28 February 2018

Principal Advisor
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: ACNC Review@treasury.gov.au

Dear Sir/Madam,

Review of the Australian Charities and Not-for-profits Commission

We wish to contribute to the Review through providing some observations from our perspective as a leading philanthropic foundation. Lord Mayor’s Charitable Foundation is the oldest and largest community foundation in Australia having been established as an independent public foundation by the then Lord Mayor, Sir John Swanson in 1923. We use grants, research, partnerships, initiatives, impact investment and other philanthropic tools to make a difference on the key social and environmental issues facing Melbourne. We also hold donor advised funds, run the Youth in Philanthropy program and host a number of collective giving initiatives.

As an opening comment, we consider that the ACNC continues to be relevant. It is providing a very useful public point of reference for people working in and supporting the charitable sector. Establishing the ACNC has been a wonderful step forward. It provides greater accountability, sets good governance standards and provides data that enhances the recognition of the contribution of the sector to the Australian community.

Objects of the ACNC

The current objects set out in Division 15-5 (1) (a)–(c) of the ACNC Act 2012 are effective.

(a) to maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector;

The ACNC has responded to this object very effectively.
(b) to support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector;

There is potential to do more to achieve this object. It would be positive if the ACNC could give more attention to the second objective so that Australia’s charities are recognised and supported in their work, especially in their testing of innovation solutions to tough social and environmental problems and the development of new financing options such as various forms of impact investment. Sharing of good practice and liaising with other parts of Government, for example in relation to social innovation, would be beneficial.

(c) to promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector.

In relation to the third object, the attempts to align the various Federal and State legislation relating to fundraising have been important contributions. More work to align jurisdictions and reduce red tape are to be encouraged. We funded Justice Connect to assist in their participation in the Fix Fundraising initiative, which, while it was not successful this time, is certainly an important area requiring legislative alignment.

We note that the ACNC submission includes two additional objects. We consider that the existing objects are sufficient and that questions around the effective use of resources are best decided by the Boards and senior management of charities who understand the mission and strategic direction of their organisation. Donors and funders are already able to make decisions to support charities that align with their own views about effectiveness.

Public information

As a philanthropic foundation, we undertake considerable due diligence into and with the charities that we fund and partner with. We are keen to know as much as possible about their governance and organisational capability.

A number of suggestions in other submissions relate to increasing the level of information provided on the ACNC Register. Those we support include:

- Amending the Act (division 35) to provide the Commissioner with a discretion to publish the reasons for decisions to revoke registration. This would enhance philanthropic due diligence processes but it would also provide information about poor practice to the sector and could encourage best practice in charity management and governance.

- Allow revocation if a charity has ceased to operate. This will keep the Register current, which is also relevant to philanthropic funders and other donors.

- Include information about Deductible Gift Recipient (Item 1 and Item2) endorsements on the ACNC website so that a complete picture of tax endorsements is available to the public in one easy search.
Good governance

A few possible improvements to the current Governance Standards and reporting framework have been noted in other submissions. We note the following:

- We agree that it is appropriate for the ACNC to provide notice to a Responsible Person and the registered charity before suspending or removing a responsible person. This is a fair process where natural justice is provided.

- We agree that the management of conflicts of interest by charities should be made as clear as possible in Governance Standard 4 and should provide that a Responsible Person should not participate in decisions where they have a material conflict of interest. This is of particular importance in the governance of philanthropic grantmaking foundations and reflects our own practice.

- Any changes to the current financial reporting framework, which has been designed to reflect the annual revenue of a charity, would require considerable consultation. There are many different business models within the charitable sector and different service models and tools for change are appropriate within different contexts.

This is quite a brief response due to time constraints but we would be happy to provide other feedback if required as the review process continues.

Yours sincerely,

Catherine Brown
CEO