

RESPONSE TO THE 2023 INQUIRY INTO PHILANTHROPY DRAFT REPORT

8 FEBRUARY 2024

OVERVIEW

The Group of Eight Advancement Network (GAN) extends its appreciation to the Productivity Commission for its diligent consultation and preparation of the Draft Report, *'Future Foundations for Giving'*. The Inquiry has presented a rare opportunity to engage in robust discussion across the philanthropic sector, conduct thorough, multi-disciplinary analysis, and to take bold, decisive action that could meaningfully transform Australia's philanthropic landscape in advance of - and well beyond - 2030.

Acknowledging the many valuable recommendations presented in the report, we encourage the Commission to advance transformative reform, beyond the proposed 'house-keeping', regulatory, data gathering and compliance-based changes. The recommendation to remove DGR status for most school building funds and religious education activities was disappointing to many across the education sector. Aligning with the broader position of our sector and associated bodies, we strongly urge the Commission to revisit this draft recommendation in acknowledgement of the critical role that schools, religious education, and the broader education sector play in directly supporting the wellbeing and prosperity of the community, as well as fostering a culture of generosity in current and future generations of Australians. The value of education cannot be disputed; it contributes to individual physical and mental well-being, fosters strong civic values and bonds within communities, and has the potential to decrease crime rates, demand for welfare resources, and in turn reduce demand on societal and government resources.

In 2021, more than \$1B in philanthropic support was committed to the higher education sector, \$771M of which was directed to teaching, research and enrichment at the Go8 universities¹. Such investment in higher education translates in to enormous public benefit for Australia. Deloitte concluded that Universities Australia's members contributed \$23.2B in direct value added in a single year, and employed more than 131,000 full time equivalent employees. Furthermore, Australian universities' ongoing operations were estimated to contribute at least \$7.7B in indirect value added to the Australian economy in the same year, supporting a further 55,300 full time jobs throughout the Australian economy². The Go8 universities contribute significantly to the Australian economy, contributing some \$66.4 billion in total economic impact each year³. The Go8 undertakes 70% of Australia's university research, with every \$1 of Go8 research income delivering \$10 in benefits to the community³. In 2022, the Go8 universities directly supported nearly 50,000 jobs, employing 40% of the sector's academic and professional staff³. Acknowledging the scale and impact of universities alone, the potential for the collective education sector to leverage, influence, and grow giving in Australia must remain in sharp focus as the Commission prepares its final report.

We welcome the Commission's willingness to consider reform of ancillary funds, as well as its focus on improving transparency and reporting as an important driver of trust in the philanthropic sector and a means of inspiring philanthropic investment in education and research. Australia's education sector holds enormous societal influence through students, staff, families, collaborators, and the wider community. Acknowledging the integral role that the education sector plays in advancing our society will be essential in effectively leveraging current opportunities to amplify the impact of giving in Australia.

This response aims to address a small – but in our view, crucial – number of interdependent themes and recommendations explored in the Inquiry Draft Report, with particular focus on opportunities to unlock capital, invest in sector professionalisation, and augment transparency and reporting. We are grateful for the opportunity to contribute to this Inquiry and eagerly anticipate a robust reform agenda as an outcome of the Productivity Commission's Final Report to Parliament.

This submission represents the collective views of the Group of Eight Advancement Network (GAN) comprising Jennifer Karlson (Vice-President, Advancement and Community Engagement, The University of Queensland), Briony Beaumont (Senior Manager, Advancement and Community Engagement, The University of Queensland), Nick Blinco (Vice-President, Advancement, Communications & Marketing, The University of Melbourne), Joanna Watts (Executive Director, Advancement, The University of Melbourne), Alex Furman (Vice-President, Advancement, Australian National University), Fiona Allan (Chief Advancement Officer, University of Western Australia), Liz Hawkins (Executive Director of Advancement, University of Adelaide), Rossie Ogilvie (Vice-President Advancement, The University of Sydney), Anita Secerov (Executive Manager, The University of Sydney), Susanne Williamson (Chief Philanthropy Officer, Monash University), Lindsay Robinson (Chief Development Officer, University of New South Wales), as well as Brian Flahaven, Vice President, Strategic Partnerships at Council for Advancement and Support of Education (CASE), and Philip Chindamo, Chief Economist at Group of Eight. Questions regarding this submission are welcome via Jennifer Karlson at vp@pace@uq.edu.au.

Response to Information Requests 8.4 and 8.5 regarding superannuation bequests and living legacy trusts

- Providing Australians with more accessible means to bequeath superannuation fund balances would have a material effect on growing overall levels of philanthropic giving in the coming decades, potentially yielding an additional \$4.8B to \$21.9B by 2060⁴, resulting in both an increase in capital flow to charities *and* a corresponding increase in government revenue. We request that the Commission seize the opportunity arising from Treasury's current review of superannuation and its role in retirement to earnestly consider opportunities to simplify the superannuation bequest process and explore other forms of structured giving.
- We recommend that the Government undertake consultation with superannuation funds and members to establish the mechanisms and governance required to facilitate implementation of this transformative reform. This may include - for example - integrating philanthropic giving as an option in standard lapsing and non-lapsing binding death benefit nomination forms, presenting superannuation bequests as a viable, voluntary option at opportune points throughout an individual's lifetime (such as when first establishing a superannuation account and in the years approaching retirement), and ensuring that risk-mitigating safeguards are proportionate to the overall opportunity at hand and anticipated benefits to society. This should be done in collaboration with experts from the philanthropic and legal sectors, as well as donor representative bodies (such as the Council of the Ageing) to proactively address potential implementation challenges.
- Most Australians are conservative in spending their superannuation during retirement, leaving approximately 90% of their superannuation assets unspent upon passing. This represents a major opportunity to unlock significant capital.
- Current policies discourage direct bequests from Australians' remaining superannuation to charities upon their passing. Known disincentives include not only the 17% tax on superannuation bequests, but also the added time, cost, and complexity arising from the involvement of intermediaries such as superannuation fund trustees and legal professionals.
- In the USA, individuals aged over 70.5 years can contribute up to \$100K per annum from their retirement account (IRA) directly to a charity, and receive a tax benefit. This is known as a qualified charitable distribution, and is done through a simple nomination form. Examples that may be adapted to the Australian context can be accessed [here](#). Such alternatives would serve to complement, rather than compete with or undermine the fundamental purpose of superannuation in Australia, and acknowledges the importance placed on philanthropic giving by retirees with capacity to do so, and the enrichment their philanthropy brings to their own lives and to others.
- It is acknowledged that the Commission has undertaken considerable analysis of the short and long-term effects of foregone revenue, and may consider reforms to tax on superannuation bequests unviable at this time.
- Notwithstanding this, we know that giving is inspired by far more than tax incentives. 93% of donors give due to their belief that philanthropy can make a real and lasting difference, and 74% give with the hope of inspiring others to do the same⁵. The Federal Government's intent to explore greater drawdown and utilisation of superannuation benefits during retirement⁶ could well encourage greater allocation of funds toward philanthropy to charitable organisations while living, deepening affinity with these organisations / causes, and inspiring an intention to leave superannuation bequests to charity.
- While only briefly addressed in the Draft Report, living legacy trusts provide a powerful opportunity to unlock under-utilised sources of capital. Similar approaches are already successfully applied in the USA via a variety of planning giving vehicles, for example Charitable Remainder Unitrusts, Charitable Remainder Annuity Trusts, and Charitable Lead Trusts. Definitions, sample governing documents, and details on tax treatments of living legacy trusts are accessible [here](#).

Response to Draft Recommendation 8.1 and Information Request 8.1 regarding Public or Private Ancillary Funds

- We support Draft Recommendation 8.1 to amend PAF and PuAF guidelines to enable smoothing of the minimum distribution rate over a period of up to three years, yet we continue to strongly advocate for an increase to the minimum distribution rates, even if a modest 1% or less.
- Acknowledging that greater flexibility would likely be welcomed by trustees, the size and anticipated growth of PAFs and PuAFs in Australia present a clear opportunity to make meaningful progress toward doubling philanthropic giving by 2030 by increasing the amount of capital directed to philanthropic causes.
- Smoothing – and indeed increasing – distribution rates would also likely enable and encourage more strategic philanthropic partnerships. This could result in more impactful and sustained support for multi-year causes or projects, for example teaching, student enrichment, research, and innovation, which each play an essential role in the advancement of our society.

Response to Information Request 4.2 regarding matched giving initiatives

- We recommend that the Federal Government pilot and analyse the impact of matched giving initiatives in the Australian context. With the proposed removal of DGR status from many schools, a matched giving initiative with a particular focus on education and related social welfare outcomes would likely be warmly welcomed by the broader education sector, and provide a means to tangibly demonstrate the value placed on Australia's education system.

- This would build upon a key recommendation from the 2008 Bradley Review of Higher Education, which describes the powerful role that the Australian Government could directly play in growing philanthropy through a matched giving program, specifically by providing funds to match new philanthropic donations received in the sector and in turn stimulating an additional revenue stream from this source (with the cost capped per institution, and in total at \$200 million over three years). Full details of the review and recommendation # 39 are available [here](#).
- While not explored in depth in the Inquiry Draft Report, matched giving initiatives present an under-utilised opportunity to inspire philanthropic giving, particularly toward large-scale, transformative philanthropic educational access and research initiatives related to Australia’s greatest challenges and opportunities, which require long-term investment at levels that may otherwise be prohibitive for individual donors, organisations, and governments – due to the often short-term and cyclical nature of government grant programs. We are not convinced by the Productivity Commission draft report econometric analysis (within appendix B) on the determinants of donations and associated “price” and income elasticities given the relatively low (in some cases negative) explanatory power of those estimates.
- Beyond any consideration of personal tax incentives, matched giving initiatives provide visibility and credibility for worthy causes, inspire greater participation, create synergies among funds, talent, networks, and infrastructure. Just as importantly, they create a shared sense of contribution and ‘value for money’ that fosters a strong culture of giving.
- Research in the UK has shown that 84% of individuals surveyed were more likely to give to a charity appeal because of the matching offered, and that matched initiatives raised between 2.5-3 times more funds than non-matched. Furthermore, 45.5% of donors who gave larger gifts had almost doubled the size of those gift due the matched funding opportunity⁷. An analysis of various case studies from the UK are available [here](#), in addition to the numerous detailed examples of matched giving initiatives in the UK, USA and Singapore as outlined in the Council for the Advancement and Support of Education initial submission to the Inquiry in May 2023.
- Another strong case study for matched giving can be seen in Massachusetts, where the Government’s Public Higher Education Endowment Incentive Program was established in 1996. Between ‘97-’07, the \$54M provided by the scheme helped leverage another \$100M from donors, which comprises more than \$275M of the University of Massachusetts endowment today. This fueled the establishment of more than 70 endowed professorships and chairs, and numerous scholarships. The scheme continues today, providing \$1 for every \$2 pledged by donors, to a total of \$25M⁸. Detailed guidelines relating to this scheme are available [here](#).
- As distinct from the income tax benefit model underpinning the Gift Aid program, the UK Government’s ‘Matched Funding Scheme’ to support higher education institutions (2008-2011) provides a powerful example of how traditional 1:1 or tiered matched giving initiatives support the growth of the charitable sector, particularly when aligned with Government priorities – for example economic growth, sovereign capability, or research and innovation goals outlined in the Australian Universities Accord.

2 – INVEST IN PROFESSIONALISATION OF PHILANTHROPIC SECTOR

Response to Information Request 10.2 regarding accessing professional advice on philanthropy

- We recommend that greater efforts be taken to ensure sufficient capacity and capability is built in to the Australian workforce in order to meet the demands of increased capital flow that will result from growing and sustaining new levels of philanthropic giving beyond 2030.
- We welcomed the Commission’s observation that professional associations could enhance the quality and availability of professional advice on philanthropy by helping members access relevant information and training.
- While the CFRE accreditation cited in the Inquiry Draft Report primarily aims to develop the skills of fundraising professionals⁹, there remains a clear gap in fit-for-purpose training and resources for advisors such as wealth managers, financial planners, accountants and lawyers, particularly in addressing advisors’ lack of capacity and / or willingness to advise on and encourage appropriate opportunities for philanthropic giving¹⁰ both throughout the working and retirement phases of life. This echoes challenges recently identified by Treasury⁵, whereby a lack of advice, guidance, low financial literacy, and inherent complexity makes it hard for individuals to make well-informed choices about their retirement investments, spending, and longer-term strategies.
- There are many existing – if potentially disjointed – efforts to provide resources and guidance to fundraisers and professional advisors to advise on philanthropy. These range from the Federal Government’s Creative Partnerships Australia, who provide advice and resources on fundraising and partnerships for artists and arts organisations¹¹, to formal guides to the Australian Consumer Law developed by Australia’s consumer protection agencies to help businesses and legal practitioners understand their responsibilities under the law with respect to fundraising¹². There is merit in identifying and harmonising key sources of such information across government and peak bodies, particularly in advance of implementing broader reforms arising from this Inquiry.
- As an initial step, we recommend that the ACNC leverage its prominent role as regulator and make an impactful contribution by:
 - Expanding its published existing guidance and tools¹³ by pooling both general and industry/function-specific resources, thereby reducing duplication (particularly across the public sector);

- Connecting and championing efforts by key agencies (e.g. ACNC, ATO, Treasury, DJAG and Services Australia's Financial Information Service) and peak bodies / professional associations (e.g. Philanthropy Australia, The Law Council of Australia, CPA Australia, and AICD) to jointly develop industry/function-specific guidance for the professions, thereby creating economies of scale and ensuring greater consistency in the quality of content;
- Encouraging (albeit not mandating) embedding of resources into professional association education programs;
- Leveraging networks with professional associations and peak bodies on an ongoing basis to more deeply understand and address perceived barriers and potential incentives to increase advisors' capacity and willingness to advise on opportunities for philanthropic giving; and
- Facilitating and celebrating cross-sector knowledge-sharing through existing ACNC channels and networks¹⁴.
- A relatively simple and low-cost initiative such as this could have wide-reaching and significant impact on the overall professionalisation of the sector, and in turn drive overall growth in philanthropic giving.

3 – AUGMENT TRANSPARENCY AND REPORTING

Response to Draft Recommendations 9.1-9.4 and 7.2 regarding public information about charities and giving

- We support the Commission's suggestion that more value be gleaned from the data collected about charities by improving the ACNC charity register, and collecting and publishing additional data on ancillary funds, corporate giving, volunteering and charitable bequests, while maintaining a balanced approach to reporting and related administration
- Greater transparency and analysis of data will provide deeper understanding of philanthropy in Australia and in turn directly inform the design of programs and initiatives across the philanthropic sector.
- Provided sufficiently robust governance is in place, publishing information about actual or potential non-compliance would likely elevate standards of professional practice across the sector, and increase awareness of those standards.
- Importantly, charitable organisations demonstrating the highest standards should also be visibly celebrated, further reinforcing and positioning Australia's charitable sector as a worthy and impactful destination for giving. Combined, efforts to increase transparency, accountability, and trust stand to amplify the impact of all other efforts to double giving by 2030.

APPENDIX 1 - REFERENCES

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