

Opening statement 25 June 2024

Sue Woodward AM

Commissioner, Australian Charities and Not-for-profits (ACNC)

Senate Estimates Economics Committee

The operating context for charities continues to be complex. **The tenth edition of our Australian Charities Report**, published on 5 June 2024, confirms that cost of living increases are affecting charities, with expenses increasing more than revenue in percentage terms.

Although charity revenue hit a record high – topping \$200 billion for the first time – charity expenses grew by \$22 billion, which was more than the \$11 billion in revenue growth during the same period.

Employee expenses increased nearly 10% compared to the previous reporting period and accounted for more than half of the sector's expenses (55%). A significant jump. This reflects the need for charities to compete for staff in a tight labour market, affecting charity funds and the ability to deliver services in times of high demand.

Charities continue to be a major employer. Charity staff comprise 10.5% of the Australian workforce. Yet most charities still rely on volunteers – more than half of all charities reported operating with no paid staff.

Nearly a third of Australian charities are extra small, with revenue of \$50,000 or less. The majority of those, close to 90%, operate without any paid staff. Our focus on these charities shows that they have been impacted the most by cost-of-living increases and their revenue is not keeping pace with inflation. In the five years between 2017 and 2022, extra small charities experienced a substantial decrease in staff (-18%) and volunteers (-17%).

On a positive note, volunteers increased to 3.5 million, a gain of 320,000 compared to the last reporting period. Although volunteer numbers are not yet back to pre-COVID levels of 3.77 million.

We continue to support charities, and our recently published cyber security podcast, a joint production with the Australian Signals Directorate, offers practical advice to organisations of all sizes to manage risks and respond to any breaches.

Due to the seriousness of the risks of cyber crime, we have identified cyber security as one of our compliance priorities for 2024-25. In our compliance reviews, we will assess how charities are protecting themselves from cyber risk.

I announced this and our other priorities for 2024-25 in March at the Australian Institute of Company Directors conference – a critical message for those charged with overseeing organisational governance.

We will also be focusing on charities with complex structures that seek to misuse these structures to obscure fraud or non-compliance. Our colleagues overseas and in other agencies have also identified this as an area of emerging risk.

A key part of our core business is registering eligible organisations as charities. We are seeing **registration applications continue to increase** largely driven by the Australian Taxation Office's implementation of new reporting requirements for self-assessing income tax exempt organisations. From 1 July 2023, if an organisation is eligible to be registered as a charity, they must register with the ACNC to continue to be eligible for income tax exempt status.

In April and May this year, the number of applicants applying to the ACNC was 71.5% higher than for the same period last year.

This increase in demand has, unfortunately, led to longer times for new applications to be allocated for assessment. We have taken measures to reduce this processing time and it has been reduced considerably. We have also recently launched a new registration form which we anticipate will also streamline the registration process.

We continue to strive to find ways to assist charities to understand and meet their reporting obligations and to embed effective governance structures.