

Charities Crisis Cabinet



Submission to:

The Treasury

and

The Hon. Michael Sukkar MP.

Assistant Treasurer and Minister for Housing

and

Senator the Hon. Zed Seselja

**Assistant Minister for Finance, Charities and Electoral
Matters**

2020-21 Pre-Budget Submission

August 2020

Introduction

This Pre-Budget submission outlines ten key recommendations for the 2020 Federal Budget.

These recommendations have been informed by consultation with Charities Crisis Cabinet (CCC) members (listed in *Attachment A*) and key organisations in the charities and not-for-profit (NFP) sector.

It is important to note that this submission does not override the policy positions outlined in any Pre-Budget submissions from individual CCC members or the organisations they lead.

The content of this submission includes: a brief background to the CCC and the not-for-profit sector; a summary and more detailed listing of proposed measures; and a conclusion.

CCC acknowledges that this is a particularly challenging time for all governments in Australia and around the world dealing with the COVID-19 pandemic. It is also a challenging time for charities across Australia.

CCC welcomes this opportunity to provide input into the Federal Budget process and to engage in detailed discussion about any issues this submission raises.

Background - the Charities Crisis Cabinet

The Charities Crisis Cabinet (CCC) came together voluntarily, recognising the need for a co-ordinated and strategic response to the impact of COVID-19 on charities big and small across Australia. The CCC includes charity leaders with extensive experience fulfilling key roles across many of the diverse interests and activities of the charities sector including; social welfare, disability, international development, children's services, research, philanthropy, impact investing, digital services, environment, legal and governance, community broadcasting, the arts, emergency services, news and media, volunteers and religious charities.

The CCC has now been meeting weekly for four months, receiving feedback and correspondence from charities and preparing policy positions reflecting the immediate to medium term needs of charities dealing with the impact of COVID-19.

The CCC has proved to be an invaluable way for charity leaders to share information and develop common positions. This Pre-Budget Submission reflects this approach.

Background – the charities and not-for-profit sector in Australia

Charities employ more than 1.3 million people, draw on the contributions of over 3.5 million volunteers, turn over around \$150 billion annually, and contribute over 8% of Australia's GDP. Beyond these economic indicators, the work of many charities is at the heart of our communities in good times and bad.

The impact of COVID-19 on charities across Australia has been significant. Many charities are dealing with increased demand for their services while at the same time not being able to engage in their usual income producing activities including many fundraising activities. The loss of volunteers and the need to invest in new ways of serving their communities has stretched many charities, but it has also been inspiring to see how many charities somehow find a way to ensure those in need are not neglected in these difficult times.

As research from Social Ventures Australia and Centre for Social Impact has shown, most charities did not have strong balance sheets prior to COVID-19. Without the extension of JobKeeper including the concessional eligibility requirements to charities, many charities would already have had to significantly curtail or cease their operations. Further investing in the capacity of charities to serve their communities is critical to Australia now and into the post-pandemic future.

Summary of proposed budget measures

The following proposals have been developed through extensive discussions and feedback from CCC members and other key stakeholders. Each measure would deliver real benefits to government over the longer-term and strengthen communities (these proposed measures are also outlined in more detail in this submission).

1. Provide a ramp rather than a cliff as JobKeeper ends.
2. Encourage more giving by providing increased tax deductibility for donations to charities.
3. Make it feasible for charities to establish fundraising initiatives quickly and efficiently by removing dysfunctional red tape fundraising regulations and creating a national registration process through existing regulators the Australian Charities and Not-for-profit Commission (ACNC) and the Australian Competition and Consumer Commission (ACCC).
4. Subject to strong performance, ensure greater certainty in government contracts by locking in existing payments and extending contracts wherever possible.
5. Allow greater flexibility in government funding to charities and not-for-profits to respond to the emerging needs in their communities.
6. Invest in a one stop shop registration process to enable volunteers to be registered and insured more quickly without the red tape of multi-jurisdictional compliance.
7. Support initiatives to unlock new sources of capital for charities including underwriting medium-term loans schemes and impact investment options that will enable charities to smooth out inconsistent income streams and invest in their future.
8. Provide transformational funding to charities in critical areas such as information technology, energy efficiency, collaboration, measurement of impact, research, staff development and other productivity focused areas.
9. Provide targeted funding and support for those struggling to fully participate in our communities and our economy, including ensuring people receiving JobSeeker are not locked into poverty.
10. Increase philanthropy by enabling employers to establish more effective 'opt out' systems of workplace giving.

It is important to note that several of these recommended measures are primarily about addressing counter-productive red tape and improving contract management rather than providing additional government funding.

Most of the recommendations involve minimal expenditure, but if government was to take a lead in these critical areas, it would make a significant difference to the productivity of charities across Australia. Those measure that involve additional government expenditure – including increasing support to the marginalised – would provide medium to longer term economic benefit to all Australians. No government can afford to ignore growing levels of inequality and the need to build flourishing communities as they seek to improve productivity and well-being. An inclusive economy that supports real growth in opportunity better serves the interests of all in our community.

The CCC believes the 2020 Federal Budget statement should be informed by what is going to deliver stronger, fairer, more creative, sustainable and connected communities across Australia.

Key recommendations

1. Provide a ramp rather than a cliff as JobKeeper ends

The CCC acknowledges the invaluable support provided by the Australian Government through JobKeeper to thousands of charities and their staff across Australia. Research conducted by Social Ventures Australia and the Centre for Social Impact found that JobKeeper is likely to have already saved over 100,000 jobs. Perhaps just as importantly, the work of these staff in serving communities across Australia has been able to be sustained despite loss of income to charities.

Modelling from the report *Taken for Granted – Charities' Role in Our Economic Recovery*

(<https://www.socialventures.com.au/work/taken-for-granted-charities-role-in-our-economic-recovery/>)

reveals that under the revised JobKeeper payments 110,000 people employed by charities are still at high risk of becoming unemployed by September 2020, with a further 70,000 by September 2021. The report also found that JobKeeper will keep many charities viable in the short term – but won't be enough to preserve all charities, with 14 per cent at risk of becoming unviable and 44 per cent making an operating loss by September 2021.

We know that coming out of the Global Financial Crisis (GFC) it took several years for income streams like fundraising to return to pre GFC levels. The same is likely to apply to many charities post COVID-19 – the negative impact of COVID-19 on charities will have a long tail.

Given the need for as many effective charities as possible to survive and continue to serve their communities, the CCC recommends that as JobKeeper ends, it be reduced gradually to help charities adjust to the new post COVID-19 requirements.

2. Encourage more giving by providing increased tax deductibility for donations to charities

CCC understand that increased community engagement and philanthropic contributions to charities produce a net benefit to governments as well as to the communities charities serve. CCC does not see increased philanthropy and social impact investment as a government loss of potential tax income or 'foregone revenue'. Communities are the real beneficiaries when individuals or organisations choose to increase their donations. The net outcome is usually increased economic and social activity, and improvements in community health and well-being. Philanthropy and social investment encourage community ownership of local issues, leverage the capability of charities and often reduce the size of other forms of government expenditure required within communities.

The CCC understands that The Treasury has considered the option of increasing tax deductibility of donations to some charities to 150% and chosen not to support that proposal at this time. However, CCC still believe that encouraging giving has a real benefit to charities, governments and communities.

This approach is not unusual in some other countries where during a crisis government will incentivise giving by increasing deductibility and other tax concessions.

The CCC will continue to advocate that a form of increased incentive for giving be considered – this could include marginal increases in tax deductibility for a limited time or limited purpose.

3. Make it feasible for charities to establish fundraising initiatives quickly and efficiently by removing dysfunctional red tape fundraising regulations and creating a national process through existing regulators the Australian Charities and Not-for-profit Commission (ACNC) and the Australian Competition and Consumer Commission (ACCC)

Government regulations impede Australian charities pivoting their fundraising to online activities and revamping their fundraising strategies. Charities engaged in online fundraising are currently required to comply with seven different sets of charitable fundraising regulations across the Federation. Some jurisdictions require police checks, others a public notice in a newspaper, some need verified copies of passports and other forms of ID of Directors and staff, some limit the size of collection boxes, who can open them, etc. Many inquiries, including the recent Senate Select Committee on Charity Fundraising in the 21st Century have supported the view that: the time for action to reform fundraising regulation in Australia was more than 25 years ago.

The simple fix is to allow the existing national regulators the Australian Charities and Not-for-profit Commission (ACNC) and the Australian Competition and Consumer Commission (ACCC) to oversee fundraising - the ACNC to be the registration and reporting hub and the ACCC (with support from the state and territory regulators under the Australian Consumer Law framework) for focus on fundraising scams and any misleading or deceptive conduct. This may require some additional funding for the ACNC and the ACCC, but would release millions of dollars that are currently being sunk into pointless compliance activities, and significantly increase the productivity of thousands of Australian charities.

4. Subject to strong performance, ensure greater certainty in government contracts by locking in existing payments and extending contracts wherever possible.

One of the greatest barriers to investment in improved productivity and effectiveness across the charities sector is lack of certainty. The CCC has been impressed by the willingness of many government departments – including at a Federal level – to provide greater certainty to charities that receive government funding.

The practice of extending existing contracts for longer periods – preferably at least three years - is to be commended and broadened.

5. Allow greater flexibility in government funding to charities and not-for-profits to respond to the emerging needs in their communities.

Many charities are struggling to meet the contractual obligations in their agreements with Australian Government departments. Some departments have been very accommodating, recognising that charities are seeking to serve their communities in responsive ways during the pandemic. Others have not been so flexible or prepared to actively engage with charities and the communities they serve.

The CCC believe it is in everyone's interests to offer much greater flexibility in applying the terms and performance requirements of Australian Government contracts with charities, provided that flexibility is informed by the needs of communities and the charities engaged with those communities.

This flexibility should include acknowledgement that COVID-19 has increased the demand for many services provided by charities and government resources need to reflect that increased demand. Similarly, some charities are no longer able to fulfill their normal operations, so concessions will need to be made if the charities are to remain viable.

6. Invest in a one stop shop registration process to enable volunteers to be registered and insured more quickly without the red tape of multi-jurisdictional compliance

Research from the Australian National University and Volunteering Australia indicates as many as two thirds of all volunteers have reduced their volunteering behaviour because of COVID-19. There are many barriers to returning volunteers and new volunteers including the need for new insurances and other COVID-19 specific responses such as infection control training. This is compounded by the need for police checks and working with children clearances often across multiple jurisdictions.

The CCC believe it is now more important than ever that these barriers are minimised by streamlining the registration, background checks and insurance requirements. A small investment of Australian Government funding could support expansion of measures already being pursued by Volunteering Australia and several charities to create a one stop process for volunteer registration and insurance.

7. Support initiatives to unlock new sources of capital for charities including underwriting medium-term loans schemes and impact investment options that will enable charities to smooth out inconsistent income streams and invest in their future

Philanthropy Australia and Impact Investing Australia have both proposed innovative ways to boost the capital available to charities across Australia with minimal investment from the Australian Government. This increase in new capital investment from philanthropy and charities themselves would improve productivity and effectiveness. These proposals include a medium-term low interest loan scheme with first loss risk underwritten by philanthropists, and the creation of an impact investment fund.

CCC is supportive of these measures and believe both these well thought-through proposals have the potential to significantly increase the amount of working capital available to charities across Australia.

8. Provide transformational funding to charities in critical areas such as information technology, energy efficiency, collaboration, measurement of impact, research and other productivity focused areas

The impact of COVID-19 has forced many charities to pivot their programs and services from face to face to on-line. Many have adopted and adapted new technologies in the provision of their services. Some have also brought in additional skills, spent significant resources on retraining their staff and volunteers, and made massive changes to the way they operate including through new collaborations.

Unfortunately, not all charities have been able to pivot and adapt successfully to a COVID-19 world, largely because they lack the skills, time, and resources needed. Many of these charities are performing valuable work within their communities and only need a small investment to enable them to make the necessary changes.

The CCC supports a government-backed transformation fund to enable charities to adapt to the new post COVID-19 requirements in the ways they operate and serve their communities.

Part of this measure is to support more timely and informative research into exactly where the charities sector is in terms of responding to COVID-19 and the challenges of continuing to serve communities when needs are changing and new ways of meeting those needs have to be developed and applied.

9. Provide targeted funding and support for those struggling to fully participate in our communities and our economy, including ensuring those on JobSeeker are not locked into poverty.

The CCC has previously called for a needs-based approach in critical areas such as health, housing, and welfare. As a principle it minimises the impact of bias or discrimination ensuring those who most need support receive it. For charities, whether someone is an international student on a temporary visa, a student from regional Australia, an Indigenous person, young carer, a newly unemployed parent or older disabled person, we seek to serve based on need.

One of the pleasing features of Australia's response to COVID-19 has been a sense that we are all in this crisis together. However, this sense is undermined when the lines of eligibility for support programs seem to discriminate against certain groups in our communities. We know that good programs - government and non-government - frame eligibility based on need and allow for variations within communities. This approach ensures fewer people are left behind as we begin the recovery process.

As part of this needs-based approach it seems inconsistent to offer a much level of support to unemployed Australians that is below the poverty line and significantly less than the level for support provided to older poorer Australians or Australians living with disability through pensions and other entitlements. Unemployed people should not be punished, especially when there are not enough jobs available within Australia for all Australians.

CCC support maintaining a high rate of JobSeeker payments and a more needs-based approach in the provision of support to marginalised communities including the unemployed, refugees and international students.

10. Increase philanthropy by enabling employers to establish more effective 'opt out' systems of workplace giving.

Workplace giving programs in Australia are currently operating in less than 4% of Australian workplaces. If this could increase to 10% of Australian workplaces, it would generate at least \$250 million in additional donations to charities.

Workplace giving is often about employees bringing fellow employees onboard and encouraging greater engagements with local charities, providing much needed additional funding and support, as well as building positive values within workplaces.

International studies have shown that 'opt out' systems contribute to higher levels of success in workplace giving programs. Employees still have the choice about their involvement, but the workplace can run the program for all employees and allow individuals to exercise their choice not to participate, rather than requiring employees to make the effort to opt in.

CCC believes this is a relatively small measure that could generate significant new funds for Australian charities.

Conclusion

This Pre-Budget Submission promotes measures the government and could adopt as part of the 2020 Federal Budget that would significantly strengthen not only the charities and not-for-profit sector, but also the communities they serve and the broader Australian economy.

COVID-19 has undoubtedly had a major impact across the majority of Australian charities. Recovery will not be easy or quick, especially as many charities will face increased demand for their services.

There has never been a time when the work of charities has been so critical.

Charities large and small are a critical part of Australia's economic and social infrastructure, employing 10% of the workforce and contributing over 8% to GDP. The Australian Government has recognised this role in some of the measures put in place during the COVID-19 pandemic. The charities and not-for-profit sector appreciate the support the Australian Government has offered to date through various measures, especially the concessional access to JobKeeper payments, and additional funding for emergency relief services.

Over the next 12 months and beyond, charities and not-for-profits want to be part of the solution, part of rebuilding our communities and boosting our economy.

The measures proposed in this Pre-Budget submission go some way towards realising the significant potential of charities to be a key driver of social and economic recovery across Australia.

Charities Crisis Cabinet – Membership

Name	Organisation	Role / knowledge area
Rev Tim Costello	Chair, Community Council for Australia	Co-Chair
Susan Pascoe	Chair, Community Directors Council	Co-Chair
David Crosbie	CEO, Community Council for Australia	Secretary
Marc Purcell	CEO, Australian Council for International Development	International development
Bethwyn Serow	Executive Director, Australian Major Performing Arts Groups	The arts
Conny Lenneberg	Executive Director, Brotherhood of St Laurence	Social policy/youth
Dr Ursula Stephens	CEO, Catholic Social Services Aust.	Social services
Prof Kristy Muir	CEO, Centre for Social Impact	Research / impact / training
Jon Bisset	CEO, Community Broadcasting Association Australia	Community radio
David Spriggs	Group CEO, Infoxchange and Connecting Up	On-line and digital economy
Sue Woodward	Head, Not-for-profit Law, Justice Connect	Legal and governance
Claire Robbs	CEO, Life Without Barriers	Disability
Denis Moriarty	Group Managing Director, Our Community	Smaller charities
Ronni Kahn	CEO, OzHarvest	Emergency services
Sarah Davies	CEO, Philanthropy Australia	Philanthropy
Karen Mahlab	Founder and CEO, Pro Bono Australia	Media and communications
Paul Ronalds	CEO, Save the Children	Children
Violet Roumeliotis	CEO, Settlement Services International	Migrants and refugees
Lisa O'Brien	CEO, Smith Family	Education
Mark Pearce	Interim CEO, Volunteering Australia	Volunteers
Dermot O'Gorman	CEO, WWF	Environment