



27 November 2024

Not-for-profits Unit
Treasury
Langton Cres
PARKES ACT 2600

Submission on Community Charities Guidelines 2024

Community Foundations form a vital part of the philanthropic sector in Australia, and embody a unique set of characteristics:

- CFs' sole focus is on providing benefits to their local communities.
- CFs are community-based organisations managed by local people.
- Unlike "fundraise and spend" charities, CFs generally invest a corpus of funds in perpetuity. The earnings on these funds are used to provide ongoing benefits to the community year after year.

The Eyre Peninsula Community Foundation (EPCF) was established in 2004, and covers a very large area in South Australia – from Whyalla, 200 km south to Port Lincoln and 1,000 km west to the Western Australia border. Fewer than 60,000 people are spread out across that area, with just two towns having a population over 5,000. Eleven LGAs and part of SA's Unincorporated Areas are covered. All EPCF Board members are volunteers.

The EPCF Board members have been following the progress of the DGR1 reform process with great interest, and can see practical benefits in the Community Charities (CC) changes. We would like to highlight a number of aspects in the Community Charities Guidelines review. Being a small rural Community Foundation, our concern is that these aspects aren't 'swamped' by other perfectly valid feedback from major and metropolitan Foundations.

1. Primary benefit of CC for EPCF

There seems to be an implied emphasis in discussions on the benefit which will flow from PAFs being able to donate to CCs. If we're lucky the EPCF would have a handful of PAFs across our whole coverage area. Yes, we'll definitely explore that avenue, but for us by far the biggest benefit will be the ability to make grants (within DGR and charitable purpose rules) to local non-DGR organisations. There are so few local organisations in rural areas that have DGR1 status that some of our grant-making must come from non-DGR funds even though we have DGR2 funds available and the target activity is DGR-like anyway. The DGR1 status for CCs is very important for the EPCF.

2. Simplification of the structure of EPCF

At present EPCF Inc is an Incorporated Association (IA). The EPCF Board is Trustee for three Trusts – a non-DGR charity, a DGR2 PuAF, and a DGR1 necessitous circumstances fund. Each of these is a separate entity registered with the ACNC, and each has its own ABN. As a result our auditors in reality have to do four audits (one for the IA and three for the Trusts). This has now become a quite expensive process.

Preliminary indications are that we may need to create yet another Trust as the CC (DGR1) fund. If this occurs, we would like to be able to roll all three existing Trusts into the new CC entity. We could then disband the three existing Trusts, which would reduce our complexity and save significant audit costs each year.



Unfortunately it appears that the new CC structure cannot include a 'charitable fund' for non-deductible donations and a separately-accounted 'gift fund' for deductible donations, as allowed in certain other circumstances. We read the Guidelines as mandating that *all* distributions from the CC entity must be for DGR-like activities. As a result it seems we will need to retain our existing charitable Trust for non-DGR-like activities. Hence the EPCF's structure simplification would go from the IA plus three trusts to the IA plus two trusts – only a marginal benefit, and in our circumstances a missed opportunity for reform.

3. Clarification needed on DGR-like and non-DGR-like activities

There is a very real need for greater clarity on what are DGR-like and non-DGR-like activities, even though all meet a charitable purpose. If we are to adopt the CC structure, this distinction becomes a vital additional part of our process in assessing grant applications.

4. Local grant-making through FRRR

While many of the EPCF's funded activities are DGR-like, for those which are charitable but non-DGR-like we would have to work through FRRR. This is not necessarily as straightforward as it seems:

- We would have to maintain a Community Foundation Account with FRRR.
- The FRRR takes 2.5% of all funds going into that account. We must thus add 2.5% to the value of target grants when we transfer our grant funds to the FRRR Community Foundation Account.
- The FRRR Board has to approve any projects (after we have already pre-vetted them), and this takes time.
- One of the strengths of Community Foundations is the message for our local community that our corpus or endowment (which generates grant funds each year) is locally-based and controlled. But auspicing through FRRR means that the grants are actually paid by FRRR, undermining the important 'local' messaging.
- Very generously, FRRR credits interest to the account for any month when the account balance exceeds \$100,000.
- The FRRR promotes the 'efficiency' of us not having to maintain a Public Fund, but we already do this anyway.

As we are clearly a Community Foundation focussed entirely on rural and remote communities, we would ideally like to have access to the same rural, regional and remote charitable activity approval as FRRR in our own right.

Thank you for the opportunity to contribute in our own small way to the Guidelines review.

A handwritten signature in black ink that reads "Peter Knife". The signature is stylized and cursive.

Peter Knife
Immediate Past Chair
On behalf of the EPCF Board