**2020-21 Pre-Budget**

**Submission by**

**Fundraising Institute Australia**

**Executive Summary**

**Non-for-profit Digital Grants Fund**

Digital grants programs can assist charities to access digital technologies and services to help them work smarter, engage with the global and local economy and make the most of online opportunities arising from digital disruption

**Mergers and Acquisitions Fund**

During a recent survey of its members FIA can predict a rise in the numbers of mergers and acquisitions within the charitable sector in 2020 - 2022. Whether out of necessity or a desire to better position an organisations capability to deliver impact on the issue that it has been designed to address, these mergers and acquisitions are an opportunity to create a foundation for strategic partnership ecosystems.

FIA has found there to be a variety of underlying motivators which lead to mergers and acquisitions in the next 1-2 years.

**On-going Reform (Harmonisation)**

The government should show stronger leadership on regulatory reform. In the wake of the COVID-19 outcome, policy makers must ensure new entrants are subject to the same laws and regulations as incumbents. As the same time, care must be taken to ensure that regulation encourages innovation, effectiveness and efficiency, while supporting the public good.

**Establish a National Charities (Fundraising) Apprenticeship**

The FIA has been a strong advocate for a national apprenticeship for Fundraising since the establish of the Skilling Australians Fund (SAF). FIA believes that the VET sector will be key to future proofing our economy. FIA believe it is not to late to start future proofing the charity sector

**About FIA**

FIA is Australia’s national association for professional fundraising. It has over 1200 members who are charities, NFPs, suppliers of fundraising services and individual fundraising professionals. Most major registered charities are FIA members, accounting for more than 80 per cent of the nearly $9.9[[1]](#footnote-1) billion donated by Australians each year.

**Policy Recommendations**

**Ongoing regulatory reform**

The government should show stronger leadership on regulatory reform. In the wake of the COVID-19 outcome, policy makers must ensure new entrants are subject to the same laws and regulations as incumbents. As the same time, care must be taken to ensure that regulation encourages innovation, effectiveness and efficiency, while supporting the public good. Regulations must remain fit-for-purpose and take account of changes in business models and the impact, real and potential, on the provision of goods and services.

Key priorities in relation to reducing red tape for charities include:

* Harmonisation – Regulations should be harmonised across the state and territories where relevant. This should be addressed through the First Ministers process as a matter of urgency.
* Regulation must be fit for purpose – This should be determined through industry liaison. Australian Charities tell us of instances where they have to comply with regulations that are not relevant to their industry. As part of the ‘First Ministers’ process a national standard could be set.
* Regulation must be active, flexible, and nimble. Regulations adnd those who administer them must be able to change rapidly as circumstances demand.
* Greater use of technology should be utilised to identify and simplify regulation and reduce red tape. No licence expiration date is a good example of how technology can be used to reduce red tape.

Strong Leadership on a regulatory reform agenda is crucial. The Government has previously championed and raise the profile of red tape reform across government through initiatives such as red tape repeal day, establishing deregulation units in each department;

Policy Recommendation:

* Lead on Whole of Sector Harmonisation reform

**Establish a Mergers and Acquisitions (M&A) Technical fund**

During a recent survey of its members FIA can predict a rise in the numbers of mergers and acquisitions within the charitable sector in 2020 - 2022. Whether out of necessity or a desire to better position an organisations capability to deliver impact on the issue that it has been designed to address, these mergers and acquisitions are an opportunity to create a foundation for strategic partnership ecosystems.

FIA has found there to be a variety of underlying motivators which lead to mergers and acquisitions in the next 1-2 years.

**Shared Value Creation**

The amalgamation of two charities typically results in synergies that increase the wealth of Donors.

**Revenue Synergies**: Involve the charities revenue generating abilities through attributes such as market expansion, product diversity, research and Development. A merger within a charity cn improve its ability to generate revenue by opening new donor relationships and presenting a broader and potentially more compelling value proposition to donors.

**Cost synergies**: Merger generally result in economies of scale and access to improved processes/technologies which improve cost structure of the merged entity. This is modelled in charity mergers as well, where efficiencies can be found through combining the processes, tools and assets of two independent charities.

**Diversification**  
FIA Believes that mergers can be increased by further assistance from Government. Diversification will be a strong motivator in the charitable sector as this could allow for new and related service offerings to the stakeholders served by a charity along with increased impact of a successful program or intervention into new markets

**Acquisition of assets**

Access to assets such as owned technology is a strong motivator for mergers. This type if competitive advantage fuels growth in a post-merger environment as the emerging entity is able to leap-frog what may otherwise be years of development. The charitable sectors resources are constrained, accessing own assets of another organisation to enable broader or deeper social impact is a mechanism to increase the return on investment in those assets.

Other drivers may include:

* 1. Improved financial position
  2. x

Mergers in the charitable sector occur with far less frequency than in the for-profit sector. In 2017, 2 in 1,000 for profit organisations merged or went through acquisition. Comparatively, 10 in 58,000 charities merged or amalgamated in 2017. Our prediction is this is set to change in the next 2 years for a number of reasons.

**Donor Engagement**  
Changes in donors trends have resulted in charities facing greater competition among one another. A merger of charities creates the ability to not only access a larger donor pool but the opportunity to tell a bigger story of impact and outcomes to drive future donor dollars.

**Leveraging resources**

Charities are under constant scrutiny regarding their administrative fundraising costs as a percentage of total revenue. While charities do not prescribe to the notion that low administrative and fundraising costs equates to a well run charity, the efficiency that can be achieved through mergers of backend systems should be an attractive value proposition for all charities.

**Meeting recipient needs**

Charities are continuing to expand their programs in order to meet recipient needs and donor desires. This expansion of programs can lead to increased duplicity in social purpose activities. Rather than building new programs independently, leveraging the strength of another charities expertise has the potential to not only deliver a superior product for a lower investment, it also has the potential to expand the impact of that new service through exposure to a larger demographic.

Policy Recommendation

* Establish a Mergers and Acquisitions (M&A) Technical fund

**Establish a National Charities (Fundraising) Apprenticeship**

The FIA has been a strong advocate for a national apprenticeship for Fundraising since the establish of the Skilling Australians Fund (SAF). FIA believes that the VET sector will be key to future proofing our economy. FIA believe it is not to late to start future proofing the charity sector

Policy Recommendation

* Implement an apprenticeship incentive from January 1 2021 to June 2021

**Digital Grants Fund**

Digital grants programs can assist charities to access digital technologies and services to help them work smarter, engage with the global and local economy and make the most of online opportunities arising from digital disruption

**Reliability of Services**   
Having access to reliable digital services is a fundamental requirement for being able to do business. The ability to run programs, attract donors, access online databases, communicate with customers, and utilise payment platforms such as EFTPOS are just some examples of how digital services play an essential role in effectively operating a charity. Charities are impacted significantly from disruption and often when the delays are extensive (I.e losses of telephone and or/internet for a number of days) the impact extends beyond the financial cost of being disconnected to affecting relationships with their donors and reputational damage.

Through FIA’s consultation with its members, we have received numerous complaints from small charities about disruption to their digital services. Particularly since the COVID-19 pandemic, FIA has seen an increase in complaints being made about digital services to provide greater support and services for charities doing the heavy lifting on behalf of government.

References

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1. <https://www.acnc.gov.au/tools/reports/australian-charities-report-2017> [↑](#footnote-ref-1)