Coordination), <i>A Red Tape Evaluation in Selected Indigenous Communities</i>, 2006</p> <p>This evaluation set out to establish the extent and nature of the administrative burden of governed funding programs on Indigenous organisations. Undertaken between mid-2005 and January 2006, the evaluation involved a sample of half of the Indigenous Coordination Centres (ICCs), and 22 Indigenous organisations in receipt of government funding and nominated by the 14 ICCs in the sample. The evaluation is primarily qualitative in nature, though some quantitative estimates of the time taken to prepare applications and meeting reporting requirements are provided. Key findings include:</p> <ul style="list-style-type: none"> <li>• The accountability framework for grants, by itself, does not create red tape or unreasonable burden on funded organisations</li> <li>• Rather, red tape or unreasonable burden is created primarily at the operational level in how the accountability framework is translated into departmental and local practices</li> <li>• Administrative burden is greater where applications for grants are required every year, reporting is more frequent, and organisations receive many sources of funds from two levels of government.</li> </ul>
<p>Australian Institute of Health and Welfare, <i>Cutting the Red Tape: Preliminary paper detailing the problem of multiple entry and reporting by service providers</i>, 2006</p> <p>The purpose of this study was to describe and validate the program of multiple entry and reporting by community service providers required to provide data against more than one national data collection. Data was collected through site visits to four community service providers.</p> <p>The study found that community service providers are experiencing a considerable data collection and reporting impost because of:</p> <ul style="list-style-type: none"> <li>• The requirement of program-centred reporting for service providers to use separate, program provided data collection forms and/or software resulting in the client providing, and the service provider, recording and reporting on the same client on multiple occasions</li> <li>• The lack of electronic data capture, storage and reporting systems in the community services sector which would give providers the capacity to record data once, from which multiple reporting could occur.</li> </ul>
<p>Allen Consulting Group (for the Victorian State Services Authority), <i>Review of NFP Regulation: Estimate of potential administrative cost savings</i>, 2007</p> <p>This study sought to quantify the potential administrative and compliance savings of proposed reforms to Victorian Government regulation and reporting requirements on the NFP sector. Potential savings were estimated in terms of administrative savings (measuring using the SCM), substantive compliance costs savings and direct financial cost savings. Data was collected through consultations with NFPs and peak bodies. The study found that, if the proposed reforms were implemented, the Victorian Government could expect total savings to be at least \$24.2 million per annum.</p>
<p>Hudson Institute Centre for Global Prosperity, <i>Philanthropic Freedom: A Pilot study</i>, 2013</p> <p>This is a comparative, cross-national study on philanthropic freedom. It examines the barriers and incentives for individuals and organisations to donate money and time to social organisations by measuring seven indicators (grouped in terms of civil society regulation, domestic tax regulation and cross border-flows regulation) across 13 countries (including Australia).</p> <p>Australia received an overall score of 4.3 out of 5.0 and was ranked equal third (with Sweden and Japan) behind the Netherlands and the United States.</p>
<p>Christine Ryan, Cameron Newton and Myles McGregor-Lowndes, <i>How Long is a Piece of Red Tape? The paperwork reporting cost of government grants</i>, 2008</p> <p>This study quantified the time and cost of government generated paperwork (such as applying for grants or grant acquittals) for Queensland non-profit organisations. The study utilised a case study approach, involving 14 organisations that kept logs to record government generated paperwork as they completed forms over a 12 month period in 2005. Key findings of the study included:</p> <ul style="list-style-type: none"> <li>• Over the 12 months, the 14 organisations together reported taking an average of 143.57 hours (median of 95 hours) to complete government generated paperwork</li> <li>• 60 per cent of compliance forms were submitted to state government, and 34 per cent to the Commonwealth</li> </ul> <p>The cost of government generated paperwork was an average of 1.74 per cent of an organisation's total revenue.</p>

Public Interest Advocacy Centre, The Whitlam Institute within the University of Western Sydney, and Social Justice and Social Change Research Centre, University of Western Sydney, *A Question of Balance: Principles, contracts and the government-not-for-profit relationship*, 2009

This study analysed the nature of contracts in human services (between government and NFP organisations), the principles upon which they are built and the implications of their actual terms. The study was primarily qualitative in nature, drawing on interviews with senior staff from 24 NFP organisations, and legal analysis of existing contracts between NFPs and Commonwealth Government departments. Key findings of the research include:

- There is widespread concern among NFPs about government micro-management under the contractual umbrella, and the cost associated with contractual compliance (interviewees estimated that meeting contractual requirements accounted for between 40 and 60 per cent of their administrative load)
- Some contractual obligations are unduly burdensome – particularly those that aim to eliminate risk, rather than manage it.

#### Various government reviews

There have been numerous Commonwealth Government reviews of the NFP regulatory framework over the past 15 years. These include:

- 2001 Report of the inquiry into the Definition of Charities and Related Organisations
- 2008 Senate Economics Committee inquiry into Disclosure Regimes for Charities and NFP Organisations
- 2009 Australia's Future Tax System report (AFTS report)
- 2010 Productivity Commission report on Contribution of the Not-for-Profit sector
- 2010 Senate Economic Legislation Committee inquiry into the Tax Laws Amendment (Public Benefit Test) Bill 2010
- 2011 Commonwealth Treasury Scoping Study for a National Not-For-Profit Regulator<sup>23</sup>
- 2011 Establishment of the Australian Charities and Not-for-profits Commission Regulation Impact Statement.

The overarching findings from these reviews are:

- The NFP regulatory framework is fragmented, inconsistent and based on entity type rather than activities or outcomes
- At the Commonwealth level regulatory oversight is spread across multiple Government agencies which increases compliance costs and complexity
- Reporting arrangements for NFP entities are uncoordinated and complex, and do not take into account the differing size, risks and access to public monies of NFP entities
- Existing reporting arrangements imposes significant administrative burden on NFP entities.

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<sup>23</sup> Commonwealth Treasury (2011), *Final Report: Scoping Study for a National Not-for-Profit Regulator*, Commonwealth Government Canberra.

## Regulatory Impact Assessment of Potential Duplication of Governance and Reporting Standards for Charities, 2013

In January 2013, COAG released a consultation regulatory impact assessment (RIA) that sought to identify and quantify the extent of duplication between existing and proposed governance standards and reporting requirements on charities, with a view to assisting a final report to COAG to determine whether it is a problem that would warrant government action.

The Consultation RIA estimated that the compliance burden arising from the duplication between existing regulatory requirements of states and territories and the proposed ACNC governance and reporting requirements is equal to \$1.6 million in one-off costs and \$13.4 million in ongoing annual costs across Australia. The Consultation RIS proposed five options to reduce duplication, and prompted feedback on these options from stakeholders.

It is important to note that:

- The RIA made clear that the 'impacts of duplication will not occur until transitional arrangements expire'
- The estimated duplication was if harmonization did not occur as recommended in the RIA and only after the transitional arrangements expire
- South Australia and the Australian Capital Territory have since committed to harmonize should the ACNC continue (eliminating the duplication), and other jurisdictions have shown interest
- Transitional arrangements remain in place
- The RIA did not cost simple duplication, but also costs from increased transparency.

## 2.2 Current Commonwealth policy

Reducing the regulatory and reporting burden on charities and the broader NFP sector continues to be a bipartisan objective of both the previous and the current Commonwealth Government.

The current Commonwealth Government has set itself the objective of reducing the cost of red tape for businesses, community organisations and individuals by at least \$1 billion per year.<sup>24</sup> This objective applies to:

*'any mandatory obligations imposed by legislation, regulations, quasi regulations such as statutory instruments, standards, codes of practice, or any other aspect of regulator behaviour that has a measurable cost burden on business or individuals. Red tape burden imposed by the Commonwealth's procurement, grants and cost recovery rules are also included.'*<sup>25</sup>

The implementation of this deregulation agenda involves several work streams, including:

- The establishment of portfolio deregulation units
- The establishment of ministerial advisory councils
- The launch of 'repeal day'
- The conduct of regulatory audits across portfolios and the quantification of the regulatory burden.

Across a number of areas, the Commonwealth has announced reviews or initiatives that may impact the regulatory and reporting outcomes of the NFPs and charities sector, including:

- The announced deregulation changes to the university sector
- Current reforms to the processes relating to Commonwealth grants
- The Productivity Commission inquiry into the child care sector
- The Productivity Commission inquiry of the Fair Work Act 2009
- The upcoming White Paper on taxation reform
- The upcoming White Paper on Federalism
- Reconfiguration of the Job Services Agreement in 2015 between the Commonwealth and Job Services providers.

Additional Commonwealth deregulatory reform announcements are expected in the coming 12 months once the current deregulation audits and costing exercises are complete. These additional announcements have the capacity to impact on the NFP and charity sector.

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<sup>24</sup> Department of the Prime Minister and Cabinet (2013), 'Office of Deregulation', available at: <http://www.dpmc.gov.au/deregulation/index.cfm>.

<sup>25</sup> Ibid.

### 3. Mapping regulatory and reporting obligations

A key research task of this project was to undertake a regulatory and reporting obligation mapping exercise (in accordance with the Conceptual Framework and Methodology, developed in agreement with the ACNC). The purpose of this exercise was to identify and classify the Commonwealth obligations imposed on the 15 case study charities – the results of which would inform our analysis of the burden and red tape imposed on the case study charities.

To map the obligations imposed on the case study charities, we relied on information supplied by the case study charities and drew on:

- Our own knowledge of the regulatory frameworks surrounding charities in Australia
- Relevant publicly available information – such as guidance issued by departments and agencies (e.g. grant program guidelines and manuals) and grant reporting information published by departments or agencies.

While we have strived for data completeness, in some cases (particularly in the context of grant program reporting) detailed information about obligations is not publicly available; but rather, is included in funding agreements and thus considered commercial-in-confidence.

#### 3.1 Classifying obligations

Generally speaking, the case study charities are required to comply with two broad types of regulatory and reporting obligations:

- Legislative obligations - those that are mandatory because of a legal (either primary or secondary legislation) requirement
- Funding agreement obligations – those that are imposed on a charity as a result of the charity entering into a funding agreement with the Commonwealth.

#### 3.2 Legislative obligations

We have identified 15 broad legislative obligations that apply to the group of case study charities. These are listed in Table 2.

Table 2: Legislative obligations that apply to the case study charities

Broad obligation	Portfolio	Regulatory purpose
ABS reporting	Treasury	Data collection
ACNC registration and compliance	Treasury	Charity regulation
Age Discrimination Act 2004	Attorney-General's	Human rights
ASIC registration	Treasury	Corporate regulator
Criminal Code Act 1995	Attorney-General's	Criminal law
Disability Discrimination Act 1992	Attorney-General's	Human rights
Disability services requirements	Social Services	Service delivery
Employment conditions and remuneration	Employment	Workplace
FBT requirements	Treasury	Taxation
GST requirements	Treasury	Taxation
PAYG requirements	Treasury	Taxation
Privacy requirements	Attorney-General's	Human rights
Racial Discrimination Act 1975	Attorney-General's	Human rights
Sex Discrimination Act 1984	Attorney-General's	Human rights
Workplace gender equality	Employment	Workplace

Table 3 summarises our mapping of the legislative obligations imposed on the individual case studies. It is important to note that:

- Not all the obligations listed in Table 3 represent individual obligations. In some cases, we have rolled a number of similar obligations into a single obligation.
- Not all obligations are equal in terms of the requirements and burden they impose on the case study charities. Some obligations, such as those relating to the various discrimination acts and the Criminal Code Act 1995, generally only require the case study charities to avoid certain actions. Other obligations, such as those relating to the various taxation measures, require the case study charities to undertake certain actions (e.g. in terms of collecting and paying tax), report information to the ATO, and to keep records for a mandated period.

Key findings from our mapping of legislative obligations include:

- There are a number of legislative obligations that apply to all the charity case studies. These include the obligations associated with ABS reporting, ACNC registration, the various human rights Acts (e.g. the Racial Discrimination Act 1975, the Sex Discrimination Act 1984, the Disability Discrimination Act 1992 and the Aged Discrimination Act 2004), and the GST.
- Other legislative obligations (such as those associated with employment conditions and remuneration and PAYG) apply to nearly all the charity case studies – the exception being one case study that uses only volunteers, and thus does not believe they had any PAYG or workplace requirements.
- Large case study charities face, on average, more legislative obligations than small and medium case study charities – primarily because certain obligations (such as those relating to privacy and workplace gender equality) only apply to organisations over a certain size.
- Case study charities in the social welfare sub-sector face, on average, more legislative obligations than case study charities in the health and the other education sub-sectors.
- Generally speaking, the legislative obligations imposed on case study charities appear more or less split between information and substantive compliance obligations.

Table 3: Mapping of legislative obligations against the case study charities

Obligation	Type	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Charity size (small, medium, large)		Sml	Sml	Lge	Lge	Lge	Lge	Med	Med	Lge	Sml	Med	Med	Sml	Sml	Med
Sub-sector (health, other education, social)		Hth	Hth	Hth	Soc	Ed	Hth	Soc	Ed	Soc	Ed	Soc	Ed	Ed	Hth	Soc
ABS reporting	Information	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Participate in surveys	Information															
ACNC registration																
Annual information statement	Information	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Comply with governance standards	Sub. Comp.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Notify of changes	Information	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Keep records	Information	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Age Discrimination Act 2004																
General compliance	Sub. Comp.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ASIC registration																
Notify certain information	Information			✓		✓	✓			✓					✓	
Criminal Code Act 1995																
General compliance	Sub. Comp.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Disability Discrimination Act 1992																
General compliance	Sub. Comp.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Disability services requirements																
Certified against the National Standards	Sub. Comp.				✓					✓		✓				
Employment conditions and remuneration																
Fair Work Act 2009 compliance	Sub. Comp.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Fair Work Act 2009 record keeping	Information	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
FBT requirements																
Compliance	Sub. Comp.			✓	✓	✓	✓			✓				✓		✓
Reporting	Information			✓	✓	✓	✓			✓				✓		✓
Record keeping	Information			✓	✓	✓	✓			✓				✓		✓



### 3.3 Funding agreement obligations

We identified 16 sources of Commonwealth funding for which the case study charities had funding agreements over the previous 12 months. These sources of funding, and their associated obligations, are outlined in Table 4. Key findings include:

- Three of the case study charities did not receive funding from the Commonwealth over the previous 12 months. Of the remaining 12 case study charities, eight received funding from one source of Commonwealth funding, three received funding from two sources and one received funding from nine sources.
- Approximately four-fifths of the obligations associated with the sources of funding are information obligations, and all sources of funding have at least one information obligation. The information obligations associated with the sources of funding generally fall into one of three categories: performance reporting (typically relating to outcomes of the funding), activity reporting (e.g. details on the clients that received services from the funding) and financial reporting (proving and/or detailing how the funding was spent).
- The substantive compliance obligations associated with the sources of funding generally relate to maintaining appropriate client feedback/complaints processes, subjecting staff and volunteers to regular police checks, and maintaining appropriate data security arrangements.

It is important to note that many of the information obligations listed in Table 4 involve frequent reporting (i.e. more than once a year) to the relevant Commonwealth department or agency.

Table 4: Mapping of funding agreement obligations against the case study charities

Obligation	Type	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Charity size (small, medium, large)		Sml	Sml	Lge	Lge	Lge	Lge	Med	Med	Lge	Sml	Med	Med	Sml	Sml	Med
Sub-sector (health, other education, social)		Hth	Hth	Hth	Soc	Ed	Hth	Soc	Ed	Soc	Ed	Soc	Ed	Ed	Hth	Soc
HIACC program																
Minimum Data Set quarterly reports	Information	✓	✓	✓												
Financial accountability Report	Information	✓	✓	✓												
Output variation reports	Information	✓	✓	✓												
Ad hoc reporting	Information	✓	✓	✓												
Police checks for staff and volunteers	Sub. Comp.	✓	✓	✓												
Staffing and training	Sub. Comp.	✓	✓	✓												
Service delivery requirements (various)	Sub. Comp.	✓	✓	✓												
Complaints handling	Sub. Comp.	✓	✓	✓												
Incident reporting	Information	✓	✓	✓												
Record keeping	Information	✓	✓	✓												
Acknowledging funding requirements	Information	✓	✓	✓												
Quality review and reporting (if requested)	Information	✓	✓	✓												
Child care requirements																
Family Assistance Law - notification requirements (various)	Information												✓			
Family Assistance Law - electronic reporting requirements (various)	Information, Sub. Comp												✓			
Family Assistance - record keeping (various)	Information												✓			
Family Assistance Law - fee requirements (various)	Sub. Comp.												✓			
Family Assistance Law - service requirements (various)	Sub. Comp												✓			









### 3.4 Mapping and red tape

As part of our mapping exercise, we captured (where data availability allowed) the requirements associated with the obligations outlined in Table 3 and Table 4, and then examined the captured requirements to identify potential duplication and sources of red tape. Key findings that emerged from our analysis include:

- There does not appear to be substantial duplication between the legislative obligations and funding agreement obligations imposed on the case study charities.
  - Some sources of Commonwealth funding include statements that recipients of funding are required to comply with relevant Commonwealth laws (e.g. the various discrimination Acts, the Privacy Act 1988, etc.). While these statements seem unnecessary, they are unlikely to be burdensome (as the charities in question should already be complying with relevant Commonwealth laws).
  - The above notwithstanding, there is some duplication in the type of information requested under legislative obligations and funding agreement obligations – primarily in terms of core information (e.g. legal name, Australian Business Number [ABN], contact details, etc.) and information relating to organisational viability (e.g. governance documents, annual financial reports, etc.).
- There does not appear to be substantive duplication between the different legislative obligations imposed on the case study charities.
  - The various discrimination Acts impose similar requirements on the case study charities (e.g. in terms of what they must not do in terms of employment, association, etc.), but for different purposes and involving different offences.
  - While the broad taxation obligations have similar reporting requirements, the Australian Taxation Office (ATO) allows consolidated reporting for those organisations that collect PAYG, GST and/or FBT.
  - There appears to be a clear demarcation between the obligations imposed on the case study charities by the ACNC and the Australian Securities and Investments Commission (ASIC).<sup>26</sup>
  - The remaining obligations (e.g. those associated with the Privacy Act 1988, the Criminal Code Act 1995, and employment conditions and remuneration) are either sector or policy specific.
- In terms of the funding agreement obligations imposed on the case study charities:
  - There does not appear to be substantive duplication between the relevant activity and performance reporting requirements – primarily because these requirements tend to relate to the specific services and projects funded under the various funding agreements.
    - There is the potential for overlap between the quality review requirements of the HACC program and the Home Care Package programme, as both sets of requirements are based on the same underlying standards (the Community Care Common Standards Guide). This notwithstanding, none of the case study charities received funding from both programs.
    - There is also potential for overlap between the performance reporting of the Mental Health Respite: Carer Support Funding program, the Partners in Recovery program, and the Targeted Community Care program, given the focus of all these programs on mental health support. However, there is not sufficient publicly available information on the performance reporting requirements of the three programs that would allow us to make a reasonable comparison.
  - There appears to be the potential for significant duplication between the financial reporting requirements of the various funding sources listed in Table 4. However, the extent of actual duplication is difficult to ascertain, as the details of the financial reporting requirements for many of the programs are included in the relevant funding agreements and are thus not publicly available.
  - A number of the programs require the case study charities to maintain complaints handling procedures. However, these requirements do not appear to be overly prescriptive – meaning

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<sup>26</sup> ACNC (2014), 'Factsheet: Companies limited by guarantee and the ACNC', available at: [http://www.acnc.gov.au/ACNC/FTS/FS\\_ASIC\\_reg.aspx](http://www.acnc.gov.au/ACNC/FTS/FS_ASIC_reg.aspx)

that a charity would likely be able to satisfy the multiple requirements by having one complaints handling procedure in place.

- A number of the programs (such as the HACC program and the Home Care Package programme) require the case study charities to obtain police checks for all staff and volunteers. However, it appears that the case study charities could satisfy the multiple police check requirements by having one police check process in place. Furthermore, none of the case study charities received funding from both programs.
- Many of the information obligations outlined in Table 4 require the case study charities to lodge frequent reports. For instance, under the HACC program, providers are required to submit activity reports on a quarterly basis, and detailed financial reports and variation reports on a biannual basis. Likewise, under the Family Support Programs, providers are required to submit activity data monthly, and performance reports biannually. It is not clear whether the benefits of such frequent reporting (in terms of risk management, accountability and informed program management) offset the costs incurred by providers in developing and submitting the reports.
- In addition to the above point, a number of the information obligations outlined in Table 4 (particularly the performance reports and activity reports) require the case study charities to report on outputs (e.g. the number of clients serviced). There would appear to be scope to review these output reporting requirements to ensure they are aligned with best practice – i.e. that output reporting should be limited, with greater emphasis on outcome reporting.<sup>27</sup>

### 3.5 Commonwealth grants management reform

The Commonwealth has recently undertaken important initiatives to reduce the burden imposed through Commonwealth grants. These initiatives are outlined below.

#### 3.5.1 Grants.gov.au

The Department of Finance is currently undertaking a scoping study to inform the development of the Australian Government Grants System which was announced in the 2013-14 Commonwealth budget. The intention behind this initiative is to establish a whole-of-government grants advertisement, lodgment and reporting system, which would become a single point of reference for government entities and grant applicants (similar to Austender).<sup>28</sup>

The scoping study is nearing completion. The Department of Finance intends to undertake system design (based on the Austender platform) and user-testing over 2014-16, and for implementation to be completed by mid-2017.<sup>29</sup>

#### 3.5.2 Revision of the Commonwealth Grants Guidelines

The Department of Finance issued revised Commonwealth Grant Guidelines (now referred to as the Commonwealth Grants Rules and Guidelines) on 1 July 2014.<sup>30</sup> We have considered the future implications of the Commonwealth Grants Rules and Guidelines in conducting this research. However, due to project timeframes, we did not take into account the revised Commonwealth Grant Guidelines during our mapping or costing of regulatory and reporting obligations on the case study charities.

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<sup>27</sup> Standing Council of Federal Financial Relations (2011), 'Conceptual framework for performance reporting', available at: [http://www.federalfinancialrelations.gov.au/content/performance\\_reporting/conceptual\\_framework\\_performance\\_reportin\\_g\\_feb\\_11.pdf](http://www.federalfinancialrelations.gov.au/content/performance_reporting/conceptual_framework_performance_reportin_g_feb_11.pdf).

<sup>28</sup> Department of Finance (2014), 'Commonwealth Grants Rules and Guidelines', available at: <http://www.finance.gov.au/resource-management/grants/>.

<sup>29</sup> Department of Finance (2014), 'Australian Government grants news – August 2014', available at: <http://www.finance.gov.au/sites/default/files/grants-news-august-2014.pdf>.

<sup>30</sup> Department of Finance (2014), *Commonwealth Grants Rules and Guidelines*, available at: <http://www.finance.gov.au/publications/fmg-series/3-commonwealth-grant-guidelines.html>.

### 3.5.3 Low-risk grant agreement template

As part of the Government's repeal day on 26 March 2014, the Department of Finance launched a whole-of-government grant agreement template which is available for Commonwealth departments and agencies when entering into low risk grants. The template includes 20 standard terms and conditions with the option of additional terms and conditions being added.

The Department of Finance has also released an associated risk tool which can be used by departments and agencies to determine the level of risk specifically associated with the granting activity.

Officials indicated during the research project that Commonwealth agencies have started adopting the template in operations but it is too early to assess whether regulatory and reporting burden has been saved both within the government as well as with grant recipients.

### 3.5.4 'Report Once, Use Often' framework and the charity passport

A core component of the ACNC's reporting framework and efforts around reducing red tape is the 'report once, use often' principle.<sup>31</sup> This principle is consistent with recommendations issued by the Productivity Commission, the National Commission of Audit, the Australian National Audit Office, the Treasury and the Department of Finance. The principle of 'report once, use often' is incorporated through Section 8.4 of the Commonwealth Grants Rules and Guidelines (and the associated Resource Management Guide No. 412: Australian Government Grants – Briefing and Reporting).<sup>32</sup>

The ACNC has sought to operationalise this principle through the development and implementation of the charity passport, which was launched in June 2014.

### 3.5.5 Other reform initiatives

A number of Commonwealth departments and agencies have undertaken, are currently undertaking or are planning to undertake reform initiatives that have the potential to alleviate the regulatory and reporting burden imposed on charities. These initiatives include:

- New grant arrangements (Department of Social Services) – the Department of Social Services recently streamlined its grants arrangements. As part of this, the department:
  - consolidated 18 programs into seven, with the intention of better reflecting the way community services are delivered
  - is moving towards a single grant agreement for each provider
  - is moving towards a new and streamlined approach to program performance reporting – this will involve the progressive introduction of standardised, prioritised, and collaborative reporting processes across many of the department's grant programs from July 2014 to July 2015
  - has adopted simplified financial acquittal reporting.<sup>33</sup>

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<sup>31</sup> ACNC (2014), *Report Once, Use Often: Charity passport guide for government agencies*, available at: [file:///C:/Users/croucca/Downloads/Report%20Once,%20Use%20Often%20-%20Guide%20for%20government%20agencies%20on%20using%20the%20Charity%20Passport%20\[PDF%201.44MB\].pdf](file:///C:/Users/croucca/Downloads/Report%20Once,%20Use%20Often%20-%20Guide%20for%20government%20agencies%20on%20using%20the%20Charity%20Passport%20[PDF%201.44MB].pdf).

<sup>32</sup> See: Department of Finance (2014), *Commonwealth Grants Rules and Guidelines*, available at: <http://www.finance.gov.au/publications/fmg-series/3-commonwealth-grant-guidelines.html>; Department of Finance (2014), *Australian Government Grants – Briefing and reporting*, Resource Management Guide No. 412., available at: <http://www.finance.gov.au/sites/default/files/resource-management-guide-no-412.pdf>.

<sup>33</sup> Department of Social Services (2014), 'A new way of working: grant programmes in DSS', available at: [http://www.dss.gov.au/sites/default/files/documents/05\\_2014/reducing\\_red\\_tape\\_in\\_grant\\_programmes\\_fact\\_sheet\\_v2\\_0.pdf](http://www.dss.gov.au/sites/default/files/documents/05_2014/reducing_red_tape_in_grant_programmes_fact_sheet_v2_0.pdf).

- Grants reform (Department of Health) – the Department of Health has a relatively long-standing grants reform agenda, the objectives of which are to reduce the workload for staff and service providers, to reduce red tape, and to reduce risk. A key initiative under the grants reform agenda has been the establishment of a Standard Funding Agreement. This reduced a large proportion of individual funding agreements being offered to service providers, through the consistent application of a single set of Terms and Conditions across the department.<sup>34</sup>

In addition to the above, under the Government's deregulation agenda, departments are required to conduct regulatory audits across their portfolios and quantify regulatory burden. These audits have the potential to lead to deregulatory initiatives that could reduce the regulatory and reporting burden on charities.

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<sup>34</sup> Department of Health (2014), 'Grant reform homepage', available at:  
<http://www.health.gov.au/internet/main/publishing.nsf/Content/gps-grants-reform-homepage>.

## 4. Online survey results

### 4.1 Response rate to the survey

A total of 379 charities responded to the survey. Only one of the survey questions (Question 1 – 'Please enter your charity's [ABN] in the comment box below') was compulsory. Table 5 details the response rate for each of the survey questions.<sup>35</sup>

Table 5: Survey question response rates

Question Number	Response Rate	
	Answered	Skipped
1	379	0
2	354	25
3	204	175
4	347	32
5	292	87
6	291	88
7	291	88
8	257	122
9	263	116
10	257	122
11	201	178
12	256	123
13	254	125
14	198	181
15	254	125
16	157	222
17	151	228

### 4.2 Respondent characteristics

Using the ABNs provided by respondents, as well as the ACNC Register and Australian Business Register, we were able to collect information on the key organisational characteristics of our survey sample. The key limitation of this approach is that only 335 respondents (or 88 per cent of the total) provided a usable ABN.

#### Location

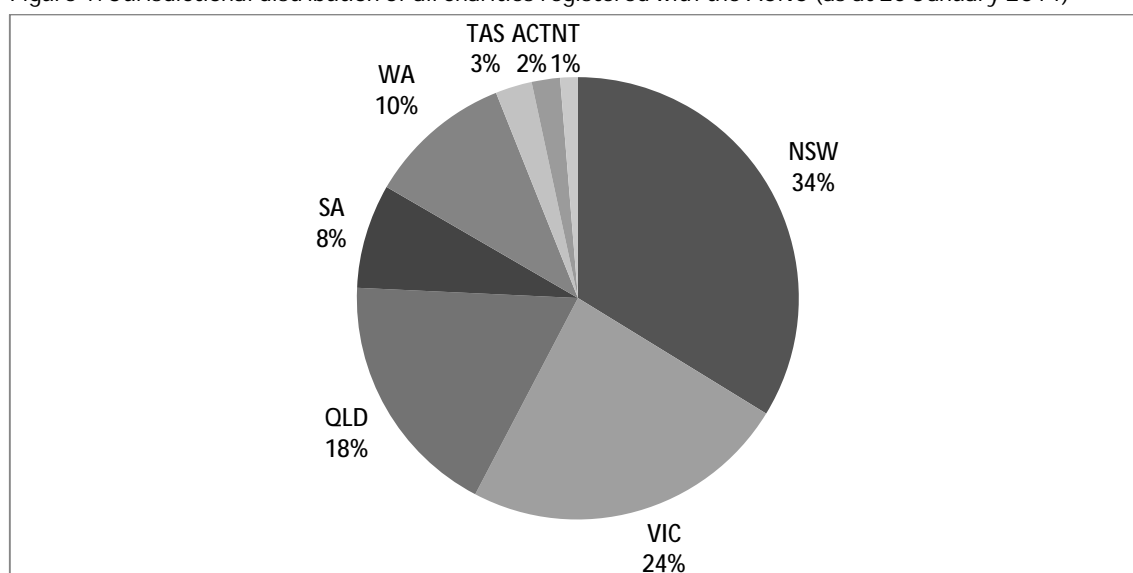
As Table 6 indicates, location information was available for 335 respondents. Of these, the largest share is based in Victoria (33 per cent), followed by New South Wales (30 per cent), Queensland (13 per cent) and Western Australia (9 per cent). Compared to all charities registered with the ACNC (see Figure 1), our survey sample is over-represented by charities based in Victoria and the Australian Capital Territory, and under-represented by charities based in New South Wales and Queensland.

<sup>35</sup> Note that survey participants who 'skipped' providing a specific response to an individual question did not influence the survey responses as they were not included.

Table 6: Survey respondents, by location

State or Territory	Number of survey respondents	Proportion of sub-total
New South Wales	99	30%
Victoria	110	33%
Queensland	44	13%
South Australia	20	6%
Western Australia	29	9%
Tasmania	9	3%
Australian Capital Territory	22	7%
Northern Territory	2	1%
Sub-total	335	100%
Respondent information not available	44	
Total	379	

Figure 1: Jurisdictional distribution of all charities registered with the ACNC (as at 29 January 2014)



### Charity size

As Table 7 outlines, charity size information was available for 314 respondents. Of these, just under three-fifths are large charities, approximately one-fifth are small charities, and one fifth medium charities. Compared to charities registered with the ACNC (Table 8), our survey sample is considerably over-represented by large charities and considerably under-represented by small charities.

Table 7: Survey respondents, by charity size

Organisation Size	Number of survey respondents	Proportion of sub-total
Small	68	22%
Medium	63	20%
Large	183	58%
Sub-total	314	100%
Respondent information not available	65	
Total	379	

*Note: Small charity (less than \$250,000), medium charity (medium (\$250,000 or greater, but less than \$1 million) and large charity (\$1million or greater).*

Table 8: Size of charities registered with the ACNC (as at 29 January 2014)

	Small	Medium	Large
Share of registered charities for which size information is available	68%	16%	16%

*Note: The data in this table is not based on all registered charities, but those charities that had lodged an AIS with the ACNC by 29 January 2014.*

### Entity structure

As shown in Table 9, entity type information was available for 335 respondents. Of these, the largest share was accounted for by 'other incorporated entities' (39 per cent), followed by 'other unincorporated entities' (28 per cent) and 'Australian public companies' (25 per cent). Compared to charities registered with the ACNC (Table 10), our survey sample is overrepresented by 'Australian public companies', and under-represented by 'other unincorporated entities'.

Table 9: Survey respondents, by entity structure

Entity Structure	Number of survey respondents	Proportion of sub-total
Australian Private Company	6	2%
Australian Public Company	85	25%
Co-operative	3	1%
Discretionary Investment Trust	9	3%
Fixed Trust	4	1%
Other Incorporated Entity	130	39%
Other trust	3	1%
Other Unincorporated Entity	94	28%
State Government Entity	1	0%
Sub-total	335	100%
Respondent information not available	44	
Total	379	

Table 10: Entity type of charities registered with the ACNC (as at 29 January 2014)

	Other incorporated entity	Other unincorporated entity	Australian public company
Share of registered charities for which entity type information is available	41%	36%	10%

### Taxation status

The vast majority of survey respondents are registered for the GST, while approximately half are registered for FBT or have obtained DGR status (Table 11).

Table 11: Survey respondents, by taxation status around whether an entity is registered for the GST, FBT and whether the organization has obtained the DGR status

	GST	FBT	DGR Status
Registered	308	162	183
Not-registered	23	169	148
Respondent information not available	48	48	48
Total	379	379	379

### Main organisational activity

As Table 12 indicatives, information about main organisational activity was available for 210 respondents. Of these, the largest share nominated 'social services' (10 per cent), followed by 'primary secondary education' (9 per cent), 'aged care' (8 per cent), 'economic social community' (8 per cent) and 'religious' (8 per cent).

Table 12: Survey respondents, by main organisational activity

Main Activity	Number	Percentages
Aged Care	17	8%
Animal Protection	1	0%
Civic Advocacy	4	2%
Culture Arts	5	2%
Economic Social Community	17	8%
Emergency Relief	3	1%
Employment Training	5	2%
Environmental	8	4%
Grant Making	4	2%
Higher Education	2	1%
Hospital Services Rehabilitation	3	1%
Housing	8	4%
International	3	1%
Law and Legal Services	3	1%
Mental Health Crisis Intervention	7	3%
Other Education	13	6%
Other Health Service Delivery	13	6%
Other Recreation Social Club	1	0%
Primary Secondary Education	18	9%
Religious	17	8%
Research	4	2%
Social Services	21	10%
Other	33	16%
Sub-total	210	100%
Respondent information not available	169	
Total	379	

## 4.3 Survey results

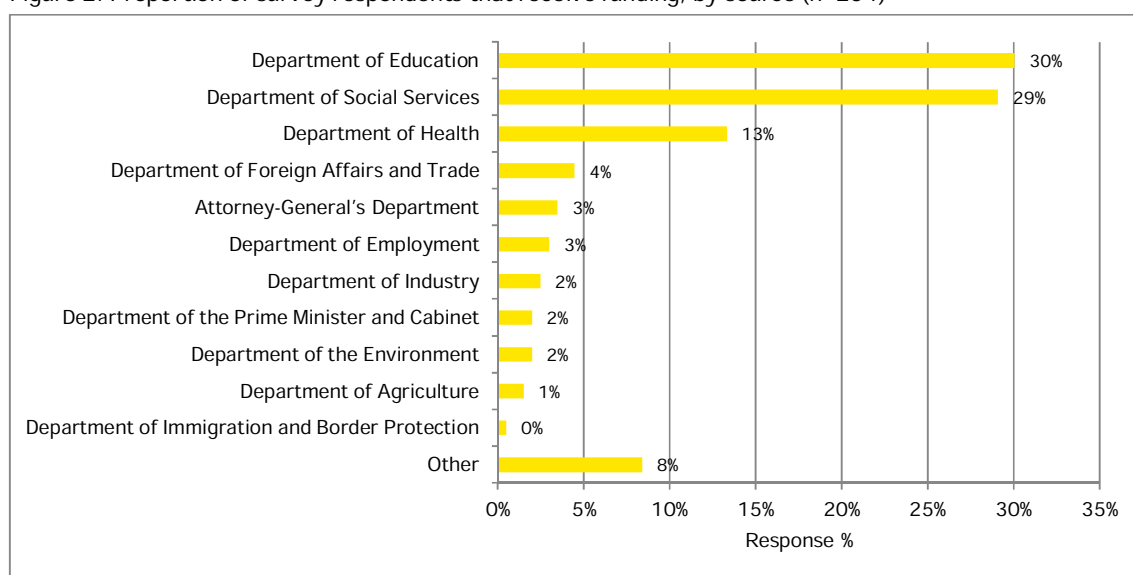
### 4.3.1 Commonwealth funding

Almost three-fifths of survey respondents indicated they receive funding from the Commonwealth (Table 13). As Figure 2 illustrates, the top sources of Commonwealth funding nominated by survey respondents were the Department of Education, the Department of Social Services and the Department of Health.

Table 13: Proportion of survey respondents that receive Commonwealth funding

Answer	Response %	Response Count
Yes	59%	208
No	41%	146

Figure 2: Proportion of survey respondents that receive funding, by source (n=204)

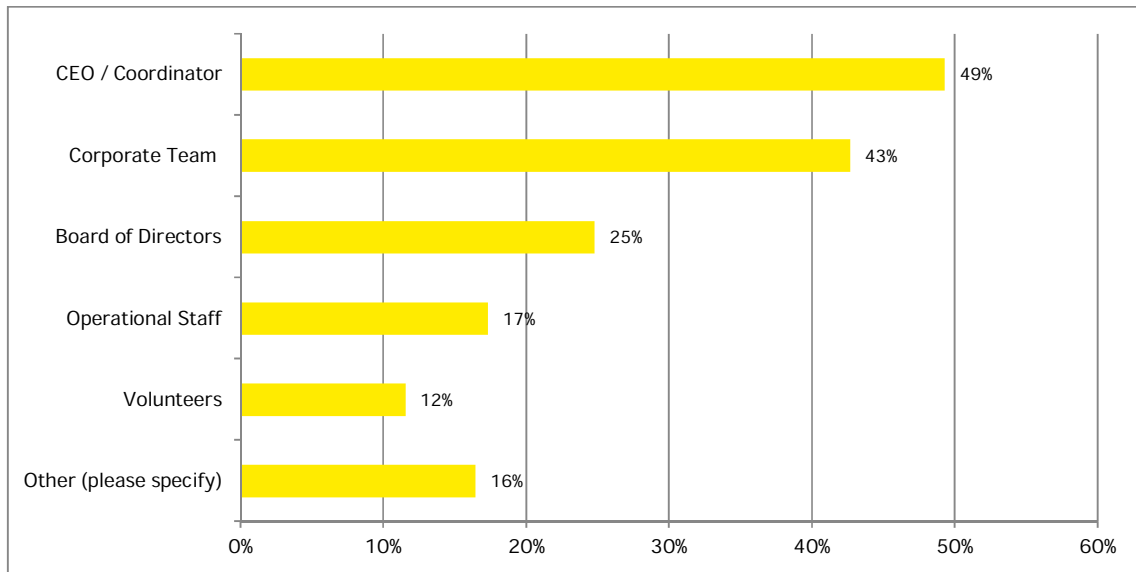


### 4.3.2 Responsible for meeting regulatory and reporting obligations

Respondents to the survey were asked to indicate who was primarily responsible for activities that support their organisation in meeting its regulatory and reporting obligations. As Figure 3 shows, a majority of survey respondents nominated their CEO or Corporate Team. 'Other' persons nominated by survey respondents included:

- Company secretary
- Chief Financial Officer
- Catholic Education Office
- Legal Team
- Prior of religious order
- Parish priest
- Bishop
- Delegate of congregation for Australia
- School principal
- Bookkeeper
- Business Manager
- Contractors.

Figure 3: Persons who are primarily responsible for activities that support their organisations in meeting its regulatory and reporting obligations (n=347)



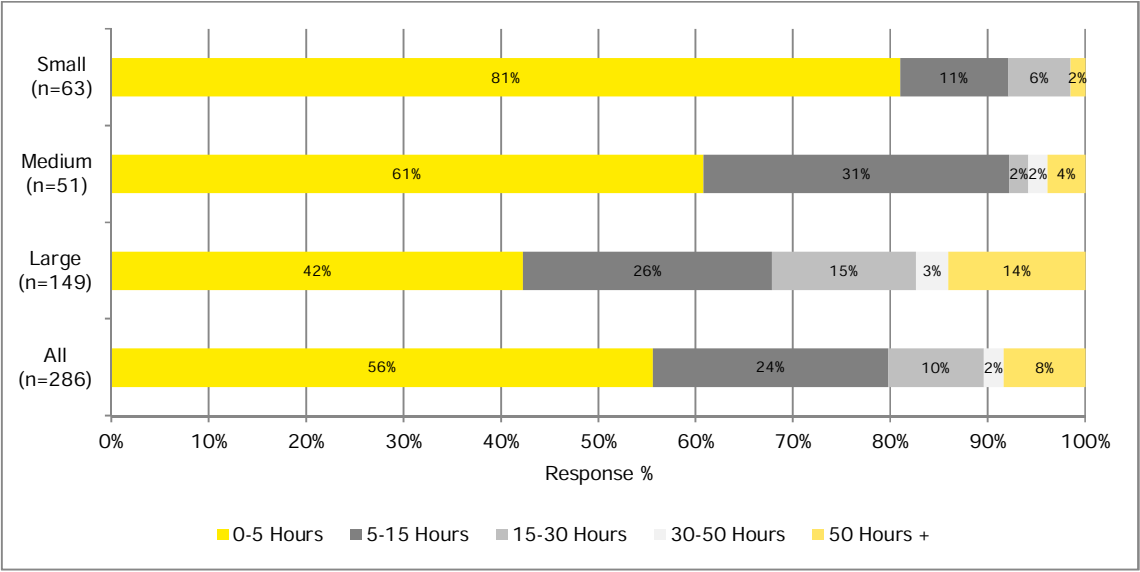
### 4.3.3 Regulatory and reporting burden experienced

#### Time spent meeting obligations

Respondents to the online survey were asked to indicate how much time in an average week their charity spends on activities required to meet regulatory and reporting obligations (counting both staff and volunteer hours).

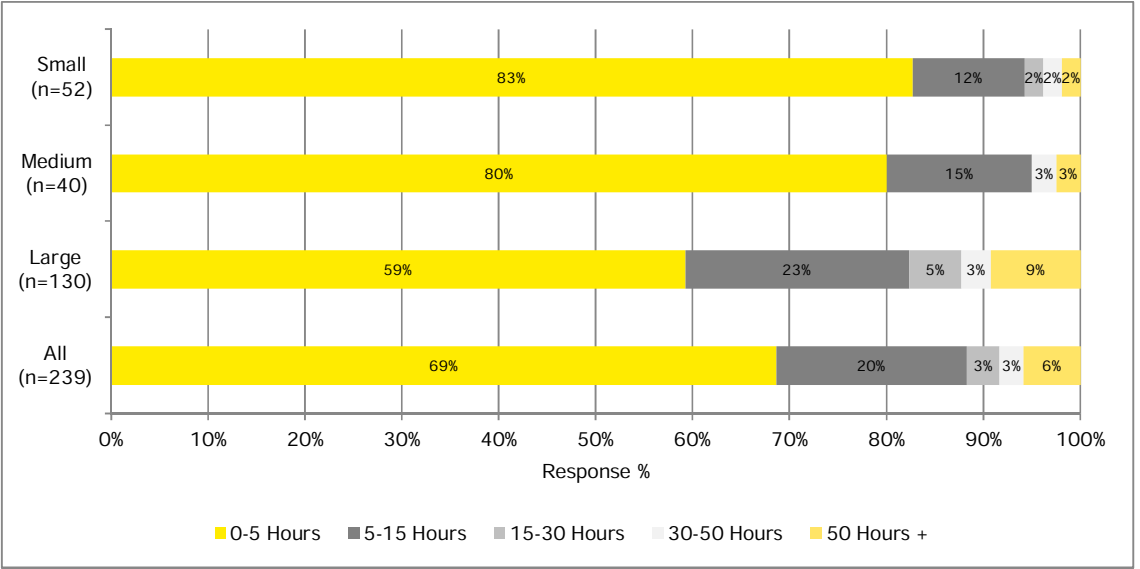
Fifty-six percent of respondents indicated that they spend less than five hours in an average week meeting all their regulatory and reporting obligations (i.e. those imposed by the Commonwealth and state governments), while 34 per cent stated that they spend between five and 30 hours, and 10 per cent stated that they spend 30 hours or more. As Figure 4 illustrates, small charities reported spending less time meeting all their obligations than large charities. Analysis of the survey data suggests that entity type and taxation status have little impact on the amount of time spent by respondents on meeting their regulatory and reporting obligations.

Figure 4: Time spent in an average week meeting all (state and Commonwealth) regulatory and reporting obligations



As Figure 5 illustrates, 69 per cent of respondents indicated that they spend less than five hours in an average week on meeting Commonwealth regulatory and reporting obligations only, while 23 per cent stated that they spend between five and 30 hours, and 9 per cent stated that they spend 30 hours or more.

Figure 5: Time spent in an average week meeting Commonwealth regulatory and reporting obligations only

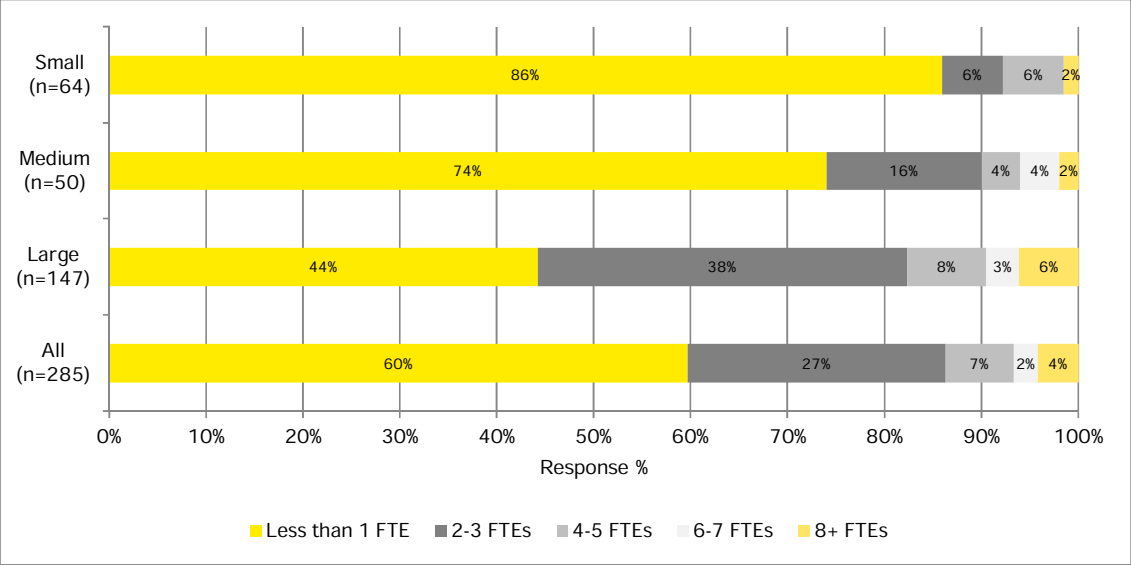


Staff dedicated to meeting obligations

Respondents to the online survey were asked to nominate how many full-time equivalents (FTEs) their charity has allocated to meeting its regulatory and reporting obligations.

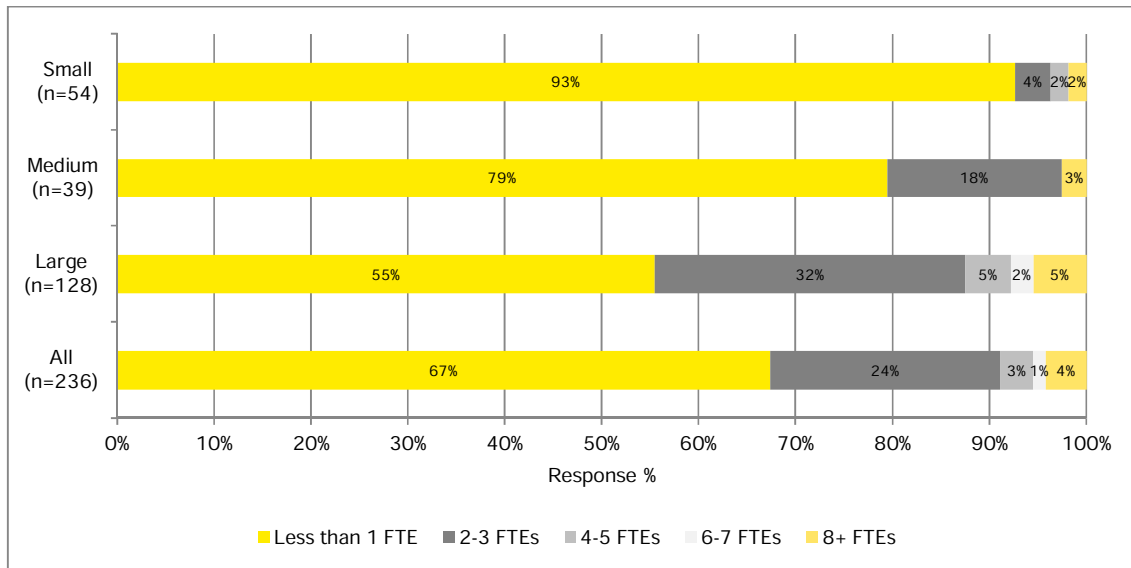
Sixty per cent of respondents reported they dedicate less than 1 FTE to meeting all their regulatory and reporting obligations, while 34 per cent dedicate between 2 and 5 FTEs, and 6 per cent dedicate 6 or more FTEs (Figure 6). Small charities reported dedicating less staff to meeting all their obligations than large charities. Analysis of the survey data suggests that entity type and taxation status have little impact on the amount of staff dedicated by respondents to meeting their regulatory and reporting obligations.

Figure 6: Number of FTEs dedicated to meeting all (state and Commonwealth) regulatory and reporting obligations



As Figure 7 illustrates, two-thirds of respondents reported they dedicate less than 1 FTE to meeting Commonwealth regulatory and reporting obligations only, while 27 per cent dedicate between 2 and 5 FTEs, and 5 per cent dedicate 6 or more FTEs. The amount of staff dedicated to meeting Commonwealth obligations is generally less than the staff they dedicate to meeting all obligations.

Figure 7: Number of FTEs dedicated to meeting Commonwealth regulatory and reporting obligations only



#### Costs incurred in meeting obligations

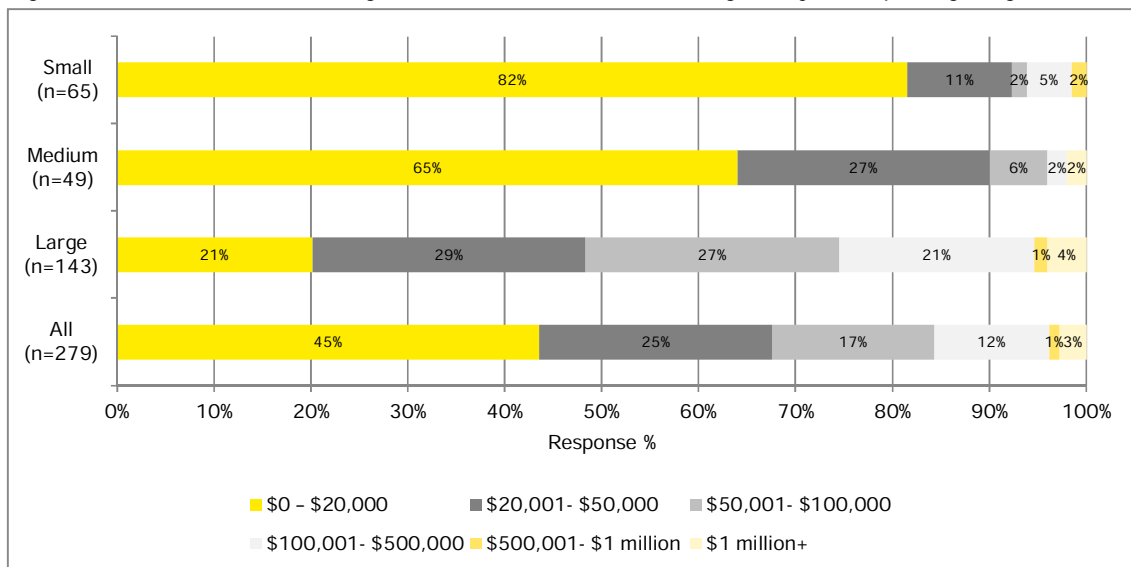
Respondents to the online survey were asked to estimate how much their charity spent in the last financial year on activities associated with meeting its regulatory and reporting obligations.

Forty-five per cent of respondents indicated that they incurred costs of less than \$20,000 in meeting all regulatory and reporting obligations, while:

- 42 per cent stated that they incurred between \$20,000 and \$100,000 in costs
- 13 per cent stated that they incurred between \$100,000 and \$1 million in costs
- 3 per cent stated that they incurred \$1 million or more in costs (Figure 8).

Small charities reported incurring significantly less costs in meeting all their obligations than large charities. Analysis of the survey data suggests that entity type and taxation status have little impact on the amount of costs incurred by respondents in meeting their regulatory and reporting obligations.

Figure 8: Costs incurred in meeting all (state and Commonwealth) regulatory and reporting obligations

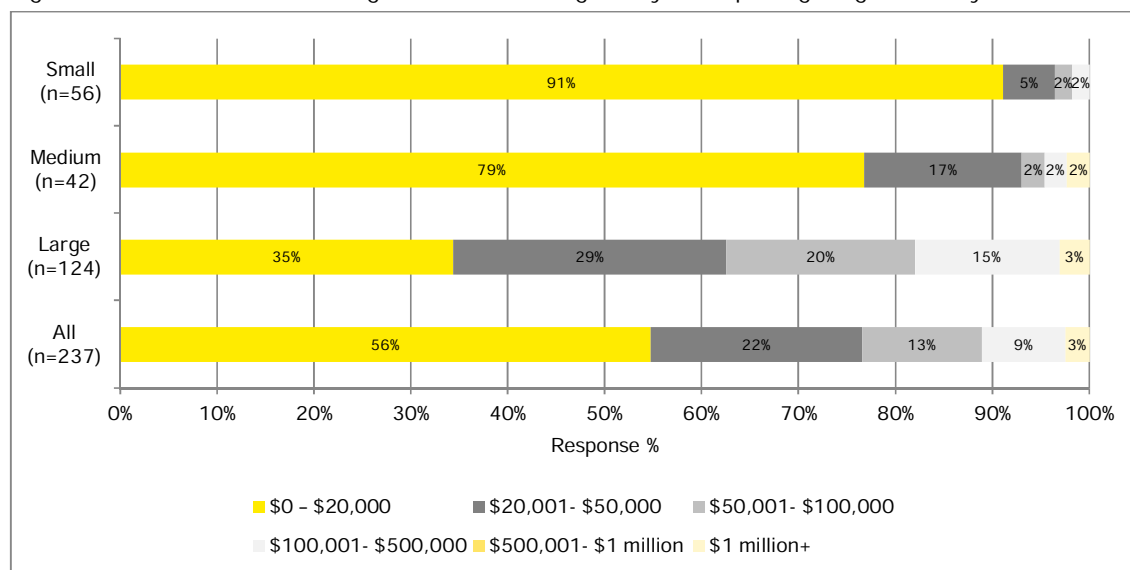


As Figure 9 illustrates, 56 per cent of respondents reported that they incurred costs of less than \$20,000 in meeting Commonwealth regulatory and reporting obligations only, while:

- 35 per cent stated that they incurred between \$20,000 and \$100,000 in costs
- 9 per cent stated that they incurred between \$100,000 and \$1 million in costs
- 3 per cent stated that they incurred \$1 million or more in costs.

The value of costs incurred in meeting Commonwealth obligations is generally less than the costs incurred in meeting all obligations.

Figure 9: Costs incurred in meeting Commonwealth regulatory and reporting obligations only



## Summary

Key findings that emerge from the sections above are:

- The burden imposed by Commonwealth obligations is generally low – a clear majority of respondents indicated that the time, staff and costs associated with meeting Commonwealth regulatory and reporting obligations lie at the lower end of the spectrum
- The above notwithstanding, a sizeable minority of respondents indicated that the burden imposed by Commonwealth obligations is significant (i.e. they indicated that the time, staff and costs associated with meeting regulatory and reporting obligations lie at the upper end of the spectrum)
- The factors that are likely to explain the difference between the above results include:
  - Charity size – larger charities tended to report a greater level of Commonwealth burden than smaller charities
  - Funding received – our general research indicates that the more sources of Commonwealth funding a charity receives, the greater the Commonwealth burden it experiences.

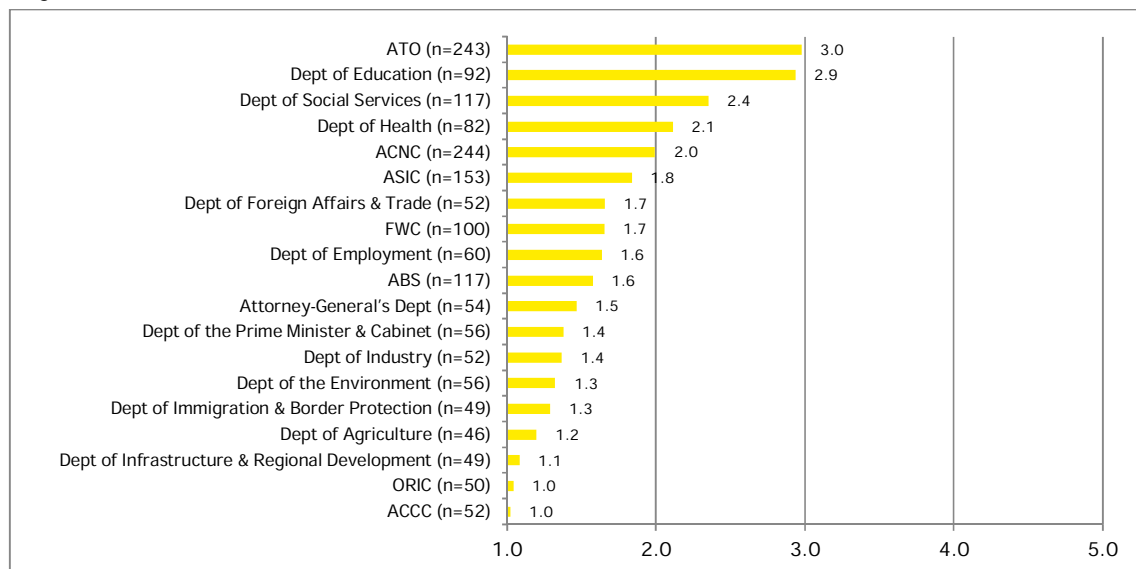
## 4.3.4 Sources of Commonwealth regulatory and reporting burden

Respondents to the online survey were asked to rate a selection of Commonwealth departments and agencies in terms of the costs associated with meeting their regulatory and reporting obligations (using a five point scale, with 1 equaling minimal cost and 5 equaling greatest cost). As Figure 10 illustrates, the ATO received the highest average score (3.0), followed by the Department of Education (2.9), the Department of Social Services (2.4), the Department of Health (2.1) and the ACNC (2.0).

At a more granular level:

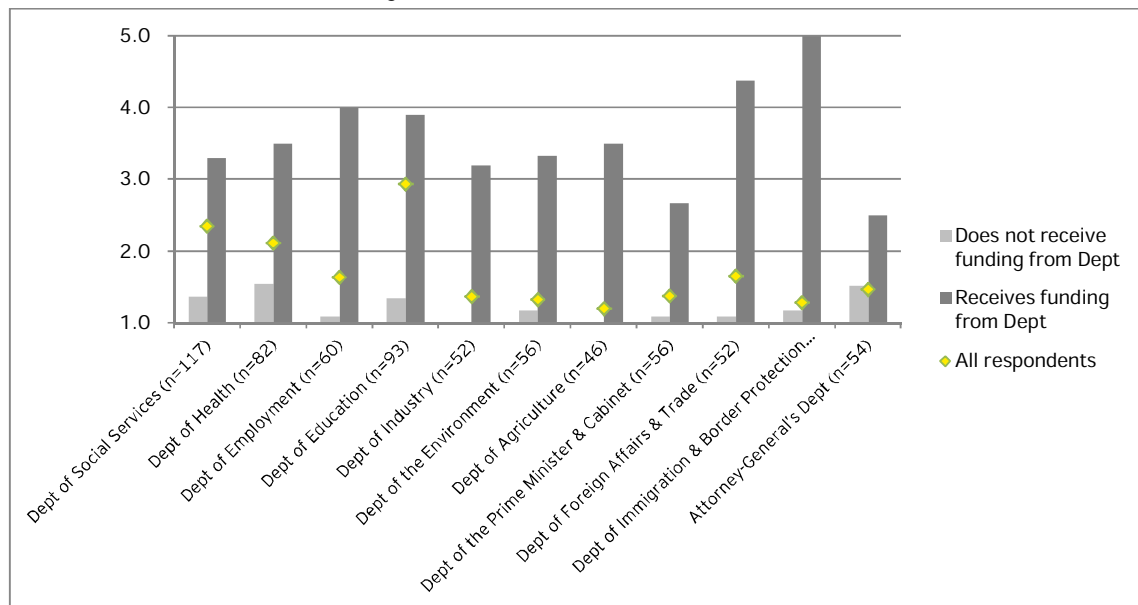
- Large charities tended to give Commonwealth departments a higher rating (by an average of 0.4) than small charities
- Small charities tended to give the ATO, ACNC and ASIC a higher rating (by an average of 0.3) than large charities
- There was no significant variation in the ratings given to the ABS, ACCC, FWC and ORIC across charity sizes.

Figure 10: Average rating given by survey respondents to Commonwealth departments and agencies in terms of the costs associated with meeting their regulatory and reporting obligations (1=minimal cost and 5=greatest cost)



As Figure 11 illustrates, respondents that receive funding from a department were more likely to give the department a higher rating (by an average of 2.4) than respondents that do not receive funding from the department. Furthermore, the ratings given by respondents to departments from which they receive funding tend to be higher (by an average of 1.8) than the ratings given by respondents to Commonwealth agencies that primarily have a regulatory function (such as the ATO, the ACNC, ASIC, FWC, ABS, ORIC and ACCC). These findings suggest that funding agreement obligations are generally seen by charities as being more burdensome than legislative obligations.

Figure 11: Ratings given by survey respondents to Commonwealth departments in terms of the costs associated with meeting their obligations, by those that receive funding from the department and those that do not (1=minimal cost and 5=greatest cost)



#### 4.3.5 Estimation of red tape

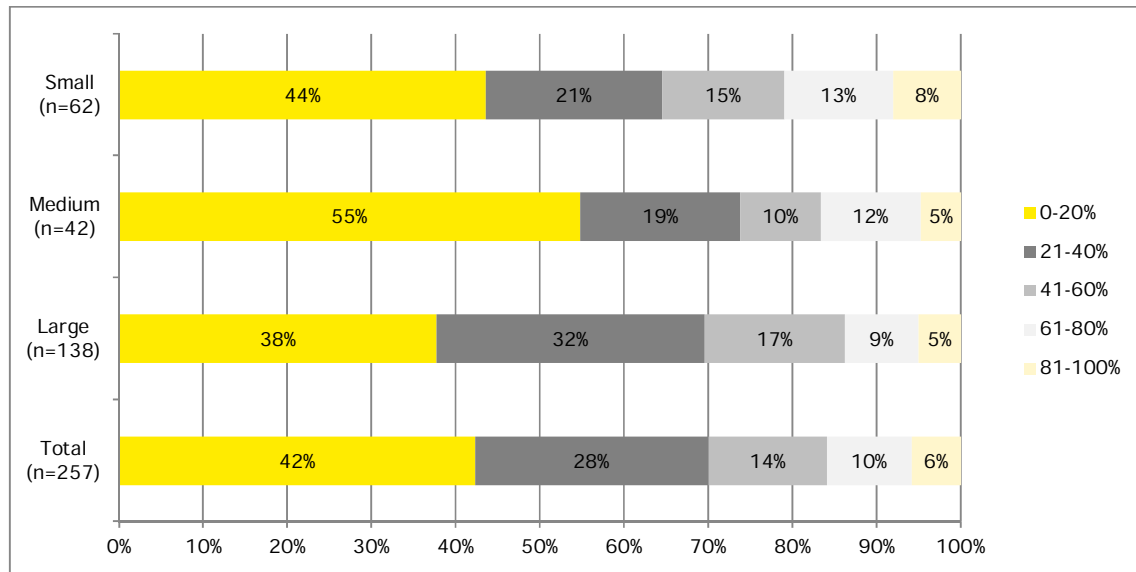
Respondents to the online survey were asked to indicate, of the time their charity spends on meeting its regulatory and reporting obligations, what proportion is spent on obligations they consider to be excessive, unnecessary or confusing.

As Figure 12 illustrates, 42 per cent of respondents indicated between 0 and 20 per cent of the time spent on meeting obligations is spent on obligations that are excessive, unnecessary or confusing, while:

- 28 per cent indicated between 21 and 40 per cent
- 14 percent indicated between 41 and 60 per cent
- 11 per cent indicated between 61 and 80 per cent
- 6 per cent indicated between 81 and 100 per cent.

There are no clear trends associated with charity size and respondent views on the extent of their obligations they consider to be excessive, unnecessary or confusing.

Figure 12: Proportion of total time spent on meeting regulatory and reporting obligations that is believed to be spent on obligations that are excessive, unnecessary or confusing



As a further layer of analysis, we converted the proportion ranges that underpin Figure 12 into point estimates – one representing the lower bound (e.g. 0-10 per cent becomes 0 per cent, 11-20 per cent becomes 11 per cent, 21-30 per cent becomes 21 per cent, and so on) and one representing the upper bound (e.g. 0-10 per cent becomes 10 per cent, 11-20 per cent becomes 20 per cent, 21-30 per cent becomes 30 per cent, and so on). Using these point estimates, we then calculated that, on average, respondents view between 27 per cent and 36 per cent of the obligations they face as being excessive, unnecessary or confusing.

#### 4.3.6 Method of information submission

Respondents to the online survey were asked whether they submit regulatory and reporting information to government primarily through paper-based forms or online tools. Two-thirds of survey respondents indicated they mostly use electronic forms to submit relevant information, compared to one-third that mostly use paper-based forms (Table 14).

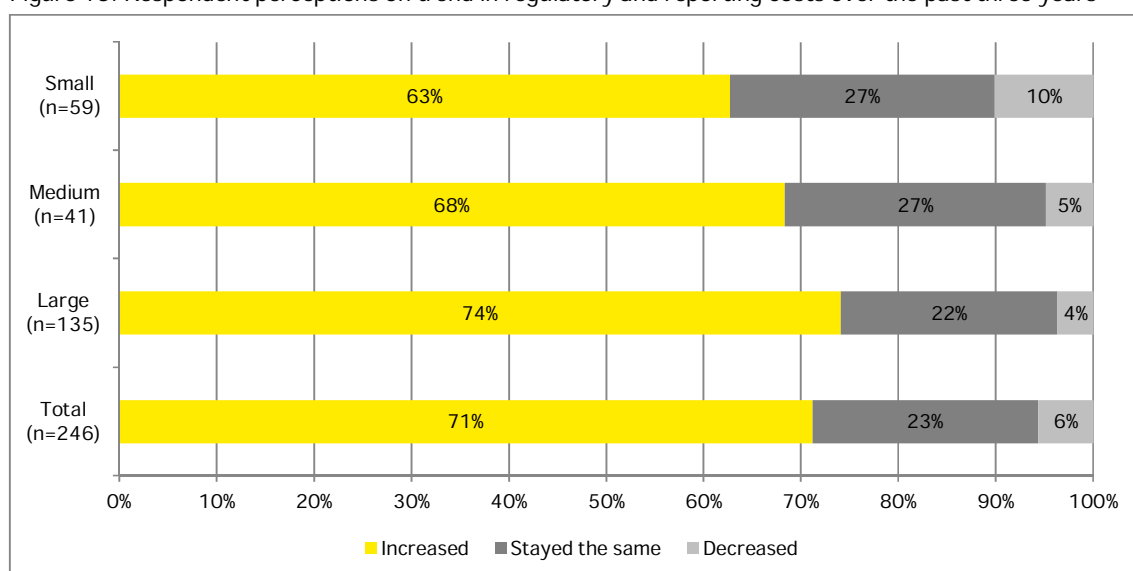
Table 14: Method of information submission

Answer	Response %	Response Count
Mostly paper based	33.6%	86
Mostly electronic forms submitted through an online tool	66.4%	170

#### 4.3.7 Trend in regulatory and reporting burden

Respondents to the online survey were asked whether the costs associated with meeting their organisation's regulatory and reporting obligations increased or decreased over the past three years. As Figure 13 illustrates, 71 per cent of respondents indicated their regulatory and reporting costs have increased over the past three years, whilst 29 per cent of respondents suggested their regulatory and reporting costs have stayed the same or decreased. Large charities were more likely than small charities to state that their regulatory and reporting costs have increased.

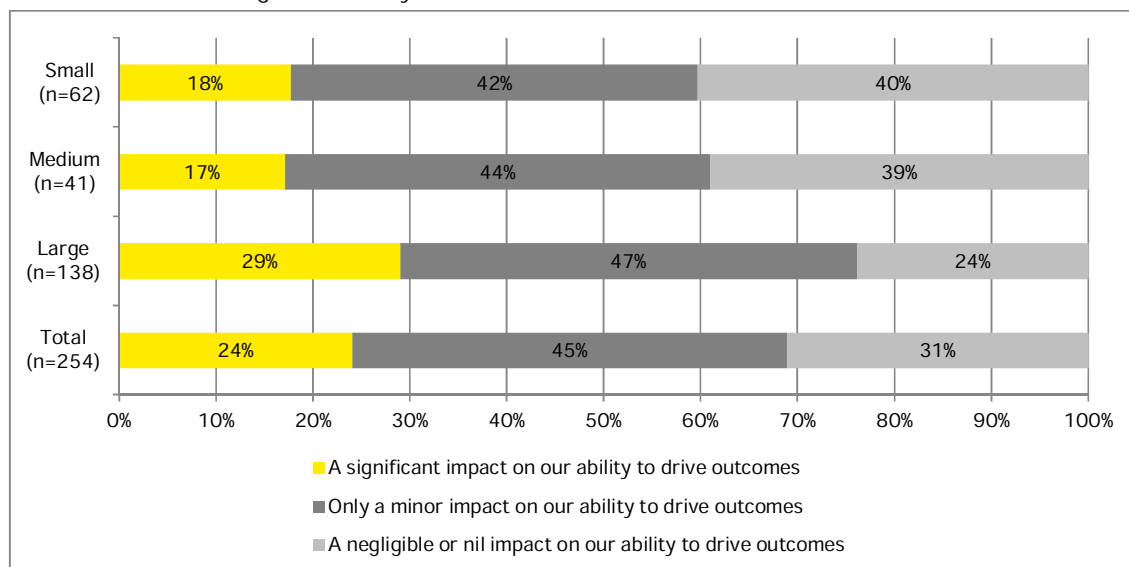
Figure 13: Respondent perceptions on trend in regulatory and reporting costs over the past three years



#### 4.3.8 Impact of Commonwealth regulatory and reporting burden

Respondents to the online survey were asked whether the current regulatory and reporting burden imposed by the Commonwealth impacts their charity's ability to achieve its charitable outcomes. A plurality of the respondents (45 per cent) indicated that Commonwealth burden is having only a minor impact on their ability to drive outcomes, compared to 31 per cent that felt Commonwealth burden is having essentially no impact, and 24 per cent of respondents that felt Commonwealth burden is having a significant impact (Figure 14). Large charities were more likely than medium and small charities to view Commonwealth burden as having a significant or minor impact on their ability to achieve charitable outcomes.

Figure 14: Respondent perceptions on the impact that regulatory and reporting burden imposed by the Commonwealth is having on the ability of charities to achieve their charitable outcomes



#### 4.3.9 Examples of Red Tape

Respondents to the online survey were asked to highlight instances of 'red tape' (i.e. regulatory and reporting obligations that are perceived as excessive, unnecessary or confusing). Survey respondents provided a wide variety of responses to this question. Nonetheless, a number of key themes emerged, which are outlined below.

##### Inter-jurisdictional burden

A number of respondents indicated that there is still significant duplication in information requirements across different levels of government in Australia. Some respondents noted that they provide the same information to the ACNC, ATO, ASIC, other Commonwealth funding departments and state and territory governments. Some respondents also highlighted how different fundraising requirements imposed by each state and territory government are burdensome for those charities operating across multiple jurisdictions.

The regulatory burden associated with inter-jurisdictional differences, particularly in the context of fundraising requirements, was a key finding of the Productivity Commission's 2010 research report on the NFP sector.<sup>36</sup>

##### Policy and regulatory instability

Constant change in regulatory and reporting arrangements has proved to be confusing and disruptive for charities. For example, one respondent highlighted how the tendency of one Commonwealth department to frequently change its requirements has led to reporting inconsistencies across the department. Another respondent indicated that keeping abreast of all changes that relate to employment, OH&S, privacy and accounting is onerous.

<sup>36</sup> For instance, the Productivity Commission noted that: 'Differences across jurisdictions in regulatory requirements, including incorporation and fundraising legislation, raise compliance costs. The current arrangements are not coherent, are complex to navigate, do not allow for easy migration of legal form, and do not provide sufficient transparency to the public. There are multiple reporting requirements and few are proportionate to the size and scope of the NFPs.' See: Productivity Commission (2010), *Contribution of the Not-for-Profit Sector*, Research Report, Canberra.

## Extent of information

A number of respondents highlighted issues relating to the extent of information they are required to provide government as part of their reporting obligations. At a general level, respondents indicated that some of the data requested by Commonwealth departments and agencies (including the ATO, ACNC, ASIC, ABS, Workplace Gender Equity Agency and Commonwealth funding departments) can be unnecessary, and available guidance on providing the information is often confusing.

At a more specific level, a number of respondents suggested that some departments have an excessive focus on financial risk. As a consequence, charities that receive funding from these departments can be required to provide disproportionate amounts of information (particularly in the context of financial acquittals), even when the value of the funding is relatively small.

## Standardisation

Some respondents raised issues in relation to the consistency of reporting requirements and processes. For instance, respondents noted that:

- There is inconsistency in financial reporting formats across departments, and some departments require financial information to be presented in ways 'other than through the expected fiscal reporting and auditing requirements'<sup>37</sup>
- Frequent personnel changes within departments (particularly at the contract manager level) can generate additional burden for charities as they may be required to re-send information or provide additional information
- In some cases, the reporting parameters included in funding agreements can shift over the life of the contract.

## Reporting frequency

A large number of respondents raised concerns with the frequency of reporting requirements. These concerns were raised in the context of:

- Taxation reporting (notably GST and FBT reporting)
- Performance reporting (particularly those performance reports that require significant amounts of operational data)
- Financial acquittals – some state health departments require financial acquittals every month. One survey respondent indicated that their organisation had to complete 67 financial acquittals, with 50 of these acquittals being submitted to the same government department.

The above feedback from respondents corresponds with the finding from our mapping exercise that the information obligations included in some funding agreements appear to be excessive – in terms of the frequency of the reporting requirements and the emphasis on output reporting.

## 4.3.10 Regulatory and reporting reform opportunities

Survey respondents were offered an opportunity to suggest reform ideas which would reduce the overall regulatory and reporting burden on the sector. Survey respondents provided a wide variety of responses. Suggested reform opportunities are outlined below:

- Uniform fundraising regulation across Australia – the Commonwealth should develop and assume responsibility for one nationally consistent fundraising licence regulatory regime.
- Simplify legal requirements – some survey respondents indicated that in their view, there is an opportunity to simplify Commonwealth, state and territory legal requirements such as the DGR endorsements regime or exempting smaller charities from complying with the GST.<sup>3839</sup>

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<sup>37</sup> Survey respondent feedback.

<sup>38</sup> The responsibilities for decisions relating to DGR endorsements and exemptions from the GST fall with the ATO.

- National Central Repository of Data - the Commonwealth should seek agreement with state and territory governments that makes the charities register and the charities passport the central repository of organisational data in Australia. This could then allow for the ACNC to rollout a universal data collection tool with a common reporting model.
- Reform the Incorporated Associations regime - the Commonwealth via the ACNC should seek to nationalise the Incorporated Associations regime with nationally appropriate accountability and transparency measures.
- Create policy stability - governments at all levels should create policy and program stability that gives the charities sector sufficient certainty and confidence to plan and operate into the future.
- Reform or abolish the ACNC – a minority of respondents (11 per cent of the 198 respondents that provided a reform suggestion) indicated that reducing the regulatory and reporting burden imposed by the ACNC would be a welcome development by the sector. Some survey respondents suggested that this could be achieved either through the abolition of the ACNC or that the ACNC's scope could be narrowed to focus on medium to large sized charities.
- Reform the Grants Management Process – several survey respondents indicated various options on how to reduce the burden associated with the Commonwealth and State/Territory government grants management system. These options include:
  - increasing the use of electronic reporting methods and tools – for example the Commonwealth could adopt an all-encompassing electronic system that allows multiple report and payments of all Commonwealth government requirements
  - each jurisdiction could adopt a single service agreement with each charity
  - producing a single survey for all reporting requirements from which generic information is provided and the various departments can take what is required
  - simplifying performance acquittals and removing inconsistency between reporting requirements at the federal and state levels
  - government departments/agencies adopting longer term contracts as well as adopting one contract manager per department/agency
  - reducing the frequency of financial and operational reporting – e.g. from quarterly to annual (including reducing the frequency of quality audits to every three years)
  - a move to quality assurance performance audits rather than implementing a compliance regime. Government funds payments by outcomes, not outputs
  - greater consistency between the lodgment of fundraising licences to State Governments and the information provided to the ACNC
  - risk based approach – Government departments/agencies should adopt greater use of risk based approaches to reduce reporting burdens for low risk organisations
  - standard accounting standards - grants should be reported in a standard manner for accounting purposes.

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<sup>39</sup> Note that charities are currently exempted from having to meet the obligations of the GST if their turnover is under \$150,000 per annum.

## 5. Case study charities

As part of its broader analysis, EY explored the regulatory costs imposed by the Commonwealth on 15 case study charities. This chapter outlines the findings from this exploration, including our estimated regulatory costs.

### 5.1 Summary of the background of the charity case studies

The case study charities we interviewed as part of this research project have diverse objectives, work in different industries and have varying levels of operational sophistication. Below is a brief description of various elements of the case study charities.

#### 5.1.1 Turnover and sources of funding

The difference in turnover of the case study charities is significant. The smallest case study charity has an annual turnover of \$75,000 per annum. Conversely, the two largest case study charities have annual turnovers of \$70 million and \$20 million, respectively.

Twelve of the case study charities indicated that they have received revenue from the Commonwealth in the past 12 months of operations, whereas only 3 charities indicated that they hadn't. Of the 12 charities which receive Commonwealth funding, the scale of funding received ranged from \$5,000 to several millions of dollars.

#### 5.1.2 Geographical footprint

Eleven of the case study charities interviewed only operate in the state or territory in which they are based. One case study charity based in regional Australia indicated that they operate in two jurisdictions. Three other case study charities stated that, while they have specific headquarters in one location, they operate on a national basis (either through the funds they raise or the services they offer).<sup>40</sup>

#### 5.1.3 Corporate Structure

Five case study charities operate as companies limited by guarantee. The other 10 charities operate as incorporated associations.

#### 5.1.4 Nature of Charities

While the case study charities were selected from the other education, health/aged care and social welfare sub-sectors, there is significant diversity in the operations of the case study charities. The range of services provided by the case study charities include:

- Other education – the provision of child care services, adult education, and the provision of books to remote indigenous charities.
- Health/aged Care – activities which seek to prevent child drowning, the provision of food and nutrition for the elderly, the provision of nursing services in a remote community, the provision of cancer support, advocacy and research and day support for elderly people.
- Social welfare – the provision of job placement services, employment opportunities for disabled workers, settlement services, support and advocacy for foster parents and family support services.

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<sup>40</sup> This geographical footprint may not be representative of how the charity sector is currently configured. This should be factored in when considering the analysis and findings of this report.

## 5.2 Regulatory cost estimations

Charities were asked to describe the regulatory and reporting obligations imposed on them by the Commonwealth and how they met these obligations. Data collected during the interviews was used to calculate the associated regulatory and reporting burdens using the BCC methodology (outlined by the OBPR).<sup>41</sup>

Table 15 outlines the regulatory costs estimates.<sup>42</sup> Key findings include:

- The annual burden incurred by the case study charities varies considerably – from \$1,000 (case study charity 10) to \$430,000 (case study 5).
- The average annual regulatory and reporting burden imposed on the case study charities by the Commonwealth is \$108,000.

From the analysis, the greatest determinant as to whether a case study charity experiences significant Commonwealth regulatory and reporting burden is whether they receive Commonwealth funding to deliver a program consistent with the policy objectives of the Government.

Of the 15 case study charities interviewed, 12 accepted Commonwealth government funding in the past 12 months. The average regulatory and reporting burden imposed on these organisations was \$134,000. Alternatively, three case study charities indicated that they did not receive any Commonwealth funding. The average Commonwealth burden associated with these entities was only \$4,200.

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<sup>41</sup> In presenting these results, we have endeavored to protect the confidentiality of the charities who have been interviewed by not revealing the regulatory cost estimations against individual charities.

<sup>42</sup> Table 19 doesn't include delay costs. See research assumptions for explanation.

Table 15: Breakdown of regulatory and reporting compliance costs by case study charity

No.	Case Study Background		Relevant Qualitative Comments	Commonwealth Regulatory and Reporting Burden		
	Size	Sub-sector		Total Calculated Burden	Administrative Costs	Substantive Compliance Costs
1	Small	Health/Aged Care		\$8,300	Ongoing: \$7,700	Ongoing: \$600
2	Small	Health/Aged Care		\$29,000	Ongoing: \$12,000	Ongoing : \$17,000
3	Large	Health/Aged Care		\$99,000	Ongoing: \$98,000	Ongoing: \$700
4	Large	Social Welfare	Occasionally experiences delay costs around applying for Commonwealth funding and receiving funds	\$106,000	Ongoing: \$62,000	Ongoing: \$25,000 One Off: \$20,000
5	Large	Other education	Occasionally experiences delay costs around applying for Commonwealth funding and receiving funds	\$430,000	Ongoing: \$422,000	Ongoing: \$8,000
6	Large	Health/Aged Care	Occasionally experiences delay costs around applying for Commonwealth funding and receiving funds	\$272,000	Ongoing: \$272,000	n/a
7	Medium	Social Welfare		\$1,500	Ongoing: \$1,500	n/a
8	Medium	Other education		\$10,000	Ongoing: \$4,000	Ongoing: \$6,000
9	Large	Social Welfare	Occasionally experiences delay costs around applying for Commonwealth funding and receiving funds	\$268,000	Ongoing: \$203,000	Ongoing: \$65,000
10	Small	Other education		\$1,000	Ongoing: \$600	One off: \$300
11	Medium	Social Welfare		\$22,000	Ongoing: \$21,000	One off: \$600 Ongoing: \$200
12	Medium	Other education	Occasionally experiences delay costs around applying for Commonwealth funding and receiving funds	\$201,000	Ongoing: \$121,000 One Off: \$20,000	Ongoing: \$34,000 One Off: \$26,000
13	Small	Other education	Occasionally experiences delay costs around applying for Commonwealth funding and receiving funds	\$39,000	Ongoing: \$39,000	Ongoing: \$200
14	Small	Health/Aged Care		\$11,000	Ongoing: \$7,000	Ongoing: \$4,500
15	Medium	Social Welfare		\$122,000	Ongoing: \$101,000	One off: \$5,000 Ongoing: \$17,000

Note: The sum of 'administrative costs' and 'substantive compliance costs' may not equal 'total calculated burden' due to rounding.

## 5.2.1 Calculating average regulatory and reporting burden according to size and sector

Drawing on the data included in Table 15, we have estimated:

- The average regulatory and reporting burden imposed by the Commonwealth on the case study charities, by entity size (Table 16). Not surprisingly, a medium case study charity is more likely to have a greater burden than a small case study charity, and a large case study charity is more likely to have a greater burden than both a small or medium case study charity.
- The average regulatory and reporting burden imposed by the Commonwealth on the case study charities, by charity sub-sector (Table 17). Case study charities in the other education sub-sector have a greater average burden (\$136,000) than case study charities in the social welfare sub-sector (\$104,000) and the health/aged care sub-sector (\$84,000).<sup>43</sup>

Table 16: Average regulatory and reporting burden imposed by the Commonwealth on the case study charities, by entity size

	Average one-off costs	Ongoing burden	Average Regulatory and Reporting Burden
Small	\$70	\$18,000	\$18,000
Medium	\$10,000	\$61,000	\$71,000
Large	\$3,900	\$231,000	\$235,000
ALL	\$4,800	\$103,000	\$108,000

*Note: The sum of 'average one-off costs' and 'ongoing burden' may not equal 'average regulatory and reporting burden' due to rounding.*

Table 17: Average regulatory and reporting burden imposed by the Commonwealth on the case study charities, by sub-sector

	Average one-off cost	Ongoing burden	Average Regulatory and Reporting Burden
Social welfare	\$5,000	\$99,000	\$104,000
Other education	\$9,300	\$127,000	\$136,000
Health/aged care	\$0	\$84,000	\$84,000
ALL	\$4,800	\$103,000	\$108,000

*Note: The sum of 'average one-off costs' and 'ongoing burden' may not equal 'average regulatory and reporting burden' due to rounding.*

## 5.2.2 Calculating the burden of individual obligations

While our estimates of Commonwealth burden were generally calculated at the aggregate level, we were able to estimate the burden associated with some specific obligations. Namely, we were able to estimate the burden associated with obligations imposed by the ACNC.

<sup>43</sup> Due to the small sample size, these burden estimates may not be representative of the entire social welfare, other education and health/aged care sub-sectors.

The main obligation that relates to the ACNC is the completion of the Annual Information Statement. All 15 charity case studies indicated during their interviews that they have completed an Annual Information Statement (AIS).<sup>44</sup>

As Table 18 outlines, the average annual burden imposed by the ACNC is \$150 (equal to 0.1 per cent of total annual burden). The burden imposed by the ACNC accounts for a greater share of total burden for small charities than large charities.

Table 18: Average annual burden imposed by the ACNC on the case study charities

Organisational size	ACNC obligations	
	Avg burden per charity	% of total burden
Small (n=5)	\$160	0.9%
Medium (n=3)	\$160	0.2%
Large (n=3)	\$100	<0.1%
All	\$150	0.1%

*Note: Only 11 of the 15 case study charities were able to differentiate their ACNC burden from their general burden. The estimates in this table are derived from these 11 case study charities.*

### 5.3 Estimating red tape

The case study charities provided a wide range of estimates of what proportion of their regulatory and reporting obligations could be defined as red tape with some indicating that 50 per cent of the burden they experienced constitutes red tape.

### 5.4 Key themes and observations obtained through the interviews

In addition to obtaining specific data regarding the Commonwealth's regulatory and reporting obligations, several key observations and themes emerged from the interviews about dealing with the regulatory and reporting obligations imposed by the Commonwealth. These themes and observations include:

- The majority of the regulatory and reporting burden imposed by the Commonwealth comes from the regulatory and reporting requirements associated with Commonwealth funding.
- A significant proportion of the burden associated with Commonwealth funding is associated with the financial and performance reporting acquittal process.
  - Much of this burden is associated with a specific program, such as the provision of child care services, job seeker services or services associated with the HACC program. Under these programs, the Commonwealth seeks individualised client data and records, which imposes a considerable burden on the relevant providers.
- The Commonwealth, in the view of some charities, over-emphasises the management of financial risk, rather than focusing on achieving policy and program outcomes. Compared to the state and territory governments, some charities indicated that the Commonwealth has a tendency to micro-manage the charities they fund.
- The constant rotation and change of Commonwealth contract managers is source of frustration and burden for charities. Charities indicated they invest significant amounts of time with contract managers only to have to repeat the process when a new contract manager assumes the role.
- There continues to be significant duplication of information requests across Commonwealth departments and agencies, as well as duplication between:
  - the Commonwealth and the states and territories
  - state and territory governments and local governments.

<sup>44</sup> Noting that, as the research was based on the previous 12 month period, this estimate of burden is based on the 2013 AIS.

- Additional burdens have been, and continue to be, experienced by significant changes to Commonwealth policy and programs under both the previous and current governments. Burdens that are associated with amendments to existing Commonwealth policy and program could be considered to be 'transitional or one-off' burdens rather than ongoing burdens given that charities are required to amend their operational and reporting practices in response to enacted changes.
- The significant sources of burden imposed by the Commonwealth are typically due to the administration and enforcement of primary and secondary legislation and government program, rather than from the primary and secondary legislation itself.
- The peak periods of regulatory and reporting burden being experienced is directly associated with the end of the financial year or at the beginning of the calendar year when calendar based programs are rolled out.
- The sophistication of a charity's IT and operational system (including policies and procedures) has a direct bearing on a charity's ability to handle the regulatory and reporting requirements imposed by all levels of government.
- The creation and the ongoing operation of the ACNC is beneficial to the sector. This view, however, was not universally shared.
- The regulatory and reporting burden is particularly acute for organisations operating across state or territory lines. The main sources of burden in this regard are associated with receiving government funding from different governments as well as complying with multiple regulatory schemes associated with fundraising.
- The Commonwealth uses IT systems as part of its service delivery and other program which involves disparate systems that require in many instances manual and repetitive data entry.
- According to one case study charity, the regulatory and reporting burden it faces is so acute that it is spending more time meeting its obligations than working with its clients.
- Estimations of how much Commonwealth regulatory and reporting burden constitutes red tape varied across the case studies from less than 10 per cent up to 50 per cent.
- The overall (Commonwealth and state and territory) regulatory and reporting burden has increased over recent years according to several charities.
- The burden currently being experienced by several charities is having a significant impact on their ability to meet their charitable outcomes.

## 6. Calculating and determining the level of Commonwealth red tape

This research paper provides an estimate of red tape being imposed on the case study charities.

As noted in the glossary, we have defined red tape as regulatory and reporting obligations that are excessive, unnecessary or confusing. Given this definition, determining what constitutes red tape is open to being highly subjective to an individual or organisation and is highly dependent on the unique circumstances of the charity involved.

To estimate the level of red tape, we drew on three data sources: the obligation mapping exercise (Chapter 3), the online survey (Chapter 4) and our interviews with the case study charities (Chapter 5). Our findings are outlined below.

### 6.1 Difficulties in determining and quantifying red tape

From the research undertaken to date, we note that many charities find it difficult to accurately identify what is red tape.

Given that much of the regulatory and reporting burden is experienced in relation to the grants process, charities lack a sufficient understanding of the accountability requirements that Commonwealth departments and agencies have to Parliament and under Commonwealth law. The burden imposed on charities may reflect broader policy and program considerations that the Commonwealth is seeking to achieve or perceived risks that the Commonwealth is trying to mitigate.

Given the asymmetric information that exists between Commonwealth departments and agencies and the charities sector, we found that charities are often in a very difficult situation to determine what obligations are necessary from a public policy perspective and what could be construed as red tape.

When asked during our case study interviews, charities struggled to objectively indicate what proportion of the Annual Information Statement or the BAS could be determined to be red tape (i.e. unnecessary in this context) given that the design and content requirements of the AIS and BAS forms are based on broader Commonwealth legislative and policy considerations (including interdependencies with other legislative and policy requirements), of which charities are not fully appreciative.

If reductions in the burden imposed by the Annual Information Statement and BAS are possible, deeper policy and legislative analysis and consideration is required beyond reviewing the specific elements of the Annual Information Statement and BAS forms in order to ensure that the Commonwealth's policy and legislative intent is still achieved.

We have therefore avoided estimating the red tape burdens associated with specific obligations such as the Annual Information Statement and BAS, given that such estimations are not able to be conducted on an objective basis as a specific investigation of each obligation against policy and legislative requirements is required.

## 6.2 Estimating Commonwealth red tape

As noted in the previous chapters:

- Estimations of how much Commonwealth regulatory and reporting burden constitutes red tape varied across the case studies from less than 10 per cent up to 50 per cent
- Respondents to the online survey view, on average, between 27 per cent and 36 per cent of the obligations they face as being excessive, unnecessary or confusing.

For the purposes of this research project, we estimate that between 25 per cent and 35 per cent of Commonwealth obligations constitute red tape. This estimate is primarily derived from the feedback provided by survey respondents. We have preferenced the views of the survey respondents over the case study charities given the larger sample size of the former, and noting that the estimated range of red tape provided by the survey respondents lies at the midpoint of that provided by the case study charities.

Based on our estimated range of between 25 per cent and 35 per cent, and the burden calculations outlined in Table 15, we estimate that the Commonwealth imposed, on average, between \$27,000 and \$38,000 worth of red tape on the case study charities over the past 12 months.

## 6.3 Interpreting estimates of Commonwealth red tape

Given that these estimates are based on calculations determined by the revised BCC which has only been recently introduced by the OBPR, opportunities to compare these figures against other estimates are limited. Differences in methodological and data collection approaches need to be taken into account when comparing the estimates outlined above to other estimates.

## 6.4 Validation Interviews

Upon the completion of the interviews with the case study charities and calculation and extrapolation, a series of meetings were held with both professional advisors and government officials to validate the assumptions made, and to obtain additional data and insights where information gaps existed.

The approach taken towards these interviews is outlined in section 1.3.7 of this report.

A number of important observations and findings were obtained via these interviews which provided additional insights to the analysis conducted to date. These observations and findings are listed below.

- Several government officials indicated that the ACNC's register and charity passport under the 'report once, use often' framework is likely to realise some benefits in reducing the duplication of data requests experienced by charities; but that such benefits will be limited in the context of reducing the overall quantum of regulatory and reporting burden experienced by charities.<sup>45</sup> Reasons for this view include:
  - the limited information/data fields which are currently held within the charity passport<sup>46,47</sup>

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<sup>45</sup> The charity passport was brought into operation in June 2014 by the ACNC and its full impact has yet to be determined given the time required for Commonwealth departments and agencies to adjust operational practices that takes advantage of the information held within the charity passport.

<sup>46</sup> As noted by one government official, the information requested by Commonwealth departments and agencies relating to financial acquittals and performance reporting is unique to the program or funding source and such information, particularly as it relates to Commonwealth service delivery (e.g. childcare or job services) will not be held in the current configuration of the charity passport. Though, it is important to note that, under the Commonwealth Grants Rules and Guidelines, no financial acquittal should be required for registered charities unless higher risk.

<sup>47</sup> Over time this limitation could potentially be overcome if the charity passport were to become more sophisticated, particularly around holding larger volumes and different forms of data.

- the lack of acceptance of the charity passport by certain state and territory governments<sup>48</sup>
- the limited longitudinal data held by the ACNC<sup>49</sup>
- the appropriateness and relevance of financial data held by the ACNC given that Commonwealth departments and agencies must be confident of the financial viability of the receiving organisation at the point in which a contract or agreement is entered into
- not all Commonwealth grant programs use unique identifiers (such as an ABN),<sup>50</sup> which limits the ability of departments and agencies to obtain data from the ACNC – though noting that data-matching according to name is also possible through the charity passport.
- Charities have experienced increased levels of Commonwealth regulatory and reporting burden given the significant level of policy and regulatory change over the past 2-3 years. According to one professional advisor, this burden could be classified as 'transitional' given that this burden is one-off in nature associated with recent changes as opposed to being classified as 'ongoing' burden.
- The recent machinery of government changes that were implemented after the 2013 election has resulted in some Commonwealth departments adopting grant and other funding programs with vastly different operational approaches. These departments are working to find a common approach to grants management. Charities whose funding source is a government program that has been impacted by the machinery of government changes are likely to experience changes in the nature of their interaction with the Commonwealth and, in turn, the associated burden.
- Consistent with the Government's deregulation agenda, government departments are currently undertaking a deregulation audit of their regulatory and reporting stock to determine the burden they impose on individuals, business and the community.
  - The audit provides departments with an opportunity to identify legislative, policy and program reform opportunities including considering the use of new technology platforms such as the charity passport.
- Obtaining a DGR status from the ATO is a source of regulatory burden for some charities.
- While the distinction of responsibility between the ACNC and ASIC is clear,<sup>51</sup> there still remains confusion among some charities as to their mandatory regulatory and reporting requirements (irrespective of the guidance that has been provided to the NFPs and charities on their responsibilities).
- Government officials indicated that there is a lack of a standardised approach to determine the risk profile of a grant or service delivery program or of the recipient of the funds.
  - one official indicated that the nature of the different services delivered by the Commonwealth incurs different risks
  - another official indicated that not all NFPs and charities are equal meaning that these organisations fall into different risk profiles
  - another official admitted that the risk profile which is selected for a program or an individual organisation could be determined by the professional judgement of an individual public servant.
- Government officials indicated that the regulatory and reporting burden associated with incorporated associations is, in their view, significantly lower than the burden associated with operating as a company limited by guarantee, given that state and territory governments have very limited resources policing incorporated associations and enforcing the regulatory framework for associated incorporations. According to these officials, fewer resources and less oversight

<sup>48</sup> Currently, there is a commitment from the Governments of South Australia and the Australian Capital Territory to 'carve out' their reporting requirements – i.e. make charities reporting to the ACNC exempt from state/territory reporting – if the Commonwealth commits to keeping the ACNC. It is expected that the full implementation of these commitments will have an impact.

<sup>49</sup> The passport in its current form will overcome this limitation over time as more data is collected.

<sup>50</sup> It should be noted that most grants programs do use ABNs as unique identifiers and it is considered best practice to do so.

<sup>51</sup> ASIC has oversight responsibility for the incorporation and winding down of all companies (including charities) whereas the ACNC is responsible for regulating the operations of the companies who are deemed to be charities.

ultimately results in fewer investigations for alleged breaches as well as fewer requirements to provide information to relevant officials.<sup>52</sup>

- For charities that provide job placement services,<sup>53</sup> the burden via requiring large volumes of data per client is significant given the Commonwealth uses an outcomes-based case management model to deliver the services.
- Under this model, clients who experience greater disadvantage receive greater levels of Commonwealth assistance. Also, clients are required to complete certain activities in order to receive welfare payments. It is for these reasons that organisations need to be able to detail the history of each job seeker in order to determine the level of assistance appropriate to the job seeker and to ensure that they have met the conditionality of their welfare payment.

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<sup>52</sup> This observation is solely reflective of the state of play between the Commonwealth versus the state and territory governments. Currently, there are legislative arrangements in place which eliminates the duplication of notification and reporting burden for companies limited by guarantee.

<sup>53</sup> Approximately two-thirds of all job services providers are either charities or NFPs.

## 7. Conclusion

### 7.1 Key findings

This section synthesises the findings that emerged from our mapping exercise, the online survey and the case study charities.

#### 7.1.1 Regulatory and reporting burden

##### Quantifying total burden

Using the BCC, we estimate that the average Commonwealth burden imposed on the 15 case study charities over the past 12 months was \$108,000. As Table 19 indicates:

- There is a correlation between organisational size and the level of Commonwealth burden imposed on the case study charities
- Case study charities in the other education sub-sector had a higher level of Commonwealth burden, followed by those in the social welfare sub-sector and the aged-care/health sub-sector.

Table 19: Estimated Commonwealth burden imposed on the case study charities over the past 12 months, by organisational size and sub-sector

Organisational size	Avg Cwlth burden	Sub-sector	Avg Cwlth burden
Small	\$18,000	Other education	\$136,000
Medium	\$71,000	Health/aged care	\$84,000
Large	\$235,000	Social welfare	\$104,000
Total	\$108,000	Total	\$108,000

Respondents to the online survey were asked to indicate how much time and staff they dedicate to, and costs they incur in, meeting Commonwealth regulatory and reporting obligations. As Figure 15 illustrates:

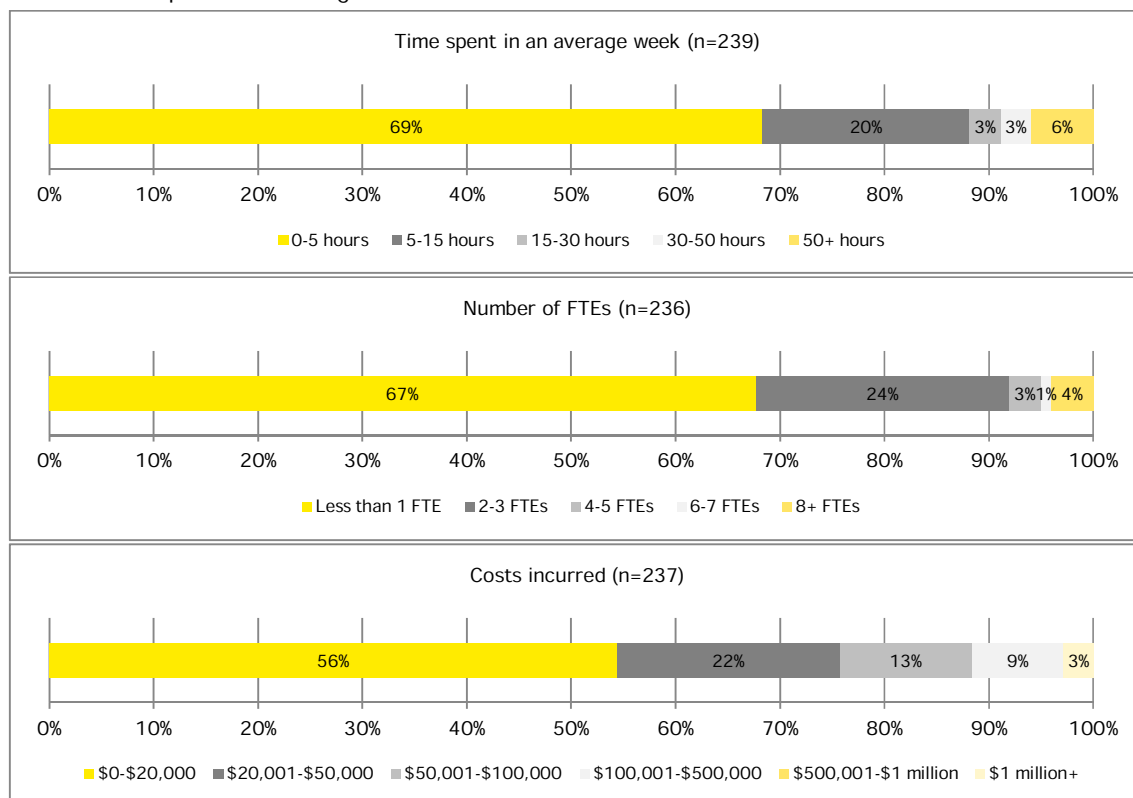
- Just under 70 per cent of respondents reported they spend less than five hours in an average week meeting their Commonwealth obligations, while 9 per cent spend 30 hours or more
- Approximately two-thirds of respondents indicated they dedicate less than 1 FTE to meeting their Commonwealth obligations, while 5 per cent dedicate 6 FTEs or more
- Over half of the respondents stated they incurred annual costs of \$20,000 or less in meeting their Commonwealth obligations, while 3 per cent incurred costs of \$1 million or more.

It is difficult to compare the findings outlined in Table 19 with those in Figure 15, given the different underlying approaches to burden measurement between the case study charities and online survey. Nonetheless, given that over half of the case study charities had a total burden of \$50,000 or less (Table 15), compared to 78 per cent of survey respondents (Figure 15), it is likely that our estimate of average Commonwealth burden derived from the case study charities is higher than the average Commonwealth burden imposed on the entire charity sector.

The results of the online survey suggest that Commonwealth burden tends to be lower for small charities and higher for large charities. This corresponds with our findings from the case study charities.

Approximately 70 per cent of survey respondents stated that their regulatory and reporting costs have increased over the past three years, and that Commonwealth burden is impacting on their ability to achieve charitable outcomes. Similar feedback was provided by the case study charities.

Figure 15: Burden imposed on survey respondents as a result of meeting Commonwealth obligations, in terms of time spent in an average week, number of dedicated staff and costs incurred



There are few other studies that have quantified the regulatory and reporting burden imposed on charities. One that has was conducted in 2008 by Ryan et al.<sup>54</sup> They found that:

- 14 Queensland-based NFPs reported taking an average of 143.6 hours in the past 12 months to complete government generated paperwork (primarily around grant applications and acquittals)
- 34 per cent of this paperwork was submitted to the Commonwealth.

Applying the same hourly wage rate that underpins our burden estimates for the case study charities (i.e. \$41.60 per hour, with a loading of 1.16 to account for on-costs), the above findings indicate that the burden associated with Commonwealth government paperwork is equal to \$2,400 per year. While it is difficult to compare this estimate with the estimates outlined in Table 19 (given the different underlying timeframes, areas of focus and measurement approaches), the findings from Ryan et al do suggest that our estimate of average Commonwealth burden is higher than the average Commonwealth burden imposed on the entire charity sector.

#### Quantifying the burden of individual obligations

While our estimates of Commonwealth burden for the case study charities were generally calculated at the aggregate level, we were able to estimate the burden associated with some specific obligations. As Table 20 outlines, the average annual burden imposed by the ACNC is \$150 (equal to 0.1 per cent of total annual burden). The burden imposed by the ACNC accounts for a greater share of total burden for small charities than large charities.

<sup>54</sup> Christine Ryan, Cameron Newton and Myles McGregor-Lowndes (2008), *How long is a Piece of Red Tape? The paperwork reporting cost of government grants*, March.

Table 20: Average annual burden imposed by the ACNC on the case study charities

Organisational size	ACNC obligations	
	Avg burden per charity	% of total burden
Small (n=5)	\$160	0.9%
Medium (n=3)	\$160	0.2%
Large (n=3)	\$100	<0.1%
All	\$150	0.1%

*Note: Only 11 of the 15 case study charities were able to differentiate their ACNC burden from their general burden. The estimates in this table are derived from these 11 case study charities.*

Some survey respondents and case study charities identified the ACNC and its obligations as a key source of burden. This perspective, however, is not supported by the cost information outlined in Table 20.

### Burden and obligation type

In interacting with the Commonwealth, charities are exposed to two different types of regulatory and reporting obligations:

- Legislative obligations - those that are mandatory because of a legal (either primary or secondary legislation) requirement
- Funding agreement obligations – those that are imposed on a charity because the charity entered into a funding agreement with the Commonwealth.

Our research suggests that the second type of obligation is the largest source of Commonwealth burden imposed on charities. For instance:

- Of the 15 case study charities we interviewed, 12 received Commonwealth funding over the past year. Using the BCC, we estimate that the average regulatory and reporting burden imposed by the Commonwealth on these charities was \$134,000. In comparison, for the three charities that did not receive Commonwealth funding over the past 12 months, the average regulatory and reporting burden imposed by the Commonwealth was only \$4,200.
- Respondents to the online survey were asked to rate departments and agencies in terms of the costs associated with meeting their regulatory and reporting obligations (using a five point scale, with 1 equaling minimal cost and 5 equaling greatest cost). Respondents that receive funding from a department were more likely to give the department a higher rating than respondents that do not receive funding from the department. Furthermore, the ratings given by respondents to departments from which they receive funding tended to be higher than the ratings they gave agencies with primarily a regulatory function (such as the ATO, ACNC and ASIC).

## 7.1.2 Red tape

### Quantifying red tape

For the purposes of this research project, we have defined 'red tape' as regulatory and reporting obligations that are excessive, unnecessary or confusing.

Our engagement with stakeholders (charity, government and professional advisors) revealed that there is a lack of shared understanding between the Commonwealth and charities as to what constitutes red tape, and what level of regulatory and reporting obligations are necessary to ensure proper accountability of departments and agencies to Ministers, the Parliament and the broader community.

While the case study charities generally believe that red tape exists, not all were able to identify specific obligations as examples of red tape. Nonetheless, most of the case study charities were able to provide estimates of the proportion of Commonwealth burden they face that they believe constitutes red tape. These estimates ranged from 10 per cent to 50 per cent.

Respondents to the online survey were asked to indicate what proportion of the time they spend meeting their regulatory and reporting obligations they consider to be excessive, unnecessary or confusing. The average response was between 27 per cent and 36 per cent.

For the purposes of this research project, we estimate that between 25 per cent and 35 per cent of Commonwealth obligations constitute red tape. This estimate is primarily derived from the feedback provided by survey respondents. We have preferenced the views of the survey respondents over the case study charities given the larger sample size of the former, and noting that the estimated range of red tape provided by the survey respondents lies at the midpoint of that provided by the case study charities.

Based on the above, and the burden calculations outlined in Table 15, we estimate that the Commonwealth imposed, on average, between \$27,000 and \$38,000 worth of red tape on the case study charities over the past 12 months.

#### Sources of red tape

As we note above, funding agreement obligations appear to be the largest source of Commonwealth burden imposed on charities. It is thus not surprising that the key sources of red tape identified through our research primarily relate to funding agreement obligations. These key sources are:

- The level of information required – case study charities and survey respondents indicated that the level of information they are required to provide funding departments (in the context of both financial acquittals and performance reporting) can be excessive, and is seemingly driven more by an over-emphasis of the management of financial and political risks, rather than an objective consideration of what level of reporting is necessary to ensure funding outcomes are achieved.
  - This finding aligns with the 2009 research conducted by the Public Interest Advocacy Centre et al – they found widespread concern among NFPs about government micro-management under the contractual umbrella, and noted that the government desire to eliminate risk (rather than manage it) is a factor in why certain contractual obligations are unduly burdensome.<sup>55</sup>
  - Our mapping exercise found that a number of the information obligations included in funding agreements involve the collection of output data. There would appear to be scope to review these output reporting requirements to ensure they are aligned with best practice – i.e. that output reporting should be limited, with greater emphasis on outcome reporting.<sup>56</sup>
- The frequency of reporting – case study charities and survey respondents indicated that the frequency of which they are required to submit reports can be excessive, and (as above) is seemingly driven more by an over-emphasis of the management of financial and political risks, rather than an objective consideration of what level of reporting is necessary to ensure funding outcomes are achieved. This feedback is supported by our mapping exercise, which found that many of the information obligations included in funding agreements require charities to lodge frequent reports (in some cases, quarterly or even monthly)

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<sup>55</sup> Public Interest Advocacy Centre, The Whitlam Institute within the University of Western Sydney, and Social Justice and Social Change Research Centre, University of Western Sydney (2009), *A Question of Balance: Principles, contracts and the government-not-for-profit relationship*.

<sup>56</sup> Standing Council of Federal Financial Relations (2011), 'Conceptual framework for performance reporting', available at: [http://www.federalfinancialrelations.gov.au/content/performance\\_reporting/conceptual\\_framework\\_performance\\_reporting\\_feb\\_11.pdf](http://www.federalfinancialrelations.gov.au/content/performance_reporting/conceptual_framework_performance_reporting_feb_11.pdf).

- This finding aligns with the 2006 research report conducted by Morgan Disney and Associates – they found that frequent reporting was a driver of administrative burden for 22 indigenous organisations that received government funding.<sup>57</sup>
- Inconsistencies in reporting requirements and processes – a number of survey respondents highlighted inconsistencies in financial reporting formats as a key source of unnecessary burden. Case study charities, survey respondents and professional advisors also highlighted policy and regulatory instability (which can lead to changes in program design and reporting requirements) and the rotation of Commonwealth contract managers as sources of confusion and burden.
- Duplication in reporting requirements – based on our mapping exercise, there appears to be the potential for significant duplication between the financial reporting requirements of different funding programs. Furthermore, there is some duplication in the type of information requested under legislative obligations and funding agreement obligations – primarily in terms of core information (e.g. legal name, ABN) and information relating to organizational viability (e.g. governance documents, annual financial reports).

Case study charities and respondents to the online survey both indicated that inter-jurisdictional red tape remains a concern – in terms of:

- Duplication in information requirements across different levels of government
- Inconsistencies in key regulatory frameworks across the states and territories – particularly in the context of fundraising requirements and the Incorporated Associations regime.

## 7.2 Recommendations

A clear finding from this project is that funding agreement obligations are the primary source of Commonwealth burden imposed on charities. Furthermore, there are particular aspects of funding agreement obligations that can make them constitute 'red tape' (i.e. obligations which are excessive, unnecessary or confusing). These aspects are: the level of information required; the frequency of reporting; inconsistencies in reporting requirements; and duplication in reporting requirements.

There are a number of tools already in place that the Commonwealth could use to address the red tape aspects of funding agreement obligations. These tools include:

- Commonwealth Grants Rules and Guidelines<sup>58</sup> - these outline a range of guidance and requirements to reduce the reporting burden imposed on grant recipients, particularly in relation to the 'volume, detail and frequency of reporting requirements', the avoidance of duplication and the reduction of inconsistencies in reporting requirements (e.g. through the encouragement of best practice tools, such as the National Standard Chart of Accounts).
- Charity passport – as noted in section 3.5.4, the charity passport is intended to reduce duplication in information requirements, particularly in relation to core information and information relating to organizational viability.
- National Standard Chart of Accounts – was designed as a nationally consistent approach for government agencies to request financial information from NFPs, with the intention of reducing the regulatory burden imposed on the NFP sector.

We have not analysed the effectiveness of these tools as part of this research project. Nonetheless, given that the tools were designed (at least in part) to reduce the burden on NFPs, and uptake of, and alignment with, the tools are far from universal, it would seem reasonable for the Commonwealth to make better use of the existing tools, rather than creating new tools to reduce the regulatory and reporting burden on charities.

<sup>57</sup> Morgan Disney and Associates (2006), *A Red Tape Evaluation in Selected Indigenous Communities*, for the Office of Indigenous Policy Coordination.

<sup>58</sup> Department of Finance and Deregulation (2014), *Commonwealth Grants Rules and Guidelines*, July.

1. Commonwealth departments and agencies that provide funding to charities should ensure their reporting and acquittal requirements align with the Commonwealth Grants Rules and Guidelines and incorporate the charity passport and National Standard Chart of Accounts, where relevant.
2. The charity regulator should work together with funding departments and agencies to encourage the adoption and implementation of available tools (such as the Commonwealth Grants Rules and Guidelines, the charity passport and the National Standard Chart of Accounts) to reduce the reporting burden on charities. The charity regulator could achieve this through a mixture of promoting agencies/programs that represent 'best practice' and reviewing agencies/programs to identify areas for improvement.
3. In three years, the charity regulator could work with the Department of Finance to conduct a review of the Commonwealth Grants Rules and Guidelines, the charity passport and National Standard Chart of Accounts (in terms of their effectiveness in reducing the burden imposed on charities). This review should explicitly consider whether the Commonwealth Grants Rules and Guidelines need to become more prescriptive and mandatory to reduce the burden imposed on charities.
4. Future regulatory arrangements for the charity sector should retain existing red tape reduction tools (such as the 'report once, use often' framework, the charity passport and the National Standard Chart of Accounts).

Notwithstanding their validity, there are aspects of the Commonwealth Grants Rules and Guidelines that could be improved. For instance, the charity regulator could assist departments and agencies to operationalise the Commonwealth Grants Rules and Guidelines from a charity and red tape reduction perspective. This could involve the charity regulator developing guidance material on:

- Charities and the management of risk – our research found that burdensome reporting requirements are generally linked to an over-emphasis of the management of financial and political risk. The charity regulator could play a role in helping departments and agencies reconceptualise risk management in the context of charities - taking into account the broad risk mitigation role of the charity regulator (which reduces, in turn, the risk posed to individual departments and agencies) and the mission of charities (which may justify departments and agencies developing a higher tolerance for risk).
- Best practice reporting requirements – with the intention of providing departments and agencies with practical examples of what best practice looks like in terms of the volume, detail and frequency of reporting requirements for charity grant recipients.

5. The charity regulator should develop additional guidance material to assist departments and agencies in operationalising the Commonwealth Grants Rules and Guidelines from a charity and red tape reduction perspective, particularly in terms of: (a) the management of financial risk (and helping departments and agencies reconceptualise risk management in the context of charities, taking into account the broad risk mitigation role played by the charity regulator and the mission of charities); and (b) best practice reporting requirements.

There are a number of other initiatives that Australian governments could pursue to reduce the regulatory and reporting burden imposed on charities. These include:

- The greater the number of funding programs, the greater the opportunity for inconsistencies and duplication in reporting requirements. Consequently, departments and agencies that provide significant funding to the charity sector (such as the Department of Social Services, the Department of Education and the Department of Health) should explore the potential for program rationalisation.
- Our research revealed that: (1) duplication in information requests between different levels of government continues to be a concern of charities; and (2) only two jurisdictions (South Australia and the Australian Capital Territory) have expressed their intention to harmonise reporting and regulation with the charity regulator (including giving consideration to use of the charity passport, which was designed to reduce duplication in information requests for charities). There would thus appear scope for all jurisdictions to harmonise reporting and regulation with

the charity regulator (particularly through use of the charity passport) to reduce the reporting burden on charities.

- Our research revealed that a number of key inter-jurisdictional regulatory issues (such as fundraising regulation) remain a concern for charities. Progress on resolving these issues, however, appears stalled. There would thus appear scope for the charity regulator to adopt an 'honest-broker' role, and revive and drive reform on such issues as fundraising regulation. This could be achieved by commissioning research on the costs of the current fundraising regulatory framework, and/or holding national workshops with charities to build the case and options for reform.

6. Commonwealth departments and agencies that provide significant funding to the charity sector should continue to explore the potential for program rationalisation.
7. All jurisdictions should seek to harmonise their reporting and regulation with the charity regulator (including through the use of the charity passport) as a means of reducing duplication in information requests across different levels of government.
8. The charity regulator should consider adopting an 'honest-broker' role in driving reform on key inter-jurisdictional sources of regulatory burden on charities, such as fundraising regulation.

## Appendix A      Limitations

- This report was prepared at the request of the ACNC.
- This report is provided to the ACNC for the purposes of public release. However, the ACNC and any other party other than the ACNC who access this report shall only do so for their general information only and this report should not be taken as providing specific advice to those parties on any issue, nor may this report be relied upon in any way by any party other than the ACNC. A party other than the ACNC accessing this report should exercise its own skill and care with respect to use of this report, and obtain independent advice on any specific issues concerning it.
- In carrying out the research project and preparing this report, EY has worked solely on the instructions of the ACNC, and has not taken into account the interests of any party other than the ACNC.
- This report has been constructed based on information current as of 30 June 2014. Material events or information that have occurred/arisen since this date have not been considered in our analysis. Most notably, this means that the report does not account for the new Commonwealth Grant Guidelines (referred to as the Commonwealth Grants Rules and Guidelines) that were issued by the Department of Finance on 1 July 2014. It is anticipated that the new guidelines, if implemented by relevant Commonwealth agencies, may reduce the burden imposed on charities associated with funding agreements.
- Neither EY, nor the parties which have endorsed or been involved in the development of the report, accept any responsibility for use of the information contained in the report and make no guarantee nor accept any legal liability whatsoever arising from or connected to the accuracy, reliability, currency or completeness of any material contained in this report. EY and any other parties involved in the preparation and publication of this report expressly disclaim all liability for any costs, loss, damage, injury or other consequence which may arise directly or indirectly from use of, or reliance on, the report.
- Liability limited under a scheme approved under Professional Standards Legislation.

## Appendix B Conceptual framework

### Framework purpose

The purpose of this framework is twofold. First, it provides the basis for how we will analyse the regulatory and reporting burden on NFP entities and charities (in terms of defining key concepts and directing, in turn, what data will need to be collected and how). Second, it defines the boundaries of the research project that will be undertaken by EY, determining what will (and what will not) be measured.

We devised the conceptual framework (and associated measurement methodology) to:

- Meet the research requirements and stipulated timing and scope constraints of the ACNC (as set out in the Statement of Requirement released by the ATO on 8 November 2013)
- Align with the *Interim Regulation Impact Statement Process Guidance Note* (issued by the OBPR on 24 January 2014) and the Victorian Regulatory Change Measurement Manual (November 2013).

### Framework structure

The conceptual framework is structured as follows:

- The section on 'Research focus' defines the unit of analysis that will underpin the research project
- The section on 'Regulatory burden' defines regulatory burden
- The section on 'Red tape' defines red tape.

### Research focus

We have defined the unit of analysis for the research project as follows:

*Obligations imposed by government Ministers, departments and regulatory agencies on Australian not-for-profit entities (including charities).*

The subsections below expand on key elements of this definition.

#### *What is an obligation?*

By and large, an obligation is a concept that is widely used, but rarely defined. Recent publications that provide an implicit definition of what constitutes an obligation include:

- The *Victorian Regulatory Change Measurement Manual* – which suggests that obligations are legally enforcement statements 'that bind a party to perform a certain action'<sup>59</sup>
- The Queensland Government's framework for measuring and reducing the burden of regulation – which suggests that obligations are government requirements that compel individuals or organisations to undertake an activity.<sup>60</sup>

Drawing on these reports, we define an *obligation* as an act or course of action that entities are required to undertake to comply with legally enforceable conditions imposed by government. Such conditions can be imposed through legislation, legislative instruments, mandatory codes and guidelines, and contractual agreements.

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<sup>59</sup> Victorian Department of Treasury and Finance (2013), *Victorian Regulatory Change Measurement Manual*, Version 2.0, November.

<sup>60</sup> Queensland Competition Authority (2013), *Measuring and Reducing the Burden of Regulation: Final report*, February.

There are three key types of obligations:<sup>61</sup>

- Information obligations – these are requirements for entities 'to procure or prepare information and subsequently make it available to a public authority.'<sup>62</sup> Such information can be used for accountability purposes, assurance purposes and to collect data necessary for policy-making.
- Substantive compliance obligations – these are requirements for entities to undertake an act or course of action to achieve a desired regulatory outcome. As the Victorian Department of Treasury and Finance states:

*'To comply with substantive compliance obligations, an affected entity may need to make active changes to its operating processes, by implementing technical or other solutions (like adjusting a machine to ensure compliance with noise standards) or making provisions that involve capital investment.'*<sup>63</sup>

- Causes of delay – these are requirements that prevent an entity from commencing its intended operations due to delays caused by application or approval processes. These delays can impose costs on the entity – in the form of increased expenses and/or the loss of income.

It is important to note that obligations can be associated with regulatory requirements (e.g. the need for registered entities to provide financial reporting to the relevant government body on an annual basis), as well as with grant and service agreements (e.g. the need for some grant recipients to submit a final report outlining activities and outcomes funded by a grant).

### *Not-for-profit and charitable entities*

This conceptual framework focuses on obligations imposed on NFP entities. We have defined NFPs in accordance with the definition adopted by the ACNC. That is, a NFP is an entity that does not operate for the profit, personal gain or other benefit of particular people (for example, its members, the people who run it or their friends or relatives).<sup>64</sup>

Charities comprise an important subset of NFPs. We have defined charities in accordance with the definition adopted by the Commonwealth Government in the *Charities Act 2013*. That is, a charity is an entity:

- a) that is a not-for-profit entity, and
- b) all of the purposes of which are:
  - i. charitable purposes<sup>65</sup> that are for the public benefit, or
  - ii. purposes that are incidental or ancillary to, and in furtherance or in aid of, purposes of the entity covered by subparagraph (i), and
- c) none of the purposes of which are disqualifying purposes<sup>66</sup>, and
- d) that is not an individual, a political party or a government entity.<sup>67</sup>

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<sup>61</sup> Victorian Department of Treasury and Finance (2013), *Victorian Regulatory Change Measurement Manual*, Version 2.0, November.

<sup>62</sup> *Ibid.*

<sup>63</sup> *Ibid.*

<sup>64</sup> ACNC (2013), 'Not-for-profit', available at: [https://www.acnc.gov.au/ACNC/Register\\_my\\_charity/Who\\_can\\_register/What\\_is\\_NFP/ACNC/Reg/NFP.aspx?hkey=0c89fa5a-38dc-49af-b7aa-e8a6515fe8b1](https://www.acnc.gov.au/ACNC/Register_my_charity/Who_can_register/What_is_NFP/ACNC/Reg/NFP.aspx?hkey=0c89fa5a-38dc-49af-b7aa-e8a6515fe8b1)

<sup>65</sup> Part 3 of the *Charities Act 2013* provides greater detail about what constitutes a charitable purpose.

<sup>66</sup> Division 3 of the *Charities Act 2013* provides greater detail about what constitutes a disqualifying purpose.

<sup>67</sup> This definition is derived from Division 1 of the *Charities Act 2013*.

## Regulatory burden

To measure the regulatory and reporting burden on NFP entities, we first need a definition of what constitutes burden.

The existing literature tends to equate burden (explicitly or implicitly) with costs. For instance, the Industry Commission defined regulatory burden as 'the costs imposed on businesses by the regulatory framework'.<sup>68</sup> Likewise, the SCM, the *Victorian Regulatory Change Measurement Manual* and the *Interim Regulation Impact Statement Process Guidance Note* all frame burden in term of the costs imposed on individuals, organisations and the broader community by government obligations.<sup>69</sup>

Accordingly, in our view:

*Regulatory and reporting burden represents the incremental or additional costs incurred by NFP entities in complying with government obligations over and above their business-as-usual (BAU) costs.*

The subsections below expand on key elements of this definition.

### *Types of costs*

In undertaking acts or courses of actions to comply with an obligation, NFP entities can incur costs. These costs include:

- Administrative costs – costs incurred primarily to demonstrate compliance with a rule, usually record keeping and reporting costs, and the compliance costs associated with financial costs. This includes the costs incurred through complying with government taxes, fees, charges and levies (excluding the actual amount paid).<sup>70</sup>
- Substantive compliance costs – costs that directly lead to the regulated outcomes being sought, usually purchase and maintenance costs.
- Delay costs – expenses and loss of income incurred by a regulated entity through an application delay or approvals delay.

It is important to note that, in line with the *Interim Regulation Impact Statement Process Guidance Note* issued by the OBPR, the following costs are excluded from the research project:

- Opportunity costs (unless they relate to a delay)
- The costs of non-compliance – this includes such costs as fines for failing to comply with a regulation and legal fees
- Indirect costs – these are costs that arise indirectly from the impacts of regulatory changes, including changes to market structures and competition impacts
- Direct financial costs – charges attached to a regulation which are payable to government, such as administrative charges, licence and permit fees, levies and mandatory insurance premiums, and taxes
- Regulatory impacts related to: (1) regulations imposed as a prerequisite to participation in international markets; and (2) criminal laws and the administration of courts and tribunals
- Internal Commonwealth Government red tape - that is, all regulation imposed by the Commonwealth on Commonwealth departments or agencies, other than regulation imposed by or on Government Business Enterprises.

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<sup>68</sup> Industry Commission (1997), *Reducing the Regulatory Burden: Does firm size matter?*, Staff Research Paper.

<sup>69</sup> See: Office of Best Practice Regulation (2014), *Interim Regulation Impact Statement Process Guidance Note*, January; SCM Network (2005), *International Standard Cost Model Manual*; Victorian Department of Treasury and Finance (2013), *Victorian Regulatory Change Measurement Manual*, Version 2.0, November.

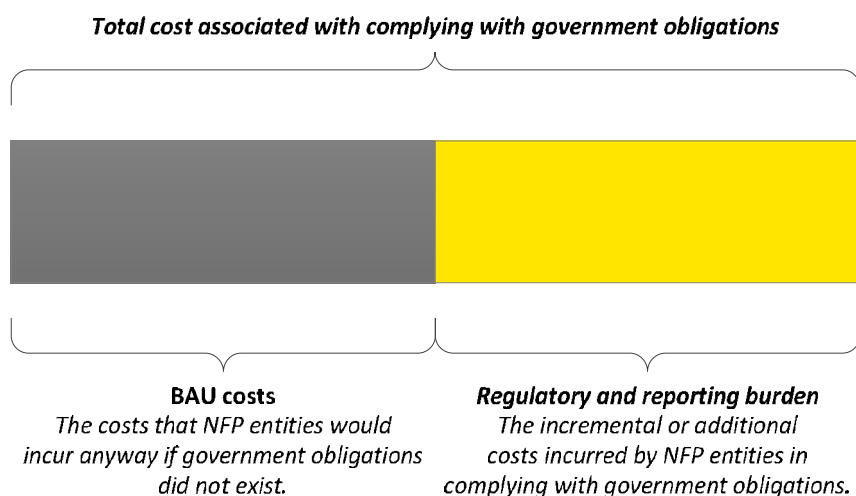
<sup>70</sup> These definitions of administrative costs, substantive compliance costs and delay costs are drawn from: Office of Best Practice Regulation (2014), *Interim Regulation Impact Statement Process Guidance Note*, January.

## BAU Costs

NFP entities undertake a range of activities to comply with government obligations. It is unlikely, however, that all of these activities relate only to government obligations. For instance, a charity may prepare financial information not only to comply with a government obligation, but also to support its internal management processes.

In line with the *Interim Regulation Impact Statement Process Guidance Note*, this conceptual framework defines burden as the incremental or additional cost incurred by NFP entities due to government obligations. In other words, burden represents the costs that NFP entities incur directly because of government obligations, and not those costs that the entity would incur anyway if government obligations did not exist (Figure 1).

Figure 16: Burden and BAU costs



## Red tape

In addition to measuring the burden imposed by government obligations on charities, this research project will estimate the potential savings<sup>71</sup> that could be achieved by reforming the regulatory and reporting framework for charities. To identify areas for potential reform, this research project will focus on obligations that are believed to constitute red tape.

Red tape is a difficult concept to define. Outside of academic literature, it is rarely explicitly defined. Furthermore, the concept is used in some contexts (particularly in popular usage) as a synonym for regulatory burden, rather than being distinct from regulatory burden.

Nonetheless, a survey of the available literature suggests that 'red tape' is broadly defined as regulation that is particularly burdensome. For instance:

- In his theoretical overview of the concept, Bozeman defines red tape as 'rules, regulations, and procedures that remain in force and entail a compliance burden but do not serve the legitimate purposes the rules were intended to serve'<sup>72</sup>

<sup>71</sup> These savings are likely to be predominantly non-cash savings (e.g. freeing up staff time), but may include some cash savings (e.g. charities no longer having to pay for external advice).

<sup>72</sup> Barry Bozeman (2000), *Bureaucracy and Red Tape*, Prentice Hall.

- Mazzarol recently defined red tape in the Australian context as 'excess bureaucracy and regulation that serves as cost on business'<sup>73</sup>
- The Australian Public Sector Commission (APSC) defined red tape as 'regulatory or administrative requirements that are unwarranted, ineffective or not the most efficient option for delivering the required outcome'<sup>74</sup>
- The Taskforce on Reducing Regulatory Burdens on Business, in its landmark report, *Rethinking Regulation*, identified a number of sources of unnecessary burden. Amongst these included overlapping and inconsistent regulatory requirements, excessive requirements and redundant or unnecessary requirements (Box 1).

**Box 1: Key sources of unnecessary regulatory burden**

In its 2006 report *Rethinking Regulation*, the Taskforce on Reducing Regulatory Burdens on Business identified a number of sources of unnecessary regulatory burdens on business. These sources included:

- *Excessive coverage, including 'regulatory creep'.* The Taskforce identified a number of regulations which appeared to catch more activity than originally intended or warranted, or where the coverage of smaller businesses had become more extensive over time as the real value of thresholds had been eroded by inflation. Such 'regulatory creep' can be pervasive and impact on many small businesses.
- *Overlapping and inconsistent regulatory requirements.* While these arise within governments, the more vexed instances occur across jurisdictions. They impose significant costs for national companies seeking to operate in what should be a national market.
- *Regulation that is redundant or not justified by policy intent.* Some regulations have simply been badly designed and thus give rise to unintended or perverse outcomes. Others have become ineffective or unnecessary as circumstances have changed over time. In these cases, compliance costs are borne for no good reason.
- *Excessive reporting or recording burdens.* Companies face multiple demands from different arms of government for similar information, as well as information demands that are excessive or unnecessary. These are rarely coordinated and often duplicative.
- *Variations in definitions and reporting requirements.* Such differences generate confusion and extra work for many businesses on such basic questions as who is an employee or contractor, or what is a small business.

Source: Taskforce on Reducing Regulatory Burdens on Business (2006), *Rethinking Regulation*, January.

Drawing on this existing literature, we have defined red tape as obligations that are excessive, unnecessary or confusing.<sup>75</sup> In this context:

- An excessive obligation is one that imposes a burden disproportionate to the policy goals or benefits of the obligation
- An unnecessary obligation is one that is redundant, duplicative or does not generate a material benefit
- A confusing obligation is one that, due to inconsistencies in definitions and requirements, generates confusion and uncertainty.

We believe this definition:

- Summarises the key aspects of particularly burdensome regulation (as identified in the definitions outlined from Bozeman, Mazzarol, the ASPC and the Taskforce on Reducing Regulatory Burdens on Business).
- Is aligned with sector perceptions of what constitutes red tape. For instance, in its comprehensive study of the NFP sector, the Productivity Commission concluded that:

*'While overall the regulatory regime works well for these NFPs, there is confusion about the best form of incorporation and compliance costs are often not proportionate to size or scope of activity. It is the larger NFPs, and those operating in more than one*

<sup>73</sup> Tim Mazzarol (2012), 'What is red tape and why is it a problem for small firms?' available at: <http://theconversation.com/what-is-red-tape-and-why-is-it-a-problem-for-small-firms-6601>.

<sup>74</sup> Management Advisory Committee (2007), *Reducing Red Tape in the Australian Public Service*, Australian Public Service Commission.

<sup>75</sup> See glossary on definition of red tape and its derivation.

*jurisdiction (including federated models), that face an unnecessarily complex, confused and costly regulatory environment [emphasis added].*<sup>76</sup>

Likewise, the Australian Council of Social Services noted in its suggested priorities for reducing red tape that the concept related to 'overly onerous and unnecessary burden'.<sup>77</sup>

We will primarily measure red tape by relying on the perceptions of the charity case studies as to which obligations are excessive, unnecessary or confusing.

Given that the Government's BCC does not provide an objective basis in which to identify and measure benefits, the data which will be used to measure red tape will be qualitative in nature and may involve the subjective judgements of the charities interviewed.

It is likely that the mapping process will provide some objective information about the extent of duplication that exists across regulatory and reporting requirements.

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<sup>76</sup> Productivity Commission (2010), Contribution of the Not-for-profit Sector, February.

<sup>77</sup> Australian Council of Social Services (nd), 'Improving community sector effectiveness and efficiency: Priorities for reducing red tape', available in: [http://acoss.org.au/images/uploads/Final\\_ACOSS\\_priorities\\_for\\_reducing\\_red\\_tape.pdf](http://acoss.org.au/images/uploads/Final_ACOSS_priorities_for_reducing_red_tape.pdf).

## Appendix C Case Study Selection

A key component of the research project was to select and interview 15 case study charities. To select the 15 case study charities, EY worked with the ACNC to generate a 'master list' of charities. The master list was comprised of all registered charities from three targeted sub-sectors – namely:

- Social, welfare or community activities
- Other education (excluding schools, higher education and research)
- Health/aged care charities.

From the master list, 45 charities were randomly chosen - so as to avoid familiarity with an organisation or sector leading to a biased result. From the short list of 45 charities, 15 were selected based on the following key parameters:

- Even representation across sub-sectors (i.e. five each from the social welfare, other education and health/aged care sub-sectors)
- Even representation across charity sizes (i.e. five each from small, medium and large charities) - using the ACNC's definition of small (less than \$250,000), medium (\$250,000 or greater, but less than \$1 million) and large (\$1 million or more) charity sizes
- Geographical representation based on the actual geographical distribution of charities – to determine an appropriate geographical distribution for the case study charities, EY relied on ACNC data derived from the 2013 AIS (accessed on 29 January 2014). This data, and how we used it to determine the spread of the case study charities, is outlined in Table 21.

Table 21: Population of charities by jurisdiction and proportional representation by jurisdiction within the interview sample

Jurisdiction	Number of charities registered by jurisdiction	Percentile share of the charities sector by jurisdiction (%)	Proportional share of the interview sample by jurisdiction	Number of charities to be interviewed by jurisdiction (rounded)
ACT	1,210	2.08	0.31	1
NSW	19,609	33.78	5.07	5
WA	6,097	10.50	1.58	1
VIC	13,921	23.98	3.60	3
QLD	10,411	17.94	2.69	2
NT	749	1.29	0.19	1
TAS	1,554	2.68	0.40	1
SA	4,496	7.75	1.16	1
Total	58,047*	100	15	15

Note: \*This excludes registered charities that do not have a designated principal jurisdiction.

Table 22 summarises the key characteristics of our case study sample, reflecting the sub-sector, size and geographical parameters detailed above.

Table 22: Key characteristics of the 15 charities that participated in the research study

No.	Sector	Size	Location
1	Health/Aged Care	Small	Australian Capital Territory
2	Health/Aged Care	Small	Victoria
3	Health/Aged Care	Large	New South Wales
4	Social Welfare	Large	New South Wales
5	Other education	Large	New South Wales
6	Health/Aged Care	Large	New South Wales
7	Social Welfare	Medium	Northern Territory
8	Other education	Small	New South Wales
9	Social Welfare	Large	Victoria
10	Other education	Small	Victoria
11	Social Welfare	Medium	Tasmania
12	Other education	Medium	Queensland
13	Other education	Small	South Australia
14	Health/Aged Care	Small	Queensland
15	Social Welfare	Medium	Western Australia

## Appendix D      References

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## Appendix E      Online Survey Questionnaire

### Question 1

Please enter your charity's Australian Business Number (ABN) in the comment box below.

### Question 2

Does your charity receive Commonwealth-funded grants?

- ☐ Yes
- ☐ No

### Question 3

From which Commonwealth department or agency does your charity receive the majority of its funding?

- ☐ Department of Social Services
- ☐ Department of Health
- ☐ Department of Employment
- ☐ Department of Education
- ☐ Department of Industry
- ☐ Department of the Environment
- ☐ Department of Infrastructure and Regional Development
- ☐ Department of Agriculture
- ☐ Department of the Prime Minister and Cabinet
- ☐ Department of Foreign Affairs and Trade
- ☐ Department of Immigration and Border Protection
- ☐ Attorney-General's Department
- ☐ Other

Other (please specify)

Question 4

Who in your charity is primarily responsible for activities that support your charity meeting its regulatory and reporting obligations? You may select more than one response.

'Regulatory and reporting obligations' refers to legal obligations, reporting requirements, grant conditions and other administrative requirements imposed by government departments and agencies.

- ☐ CEO / Coordinator
- ☐ Corporate Team (finance, governance, HR)
- ☐ Operational Staff (those involved in delivery – eg. project officer, social worker)
- ☐ Board of Directors
- ☐ Volunteers
- ☐ Other (please specify)

Question 5

How much time in an average week does your charity spend on activities required to meet regulatory and reporting obligations (please estimate the total number of staff/volunteer hours)?



## Question 6

How many full-time employee equivalents has your charity allocated to activities required to meet your charity's regulatory and reporting obligations (estimate)?

	Less than 1	2-3	4-5	6-7	8+
ALL regulatory and reporting obligations (Commonwealth AND state/territory)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
COMMONWEALTH ONLY regulatory and reporting obligations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Question 7

In the last financial year, approximately how much did your charity spend on activities associated with meeting its regulatory and reporting obligations (estimate)?

Include:

- Internal costs (wages for staff whose work is directly involved in meeting your organisation's regulatory and reporting obligations, relevant staff and volunteer training, and internal systems such as IT software); AND
- External costs (professional services employed by your organisation to assist with regulatory and reporting requirements – eg. legal/accounting/IT professionals).

	\$0 – \$20,000	\$20,001- \$50,000	\$50,001- \$100,000	\$100,001- \$500,000	\$500,001- \$1 million	\$1 million+
ALL regulatory and reporting obligations (Commonwealth AND state/territory)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
COMMONWEALTH ONLY regulatory and reporting obligations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Question 8

Please rate the following Commonwealth departments/agencies on a scale of 1 to 5 for the costs associated with meeting your regulatory and reporting obligations to them.

Please use the following scale:

1 = minimal cost

5 = greatest cost

[blank] = department/agency in question imposes no cost

'Regulatory and reporting obligations' refers to legal obligations, reporting requirements, grant conditions and other administrative requirements imposed by government departments and agencies.

Australian Taxation Office (ATO)	<input type="text"/>
Australian Charities and Not-for-Profit Commission (ACNC)	<input type="text"/>
Australian Securities and Investments Commission (ASIC)	<input type="text"/>
Office of the Registrar of Indigenous Corporations (ORIC)	<input type="text"/>
Australian Bureau of Statistics (ABS)	<input type="text"/>
Australian Competition and Consumer Commission (ACCC)	<input type="text"/>
Fair Work Commission (FWC)	<input type="text"/>
Department of Social Services	<input type="text"/>
Department of Health	<input type="text"/>
Department of Employment	<input type="text"/>
Department of Education	<input type="text"/>
Department of Industry	<input type="text"/>
Department of the Environment	<input type="text"/>
Department of Infrastructure and Regional Development	<input type="text"/>
Department of Agriculture	<input type="text"/>
Department of the Prime Minister and Cabinet	<input type="text"/>
Department of Foreign Affairs and Trade	<input type="text"/>
Department of Immigration and Border Protection	<input type="text"/>
Attorney-General's Department	<input type="text"/>

### Question 9

Is there a month or are there months of the year in which your charity has to undertake more work in order to meet its COMMONWEALTH ONLY regulatory and reporting obligations?

- ☐ No – our compliance activities are mostly constant throughout the year
- ☐ Yes. (Please specify in the box below which month[s])

### Question 10

Of the time your charity spends on meeting its regulatory and reporting obligations, what percentage is spent on obligations you consider to be unnecessary, burdensome or confusing?

An 'unnecessary' obligation is one that is duplicative (e.g. duplicates another obligation) or redundant (e.g. an obligation that does not serve an accountability purpose and/or does not serve to achieve its policy goals).

A 'burdensome' obligation is one that imposes a cost which is disproportionate to the obligation's policy goals or the 'benefits' (for individual charities and/or the community as a whole) generate by that obligation.

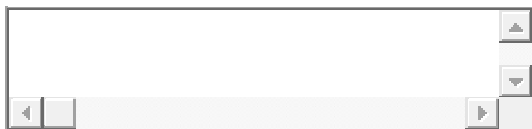
A 'confusing' obligation is one that, due to inconsistencies in definitions and requirements, generates confusion and uncertainty.

(Select one % band).

- ☐ 0 - 10%
- ☐ 11% - 20%
- ☐ 21% - 30%
- ☐ 31% - 40%
- ☐ 41% - 50%
- ☐ 51% - 60%
- ☐ 61% - 70%
- ☐ 71% - 80%
- ☐ 81% - 90%
- ☐ 91% - 100%

### Question 11

Please describe examples of regulatory and reporting obligations - and activities associated with meeting those obligations - that your charity considers to be unnecessary, burdensome or confusing.

A rectangular text input field with a light gray border. It includes a vertical scrollbar on the right side and a horizontal scrollbar at the bottom, indicating it is a multi-line text area.

### Question 12

What is the medium through which your charity submits forms, documents and other information in order to meet its regulatory and reporting obligations?

This includes Commonwealth and state/territory regulatory and reporting obligations.

- ☐ Mostly paper based
- ☐ Mostly electronic forms submitted through an online tool

### Question 13

In the past three (3) years, have the costs associated with meeting your organisation's regulatory and reporting obligations increased or decreased?

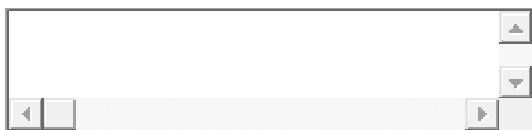
This includes both Commonwealth and state/territory regulatory and reporting obligations.

The regulatory burden has:

- ☐ Increased
- ☐ Decreased
- ☐ Stayed the same
- ☐ Don't know

### Question 14

What changes would you like to see from the current regulatory regime that would ease the costs associated with meeting your charity's regulatory and reporting obligations?

A rectangular text input field with a light gray border. It includes a vertical scrollbar on the right side and a horizontal scrollbar at the bottom, indicating it is a multi-line text area.

### Question 15

Does the current regulatory and reporting burden (imposed by the Commonwealth on your charity) and its associated costs impact your charity's ability to achieve its charitable outcomes?

The regulatory burden has:

- ☐ A significant impact on our ability to drive outcomes
- ☐ Only a minor impact on our ability to drive outcomes
- ☐ A negligible or nil impact on our ability to drive outcomes

### Question 16

What is your charity's size?

- ☐ Small (annual revenue less than \$250,000)
- ☐ Medium (annual revenue \$250,000 or more, but less than \$1 million)
- ☐ Large (annual revenue more than \$1 million)

### Question 17

What is the number of employees in your charity (excluding volunteers)?

- ☐ Less than 10
- ☐ 10 - 100
- ☐ 100 - 500
- ☐ 500+

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