



Tasmania's Community Services Industry: Sustainability and Market Failure Risk

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Centre for Public Value
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- Carers Tasmania
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- Mental Health Council of Tasmania
- National Disability Services
- Neighbourhood Houses Tasmania
- Shelter Tasmania
- Volunteering Tasmania
- Youth Network of Tasmania

It was undertaken by the Centre for Public Value at the UWA Business School. The Centre for Public Value is a multi-disciplinary academic group focusing on developing research outcomes that are intended to support, enhance and reform Australia's human services system. Our focus includes all parts of these systems including Not-for-profit and charitable organisations, policy makers, governments, and scholarly outputs. Such research outcomes are intended to be industry-ready—that is, they are tools and commentary that are based on high quality research while being focused on implementation and practical supports.

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Statement of Interests:

Professor David Gilchrist is Director of the Centre for Public Value and Professor of accounting in the School of Business at the University of Western Australia. He has received funding from governments, peak bodies and individual organisations for various research projects and consulting support predominantly related to the not-for-profit human services sector, not-for-profit financial and performance reporting, sustainability and outcomes reporting, and policy and practice related to those areas. He has been a director and chair of a number of human services and policy organisations over past years and is currently chair of two policy-focused not-for-profits operating nationally in the education sector.

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Key Findings

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|---|--|
| The service mix provided by Tasmanian community services providers is likely to have contracted over the period covered by this report signalling service contraction | → The service mix, as represented by activities reported by charities with head offices in Tasmania, contracted between 2018 and 2019. With the impact of COVID we expect this contraction has extended into 2020. |
| Tasmanian charities are under significant financial pressure | → Aggregate profits generated by the industry fell by 10.5% over the period, with the COVID-related economic shock seeing profits reduce by 63.4% in 2019, likely reducing reserves and encouraging further contraction in the service mix in response. |
| Pricing is likely inadequate in a majority of service programs | → In 2020 Tasmanian charities <u>PAID</u> \$9m out of their cash flow to deliver an additional \$322m in services to the Tasmanian community. That is, they made a loss delivering these additional services. |
| Profitability did not keep up with cost pressures | → 54% of Tasmanian charities did not achieve the profit benchmark of 3.5% as established by reference to the Health CPI for 2020. That is, they did not keep pace with inflation. |
| The Tasmanian charitable sector remains one of the state's most significant economic contributors | → The healthcare and social assistance industry, of which Tasmania's charities are a part, contributed 13% to GSP and employed 15.8% of the state's workforce. |
| Employment increased with an increase in charity numbers | → The number of registered charities with head offices in Tasmania increased by almost 8% with the largest growth seen in charities turning over less than \$50,000. The cohort increased its employee numbers by 5.3%. |
| Job quality also improved marginally | → Likely in response to competition for labour, job quality in the charitable sector improved marginally with full time and part time employee numbers increasing by 6% and 10.6% respectively while casual employee numbers dropped by a modest 2%. With the increase in activity identified, the improvement in job quality is also likely to be modest. |
| Volunteer numbers fell | → Charities engaging with volunteers increased by 48% but they engaged 21% less volunteers 2020 compared to 2018. |
| Volunteer contribution still material and critical to the sustainability of the Tasmanian charitable sector | → Volunteers were reported as contributing \$3b in labour and services to the community. |

Industry Response

Tasmania's Community Services Industry: Sustainability Risk and Market Failure

We have always known that the community services industry is a critical part of Tasmania's community and economy. We have also known that the industry is under significant financial pressure resulting from cumulative funding decisions and a lack of data that would allow us to better understand what is happening and why.

With this report, we have moved forward in our understanding of the pressures on the industry and gained greater insights into the change the industry is undergoing which is, in turn, impacting service users—the people who ultimately bear the risk of service failure.

The change reported is concerning because it reveals unplanned service mix change— that is, organisations being forced to change the quality, quantity, timing and/or location of the services they offer largely due to funding constraints. This should be extremely concerning to governments and to the community given that the work our industry does underpins the wellbeing of most Tasmanians at some stage in their lives and is a significant contributor to the state's economy. We share this concern and will advocate strongly for the recommendations contained in this report to be implemented.

We are very excited to work with the Tasmanian community services peak bodies in bringing together the resources necessary to undertake this study. It is not easy asking organisations facing significant financial pressure to contribute to an additional project, but they collaborated unflinchingly.

We also thank the University of Western Australia's Centre for Public Value which has utilised its long experience in describing this industry to analyse the data and develop a set of findings that are both practical and informative. These findings can be utilised to develop responsive policy, and they provide us with a strong baseline from which to assess the impact of future policy on the industry.

Once again, we are very pleased to be able to work with sector peaks to resource this report and are looking forward to the collaborative work required to implement the report's recommendations.

Yours sincerely,



Adrienne Picone

Chief Executive Officer



Contents

Publication Information	ii
Contact Information:.....	ii
Citation Information:.....	ii
Statement of Interests:	ii
Key Findings	1
Industry Response	1
Overview	5
Service Mix Change	5
Contribution to State Employment	6
Financial Sustainability	6
Introduction	7
Industry Service Mix	7
Our Primary Questions	8
Using this report	9
Detailed Analysis & Commentary	10
General Comments – the Tasmanian charity sector	10
What do Tasmania’s charities do?.....	11
Who do Tasmania’s Charities Serve?.....	14
Economic Contribution	17
The Community Services Industry in the Tasmanian Economy	17
Employment and Job Quality.....	18
Volunteers	22
Financial Sustainability	23
Profitability.....	24
Balance Sheet Strength	30
Concluding remarks	31
Appendix 1 - Service Mix as an Analytical Frame	32
Appendix 2 - A Note on Data Used in this Analysis	34
COVID-19 & Its Impacts	34
The Nature of the Data.....	35
Appendix 3 – Footnote Sources	39
Appendix 4 – Comparison of Activities	41
Appendix 5 – Main Activities Reported	47
Appendix 6 – Other Activities Reported	48



Appendix 7 – Main and Other Subtypes Reported, 2020.....	49
Appendix 8 – Program and Charity Density per Beneficiary Type, 2020.....	50
Appendix 9 – Number of Beneficiaries to Program.....	51
Appendix 10 – Beneficiary Types Reported	52
Appendix 11 – For Context: A General Description of Not-for-profit Organisations.....	53



Overview

We report on our analysis findings in the remainder of this report. In this section, we have reported primarily on the 2020 year and compared those results to the 2018 reported data. Typically, the reported results are presented directly for 2020 and in brackets for the 2018 data. We comment on 2019 data where we think this adds value to the reader's understanding.

Overall, we found that the industry is under considerable financial pressure and that there is significant risk being faced by service users and governments as a result. Additionally, we find that the data required to ensure transparency and good governance, both from a government perspective and a general community perspective, is not available. While we are able to assess those charities that have a head office in Tasmania, the results discussed herein are likely to be conservative as we were unable to access the full picture which means that government, the industry and the community cannot plan or respond to change effectively.

FINDING 1:

Overall, we find that the industry is not financially healthy, and that this situation poses a significant and potentially costly risk to all Tasmanians.

FINDING 2:

There is a need for the ongoing timely collection of quality data that will assist governments, policy makers and others to understand the relative sustainability of the sector. Such a process should be appropriately resourced so that a representative sample of social service organisations are able to contribute their data for analysis thus building transparency and increasing our understanding of sustainability, value for money and service mix attributes.

Service Mix Change

Overall, the analysis led us to discover that, between 2018 and 2020, the following indicators of change in service mix were identified:

- Tasmania's charity sector grew 5.28% or by 88 organisations
- This growth was predominantly in the Extra Small category with growth also experienced in the Large and Extra Large categories
- Employment numbers grew by 7.7%
- There was reduction reported in the number of activities undertaken by Tasmania's charities indicative of a contraction in the service mix
- There was upward movement in beneficiary types reported. When analysed against the number of programs reported, it seems that the number of beneficiaries served by Large and Extra Large charities increased while the number of beneficiary types served by Extra Small, Small and Medium charities sizes reduced significantly

The above changes are suggestive of an unplanned reduction in the industry service mix reported.

FINDING 3:

The analysis demonstrates that it is highly likely that the service mix contracted over the period examined. This contraction was unplanned and likely representative of service failure in the form of unmet need.



Contribution to State Employment

The service analysis is reinforced by the analysis of the employment contribution reported by charities with head offices registered in Tasmania. Specifically, during the period 2018 to 2020 we found Tasmania's charities sector reported:

- Increased the numbers of permanently employed staff by 9% (part time ↑10.6% & full time ↑6%)
- Decreased casual staff by 2% indicates a slight increase in job quality attributes reported
- Total volunteer numbers fell by 14.4% while the cost/benefit ratio remained stable at 3.5:1

FINDING 4:

Job quality has improved slightly during the period under review likely as a result of social service organisations responding to significant recruitment and retention challenges. Total employee numbers rose by 5.28% while total volunteers declined by 14.4%, further reinforcing the likelihood of service mix contraction between 2018 and 2020.

Financial Sustainability

Sustainability in financial terms is a critical element in maintaining service mix sustainability at the individual organisation and industry levels. As a result of our analysis of data for the 2018 to 2020 financial years, we found:

- About 58.77% of charities' income came from government sources
- Tasmanian charities paid \$9m of its own money in order to deliver more services
- Expenditure grew 26% faster than income
- Aggregate profitability fell by 10.5%
- 54% of charities failed to maintain financial parity with Tasmania's Health CPI

FINDING 5:

The analysis showed definitively that costs are rising and income is not keeping pace with expenditure. Pricing is inadequate with Tasmanian charities paying \$9m to deliver additional services to the state in 2020. That is, they made a loss delivering these additional services. Aggregate profitability fell by 10.5% and 54% of charities failed to keep pace with the Tasmanian Health CPI. Financial pressure on the industry is significant.



Introduction

- We have undertaken the analysis and development of this report for the Tasmanian Council of Social Service
- The Tasmanian community services industry is critical to the community it serves and to the Tasmanian economy—its contribution to employment is critical to the economic health of the state
- The overall finding is that the community services industry is not financial healthy, and this situation poses a significant and potentially costly risk to all Tasmanians.

This report was commissioned by the Tasmanian Council of Social Service to increase our understanding of the sustainability and economic contribution of Tasmania's community services industry with reference to the latest ACNC data (reporting years 2018 to 2020). As such, we examine the challenges faced by the industry in achieving sustainability and in continuing to provide its significant economic contribution.

Tasmania's social service industry is an important asset in the context of the state as a whole—its long experience, understanding, service linkages and community connections is an irreplaceable component of the state's capacity to support the Tasmanian community. Further, its contribution to employment and to economic growth is critical to Tasmania's economy. Thus, the industry's sustainability is critical to every Tasmanian.

Industry Service Mix

Sustainability is difficult to consider for community services organisations (CSOs). When we think of sustainability in the for-profit sector, we are referring to the ongoing ability of an organisation to make sufficient profits, which is as it should be. However, when we consider the sustainability of non-profit CSOs, it becomes more complex. Sustainability relates not just to profitability—which is critical to survival for an CSO operating in a market economy—but also to mission. That is, we consider financial sustainability as a part of organisational sustainability which is the organisation's ability to pursue its mission efficiently and effectively. That is, an CSO is considered to be sustainable if it is able to continue to deliver services:

- In the right quantity
- At the right quality
- At the right location
- With the right timing

So, we consider that an CSO is only sustainable when it is able to deliver on its mission. A profitable CSO without the capacity to deliver on its mission is not a sustainable CSO.

However, this report is not focused on individual CSOs but on the whole sector. When we add up the services that are provided by the whole sector—that is the different types, quantities, quality, location etc of the whole industry—we call this combined contribution of CSOs the "Service Mix". It is the service mix that we are concerned about here and which we discuss further below.

There are two types of change in the service mix:

1. Planned change: the result of changes in government policy and procurement of services
2. Unplanned change: the result of decisions made by CSOs due to financial and operational stress



It is the second of these types of service mix change that concern us here. If poor policy, poor pricing and/or other financial stresses (such as those caused by increased costs and a difficult labour market) are felt, CEOs and boards of CSOs must respond. Typically, they do so by becoming more conservative and making service reduction decisions—that is, they reduce their service mix. When all of these decisions are taken across the sector, the industry service mix is reduced and so likely increases in service failure occur.

We are concerned with this issue of industry service mix because it gives us an understanding of the extent to which unplanned change occurs which helps us to understand whether service recipients are facing increased risk or not. In this report we measure this by analysing:

- Financial sustainability
- Change in beneficiary types reported by charities
- Change in activity types reported by charities

A more comprehensive discussion of service mix as an analytical frame is provided in appendix 1.

To assist readers in considering our analysis, we set out key terminology that we have used as descriptors herein:

Beneficiaries:	the community members they support
Programs:	the methods of supporting beneficiaries
Activity Types & Sub-Types:	the services and supports provided
Organisational sustainability:	ability to continue to deliver the required quantity, quality and timing of services
Economic sustainability:	organisational financial position and recent performance

Our Primary Questions

Therefore, primary questions driving our analysis are:

- What do these organisations do?
- Who do they do it for?
- How do they contribute to the Tasmanian economy?
- What change is apparent between the two years analysed, 2018 and 2020?

The answers to these questions raise concerns as to the trajectory of the industry in terms of sustainability and its ongoing economic contribution. Additionally, if an organisation faces financial and/or other challenges, directors and managers must respond and such responses usually impact the service mix and/or quality of services and supports. Therefore, current and potential risks to the industry are borne by service and support users who are negatively impacted by unplanned changes in the service mix.

The fundamental aim of this report, then, is to assist the Tasmanian community services industry to develop and improve appropriate policy responses in order to ensure service mix sustainability.



Using this report

- Data is key to ensuring sustainability of services and value for money for governments
- However, collecting the right data means resources have to be provided to CSOs who are expected to contribute their time and resources
- The analysis we have undertaken has been deliberately conservative in order to understate the financial challenges and potential effects due to the nature of the data examined
- Therefore, we believe the findings to be appropriate and strongly indicative of the financial state of the industry
- There is no doubt that the creation of a collaborative and appropriately resources regular data gathering process would enhance the prospects for reducing risk to service users and increasing confirming value for money for governments

The community services industry is not homogenous which makes data collection challenging. Additionally, the collection of data takes time and money—two commodities that the sector is very short of. As such, in undertaking this analysis we examine the data provided by registered charities with head offices in Tasmania and provided to the Australian Charities and Not-for-profits Commission via the Annual Information Statement regime. We use this data as it is the most comprehensive data available. Though we cannot categorically say that all social service providers are registered charities, by far the majority are likely to be.

All data resources utilised in the development of this report are clarified further in appendix 2. Readers should be aware of the following limitations in the use of this report and the interpretation of its findings:

- This analysis very likely understates the contribution of the community services industry due to data limitations. Specifically, non-charitable non-profit organisations and organisations operating in Tasmania but headquartered elsewhere are not addressed herein because we cannot get access to the data necessary to include them (see Appendix 1).
- Additionally, at time of data collection for this report, the ACNC Registered Charities dataset consisted of 3,149¹ charities operating in Tasmania with headquarters within Australia. We could not disaggregate the data relevant to the Tasmanian activities of these charities from their wider Australian activities. Additionally, there were 3,870 registered incorporated associations in that state. This report used the data of only 1,220 registered charities at end of financial year 2020 with head offices in Tasmania and many of these are likely to be incorporated associations.
- In analysing data to inform our consideration of the economic contribution of the industry to the Tasmanian economy, we are restricted to an analysis of the broader Health Care and Social Assistance sector which includes hospitals and other non-social service industry operations.
- The data reported is gathered from Annual Information Statements of registered charities for the financial years 2018 to 2020. Although indicative of trends in Tasmania, the discussions inspired as a result of these findings must consider that economic and social factors are likely to have altered since this data became available and this may also alter the industry's response to the findings.

¹ <https://data.gov.au/dataset/ds-dga-b050b242-4487-4306-abf5-07ca073e5594/details?q=acnc>



Having cited limitations, we believe that the attributes of the industry presented in this report are likely descriptive of the sustainability challenges being faced and repeatedly report on anecdotally. Additionally, the application of techniques and analytical methods to the available datasets from the three years represented also indicate that changes and trends are appropriately indicative. Again, data restrictions may skew effects and impacts. Such issues are discussed below in appendix 2.

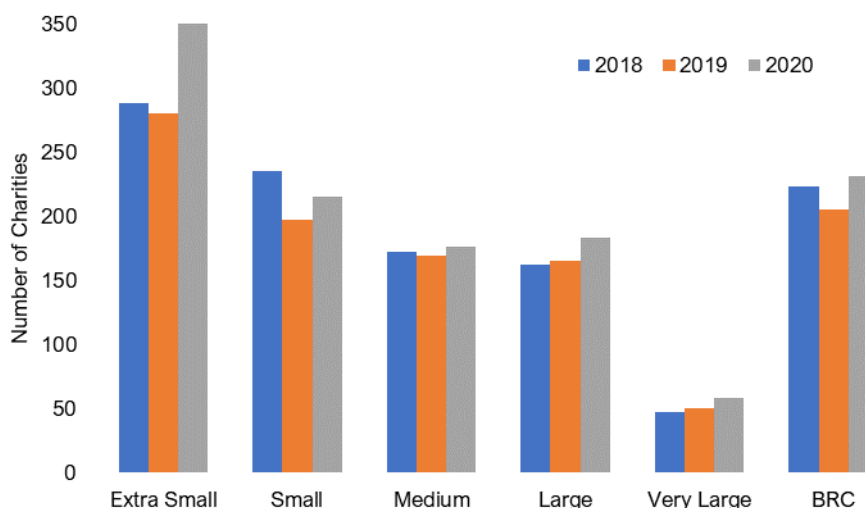
Detailed Analysis & Commentary

General Comments – the Tasmanian charity sector

Change in the Tasmanian charities sector is likely to be an indicator of service mix change and increased risk to service users

The ACNC received 1,220 (1,132) AIS in 2020 from charities headquartered in Tasmania. This is a 7.77% increase from 2018. However, in 2019 charities in Tasmania took a dip with 1,071 registered charities at year end. With an overall net increase between 2018 and 2020, figure 1 shows growth across each size-by-turnover category in each of the years under review. A significant rebound in the amount of Extra Small charities was observed as was a slight decline in Small charities over the period. Classifications and cleaning of the data produced zero charities in each of the years in the Extra-Large category.

Figure 1. Charities by Size



Changes in registered charities is the result of either charities establishing over this time or for whatever reason no longer registering with the ACNC. In Tasmania’s industry, across 2018 to 2020, we can see the movements outlines below:

	2018-2019	2019-2020	Overall
Wound Up	229	37	266
Established	170	186	356
Net Movement	-61	149	88
Net Employment	1.27%	3.96%	5.28%



Figure 1 also shows the largest growth category was in ‘extra small’ charities in this time with reductions in all categories in 2019 but a net gain in all categories by 2020. ‘Very large’ categories also show a disproportionate growth from 2018 in comparison to the total.

Changes in the number of charities also presage changes in employment numbers. As such, we also see an increase in employment in the sector aligned with growth in charity numbers. This is significant considering the social, economic, and political context of the years reported on. Employment structures and changes are considered below.

In percentage terms, we can identify the changes in employment contribution for the period below:

Extra Small	↑	22.15%
Small	↓	(8.47%)
Medium	↑	2.31%
Large	↑	12.88%
Very Large	↑	23.40%
BRC	↑	3.57%
Total		7.77%

Size grouping and proportions of charities in the industry are also a significant factors in considering and service mix changes. This leads us to also assess the spread of charities by size. (Proportion of charities per size grouping), outlined below:

	2018		2020
Extra Small	25.53%	↑	28.93%
Small	20.85%	↓	17.70%
Medium	15.28%	↓	14.51%
Large	14.40%	↑	15.08%
Very Large	4.15%	↑	4.75%
BRC	19.79%	↓	19.02%
Total	100.00%		100.00%

This suggests that there have been material shifts within the service mix. However, cause is not able to be sheeted home to COVID-19 economic shocks or ongoing structural changes within the sector. These changes are further reinforced by net change in size by category grouping as seen below.

Extra Small	↑	64
Small	↓	(20)
Medium	↑	4
Large	↑	21
Very Large	↑	11
BRC	↑	8
Total	↑	88

The significant increase in the proportion and number of extra small charities may indicate a decrease in capacity within the sector. The changes in the other categories may be considered in the context of the service mix by beneficiary or subtype to further understand the changes.

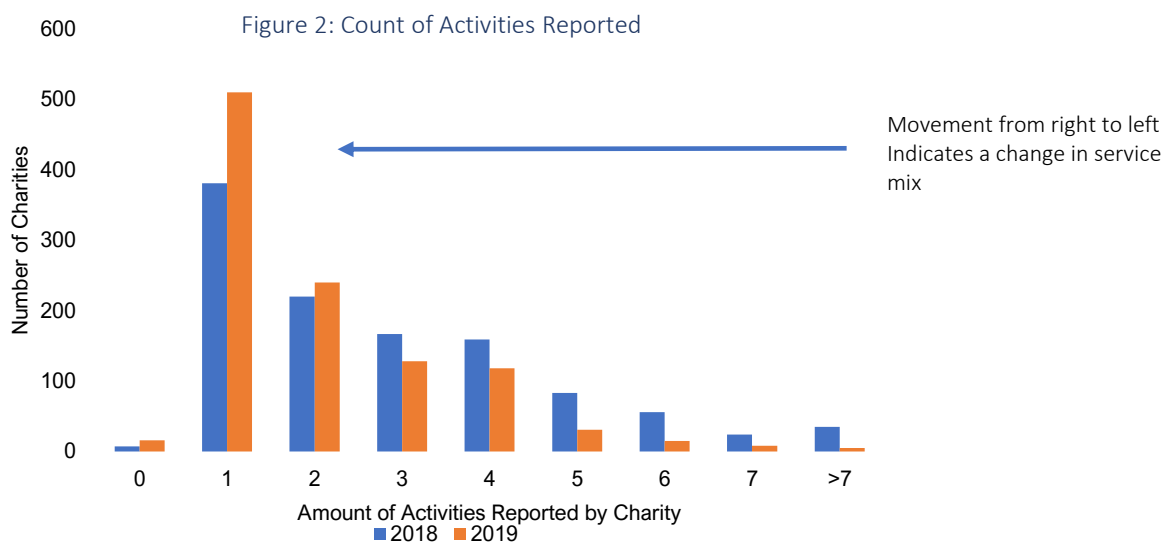
What do Tasmania’s charities do?

As identified above, reporting requirements and data collection changed between 2018 to 2020. Prior to 2020, the ACNC required registered charities to identify one ‘Main Activity’ and optional ‘Other Activities’ via its AIS reporting. From 2020, however, this is no longer the case and charities are registered with one or more ‘Subtypes’ with the option to share information on up to 10 ‘Programs’ as stipulated by the ACNC.

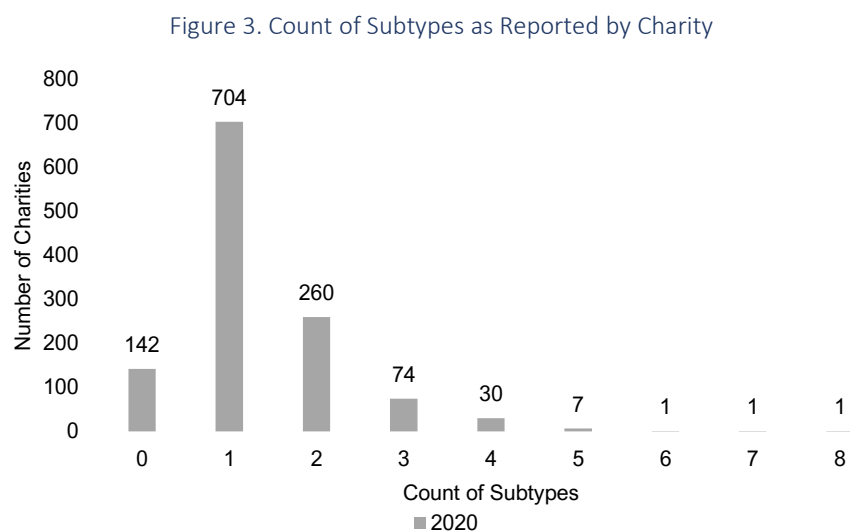


In relation to both data collection processes, usability for charities and service users was stated as the central priority. Unfortunately, this implies a trade-off between increasing data complexity which facilitates more robust analysis of industry activities and understandability. However, data pertaining to programs with beneficiaries does allow for more data points to assist analysis.

We also remind readers of the comparison provided here in appendix 4 of the ACNC data categories



and those developed by the International Classification of Non-profit Organisations (ICNPO). Although charities could previously select from 26 activities, charities may now choose from a selection of 14 subtypes. Historically, charities were likely to select only one main activity or subtype to describe their charitable purpose with charities reporting progressively less additional subtypes or activities.



Of the charities in 2020 which reported no subtypes, there did not appear to be an obvious underlying influence. Of the 227, an average of 4 beneficiary types were reported per charity and all but 8 reported 1 or more programs.



Observing changes in self-reported charitable purpose provides indicators relating to changes in the service sector mix. These may signify reductions and/or increases in services. Selecting multiple types also allows insights into a specialisation or breadth of a charity. Changes in the number of activities, beneficiaries and/or sub-types (depending on the year) are indicative of service mix risk: either increases in service types provided or decreases.

In reporting years with 'Main Activity', Religious Activities were the most reported across relevant years. These were ordinarily followed by Primary and Secondary Education, Social Services, and Culture and Arts. Both 2018 and 2019 showed the same order and similar weights.

The spread of the activities after the primary are relatively broad with small proportions reported for each. Also representing the array of options to report from.

Data not available for prior years

	2018	2019
Religious Activities	27.84%	27.82%
Primary and Secondary Education	7.45%	7.10%
Social Services	6.83%	6.54%
Culture and Arts	5.50%	6.54%

The closest comparison we can make for 2020 is using 'subtypes' where only one subtype is reported. It is necessary to recall that there are 14 subtypes from 2020 and there were 26 possible 'Main Activity' selections prior to that year. This is significant as we may see a denser spread in the options selected as they are considerably less available.

Of the 704 charities reporting one subtype, Advancing Religion was again the most prevalent, followed by Advancing Education. Following these subtypes are Purposes Beneficial to the General Public, and Public Benevolent Institution.

	2020
Advancing Religion	44.07%
Advancing Education	20.31%
Purposes Beneficial to the General Public	11.79%
Public Benevolent Institution (PBI)	10.37%

However, if we were to compare the selection of multiple subtypes in 2020, we see the replacement of Purposes Beneficial to the General Public with Advancing Social or Public Welfare per below:

	2020
Advancing Religion	22.01%
Advancing Education	15.10%
Advancing Social or Public Welfare	15.04%
Public Benevolent Institution (PBI)	14.92%

As discussed in appendix 2, there are certain requirements to be met by a Basic Religious Charity in order to remain under that classification including that the sole purpose is Religion. Taking into account the BRCs' purpose, disregarding that subtype, we can surmise that the subtype Advancing Social or Public Benefit is a significant subtype indicating a material contribution to the Tasmanian community.

	2018	2019	2020
Basic Religious Charity	19.79%	19.23%	19.01%
	(224)	(206)	(232)



The increase in the number of registered charities may also sway the service mix and variances across years reported. These reported changes are also likely to be, to some extent, the result of COVID-19. For instance, the ACNC did not deregister non-complying charities during the COVID period in recognition of the challenges faced by charities and the need to allow them time to rectify any regulatory deficiencies that would normally result in deregistration. Appendix Three provides a graphical representation of the population's Main Activity spread for 2018 to 2019.

The change in reported Other Activities between 2018 to 2019 also suggests changes occurred in the service mix with a number of charities showing a significant reduction in activities.

In 2018, Tasmania's charities reported pursuing a total of 1,134 Main Activities and 2,081 Other Activities but only 1,017 Main Activities and 1,178 Other Activities in 2019 (see Appendices 5 and 6). Moreover, the average amount of Other Activities dropped from 1.84 in 2018 to 1.10 in 2019. Once again, this is highly suggestive of service mix change—in this case, a reduction in service mix.

When the reduction in registered charities is taken into account, this represents a reduction in service mix in Other Activities by 40% across the sector, in addition to a 28% decline in Total Activities. Figure 2 provides a graphical representation which suggests that the charities with a spread of activities are likely to be driving this reduction. As can be seen, the proportion of activities has reduced from the right-hand side, again, implying a narrowing of the service mix.

Appendix 6 provides a graphical representation of the Other Activities reported by registered charities in 2018 and 2019. Appendix 7 also shows a graphical representation of main and other subtypes as reported by charities upon registration. Although not the same as Main or Other Activity engagement, subtypes give us insights into the primary and secondary charitable purposes for Tasmania's charitable sector.

The Subtypes analysis also shows that if the previous 26 Activities are now in 14 Subtypes, a charity may select less subtypes in reporting the same activities because of classification discontinuity. These changes in reporting style for the 2020 'Subtypes' can also be graphically represented in appendix five.

Who do Tasmania's Charities Serve?

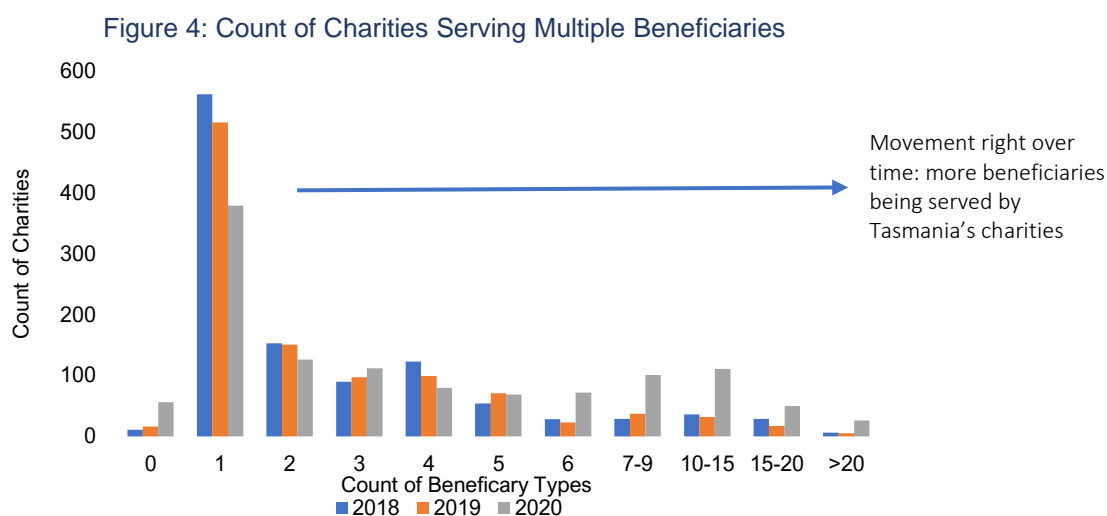
Charities report on their beneficiaries via the AIS. The beneficiaries are the people who are in receipt of the services and supports delivered by charities. In practice, we often describe them as service users or clients. Similar to reporting on Activities and Subtypes, movements in the beneficiary types identified also signify changes in service sector mix. When combined with reporting on services provided, this can support our understanding and interpretation of implications in the trajectory of change reported in the industry.

Commensurate with changes in activities reported, changes in reporting for Beneficiaries were also noted in 2020. Charities now share information on up to 10 programs the charities provide together with the beneficiaries of these programs. A charity may have zero programs, and a program may relate 1 to the entire 28 beneficiary types.

When comparing program beneficiary types and overall beneficiary types of registered charities, inconsistencies were identified in both the number and of types of beneficiaries reported. This does raise concerns in relation to the veracity of reporting of previous years, and both data sets are brought into these analyses for comparison. In future, stability in reporting requirements will assist in supporting more reliable analysis.



Regardless, in order to best analyse the data on beneficiary types we must review both the number of beneficiary types supported by a charity or program, as well as which types of beneficiaries. This gives us an understanding of both the breadth of the sector, the intensity of focus on beneficiary types, and the number of services available per type of beneficiary. That is, this analysis provides further insights to service sector mix movement and implications relating to either at risk or over-served beneficiary types. Appendix 8 provides a graphical representation of cumulative beneficiaries served by Tasmania's charities in reference to the number of other beneficiaries also reported. Likewise, Appendix 7 reports on beneficiary types by Main or Other Activity across 2018 and 2019 and by program or charity from 2020.



Consistently across years, the top beneficiary types of all charities for all combinations of Main/Other Activity, Program, or charity reported were:

- General Community of Australia
- Youth 15-25
- Adults 25-65
- Adults 65 and over

A graphical representation of the breadth of beneficiary types served by charities in the years reported is provided at figure 4. It is observable that a right skew in service sector mix exists across charities reporting of beneficiary types showing charities are progressively serving more beneficiaries over time.

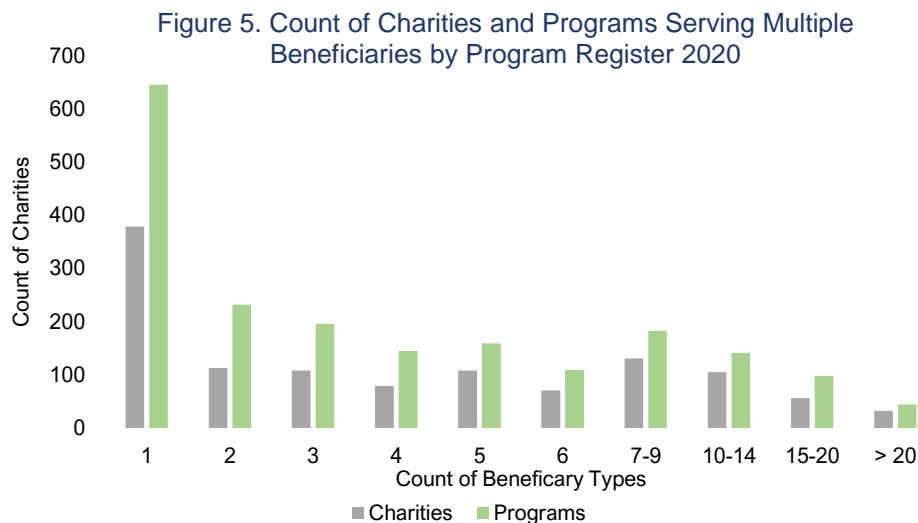
This skew is suggestive of an improvement in service mix and/or an improvement in the discernment of charities in submitting higher quality data.

Figure 5 gives further insight into Beneficiary Types by Program provided by charities as reported in 2020. As discussed, some charities may have zero to ten programs so examining program diversity is useful in appreciating the prospects for service mix change.

As illustrated in Figure 5, there are a significant number of programs serving only one beneficiary type. The increases in beneficiary types observed in figure 5 is likely driven by a combination of an increase in programs offered, and the breadth of programs being offered to an increasingly diverse beneficiary group. Of course, this is also the first year that these figures have been reported and so we are unable to assess the extent of real change year-on-year.



The above is further supported in the following table which shows the average number of beneficiaries per program by the number of programs offered by charity. It appears that the more programs offered by a charity, the more beneficiary types per program are also served. That is, if a charity has multiple programs, each program also likely serves more beneficiary types than a charity with fewer programs. This is an interesting point to consider in relation to the complexity of service delivery and the prospects for sustainability in charities providing a portfolio of services (that is, a conglomerate) as compared to more focused charities.



Average Reported Beneficiary	Number of Programs Offered by Charity									
	1	2	3	4	5	6	7	8	9	10
	3.4	3.5	4	4	5.1	3.6	5.6	2.8	6.3	7.4

It could be that specialised support for beneficiary types, as required for example by asylum seekers or people in rural/regional/remote communities, are uniform enough to support the development of economies of scale. Otherwise, the diversity of a charity may incorporate a service which supports a broader range of beneficiary types in nature, such services that support both unemployed people as well as those who are financially disadvantaged. That is, the service mix seems to broaden as the complexity of services broaden suggesting perhaps that conglomerate charities are learning to navigate the complexity of service delivery more effectively.

Further understanding can be derived from graphical representations in the attached appendices. Appendix 8 provides a thorough representation of 2020 data in terms of density of beneficiary types per program and charity. This may represent the specialisation of a charity or uniqueness of beneficiaries needs, likewise it may also be representative of over servicing of some beneficiary types. When considered against the change in charity numbers, it might also be that Large and Extra-Large charities are increasing their number of beneficiary types while the Extra Small, Small and Medium charity types are reducing theirs—with a concomitant reduction in service mix.

Appendix 9 shows the number of beneficiaries per program for each beneficiary type. It is observed that the density in beneficiary types is systematically different across program targeting with some groups being represented across multiple programs.



Appendix 8 details comparative analyses across 2018-2020. We note that changes in data collection may have altered some types of reporting from charities. We can see the 2018 and 2019 cumulative Main and Additional Beneficiary types are compared to 2020's beneficiary types per program and per charity. As time goes on, we may be able to use the same techniques to compare changes in service mix if data collection remains consistent.

Economic Contribution

The economic activity generated by charities constitutes a significant economic contribution to Tasmania's economy. However, the financial pressure faced by these organisations is highly likely to be causing contraction in service delivery to the detriment of all Tasmanians.

The economic and financial status of the charitable sector is also an essential component when assessing the financial capacity, sustainability, and prospects of the sector. Although we are able to confidently identify and track key indicators of the charitable sector's economic contribution and infer its potential trajectory, we are cognizant of the data limitations discussed above. That said, the trends documented in this report are sufficient to inform policy makers relating to the operating environment and the prominent challenges facing Tasmania's charities.

The Community Services Industry in the Tasmanian Economy

In this section we are considering both the Tasmanian community services industry and the Tasmanian charitable sector. As identified above, the community services industry is combined with the greater Health Care and Social Assistance Category for state economic, statistical, and reporting purposes. That is, community services industry data does not stand alone in nationally and locally collected economic datasets, but is compiled with datasets reporting on hospitals, medical and other healthcare activities. This makes the specific analyses of the community services industry and its economic contribution impossible.

Having said this, the economic influence of the Health Care and Social Assistance industry is significant being Tasmania's largest economic contributor by sector. Between 2018 to 2020, the sector generated approximately 13% of Tasmania's Gross State Product.² This constituted a total of AUD\$7.68b which has increased further by both volume and proportion in later years. In 2021, it was reported to be 13.9% of the state's Gross State Product and as having a 0.7% growth rate.³

The Health and Social Assistance sector has been, and continues to be, Tasmania's largest employing sector. At the start of 2020 the sector employed 40,000 Tasmanians which was 15.8% of Tasmania's total work force. This represents an increase of 3,000 employees since 2018.⁴

Notwithstanding their combination with primary health services, the community services industry clearly contributes significantly to the economy of Tasmania. Economic development and labour force participation in the sector is not only significant but increasing.

The sustainability and efficiency of the sector is therefore not only significant to the vulnerable individuals and communities it serves in Tasmania, but to the entire economy and population of the

² <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#real-gross-state-income>

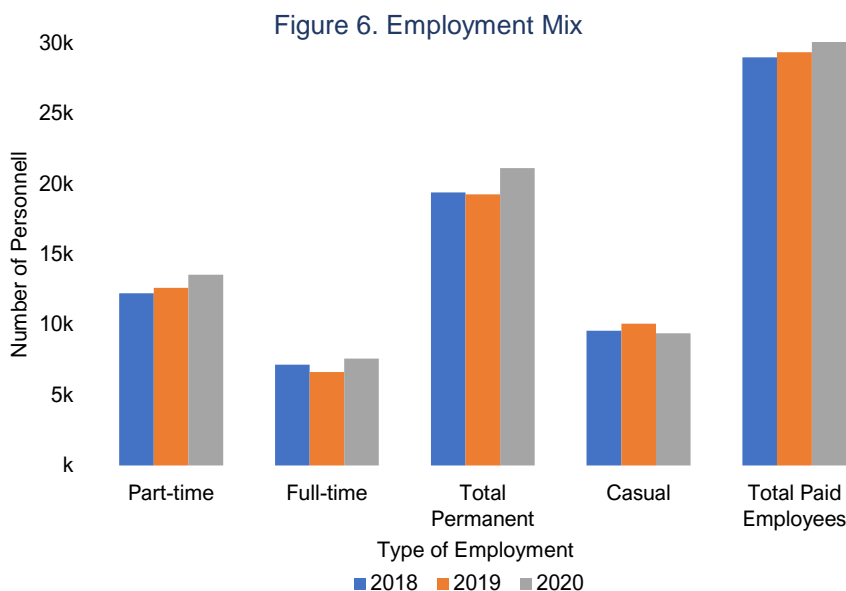
³ For the statistical data, please see:

<https://www.treasury.tas.gov.au/economy/economic-data/economic-data-releases-for-tasmania>

⁴ For statistical data, please see: <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release>



state. As such, these findings reinforce the need for a more nuanced and economically focused approach to the pricing of government procured community services. Government purchasing in this area constitutes both a reflection of its social policies AND its fiscal policies, serving to drive the economy of the state very effectively.



Employment and Job Quality

As one of the most labour-intensive industries in the state, the community services industry can only function with well trained, experienced, and competent employees. Some of these services require around the clock paid labour and others can be supported by educated and experienced volunteers.

When considering the industry's economic participation, employment and employment types play a significant role in facilitating economic growth and sector sustainability. In order to be sustainable, the industry needs to compete in the open labour market and job quality becomes important consideration in this process. Job quality relates to the value perceived in the job by current and prospective employees. It is usually described in terms of:

- pay rates
- employee benefits
- career opportunities (including opportunities for training, PD)
- employment continuity
- tasks performed
- the extent to which the organisation "walks the talk" in respect of mission and
- the extent to which hours worked are unsocial⁵

We use these conceptions as indicators for employee's satisfaction in their roles which then plays a significant part in our understanding of efficient recruitment and retention in an industry. Essentially, the poorer the job quality, the less people want to work in an industry, the more vulnerable the

⁵ Cazes, S., A. Hijzen and A. Saint-Martin (2015), "Measuring and Assessing Job Quality: The OECD Job Quality Framework", *OECD Social, Employment and Migration Working Papers*, No. 174, OECD Publishing, Paris, <https://doi.org/10.1787/5jrp02kiw1mr-en>.



industry is to competition and, in the case of the community services industry, the greater risk faced by service users. Therefore, not only does job quality need to be considered here, so too does the comparative attractiveness of jobs in the industry. Additionally, because volunteering is an unpaid activity, job quality also impacts volunteer recruitment and retention—volunteers also consider the attributes of job quality when they decided where to volunteer.

Demand for high paying labour jobs can easily outbid social service organisations while organisational sustainability demands that wages and salaries are kept modest in order to stretch funding as far as possible. With low wages comes low superannuation contributions. High job quality keeps employee retention and attrition, keeping industry experience in the sector, as well as recruitment and training costs low.

Therefore, job quality and its indicators can signify job satisfaction and risk in employee retention while low job satisfaction can also result in poor performance and low engagement—an outcome borne by service users and adding to the risk they face. Of course, staff turnover of any type is costly in recruitment and training, using resources which could be spent elsewhere. In cases of high turnover, there may also be a reduction in services without employees available to provide them.

Regardless, low job quality in the community services industry reduces the intended impacts of services while the quality and quantity of services, as well as effectiveness and efficiency of the organisations providing them, impact the risk to the service users—if job quality is assessed as too low by current and potential employees, these risks are crystallised.

Additionally, changes in service procurement policies made by governments in recent years mean that service providers are typically paid for services rendered. Thus, recruitment and retention not only costs directly, but it also impacts the quantum of service delivery and, therefore, the financial sustainability of the entity. Failure in service delivery is, essentially, financially at the cost of government and physically at the cost of service users.

Therefore, it makes sense to ensure the highest possible job quality for employees in the community services sector. This also brings stability within organisations, retaining valuable experience, and ensuring resources can be most effectively utilised towards an organisation's purpose.

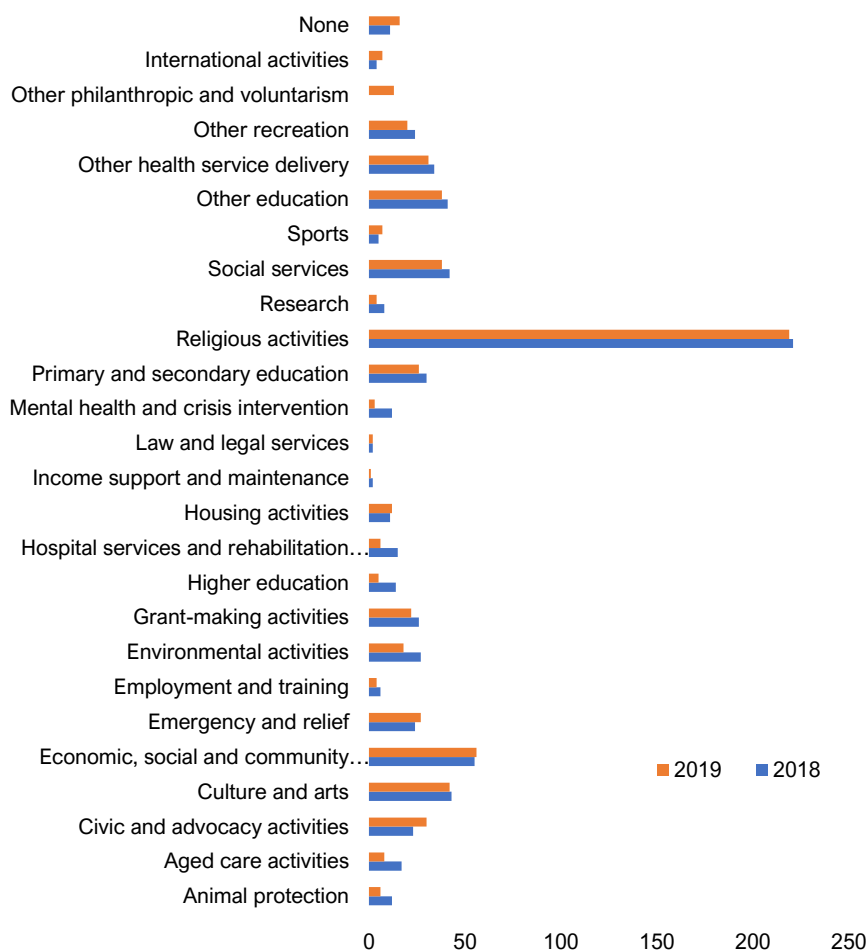
In 2020, Tasmania's charities reported employing 21,112 (19,380) permanent employees and 9,370 (9,573) casual employees. This is an improvement on the AIS reports from 2019 which showed a slight dip in full time employees, as well as a slight increase in casual employees. Total employee numbers increased year-on-year suggesting a concomitant increase in economic contribution of these entities to Tasmania's economy.

It is likely the dip in reported data in 2019 was caused by the impact of COVID-19 lockdowns and employment engagement rather than shifts within the sector. Total permanent employees increased by 9% and casual employees declined by 2% between 2018 and 2020 (increases in part-time and full-time being 10.6% and 6% respectively). Figure 6 provides a visual representation of these changes in employment.

When considering job security, Tasmania's charities showed increases in permanency of employment as seen in the increase in part-time (1,301) and full-time (431) employees with reduction in casual (203) workers. Rather than the suspected COVID-19-related deterioration, our analysis shows an improvement in job security over the period.



Figure 7. Charities without Full-Time Staff by Main Activity



Furthermore, in the case of economic participation and development, the community services industry is one of the lowest paid in the economy. Hence, the expectation is that employee wages are more likely to be spent on consumption thus increasing economic growth outcomes associated. In summary, job quality is a significant factor for employees and hence efficiency of the community services sector.



Table 2: Number of Charities Reporting Full Time and Part-Time Employees by Main Activity

Main Activity	Number of Charities						Number of Employees					
	Full-Time			Part-Time			Full-Time			Part-Time		
	'18	'19	Diff	'18	'19	Diff	'18	'19	Diff	'18	'19	Diff
Animal protection	5	5	0%	4	4	0%	25	28	12%	45	52	16%
Aged care activities	32	31	-3%	28	29	4%	531	676	27%	3,799	4,293	13%
Civic and advocacy activities	14	18	29%	15	23	53%	53	66	25%	62	115	85%
Culture and arts	19	18	-5%	27	29	7%	173	179	3%	97	96	-1%
Economic, social and community development	32	35	9%	49	50	2%	177	268	51%	480	627	31%
Emergency and relief	11	13	18%	10	12	20%	80	189	136%	152	268	76%
Employment and training	14	14	0%	14	14	0%	368	238	-35%	230	197	-14%
Environmental activities	9	15	67%	14	14	0%	79	88	11%	89	91	2%
Grant-making activities	1	1	0%	2	1	-50%	1	1	0%	7	2	-71%
Higher education	1	1	0%	2	0	-100%	1	1	0%	2	0	-100%
Hospital services and rehabilitation activities	2	1	-50%	4	2	-50%	38	1	-97%	158	41	-74%
Housing activities	8	5	-38%	9	6	-33%	45	13	-71%	67	43	-36%
Income support and maintenance	0	0	0%	0	0	0%	0	0	0%	0	0	0%
Law and legal services	5	4	-20%	6	5	-17%	81	25	-69%	51	14	-73%
Mental health and crisis intervention	11	8	-27%	14	9	-36%	120	50	-58%	197	103	-48%
Primary and secondary education	54	50	-7%	56	49	-13%	1,561	1,400	-10%	2,192	1,931	-12%
Religious activities	93	80	-14%	109	105	-4%	191	173	-9%	356	357	0%
Research	3	4	33%	3	3	0%	3	6	100%	9	14	56%
Social services	35	32	-9%	40	39	-3%	768	557	-27%	1,617	1,496	-7%
Sports	2	3	50%	4	3	-25%	5	4	-20%	16	15	-6%
Other education	31	29	-6%	37	39	5%	424	526	24%	928	1,094	18%
Other health service delivery	20	25	25%	24	28	17%	381	354	-7%	780	758	-3%
Other recreation	4	3	-25%	5	2	-60%	5	25	400%	16	89	456%
Other philanthropic intermediaries and voluntarism promotion	1	3	200%	4	4	0%	5	10	100%	17	13	-24%
International activities	1	2	100%	2	0	-100%	2	4	100%	2	0	-100%
None	0	0	0%	0	0	0%	0	0	0%	0	0	0%
Total	408	400	-1.96%	482	470	-2.49%	5,117	4,882	-4.59%	11,369	11,709	2.90%

Increasing job quality is a price efficient, sensible, and long-term sustainable strategy for all participants and supporters of the sector.

For a deeper comprehension of the employment factors, and hence this sector, we have compiled employment data by charity's main activity for 2018 and 2019 (noting the change in reporting charities activity). Figure 7 depicts charities who did not have full-time employees while table 2 compiles the charities and their permanent employees by activity for 2018 and 2019.

Changes in Employment

Part-time	↑	1301	10.6%
Full-time	↑	431	6%
Total Permanent	↑	1732	9%
Casual	↓	(203)	(2%)
Total Paid Employees	↑	1529	5.28%

There has been an overall reduction in the number of charities who had employed full-time and part-time personnel as well as a reduction in the number of full-time employees, but an increase in the number of part-time employees.

Notable reductions are seen in the number of full-time employees in Hospital Services and Rehabilitation Activities, Law and Legal Services, and Social Services. Alternatively, the areas with increases in full-time employment were in Aged Care Activities, Civic and Advocacy Activities, Economic Social and Community Development, Other Education, and Other Recreation.

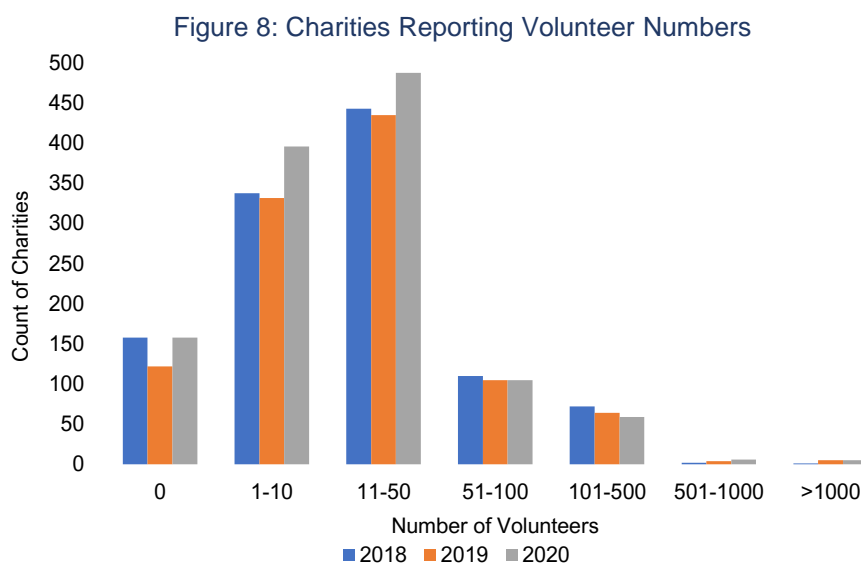
In terms of the charities employing no full-time staff there were no significant notable differences by Main Activity between 2018 to 2019. As seen in Figure 7, Religious Activities remains the most



significant Main Activity for charities employing no full-time staff, with a slight increase in Other Philanthropic Intermediaries and Voluntarism Promotion and a reduction in Mental Health and Crisis Intervention.

Volunteers

Volunteers are an integral resource for Tasmania's non-profit and charitable organisations. The diverse variations of roles and responsibilities undertaken by volunteers include those acting as directors and board members to fundraisers and general assistants.



In addition to the meaningful work and skillsets volunteers bring to organisations, they also subsidise a significant portion of economic value. Much work that volunteers do in the sector would otherwise be paid work by employees which government, or other funding resources, would be required to compensate for. Volunteering is also valued as a connection to community and a support for maintaining personal health and as well as being a recognised mental health prevention method. Volunteers also bring skills and experience.

In Tasmania, volunteering numbers are three times larger than the state's public sector employment contribution and 14% larger than that of the private sector. Sixty-eight percent of Tasmanians over the age of 15 volunteer an average of 4.4 hours per week formally or informally within social sector organisations.⁶

Tasmania saw an 11.2% reduction in volunteers deployed between 2014 to 2019 and a 3.9% decrease in the number of hours committed. During this period, the productivity premium has been estimated to have fallen by 40% due to falling satisfaction in volunteering. That said, the total cost benefit ratio has remained stable at 3.5:1.⁷

A total of 65,496 volunteers were reported as deployed in 2020 by charities headquartered in Tasmania. This is a significant reduction of 14.4% since 2018 where 83,355 volunteers were reported and 2019 where 71,313 were reported.⁸ Some of this change may have been a result of 2019 COVID-

⁶ <https://www.volunteeringtas.org.au/wp-content/uploads/2021/08/State-of-Volunteering-Report-%E2%80%93-Summary.pdf>

⁷ https://www.stategrowth.tas.gov.au/_data/assets/pdf_file/0018/250740/Volunteering_Tasmania.pdf

⁸ Removal of 2 outliers of Rotary charities not registered in 2018 or 2020 with 15,000 volunteers in each)



19 impacts, but the evidence indicates that volunteer numbers were decreasing otherwise. COVID impacts may simply have hastened the process.

In the case of reductions in volunteering impacting the charity sector, we cannot estimate the causal changes in productivity. The data encapsulates volunteers by charity without information on hours deployed. A reduction in volunteers may have been subsidised by a rise in hours worked, by increased efficiencies or simply by discontinuing the work done by them. Likewise, due to COVID-19 effects, there may have also been fewer volunteers available.

A graphical representation of volunteer numbers by charity is provided in Figure 8. An increase in charities with smaller numbers of volunteers is evident in brackets 1-10 and 11-50 in the years 2018 to 2020 after both dipping in 2019 (18% and 10% respectively). Brackets of 51 to 100 volunteers and 101 to 500 volunteers have otherwise decreased over this time (6 charities 5% and 12 charities 17%).

Interestingly, the number of charities with volunteers rose in the years 2018 to 2020 by 48% as well as the mean number of volunteers in charities with volunteers by almost 3 times. So more charities are deploying fewer volunteers. The median number of volunteers per charity did decline slightly from 18 to 15.

	2018	2019	2020
Number of Charities with volunteers	661	950	975
Mean number of volunteers	85	112	208
Median number of volunteers	18	18	15
Total volunteers	83,355	71,313	65,496

These trends also potentially represent changes in the services mix. The drivers of these changes and their implications ought to be understood in order to mitigate any risks to the organisations and the service users. Likewise, if these developments are beneficial to the sector and/or service users, ensuring these changes are also sustainable is critical.

Financial Sustainability

Sustainability in the community services industry is important for two reasons. Firstly, as discussed above, sustainability risk is faced by service users who have no control over the decisions policy makers and service providers make but are subject to those decisions and the impacts they have on their lives. Secondly, social service organisations must be able to resource their activities, remain solvent, invest in their staff and infrastructure and replace assets over time.

Financial elements which may influence an organisation to respond by changing their service mix include the design of the funding system, increases in costs, and the organisation’s own capacity to respond to short-term and long-term operational requirements to maintain the relevance and quality of adherence to charitable purpose.

Both empirical and anecdotal evidence supports the theory that an entity with insufficient income cannot operate efficiently. Indeed, the behavioural and decision-making processes of organisations can be influenced significantly by sustained negative net operating balances with concomitant impacts on the service mix as already described.

Sustainability is not just a function of the price. Other procurement policies, such as payment in arrears on services delivered—quasi market procurement arrangements—can also reduce sustainability due to cash flow impacts.



For organisations with limited incomes, there is often an inability for long term investment or planning or to cover unexpected financial spikes. With sufficient financial resources, these entities can undertake long term investment and planning, including ensuring the capacity to respond to unexpected expenditure. The COVID-19 phenomenon demonstrated these needs clearly.

If the industry as a whole or organisations within it become less sustainable, the service mix provided will most likely change with it. More significantly perhaps, if market failure occurs, the implications also return to taxpayers in the case of government responsibility and responses. For instance, this would be the case where service delivery declines in a particular geographical location or where a specific type of specialised service is unobtainable.

For one charity to discontinue service delivery, other charities may be able to adapt to the community's revised demand. However, if closures are widespread the remaining charities are very unlikely to have the capacity to meet the gaps in demand thus created.

Additionally, if charities close, the labour employed may be lost to the sector with workers moving to other industries. Perceptions of job quality can exacerbate this outcome of course. Likewise, assets and cash may be transferred out of the sector as a result of organisational closure, thus further reducing the capacity of the industry to respond to the service need. Hence, the combination of an evaluation of financial sustainability and service delivery capacity is a far more appropriate indicator of the sector's value—this is the service mix analytical frame.

Non-profits and charities must also make a financial profit to be sustainable. Profits help to build the organisation's balance sheet and this is necessary for short-term, medium-term, and long-term sustainability. Indicators of sustainability include: ability to pay bills (short-term), invest in workforce capacity and strategy (medium-term), and replacement of assets (long-term).⁹ It is very likely that executives and directors of charities suffering financial pressure (perhaps indicated by reduced profitability or poor cash flow) will react in order to rectify the situation. This is likely to impact the service mix as organisations consider the financial implications of services provided and the financial contribution by each.

In this report, we use profitability and net assets as indicators of financial sustainability. It is to be noted here that the analysis of the data is by the aggregate. As such, a summation of the financial performance resources reported by Tasmanian charities to the ACNC via their AIS is used. We also note that we have in no way verified or audited the data analysed. The data is taken from ACNC's AIS as reported by charities and is interpreted without any assurance over the veracity of the data.

Profitability

Total revenue for the sector rose by 16% from \$1.81bn in 2018 to \$2.09bn in 2020. However, there was a decline to \$1.77bn in 2019. Total expenditure in the sector also rose from \$1.60bn in 2018 to \$1.92bn in 2020, a 20.08% increase. Expenditure grew 26% faster than revenue during the period. This equates to a movement in aggregate net loss of $\downarrow 3.57\%$ over this time as expenses grew by \$322m while income grew by only \$313m.

In other words, in 2020 Tasmanian charities paid \$9m to deliver extra services to the Tasmanian community.

⁹ For further information relating to financial sustainability, please see our non-profit balance sheet tool developed for the Commonwealth Bank of Australia. Accessible here: <https://www.research.uwa.edu.au/not-for-profits-uwa#nfp-finances>



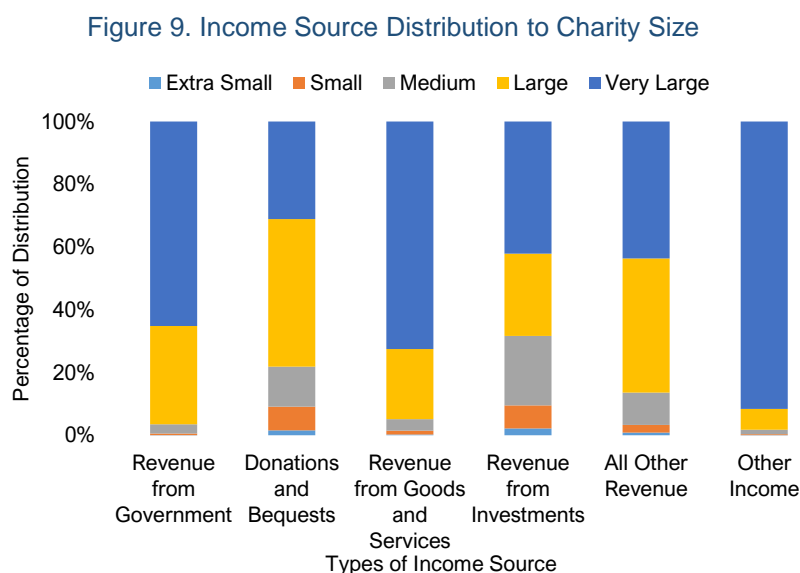
Aggregate profitability saw a reduction of 10.5% between 2018 and 2020 notwithstanding a very significant reduction of 63.4% in 2019. While the situation recovered to some degree by 2020, the impact of the 2019 results would have included significant reductions in reserves as well as reductions in service delivery notwithstanding inflows from JobKeeper. This would have impacted service recipients of course.

There are multiple underlying factors which impact the sustainability indicators. We are unable to differentiate if movements are a one-off shock of the COVID-19 pandemic and flow on effects from it, or if these are ongoing trends which continue to the current day and into the future. Comparative Australian social industry analysis suggests that the observations are consistent with pre-pandemic trends in provider operating balances rather than a result of an economic shock. That said, the effect of COVID-19 remains largely unclear but certainly material and negative as to organisational and service delivery sustainability.

Further, only 58.77% (\$1.28bn) of charities' income came from public sector organisations in 2020. The remainder for Tasmania's charities' income was derived from self-sourced income including selling goods and services and philanthropy.

Recall previously we identified that Tasmania's charity sector comprises a greater number of smaller charities and fewer larger charities. Proportions of charities by size-by-turnover were identified as: Extra Small (28.9%), Small (17.7%), Medium (14.5%) Large, Very Large and Extra Large (none for Tasmania) and BRC (19.0%).

Figure 9 provides a view of the income source by charity size while figure 10 represents income source as a percentage by distribution on charity size. We have removed BRC's from these analyses as income sources are not reported by these organisations.



We can see that although fewer in number, Large and Very Large charities have greater contributions from government-sourced income. All charity sizes reported comparable portions of their income from revenue from the sale of goods.

There appears to be a sliding scale of the proportions of income from donations and bequests as Extra Small and Small charities rely on these sources more. Large charities receive a higher proportion of



donations made to the sector and Medium charities make more revenue from investments.

Changes in aggregate income occurred in the following categories overall:

Government Support	↑	\$170.3m	15.4%
Revenue from sale of goods and services	↑	\$61.2m	11.8%
Other Income	↑	\$25.0m	44.5%
Donations & Bequests	↑	\$38.8m	51.4%

Turning to total expenditure, the changes by major categories reported were:

Employee Expenses	↑	\$205.4m	19.7%
Interest Expenses	↑	\$3.7m	38.0%
All Other Expenses	↑	\$114.8m	23.2%

Figure 10. Charity Size and Income Type Distribution

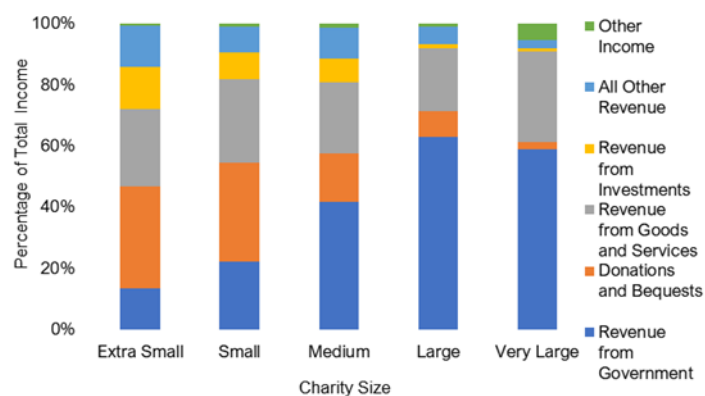


Figure 11. Sector Profitability

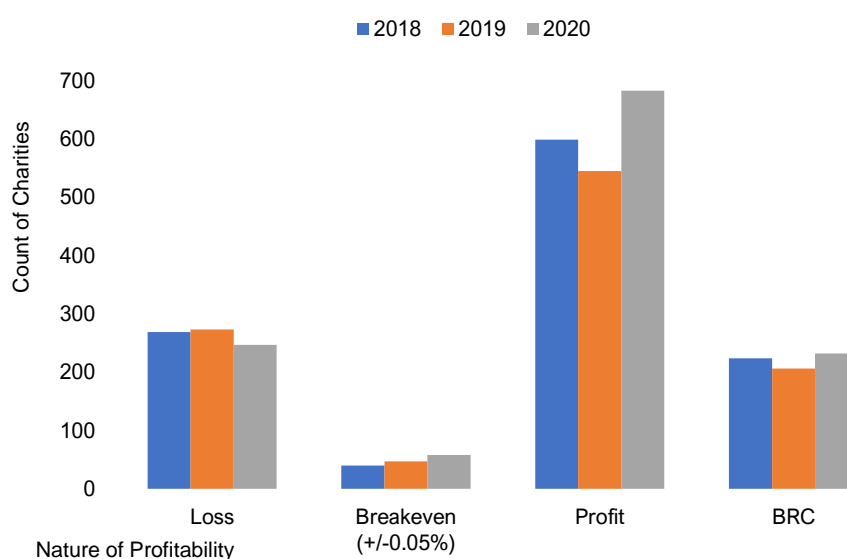
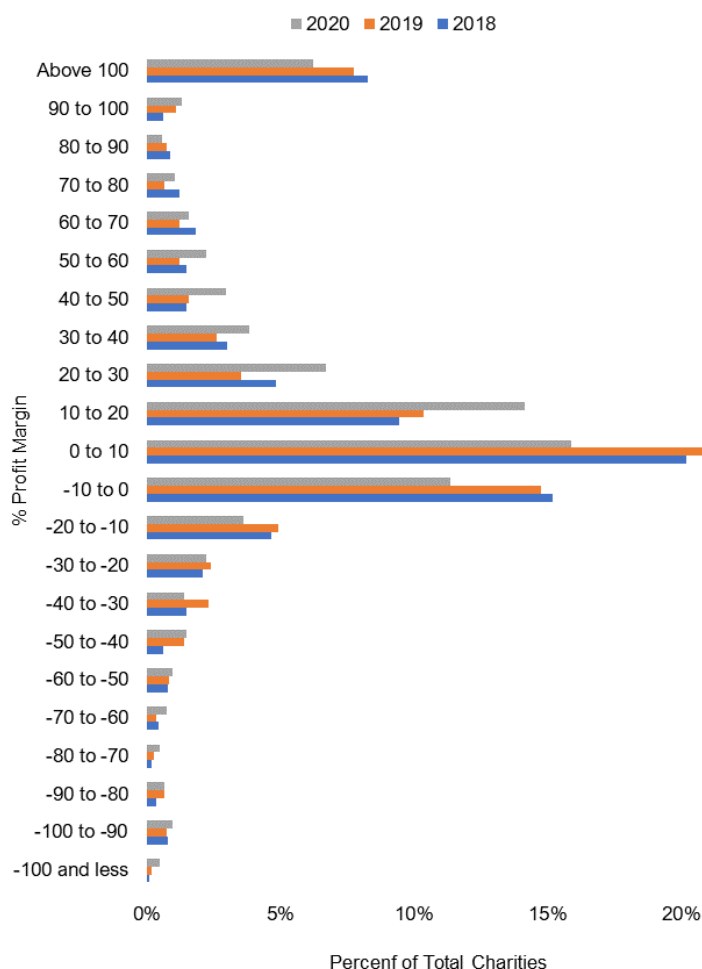


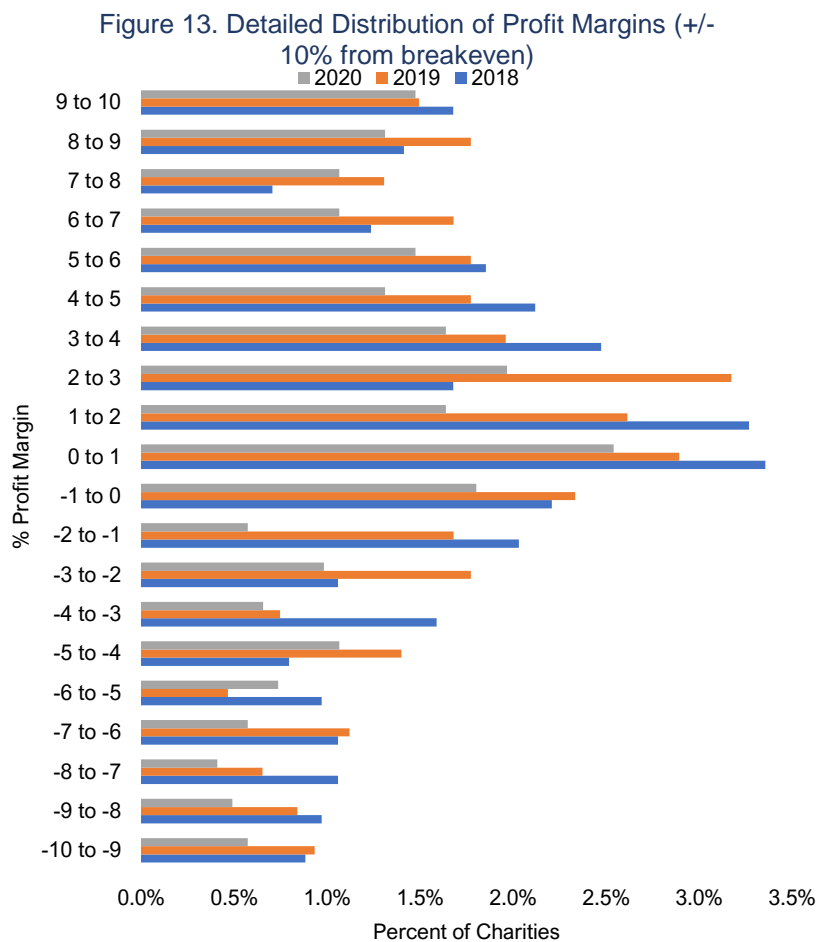


Figure 12. Distribution of Charities' Profit Margins



These are substantial cost increases driving the overall reduction in net surplus.

A graphical representation is provided in figure 11 of the variations in profitability reported in AIS reporting by Tasmania’s charities for 2018 to 2020. Note that a separate column is included for Basic Religious Charities as they are not required to submit financial reports to the ACNC, and those who have reported finances may not have submitted complete records. These charities are excluded from the following analysis commentary due to their discretionary reporting obligations. The distribution of profit margins for Tasmania’s charities is an is a useful tool when considering the financial sustainability of the sector.



Significant changes in sub-sector profit margins may be precursors of increased risk for financial sustainability. Figure 12 provides a graphical representation of the distribution of profit margins across Tasmania’s charitable sector in 10% increments. Profits have normalised around breakeven with some increases in positive profitability categories from 10% to 20% and 20% to 30% most evident. Overall, 2019 saw a drop in profit margins when compared to 2018, while 2020 has seen some stable recovery to margins.

However, breaking-even and small profit margins are indicators of poor sustainability. Low profit margins reduce capacity for an organisation to respond to unexpected financial requirements. Of course, it is notoriously challenging for non-profits and charities to establish an appropriate target profit margin.

We use the ABS-developed Health Consumer Price Index (Health CPI) as a proxy for the minimum profit margin notwithstanding it is not a representative index of the industry—there is no other candidate for this proxy regularly calculated by the ABS and it is a very conservative index when considering community services. It is also calculated by a third party. We think it understates cost increases over time in the context of the community services industry and so we utilise it as a minimum return requirement for industry organisations. It is also the best-fit in the context of other ABS-developed industry cost indices. In other words, we think that if community services organisations are not making a profit that meets Health CPI at a very minimum then it is not keeping pace with increases in costs and it is likely that its medium- and longer-term sustainability are jeopardised.



Figure 14. Median Profit Margin by Main Activity

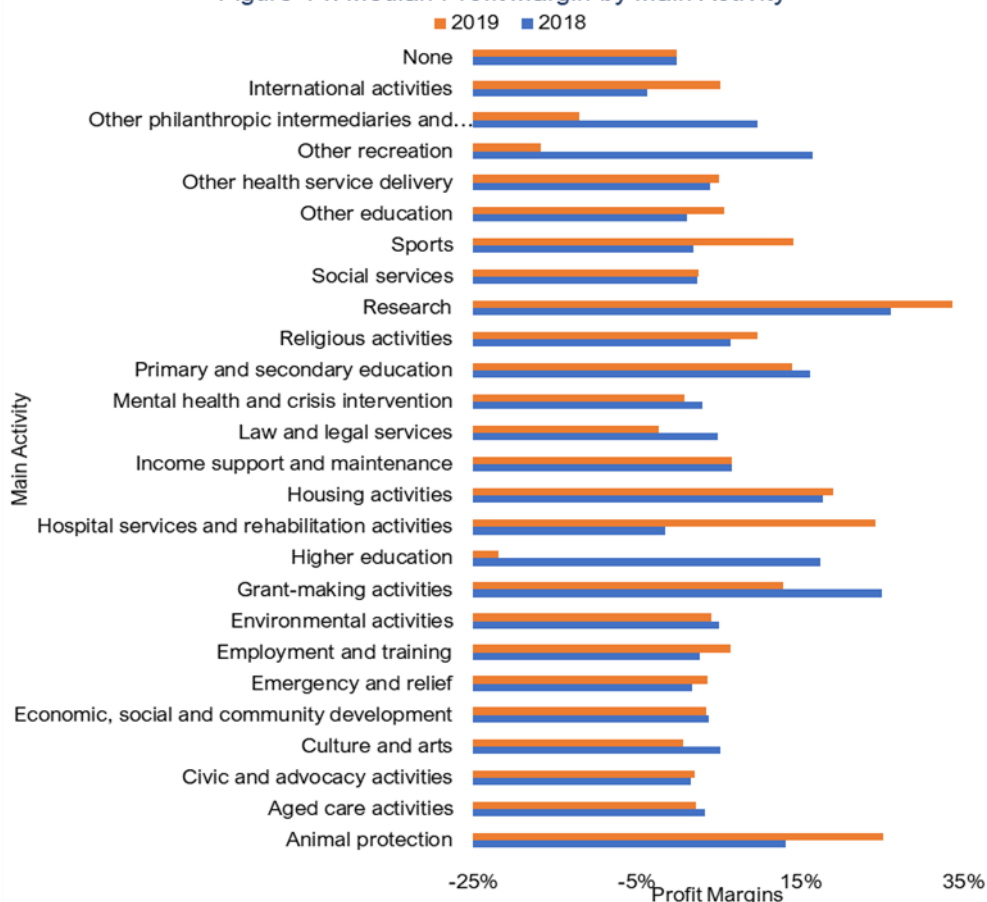
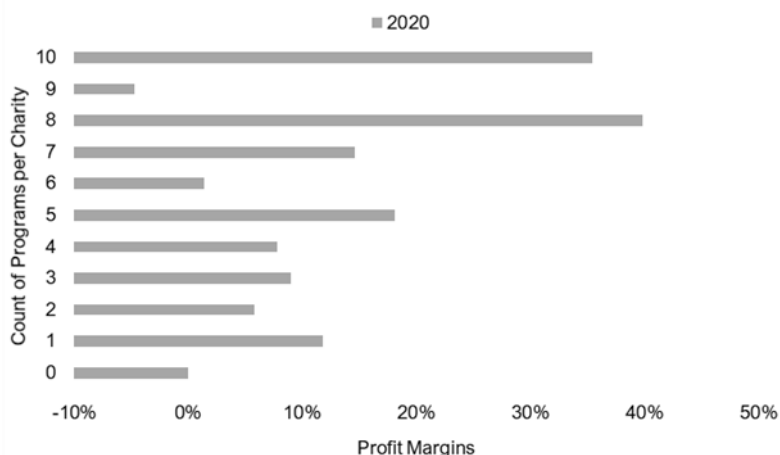


Figure 13 shows the charities that have reported profit margins within the range of +/- 10% of breakeven and then overlaid Tasmania's Health CPI for the years reported. These Health CPIs were 5.1%, 5.7%, and 3.5%¹⁰ consecutively.

Figure 15: Median Profit Margin by Number of Programs



¹⁰ The Health CPIs for Tasmania were collected from the ABS website under data downloads for *CPI: Groups, Index Numbers by Capital City*, and the years represented are a cumulative change from the last 4 quarters from December of each reporting period. Available from: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

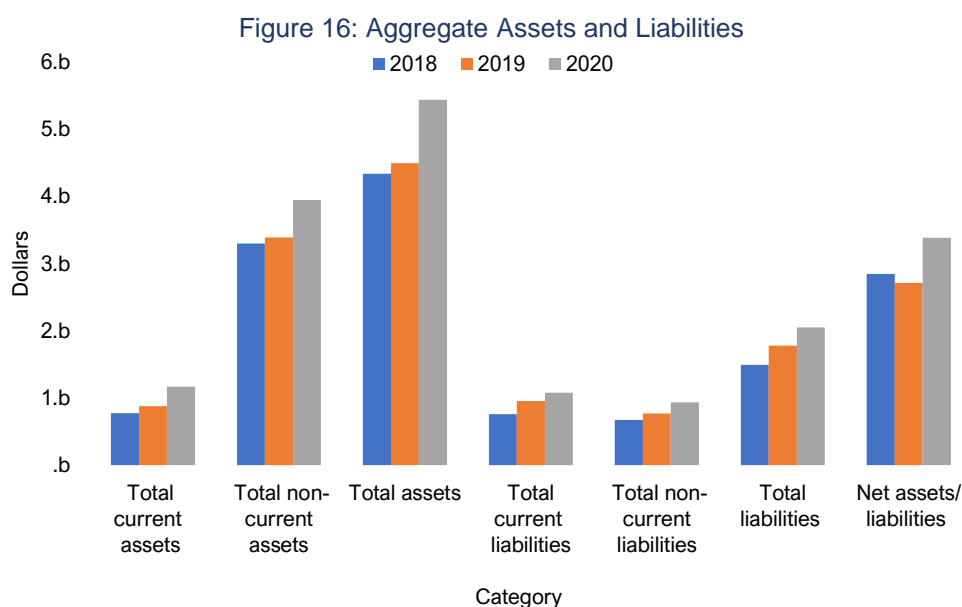


As can be seen, a substantial number of charities were below these figures in each year. In 2018, there were 73% of the charities within +/- 10% profit which did not meet this figure, the year 2019 had 72% of charities fall below the benchmark; and, even with the help of a significant reduction in the Health CPI in 2020, 54% of charities still failed to meet this benchmark and remain within the +/- 10% profit margin.

As the proportions of profit margins change and the CPI of the time, changes in sub-sector profitability are further indicators of service sector changes. Figure 14 Provides a graphical comparison of median profit margins by Main Activity for 2018 and 2019 which may provide insight into changes in service mix.

Although this data was only available for 2018 to 2019 by Main Activity, we can compare changes in the service mix by reference to profitability/Main Activity. Most obvious are increases in International Activities (↑8.8%), Sports (↑12.3%), Research (↑7.6%), Hospital Services and Rehabilitation (↑25.7%), and Animal Protection (11.9%). While considerable decreases can also be identified in Other Recreation (↓33.3%), Higher Education (↓39.4%), Grant-Making Activities (↓12.1%) and Law and Legal Services (↓7.2%), and Other Philanthropic Intermediaries (↓21.8%).

Though not comparable, for future reference and insights for 2020 we have developed figure 15 which indicates profitability for charities categorised by the number of programs they provide. Overall, except for the charities represented with 9 programs, we see that the more programs a charity provides, the more profitable it is.



Balance Sheet Strength

An organisation's balance sheet provides significant insights into economic capacity. Movements in net assets (assets minus liabilities—the change in organisational net wealth) is a key indicator of sustainability in the short-, medium- and longer-term.

From the data available, we are only able to view the financial capacity of Tasmania's charities in the aggregate. Hence, this focus is on indicators of risk to the service sector mix.



As reported via AIS' in 2020, Tasmania's charities held net assets of \$3.39b (2018: \$2.85b and 2019: \$2.17b). This is a 28% increase on 2018's values after a decrease of 7% in 2019. Figure 16 provides a graphical representation of the balance sheet account classifications. It can be seen that assets and liabilities categories increased. The aggregate balance sheet can be broken as follows:

Current Assets	↑	41.2%	\$289.0m
Non-Current Assets	↑	26.1%	\$531.6m
Current Liabilities	↑	30.1%	\$187.6m
Non-Current Liabilities	↑	42.9%	\$185.4m

There are significant increases in each of the current and non-current assets and liabilities categories as seen for 2018 to 2020. The economic shocks from COVID-19 also instigated movements from the Reserve Bank of Australia in interest rates which would influence investment decisions.

Below we see more detail in the changes between the years reported on.

		2019			2020	
Current Assets	↑	12.9%	\$90.2m	↑	25.1%	\$198.9m
Non-Current Assets	↓	-5.3%	-\$107.1m	↑	33.1%	\$638.7m
Current Liabilities	↑	11.7%	\$72.7m	↑	16.5%	\$114.8m
Non-Current Liabilities	↑	2.7%	\$11.5m	↑	39.1%	\$173.9m

Likewise, current assets may have increased to match the rise of services represented by the increase in income—that is, higher levels of working capital may be deployed. The increase in non-current assets may have resulted from an increase in investment needed to meet the increased activity and/or changes in reported values of long-term assets held by Tasmania's charities.

In reiterating the limitations of analyses, improved data assets would significantly support the analysis and hence our understanding of the sector and its direction. Having only broad information allows for speculation into the causes of change, requiring further investigation to better understand the causes and prospective impacts in the aggregate community services sector and balance sheet.

Concluding remarks

The aim of our analysis and this report is to describe the condition and economic contribution of the Tasmanian charities sector. Publicly available data was obtained from the ACNC and ABS databases to conduct our analyses of the sector's composition among other aspects between years 2018 and 2020.

The primary data sources used afford ample confidence in their maturity and timeliness of release. Our analysis is conducted almost 2 years after the reporting period, which has seen a fast-changing social, political, and economic environment in Tasmania and Australia more broadly. It is noted that changes in data collection between these years complicated year-to-year comparisons, yet, technical precautions were taken to allow for a dynamic analysis to be undertaken.

Overall, there has likely been a significant change in the sector's service mix since 2018. Financial and service sustainability remain at risk with labour shortages driving increased risk faced by service users. Service types and beneficiaries have changed over time and some job quality improvement is seen in the increase in permanent employment over casual. We note the development of the ten-year industry plan for Tasmanian community services and note that improved data assets will be critical in assessing the extent to which plan goals are achieved.



Appendix 1 - Service Mix as an Analytical Frame

In observing Tasmania's community services industry, the analysis of sustainability must be put in context of both economic analyses and the purpose of the industry. In this context, our consideration of sustainability is not related to the ongoing survival of particular organisations but the ongoing ability of the industry to deliver the necessary mix of services and supports required by the community. The service mix should adapt and evolve to meet the community's needs reliably and consistently. Thus, in this analysis, sustainability equals the industry's ongoing capacity to provide services and supports of appropriate quality, quantity and timing to beneficiaries who rely on those services and supports to live their lives.

Service mix changes as a result of decisions taken by organisations in response to one of three things, often in combination: (1) perceived changes in need; (2) changes in government policy; and/or (3) changes in the organisation's perceptions of its own sustainability. In the case of points 1 and 2, service mix change is expected and intended to result in better outcomes. In the case of the third point though, the service mix will change in ways that are likely to reduce the reliability of services and supports and also imperceptibly as individual organisations respond to their particular situation. We term change caused by concerns as to sustainability—that is, unintended and often imperceptible change—"service mix risk". Therefore, the service mix gives us an analytical framework with which to review sustainability in context of purpose as, ultimately, sustainability challenges create service mix risk which is borne by service users not government.

As such, in addition to the discussion on the nature of the data assets, we must also clarify restrictions on data from a perspective of purpose. Poor data assets hinder richer analyses when considering development of specific industry attributes and change such as:

- What organisations do – ACNC data provides varying levels of detail on charities, much of which is left to the charity's reporting discretion. Detail pertaining to beneficiaries of the charity, subtypes, programs, and beneficiaries are provided at the discretion of the charities reporting. For instance, we do not have the capacity to investigate the proportions of service types undertaken in any one organisation's portfolios and so we must make assertions based in the data analysis as to the prospects for unplanned changes in the service mix caused by the challenges faced by industry organisations.
- Who organisations serve—we understand sub-types and beneficiary descriptions, but further detail on sub-sets within those service types is very difficult to create at the industry level. Service offerings can be hidden in terms of what is provided under an umbrella sub-sector activity such as disability services or aged care.
- We do not know what services are provided other than reported by those charities with head offices located in Tasmania—there are many charities operating in Tasmania but for which we cannot identify their contribution in the state itself as we cannot disaggregate the data submitted by jurisdiction.

Due to the data limitations as outlined, we report on the likelihood of changes in the service mix at the industry level. This creates a macroeconomic view where we consider the entire sub-sector in the collective, and restrictions on interpretation at the local level. For instance, on any given day in Tasmania, there is a specific structure in the sector service mix. From day to day, this structure then changes in minute degrees impacting the services and supports received by people—either positively or negatively. The cumulative change over time impacts individual beneficiaries and the broader community in good and/or bad aspects. If changes are caused by financial or other pressures being



felt by the industry, the risk faced by service users increases significantly as service delivery becomes less reliable.

If clear differences are detected year-to-year in our analyses, it is likely that the service mix has changed more significantly to the benefit and/or detriment of service users. However, the nature of the poor data assets and reporting processes means that we are unlikely to be able to quantify the impact nor isolate the areas of service where it is materially experienced.

Our underlying belief is that, with the inevitable change and evolution implemented by organisations in pursuit of their survival in a challenging climate, the impact of industry-level changes signals a detrimental change in the service sector mix. Specifically, our difficulties in this analysis are two-fold:

1. We cannot determine who, where, and how there is unmet need
2. Services mix changes are unlikely to be consistent in all service types, hindering further deduction and prediction of impact on service mix

Regarding our analyses, these factors further cement points previously discussed in this report. One, that the analysis indicates areas for additional investigation to uncover changes and root causes. Two, there is likely demand for further and better data assets at the microeconomic level for the community services industry to support better analyses and, in turn to inform decision making.

As a final point, where the industry service mix changes, any impacts may not be rectifiable as a result of lost capacity in certain service areas or geographic locations. This is without the consideration of the survival or sustainability of individual organisations.

Hence, the real risks of not evaluating and monitoring the sector for macroeconomic change for an effective response is borne by unidentifiable beneficiaries. In the context of this analysis, there are three factors we consider indicators of change in the service sector mix over the years reported:

- the number of charities;
- mix of activities; and
- types of beneficiaries.



Appendix 2 - A Note on Data Used in this Analysis

- The regular collection of high-quality data is essential to support sustainability and ensure efficient, effective policy outcomes
- The financial sustainability of the community services industry is so low that resources need to be provided to ensure appropriate data is collected and analysed to assess effectiveness
- Without such data, the risk to Tasmania's most vulnerable people and communities is significant

The establishment of appropriate data assets will support long-term planning, implementation, and performance assessment of efficient and sustainable practices. Further, insights into the service mix and changes occurring will help to maintain a robust and durable industry while reducing the impact on those people relying on services and supports. Such data can also assist in predicting service delivery failure which, in turn, reduces the cost to government when these negative outcomes occur.¹¹

Data asset development should be collaborative between the sector and government. The efficient and cost-effective collection of reflective, relevant, and timely data can be guaranteed, with any analyses and outcomes made transparent and available for monitoring performance and review of procedures.

Subsequently, any data assets will improve over time, as will the analyses. More relevant and representative data will be collected, with more extensive analyses. Models and forecasts of trends can become more nuanced as estimates and outcomes are compared. Overall, with sharing of knowledge and skills, users will also develop effective methods of interpretation and decision-making.

Thus, the expansion and advancement in data assets and analysis of the industry would considerably enhance the impacts of policy makers and practitioners in evaluating the past, present and likely future conditions of the industry, policy impacts, and support the timely identification and mitigation of risk¹². Fit-for-purpose data assets will also increase transparency and timeliness of reporting.

An accessible MS Word version of this report is available on the Centre for Public Value website.¹³ Throughout this report, where we have identified 2020 data in the main text, we have provided the 2018 equivalent in brackets next to it for comparison purposes.

COVID-19 & Its Impacts

It would not be possible to consider any industry in relation to the relevant years without considering the impacts of COVID-19. The social services industry in particular was crucial in managing the ongoing effects of the pandemic, confronting extremely high-risk levels in a number of service types.

Some of the impacts of this experience are visible in the analysis and we report on each year where possible and relevant. Some of the impacts are ongoing and have been compounded by other factors which are indirect results of the pandemic. For instance, there are considerable labour impacts and cost increases that continue to challenge the industry, and which were exacerbated by COVID-19.

¹¹ For further information relating to this issue, see: Gilchrist, D. J., P. A. Knight and T. Emery, 2020, Green Paper 1: Data Assets, Efficiency and the NDIS. Available from: <https://www.research.uwa.edu.au/not-for-profits-uwa#six-years-and-counting-ndis-green-papers>

¹² For further information relating to the assessment of risk, see Gilchrist, D. J., 2020, "Green Paper 3: The Value of Quality Sector Analyses", A Report of Not-for-profits UWA, Perth, Australia. Available from:

https://www.research.uwa.edu.au/_data/assets/pdf_file/0004/3640981/Green-Paper-3-Proxies-for-Risk-6-October-2020.pdf

¹³ <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value>



Notwithstanding, this report was published in 2022 as the COVID-19 pandemic continues as do the impacts felt in direct and indirect social and economic impacts. Data limitations from the available formats restrict the depth of analyses for impacts.

Many in the industry contributed significant time and energy in aiding government decision making amid the pandemic and continue to do so. Service providers operated under enormous social, economic, and political pressures and uncertainty to support Tasmania's most vulnerable when it was needed the most, even at the detriment of their own sustainability.

The Nature of the Data

This analysis used publicly available data. Where noted, we used publicly available data compiled by government agencies including the Australian Bureau of statistics (ABS) and the Tasmanian Department of Treasury and Finance. The original data is linked and quoted in the footnotes and citations are also in appendix 3 for reference. All data sources are cited.

The primary data source is that of the national charity regulator. The ACNC current and historical datasets are public and downloadable from the charity register¹⁴. Of the data sources available from the ACNC, the Annual Information Statement (AIS) is predominantly used in this report examining comparative years. The AIS are submitted by registered charities each year and focus on multiple aspects of the charity's operations. The ACNC compiles their own comprehensive report using this data to track changes and share insights on the charitable environment.¹⁵

The format and nature of the data maintained by the ACNC changed in reporting year 2020 which required modifications in order to undertake our analyses. For comprehensive comparison and as a result of the new regime, we were required to review multiple datasets from the ACNC to define and describe the sector. These datasets are the 2020 AIS Programs Dataset and the ACNC Register of Australian Charities. The AIS is published each year with Explanatory Notes to support understanding the dataset and any changes in that year.

The AIS Programs Dataset was introduced in the reporting year 2020 as a modification to the way data is collected. This replaced the previous method of charities listing a Main Activity and Beneficiaries. The AIS now requires charities to identify as one or more of 16 'Subtypes' intended to describe the charity's mission and allowing registration of up to 10 programs conducted by the charity to serve beneficiaries listed. These enhanced data assets are designed to use a refined taxonomy to suit charitable purposes and represent charities and their programs in a comprehensive and accessible way. However, it does impact how we undertake our analysis making it necessary to recompile the data assets from the 2019 year in order to allow for comparison.

Specifically, the AIS previously collected a charity's 'Main Activity' and now collects a charity's registered 'subtype' with one or more 'subtype' or 'mission' allowed. In 2019 charities reported their 'Main Activity' from a selection of 26, with the option to select multiple 'Additional Activity', often reflected in the selection of beneficiaries of the charity. From 2020 the AIS reports on the charity's subtype selected upon registration—which may be changed—and has specific meaning under law.

There is a total of 14 subtypes set by the ACNC which identify the charitable purpose of the charity. Of the subtypes, 12 are devised from the *Charities Act 2013*¹⁶, and the additional two are 'Public

¹⁴ ACNC data is downloadable from: <https://www.acnc.gov.au/charity/about-charity-register/download-charity-register-data>

¹⁵ <https://www.acnc.gov.au/tools/reports/australian-charities-report-8th-edition>

¹⁶ http://www8.austlii.edu.au/cgi-bin/viewdb/au/legis/cth/num_act/ca2013104/



Benevolent Institution’ and ‘Health Promotion Charity’.¹⁷ This change in data collected proved challenging in comparing changes in service mix over time. The changes are not easily transferrable for recategorization and can be seen in reported numbers of types of beneficiaries and reporting of activities.

Classifications of the ACNC’s activities and subtypes differ over this time, as well as to those used in the International Classification of Non-profit Organisations (ICNPO). We have provided a side-by-side comparison in appendix 4.

Additionally, Basic Religious Charities (BRC) must only select the subtype of ‘Advancing Religion’ in order to be registered as a BCR. Additionally, BCR’s qualify for reporting concessions providing they do not:

- report as part of a group
- receive more than \$100,000 in government grants
- become endorsed as a Deductible Gift Recipient (DGR) except as allowed for certain funds with a total less than \$250,000
- incorporated under certain legislation
- participating in the National Redress Scheme for Institutional Child Sexual Abuse¹⁸

In adhering to these requirements, registration as a BCR comes with valuable reporting concessions. Under the ACNC Act ‘Basic Religious Charities’ exemptions include:

- from complying with or submitting anything regarding ACNC Governance Standards (unless requested)
- from submitting AIS financial data
- from submitting annual financial reports
- from an ACNC suspension or removal of a member of a BCR’s governing body (*listed Responsible Person*)

A BCR must continue to meet ongoing obligations, submit the remainder of AIS information, and comply with External Conduct Standards (if operating overseas or sending money overseas).

Although delays in the release of AIS data, the ACNC also now has an online Search for Charity and Charity Program tool to assist the public in finding information available almost immediately and this resource is updated every 24 hours¹⁹. Although this resource is not in a usable format for our analysis.

A combination of factors leads to the AIS statements being reported to the ACNC well after the dates of occurrence and then the data is publicly released in an untimely fashion and so we are unable to report on later data than that which we have. That is, financial years of charities may finish at any month in the year and are allowed up to 6 months from their balance date to submit their AIS. From these dates, the ACNC then compiles and analyses the dataset and releases the data alongside their most recent ACNC Annual Report. The data can be over twelve months old by the time it becomes available to the general public.

For instance, this method means that the earliest a data set could be compiled is June 30 the following year to accommodate charities with 31 December balance dates. The time required for

¹⁷ <https://www.acnc.gov.au/for-charities/start-charity/you-start-charity/charity-subtypes>

¹⁸ <https://www.acnc.gov.au/manage-my-charity-type/basic-religious-charities>

¹⁹ <https://www.acnc.gov.au/charity/programs/map>



compilation, analysis, review, and release of datasets is left to the ACNC with their own regulatory requirements.

As such, we have determined to compare the data from 2018 to 2020 to assess the movement over the two-year period. The AIS requests information regarding each charity’s activities, who they serve, their volunteers, employees, and their financial position and performance. The reporting requirements are determined by size-by-turnover of each charity. The smallest with the least reporting obligations and the largest charities having the greatest.

The ACNC defined size categories as ‘Small’, ‘Medium’ and ‘Large’ in the 2020 AIS data collection, with the introduction of ‘Additional Categories’ in the corresponding Annual Report. Additional categories added by us include ‘Extra Small’, ‘Very Large’ and ‘Extra Large’ (see table 1). We also use the additional sizing categories as outlined below. We also note that these categories have changed since.

Our purpose in resizing and using the greater categories of size data is to enhance the analysis by examining the charities which have income ranging from \$1m to \$10m as these are significant groups with operational and financial attributes somewhat different from those of organisations turning over in excess of \$10m and even more so to those turning over \$100m or more.

Additionally, we have removed financial data submitted by BRCs ensuring a better representation of the financial position of the sector as not all BRCs submitted financial data. Otherwise, BRCs would show as Extra Small Charities in their optional submission of financial data. Some BRCs were categorised by ACNC into size. However, as this was not uniform and supporting data was not available, though it was not significant to our report. The other attributes of BRCs—e.g., sub-types—have been included in the analysis.

When considering the size categories in the analysis, it is valuable to remember that the charities are not homogenous and cannot be compared by size-by-turnover. Overall, these charities do different things, have different financial attributes, and operate in differing locations.

Table 1: Size Categories		
Size	ACNC Sizing	Additional sizing used in this report
Extra Small	Not Used	Turnover < \$50,000
Small	Turnover < \$250,000	\$50,000 < Turnover < \$250,000
Medium	\$250,000 < Turnover < \$1m	\$250,000 < Turnover < \$1m
Large	Turnover > \$1m	\$1m < Turnover < \$10m
Very Large	Not Used	\$10m < Turnover < \$100m
Extra Large	Not Used	Turnover \$100m and over
BRC	Not Used	Basic Religious Charity

The sizing differences over the years makes it necessary to recategorize charities to the same sizing criteria for comparison. We have done this by recategorizing each year based on the overall sizing on the right-hand side of table 1. Each charity is then sized by the turnover of the year with the reported AIS, irrelevant of their financial reporting in other years for that year they are categorised based on the year’s turnover.

We have also removed some charities and data in cleaning of the dataset. This includes managing for a large amount for missing data, significant outliers, or data points falling outside of the relevant data pool. Examples include where charities report negative income.



The nature of the poor data assets relating to this sector is the main barrier to exhaustive analyses and comprehension. In relation to the data available, sufficient detail, timeliness, and consistency in collection inhibit our capacity to analyse and decipher the underlying trends and behaviours of the sector further limiting our ability to identify prospective risk.

Readers with queries and comments relating to this data are invited to contact the authors. We are very pleased to discuss the data assets employed, the nature of the data and the data cleaning process.



Appendix 3 – Footnote Sources

- 1 Charities Act 2013. Available from:
<https://www.legislation.gov.au/Details/C2013A00100>
- 2 ACNC Registered Charities. Available from:
<https://data.gov.au/dataset/ds-dga-b050b242-4487-4306-abf5-07ca073e5594/details?q=acnc>
- 3 Gilchrist, D. J., P. A. Knight and T. Emery, 2020, Green Paper 1: Data Assets, Efficiency and the NDIS. Available from:
<https://www.research.uwa.edu.au/not-for-profits-uwa#six-years-and-counting-ndis-green-papers>
- 4 Gilchrist, D. J., 2020, “Green Paper 3: The Value of Quality Sector Analyses”, A Report of Not-for-profits UWA, Perth, Australia. Available from:
https://www.research.uwa.edu.au/_data/assets/pdf_file/0004/3640981/Green-Paper-3-Proxies-for-Risk-6-October-2020.pdf
- 5 Centre for Public Value Research Team Website:
<https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value>
- 6 ACNC data is downloadable from:
<https://www.acnc.gov.au/charity/about-charity-register/download-charity-register-data>
- 7 Annual ACNC Australian Charities Report. Available from:
<https://www.acnc.gov.au/tools/reports/australian-charities-report-8th-edition>
- 8 Official Launch of the Enhanced Charity Register. Available from:
<https://www.acnc.gov.au/media/news/official-launch-enhanced-charity-register>
- 9 Definition of Charitable Purpose in Charities Act 2013. Available from:
http://www8.austlii.edu.au/cgi-bin/viewdb/au/legis/cth/num_act/ca2013104/
- 10 Information regarding Charity Subtypes. Available from:
<https://www.acnc.gov.au/for-charities/start-charity/you-start-charity/charity-subtypes>



- 11 ACNC information regarding Basic Religious Charities. Available from:
<https://www.acnc.gov.au/manage-my-charity-type/basic-religious-charities>
- 12 ACNC Charity Search. Available at:
<https://www.acnc.gov.au/charity/programs/map>
- 13 Correspondence related to this report should be sent to:
david.gilchrist@uwa.edu.au
- 14 Real Gross State Income by ABS. Available from:
<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#real-gross-state-income>
- 15 Economic Data Releases for Tasmania. Available from:
<https://www.treasury.tas.gov.au/economy/economic-data/economic-data-releases-for-tasmania>
- 16 Labour Force Statistics by ABS. Available from:
<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release>
- 17 Annual ACNC Australian Charities Reports. Available from:
<https://www.acnc.gov.au/tools/reports/acnc-annual-report-2020-21>
- 18 Volunteering Tasmania Report 2020, Summary. Available from:
<https://www.volunteeringtas.org.au/wp-content/uploads/2021/08/State-of-Volunteering-Report-%E2%80%93-Summary.pdf>
- 19 The State of Volunteering Tasmania Report, 2019 Summary. Available from:
https://www.stategrowth.tas.gov.au/_data/assets/pdf_file/0018/250740/Volunteering_Tasmania.pdf
- 21 2020 Commonwealth Bank Not-for-profit Balance Sheet Tool. Available at:
<https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>
- 22 Consumer Price Index by ABS. Available from:
<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>
- 26 Definitions of non-profit structure types. Available at:
<https://www.ato.gov.au/non-profit/getting-started/know-your-legal-structure/>



Appendix 4 – Comparison of Activities

This appendix provides a comparison between the ACNC subtypes, ACNC activity categories, the International Classification of Non-profit Organisations (ICNPO) Subgroups and Australia and New Zealand Industrial Classification (ANZIC) Classes ²⁰²¹²².

ACNC Subtypes	ACNC Activities 2019	INCPO Subgroups	ANSIC06 Classes			
1. Advancing Health <ul style="list-style-type: none"> • Associations, foundations, and support groups for people with particular illnesses or diseases • Hospitals, ambulance services, nursing services • Family planning and support services • Medical research bodies 	Hospital services and rehabilitation activities	3100	Hospitals and rehabilitation	8401	Hospitals (except psychiatric hospitals)	
	Aged care activities	3200	Nursing homes	8601 (part)	Aged care residential services	
	Mental Health and crisis intervention	3300	Mental health and crisis intervention	8420	Psychiatric hospitals	
	Other health service delivery	3400	Other health services	8511	General practice and medical services	
	Other health service delivery	3400	Other health services	8520	Pathology and diagnostic imaging services	
	Other health service delivery	3400	Other health services	8531	Dental services	
	Other health service delivery	3400	Other health services	8532	Optometry and optical dispensing	
	Other health service delivery	3400	Other health services	8533	Physiotherapy services	
	Other health service delivery	3400	Other health services	8534	Chiropractic and osteopathic services	
	Other health service delivery	3400	Other health services	8539	Other allied health services	
	Other health service delivery	3400	Other health services	8599	Other health care services n.e.c.	
	Other health service delivery	3400	Other health services	8591	Ambulance services	
	2. Advancing education <ul style="list-style-type: none"> • Formal education, Vocational training • Publicly available research directed to expanding human knowledge • Less formal education aimed at developing core life skills • Providing prizes and scholarships 	Primary and secondary education	2100	Primary and secondary education	4512	Takeaway food services (including canteens)
		Primary and secondary education	2100	Primary and secondary education	8021	Primary education
Primary and secondary education		2100	Primary and secondary education	8022	Secondary education	
Primary and secondary education		2100	Primary and secondary education	8023	Combined primary and secondary education	
Primary and secondary education		2100	Primary and secondary education	8024	Special school education	
Higher education		2200	Higher education	8102	Higher education	
Higher education		2200	Higher education	8101	Technical and vocational education	
Other education		2300	Other education	8010	Preschool education	
Other education		2300	Other education	8212	Arts education	
Other education		2300	Other education	8219	Adult, community, and other education n.e.c.	
Other education		2300	Other education	8220	Educational support services	
3. Advancing social or public welfare	Research	2400	Research	6910	Scientific research services	
	Social services	4100	Social services	4400	Accommodation services	
	Social services	4100	Social services	7714	Correctional and detention services	

²⁰ [https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/8106.0Appendix22006-07%20\(Re-Issue\)?opendocument&tabname=Notes&prodno=8106.0&issue=2006-07%20\(Re-Issue\)&num=&view=](https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/8106.0Appendix22006-07%20(Re-Issue)?opendocument&tabname=Notes&prodno=8106.0&issue=2006-07%20(Re-Issue)&num=&view=)

²¹ <https://www.acnc.gov.au/for-charities/start-charity/you-start-charity/charity-subtypes>

²² https://www.acnc.gov.au/sites/default/files/documents/2021-07/commissioners_interpretation_statement_-_health_promotion_charities.pdf



ACNC Subtypes	ACNC Activities 2019		INCPO Subgroups		ANSIC06 Classes
<ul style="list-style-type: none"> Relieving the poverty, distress or disadvantage of individuals or families Caring for, supporting, and protecting children and young individuals Caring for and supporting the aged Caring for and supporting individuals with disabilities Assisting the rebuilding, repairing, or securing of assets after a disaster	Social services	4100	Social services	8601 (part)	Aged care residential services
	Social services	4100	Social services	8609	Other residential care services
	Social services	4100	Social services	8710	Childcare services
	Social services	4100	Social services	8790	Other social assistance services
	Emergency and relief	4200	Emergency and relief	7713	Fire protection and other emergency services
	Income support and maintenance	4300	Income support and maintenance ²³	9559 (part)	Other interest groups n.e.c.
	Economic, social and community development	6100	Economic, social and community development	9559 (part)	Other interest groups n.e.c.
	Housing activities	6200	Housing	6711	Residential property operators
	Employment and training	6300	Employment and training	7211	Employment placement and recruitment services
	Employment and training	6300	Employment and training	7212	Labour supply services
International activities	9100	International Activities	9559 (part)	Other interest groups n.e.c.	
4. Advancing religion	Religious activities	10100	Religious congregations and associations.	9540	Religious services
5. Advancing culture <ul style="list-style-type: none"> Fine arts societies, musical societies Organisations that promote Australian Indigenous culture and customs Foundations for theatre ballet and the opera Museums and libraries Foundations and trusts supporting these activities 	Culture and art	1100	Culture and arts	5511	Motion picture and video production
	Culture and art	1100	Culture and arts	5512	Motion picture and video distribution
	Culture and art	1100	Culture and arts	5513	Motion picture exhibition
	Culture and art	1100	Culture and arts	5514	Postproduction services and other motion picture video activities
	Culture and art	1100	Culture and arts	5610	Radio broadcasting
	Culture and art	1100	Culture and arts	5621	Free-to-air television broadcasting
	Culture and art	1100	Culture and arts	5622	Cable and other subscription broadcasting
	Culture and art	1100	Culture and arts	6010	Libraries and archives
	Culture and art	1100	Culture and arts	7299	Other administrative services n.e.c.
	Culture and art	1100	Culture and arts	8910	Museum operation
	Culture and art	1100	Culture and arts	7299	Other administrative services n.e.c.
	Culture and art	1100	Culture and arts	8910	Museum operation
	Culture and art	1100	Culture and arts	8921	Zoological and botanical gardens operation
	Culture and art	1100	Culture and arts	8922	Nature reserves and conservation parks operation

²³ ICNPO subgroup 'Income support and maintenance' concurred to part of ANZSIC06 class 9559 (Other interest groups n.e.c.). It was not possible to select only the 'Income support and maintenance' units from ANZSIC 9559, therefore 'Income support and maintenance' was excluded from Group 4 (Social Services).



ACNC Subtypes	ACNC Activities 2019		INCPO Subgroups		ANSIC06 Classes
	Culture and art	1100	Culture and arts	9001	Performing arts operation
	Culture and art	1100	Culture and arts	9002	Creative artists, musicians, writers, and performers
	Culture and art	1100	Culture and arts	9003	Performing arts venue operation
	Other recreation	1300	Other recreation and social clubs	4530	Hospitality clubs
	Other recreation	1300	Other recreation and social clubs	5010	Scenic and sightseeing transport
	Other recreation	1300	Other recreation and social clubs	9001	Performing arts operation
	Other recreation	1300	Other recreation and social clubs	9131	Amusement parks and centres operation
	Other recreation	1300	Other recreation and social clubs	9139	Amusement and other recreational activities n.e.c.
6. Promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia	Civic and advocacy organisations	7100	Civic and advocacy organisations	6931	Legal services
	Law and legal services	7200	Law and legal services	6931	Legal services
	Political activities	7300	Political organisations	9559	Other interest groups n.e.c.
<ul style="list-style-type: none"> Promoting harmony and reducing conflict between people from different races, religions or belief systems Eliminating discrimination and promoting equality Promoting restorative justice and other forms of conflict resolution or reconciliation Mediating, conciliating or reconciling those involved in dispute or conflict 				(part)	
7. Promoting or protecting human rights	Civic and advocacy organisations	7100	Civic and advocacy organisations	6931	Legal services
	Law and legal services	7200	Law and legal services	6931	Legal services
	Political activities	7300	Political organisations	9559	Other interest groups n.e.c.
	Research	2400	Research	6910	Scientific research services
	International activities	9100	International Activities	9559	Other interest groups n.e.c.
	Other education	2300	Other Education	8219	Adult, community, and other education n.e.c.
<ul style="list-style-type: none"> Monitoring abuses of human rights Seeking redress and relieving needs for victims of human rights abuse Research into human rights abuse Educating the public about human rights Providing the technical advice to government and others on human rights Raising awareness of human rights issues 				(part)	
8. Advancing security or safety of Australia or the Australian public	Civic and advocacy organisations	7100	Civic and advocacy organisations	6931	Legal services
	Law and legal services	7200	Law and legal services	6931	Legal services
	Political activities	7300	Political organisations	9559	Other interest groups n.e.c.
	Social services	4100	Social services	4400	Accommodation services
	Social services	4100	Social services	8790	Other social assistance services
<ul style="list-style-type: none"> Safe houses Organisations that promote and support "neighbourhood watch" programs 				(part)	



ACNC Subtypes	ACNC Activities 2019	INCPO Subgroups	ANSIC06 Classes		
<ul style="list-style-type: none"> Organisations that promote the efficiency of the Australian Defence Force Research organisations looking into defence and national security Historical societies that record and research the history of the armed forces Organisations that look after the welfare of the armed forces, including the dependents of the injured or deceased veterans Organisations that offer volunteer emergency or safety services, such as surf lifesaving associations. 	Economic, social and community development Emergency and relief	6100 4200	Economic, social and community development Emergency and relief	9559 (part) 7713	Other interest groups n.e.c. Fire protection and other emergency services
9. Preventing or relieving the suffering of animals <ul style="list-style-type: none"> Animal protection societies Animal refuges and shelters Organisations that protect endangered species Animal hospitals Scientific bodies studying animal behaviour 	Animal Protection	5200	Animal Protection	9559 (part)	Other interest groups n.e.c.
10. Advancing the natural environment <ul style="list-style-type: none"> Protecting, preserving, caring for and educating the community about the natural environment Preserving native flora and fauna Rescuing or caring for native animals Preserving or rehabilitating habitats 	Environmental activities	5100	Environment	9559 (part)	Other interest groups n.e.c.
11. Any other purposes beneficial to the general public that may reasonably be regarded as analogous to, or within the spirit of, any of the purposes mentioned in the subtypes above	Other (free text to describe)	12100	Not elsewhere classified	All other ANZSIC 06s	
12. Advancing public debate (promoting or opposing a change to any matter established by law, policy or practise in the Commonwealth, a state, a territory or another country).	Civic advocacy activities	7100	Civic advocacy organisations	6931	Legal services
	Law and legal services	7200	Law and legal services	6931	Legal services
	Political activities	7300	Political organisations	9559 (part)	Other interest groups n.e.c.
	Grant-making activities	8100	Grant-making foundations	9559 (part)	Other interest groups n.e.c.



ACNC Subtypes	ACNC Activities 2019	INCPO Subgroups	ANSIC06 Classes		
<ul style="list-style-type: none"> Human rights research bodies that provide law reform submission to the government Education research institutes that develop public policy position papers 	Other philanthropic intermediaries and voluntarism promotion	8200	Other philanthropic intermediaries and voluntarism promotion	9559 (part)	Other interest groups n.e.c.
	Not included	11100	Business associations.	9551	Business and professional association services
	Not included	11200	Professional associations	9551	Business and professional association services
	Not included	11300	Labour unions	9552	Labour association services
13. Health Promotion Charities	Hospital services and rehabilitation activities	3100	Hospitals and rehabilitation	8401	Hospitals (except psychiatric hospitals)
<ul style="list-style-type: none"> Principal activity of promote the prevention or control of disease Activities to prevent or control a condition or symptom could be viewed as prevention or control of the disease Take action to reduce the spread of disease Research into management and treatment of disease Manage and treat disease Activities to alleviate suffering or distress caused by disease 	Mental Health and crisis intervention	3300	Mental health and crisis intervention	8420	Psychiatric hospitals
	Other health service delivery	3400	Other health services	8511	General practice and medical services
	Other health service delivery	3400	Other health services	8520	Pathology and diagnostic imaging services
	Other health service delivery	3400	Other health services	8531	Dental services
	Other health service delivery	3400	Other health services	8532	Optometry and optical dispensing
	Other health service delivery	3400	Other health services	8533	Physiotherapy services
	Other health service delivery	3400	Other health services	8534	Chiropractic and osteopathic services
	Other health service delivery	3400	Other health services	8539	Other allied health services
	Other health service delivery	3400	Other health services	8599	Other health care services n.e.c.
	Research	2400	Research	6910	Scientific research services
	Social services	4100	Social services	8609	Other residential care services
	Social services	4100	Social services	8790	Other social assistance services
	International activities	9100	International Activities	9559 (part)	Other interest groups n.e.c.
14. Public Benevolent Institution	Hospital services and rehabilitation activities	3100	Hospitals and rehabilitation	8401	Hospitals (except psychiatric hospitals)
<ul style="list-style-type: none"> Relieve poverty or distress (sickness, disability, destitution, suffering, misfortune, or helplessness) 	Aged care activities	3200	Nursing homes	8601 (part)	Aged care residential services
	Mental Health and crisis intervention	3300	Mental health and crisis intervention	8420	Psychiatric hospitals
	Other health service delivery	3400	Other health services	8511	General practice and medical services
	Other health service delivery	3400	Other health services	8531	Dental services
	Other health service delivery	3400	Other health services	8532	Optometry and optical dispensing
	Other health service delivery	3400	Other health services	8533	Physiotherapy services
	Other health service delivery	3400	Other health services	8534	Chiropractic and osteopathic services
	Other health service delivery	3400	Other health services	8539	Other allied health services
	Other health service delivery	3400	Other health services	8599	Other health care services n.e.c.
	Other health service delivery	3400	Other health services	8591	Ambulance services
	Social services	4100	Social services	4400	Accommodation services
	Social services	4100	Social services	8601 (part)	Aged care residential services

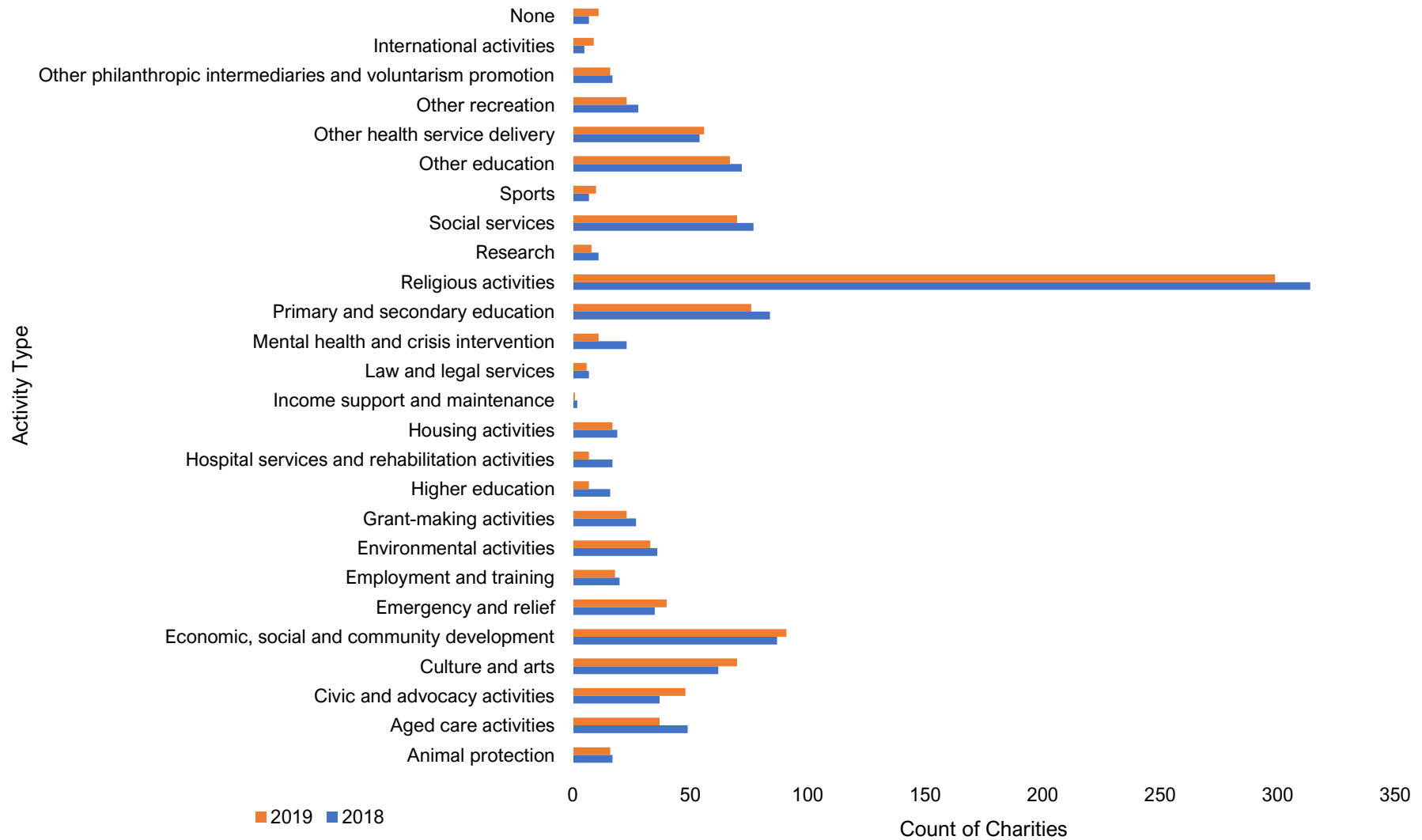


ACNC Subtypes	ACNC Activities 2019	INCPO Subgroups	ANSIC06 Classes
	Social services	Social services	8609 Other residential care services
	Social services	Social services	8710 Childcare services
	Social services	Social services	8790 Other social assistance services
	Emergency and relief	Emergency and relief	7713 Fire protection and other emergency services
	Income support and maintenance	Income support and maintenance ²⁴	9559 (part) Other interest groups n.e.c.
	Economic, social and community development	Economic, social and community development	9559 (part) Other interest groups n.e.c.
	Housing activities	Housing	6711 Residential property operators
	Employment and training	Employment and training	7211 Employment placement and recruitment services
	International activities	International Activities	9559 (part) Other interest groups n.e.c.
Not included	Sports	Sports	8211 Sports and physical recreation instruction
	Sports	Sports	9111 Health and fitness administration
	Sports	Sports	9112 Sports and physical recreation clubs and sports professionals
	Sports	Sports	9113 Sports and physical recreation venues, grounds, and facilities operation
	Sports	Sports	9114 Sports and physical recreation administrative service
	Not included	Sports	9121 Horse and dog racing administration and track operation
	Not included	Sports	9129 Other horse and dog racing activities
	Not included	Other recreation and social clubs	7299 Other administrative services n.e.c.
	Not included	Other recreation and social clubs	9201 Casino operation
	Not included	Other recreation and social clubs	9202 Lottery operation
	Not included	Other recreation and social clubs	9209 Other gambling activities

²⁴ ICNPO subgroup 'Income support and maintenance' concorded to part of ANZSIC06 class 9559 (Other interest groups n.e.c.). It was not possible to select only the 'Income support and maintenance' units from ANZSIC 9559, therefore 'Income support and maintenance' was excluded from Group 4 (Social Services).

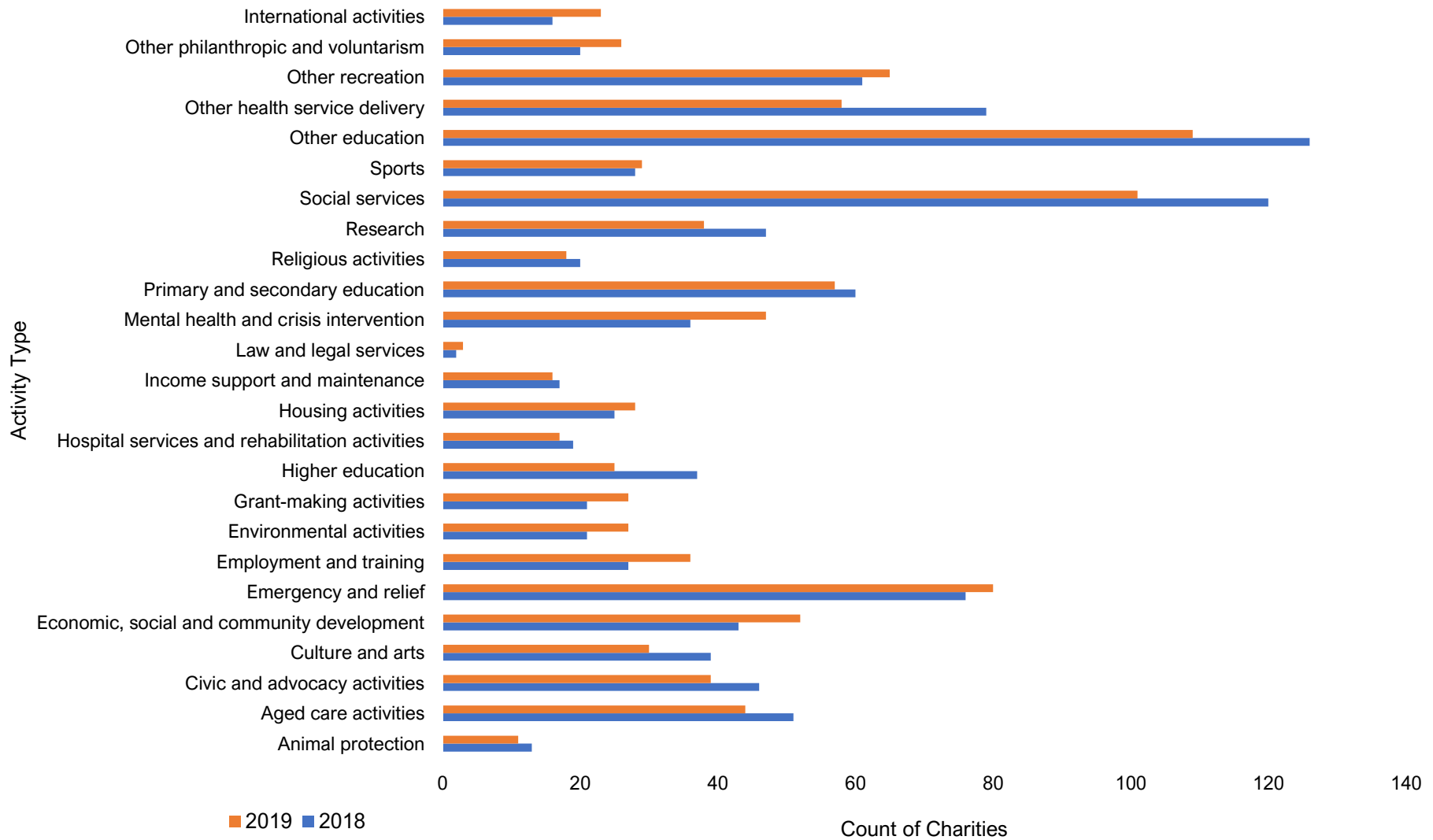


Appendix 5 – Main Activities Reported



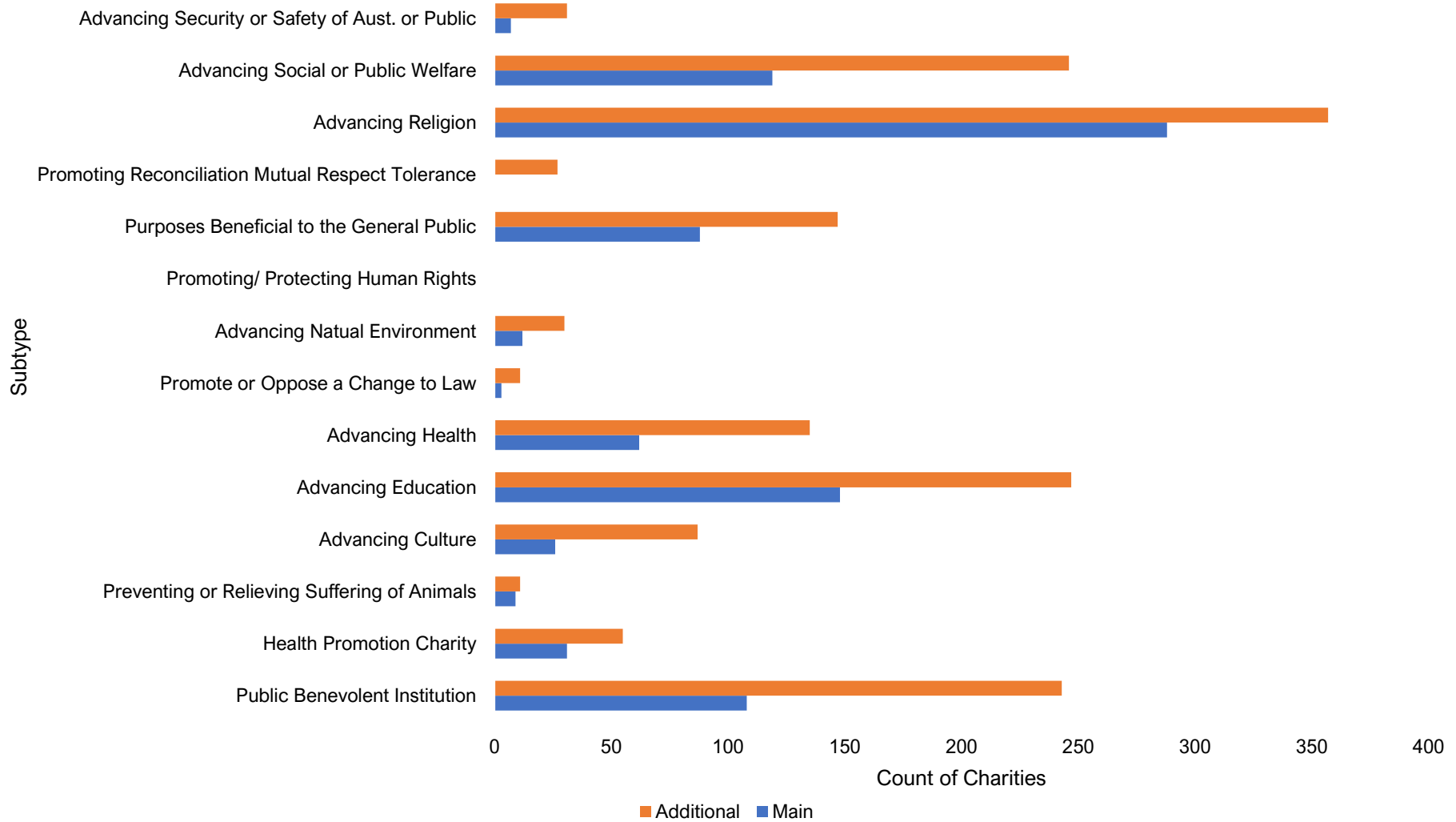


Appendix 6 – Other Activities Reported



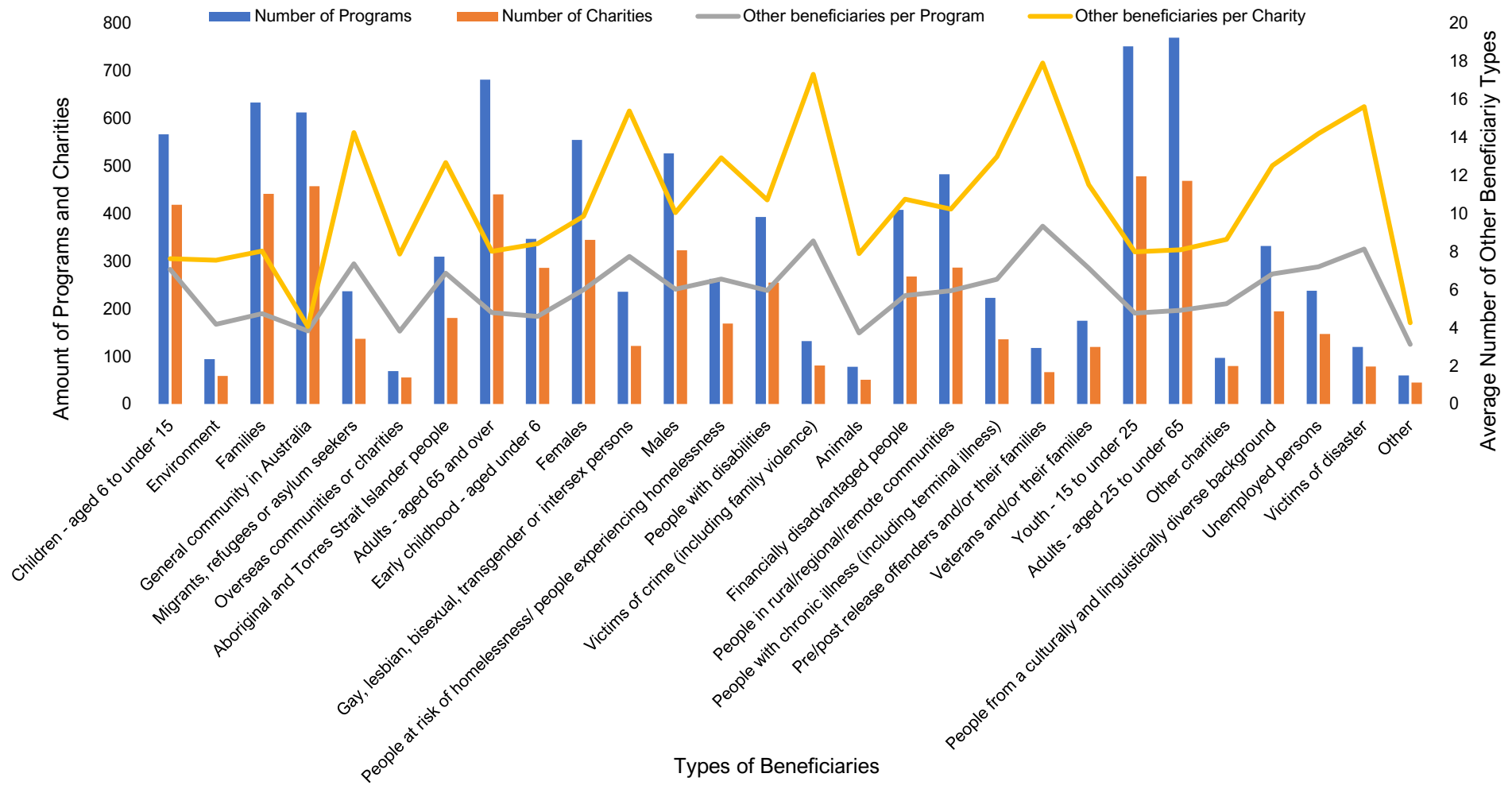


Appendix 7 – Main and Other Subtypes Reported, 2020



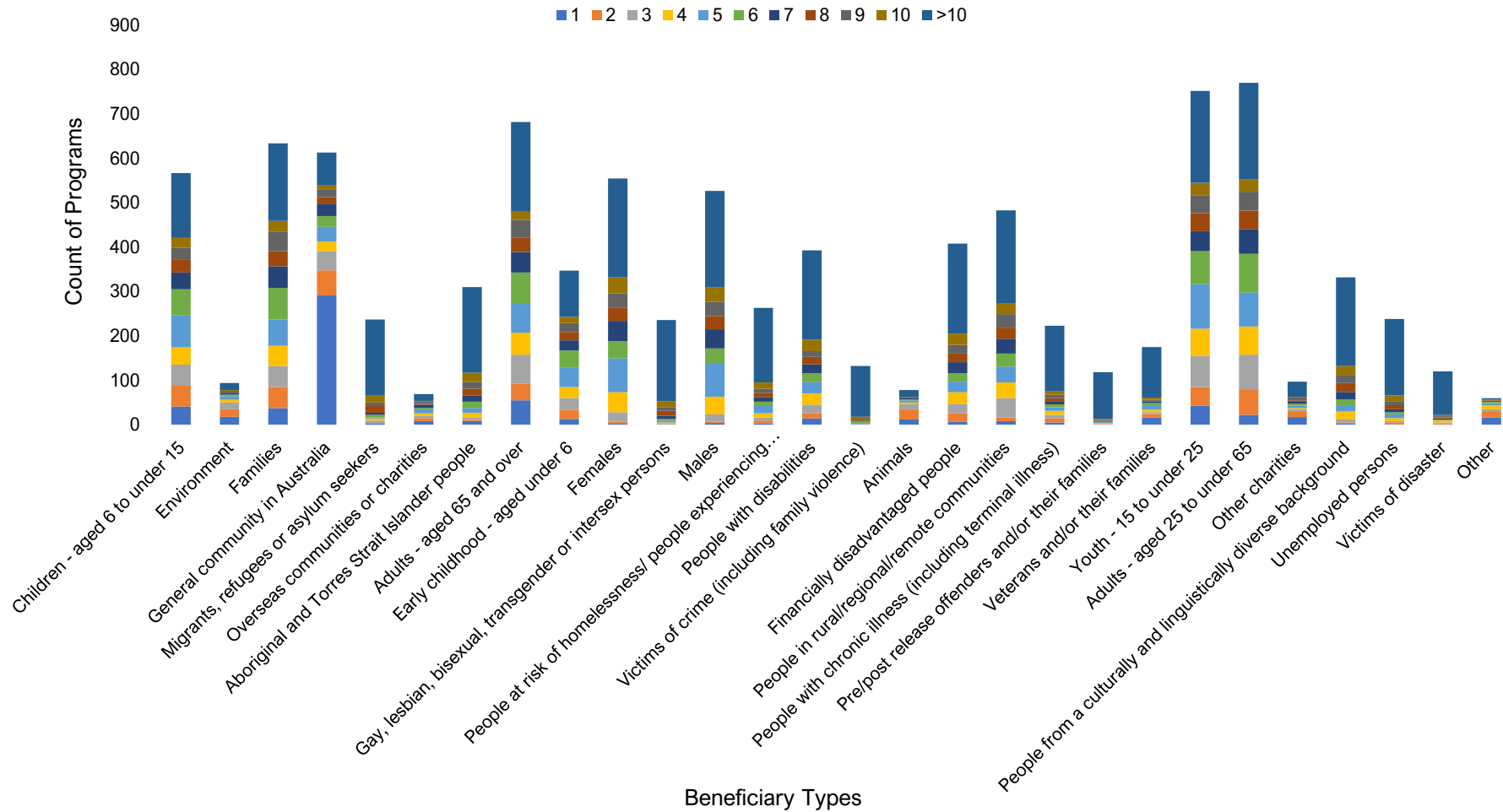


Appendix 8 – Program and Charity Density per Beneficiary Type, 2020



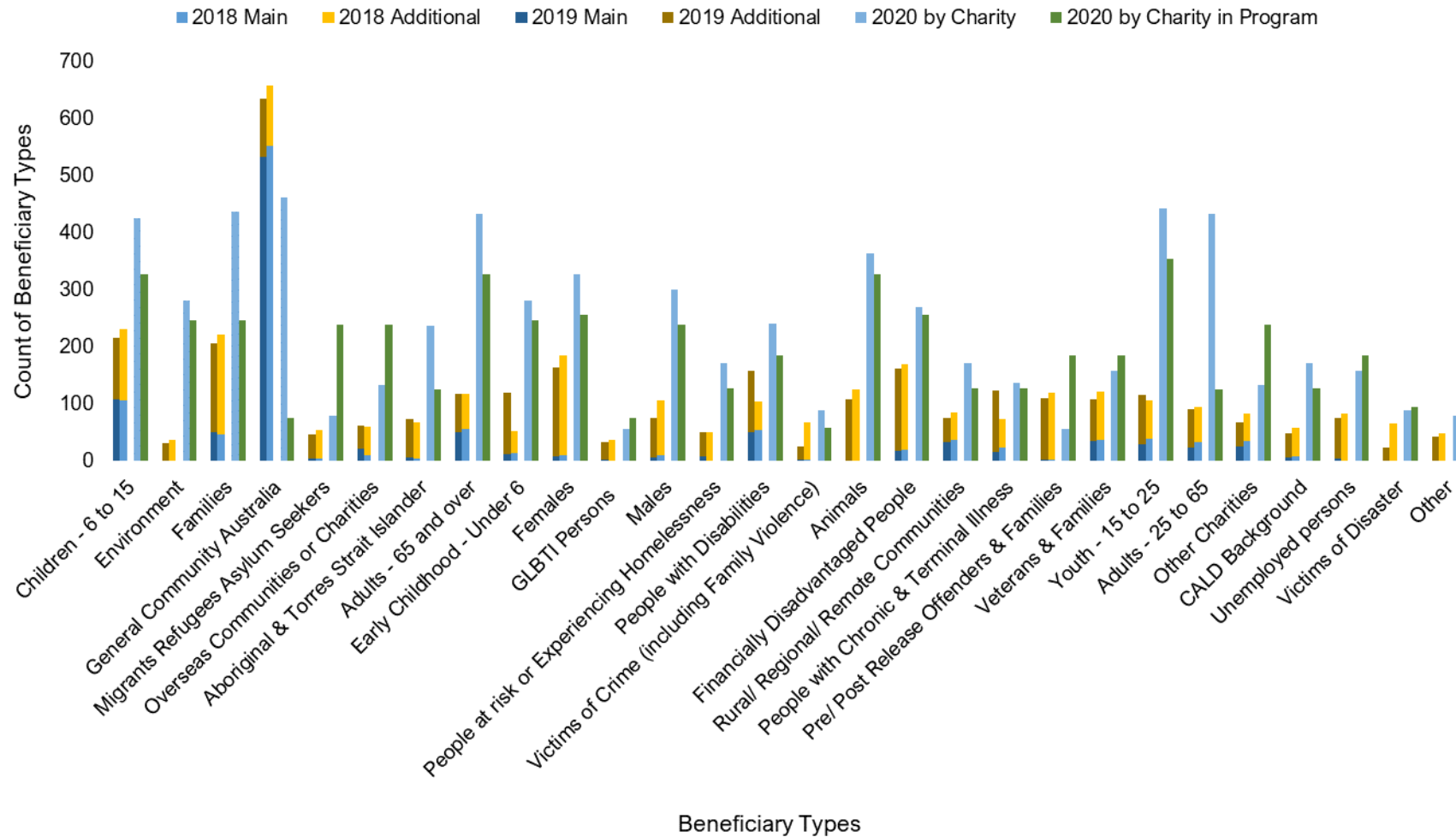


Appendix 9 – Number of Beneficiaries to Program





Appendix 10 – Beneficiary Types Reported





Appendix 11 – For Context: A General Description of Not-for-profit Organisations

Not-for-profit (NFP) organisations are entities that exist to achieve a purpose. Their purpose can be almost anything from the provision of sports and arts services, operating hospitals, providing membership insurance services, to child protection, employment services, emergency services, fundraising and aged care. The main difference between a NFP and a For-profit entity is that NFPs cannot distribute profits or assets to private individuals or organisations—whether those individuals or entities are members or not.²⁵

Our perception of NFPs is often influenced by our contact with them as providers of local community or human services, such as volunteer groups, sports clubs or kindergartens. These organisations are typically small, self-funded and run by volunteers. However, they can also be very large and employ many people.

The term ‘Not-for-profit’ is confusing

The term ‘Not-for-profit’ has created misunderstandings about whether NFPs can or should make a profit.

All organisations, whether they are a For-profit or NFP, must make a profit to survive and be sustainable in the short-, medium- and long-term. The difference is that the primary purpose of a NFP is to fulfil its mission, and profit is a means to achieve this. Profits are reinvested into the activities and infrastructure of the NFP for the greater benefit of the community.

In contrast, For-profit organisations can distribute profits to shareholders. This is one of, if not their main, purpose.

Another significant difference between For-profits and NFPs is the relative ease with which For-profits can shift their capital. NFPs are established to fulfil a certain purpose and cannot shift capital away from that objective to pursue higher financial returns in other sectors. If they cannot be financially sustainable while pursuing their mission, often their only option is to close. This means that NFPs are more likely than For-profits to continue to operate in market sectors even when returns are low or negative.

What is a charity?

A charity is one type of NFP, which means that all charities are NFPs, but not all NFPs are charities. The difference between a charity and other types of NFPs can also cause confusion. For example, most community sports clubs are NFPs but are not able to register as charities.

²⁵ The law applying to NFP status is complex, but essentially the constitution of an NFP (or other documents of incorporation) must expressly prevent a NFP organisation from distributing profits from operations, or other assets on winding up, to private individuals or organisations. Other than this, there is no precise definition of NFP that is used by all statistical or regulatory bodies. For example, the Australian Bureau of Statistics excludes from its counts of NFPs mutual organisations in the financial sector, body corporates and universities, hospital and other organisations classified to the government sector. Source: ABS 5256.0.55.001 Information Paper: Non-Profit Institutions - A Draft Information Development Plan, Jul 2010



For an NFP organisation to be classified as a charity, it must meet certain requirements defined by the *Charities Act 2013 (Cwth)*. In particular, its purpose must fall under at least one of the Act's 12 identified "charitable purposes". These charitable purposes 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, territory or another country (where that change furthers or opposes one or more of the purposes above), and
- other similar purposes 'beneficial to the general public' (a general category).

Being registered as a charity gives an NFP some benefits, including the possibility of tax concessions, and therefore organisations that can register as charities will generally seek to do so. Typically, organisations that provide human services such as disability care, aged care, education and support for the environment will meet the requirements, but organisations such as sports clubs, industry co-operatives and member-based insurance or financial institutions generally will not. It is worth noting that even if they are registered as charities, eligibility for additional tax concessions is not universal, but dependent on the charity meeting specific requirements.

What about an organisation's legal structure?

An organisation's legal structure does not impact its status as an NFP.

As it is the purpose and constitution of the entity that defines its status as a NFP, NFPs can have almost any legal structure, including being a limited liability company. In fact, many NFPs operate as unincorporated associations – which means that it is not a separate legal entity from its members. These are typically small organisations, such as fundraising groups, faith-based entities or neighbourhood and volunteer clubs.

If NFPs wish to incorporate, they can do so under State/Territory government legislation or under Commonwealth legislation.²⁶ As such, their regulatory obligations may differ depending on their jurisdiction, and in some cases, they must comply with both State/Territory and Commonwealth legislation.

Several entity types are more common for NFPs, and some are specifically designed for use by NFPs. These are as follows.

²⁶ This is section aims to provide a brief overview of legal structures, but this is a complex area of law and this is not a full explanation. For example, there are a number of Commonwealth Acts that impact this area of which the principal act is the *Corporations Act 2001 (Cwth)*.



Incorporated Associations: Queensland based NFPs that wish to incorporate do so under the *Associations Incorporation Act 1981 (the Associations Act)*.

Trusts: A Trust is a legal structure in which the Trustee(s) hold money and property for the benefit of its beneficiaries. They can distribute funds or provide services directly.

Company Limited by Guarantee: These are a type of public company established specifically for use by NFP organisations. They are formed under Commonwealth Legislation and regulated by the Australian Securities and Investments Commission.

The following are definitions of the main legal structures used by NFPs as articulated by the ACNC:²⁷

Unincorporated Associations

“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. An unincorporated association is however an entity under tax law and treated as a company for income tax purposes.”

We do not know how many of these organisations there are as they are typically not registered. They can include organisations such as toy clubs, fundraising groups, parents and citizens (P&C) or volunteer clubs. These organisations operate under the jurisdiction of Tort law as well as the taxation law of their state/territory and the Commonwealth.

Typically, these organisations do not receive funding from government, nor do they contract with government as funders generally prefer to work with incorporated organisations.

Incorporated Associations

“An Incorporated Association is a legal entity separate from its individual members. Associations are incorporated under state or territory legislation generally in the jurisdiction in which they operate. An incorporated association may operate outside the state and territory in which it is incorporated if the entity is registered with the Australian Securities & Investments Commission (ASIC) as a registrable Australian body under the Corporations Act 2001.

An incorporated association can continue in perpetuity separate [to, and regardless of changes in,] the membership. It also provides financial protection by usually limiting personal liability to outstanding membership and subscription fees, or to a guarantee.”

This limitation of liability is usually provided by the legislation under which the association is incorporated—so its effect can be different in different jurisdictions.

This form of incorporation is the oldest form in Australia for NFPs other than those incorporated via Private Act of Parliament and may be considered to be the “traditional” form of incorporation as a result.

²⁷ <https://www.ato.gov.au/non-profit/getting-started/know-your-legal-structure/>



Trusts

“A trust is an obligation imposed on a person or other entity (the trustee) to hold property for the benefit of beneficiaries or for a particular purpose. In legal terms, a trust is a relationship not a legal entity. The trustee must deal with the trust property in line with the settlor's wishes as set out in the trust deed (or will in the case of a deceased estate).

Trusts are widely used for investment and business purposes as well as for the advancement of a charitable purpose.”

Companies limited by guarantee

The Corporations Act 2001 is administered by the ASIC. NFP organisations registered with ASIC include:

- Public companies limited by guarantee – the most common type of company structure for NFP organisations registered with ASIC;
- Proprietary companies limited by shares – such as a business that is wholly owned by a charity that has a similar charitable purpose;
- Registered Australian bodies – such as an incorporated association registered under a State Act and registered with ASIC if it carries on business outside the state or territory in which it is registered;
- Foreign companies – such as a charity formed or incorporated outside Australia but registered to carry on business in Australia;
- Some reporting obligations under the Corporations Act 2001 do not apply to charities that are registered with the Australian Charities and Not-for-profits Commission (ACNC).