State of the Not for Profit Sector Survey 2014: Providing a Voice

Pro Bono Australia’s State of the Sector Survey 2014 seeks to provide a voice for all those with an interest in the Not for Profit sector – especially Pro Bono Australia’s subscribers and other stakeholders that contribute to the performance of the sector.

It is not an academic study, there are other surveys that serve that purpose. However, we have used questions which appeared in the 2013 and 2010 Election Manifesto Surveys and the 1200+ respondents in the 2014 survey are drawn from the same pool of sector stakeholders – sector leaders and senior managers, volunteers, advisors, and clients. The survey engaged respondents from all industries and sizes of Not for Profit organisations.

The survey findings are designed to prompt discussion and offer opinions from the sector. In addition to the many numbers, we focus on what respondents have said – their concerns, their hopes and most importantly their views on how to help the sector thrive.

“Well done on providing a forum to capture these important and pressing issues!”

“Glad Pro Bono Australia continues to serve the sector in a variety of ways. It’s an important service you provide, in particular for small NFPS who are resource and expertise constrained.”
Volatile Operating Environment for the Not for Profit Sector

The operating environment for Australian Not for Profit organisations is volatile with fundamental changes to Federal Government regulation and policy and funding mechanisms at both Federal and State levels. These changes coincide with ever increasing volume of demand for services and increasing expectations in terms of access to and the quality of those services.

Significant Decline in Sector Performance

Most participants in The State of the Sector Survey perceive that the Not for Profit sector is currently performing well or average however they also perceive that the performance of the sector is declining significantly. Comparing respondents' perceptions of the sector's current performance with performance over the last year and looking forward to the next year, there is a 34 point drop in the Not for Profit Sector Perceived Performance Index. This perceived decline in sector performance was universal, not just leaders and managers but across all roles, across all states and industries, and across all sizes of Not for Profit organisations with respondents associated with small organisations particularly pessimistic.

Modest Decline in Organisational Performance

On a similar basis respondents also perceive a decline in organisational performance but not anywhere near the scale of the decline in the sector performance, with leaders and managers being the most positive about organisational performance.

The difference between sector and organisational performance probably reflects the degree of control which respondents have over performance where leaders and managers recognise the considerable challenges and have concerns over how other organisations will perform but confidence in their own organisations' performance.
Positive Drivers of Performance

Respondents identified the human capital of the Not for Profit sector as making a positive impact both over the past year and looking forward to the next year. Skilled volunteers, volunteers and paid staff received the highest levels of support closely followed by board members and external advisors and consultants.

Funding from non-government sources was also identified by respondents as generating a positive impact over the past year and looking forward to the next year, specifically donations from the public, returns from commercial and social enterprise activities, and foundation grants.

Negative Drivers of Performance

Respondents identified Federal Government policy and regulation, and funding as having the biggest negative impact on performance over the last year and looking forward to the next year followed by State Government policy and regulation, and funding. Respondents commented on the high levels of uncertainty over funding, policy and regulatory which makes it difficult to manage organisations and to make strategic decisions.

Regulation of the Not for Profit Sector

The high levels of support for the Australian Charities and Not-for-profits Commission (ACNC) recorded in the 2013 and 2010 surveys is maintained in the 2014 survey with 82% (compared to 83 percent in the 2013 survey) stating that the ACNC is important or extremely important for developing a thriving Australian Not for Profit sector. The 2014 survey also shows a strong preference for regulation through the ACNC rather than co-regulation, self-regulation or regulation through the Australian Tax Office (ATO).

Respondents also continue to support key elements of the regulatory framework including: A report once and use many times reporting framework; a one-stop online information source for Not for Profit organisations; charitable status and eligibility through the ACNC; and a national register for charities, community organisations and Not for Profit organisations.

Priorities for Government

Respondents identified the following initiatives as being of the highest priority for Government:

- A mechanism to expand and strengthen partnerships between business and Not for Profit organisations
- A social finance taskforce to develop a strategy to increase the capital available to the Not for Profit sector
- A program to support the development of social enterprises and cooperatives / mutuals delivering public services
- A national public campaign to promote philanthropy and charitable giving including payroll / workplace giving
- Scholarships /subsidies for the education and training of sector leaders and managers
- A coordinated program of support for volunteerism
Voice to Action

In response to the widely-held view that the Not for Profit sector’s performance is in decline and the positive and negative drivers of performance, respondents identified a range of actions that would contribute to a thriving Not for Profit sector.

**Regulation of the Not for Profit sector**

The respondents have reported a strong disconnect with Government policy over the preferred regulatory framework with continued strong support for the ACNC, however they have also stated their support for key elements of the regulatory framework, including a report once and use many times reporting framework, a one-stop online information source for Not for Profit organisations, and a national register for charities, community organisations and Not for Profit organisations. The pertinent question is therefore whether these elements continue to feature in the future regulatory framework.

**Cross-sectoral collaboration**

The highest priority for Government identified by respondents was the establishment of a mechanism to expand and strengthen partnerships between business and Not for Profit organisations. Over recent years there has been increasing partnership activities relating to corporate community investment, workplace giving, Creating Shared Value, social finance and impact investing, and Collective Impact. The Government’s proposed Community Business Partnerships may provide a focus for these alternative approaches to cross-sectoral collaboration.

**Has the Time for Social Finance and Impact Investing Arrived?**

There was strong support for the establishment of a social finance task force to develop a strategy to increase the capital available to the Not for Profit sector. This reinforces respondents support for the Social Enterprise and Development Investment Funds (SEDIF) which were seen as having a positive impact over the next year. The available evidence suggests that generally social enterprises, co-operatives and mutuals and Not for Profit organisations may not be ready for social finance, respondents therefore identified a program to support the development of social enterprises and cooperatives/mutuals delivering public services as a priority.

**Investing in the Not for Profit sector’s human capital**

The significant contributions made by people in terms of paid work and volunteering are captured in this survey. The role of leaders and managers is seen as critical to addressing challenges and improving organisational performance. Respondents have expressed the importance of strengthening leadership and management including through investment in education and training. Respondents also thought a coordinated program of support for volunteerism was a priority.

**Other initiatives to create a thriving Not for Profit sector**

Respondents also identified the following initiatives as important in creating a thriving Not for Profit sector: supporting organisations – especially small organisations – to measure outcomes; the need for resources to support better strategic analysis; mechanisms to promote sector cohesion to address the challenges; greater use of technology; the potential for place based mechanisms and programs that promote community empowerment; and recognition of the specific needs and potential of Not for Profit organisations in regional and remote Australia.
The survey asked respondents to assess the current performance of both the overall Not for Profit sector and the organisation(s) that they are directly associated with. We asked about current, recent past (last year) and future (next year) performance.

The survey doesn't attempt to be statistically representative of the different stakeholders of the Not for Profit sector, but the high numbers completing the survey allows us to differentiate between the different types of survey respondent.

- **Sector leaders and other stakeholders**: Many of the survey respondents hold leadership or management roles in the sector, however the survey also engaged large numbers of paid staff, volunteers, carers, government staff and clients / beneficiaries. In key areas of the survey, these two groups provided different responses, thus we have provided findings for these two sub-groups separately.

- **Optimists and pessimists**: We have identified a subset of respondents perceiving that the sector is underperforming and that the sector’s performance will get worse over the next year. This subgroup in some areas has provided different responses, so where relevant we have provided a breakdown between optimists and pessimists.

- **Diversity**: We have provided further breakdowns based on the size and industry that the Not for Profit organisations' respondents are associated with, and how long the respondent has been involved in the Not for Profit sector.
1.1 Sector Performance Now and Over the Past Year

Current Sector Performance

Over four in 10 (43%) respondents stated that the sector was currently performing well with a similar proportion (40%) stating performance was average. However, one in six (17%) stated that the sector was underperforming. Sector leaders and managers were substantially more positive (48%) than respondents that fulfil other roles such as other paid workers and volunteers (36%).

Sector Performance Over the Past Year

Respondents were split on their perceptions of the performance of the sector over the past year with over a quarter (27%) stating that the sector had improved but a larger proportion (30%) stating that sector performance had got worse. Leaders and managers were slightly more positive than those performing other roles.
Performance Now and Over the Past Year

1.1b State

Current Sector Performance by State

Respondents from all states were on the whole positive about the sector’s current performance with four out of five respondents stating that performance was average or above average. Victoria, New South Wales and South Australia recorded the highest levels of perceived performance whilst Queensland and the ACT had the lowest.

Sector is performing

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria</td>
<td>84.8%</td>
</tr>
<tr>
<td>New South Wales</td>
<td>81.8%</td>
</tr>
<tr>
<td>South Australia</td>
<td>84.2%</td>
</tr>
<tr>
<td>Queensland</td>
<td>74.5%</td>
</tr>
<tr>
<td>ACT</td>
<td>74.5%</td>
</tr>
<tr>
<td>Western Australia</td>
<td>81.1%</td>
</tr>
<tr>
<td>South Australia</td>
<td>85.5%</td>
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Sector is underperforming

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria</td>
<td>15.2%</td>
</tr>
<tr>
<td>New South Wales</td>
<td>18.2%</td>
</tr>
<tr>
<td>South Australia</td>
<td>14.5%</td>
</tr>
<tr>
<td>Queensland</td>
<td>25.5%</td>
</tr>
<tr>
<td>ACT</td>
<td>25.5%</td>
</tr>
<tr>
<td>Western Australia</td>
<td>18.9%</td>
</tr>
<tr>
<td>South Australia</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

Sector Performance Over the Past Year by State

Respondents were asked to reflect on the performance of the sector over the last year, which generated a mixed picture with some states seeing sector performance worsening significantly. One in three respondents (34%) in Queensland stated that sector performance over the last year had worsened with similar high levels for ACT (33%), Western Australia (32%) and Victoria (31%). However, respondents were more positive about the sector’s performance in South Australia (83%) and New South Wales (76%).

Same or Improved

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland</td>
<td>65.8%</td>
</tr>
<tr>
<td>ACT</td>
<td>65.8%</td>
</tr>
<tr>
<td>Western Australia</td>
<td>75.7%</td>
</tr>
<tr>
<td>South Australia</td>
<td>66.7%</td>
</tr>
<tr>
<td>South Australia</td>
<td>83.3%</td>
</tr>
</tbody>
</table>

Worse

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland</td>
<td>34.2%</td>
</tr>
<tr>
<td>ACT</td>
<td>34.2%</td>
</tr>
<tr>
<td>Western Australia</td>
<td>24.3%</td>
</tr>
<tr>
<td>South Australia</td>
<td>33.3%</td>
</tr>
<tr>
<td>South Australia</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland</td>
<td>69.0%</td>
</tr>
<tr>
<td>ACT</td>
<td>69.0%</td>
</tr>
<tr>
<td>Western Australia</td>
<td>31.0%</td>
</tr>
<tr>
<td>South Australia</td>
<td>83.3%</td>
</tr>
</tbody>
</table>
**1.1c Size of NFP Organisation**

### Current Sector Performance by Organisation Size

Respondents associated with the largest Not for Profit organisations (more than 100 employees) were the most positive in terms of current sector performance (86%) while respondents associated with the smallest Not for Profits and those with between 26 and 100 employees were the least positive (81%).

![Current Sector Performance by Organisation Size](chart)

### Sector Performance Over the Past Year by Organisation Size

One in three (34%) respondents associated with the smallest Not for Profits thought the sector’s performance had worsened over the past year, with those associated with organisations between 11 and 25 employees also pessimistic about sector performance (31%).

![Sector Performance Over the Past Year by Organisation Size](chart)
1.1d Industry

Respondents associated with Not for Profits in Culture and the Arts (88% performing) were most positive about current sector performance, but also recorded the highest proportion of responses stating that performance had worsened over the last year (38%).

Foundations /Intermediaries (84%), Economic and Community Development, Health (83%) Social Services and Education (82%) were also most positive about current sector performance. However, Business and Professional Associations (21% underperforming), sport and recreation (20%) and advocacy and human rights (18%) had the highest levels of current sector underperformance.

The following industries also had high proportions of respondents stating that sector performance had got worse over the last year: Business and Professional Associations (33% performance worsened), International Development (32%), Health, Sport and Recreation, and Environment (31%). Respondents related to Religion (22%) and Foundations / Intermediaries were the most positive (25%).

### Sector Performance by Industry

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>CURRENT</th>
<th>PAST YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank</td>
<td>Underperform</td>
</tr>
<tr>
<td>Education – schools, colleges, universities and research</td>
<td>8</td>
<td>17.7%</td>
</tr>
<tr>
<td>Health – hospitals, mental health, rehabilitation</td>
<td>7</td>
<td>16.8%</td>
</tr>
<tr>
<td>Social Services – child welfare, youth services, aged care, disability care, emergency relief</td>
<td>9</td>
<td>17.6%</td>
</tr>
<tr>
<td>International Development – emergency and disaster relief, microfinance</td>
<td>6</td>
<td>14.3%</td>
</tr>
<tr>
<td>Religion</td>
<td>5</td>
<td>18.4%</td>
</tr>
<tr>
<td>Environment – animal welfare, natural resource management</td>
<td>2</td>
<td>20.8%</td>
</tr>
<tr>
<td>Culture and the Arts – museums, theatre, music</td>
<td>12</td>
<td>12.5%</td>
</tr>
<tr>
<td>Sport and Recreation – amateur sports clubs, social clubs, RSLs</td>
<td>3</td>
<td>20.0%</td>
</tr>
<tr>
<td>Economic / Community Development and Housing – pathways to employment, community forum, community housing, homelessness</td>
<td>10</td>
<td>16.9%</td>
</tr>
<tr>
<td>Business and Professional Associations – chambers of commerce, trade unions, professional societies</td>
<td>1</td>
<td>21.1%</td>
</tr>
<tr>
<td>Advocacy and Human Rights – legal aid centres, consumer protection, campaigning</td>
<td>4</td>
<td>18.4%</td>
</tr>
<tr>
<td>Foundations and Intermediaries – grant-making foundations, fundraising organisations and volunteer centres</td>
<td>11</td>
<td>15.7%</td>
</tr>
</tbody>
</table>

### Specific Policy Areas Raising Concern

Several respondents commented on the changes to the funding of youth services.
1.2 Organisation Performance Now/Over the Past Year

More Positive Perceptions of Organisation Performance than Sector Performance

Respondents had more positive perceptions of their own organisations’ performance than the sector as a whole. Positive perceptions of current performance are supported by positive perceptions of performance over the past year and looking forward to the next year. There is only a **5 point drop** in the Not for Profit Organisation Perceived Performance Index compared to a **34 point drop** for the sector index. This probably reflects respondents’ awareness of the significant challenges facing the sector and confidence in how their organisations are responding to these challenges.

**Current Organisation Performance**

Over half of all respondents (**57%**) stated their organisations were performing well with less than one in five (**18%**) stating that their organisation was underperforming. Perhaps unsurprisingly leaders and managers (**60%**) were more positive about their organisational performance than other roles (**52%**).
Performance Now and Over the Past Year

Organisation Performance Over the Past Year

Half (50%) of all respondents stated their organisations’ performance had improved over the last year with almost one in five (18%) stating that performance had worsened. Leaders and managers were a lot more positive (54%) about their organisation’s performance than other roles (42%).

1.2b State

Current Organisation Performance by State

Respondents from all states were broadly positive about the current performance of their organisation with over four out of five respondents stating that their organisation was performing well. However, Queensland respondents recorded the highest level of organisational underperformance (24%).
Performance Now and Over the Past Year

Organisation Performance Over the Past Year by State

Most respondents stated that their organisations performance had stayed the same or improved over the last year especially respondents based in the ACT (91%) and Tasmania (93%). Queensland (22%) and South Australia (27%) have the highest proportion of respondents reporting that organisation performance has got worse over the last year.

1.2c Size of NFP Organisation

Current Organisation Performance by Organisation Size

Respondents from all sizes of organisation were on the whole positive about organisational performance, with over 4 out of 5 respondents indicating that their organisations were performing well. However, the smallest (22% underperforming) and largest organisations (20%) had the highest proportion of respondents reporting underperformance.
Over four out of five respondents stated that their organisations’ performance had stayed the same or improved over the past year with respondents associated with medium-sized organisations having the highest proportion reporting that organisation performance had worsened.

<table>
<thead>
<tr>
<th>Organisation Size</th>
<th>Same or Improved</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5</td>
<td>81.6</td>
<td>18.4</td>
</tr>
<tr>
<td>6-10</td>
<td>85.7</td>
<td>14.3</td>
</tr>
<tr>
<td>11-25</td>
<td>82.3</td>
<td>17.7</td>
</tr>
<tr>
<td>26-100</td>
<td>80.0</td>
<td>20.0</td>
</tr>
<tr>
<td>&gt;100</td>
<td>83.1</td>
<td>16.9</td>
</tr>
</tbody>
</table>
2.1 Human Capital

Respondents were asked about the factors which had a positive or negative impact on the performance of their organisations over the past year. The human capital of the Not for Profit sector were identified as making a positive impact with skilled volunteers, volunteers and paid staff receiving the highest levels of support closely followed by board members and external advisors and consultants.

Ranking of Positive and Negative Influences in the Next Year

+ 1. Skilled Volunteers
   =2. Paid Staff
   =2. Volunteers
   4. Board Members
   5. External Advisors/Consultants

"Volunteers/carers are the staple backbone of many charities and communities and the Government needs to acknowledge this and do more to support and encourage volunteers and carers. Support through rebates or tax deductions should be instigated; the opportunity cost for the Government to provide the services met by volunteers and carers would cripple the Government’s budget and bankrupt the states."

2.2 Government Policy, Funding and Regulation

Funding from non-government sources was also identified by respondents as generating a positive impact over the past year, specifically donations from the public, returns from commercial and social enterprise activities, and foundation grants. Federal Government policy, regulation and funding were identified as having the biggest negative impact followed by State Government policy, regulation and funding, and then Local Government policy, regulation and funding.

Ranking of Positive and Negative Influences in the Next Year

+ 1. Donations from the public
   2. Profit from our commercial activities and social enterprises
   3. Grants from foundations
   4. Local Government funding
   5. Local Government policy and regulation
   6. State Government funding
   7. State Government policy and regulation
   8. Federal Government funding

-
Outlook: Performance Next Year

3.1 Sector Performance Over the Next Year

Sector Performance Next Year

Half (49%) of all respondents stated that sector performance will get worse over the next year with only a quarter (24%) stating that sector performance will improve. This pessimism was shared by leaders and managers as well as those performing other roles.

<table>
<thead>
<tr>
<th>Sector Performance Next Year</th>
<th>Improved</th>
<th>Same</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Roles</td>
<td>22.6</td>
<td>29.3</td>
<td>48.1</td>
</tr>
<tr>
<td>Leaders and Managers</td>
<td>24.0</td>
<td>27.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Total</td>
<td>23.5</td>
<td>27.9</td>
<td>48.7</td>
</tr>
</tbody>
</table>

3.1b State

Sector Performance Next Year by State

Respondents based in Victoria (55%) have the highest levels of pessimism about the performance of the sector over the next year followed by the ACT (53%) and Queensland (53%). Western Australia (62%) had the highest proportion of respondents reporting that the sector performance will stay the same or improve over the next year.
Respondents associated with the smallest Not for Profit organisations (59%) were the most likely to state that sector performance will get worse over the next year, with the remainder of respondents associated with larger organisations evenly split between the sector performance staying the same or improving versus getting worse.
3.1d Industry

Sector Performance Next Year by Industry

Respondents associated with Foundations/Intermediaries (62%) and religious organisations (59%) were most positive about future sector performance but the following industries had more than half of respondents reporting that sector performance will worsen:

- Culture and the Arts
- Environment
- Business and Professional Associations
- Advocacy and Human Rights

Respondents associated with Education, International Development, Social Services, and Economic/Community Development and Housing were evenly split over future sector performance.

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>Rank</th>
<th>Worse</th>
<th>Same or improve</th>
</tr>
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<td>Education – schools, colleges, universities and research</td>
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<td>7</td>
<td>48.6%</td>
<td>51.4%</td>
</tr>
<tr>
<td>International Development – emergency and disaster relief, microfinance</td>
<td>6</td>
<td>48.8%</td>
<td>51.2%</td>
</tr>
<tr>
<td>Religion</td>
<td>11</td>
<td>40.7%</td>
<td>59.3%</td>
</tr>
<tr>
<td>Environment – animal welfare, natural resource management</td>
<td>2</td>
<td>57.1%</td>
<td>42.9%</td>
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<td>51.5%</td>
<td>48.5%</td>
</tr>
<tr>
<td>Foundations and Intermediaries – grant-making foundations, fundraising organisations and volunteer centres</td>
<td>12</td>
<td>38.5%</td>
<td>61.5%</td>
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“State Government needs to continue to fund disability until the NDIS is rolled out fully.”

“A supportive Government at Federal and State level with adequate funding of a welfare safety net for people with mental illness and disability and without blaming poor people for being unemployed and under employed.”

“Greater awareness of homelessness as an issue in the community will enable us to galvanise more support for the policy issues we want.”
3.2 Organisation Performance Next Year

Organisation Performance Next Year

Almost half (48%) of all respondents stated that they expected their organisations’ performance to improve over the next year with one in five (19%) expecting performance to get worse. Leaders and managers were more positive about future performance (50%) than those performing other roles (43%), where the latter have less control over the performance of their organisations.

3.2b State

Organisation Performance Next Year by State

Respondents from the ACT (88%) were most positive about organisation performance over the next year with Queensland and South Australia having the highest proportion of respondents stating that organisation performance will get worse (22% stating organisation performance will get worse over the next year).
Respondents associated with Not for Profit organisations with between six and 10 employees reported the highest levels of optimism about organisational performance over the next year. Respondents associated with organisations with between 11 to 25 staff and 26 to 100 staff were the most likely to say that organisational performance would get worse over the next year.
Respondents were asked to consider factors that may affect organisational performance over the next year.

4.1 Human Capital

Respondents were most positive about the different contributions people make to Not for Profit organisations. The highest ranked positive contribution for the next year is skilled volunteers closely followed by paid staff and volunteers. The contribution of board members and external advisors and consultants are also reported as positive.

Ranking of Positive and Negative Influences in the Next Year

1. Skilled Volunteers
2. Paid Staff
3. Volunteers
4. Board Members
5. External Advisors/Consultants

The importance of the human capital is reflected in the commentary provided by respondents on the challenges facing Not for Profit organisation:

“Commitment of staff, volunteers and community support.”

“Quality of the staff and management of the organisation as it continues to live out its mission, vision, values.”

“A willingness by CEO, management and the board to take risks, innovate and explore new ways of operating.”

“Staff commitment (but their ability to perform is already being negatively impacted by their distress at the impacts of Federal Govt. policy and uncertainty in relation to the approaching State Government election).”
Drivers of Performance for Next Year

Respondents were asked to consider factors that may affect organisational performance over the next year.

4.2 Government Policy, Funding and Regulation

Federal Government funding and policy and regulation are both identified as being the most significant negative influence on organisational performance over the next year. State Government funding, policy and regulation are identified as the next most significant negative influences. Respondents identified profits from commercial activities and social enterprise, donations from the public and grants from foundations as positive influences on organisational performance for the next year.

**Ranking of Positive and Negative Influences in the Next Year**

1. Profit from our commercial activities and social enterprises
2. Donations from the public
3. Grants from foundations
4. Local Government funding
5. Local Government policy and regulation
6. State Government funding
7. State Government policy and regulation
8. Federal Government funding

“[Progress will come from] reinstatement of State and/or Federal Government funding, both of which were withdrawn completely in the last 1-2 years, and the organisation is now struggling valiantly to survive.”

“If we can increase our commercial and social enterprise activities and if the State Government steps up to to bring in income to continue to deliver the highly valuable services that the Federal Government has decided not to fund, despite identified need and significant successes.”

“[Progress will come from] successfully receiving State and Federal Government funding as well as foundation funding or sponsorship. We need more certainty from one year to the next in order to invest in quality programs and outcomes.”

“[Progress will come from] tax measures to encourage the wealthy to engage in philanthropy and support the sector in ways that many rich people in the United States do. We do not have a culture of such philanthropy in Australia and if the Government is going to reduce its funding then there have to be new initiatives.”
Drivers of Performance for Next Year

4.3 Regulation and Policy Activities

Respondents were asked to consider a range of influences relating to government regulation and policy that may have positive or negative impacts on the performance of Not for Profit organisations. As in previous surveys, respondents support specific components of the regulatory and policy framework. Respondents identified the following as having a positive impact over the next year:

- A report-once and use many times reporting framework
- A one-stop online information source for Not for Profit organisations
- Charitable status and eligibility through the ACNC
- The Australian and Charities and Not-for-profits Commission (ACNC)
- A national register for charities community organisations and Not for Profit organisations

“If the Federal Government would listen to the NFP sector and retain the ACNC and allow the dedicated regulatory framework that has been purpose-built for the sector to remain in place, granting consistency, strong governance and visibility for the sector, the performance of this organisation and all others in the sector would improve. The current determination on the part of the Federal Government to ignore the NFP sector’s desire to retain its dedicated, helpful regulator and the Charities Register that brings much-needed visibility to the sector is undermining confidence, particularly given the government’s refusal to conduct proper public consultation on its policy and not issue sufficient detail of its proposed alternative.”

“The ACNC [is] all red tape and of no advantage to the sector. I think support demonstrates ideological political divisions rather than any rational reason for justifying their existence.”

“Publicly available details on how charities and other not-for-profits raise money - and how they use it - is the strongest (if not the only) long-term strategy for increasing public confidence in the charity sector. It must be provided in a simplified format that is easily understood by the public - such as simple pie charts prepared from audited financials.”

“Retention of the Australian Charities & Not-for-profits Commission and allowing and supporting its work with state regulators of reducing red tape”

“Having now the ACNC give it some time to deliver - the majority of the sector have been asking for this for more than a decade and support the current arrangements - we all have better things to do focusing on achieving our purpose than spend this time all over again assessing, making submissions, advocating etc. for a system that will best meet the majority of the sector’s needs.”
Drivers of Performance for Next Year

What Type of Regulatory System Do Respondents Prefer?

**Six out of 10** respondents stated that they preferred the ACNC as the form of regulation for the Not for Profit sector. **Three out of 10** preferred a co-regulation system (a combination of formal and self-regulation) with only 6% supporting regulation through the Australian Tax Office and 5% supporting self-regulation. The support for the ACNC is substantially higher than what was reported in the 2013 Election Manifesto Survey. Support for the ACNC now stands at **59%** compared with **47%**, with respondents shifting preference away from co-regulation (31% in 2014 and 40% in 2013).

The Social Enterprise and Development Investment Funds (SEDIF) were also seen as having a positive impact over the next year. A dedicated office for the Not for Profit sector and the proposed National Centre for Excellence for Civil Society received lower levels of support.

**Preferred Regulatory System by Sector Outlook**

<table>
<thead>
<tr>
<th>Sector will be worse off</th>
<th>Sector will be same/improved</th>
<th>All respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACNC</td>
<td>Co-Regulation</td>
<td>Self-Regulation</td>
</tr>
<tr>
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<td>2.0</td>
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**Ranking of Preferred Regulatory Systems**

1. A report once and use many times reporting framework
2. A one-stop shop online information source for Not for Profit organisations
3. Charitable status and eligibility through the ACNC
4. Social Enterprise Development and Investment Funds
5. The Australian Charities and Not-for-profits Commission (ACNC)
6. A national register for charities, community organisations and Not for Profit organisations
7. A dedicated Federal Government department
8. The Standard Chart of Accounts
9. A National Centre of Excellence for Civil Society

**The Importance of the ACNC**

**82.3%** think the ACNC is important/very important in developing a thriving Not for Profit sector in 2014.
Respondents were asked about the priorities for Government and the following initiatives were identified:

- A mechanism to expand and strengthen partnerships between business and Not for Profit organisations
- A social finance task force to develop a strategy to increase the capital available to the Not for Profit sector
- A program to support the development of social enterprises and cooperatives / mutuals delivering public services
- A national public campaign to promote philanthropy and charitable giving including payroll / workplace giving
- Scholarships / subsidy for the education and training for sector leaders and managers
- A coordinated program of support for volunteerism

Collaboration

“Opportunities [are] generated through partnerships and conversations beyond our sector.”

Volunteering

“Greater support and recognition of volunteer services performed for free in lieu of the government having to pay for these services. Tax deductions or rebates for the costs incurred by volunteers for providing volunteer services; i.e. petrol rebates, stationery rebates, out of pocket expenses. Personal costs for provision of volunteer services have significantly increased and now pose a significant deterrent to people who may have the capability to do volunteer service but don’t have the financial resources to do so.”

Ranking of Potential Government Initiatives

1. A social finance task force to develop a strategy to increase the capital available to the Not for Profit sector
2. A mechanism to expand and strengthen partnerships between business and Not for Profit organisations
3. A program to support the development of social enterprises and cooperatives / mutuals delivering public services
4. A national public campaign to promote philanthropy and charitable giving including payroll / workplace giving
5. Scholarships / subsidy for the education and training for sector leaders and managers
6. A coordinated program of support for volunteerism
7. A program to support the continued expansion of community foundations
8. The formulation of social impact bonds / social benefit bonds
9. Payment by results / for success mechanisms
10. A program to support the continued expansion of private ancillary funds (PAFs)
The survey doesn’t claim to be representative of the Not for Profit sector and its many stakeholders but it does seek to provide them with a voice. The main findings from this survey are the widely held perception that the performance of the sector has worsened over the past year and that they expect the sector’s performance to worsen over the next year. These views are held by leaders and managers, other paid staff, volunteers, funders, carers, and clients / beneficiaries; and across states and territories, sizes of organisation and industries.

This comparative decline in sector performance is captured in the Not for Profit Sector Perceived Performance Index.

Respondents – especially leaders and managers - were more confident about the future performance of the organisations they were associated with and that is also captured in the index.

### Sector Performance Perception Trends

![Bar chart showing sector performance perception trends for 2013, 2014, and 2015 for total, leaders and managers, and other roles.]

### Organisation Performance Perception Trends

![Bar chart showing organisation performance perception trends for 2013, 2014, and 2015 for total, leaders and managers, and other roles.]

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The key findings from the survey are the decline in sector performance over the last year and expectations for performance to worsen over the next year. The drivers identified as generating negative impact are government policy, regulation and funding – especially Federal Government. The commentary provided by many respondents focuses on impact of changes to and the levels of uncertainty over Federal Government policy, regulation and funding. Similar concerns have been expressed for some State Governments with Queensland, South Australia, ACT and Victoria prompting the most concern.

“Having been in the community sector for about 20 years, I have never experienced a more difficult climate than exists presently. There is not a single area of our work that is immune from major reform activity - with much of that reform adding complexity and challenge, rather than improving or enhancing capacity. The most depressing element of the changes is a lack of respect for what drives people to work for and volunteer in community agencies. We are recasting the sector to be more like the commercial world ….”

Many respondents supported the established initiatives and provided a range of strategies to establish a thriving Not for Profit sector. The scale of the challenge however is captured in the following statement:

“The system is broken, you need to fix the heart of it - all the above suggestions are bandaids over an already-broken system. Do a complete overhaul. Look at [which] NFPs are actually meeting basic needs - fund them, de-fund the others and inject those funds into addressing the core basic needs of the community.”

The Challenge of Regulatory Reform

The strong support from respondents for sector regulation through the ACNC is a challenge to the Federal Government’s plans to abolish the ACNC, however some of the components of the regulatory system which received the highest level of support from respondents may still feature in the proposed replacement including:

• A report once and use many times reporting framework
• A one stop online information source for NFP organisation
• A national register for charities community organisations and NFP organisations

A dedicated office for the Not for Profit sector and the proposed National Centre for Excellence for Civil Society received lower levels of support.

“For me the key issue is not ‘initiatives’ but ‘attitudes’ - all of Cabinet needs to really understand the NFP sector and the consequences of all government actions they are taking on the NFP sector. Only then can we actually work in partnership to realise joint goals. Without this we are constantly fighting for survival rather than being focused on our core business.”
There was strong support for the establishment of a social finance taskforce to develop a strategy to increase the capital available to the Not for Profit sector. This reinforces respondents’ support for the Social Enterprise and Development Investment Funds (SEDIF), which were seen as having a positive impact over the next year. The available evidence suggests that social enterprises, co-operatives and mutuals and Not for Profit organisations generally may not be ready for social finance. Respondents identified a program to support the development of social enterprises and cooperatives/mutuals delivering public services as a priority.

The highest priority identified by respondents was the establishment of a mechanism to expand and strengthen partnerships between business and Not for Profit organisations. This reflects not only the concerns over relationships with Government and the limits of philanthropic resources but also businesses continuing support for Not for Profit organisations and growing interest and engagement in social impact. Over recent years there has been increasing partnership activities relating to corporate community investment, workplace giving, Creating Shared Value, social finance and impact investing, and Collective Impact.

“The Howard Government’s Business-NFP Partnerships initiatives were highly successful in closing the gap between for profit and Not for Profit.”

Has the Time for Social Finance and Impact Investing Arrived?

There was strong support for the establishment of a social finance taskforce to develop a strategy to increase the capital available to the Not for Profit sector. This reinforces respondents’ support for the Social Enterprise and Development Investment Funds (SEDIF), which were seen as having a positive impact over the next year. The available evidence suggests that social enterprises, co-operatives and mutuals and Not for Profit organisations generally may not be ready for social finance. Respondents identified a program to support the development of social enterprises and cooperatives/mutuals delivering public services as a priority.

“Identifying and supporting small NFPs that are performing well or have the potential to perform better and ensuring they are supported to gain access to philanthropic funds and/or develop business partnerships. Financial support in the form of seed funding could be provided to enable smaller, locally based NFPs to develop commercial activities or social enterprises that allow them to deliver much needed services to those in most need in their communities.”

“Actively encourage innovation especially in the areas of providing measurable and meaningful solutions to increase quality of life for those in need in the community rather than continue with the status quo. Profile successful innovations. Encourage tax or other benefits to findersFOUNDATIONS to shift from a “closed” approach to giving.”
Investing in the Not for Profit Sector’s Human Capital

The significant contributions made by people in terms of paid work and volunteering are captured not only in the numbers but also in the commentary provided by respondents. The role of leaders and managers is seen as critical to addressing challenges and improving organisational performance. Respondents fulfilling roles such as other paid staff and volunteers have expressed the importance of strengthening leadership and management either through changes to leadership or investment in education and training. Leaders and managers have also called for investment in education and training.

Investment in scholarships / subsidy for the education and training for sector leaders and managers was seen as a priority by respondents, who also saw support for volunteerism as a priority.

“Educate the Board of Directors on NFP issues and trends. Our Board has no clue about what really goes on and therefore cannot make the right decisions. NFPs have tried to commercialise for the sake of financial viability but in the process have actually abandoned their NFP mission.”

“Money for skills training for Board, staff and volunteers. This is critical for resource management (human, funding, assets etc), appropriate client care, and ability for the organisation to focus rather than having to deal with ongoing poor Board, staff and volunteer behaviour. It is exhausting at times and takes away from the purposes of the organisation yet training and skills development seems to be considered a ‘nice to have’ by all levels of government and philanthropic trusts.”

“Ensuring that employee benefits like salary packaging remain because otherwise the sector will lose highly skilled people because salary and benefits are not comparable to those available in the corporate sector.”

“An organisation to provide business advice for small organisations.”

“As well as sector leaders and managers, there needs to be training for the rest of the workforce to maintain, enhance standards and skills base.”
Focus on Outcomes / Strategic Analysis / Sector Cohesion

The following were seen as important elements of establishing a thriving Not for Profit sector:

Focus on Outcomes:

“Inclusion of a social return on investment framework for payment by results/success mechanisms.”

“Greater focus on measuring outcomes rather than number of activities. Achieving a more effective and equitable intake process.”

“Stability of funding and more logical allocation processes which place emphasis on outcomes for participants rather than competition between providers.”

“Support for smaller organisations/programs to measure outcomes where the staffing/expertise of the organisation does not cover a statistician. Outcomes based measurement is a priority but beyond the scope of most community based organisations.”

“Fully (and effectively) integrate Results Based Accountability in a true partnership from the grass-roots up, including local communities, NFPs (including churches), business and all levels of government (and other key stakeholder dependant on the issues at hand).”

Strategic Analysis

“Settling into the ‘new world’ where government funding is seen as less of a given and new opportunities such as self-generated income and more partnerships are better understood and more widely explored.”

“Guidelines for merger/JVs - When appropriate, How to?”

“The board adopting a more innovative strategy to deal with new and emerging sectoral challenges.”
Sector Cohesion

“A unified approach from the sector on what it needs to achieve its goals.”

“Initiatives to support the governance and accountability structures for collaborations between NFPs working on the same issues/geographic locations/populations.”

“Stimulate socially aware NFP think tanks that can help level the playing field for smaller NFPs as they ‘compete’ with the larger ones. Such think tanks could provide secretariat services such as research, fund writing, staff training, co-ordination etc.”

Technology

“Opportunities to use new technology.”

“Introduction of a new client information management system.”

Place-based Mechanisms and Community Empowerment

“All three levels of Government, especially Federal and State, prioritising conservation, community action and capacity building and real leadership toward ‘powering-down’ and re-designing our economic structures to secure a healthy and functioning biosphere. Implementing the legal structure to support and prioritise the health and integrity of our ecosystems.”

“Better funding of community centres, especially in rural communities, which provide a hub for multiple community services and which engage local communities in ‘their’ centre.”

Regional Australia

“Government bodies to realise the value in NFPs and fund the work they do appropriately across states and in particularly in regional centres. Need is not Sydney and Melbourne-centric, it grows with distance from these centres.”

“Partnerships with other NGOs may lead to better client service provision and better security for the organisation.”
An online survey was designed and analysed by Net Balance Research Institute. The survey was commissioned and implemented by Pro Bono Australia. Over 1250 respondents completed part or all of the online survey in August 2014.

The survey engaged:
- Board members, volunteers, employees of Not for Profit organisations, foundations and social enterprises;
- Consultants and employees of businesses that support the Not for Profit sector;
- Employees of government agencies;
- Academics;
- Carers, clients and those unemployed and seeking work.

An informed audience
Most respondents were employed in a Not for Profit or community organisation (61.6%) or a volunteer for a Not for Profit (16.7%). Corporate or charitable foundations (7.7%) and consultants supporting the Not for Profit sector (5.7%) were also well-represented.

Respondents were from senior roles
Asked to select their two most significant involvements with Not for Profit organisations, respondents most commonly nominated board membership (41.9%), a paid managerial role (33.8%), role as Chief Executive Officer (27.9%), and volunteering with a Not for Profit (23.9%).

High engagement from the social services industry
58% of respondents were from social services, including child welfare, youth services, aged care, disability care and emergency relief. Health (27.8%) and education (22.0%) were also well represented.

Large organisations well-represented
49% percent of respondents came from organisations with more than 25 staff, though all sizes of organisation were represented. 18.9% had less than five staff.
Methodology

An online survey was designed and analysed by the Tomorrow's Agenda Research Institute. The online was commissioned and implemented by Pro Bono Australia. The survey was supported by …

Over 1500 respondents completed part or all of the online survey between ????? and ??????.

The survey engaged:
- Board members, volunteers
- Employees of not-for-profit organisations, foundations and social enterprises; consultants and employees of businesses that support the not-for-profit sector; employees of government agencies; academics;
- Carers, clients and those unemployed and seeking work

Over half (58%) of the respondents have a long standing relationship with the sector but a quarter have been involved for five years or less. A third of the respondents are based in Victoria and a quarter in New South Wales, with all the other states and territories represented. All industries were represented in the survey with significant numbers in social welfare and community services (37%), health (21%), economic and community development, and education (15%).

All sizes of not-for-profit organisation were represented in the survey including the largest organisations with more than 100 employees (29%) and the smallest with less than five employees (22%).

Almost three quarters of respondents either have a positive or neutral view of the performance and prospects of the sector with just over quarter being pessimistic:

Sector Snapshot:

The Australian sector comprises over 600,000 charitable, Not for Profit, voluntary, community and social business organisations. The Australian NFP sector has a turnover of approximately $100 billion per annum, has over 1 million paid employees and benefits from the voluntary efforts of 5.2 million Australians.

About Pro Bono Australia:

Pro Bono Australia is the central online Hub for people working in and with Australia’s Not for Profit sector. It provides News/Media, Jobs, Volunteering opportunities and a broad range of other services for community organisations and those engaged with them. It represents the interests of the Social Economy and gives a voice to its issues to act as a catalyst for change.

About Net Balance Research Institute:

Net Balance Research Institute’s key focus is academic, quality research that shapes the strategy, policies, programs, and grounded action of businesses, Not for Profit organisations, social enterprises and government in relation to the creation of social, environmental and economic value.

About Community Council of Australia:

The Community Council for Australia is an independent, non-political member-based organisation dedicated to building flourishing communities primarily by enhancing the extraordinary work and effort undertaken within the Not for Profit sector in Australia.