



# Future foundations for giving

## Draft report

*Submission by the English Family Foundation in response to the Productivity Commission's draft findings and recommendations relating to motivations for philanthropic giving in Australia and opportunities to grow it further.*

*February 2024*

Thank you for the opportunity to comment on the Productivity Commission’s Future foundations for giving - Draft report (“Draft Report”). We are very pleased to share our experience, perspective and comment and we wholeheartedly agree with your statement that “Philanthropy contributes to a better society by providing money, time, skills, assets or lending a voice to people and communities who would otherwise receive lower quality, or have less access to, goods and services.”<sup>1</sup>

The English Family Foundation fully supports and applauds the Government’s ambitions to double giving by 2030 and the many recommendations contained within the Draft Report. We recognise the extent of the many proposals contained within, but have constrained our response to those areas within our knowledge and areas of interest. Our responses below are based on the overarching principles of self-determination, co-design, transparency and recognition of the critical role of the charitable sector in Australia.

The key points for our submission:

### **1. Bolstering the benefits of ancillary funds to the community**

Whilst we recognise and accept the impressive benefits which could be gained for the charity sector if the distribution rate for private ancillary funds were increased, we suggest that your review of this takes into consideration two additional elements - the corpus size of the ancillary fund and the prevailing market returns.

Firstly, we recommend that you consider the option to tier distribution rates based on the corpus of the ancillary fund to ensure you are not building in disincentives for the provision of sub-market impact capital. We know within the charitable sector that access to sub-market or concessional debt is critically needed to expand and diversify sources of income. Tiering the increase of distribution rates based on corpus size would ensure that smaller ancillary funds offering concessional debt from their corpus are not negatively impacted by requiring offsetting higher rates of return from the remainder of their corpus. From our discussions within the sector this constraint is not as present for larger ancillary funds.

Secondly, prevailing market returns also impact an ancillary fund’s ability to make minimum grant requirements. Pegging the distribution rate to market returns ensures that ancillary funds are always able to meet their distribution rate requirements.

### **2. Establishment of an independent philanthropic foundation controlled by – and for the benefit of – Aboriginal and Torres Strait Islander communities**

We recognise the intent behind the recommendation that the Australian Government should support the establishment of an independent philanthropic foundation controlled by – and for the benefit of – Aboriginal and Torres Strait Islander communities to enhance the arrangements linking philanthropic and volunteer networks and funding to Aboriginal and Torres Strait Islander organisations.

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<sup>1</sup> Productivity Commission 2023, *Future foundations for giving, Draft report, Canberra, November. Sourced 6<sup>th</sup> February 2024.*

However, our understanding from communities and foundations who have actively engaged with this proposal is that any such endowment fund should be locally led and locally determined, and should be region specific. This negates the justification for a singular endowment fund, instead we recommend that multiple funds be established as needed and in co-design with communities.

### **3. The choice to bequest through superannuation**

We support the Draft Report's recommendation that the Federal Government announce its intention to give Australians the choice to make a bequest through super. Philanthropy Australia has consulted with us on their thinking on this recommendation, and we would like to reiterate their belief that this is a key area for the government to focus on with impressive opportunities, but must stress that it should be co-designed with all key stakeholders.

### **4. Role of community foundations**

Similarly, we also recognise the recommendation that the Federal Government work with the Community Foundation and broader philanthropic sectors in a dedicated policy process to develop a strategy to strengthen and grow Australia's Community Foundation Network. Community Foundations are critical enablers within communities and have demonstrated globally, particularly in the US and UK, that a locally-led granting and endowment model builds resilience and vitality within communities. We fully support the government engaging with this vital model to grow philanthropy.

### **5. The proposed scope of the DGR system**

We welcome the Draft Report's recommendations to reform and simplify the DGR process and the recognition of the inherent difficulties within the current assessment practices. We fully support the proposal to assess DGR applications against a "principles-based framework"<sup>2</sup>. We would like to draw your attention to the issue of DGR for peak bodies, particularly within the social enterprise sector. Most of these organisations are registered as a full charity and work under the ACNC practices, but due to the diversity of their role they have not been able to be easily assessed for DGR.

The only available route is a special listing, which is a long, costly and counterproductive process which distracts a charity from their primary purpose of creating social good. We trust that peak bodies who are registered charities, will fall within the scope of the recommended principle-based framework, and not fall outside of this into the category of "unforeseen exceptional circumstances"<sup>3</sup>.

### **6. Capability building for the sector – at both organisation and Board levels**

The key role played by the charitable sector in both the social and environmental wellbeing of our country was well laid out within the Draft Report. For this critical sector to thrive we must focus government attention and resources on building the resilience and capability of both the charities themselves and of their Boards.

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<sup>2</sup> Productivity Commission 2023, *Future foundations for giving, Draft report, Canberra, November. Sourced 8th February 2024*

<sup>3</sup> *Ibid*

We would like to see the government focussing on:

- Capability building initiatives which are co-designed with the sector, and include regional, gender, well-being focus areas;
- A partnership with the Fundraising Institute of Australia to provide the needed investment in fundraising staff to truly transform giving;
- Investment into intermediaries and peak bodies to improve and increase their service offerings and support to the charitable sector. This would generate strong leverage and enhance the network of intermediaries and peak bodies across our country to positively impact a significantly greater number of charities;
- Creating a single national fundraising regulation regime to replace the seven different State and Territory sets of rules; and
- As per the Report's recommendations (11.1 and 10.2) the government should provide full funding to charities for services they would otherwise provide and fully factor in market wage rates, the skills required and appropriate indexation.

## **About us**

The English Family Foundation was established in 2010 by Allan and Tessa English, through the donation of half of their family's shareholding in Silver Chef Limited, the which Allan founded in 1986. Silver Chef was an ASX listed B Corp accredited company with the core businesses of equipment funding for the hospitality industry in Australia, New Zealand and Canada. The strong personal values of Allan and the English family guide the principals of the English Family Foundation.

Our mission is to support transformational change in our world through the growth and development of social entrepreneurs and social businesses.

We seek to support social entrepreneurs driving high-impact initiatives in Australia and the South East Asia region. Our particular focus is on supporting the underlying ecosystem to enable social entrepreneurs to thrive.

We focus on strong leaders and believe that now more than ever a thriving social enterprise sector will be an important market-based driver of a new economy that is more just, inclusive and sustainable.