

# Public consultation – additional insight into the charity sector

## Background

1. The *Australian Charities and Not-for-profits Commission Act 2012* (Cth) (the ACNC Act) has the following objects:
  - maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector
  - support and sustain a robust, vibrant, independent and innovative not-for-profit sector
  - promote the reduction of unnecessary regulatory obligations on the sector.
2. The meaning of the second object – to support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector – is not clearly explained in the ACNC Act or the Explanatory Memorandum.
3. In late 2018, the ACNC commissioned a literature review of relevant meanings of the four attributes mentioned in the second object of the ACNC Act – *robust, vibrant, independent* and *innovative*. This review drew on business and not-for-profit academic literature.
4. Following the publication of this review the ACNC consulted a range of stakeholders on proposed ways of understanding and measuring the four attributes.
5. The ACNC plans to publish information in the annual *Australian Charities Report* (ACR) that tracks progress on the four attributes.

*Note* - The ACNC is not seeking to define what it means to be robust, vibrant, independent or innovative.
6. The ACNC held workshops with academics, experts, charity representatives and researchers to discuss the information that the ACNC could publish in the ACR. We also consulted with our regular consultation groups of professional and charity sector representatives.

## Additional information that the ACNC proposes to publish

7. Following these consultations, the ACNC is now seeking feedback from the sector on additional information that the ACNC intends to publish as part of the ACR.
8. The additional information:
  - will be progressively introduced from the *Australian Charities Report 2018*, and
  - will supplement and, in some cases, provide additional details to information currently published in the ACR.
9. The ACNC will publish the information collected on an aggregate basis, not at the individual charity level. This will ensure that individual charities cannot be identified. Much of the information will be published according to charity subtype (refer to Appendix A) and charity size (refer to Appendix B), which will provide insights into trends within the charity sector.
10. Some of the information is financial in nature. This is intended to provide helpful insight into the financial sustainability and stability of charities. It is important to consider the unique circumstances of the charity sector when considering any financial information.
11. All the proposed ways for understanding the four attributes rely on information already collected by the ACNC. This will not require charities to provide additional information in the Annual Information Statement (AIS).

## Providing feedback

12. The ACNC welcomes any feedback on the additional information that the ACNC proposes to publish. Please provide any feedback in writing to [research@acnc.gov.au](mailto:research@acnc.gov.au) by **19 July 2019**.

Additional information that the ACNC intends to publish from the *Australian Charities Report 2018*

Number	Summary	Description	What additional insights will this information provide?	Additional analysis by size?	Additional analysis by subtype?
1	<b>Average percentage breakdown of each relevant revenue element of the AIS</b>	The ACNC will publish how much each of the following elements contribute to the total revenue as a percentage: <ul style="list-style-type: none"> <li>• revenue from government (including grants)</li> <li>• revenue from donations and bequests</li> <li>• revenue from investments</li> <li>• revenue from goods and services</li> <li>• other revenue.</li> </ul>	Do charities rely on specific revenue streams?	Yes	Yes
2	<b>Average net income ratio</b>	The ACNC will publish the ratio of net income to total income. This information was published in the 2016 Australian Charities Report.	Do charities make a surplus or deficit?	Yes	Yes
3	<b>Average asset ratio</b>	The ACNC will publish the ratio of total assets to total liabilities. This information was published in the 2016 Australian Charities Report.	Are charities' assets worth significantly more or less than their liabilities?	Yes	Yes
4	<b>Average asset holdings</b>	The ACNC currently publishes the total assets for all charities. From the 2018 Australian Charities Report, this will be broken down further by charity subtype and size.	What level of assets is held in the charity sector?	Yes	Yes
5	<b>Change in the number of registered charities</b>	The ACNC will track the number of newly registered charities each year against the total number of charities that have their registration revoked in the same year.	Is the number of registered charities growing?	N/A	N/A

6	<b>Percentage of charities that are 'highly regulated'</b>	<p>The ACNC will publish the percentage of charities that have significant obligations to another government regulator. The initial list will include charities that report to:</p> <ul style="list-style-type: none"> <li>• a state or territory incorporated associations regulator</li> <li>• the Australian Taxation Office (charitable ancillary funds)</li> <li>• the Office of the Registrar of Indigenous corporations</li> <li>• the Commonwealth Department of Health</li> <li>• the Commonwealth Department of Education</li> </ul>	What proportion of charities have significant reporting requirements to another government regulator?	No	No
7	<b>Percentage of charities with an online presence</b>	<p>The ACNC will publish the number of charities that have provided an electronic presence (for example, a website, Facebook page or other online presence) as at 30 June each year.</p>	Are more charities creating an online presence?	Yes	Yes

Additional information that the ACNC intends to publish from the *Australian Charities Report 2019*

Number	Summary	Description	What additional insights will this information provide?	Additional analysis by size?	Additional analysis by subtype?
8	<b>Average percentage change in each revenue element of the AIS</b>	The ACNC will publish the changes in the following revenue elements as a percentage: <ul style="list-style-type: none"> <li>• revenue from government (including grants)</li> <li>• revenue from donations and bequests</li> <li>• revenue from investments</li> <li>• revenue from goods and services</li> <li>• other revenue.</li> </ul>	Are charities changing their revenue sources?	Yes	Yes
9	<b>Reasons charities have their registrations revoked</b>	The ACNC will publish the number of charity registration revocations for each financial year (refer to Appendix C for the different reasons a charity can have its registration revoked).	How many charity registrations are revoked each year, and what are the reasons?	Yes	Yes
10	<b>Average assets held at time of involuntary revocation</b>	The ACNC will publish the average total value of assets held by charities that have registration revoked involuntarily.	What are average total value of assets for charities that have registration revoked involuntarily?	Yes	Yes
11	<b>Newly registered charities and their charity subtypes</b>	The ACNC will publish a breakdown of the charity subtypes for newly registered charities.	Are there any trends in new charity registrations?	N/A	Yes
12	<b>Average age of registered charities and charities that had registration revoked</b>	The ACNC will publish the average age of registered charities, and the average age of charities that had registration revoked.	Are there any differences between the ages of registered charities and charities that had registration revoked? Are newer charities more likely to have their registration revoked?	Yes	Yes

## Additional research initiatives

- 13.** The information that the ACNC intends to publish will only tell part of the story of the sector's diversity.
- 14.** The information that the ACNC can collect through the AIS is limited – any information (collected on a mandatory basis) must relate to a charity's compliance with the ACNC's legislation.
- 15.** Therefore, we strongly encourage researchers and academics to engage in additional research into the charity sector. The ACNC is particularly interested in research that measures the level of innovation or collaboration within the sector.
- 16.** The ACNC has published a range of datasets at [data.gov.au](https://data.gov.au), and we encourage researchers to use this information. The ACNC intends to publish the ACR by March each year. We encourage researchers looking into the charity sector to publish their reports at the same time so as to provide a timely, comparable and comprehensive analysis of the state of the sector each year.

## Appendix A - Breakdown by charity subtypes

1. Advancing health
2. Advancing education
3. Advancing social or public welfare
4. Advancing religion
5. Advancing culture
6. Promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia
7. Promoting or protecting human rights
8. Advancing the natural environment
9. Any other purpose beneficial to the public, analogous to, or within the spirit of, any of the purposes above
10. Promoting or opposing change to a matter of law, policy or practice in relation to any of the purposes above
11. Public Benevolent Institution
12. Health Promotion Charity
13. More than one registered subtype
14. No registered subtype

## Appendix B - Breakdown by charity size

Size category	Total annual revenue
Extra Small	Less than \$50,000
Small	More than \$50,000 but less than \$250,000
Medium	\$250,000 or more but under \$1 million
Large	More than \$1 million but less than \$10 million
Very large	More than \$10 million but less than \$100 million
Extra large	More than \$100 million

## Appendix C - Breakdown by 'type' of revocation

1. Revoked – the Australian Business Number (ABN) is cancelled
2. Revoked – not entitled to registration as a charity
3. Revoked – 'double defaulter'
4. Revoked – 'return to sender' (uncontactable)
5. Voluntarily Revoked - continuing but no longer wants to be a charity
6. Voluntarily Revoked – charity has merged
7. Voluntarily Revoked – charity is no longer operating
8. Voluntarily Revoked - not entitled to be a charity (for example, the charity never operated as it did not receive funds as it had anticipated)