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The Australian Government
The Sidney Myer Fund

A Definition of Charity Consultation Paper Australian Department of Treasury

SUBMISSION FROM THE FOUNDATION FOR RURAL AND REGIONAL RENEWAL

The Foundation for Rural and Regional Renewal (FRRR) was established in 2000 by the Australian Government and the Sidney Myer Fund, to meet the needs of rural and regional Australia. Its mission is *'to champion the economic and social strength of Australia's regional, rural & remote communities through partnerships with the private sectors, philanthropy and governments.'*

FRRR is a tax concession charity, established to provide a viable social and economic future for Australia's rural and regional communities through seed funding for social, cultural, environmental and economic projects beneficial to these communities. The FRRR is specifically listed as a DGR under item 13.2.2, section 30 105 of the Income Tax Assessment Act 1997. Donations to the FRRR are tax deductible.

The FRRR has wide grant-making powers and can distribute DGR funds to non-DGR organisations; an activity not permitted under any general DGR category and strictly reserved under the specific listing provisions for very limited circumstances only.

FRRR's grant-making capacity and specific focus on rural and regional Australia means that many of the restrictions or barriers relating to interpretation of charity or charitable purpose incurred by traditional philanthropy do not apply to the day to day operations of the organisation. FRRR has responded to specific questions in the consultation paper that relate to its operational environment, and as a national advocate for rural and regional issues, and as a representative of many thousands of community based not for profit groups that do not have a voice within this sector, there are a number of more strategic issues that have been presented for consideration as part of the wider review.

Rural and Regional Australia:

The majority of Australia's population lives in a metropolitan region, the needs of which have driven the policy, legislative framework and funding of the philanthropic and community sector for the last 50 years.

Recently, the impact of long-term drought, strong growth in the mining sector, a sequence of natural disasters and an increased understanding of our reliance on natural resources, has highlighted the vast difference in the role the charitable sector and philanthropy can play as a whole in rural and metropolitan settings.

The very existence of FRRR, and its specific listing in the Tax Act, recognises the lack of appropriate DGR vehicles to drive charitable giving. Therefore, in seeking to redefine "charity", FRRR wishes to highlight the inclusion of the specific needs and roles of rural and regional Australia as part of that process.

Whilst our major cities are experiencing significant population growth, employment opportunities and infrastructure renewal, the opposite trend is emerging in some rural and regional areas. The population is ageing and infrastructure is diminishing with the drain of youth, services and expertise to larger urban areas. The definition of charity needs to include social and economic renewal in order to support rural and regional Australia.

Community activities and local business and economic development are intricately linked in rural and regional communities. Community Halls, Kindergartens, Playgroups and Progress Associations are heavily reliant on local businesses and the agricultural sector for their fundraising. Supporting economic renewal leads to increased employment opportunities, this assists with population retention and community service delivery.

Many smaller communities across rural and regional Australia are resilient and adaptive to change. They demonstrate innovation, particularly in areas such as tourism, social enterprise, economic diversity and infrastructure. However, under the current charitable framework, and the lack of appropriate DGR mechanisms, it is difficult for these activities to either attract funding or support. FRRR has the capacity to assist some of these initiatives through the administration of a regional donation account as endorsed by the ATO in 2007, and has received a significant increase in requests for these accounts over the last three years. However, the inclusion of rural and regional social and economic renewal provides an additional incentive for charitable giving.

Consultation Questions:

16. Is the list of charitable purposes in the Charities Bill 2003 and the *Extension of Charitable Purposes Act 2004* an appropriate list of charitable purposes?

17. If not, what other charitable purposes have strong public recognition as charitable which would improve clarity if listed?

It is FRRR's position that the list of charitable purposes in Charities Bill 2003 and the extension of the Charitable Purposes Act 2004 is not sufficient in two areas. Firstly, there needs to be a specific listing that recognises the social and economic renewal of rural and regional Australia, and secondly that the charitable role of sport in rural and regional communities be recognised.

In many rural and regional communities, the local football and netball club is identified as the most important community institution, and whilst many community members do not actively participate in the team, their attendance at games and preparedness to travel large distances to support the team is indicative of a wider purpose. For example in Kinglake, Victoria after the devastation of the 2009 bushfires, the local football club became an important symbol of renewal and the spirit of the community to redefine itself in a new environment. In drought affected communities, the club change rooms and weekly training session create the opportunity for stressed individuals to share challenges and concerns, becoming a community counselling forum.

FRRR proposes that the definition of charity be amended to include the "advancement of and participation in amateur sporting and recreational activities that promote community connectedness in rural and regional Australia". In Scotland, as outlined in the appendices of the consultation paper the "advancement of public participation in sport" is identified as charitable purpose. In the England and Wales Charities Act 2006, the "advancement of amateur sport" is also recognised as having a charitable purpose.

For rural and regional communities, this is particularly pertinent to the younger population. The tyranny of distance and lack of support services often results in the development of anti-social behaviour and/or young people moving away from their community to a larger urban centre. Encouragement of sport and recreation in these communities can be used to support the retention of youth, and to promote alternative healthier life choices.

19. What are the current problems and limitations with ADRFs?

FRRR plays a lead role in coordination of philanthropic responses and support for natural disaster recovery in rural and regional Australia. It recognises that collaborative philanthropy can play a strategic role in the medium to long term recovery process. FRRR's capacity to grant directly to not for profit community groups without DGR status in rural and regional communities creates an opportunity to have a significant and strategic impact on community recovery.

FRRR has responded to several natural disasters in rural and regional Australia in recent years including Cyclone Larry in 2006, the Emerald and Mackay floods in 2008, the Victorian Bushfires in 2009, and the floods and cyclone of 2011 across the eastern states. FRRR works collaboratively with the philanthropic and corporate sectors to provide a single pool of funds through the Repair-Restore-Renew (RRR) Program, and for the Victorian Bushfires it established a regional donation account rather than an ADRF as the ADRF did not meet the needs of the organisation.

In 2007, FRRR received advice from the ATO regarding an enhancement to its listing in the Tax Act, particularly in relation to the use and establishment of regional donation accounts. This capacity to provide donors with assurance that their donation will be used to support a specific region has proven to be a more effective mechanism than an ADRF.

Under the regional donation account process, donors agree to provide funding to support the medium to long term recovery process within a specific geographic region, and funds are distributed at the discretion of the FRRR Board that meet the general FRRR funding criteria. The regional donation account process provides FRRR the opportunity to continue to seek donations to support the medium to long term recovery process beyond the two year timeframe of the ADRF. FRRR funding criteria is significantly more flexible and responsive to community needs than those that exist for ADRFs.

Currently, fundraising for an ADRF is limited to two years from the date of declaration of the natural disaster. FRRR strongly advocates for the process of community-led recovery to be supported by changes to ADRF requirements. There needs to be adequate time for community members to address their own immediate needs before the planning and engagement process can take place. This often does not occur for twelve months after the event. Proper planning and consultation for recovery projects often takes another twelve to eighteen months, creating difficulties in fundraising through an ADRF. This requirement to seek donations within a two year period creates artificial timeframes. Inadequate and insufficient planning can cause conflict and increases the likelihood of volunteer fatigue in rural communities. ADRFs should encourage ongoing support for community recovery, and recognise that funding will be required for medium to long term recovery projects.

Therefore there should be a longer timeframe provided to encourage donations. FRRR recommends that ADRFs should be able to accept donations up to five years after the event.

FRRR has worked in partnership with many organisations that established ADRFs post disaster, as well as the Victorian Bushfire Appeal Trust. One of the greatest areas of need that FRRR identified across all natural disaster programs it has been involved with was that of economic recovery. It is FRRR's recommendation that social and economic renewal be incorporated into any changes to ADRF regulations and it would welcome the opportunity to be involved in any future discussions on changes to the ADRF requirements.

Yours sincerely



Ms Alexandra Gartmann
Chief Executive Officer