



## Sector Group Report

Kia ora koutou,

On 2 October 2017, the Sector Group (SG) assembled at the Department of Internal Affairs' Wellington offices to discuss matters of common interest.

The purpose of this report is to communicate some of the points of discussion during the Sector Group, and allow members to communicate the discussions to their member organisations.

### Follow up from the previous meeting

Julia Fletcher (Manager Engagement and Business Improvement, Charities Services) gave an update on Charities Services' work since the May 18 meeting. The update included:

- Noting that given the recent election we were not in a position to discuss the current briefing to the incoming minister, but that we expect it to be released publically in time.
- DIA has prepared its Regulatory Stewardship Strategy for 2017/18 incorporating feedback from the SG. When this is made public we will circulate this to the group.
- We have taken on board feedback from the group about our communications and have updated our newsletter, and are still working towards website improvements.
- The Charities Services annual meeting will be held on the 2<sup>nd</sup> of November and as SG members we invite you all to attend.
- The annual meeting will include the Chartered Accountants Australia and New Zealand Charity Reporting Awards which is a great way to recognise the efforts of charities adopting the new financial reporting standards.
- We are thinking of releasing a case report on the Ice House which was a charity/business that we worked with to ensure they were acting within the provisions of the Charities Act. The group thought this would be a useful thing to do.
- Charities Services has a Māori and a Pacific capability project on the go at the moment, and we will circulate to the group a synopsis of both projects when they are further progressed.
- We discussed the current R9 Accelerator project through MSD which is working on a platform for cross-accreditation between contracting agencies. We will continue to follow this development to see where DIA and Charities Services might fit in.

There was discussion from the group on the importance of government departments working together to decrease compliance burdens for community organisations. Working with other government agencies is a priority for the department, in line with taking a system view of the charities sector as part of regulatory stewardship. There was also concern that contracting bodies are saying that they cannot rely on regulators' information (e.g. charities register) and therefore ask for their own information.

Attendees expressed concern that some funders seemed to expect organisations to be a registered charity before they could apply for grant funding. DIA confirmed that organisations do not have to be registered charities to apply to any of their funds.

In terms of the make-up of the group, one member suggested that the Companies Office, Treasury and representatives of charities that were not able to be on the Charities Register could make useful additions to the group.

Another member noted that there is a lot of confusion in the sector about what a Registered Charity is, as opposed to different types of not for profit organisations e.g. sporting bodies. More could be done in this space to clarify things.

### The Charities Act - what is working and what is not?

At the meeting in May, the group discussed some perceived issues with the Act including charitable purpose, appeal/review mechanisms, board processes and purposes of the Act. At this meeting, these were briefly highlighted and then the floor was opened up for discussion. Some of the key themes that were identified were:

- Imperative there is **consultation with the sector about the review process** and the sector has the opportunity to be involved throughout the whole process to help shape the advice Charities Services gives to Government. This must include talking to those who are excluded e.g: deregistered charities.
- Charities Services should **conduct research into what drives small charities to be on the register** and use it to feed into any review of the Act. What are the unintended consequences of being or not being a registered charity?
- We know some funders require charitable status but not all, so why don't you ask all funders about their requirements eg **conduct a survey**.
- Ask charities about the reasons for registration and/or deregistration to determine why they're seeking charitable status to shape our understanding of what drives small charities to be on the register.
- **Visibility** - how much of the public even looks at Charities Services or understands what a "Registered Charity" is? More public education required about the difference between not-for-profits/ charities/ registered charities and social enterprise.
- How can we leverage off each other? Regulator, sector and private representatives working together
- More public education about social enterprise and the potential for a new legal structure eg: "social enterprise company" - look to Scotland for guidance. (This doesn't sit squarely in Charities Services' space but across the sector).
- Advocacy under the Act needs to be looked at and there is some urgency around this issue

### The Income Tax Act - what simplifications do you want?

Stewart Donaldson, Senior Policy Advisor at IRD took the group through a "snapshot" of the not for profit sector based on IRD data. It showed that there were approximately 115,000 not for profit entities registered with IRD, and that these claimed a variety of tax exemptions of which a portion were registered charities. Stewart then asked for comments from the group about simplifications that they would like to see in the Income Tax Act or its administration.

The group had questions for Stewart about donee status and whether IRD was considering looking at the definition under the Act, particularly in relation to amateur sporting organisations. There was some discussion around tax exemption certificates and whether the process for obtaining these could be simplified.

It was noted by the group that the ideal scenario would be to apply an integrated strategic focus to all the legislation pertaining to not for profits including the Income Tax Act, Charities Act, Charitable Trusts Act and Incorporated Societies Act. This would involve first determining what we wanted to achieve with the regime.

## Charity Law Conference

Sue Barker spoke about a planned charity law conference organised by the Community Law Association of Australia and New Zealand. This would be modelled on a similar event which was held in Melbourne which hosted about 100 people (but only two New Zealanders).

Sue asked for expressions of interest and Craig Fisher suggested perhaps combining the event with the Chartered Accountants. This could potentially be facilitated through Julia and Craig's involvement in the Chartered Accountants Australia and New Zealand Not For Profit Trans-Tasman Advisory Committee. Julia and Craig will investigate the appetite for a combined event and other members were asked to get in touch with Sue if they were interested.

## Update on the New Reporting Standards

Julia Fletcher gave an update on the progress of the adoption of the new reporting standards. The update is encapsulated in the document "New Reporting Standards - One Year On" which will be circulated to the group.

The group fed back that in order to increase the uptake of the standards, charities need to understand the difference adopting the standards will make to their work. They suggested that research to gain insights from people who had used the standards and improved their governance from it would be useful.

The group also suggested removing jargon and stripping out barriers in the language coupled with story-telling would help to answer the question of "why are we doing this?".

## Any Other Business

One member raised the issue of "public trust and confidence" and Charities Services briefly discussed the last public trust and confidence survey which was carried out in 2016. It was noted that the main driver for public trust and confidence appears to be the effect of media stories.

Charities Services asked the group for their ideas on how we could increase our public profile. The suggestions of the group included:

- Using negative news stories and turn them into educational opportunities
- Unpacking the story - who are charities and who are social enterprises or businesses?
- Disseminate up to date information about what New Zealand organisations are doing
- Translate resources for speakers of other languages
- Investigate branding opportunities /Encourage charities to make it known that they are registered
- Lift the profile of those doing the "right" thing
- Display posters in public places e.g. libraries
- Look into a code of conduct