



Submission to the Stronger Community Organisations Project



We exist to make the world a better place by advancing professional fundraising through:

- *advocacy of standards*
- *professional development pathway*
- *measurable credentials*

so that our members achieve best practice

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Stronger Community Organisations Project

1. What are your views about the major influences and trends that will impact on community organisations and the sector over next ten years?

Major influences and trends that can be anticipated over the next ten years include:

- a. Sustainability and capacity of the sector to address increasing need for its services;
- b. Ability of community organisations to effect social change, independently from government that provides the majority of their funding; (impact on type of partnerships)
- c. Accountability and transparency in the use of funds raised, resulting in enhancement of the self-regulatory framework.

2. What do these kinds of trends and influences mean for the future contributions and activities, roles and focus of community organisations?

- a. *Sustainability and capacity*

Research from QUT has indicated that community organisations tend to operate at unsustainable levels, not committing sufficient resources to support effectively and efficiently administrative requirements. This, together with the 'explosion' in the number of charities gives cause for concern as to the sustainability of the sector. The exponential growth in the number of charities has been concentrated in small organisations. 40% of charities report revenues of less than \$55,000.

In the arts sector, this issue was addressed, at least in part, through three separate government-funded and initiated reviews:

- Nugent Report on Major Organisations (performing arts)
- Strong Report on Symphony Orchestras
- Myer Report on Visual Arts and Craft Sector.

The Community Organisation sector would benefit from similar results focussed reviews, examining the sustainability and capacity of the sector and developing benchmarks to gauge its performance.





The second issue is the shortage of trained staff working in the sector. Because of poorer remuneration in the sector, it has less capacity to attract well-trained staff. The development of education and training within the sector will promote a greater degree of professionalism and address the skills shortage. Education and training in community organisations is often lacking as there is little formalised education for fundraisers or community organisations.

The third part of this issue is the increasing need for the services of the sector, adding to the strain under which community organisations operate.

b. Independence of the sector

Government funding comes with a number of registration and reporting requirements. In addition, government funding is usually limited to achieving government objectives which may depart from the community organisation's mission and objectives. Because of the lack of capacity in the sector, funding, even if diverging from core objectives, is often seen as a more attractive option than refusal of funding and the sector inevitably comes under the sway of government.

The community sector is powerful when it addresses community needs and when it retains its independence. Government needs to rethink the type of partnerships it strikes with the sector in order to achieve best outcomes for the community.

c. Legislative framework

Both government and public interests coincide in wanting enhanced accountability for the donation of public funds to the community sector. Likewise, the sector itself also wants to enhance professionalism and transparency in the use of raised funds. The Victorian Government has been reviewing the Fundraising Appeals Act 1998 and it would be useful to bring this review process to a close, taking account of the anomalies and inconsistencies in state-based legislation of fundraising. In reviewing legislative requirements it is important to ensure that 'red tape' does not unintentionally hamper organisational performance or add to its cost.

FIA has commenced a significant undertaking to overhaul its code of ethics and professional conduct, enhancing the self-regulatory framework and managing the reputational risk of professional fundraising.

Exemptions from current fundraising legislation mean that registration covers only some 20% of fundraising income. FIA has put to the Victorian Government the importance of mandatory compliance with a code of ethics and professional conduct to ensure that the principles and standards of professional fundraising





are adhered to by all professional fundraisers working in community organisations.

Victorian Government support, through endorsement of the codes and financial support to realise the project, would greatly enhance FIA's push to increase professionalism and accountability in fundraising in community organisations.

3. Will these changes lead to different ways of doing things, and new relationships between community organisations, business, governments and communities more broadly?

In order for community organisations to play a significant social and community role, it is imperative that there are different ways of doing things and changes to how the sectors – community organisations, business and government - intersect, partner and work separately to achieve public benefit in communities.

Such changes as noted above would yield the following:

a. *Sustainability and Capacity*

A sustainable framework for the sector:

- enhancing efficiency
- managing the number of community organisations
- providing better training opportunities and enhancing skills of the community organisations' workforce

b. *Independence of the sector*

A mission-driven focus rather than a fund-driven focus:

- enhancing community outcomes
- encouraging philanthropic interest
- loosening government restrictions to funding

c. *Legislative framework*

A simplified legislative and regulatory framework to manage financial risk and an enhanced self-regulated industry framework to manage reputational risk:

- cutting red tape
- regulating proportional to risk
- strengthening professionalism of fundraising
- demonstrating enhanced accountability for and transparency in the use of public and government funds





- capturing all fundraising behaviour through adherence to principles and standards of professional fundraising practice
- capturing fundraising financial data beyond a particular threshold through regulatory framework
- dealing with the current exemptions so that the legislative platform is fair and equitable, providing credible management of financial risk to government and the public

4. What would be the main features of vibrant and strong community organisations in ten years, and what does this mean for the major parts of the community sector?

a. *Sustainability and Capacity*

Appropriately funded and resourced so that it:

- is sustainable
- has adequate capacity to achieve its mission
- is fully professional sector on a par with business
- has standards and benchmarks for quality assurance including organisational performance and accounting
- has accredited professional education and training programs
- remunerates its workers appropriately

b. *Independence of the sector*

Appropriately recognised so that it:

- effectively makes a difference to communities
- is driven by its values and mission not that of the funding body
- works with its communities to create a sense of community engagement

c. *Legislative framework*

Government implements initiatives to:

- regulate proportional to risk
- mandate for self-regulation including principles and standards of professional fundraising practice
- promote the value of community organisations to society in providing community services

5. What should be the main roles of community organisations, governments, and business in the medium-long term to achieve robust community organisations in the future?

- Continue the dialogue between the sectors in order to encourage systemic change in the way the community sector is supported to achieve its objectives for Victorian communities



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- Set and achieve priorities to strengthen the sector (make sure that this review delivers tangible outcomes in a reasonable timeframe)
 - Fund agreed initiatives to ensure that this review achieves results
 - Promote and publicise the achievements of the community sector
 - Fund research into the sector, its scale and scope, including philanthropy, fundraising and social benefit
 - Develop appropriate policies to regulate the sector proportionate to the risk
 - Cut red tape
 - Collect meaningful data to enable community organisations to benchmark performance
 - Encourage sustainable funding to achieve goals
 - Develop partnership that focus on achieving social change
 - Encourage community organisations to be innovative and to develop sustainable practices by applying business knowledge to the management of community organisations.
6. In considering these roles, what specific strategies or approaches are required in the following areas:
- a) Workforce and leadership development – How can organisations attract and retain skilled and qualified staff both paid and volunteers?
- Education and training to enhance professionalism of the sector
 - Sharing skills and resources particularly from the business sector
 - Partnering between corporations and community organisations
 - Competitive remuneration and flexible work practices
- b) Organisational governance – what standards and models of governance will be needed to meet public expectations of accountability, and contribute to strong community organisations?
- Community organisations need the highest standards of governance as with any incorporated entity, demonstrated by competent boards meeting public expectations of leadership and governance, although volunteering for their positions
 - The Victorian Government could consider developing a business assistance toolkit like that developed in Queensland with the assistance of the Queensland Government (to be launched 23 August 2007)
- c) Organisational sustainability – what business and financial planning are needed to ensure sustainability and to attract resources from all sectors including philanthropy?
- Business planning including sharing knowledge with the sector; providing back services such as IT, audit, HR policies, investment advice; facilitating key purchasing including stationery, vehicles, travel

- Business mentoring
- Business focus on corporate social responsibility, corporate philanthropy, matched giving, workplace giving to encourage business giving
- 1% rule – encouraging individuals to consider gifting 1% of their income to charitable causes
- Financial improvements to adopt accounting standards leading towards a national standard

d) **Quality and effectiveness – how can organisations achieve high standards and efficiencies and continue to develop innovative responses to emerging community issues?**

- Developing an accounting standard so that there is consistency in reporting and benchmarks can be established (as in the US through the Internal Revenue returns)
- Community organisations should abide by the highest standards in professional fundraising to ensure that the public retains the trust and confidence in their organisations. Mandated standards will provide the public with confidence that there is managed accountability in the sector.
- Community organisations should have a policy of acceptance and refusal of gifts so that they do not accept gifts that are not sustainable because of the level of funding, the period of funding and placing less reliance of one-off gifts and more on planned giving etc.

e) **Assets and infrastructure – what measures will maximise the use, and better planning of future and existing assets and infrastructure?**

Expected outcomes of a review of community organisations such as that undertaken of the arts community organisations:

- Developing appropriate reserves and endowments to ensure that community organisations are sustainable and have sufficient assets to cover their liabilities
- Managing the explosion of community organisations so that the sector does not continue to proliferate, creating independent unsustainable organisations
- Strengthening boards and governing structures

f) **Collaboration – what measures would assist organisations to collaborate within the sector and with governments?**

- Funding research and development projects that strengthen community organisations
- Mutual recognition of legislation would enhance collaboration with community organisations working across state borders
- Government promotion and public relations campaign to promote the value of the sector and its work alongside government (collaboration on common goals)

- Consultation between government and community organisations, not just at times of legislative review