

1 April 2020

Senator the Hon Zed Seselja
Assistant Minister for Finance, Charities and Electoral Matters
PO Box 6100
Senate
Parliament House
Canberra ACT 2600

Via email: senator.seselja@aph.gov.au

Dear Assistant Minister

Re: COVID-19: Funding and regulatory support for not-for-profits (NFPs) and charities

I am writing in relation to the challenges that NFPs and charities are facing due to the COVID-19 crisis and disruption, and to suggest areas for priority Government attention.

The Australian Institute of Company Directors (**AICD**) has a membership of more than 45,000 including directors and senior leaders from business, government and the NFP and charities sectors. The AICD is updating our substantial NFP membership on support and regulatory measures announced, and drawing on the sector for insights on priority issues.

I acknowledge and applaud the Government's focus on the NFP sector in support announced to date, including ensuring that NFPs and charities are able to access economic stimulus measures, the Job Keeper wage subsidy program and targeted support to sectors and charities meeting areas of significant community need, amongst others.

As you know, it will be difficult – if not impossible – for many NFPs to financially withstand the impact of COVID-19 without substantial additional support. This is the case given NFPs typically have scarce reserves and limited ability to access other sources of capital (via equity or debt). Increased demand, decreased donations, loss of access to volunteers, inability to hold fundraising events and in some cases significant loss of operating revenues are examples of the difficulties this sector is facing.

In this letter we have outlined our recommendations for further action to maintain the viability of the NFP sector during these unprecedented times. Noting many of

these require State and Territory action, we will also raise with your colleagues in those jurisdictions.

1. Funding certainty for NFPs and charities

The AICD recommends an urgent relief package for the NFP and charities sector to support their financial sustainability. We recommend that the following measures should be the priority for government at this time:

- **Accelerated funding:** Bring forward the payment of committed government funding as soon as possible, and extend funding commitments for an initial 12 months to give organisations certainty and capacity to address current cash flow constraints. This should be provided at Commonwealth, State and Territory levels.
- **Default application of Government packages to NFPs:** The AICD recommends that the default position should be that any measures aimed at supporting businesses should automatically apply to NFPs as well. With respect to NFPs and charities, these should not be subject to a maximum revenue threshold recognising the limited ability of such organisations to raise funding on their own.

Additional measures to consider include:

- **Access to credit:** A scheme to encourage lending to NFPs and charities to ensure access to credit on favourable terms, drawing on the principles for SMEs via the Commonwealth's Coronavirus SME Guarantee Scheme. Currently, many NFPs and charities will not be able to access credit from banking institutions as they fall outside institutions' lending guidelines.
- **Charitable donations:** Additional incentives that support charitable giving at this time.
- **Government taxes, charges and fees:** A 12-month moratorium at all levels of government from all tax liabilities, charges and rental fees (where relevant).
- **Additional funding:** Additional direct funding being provided to NFPs and charities, building on measures announced to date in broader economic stimulus.

2. Nationally consistent regulatory approach

The AICD is urgently recommending a clear and nationally consistent statement regarding the regulatory approach that the ACNC and all States and Territory regulators will take during the COVID-19 crisis to NFPs and charities (whether they are incorporated associations, co-operatives or companies limited by guarantee).

In particular, the AICD recommends:

1. **Insolvent trading safe harbour:** the extension of the temporary relief for directors from personal liability for trading while insolvent (enacted as part of the Government's *Coronavirus Economic Response Omnibus Bill 2020*) to ACNC regulated entities and State and Territory regulated incorporated associations.

2. **Fundraising:** a consistent approach to fundraising laws to ensure that red tape is not an obstacle to fundraising, to support the continued existence of many charities. This could include facilitating the use of new online fundraising campaigns by registered charities through a temporary, nationally consistent minimum code of conduct for non-face to face fundraising activities.
3. **Financial reporting and other regulatory filings:** a consistent approach to extensions for submitting financial statements and other regulatory filings (e.g. an additional two months for reporting).
4. **Holding of annual general meetings:** State and Territory regulators clarifying that they will not take action against a charity or NFP if it delays or postpones its AGM because it cannot conduct it safely due to COVID-19. Notably, the ACNC has already provided this comfort to ACNC regulated charities.

The AICD also requests that you consider other relief measures that can be put in place for charities and NFPs at this time, for example, temporary relief for registration commitments.

3. Next steps

As part of our commitment to working with the ACNC and all State and Territory regulators to support the sector, we stand ready to work with all relevant authorities on the rapid development of policy statements to provide much needed certainty to the sector.

As per previous correspondence with your office I extend the opportunity for the AICD to bring together members of our NFP Chairs' Forum, or directors from across our broader NFP membership, to participate in briefings or discussions with you on sector impacts, should this be useful.

If you would like to discuss any aspect of this letter further, please contact me directly at aarmour@aicd.com.au. Alternatively, contact Amber O'Connell – Government Relations Manager at aoconnell@aicd.com.au or on 0413 4444 62.

Yours sincerely



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Managing Director and CEO