

Western Australian Council of Social Service

City West Lotteries House 2 Delhi Street West Perth WA 6005 Telephone: (08) 9420 7222 Freecall: 1300 658 816 Email: info@wacoss.org.au Twitter: @WACOSS

Twitter: @WACOSS www.wacoss.org.au

The Council would like to thank Lotterywest for its support in making this Landscape Report possible.



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WACOSS FOREWORD

When you work in the not-for-profit and community services sector you are constantly witness to the amazing work of agencies across the sector. Even so, it is hard for anyone in the sector – or in government or in the general public – to know the full scope of work being done by charities and not-for-profits.

That is why we commissioned the Curtin Notfor-profit Initiative to report on the big picture – how many of us are there, how are we spread across areas of activity, how big is the sector and how many employees and volunteers are there?

The project was more challenging than we could possibly have imagined. The main, and most reliable, data source is the Australian Charities and Not-for-profit Commission (ACNC) and that is the primary source for this report.

However, the ACNC collects data on ¬all charities and that includes some very big 'charities' like universities and private hospitals. It has not been possible to narrow it down to 'community services', but the charts and tables in this report provide some extraordinary insights into the broader charity sector and the place of community services within it. The data reported relates to the 2013/14 – the most recent available at the time of compiling the report.

Key Findings

- The WA charities sector is a key employer making a major impact on the State's economy, employing 7% of the State's workforce (mining is 8%).
- It has nearly as many employees as manufacturing and three times as many as agriculture, forestry and fishing put together.
- It has \$16.4bn in net assets, equivalent to 14% of the State Government's net assets and its annual revenue is around \$12.7bn.
- The sector raises 59% of its income from its own sources.
- Over half made a profit; one in five made a loss; and a quarter broke even.

Recommendations

WACOSS has a number of recommendations stemming from the findings of the report.

 Government should recognise and acknowledge the economic significance of the sector in its analysis of the WA economy and in its planning and investment for the future.

- In recognition of its economic and social significance, government should significantly increase its investment in capacity building and skills development in the sector.
- With nearly half of agencies not making a
 profit during this period, the sector itself
 has to develop more effective strategies to
 ensure its sustainability, including true cost
 accounting when quoting to provide services.
- The sector and government should recognise that the sector diversity highlighted in this report is a great strength, and that small, medium and big not-for-profits make important contributions to the wellbeing of all West Australians.

WACOSS welcomes the WA Government's recognition of the value of the sector's service provision roles in the work of the Partnership Forum and the Delivering Community Services in Partnership Policy.

It is now time to extend that recognition to the sector as a key driver of employment and economic activity.

Acknowledgements

WACOSS acknowledges the significant funding for this Report from Lotterywest and extends its appreciation to the advisory group who helped us in guiding the project.

The full report on our website and the summary in this publication are the work of the Curtin Not-for-profit Initiative and we are particularly grateful to David Gilchrist and Penny Knight for their integrity, professionalism and hard work in compiling the first ever report of its kind in WA.

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Louise Giolitto WACOSS CEO



CURTIN NOT-FOR-PROFIT INITIATIVE'S SUMMARY WA's Notfor-profit (NFP) sector provides a very wide range of services that

Charities are a subset of the NFP Sector. In 2014, the Australian Charities and Not-for-profits Commission (ACNC) began collecting financial and other data which shows that there are over 4,600 charities with their head office in WA. This data set is the basis of this report.

economy.

improve the lives of many

Western Australians. It is also a

very large and important part of WA's

There is no detailed data on the other NFP organisations that make up the sector. However. based on the Australian Bureau of Statistics data, it is likely that there are at least a further 1,000 additional economically significant NFP organisations in WA with an estimated combined annual income of over \$1.9bn. There are also many more interstate-based NFPs operating in WA.

As such, the data in this report underestimates the economic and social contribution of the sector.

The charity sector makes a large and important contribution to the WA economy.

WA's charities alone have an estimated \$16.4bn

WA'S NOT-FOR-PROFIT LANDSCAPE 2017 **AN OVERVIEW**

in net assets, equivalent to 14% of the WA Government's net assets (reported as \$114bn1).

WHAT IS A NOT-FOR-PROFIT AND CAN IT MAKE A PROFIT?

NFPs are organisations established to pursue a purpose and for which members do not enjoy a pecuniary benefit. However, they must make profits if they are to be sustainable. The key difference between a NFP and For-profit entity is that the profit generated by NFPs must be retained within the organisation to support the beneficiaries or purpose rather than distributed to shareholders or other owners. Private individuals or members do not participate in profits or the distribution of assets.

Charities are a sub-set of NFPs. All charities are NFPs but not all NFPs are charities.

They recorded total annual revenue of \$12.7bn and expenditure of \$11.6bn. In comparison, total iron ore sales from WA were \$48bn and sales from agricultural production \$2.7bn.²

They employ approximately 93,000 full and part time staff or 7.0% of the WA workforce. This

¹ Government of Western Australia, 2015-16 Annual Report of State Finances, Sept 2016.

² Australian Charities and Not-for-profits Commission 2014 Annual Information Statement data. Sourced from data.gov.au 24 October 2016.

compares to: Manufacturing at 96,200 or 7.2%; Agriculture; Forestry and Fishing at 28,800 or 2.2%, and mining at 106,700 or 8.0% of WA's workforce³. These organisations employ considerably more than many other sectors of the state's economy.

Importantly, they paid employee expenses of approximately \$6.7bn (58% of expenditure), which is fed back into the WA economy.

Nationally, the NFP sector has been expanding faster than the Australian economy, growing approximately 3.2% per annum against GDP growth of 2.9%. In WA, the Gross State Product grew by 1.9% in 2015-16 and growth is expected to be 1.25% in 2016-17.

It is, therefore, one of the most important components of the Western Australian economy.

WA CHARITIES (2014 DATA)⁴			
Total number of charities	4,636		
Net assets	\$16.4bn		
Total Income	\$12.4bn		
Main source of income	Own Source Revenue: 59%		
Total expenditure	\$11.6bn		
Total employee expenses	\$6.7bn (58% of Total expenditure)		
Total number of employees	92,965 ⁵		
Top three main activities	Religious; Primary and Secondary Education, Emergency Relief		
Top three beneficiary groups	General community; Children; Women		

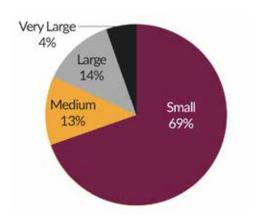
Similar to the For-profit sector, the NFP sector has a small number of very large organisations that account for the majority of income and employment, and a large number of small organisations.

In WA, the 4% of all charities (198) that are classified as very large (annual income of over

\$20m) account for \$10.02bn or 75.6% of total income and 66,565 employees or 72% of employment in the sector. These largest organisations comprise the universities, non-government hospitals and aged care organisations along with hundreds of independent primary and secondary schools, and social services providers.⁶ They are also iconic brands, including Mercycare, St John Ambulance and Amana Living.

At the other end of the scale, there are thousands of small charities, with incomes of less than \$250,000 per year and often run by volunteers. These organisations provide a wide range of essential services, from volunteer fire and rescue services to childcare. They have an essential and irreplaceable role in building community cohesion, providing opportunities for engagement and volunteering. As such, their impact is felt socially as well as economically and arguably they should be valued in the same way we value small business.

Figure 1 WA Charities by four size categories (n=4,636)



The 'social' or 'community' services sub-sector is complex and critical to WA's community cohesion.

Organisations that provide social or community

³ Australian Bureau of Statistics Cat No. 1306 – Western Australia at a Glance, 2014. Labour Market

⁴ ACNC 2014 Annual Information Statement Data. Available from data.gov.au. Accessed 20 October 2016

⁵ This is the total of full time and part time staff only. Charities report also employing 25,055 casual staff.

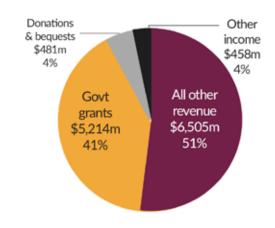
⁶ WA Country Health is a registered charity but was excluded from this analysis.

their income from operations and donations (i.e. sources other than governments) and 41% from government contracts and grants.

59% of

They also deploy volunteers and have access to donated goods. Further, they reinvest their profits into their operations as they do not distribute them to owners. Because they have access to these resources, they are also able to operate in service delivery areas that are not viable to For-profit entities.

Figure 2: Sources of charity income (n= 4,636)



NFPs also have a unique capacity to mobilise assets and volunteers in times of crisis (such as a natural disaster) providing services that would otherwise be much more expensive for governments to provide.

As such, governments are increasingly seeing the NFP sector as a source of efficient, effective and flexible service delivery within a fit-for-purpose governance framework.⁷

are one part of this large group of NFP organisations, but separately defining and identifying them is not possible with the current data. To do so risks significantly over- or under-estimating their contribution. However, to provide some indication, and using the narrowest definitions, this sub-group of organisations is estimated to account for 32% of charities, \$3.98bn (31%) in annual income and over 35,000 staff or 38% of employment.

services

Charities are major providers of costeffective services to governments.

Governments have long recognised the strength and capacity of the NFP sector to deliver a wide range of government funded services. In 2013/14 State, Commonwealth and Local government contracts and grants to WA charities totalled approximately \$5.2bn.

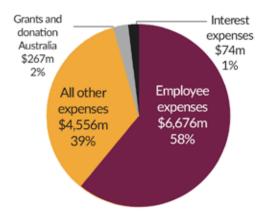
NFPs have unique experience in achieving outcomes in complex human services areas.

NFPs and charities are also efficient suppliers of service—for every dollar of funding provided by governments, charities generate \$1.44 of their own income. Indeed, data shows they generated

¹ For instance, see the Delivering Community Services in Partnership Policy (DCSP) document (WA Government 2011) at: http://www.finance.wa.gov.au/cms/content.aspx?id=12662



Figure 3: Expenditure by type (n= 4,636)



Looking ahead: Recognising and building our NFP sector

The \$16.4bn of net assets owned by the charity sector were built through the efforts and donations of past and current generations of West Australians and with the support of the WA Government and others. These assets represent a very large and valuable resource for building the future of all West Australians.

The WA Government has an important and unique role to play in this, both as the main buyer of services from NFPs and in implementing policy that supports the development of the sector.

For many NFPs, the WA Government is the main or only buyer of services. Therefore, what it buys and how, directly effects the structure and viability of individual organisations and, ultimately its overall portfolio of suppliers. From government's perspective, it needs a pool of providers that are strong, dynamic, competitive and efficient. If there are too many or too few, supply will be inefficient and create risks to government. Therefore, taking an active and

strategic approach to developing the NFP sector is beneficial to all stakeholders.

In addition to fulfilling its duties as the dominant purchaser, the WA Government has a critical role to play in the creation of policy that supports the development of civil society and of an efficient and effective NFP sector more broadly. The benefits of a thriving NFP sector that encourages and supports self-sufficiency in local communities should be more fully appreciated.

The Partnership Forum was established by the WA Government in 2010 and has made notable progress toward achieving the first of these goals. It has simplified government contracting, shifted the focus of contracts towards outcomes rather than outputs, and provided greater surety to providers through the creation of longer-term contracts.

Testing our assumptions and challenging NFPs to do more

To further build the sector, it is now timely to challenge the Partnership Forum to more actively develop a government-wide procurement strategy and for the WA Government more broadly to acknowledge and respond to its role in the development of the NFP sector as a whole. This will require building better data on the sector, much of which could be achieved through better design and use of the data government already collects.

Combining administrative and procurement data with other information sources, such as the ACNC's records, would be an important first step towards better recognition and support of the sector.

Curtin University

Not-for-profit Initiative

It would also help to dispel many of the pervasive assumptions about the sector, which are often held by the sector itself.

Among other things, this shared information and expertise is critical to government achieving its own procurement objectives.

In addition, it is very important that government, donors, NFP leaders and other stakeholders check their assumptions about the sector and improve their understanding of the 'business' of modern NFPs. This will help build more equitable relationships and encourage mature conversations around such things as the comprehensive cost of services and the need for NFPs (like all other non-government organisations) to make a profit in order to remain viable and sustainable.

Next steps

Based on our research and analysis it is evident that there are significant gaps in our knowledge of the sector in key areas, many of which could be improved by streamlining and improving the consistency of the data currently collected by government agencies.

In addition, the data now collected by the Department of Commerce could be published to provide information on the many Incorporated Associations that provide key social and community services, including those that are contracting with government.

Therefore, the Curtin Not-for-profit Initiative recommends that the WA Government develop a Data Management Plan that

- better supports its procurement functions
- increase transparency of government contracting with the sector
- enables monitoring of the health and development of the sector, and
- builds its knowledge of the sector to support better policy development and evaluation

A Data Management Plan would aim to improve the quality and effectiveness of the data currently collected rather than seek to increase data requests. In particular, it would aim to only collect data that is of value and used; ensure that data is collected once and re-used; require records to include Australian Business Numbers so that data from different sources could be combined; and would define a common framework for data collection so that data is comparable. The Plan should also define how data is to be published, including issuing of raw data (e.g. data cubes) where possible.

THE FULL REPORT IS AVAILABLE AT:



www.wacoss.org.au



http://business.curtin.edu.au/schools-and-departments/accounting/our-research/not-for-profit-initiative/

WACOSS SELECTED EXTRACTS FROM THE REPORT





	TOTAL (\$)	\$M
Current Assets	5,340,848,322	5,341
Non-current Assets	17,162,820,219	17,163
Total Assets	23,262,258,885	23,262
Current Liabilities	4,636,938,871	4,637
Non-current Liabilities	2,100,241,807	2,100
Total Liabilities	6,863,438,708	6,863
NET ASSETS	16,439,375,370	16,439

'WA charities generated \$14.1bn of income in 2014 and spent \$13bn on expenses.'

"...59% of income is selfgenerated and raised by donations, fees for service, social enterprises or returns on investments."

'Nationally, the NFP sector has been expanding faster than the Australian economy, growing approximately 3.2% per annum against GDP growth of 2.9%. In WA, the Gross State Product grew by 1.9% in 2015-16 and growth is expected to be 1.25% in 2016-17. It is, therefore, one of the most important components of the Western Australian economy.'

Income and Expense by charity size (n = 4,637)

INCOME	TOTAL (\$M)	%
All other revenue	6,505	51
Government grants	5,214	41
Donations and bequests	481	4
Other income	457.6.0	3
TOTAL INCOME	12,652	100

NET PROFIT \$1,058 8.4%

EXPENSE	TOTAL (\$M)	%
Employee expenses	6,676	58
All other expenses	4,556	39
Interest expenses	74	1
Grants and donations (Australia)	267	2
Grants and donations (Overseas)	19	0
TOTAL INCOME	11,591	100

Employment

'2,615 (56%) charities reported that they did not employ any full time staff.'

'2,295 charities do not employ any staff at all - either full or part-time.'

Number full time and part time staff by Main Activity, and employee expense (n= 4,636)

MAIN ACTIVITY	FULL TIME	PART TIME	TOTAL	SUM OF EMPLOYEE EXPENSES (\$M)
Primary/secondary education	10,956	8,104	19,060	1,336
Higher Education	9,508	3,314	12,822	1,600
Aged care activities	4,204	11,354	15,558	827
Other Health	3568	3,336	6,904	518
Hospital rehabilitation	2,892	6,848	9,740	656
Social Services	2,399	2,369	4,768	306
Employment and training	2,142	776	2,918	153
Econ, social, community development	1,535	638	2,173	158
Religious	1,516	1,583	3,099	80
Other education	1,491	1,148	2,639	167
Law and legal services	524	216	740	60
Housing activities	493	658	1,151	64
Research	474	415	889	61
Culture and arts	347	194	541	45
Mental health	278	299	577	20
Environment activities	270	174	444	32
Other recreation and social club	119	78	197	16
Animal protection	112	76	188	10
Emergency relief	95	134	229	7
Civic and advocacy activities	61	70	131	9
Grant-making	58	35	93	5
Income support and maintenance	17	10	27	6
Sports	14	18	32	2
Philanthropic promotion	7	8	15	1
International activities	1	8	7	0
Other philanthropic	0	2	2	0
Other	3947	3939	7886	517
Main activity not reported	73	62	135	21
TOTAL	47,101	45,86	92,96	6,676

'WA charities employ more than 92,965 staff - 47,101 full time and 45,864 part time. This equates to 7.0% of the WA workforce. This is nearly as high as the Manufacturing sector (98,900 or 7.4%) and higher than the Agriculture, Forestry and Fishing sector (31,200, or 2%). It is also nearly as high as the mining sector (112,100, or just over 8%).'

Number of charities with no full time staff (n = 2,615)

Main Activity	No. of charities with no Full-Time Staff	% OF CHARITIES WITH NO FULL-TIME STAFF	% OF CHARITY ACTIVITY TYPE
Religious activities	697	27	55
Emergency Relief	322	12	88
Primary and secondary education	239	9	45
Other Education	167	6	64
Economic, social and community development	119	5	55
Social Services	111	4	55
Culture and arts	98	4	65
Environmental activities	61	2	66
Other recreation and social club activity	60	2	86
Other health service delivery	54	2	38
Grant-making activities	52	2	83
Animal Protection	46	2	81
Higher education	39	1	70
Aged Care Activities	38	1	31
Housing activities	38	1	49
Mental health and crisis intervention	30	1	56
International activities	25	1	96
Research	25	1	12
Civic and advocacy activities	23	1	49
Sports	15	1	52
Employment and training	15	0	71
Income support and maintenance	13	0	21
Hospital and rehabilitation	13	0	46
Other philanthropic	13	0	87
Law and legal services	10	0	100
Philanthropic promotion	3	0	12
Other	287	11	68
Main activity not reported	2	1	67
TOTAL	2,615	100	56

Employment (n= 4,636)

NUMBER OF PEOPLE EMPLOYED



TOTAL \$30.00 92,965







FULL-TIME 47,101

PART-TIM 45,864

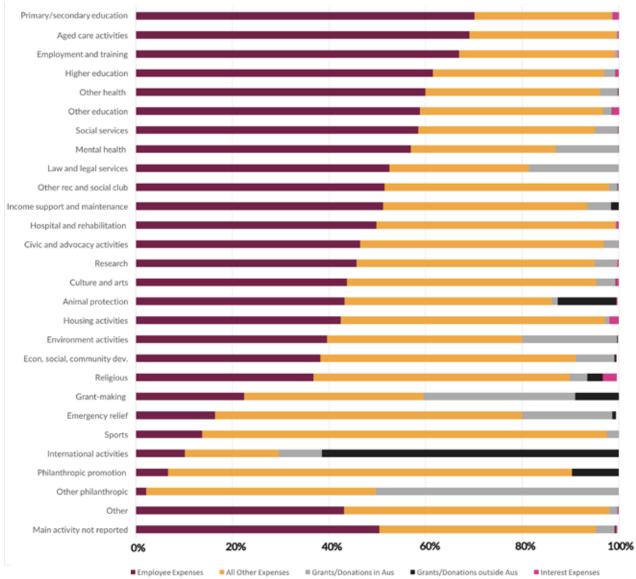
CASUAL 24.992

'Four percent or 198 charities amount for 78.8% of employment.'

'14% of charities employ only one member of staff.'







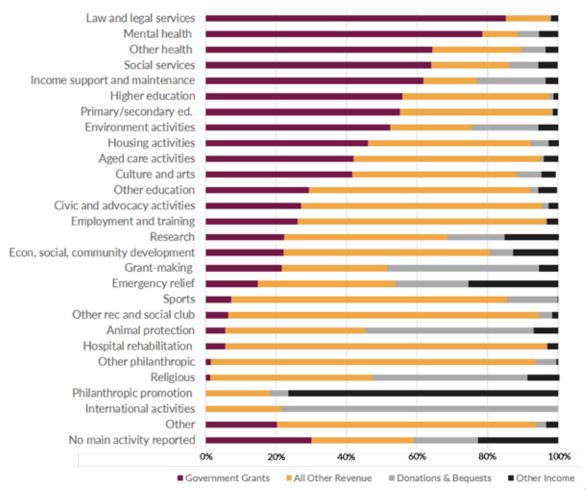
'Interest expenses... accounted for just over \$74m or 1% of expenses. Although charities have significant assets, they are not large users of debt finance.'

"...charities' wages costs are impacted by policies such as the National Disability Insurance Scheme which is expected result in workforce shortages for organisations in aged care and related other industries that employ staff with similar qualifications."

Income

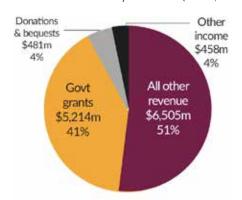
'The total income of the social services cluster was \$3.98bn or 28% of the total income of all charities. Of this, in total --41% was self- generated, 48% was sourced from government (either for the delivery of contracted services or as grants), and 5% from donations.'

Income source by sector (n=4,636)



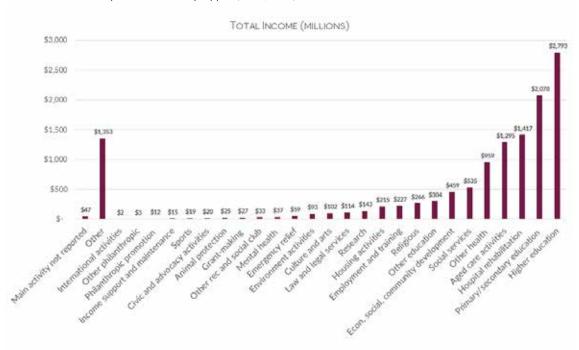
'Income sources vary significantly by activity type.'

Sources of charity income (n= 4,636)



'The 1,415 Charites that make up the Social Services sub-group ...reported total income of \$3.98bn or 31% of total charity income. The median income for these charities (excluding the 115 reporting no income) was \$153,000. The largest charities in this sub-group include St John Ambulance, Silver Chain, Brightwater, The Bethanie Group, Uniting Church Homes, Royal Flying Doctor Service, Baptist Care, Amana Living and Southern Cross Care.'

Total income by main activity type (n=4,636)



'The activity types receiving the highest proportion of income from governments operate mostly in the human services sectors. After "Law and Legal Services", the sub- sectors receiving more than half of their income from government funding were "Mental Health" (81%), "Other Health" (64%), "Social Services" (63%), "Income Support and Maintenance" (62%), "Higher Education" (56%), "Primary/Secondary Education" (55%) and "Environment Activities" (52%).'

'The sectors most reliant on donations and bequests are "International activities" (78%), "Animal Protection" (48%), "Grant-making" (43%) and "Religious" (44%).'

Profit

"...of the 21% of charities that made up to 10% profit, only 7% made a profit of more than 3%. Arguably, organisations that made a profit of less than inflation are likely to be in financial distress currently or imminently."

Sum of net profit and percentage of net profit by activity group

MAIN ACTIVITY Higher education 191,603,578 18 Primary/secondary education 171,430,000 Hospital rehabilitation 100,279,037 9 Aged care activities 9 98,053,593 Other Health 9 95,231,831 Housing activities 66,311,821 6 Religious 50,625,902 5 5 50,020,439 Econ, social, community development Other education 20,657,348 2 Emergency relief 18,839,046 2 11,408,790 1 Social services Research 10,524,168 1 Environment activities 7,187,160 1 Grant-making 3,909,156 0 Income support and maintenance 3,673,666 0 Mental health 2,220,622 0 Sports 1,939,291 0 Animal protection 1,607,071 0 Other philantrophic 1.504,395 0 Other rec and social club 1,367,085 0 Culture & arts 0 1.127.289 Civic and advocacy activities 1,009,024 0 -284,211 0 International activities 0 Employment & training -618,124 Law and legal services -1,030,439 0 Philantropic promotion -3,081,573 0 156,770,363 15 Main activity not reported 6,352,567 1 GRAND TOTAL 1,068,638,895

'The profit margins of charities vary widely and across the activity segments.'

'The total profit was highest for 'Higher education' activity group, which reported \$191m in profit, followed by 'Primary and secondary education' with \$171m (16%) and Hospitals and rehabilitation services which achieved total profits of \$109m (10%). Although the profit margin was highest for 'Income support and maintenance' the total profit achieved was just over \$3m.'

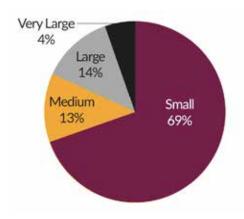
'Just over half of WA charities made a profit in 2013/14. One in five made a loss and a quarter broke even.'

'Overall, profit targets for NFPs should be established in order that the organisation is fitfor-purpose.'



'The ten charities with the highest income account for 41% or \$5.2bn of income.'

WA Charities by four size categories (n=4,636)



The data shows the majority of WA's charities are small. There are:

- 3,212 of charities (69%) reporting an income of less than \$250,000 per year. Of these a significant proportion (1,038 or 22% of all charities) reported no income and therefore some of these charities may be dormant.
- 587 charities (13%) with income of between \$250,000 and less than \$1m,
- 640 charities (14%) with income of between \$1m and \$10m
- 198 very large charities (4%) with income of over \$10m.

Charity income is heavily concentrated in a small number of charities. The ten charities with the highest income account for 41% or \$5.2bn of income.

WA Government Contracting

'In 2015-16 there were approximately 450 NFP organisations contracted to provide community services to WA Government agencies. Treasury estimates that, collectively, these NFPs have 1,500 contracts with 14 Government agencies under the Delivering Community Services in Partnership policy.'

"...in 2015-16 the estimated annual value of all current open contracts under the DCSP policy was \$1.6bn."

'Between the periods of 2012-2016, the largest single contract issued was over \$290m and the median value was \$641,000. Contract length (including any extensions) varied from 6 months to 7 years with the median contract length being 4.8 years. A specific goal of the DCSP policy was to extend the average length of contracts beyond three years, and this data suggests that this has been achieved.'

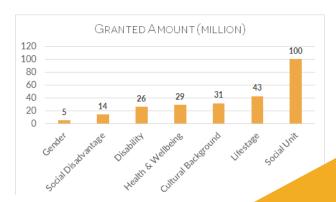
Lotterywest Grants

'Between the periods of 2012-2016, the largest single contract issued was over \$290m and the median value was \$641,000. Contract length (including any extensions) varied from 6 months to 7 years with the median contract length being 4.8 years. A specific goal of the DCSP policy was to extend the average length of contracts beyond three years, and this data suggests that this has been achieved.'

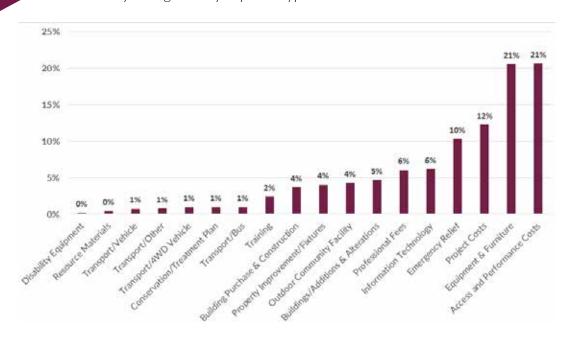
Summary of Lotterywest grants 2014/15 and 2015/16

2014/15	2015/16
1,113	963
\$130,846,979	\$118,860,557
\$117,562	\$123,427
\$20,000	\$20,000
	1,113 \$130,846,979 \$117,562

Granted amount (\$m) by main target group





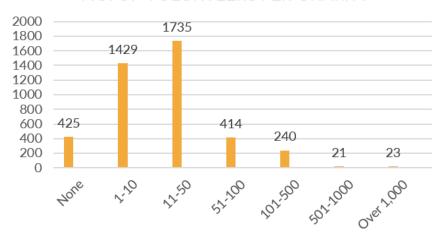


Volunteers

'Forty percent of charities reported having 11-50 volunteers and a further one third reported having one to ten volunteers. It is the larger organisations that reported fewer volunteers being deployed.'

Percentage frequency of volunteer ranges (n = 4,636)

No. of volunteers per charity



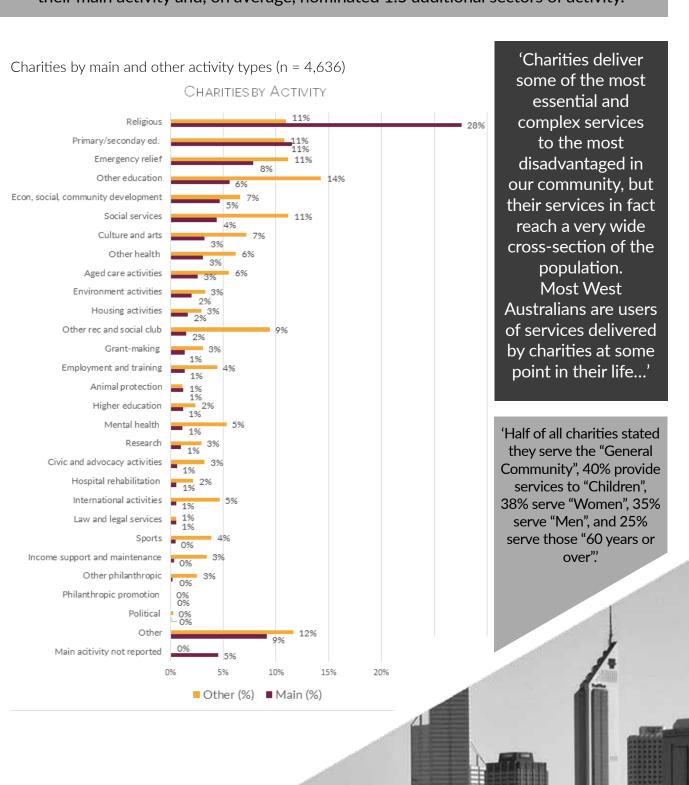
'Volunteering not only improves the cost effectiveness of the NFP but has a range of social benefits...'

'Nine out of ten WA charities report being supported by volunteer workers.'

Who Benefits?

"...the organisations mostly providing social services activities accounted for 31% (1,415 charities). Just over one in ten charities provide Emergency relief..."

'More than half of charities reported that they undertake activities in addition to their main activity and, on average, nominated 1.5 additional sectors of activity.'



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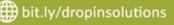




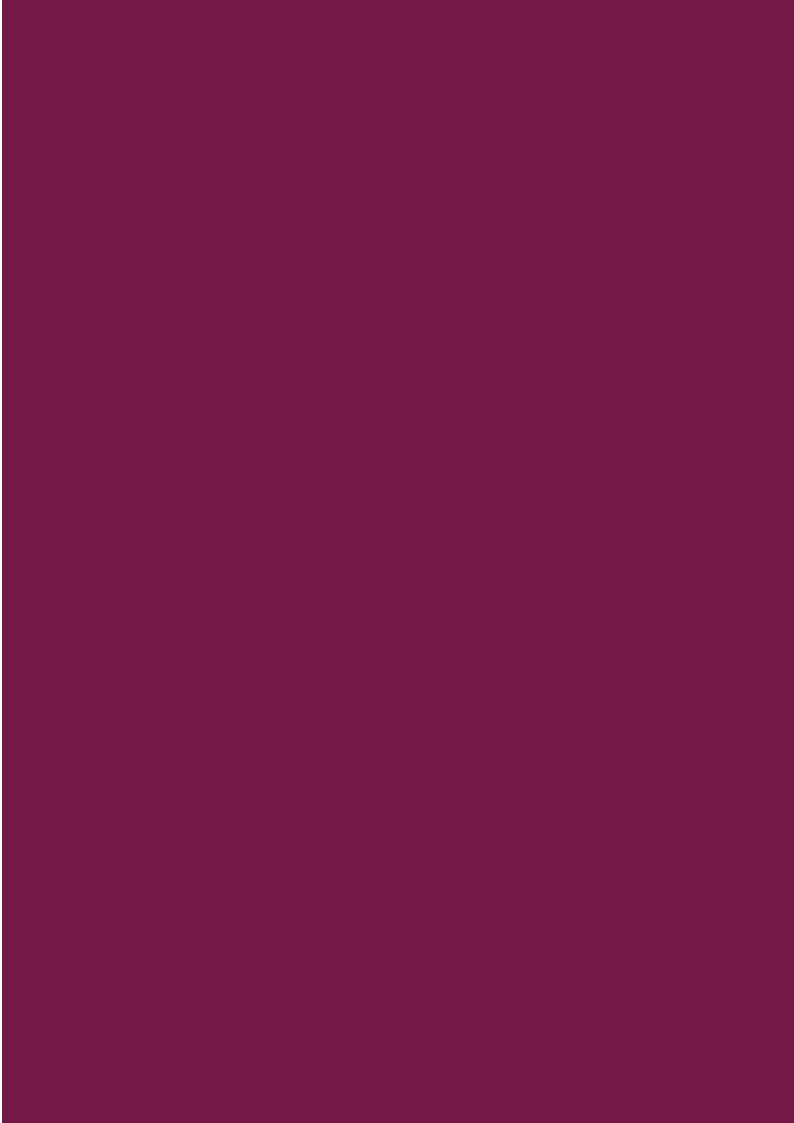
DropIN Solutions is a suite of cost-effective marketing and web development services designed to help not-for-profits get their message across.

Get in Touch











WACOSS stands for an inclusive, just and equitable society. We advocate for social change to improve the well-being of Western Australians and to strengthen the community services sector that supports them.