

14 July 2021

Dear Treasury,

DGR 1 Reform – Consultation on Draft Legislation

Like many other community foundations, the Inner North Community Foundation is often one of the first organisations on the ground when a disaster occurs – offering pragmatic funding to fuel urgent local responses, and collaborative support to frontline community workers. When the 2020 Covid-19 Pandemic impacted our communities, we established the Disaster Relief Fund. The Covid 19 Disaster Relief Fund, is an example of how the Foundation raised emergency relief funds from the community, where in six months nearly \$500,000 was distributed to 150 local community groups, responding in creative and flexible ways to the impacts of the pandemic.

We know from our charitable organisations we support, that the need to respond to necessitous circumstances is not contingent on a disaster being declared. It is a current and ongoing challenge at large. We also know that local donors would like to continue to contribute to local emergency needs now, not just when a national emergency is declared.

We also know from our research and collaborative work with large national philanthropic entities, that place-based responses to challenging national issues – such a homelessness or social equity - can be exceptionally effective. These national entities are interested in sustained and highly-effective change, but they must be able to fund at scale. By enabling their donations to Community Foundation's (through DGR 1 reform), this unlocks significant national resources to develop best-practice (place-based) responses to vexed and persistent national issues.

Based on the above, and recent draft legislation the Inner North Community Foundation would appreciate further clarification about the way in which principal purpose of a DGR category will be interpreted when there are other requirements for the DGR category. Specifically:

- **Would a community foundations still need to wait for a disaster to be declared to receive tax deductible donations for disaster relief purposes?**
- **Would any scholarship, a Foundation is approached to fund, be able to be funded from tax deductible donations as the principal purpose or only those which still meet the DGR scholarship fund requirements?**

We are seeking to simplify administration costs, and navigating compliance and burdens and so urge the government **not to require community foundations to have to establish a new trust or company in the above circumstances.**

As community foundations will not be able to convert their public ancillary funds to be a community charity fund (CCF) nor distribute the funds to the corporate trustee (due to the wording in the PuAF trust deeds and PuAF Guidelines), most community foundations will want to be able to distribute the funds in their public ancillary funds to a CCF in an existing charitable trust and get rid of one of the entities in their existing complicated structures.

The current wording of the proposed Bill does not allow the CCF to sit within a trust with broader charitable purposes, and we strongly request that this is possible in the same way the proposed Bill allows a CCF to sit within a corporate entity. This will reduce barriers by not requiring new trusts to be established, and it will facilitate responsive and tailored community funding approaches to emerging and urgent community needs.

The Foundation's understanding of the proposed Bill does not seem to allow distributions to non-DGRs for DGR purposes or activities and this is an essential part of the application to the government to facilitate the role of community philanthropy, particularly relevant in rural and regional areas, but applicable everywhere.

We request that the Bill and Explanatory memorandum be amended to clarify and incorporate a less process intensive approach to grant making so that community foundations, like the Inner North Community Foundation can easily support the community need quickly and easily, whilst providing for tax deductible fundraising.

Please contact me on 0403 574 919 should you require any further information.

Caroline Doherty

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