

PHILANTHROPY
AUSTRALIA

Philanthropy Australia Submission to the Charity Blueprint process

DRAFT ONLY

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Two Overarching Recommendations

1. Make bold policy reform recommendations.

Our first overarching recommendation is to make bold policy reform recommendations that would achieve transformational change for the not-for-profit sector.

Given the opportunity to recommend reform to a Government that has indicated it understands the value of the charity sector and is enthusiastic about pursuing reforms to strengthen its role in Australian society, we should seize the opportunity provided by the invitation to recommend a Charity Blueprint to the government. A contained suite of high impact reforms should be recommended. If the government is disposed to offset any funding involved it can do so from amongst its hundreds of billions in tax expenditures across government, and/or through judicious re-prioritisation amongst its \$682 billion in spending (2023–24 estimate as provided in the 2023–24 Budget).

2. Include the philanthropic perspective and reforms to grow giving.

Philanthropy is an important part of the not-for-profit sector. Its perspective – and reforms that would boost giving to charity – should form part of the Charity Blueprint provided to government.

As the discussion paper notes: ‘Given the Blueprint Expert Reference Group’s experience draws heavily from the community services sector, this public consultation phase is critical to inform a Blueprint that is meaningful to the broader NFP sector.’

- Philanthropic organisations are charities and make an important contribution to national wellbeing.
 - Private Ancillary Funds (PAFs), Public Ancillary Funds and Community Foundations make a huge contribution to our society. For instance, since being established in 2001, PAFs have built \$11.6 billion in net assets and distributed over \$5.2 billion, including \$511m in 2020–21.
 - Philanthropy is critical to creating a fairer, more equal Australia. Wealth is rising rapidly in Australia. Among the Top 200, it has risen from \$209 billion to \$563 billion between 2016 and 2023. A stronger philanthropic culture is critical to ensuring wealth and opportunity are more evenly shared in Australia, with those more fortunately placed sharing much of their wealth to support Australians in greatest need.
 - Giving doesn’t just deliver better outcomes for millions of people. It also leads to a more generous and giving culture, where we focus on serving each other, being active in the community, and working to ensure no one is left behind.
- Giving by Australians – including by philanthropic or ‘funding’ charities – is crucial to the success of ‘doing’ charities.
 - More than \$13 billion per year is donated to charities, with government plans to double this by 2030.
 - Many charities can only operate through philanthropic support – around 55 per cent of charities receive no government funding.
 - Philanthropy often supplies funding not available elsewhere – such as to trial social innovation, or to provide funding to charities at times of financial crisis, enabling them to continue their important work.
- It makes sense to recommend reforms to lift giving in the Charity Blueprint process, as we have a mammoth but likely rare opportunity to leverage major reforms to lift giving – the Government has pledged to develop a strategy to double giving to charity by 2030.

Seven High Priority Policy Recommendations

This submission seeks to outline a small number of the highest priority reforms sought by the philanthropic sector. We've kept the submission brief to position you to consider this agenda in a time efficient manner. Greater detail on all of these reforms – and a suite of additional reforms that could be considered – are available in Philanthropy Australia's **A Strategy to Double Giving by 2030**, our submission to the Productivity Commission, available [here](#).

1. Super bequests

The Reform

The Federal Government:

1. **Give Australians the choice to make a bequest through super:** Allow Australians to bequest some of their unspent superannuation funds (funds remaining when people pass away) to a nominated charity, through an instruction to their superannuation fund (rather than having to follow a complicated legal process including the need to leave instructions in their will).
2. **Abolish the tax penalty on charitable donations.** The 17 per cent tax imposed on super bequests made to charity be abolished. Australians are not taxed when they give to charity while they are alive (and indeed often receive a tax deduction), so it makes little sense to apply tax after people have died. Giving to charity should be encouraged, not penalized.
3. **Proceed only after consultation with the superannuation industry.** The Federal Government should engage the superannuation industry to discuss super bequest reform and seek their input prior to the reform being implemented.

The Case for Reform

1. **Hundreds of billions for charity to support Australians in greatest need.**
 - Treasury in its *Retirement Income Review* (July 2020) forecast superannuation balances at death will increase from \$17 billion in 2019 to \$130 billion by 2059 in 2018–19 dollars. If just a modest proportion goes to charity, it will amount to hundreds of billions over the 21st century.
 - Dr Angela Jackson and Dr Emily Millane from Impact Economics and Policy estimate that:
 - Over the period to 2060, the reform could generate between \$64.6 and \$260.3 billion in additional income for charities.
 - Australians donated \$13.4 billion to charity in 2021. The new modelling indicates that in the year 2060 alone, the reforms would yield between \$4.8 and \$21.9 billion for charity. For more detail, see their full report, [Charitable Superannuation Bequests: Making Giving Easy](#).
2. **It's the people's money. They should have the choice about where it goes, and that choice should be made as easy as possible.**
 - Government legislation preventing people from giving money to charity through super bequests is an excessive restriction on the ability of people to use their own money as they wish and, in particular, to contribute positively to society. In order to maximise choice and take up, this choice should be made as simple as possible, available through each person's super fund.
3. **Spreading wealth and opportunity to all Australians**
 - Australia has a large amount of its wealth in superannuation assets, which are north of \$3 trillion and rising rapidly.
 - Wealth among the Top 200 has increased from \$209 billion in 2016 to \$563 billion in 2023, or from an average of \$1.05 billion in 2016 to \$2.8 billion in 2021. Super bequests can be a crucial mechanism transferring funds from Australians fortunately placed to those in greatest need.

As a society, we need to make a clear choice: Do we wish to see all this wealth pass to future generations, maintaining wealth and privilege for those most fortunately placed, or do we wish to see some of this money used to support Australians in greatest need, so opportunity is more evenly shared in our country?

4. Limited impact on the Budget over the forward estimates, and limited net impact over the longer term

- Bequests are a particularly cost-effective means of charitable giving because donors do not receive a tax break in return for their bequest.
- If the tax penalty of up to 17 cents in the dollar were removed, there would be limited impact over the forward estimates.
 - As a new idea on the landscape, it will take time for it to be marketed to the Australian people, understood and accepted. People will then need to decide to make a nomination to charity through their super and of course, funds would only flow to charity when people pass away.
- Over the longer term we'd expect super bequests to grow strongly. In some instances, where a super bequest displaced funds that would otherwise go to adult dependents (which is taxed at up to 17 cents), there would be a revenue cost but the 17 cents foregone would leverage at least 83 cents in additional funding for social and environmental purposes.
- It is also important to consider a counterfactual. Without removing the tax penalty on super bequests, more Australians will be inclined to donate to charity during their lifetime, where they can receive a tax deduction at their top marginal rate, with a far greater cost to revenue.
- Finally, the government could decide to allow super bequests without removing the tax penalty. In this case revenue would rise as some of the money bequested through super (which would be taxed at up to 17 cents in the dollar) would be in place of funds otherwise distributed to non-adult dependents (which are tax free), creating a helpful addition to net government revenue.

5. Significant benefits for the super industry.

- **Creating transformational change** for Australians in greatest need, through the tens of billions raised.
- **Democratising giving:** Super bequest reform would position all Australians to participate in the joy and pride of giving.
- **Competitive advantage for super funds through ESG and market positioning:** First movers in the sector would attract additional business from customers and attract talented staff who feel pride in supporting super funds committed to building a stronger society.
- **Increased community support for the sector as a whole:** The Australian community would warmly welcome the generous work of super funds, helping to strengthen their social licence.

6. No impact on the core purpose of super: providing retirement benefits to members.

- Superannuation is a crucial system, allowing people to live out their retirement with reasonable incomes. The super bequest proposal has no impact on retirement incomes as funding would only pass to charity after the person has passed away.

7. The reform would be well received by the Australian people.

- In a poll of more than 2,500 Australians conducted in November 2022, Redbridge found 75 per cent support for the reform, with just 5.8 per cent opposed and 19.2 per cent neutral or not sure. This was the highest support for any of the reforms tested in the polling.

2. DGR for all charities, not just half.

The Reform

- **Provide DGR status to all registered charities, not just half.**

The Case for Reform

- 1. Almost half of Australia's charities are cut off from DGR – and the donations it attracts – despite undertaking charitable activities that provide a positive public benefit.**
 - All policy institutions freely admit the rules that permit one charity to get DGR status (e.g. direct poverty relief), but may disallow another (e.g. preventing poverty) were developed in an ad hoc manner with no clear policy rationale.
 - The policy purpose of providing tax incentives to encourage giving is to support charitable activities that provide a positive public benefit. All charities do this, so all should be given DGR status.
- 2. Total giving in Australia will rise if the DGR framework is reformed.**
 - People intending to donate to a cause they support often withdraw from donating when they find out organisations do not have DGR status. Affected charities have missed out on millions, including very sizeable donations that would have been transformational for what they were able to achieve. While there would be some substitution effect, total giving would rise if more charities could seek support with the carrot of tax deductions for donors.
 - Numerous studies confirm tax concessions are an economically efficient way to encourage giving. For instance, a US longitudinal study found “a large persistent price elasticity of charitable giving, generally in excess of one in absolute value”.¹ Deloitte Access Economics in 2018 assessed our tax concession as economically efficient, with an elasticity of giving of 1.19.²
- 3. Providing DGR to all charities would reduce red tape costs for charities and government, freeing up more funds to support people in need.**
 - Where charities support multiple purposes, they need to seek endorsement under numerous different DGR endorsement categories, and may need to set up funds, authorities or institutions for each of the categories. Some purposes may not fit within the endorsement categories, and therefore will not attract DGR. This adds complex red tape for no policy benefit. This is a challenge for many Indigenous charities, which seek to provide holistic support across a range of areas.
 - Many charities ‘fall between the cracks’ because their work does not fit within any of the DGR endorsement categories. In this case, the only option is to seek a ‘specific listing’ in the tax laws – a long and complicated process, requiring a legislative amendment. Success is far from assured – there are many applications and only a minority are granted. And without a clear policy rationale guiding Ministers on who to include and exclude, decisions can appear arbitrary. Those well positioned to lobby government have a stronger chance of success than others.
 - Providing DGR to all registered charities would remove all this unnecessary red tape for government and charities, freeing up more funds to support people in need.
- 4. Leading philanthropic nations give DGR status to charities automatically, recognising they serve a public purpose, and this is what Australia should do too.**
 - In the United States, New Zealand and the United Kingdom, all entities recognised as charities get the broad equivalent of DGR status. This is one of the reasons Australia's annual giving – at 0.81 per cent of GDP – lags these nations: US – 2.1; NZ –1.84 and the UK – 0.96.
- 5. The need for reform to expand eligibility to all charities has been recognised by numerous reviews and reports for decades, but comprehensive reform has not been forthcoming.**

¹ Bakija and Heim, ‘How does charitable giving respond to incentives and income? New estimates from panel data, in National Tax Journal, vol.64, issue 2, pp.615–650, 2011, p.617.

² Deloitte Access Economics, p.59.

- For instance, The Productivity Commission, *Contribution of the Not-For-Profit Sector*, January 2010, p.184: 'Recommendation 7.3: The Australian Government should progressively widen the scope for gift deductibility to include all endorsed charitable institutions and charitable funds.'
 - The Not-For-Profit Sector Tax Concession Working Group, *Fairer, Simpler and More Effective Tax Concessions for the Not-For-Profit Sector, Final Report*, May 2013, recommended expanding DGR and provided an option to do so while containing the revenue foregone.
- 6. The policy reform would be very popular with the Australian community.**
- Polling of more than 2,500 Australians by Redbridge found this reform would be very popular with the Australian community: 74% support the reform; 6.2% are opposed; and 19.9% are neutral or not sure.

3. Providing people with a voluntary choice to donate some of their tax return to charity.

The Reform

The Federal Government provide Australians with a voluntary choice to return some or all of their tax return to a nominated charity, where they can afford to do so.

- As people neared completion of their tax return, a prompt would appear informing them of their estimated tax return and inviting them to provide some or all of their return to a nominated charity from a drop-down menu in their tax return lodgement.
- This would be accommodated with just a few clicks – behavioural economics has demonstrated that the take up of ‘nudges’, including to give, is crucially dependent on the process being simple and offered at the key decision point.³
- Good communications would be needed during implementation, so Australians understand the process and recognise it is a voluntary choice, not a demand from government.

The Rationale

- 1. A prompt to consider donating at tax time would – over time – embed a valued national custom, where we consider providing extra support for people in need, where we can afford to do so.**
 - Almost all Australians face times when money is short. At present, the cost of living is rising, so many Australians won’t be well positioned to donate as part of their tax return. However, at any one time, many are in a position to give some or all of their tax return back to charity.
 - Such behavioural ‘nudges’ are important, as financial incentives to encourage giving alone cannot work without complementary initiatives to raise awareness and prompt a more generous culture, where people strongly value giving. This reform – and other suggested initiatives such as the National Giving Campaign – are essential to awakening the generosity of spirit that is an essential part of the Australian identity.
- 1. Over time, the prompt, particularly if well promoted, would foster a more generous and giving culture and create billions of additional funds for Australians in greatest need.**
 - Over 14 million people lodge a tax return each year in Australia. The average refund is just over \$2,800 each (among the two-thirds who get a return), resulting in a collective refund of more than \$30 billion.⁴ In a wealthy nation, we’d expect at least several billion to be passed back to charity each year.
- 2. Provided it is well communicated, the reform would be popular with the Australian people.**
 - Polling of more than 2,500 Australians by Redbridge in November 2022 found 70 per cent supported the reform, 9 per cent were opposed, and 20.9 per cent were neutral or not sure.

³ See: <https://www.gov.uk/government/publications/applying-behavioural-insights-to-charitable-giving>

⁴ See: <https://www.hrblock.com.au/tax-academy/bigger-tax-refund>

4. A National Giving Campaign

The Proposed Reform

- **The Federal Government fund a National Giving Campaign to encourage a stronger culture and practice of giving in Australia.** A campaign that tells stories Australians can relate to – stories of people who give and the impact it has in the community – can foster a culture where Australians from all walks of life give what they can to great causes, where they can afford to do so.
- **Target influential audiences:** There is tremendous potential to increase giving from: ultra-high-net-worth (UHNW) and high-net-worth (HNW) individuals, volunteers and the mass market, business and workplace giving, and financial advisors working with their clients to encourage giving.
- **Maximise reach through a multi-channel strategy and widespread distribution through government, philanthropic and not-for-profit organisations:** Together, we can galvanise giving in the community with an overarching campaign – e.g. 'Australia Gives' – but tailored for each target audience through multiple channels (such as websites, search engines, social media, television, radio, email, mobile and promotional events), distributing material across government, philanthropic and not-for-profit organisations.
- **A clear call to action for each target group, with simple, practical information about how they can give:** For instance, regular giving to your favourite charity, volunteering, workplace giving, or for those with more wealth, establishing a PAF or investing in a sub-fund to leave a lasting legacy.
- **Sustain the program over a decade:** Evidence shows delivering cultural change through social marketing and information can be successful (for instance, campaigns on tobacco, sun protection, HIV and depression), but requires sustained messaging to embed new behaviours in the national culture.

The Case for Change

1. Creating a more aware and generous culture is critical to doubling giving.

- Australia faces a significant conundrum: despite rising wealth, the greatest intergenerational wealth transfer in our history and exploding wealth at the top end of society, a declining proportion of Australians are giving to charity. Philanthropy Australia members highlight strongly that culture is a key part of the explanation. In countries such as the United States, there is a strong cultural expectation that people – particularly those with wealth – will give to charity.
- Increasing government incentives for philanthropy is essential, but alone the government incentive framework cannot double giving. It must be accompanied by a shift in culture, so Australians are aware of the power of giving, and it becomes a more central part of the Australian identity and a routine practice for the vast majority of our people, particularly those more fortunately placed.

2. National campaigns are a powerful, cost-effective and evidence-based way to shift national culture and behaviour.

A National Giving Campaign is the most powerful means we have to create a more generous and giving culture. Government has invested in national social campaigns in ways demonstrated to be cost effective in a suite of fields. For relatively limited investment, the economic and social returns have been massive. For instance, campaigns, often with associated tax and regulatory reform, have helped:

- **Reduce skin cancer:** *Slip, Slop, Slap* and successor campaigns helped shift the behaviour of Australians to protecting themselves from the sun, and in turn, reduced morbidity and mortality from skin cancer.⁵

⁵ Walker, H., et al. 'Forty years of Slip! Slop! Slap! A call to action on skin cancer prevention for Australia.' Public Health Res Pract. 2022;32(1):e31452117. First published 22 November 2021. Accessed June 2023: <https://www.phrp.com.au/issues/march-2022-volume-32-issue-1/skin-cancer-prevention-a-call-to-action/#refList6>

- **Reduce heart disease:** Campaigns and information from The National Heart Foundation and preventative policies from across the health system have helped drastically reduce rates of cardiovascular disease. Rates of acute coronary events for persons aged 25 and over between 2001 and 2020 fell from 912 to 391 per 100,000 population for men, and from 462 to 172 for women.
- **HIV:** *The Grim Reaper* and successor campaigns have encouraged Australians to practice safe sex and get regularly tested, helping to reduce the incidence of disease and death from HIV/AIDS.
- **Depression:** Two decades of campaigning by Beyond Blue and others has helped shift our culture from one in which stigma prevented people from recognizing, discussing and seeking help for depression to one in which depression is much more openly discussed, and people talk and seek help when they need it.
- **Lung cancer and smoking:** Campaigns involving plain packaging, bold information on packs about the health impact of smoking, information and broader media campaigns (together with tax and regulatory settings) have helped to approximately halve the rate of daily smokers since the 1980s, saving hundreds of thousands of lives.
- **Road deaths from speeding, drink driving and not wearing seatbelts:** Social campaigns, together with compulsory wearing of seatbelts, random breath testing, and 50 km/h residential street limits have reduced road deaths from 30 per 100,000 population in 1970 to 4.3 per 100,000 in 2020.⁶
- The economic case for a National Giving Campaign, including evidence on the success of national campaigns, is provided in more detail in *Philanthropy Australia Supplementary Submission: Is there a role for Government in supporting a National Giving Campaign?*, available [here](#).
- As Charities Minister Andrew Leigh has said:

‘There’s a number of ways in which we might achieve that [double giving] goal, but one is to think about public awareness campaigns. Just as the *Slip Slop Slap* campaign transformed attitudes to skin cancer or the *Grim Reaper* campaign raised awareness of HIV and AIDS, so too a public awareness campaign on giving could turn philanthropy not just from an elite activity, but into a mass participation sport.’⁷

3. **Australians can be generous people, but many of us have lost the giving habit.**

- The proportion of taxpayers claiming donations for giving has fallen in every income bracket, and overall from 37% to 28% between 2010-11 to 2020-21. Just 49 per cent of Australians on \$1 million or more are giving and claiming deductions, compared to 90 per cent in the US.

4. **The campaign could unleash a major increase in donations among key target groups.**

- **Wealthy Australians:** Wealth is rising rapidly at the top end of Australian society – for instance, wealth among ‘The Top 200’ has risen from \$209 billion to \$563 billion between 2016 and 2023. There are over 20,800 ultra-high net worth individuals (\$30m plus net wealth), and hundreds of thousands more with substantial wealth. Some give substantially, but most do not. Creating a culture where all high-net-worth individuals are expected to give substantially, would go a long way to Australia doubling its rate of giving. The call to action for this group should involve structured giving – setting up a Private Ancillary Fund or a Sub-Fund.
- **Mass market giving and volunteering:** Appealing to all Australians is critical as the mass market is responsible for around one half of all individual giving. Encouraging people to volunteer, as well as give, is important, as volunteering is worth more than all other sources of giving combined and is critical to creating engaged communities. The call to action here might be regular giving and/or volunteering.

⁶ Australian Institute of Health and Welfare, 7 July 2022, ‘Health promotion and health protection.’ Accessed June 2023: <https://www.aihw.gov.au/reports/australias-health/health-promotion>

⁷ Andrew Leigh, *Reconnecting Australia: Speech to the Connecting Up conference, 13 May 2022:*

- **Business and workplace giving:** With business profits running at around \$500 billion annually – and corporate giving at 0.78 per cent of profit among our Top 50 corporates running behind some comparable countries – lifting business and workplace giving is another key avenue to doubling giving. The call to action could be to [Pledge One Percent](#) – of equity, profit, time and/or product – and facilitate and match workplace giving by employees.
 - **Financial and legal advisers:** Financial advisers and accountants advise Australians, including wealthy Australians, on how best to use trillions in wealth, but relatively few raise the option of philanthropy. Similarly, estate lawyers advise clients on wills, but generally don't engage on the option of philanthropic bequests – just 7 per cent of wills in Australia include a philanthropic bequest. The call to action here could be for financial and legal advisers to engage their clients on the option of philanthropy, both to create a better world and to strengthen the sustainability of their client relationships.
- 5. Australians have shown time and again they can rise to the occasion.**
- Across our history, Australians have repeatedly shown their generosity in response to crucial events, such as the community volunteering and financial support provided for the 2019–20 bushfires. Reminded again of the great causes they can support, Australians will rally.
- 6. The Campaign would be popular with the Australian people.**
- Polling of more than 2,500 Australians by Redbridge in November 2022 indicates a grassroots campaign led by not-for-profits would be popular with the Australian people, with: 65 per cent supporting the proposal; 7.1 per cent opposed; and 27.8 per cent neutral or not sure.⁸
 - Focus groups and polling conducted by Redbridge highlighted the importance of the Campaign being led by not-for-profits to give people information on why and how to give, empowering them to make their own choices. Unfavourable responses were made where the proposal was perceived as a glossy, government-led campaign, seen as telling citizens what to do.

⁸ Redbridge, *Philanthropy Australia Community Case*, December 2022 – available [here](#).

5. Growing our national network of Community Foundations.

The Reform

Establish a strategy and specific reforms to grow Australia's community foundation network.

As outlined in detail in work done by PA and Community Foundations Australia (CFA) with support from Social Ventures Australia in *The opportunity to grow Australia's community foundation network: A strategic roadmap*, available [here](#), this should include:

- 1. An overall aspiration:** Between 2021 and 2030, increasing: funds under management from \$500 million to \$1 billion; annual grantmaking from \$40 million to \$100 million; and the proportion of Australians covered by Community Foundations from 60 to 90%.
- 2. Reforms to strengthen the existing network of Community Foundations, including:**
 - **Time-limited operational and matched funding for the existing national network of 40 Community Foundations:** Support to help all Community Foundations grow to a minimum sustainable size of around \$5 million can ensure all foundations have paid staff, provide a suite of high impact initiatives, and are positioned to drive long term, sustainable growth. Catalytic matched funding can support foundations to reach this benchmark size, while incentivising the network to promote their work, engage the community and fundraise locally.
 - **Time-limited funding to strengthen the peak body, Community Foundations Australia (CFA).** \$3 million over six years and DGR 1 status would position CFA to: work with government on the roll out of this package of reforms; and support the network – particularly new foundations – to achieve sustainable growth.
- 3. Reforms to catalyse new foundations, including:**
 - **Streamlined access to DGR 1 for any new Community Foundations:** The Government's current work to provide access to DGR 1 for existing Community Foundations should also ensure streamlined access is provided to new foundations in the future.
 - **Seed and matched funding to create 20 new Community Foundations in priority locations.** Matched funding 'challenge grants' have been instrumental to the growth of community foundations globally and in Australia. Challenge grants incentivise community foundations to match the grant from community giving and galvanise the community and its leadership to drive community-led change. They help foundations to rapidly build sustainable assets, establish committed donor bases, build fundraising capability, and set the foundations for long term sustainability and impact. They could be located in places that complement the Government's work to address place-based disadvantage.

The Case for Reform

- 1. Community Foundations allow local people to donate to a permanent endowment – and lead and participate in activities – focused on improving the lives of people in their region.**
 - Many Australians develop strong ties with their local community or region, understand what makes it tick, care about its people, and want to see it thrive.
 - Community Foundations are a great way for people from all walks of life to get involved in donating, volunteering, and participating in projects to help their region thrive. They galvanise the community to drive place-based change in a myriad of ways.
 - Local people establish, manage and govern the CFs to meet local needs.
 - They identify local challenges and engage the community in finding solutions.
 - They raise and attract funds from many donors with diverse interests.
 - They provide grants to community-based organisations to do critical work.
 - They harness untapped local capacity and leadership by giving local people voice and agency in decisions that matter to them.

- They create a virtuous cycle, with local participation driving successful projects, showing what can be achieved. This builds social capital and confidence, galvanizing communities to continue positive place-based change.

2. Community Foundations deliver significant direct impact, and a more generous society, with more social capital, trust and participation in local communities.

- Community Foundations are run by people with detailed knowledge of their local community, so they are well placed to know where to invest – and how to galvanise local leadership – to drive maximum impact.
- This work can help shift the culture in communities and across Australia, creating a more generous and giving community, with more social connection and social capital.

3. Emerging from the pandemic and a series of natural disasters, Australians are living and working more locally and increasingly keen to engage to strengthen local communities.

- Polling and focus groups commissioned by PA and undertaken by Redbridge found 61 per cent of Australians agree they'd like the opportunity to donate or get involved with a local Community foundation, while 9 per cent disagree.

4. Ensuring almost all Australians can participate in a local Community Foundation is a great way to grow giving and volunteering.

- Even with limited national coverage, Australians are increasing giving to community foundations at a greater rate than Australians overall tax-deductible giving (growing at an average of 14% vs 8.4% respectively, from 2016 to 2021). They are attractive to donors as they are trusted, community-governed institutions, delivering cost-effective impact.
- Community foundations are well placed to capture a share of Australia's unprecedented intergenerational wealth transfer. \$2.6 trillion of wealth will transfer from 2021 to 2040, a third of which will be outside our cities.

5. A national network of Community Foundations can support the Federal Government's work to address place-based disadvantage

- The Federal Government is showing an increased interest in place-based initiatives to address complex social challenges, including entrenched disadvantage. There are at least six Commonwealth place-based initiatives operating in over 130 locations. The Federal Government announced a suite of additional initiatives in the recent budget, including development of a whole-of-government Framework to Address Community Disadvantage, and more funding for the Stronger Places, Stronger People program that addresses place-based disadvantage in communities such as Logan and Burnie.

'I know from my own community in Logan, south of Brisbane, how unjust it is that people who live on the outskirts of capital cities and in some regional areas experience much more inequality than other citizens. But this injustice presents an opportunity: to focus our attention on place-based initiatives where communities have the genuine input, local leadership, resources and authority to define a new and better future especially for kids.'

– *Treasurer Jim Chalmers, 'Capitalism after the crises', The Monthly, February 2023.*

- Establishing Community Foundations in areas of high need can amplify what government can achieve alone, build community buy-in and expand opportunity to more Australians in low-income communities. In the longer term, as the network approaches full national coverage, government will have the capacity to collaborate with a powerful network of Community Foundations to strengthen local communities in a whole suite of policy areas, as has become routine practice in nations such as Canada.

6. A stronger charity sector

The Reform

The Federal Government implement a package of reforms to strengthen the charity sector, This agenda can be informed by previous reports such as the PC's 2010 report, *Contribution of the Not-for-Profit Sector*, which outlined a powerful agenda for reform, much of which is yet to be implemented.

An Office of Not-For-Profit Reform⁹ could be established within a central agency such as Treasury to partner with the sector on reforms to strengthen charities across a sector, with a focus in two key areas:

1. **Building capabilities**, including:

- **Leadership** – Working with institutions such as the Centre for Social Impact and ANZSOG to produce: larger cohorts of high calibre leaders for the charity sector, with skills across governance, business planning, strategy, people management, workforce planning, technology uptake and evaluation.
- **Fundraising** – Continuing to build a stronger cadre of fundraisers in the charity sector.
- **Evaluation** – with just 38 per cent of the not-for-profit sector collecting outcomes data, more support to assist with evaluation and continuous improvement would help to lift impact. The PC in 2010 recommended that the Australian Government should provide funding for the establishment of a Centre for Community Service Effectiveness to promote 'best practice' approaches to evaluation. (Rec 5.4).
- **Social Innovation** – In 2010 the PC recommended that major programs include a Social Innovation Fund to trial, test, evaluate, and if successful, expand new approaches (Rec 9.5).

2. **A stronger, more equal partnership**, including:

- **Completing the Fix Fundraising agenda.** Creating a single national fundraising regulation regime – to replace the seven different State and Territory sets of rules – would cut costly and time-consuming red tape and enable more funds to go where they are needed most – helping people in need. Now is the time to capitalise on recent momentum for reform, ending what has been government failure lasting decades that costs charity \$15 million a year – money which should be going to support people in need.
- **Reducing red tape:** The PC found in 2010 there was too much 'command and control' by government officials, rather than recognising charities have expertise in how to deliver impact and should be partners in driving change. This practice remains prevalent today. The PC recommended: 'Australian governments should urgently review and streamline their tendering, contracting, reporting and acquittal requirements in the provision of services to reduce compliance costs. This should seek to ensure that the compliance burden associated with these requirements is proportionate to the funding provided and risk involved.' (Rec 12.7)
- **Full funding** The PC recommended the government provide full funding to charities for services they would otherwise provide (Rec 11.1) and fully factor in market wage rates, the skills required and appropriate indexation (10.2). The [Pay What it Takes](#) campaign has highlighted this issue remains unaddressed. In 2010, the PC noted: 'With respect to the NFP workforce, governments should recognise the effect of not paying the full costs of service delivery. Part funding can make it difficult for NFPs to pay competitive wages to attract and retain workers, with the cumulative effects of underinvestment in workers, technology, and planning putting pressure on the quality and sustainability of service delivery. Full funding may be one of the most important steps to address the workforce issues in the relevant human services sectors.'
- **Improving funding certainty:** Too many contracts are for 1–2 years without a clear policy rationale, making it difficult for charities to attract and retain talented staff and plan for the long term. Resources that could go into service delivery are needlessly wasted on government relations and

⁹ An Office of NFP Engagement was recommended by the PC In 2010 and briefly established, but abolished by the Abbott Government.

administration. As the PC recommended in 2010: 'The length of service agreements and contracts should reflect the length of the period required to achieve agreed outcomes rather than having arbitrary or standard contract periods.' (Rec 12.5).

The Case for Change

1. The charity sector plays a massive role creating a stronger, more equal society and a more sustainable environment.

- Our charities big and small – like the Royal Flying Doctor Service, Smith Family, Fred Hollows and Foodbank – help millions of people in need every year and work across every area of social policy. Charities like the Australian Conservation Foundation and The Wilderness Society help preserve our natural environment. Where would we be without our great Australian charities?

2. Lifting productivity and impact.

- The charity sector includes around 60,000 organisations and employs more than 11 per cent of the Australian workforce, more than either retail or construction. Enhancing the capability of the sector can enhance its critical impact and make a meaningful contribution to national productivity, the key driver of our living standards.

3. Stronger capability and impact will lift national giving by giving donors confidence their donations will make a difference.

- Polling and focus groups conducted by Redbridge in late 2022 showed that while there is substantial support for the work of charities, including a view that they can spend money more flexibly and effectively than government, there remains some caution about the transparency of donations.

"For financial donations, how do we know where it's going? How do we know how it's helping?"

"I like to donate to an organisation that has a good profile and reputation and to be able to see where the money is going,"

"Knowing the organisation or the cause [is important]. I like to have confidence in the organisation, a brand I can trust."

- A stronger charity sector will give donors increased confidence to give, knowing their donation will deliver impact.

4. It's time for government to be a better partner with charities.

- As numerous reports have shown, for too long governments have not been the best possible partners to Australia's charities. There has been too much 'command and control', rather than partnering in ways that recognize charities know a lot about how to have impact. Inconsistent fundraising regimes across states have persisted for decades, costing charities dearly, without being resolved. Governments continue to issue contracts without paying full costs for service provision, and regularly provide short-term contract extensions, leaving charities in constant fear of being closed down, unable to retain great staff and plan for the future. These issues can readily be fixed. The time for action is long past due.

7. Freedom to advocate

The Reform

Establish a Freedom to Advocate Act, helping to ensure: charities can advocate for policy reforms; and contracts to provide government services do not include 'gag clauses'.

The Rationale

1. Over the past decade, governments have sought to limit advocacy by the charity sector.

- In 2022, 27 per cent of community sector organisations reported having contract conditions that explicitly precluded systemic advocacy.
- The charity sector was moved in 2017 to establish an alliance – Hands Off Our Charities – to respond to proposed bills that would have limited the capacity of charities to advocate on issues of national significance.

2. The incoming Federal Government indicated it would protect the right of charities to advocate for policy reform.

- Incoming Charities Minister Andrew Leigh pledged the Government would restore the freedom to advocate, including by removing 'gag clauses' from contracts and good progress has been made. Dr Leigh has indicated he will value the advice of charities, even when it is critical of government policy.
- Dr Leigh indicated Labor would explore implementing a Freedom to Advocate Act, which had been pursued by the previous Labor Government in 2013, to more firmly enshrine the right of charities to advocate. This should be pursued as part of the Government's response to this Charity Blueprint process.

3. Charities work across all areas of social and environmental policy, so their real-world experience can be a vital 'value-add' in informing and improving national policy

- Charities, because they work at the coalface, play a crucial role in advocacy, alerting government to critical needs and ensuring policy is designed in ways that will meet the needs of end users. They gain enormous insights into how to improve policy through their: engagement of people with lived experience; service delivery for millions of Australians; and extensive engagement of local communities. These are critical insights to inform government policy and program delivery.
- Charities see what's really happening in local communities, so can alert government to critical unmet needs. For instance, charities have witnessed the challenges faced by people living below the poverty line on Newstart and have responded via the Raise the Rate campaign, which helped to influence government to lift income support for Australians in need.
- Often with philanthropic support, charities trial and evaluate new approaches, leading to better ways of helping people in need. For example, Beyond Blue trialed The Way Back Support Service, a new approach to aftercare helping people who are suicidal to get life back on track. The program is now being spun off and rolled out nationally.
- Civil society often plays a critical role in building public support that creates an environment in which politicians can feel comfortable pursuing reform.
- Philanthropic support for advocacy – because it can be independent of government – can produce bold and rigorous reform propositions. It can also be massively cost-effective, as relatively modest investments can drive major changes to significant government policies and funding. For instance:
 - A \$100,000 grant from the Origin Foundation to the Grattan Institute to examine the impact of remote schooling on students from low-income families was a key catalyst behind more than \$1.7 billion in investment in tutoring programs for affected children across Victoria, NSW and South Australia.
 - Grattan has been influential in a suite of areas across government, such as its recommendations for cheaper childcare to lift productivity and participation, and create more opportunities for working families.



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