



**Submission in relation to:**

**AASB Exposure Draft ED 270**  
**August 2015**

**Reporting Service**  
**Performance Information**

**April 2016**

## Introduction

This submission outlines issues relating to the proposed accounting standards relating to reporting of the performance of charities and not-for-profits. It has been informed by consultation with CCA members (listed in *Attachment A*) and key organisations in the NFP sector.

It is important to note that this submission does not override the policy positions outlined in any individual submissions from CCA members.

The content of this submission includes: a brief background to CCA; an overview of the current issues for the NFP sector; and a discussion of the issues associated with proposed performance reporting standards.

CCA welcomes this opportunity to provide input into the **AASB ED 270** and to engage in detailed discussion about any issues this submission raises.

## The Community Council for Australia

The Community Council for Australia is an independent non-political member based organisation dedicated to building flourishing communities by enhancing the extraordinary work undertaken by the charities and not-for-profit sector in Australia. CCA seeks to change the way governments, communities and not-for-profits relate to one another. It does so by providing a national voice and facilitation for sector leaders to act on common and shared issues affecting the contribution, performance and viability of NFPs in Australia. This includes:

- promoting the values of the sector and the need for reform
- influencing and shaping relevant policy agendas
- improving the way people invest in the sector
- measuring and reporting success in a way that clearly articulates value
- building collaboration and sector efficiency
- informing, educating, and assisting organisations in the sector to deal with change and build sustainable futures
- providing a catalyst and mechanism for the sector to work in partnership with government, business and the broader Australian community to achieve positive change.

Our success will drive a more sustainable and effective charities and not-for-profit sector in Australia making an increased contribution to the well-being and resilience of all our communities.

## **Context: not-for-profit reform**

The not-for-profit sector contributes over \$55 billion to GDP per annum, encompasses over 600,000 organisations - from large to very small, and is estimated to employ over one million staff (or 8% of all employees in Australia). Each year it turns over more than \$105 billion. It holds over \$175 billion in assets. In the last decade, sector growth has continued at more than 7% a year, greater than any other industry group.

These figures tell only a small part of the story. The real value of the NFP sector is often in the unmeasured contribution to Australian quality of life. NFPs are at the heart of our communities; building connection, nurturing spiritual and cultural expression, and enhancing the productivity of all Australians. Collectively, they make us a more resilient society.

The importance of the NFP sector is now being internationally recognised with many governments putting in place measures to increase NFP investment and productivity. Smaller government and bigger community is a common theme, driven in part by savings, but also by a commitment to greater civic engagement, social entrepreneurship and productivity within the NFP sector.

In Australia there are currently various initiatives seeking to: promote social enterprise; reduce compliance costs for NFPs; encourage a diversification of financing options to build a more sustainable funding base; streamline and refine the regulation of NFPs and charities; establish less bureaucratic reporting requirements while building community transparency; increase philanthropy; improve relationships between government and the NFP sector; promote impact investing; and increase sector performance measurement. CCA supports all these activities.

The establishment of the ACNC is the first time the NFP sector has had an independent regulator dedicated to serving their needs and enhancing their capacity. It has already proved to be a positive step towards red tape reductions, increased transparency, and trust in the community by prospective volunteers and donors. The national charities register has also provided invaluable information.

While the recent history of the NFP sector is framed by growth and reform, new issues are emerging. The level of individual philanthropic giving has still not recovered to the highs of 2009. At the same time, revenue available to governments is effectively falling in real terms against a backdrop of increasing demands and higher community expectations. Competition for fundraising and services has increased. In the context of recent changes, the NFP sector is slowly but surely finding its voice - building its collective power and seeking real reform that will provide substantial savings to government as well as tangible benefits to the community.

Given the size of the sector and its critical role in our community, it is not surprising that it is coming under increased scrutiny, particularly in relation to performance. This is not a new tendency. As pointed out in the 2010 Productivity commission *Report into Productivity in the Not-for-profit Sector*, creeping micro management by funders is undermining the capacity of organisations to respond to the issues of concern for the communities they serve.

## **Issues of concern with the proposed AASB ED 270 performance reporting measures**

### **1. Simple generalised reporting measures do not provide an accurate reflection of organisational performance or community benefit.**

Measuring performance is clearly a desirable goal. How we do that is actually very complex. A great deal of work needs to be done within each sector to consider what the goals of programs really are and how those goals are best achieved. There have been many studies into how best to measure the performance of charities and not-for-profit organisations. Not one of these studies suggests that there is a quick fix or straight simple measure that can be applied to all organisations.

Pursuing a public benefit purpose is the key goal of most charities. This is not necessarily about providing a service. Nor is it necessarily about engaging in a specific range of measurable activities. There are many examples of how the real impact of charities extends beyond counting outputs or even outcomes.

What really matters is not inputs, outputs, or even outcomes, but real impact over time and over communities. Arts programs can be an effective way to build compassion by encouraging audiences and participants to walk in other people's shoes. Sports programs can prevent drug abuse and increase retention in school. They can build community connectedness. Education tutoring programs can build mental health and well-being for all participants, independent of educational outcomes.

The Productivity Commission Report into the productivity of the not-for-profit sector argued that until we are measuring impacts, we will not be measuring the value or performance of our not-for-profit sector.

There is no way that simply looking at expenditure or income figures, measuring activities, asking about efficiency or outcomes can meaningfully capture the impact of the work of charities across Australia.

### **2. Regulatory burden**

Another of the findings in the Productivity Commission Report into the not-for-profit sector was that there is an ever increasing burden of red tape, duplication and regulation on the sector. While the ACNC is working to reduce this burden, it seems inconsistent to add yet another reporting requirement that will offer inconsistent and potentially misleading information.

### **3. Cost**

Who pays for all this compliance work? Most charities are very small organisations with very limited budgets. Who is going to complete this additional reporting and how will it be resourced?

### **4. How do charities comply?**

The suggestion that incorporated organisations provide this information is not accurate. Even if this requirement is only imposed on charities, most charities have very limited capacity to provide services, let alone accurately report on inputs, outputs, outcomes and impact. The ACNC specifically developed proportionate reporting requirements – smaller organisations have less reporting. There is also the need to consider risk and return as drivers of performance measures.

## **Conclusion**

There are undoubtedly many individual not-for-profit organisations (including CCA members) that are keen to develop more robust and effective measures of their performance, including their outcomes and impact. It is rightly a focus of a lot of work across the sector.

The approach proposed by the AASB in encouraging broad based and generalised performance reporting may be well intentioned, but it is not fully developed. The AASB proposal offers very little real benefit while imposing significant new costs on charities, mostly small organisations with limited capacity.

## **Current Membership – Community Council for Australia Attachment A**

### **Organisation**

2Realise  
Access Australia's National Infertility Network  
Alcohol Tobacco and Other Drugs  
Arab Council Australia  
Australian Charities Fund  
Australian Council for International Development  
Australian Healthcare and Hospitals Association  
Australian Indigenous Leadership Centre  
Australian Institute of Superannuation Trustees  
Australian Major Performing Arts Group  
Australian Women Donors Network  
Beyond Blue  
Business Council of Co-operatives and Mutuals  
Carers Australia  
Centre for Social Impact  
Church Communities Australia  
Churches of Christ Community Care Vic/Tas  
Community Based Support  
Community Broadcasting Association of Australia  
Community Colleges Australia  
Compass Housing Co Ltd  
Connecting Up Australia

### **Drug Arm**

e.motion21  
Ethical Jobs  
EveryMan  
Foresters Community Finance  
Foundation for Alcohol Research and Education  
Foundation for Young Australians  
Fundraising Institute of Australia  
Good Samaritan Foundation

### **Director / CEO**

Rowena Stulajter  
Sandra Dill  
Carrie Fowlie  
Randa Kattan  
Jenny Geddes  
Marc Purcell  
Alison Verhoeven  
Rachelle Towart  
Tom Garcia  
Bethwyn Serow  
Julie Reilly  
Georgie Harman  
Melina Morrison  
Ara Cresswell  
Andrew Young  
Chris Voll  
Gabriel Hingley  
Murray Coates  
Jon Bissett  
Don Perlgut  
Greg Budworth  
Anne Gawen  
**Dr Dennis Young (Director)**  
Claire Vissenga  
Michael Cebon  
Greg Aldridge  
Rhyll Gardner  
Michael Thorn  
Jan Owen  
Rob Edwards  
Catherine Cresswell

Good to Give	Lisa Grinham
HammondCare	Stephen Judd
<b>Hillsong Church</b>	<b>George Aghajanian (Director)</b>
Justice Connect	Fiona McLeay
<b>Life Without Barriers</b>	<b>Claire Robbs (Director)</b>
Lifeline Australia	Pete Shmigel
Maroba Caring Communities	Viv Allanson
Mater Foundation	Nigel Harris
Mission Australia	Catherine Yeomans
Missions Interlink	Pam Thyer
<b>Musica Viva</b>	<b>Mary Jo Capps (Director)</b>
Opportunity International Australia	Robert Dunn
Our Community	Denis Moriarty
Palliative Care Australia	Liz Callaghan
Philanthropy Australia	Sarah Davies
Port Phillip Housing Association	Karen Barnett
Power Housing Australia	Julie Quass
Pro Bono Australia	Karen Mahlab
Reach Foundation	Trisha Squires
<b>RSPCA Australia</b>	<b>Heather Neil (Director)</b>
SANE	Jack Heath
SARRAH	Rod Wellington
<b>Save the Children Australia</b>	<b>Paul Ronalds (Director)</b>
Scope (Vic)	Jennifer Fitzgerald
Settlement Services International	Violet Roumeliotis
SHOUT	Darryl Smeaton
Social Ventures Australia	Rob Koczkar
St John Ambulance Australia	Robert Hunt
The Benevolent Society	Joanne Toohey
The Big Issue	Steven Persson
The Fragile X Association of Australia	Wendy Bruce
The Non Profit Alliance	Kelly Beaumont

**The Smith Family**

The Ted Noffs Foundation

Variety Australia

**Volunteering Australia**

**Wesley Mission**

White Ribbon Australia

**World Vision Australia**

YMCA Australia

Youth Off The Streets

**Lisa O'Brien (Director)**

Matthew Noffs

Neil Wykes

**Brett Williamson (Director)**

**Keith V Garner AM Mth (Oxon)  
(Director)**

Libby Davies

**Tim Costello (Chair)**

Ron Mell

Fr Chris Riley