

5 Feb 2024

To the members of the Productivity Commission:

I write to you to add Fremantle Foundation's (FF) voice to a vital conversation. We welcome the Productivity Commission's (PC) draft report, Future Foundations for Giving, we applaud its rigour, and we recognise the scope of investigation and care taken in delivering the PC's initial findings and recommendations.

In addition, FF would like to acknowledge the excellent, detailed submissions from Philanthropy Australia (PA) and Community Foundations Australia (CFA), notably:

- *"Philanthropy Australia Supplementary Submission: Is there a role for Government in supporting a National Giving Campaign?"* 19 July 2023
- *"The opportunity to grow Australia's community foundation network: A strategic roadmap"* July 2023

We have also had the chance to review a draft submission from PA, which is due for submission soon.

It is the position of FF that we wholly endorse all recommendations within the PA and CFA responses.

In addition, we would also like to offer the following insights from a Community Foundation perspective.

The PC has recommended 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

It is heartening to see the vital work of Community Foundations acknowledged through this recommendation. However, I would note that there are no suggested new reforms that would grow Community Foundations' networks and/or capacity within the draft report.

As the PC has dedicated so much time and resources to collecting submissions from Community Foundations and CFA itself, it seems reasonable to suggest that these submissions be reviewed in detail, with a view to identifying potential strategies that would strengthen and grow Australia's Community Foundation network.

We would strongly urge the PC to also consider the strategic roadmap put forth by CFA and PA in *"The opportunity to grow Australia's community foundation network: A strategic roadmap"*.

If key strategies can be identified that are predicted to be effective and achievable, it will not only form the starting point for discussions moving forward, but also save considerable time and resources.

Community Foundations need support now, to secure our capacity to grow and sustain community giving initiatives and outcomes.

Whilst the business models for Community Foundations across Australia may differ slightly, most rely on the income from donor fees for corpus management and granting services to deliver their operations. If a Community Foundation has only a relatively small corpus ranging from \$500,000 - \$10m, the extent of work required to build and promote more giving, facilitate granting and outcomes, and measure impact is diminished or not possible without external financial support. Foundations like the Fremantle Foundation are currently reliant on capacity funding, which may come from a few generous donors who understand the impact of a Community Foundation on

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inspiring more giving and reaching community needs that would not otherwise be funded. In addition, skilled volunteers contribute their time in governance and acquisition to support paid staff and extend the impact delivered. In 2023, Fremantle Foundation granted \$1m to local needs across Fremantle and Western Australia, however this is not sustainable without additional cash support for operations.

We acknowledge and thank the government for the recent positive change in legislation enabling DGR 1 status for Community Foundations, which has been an impediment to some donors who understand the need for capacity-building but also seek tax deductibility. However, this alone is not enough intervention to sustain the work required by Community Foundations to adequately contribute to government's goal to double giving and deliver its desired outcomes.

Government investment in the capacity-building of Community Foundations will translate into measurable cost benefits as the corpus of our entities grow and the fee-based revenue model can support operations. Less reliance on government funds for place based and niche not-for-profit agencies tackling challenging social and environmental issues will be the result.

Community Foundations know their local communities; they understand where the gaps in funding are, and they have strong relationships with place-based charities delivering services on the ground to our most vulnerable and disadvantaged. They are an effective way to shift excess wealth from those who have it to those who need it the most.

In 2016, the largest 10% of charities in Australia received 94% of all donations. The Community Foundation model focuses on place-based charities, ensuring that donations and grants are not eroded through large overheads and grant processes are not mired in red tape and administration.

Community Foundations are agile, knowledgeable, effective, and efficient.

They are established, managed, and governed by local people. They are able to accurately and effectively identify challenges on a local level and harness previously untapped local capacity and leadership by giving their communities a voice, and by giving leaders within that community agency to make decisions in critical matters that make a difference. The people closest to the issues are also closest to the solutions.

Fremantle Foundation's WA Relief and Recovery Fund is an excellent example of community-led, co-designed, agile, effective granting within the Community Foundation structure.

WA RELIEF AND RECOVERY FUND

Fremantle Foundation established the WA Relief and Recovery Fund (WARRF) in early 2020 in response to the COVID-19 pandemic and subsequent crises, including the Woorloo bushfires 2021 in the Perth outer metropolitan area and Fitzroy River floods 2023 in WA's Kimberley region.

All funds raised through WARRF support non-profit, charitable organisations working in impacted communities by providing small to medium-sized grants to aid recovery and build resilience for the future.

Importantly, the fund provides a much-needed way for West Australians and philanthropic partners, such as the Paul Ramsay Foundation, to support our impacted communities following the pandemic and devastating natural disasters.

In early January 2023, Western Australia's Kimberley region was battered by ex-tropical cyclone Ellie, causing the Fitzroy River to rise to record high levels, devastating property, and vital infrastructure, leaving hundreds of

people homeless, and further isolating up to 40 vulnerable Indigenous communities who rely on services and medical assistance in Fitzroy Crossing.

In response, Sue Stepatschuk from the Fremantle Foundation and Kim Collard, highly regarded Indigenous leader and Chair/ Founder of The Bibbulmun Fund, in partnership with the Paul Ramsay Foundation, raised \$500,000 to support the Fitzroy River community.

Together, we co-designed a culturally appropriate project delivery and community engagement method that placed community input and knowledge at the forefront of the process. This included visiting Fitzroy River to meet and consult with community leaders, in person, to identify areas of need and where funding gaps existed.

This enabled a community led process to rise to the top; one that directly integrated community goals and objectives into the project.

WARRF is only one of many stories within our foundation, and only one of thousands of success stories from Community Foundations across Australia. Our sector has considerable momentum and there is real optimism and hope that we can create real, lasting change in an effective, measurable way. Thus far, there has been very little input or formalised support from government, with the vast majority of Community Foundation revenue coming from private and corporate donors.

Strategic Support for Community Foundations

From FF's perspective, there is a lot the government can assist with, to ensure a strong network of effective Community Foundations. Following on from earlier references, we offer the following strategies for consideration:

Bridging the Capacity Gap

For the vast majority of Community Foundations within Australia, there is a distinct gap between the service/granting fee revenue and the staffing/operational expenses.

Multi-year, operational support is crucial for those Community Foundations who have reached a level where they require extra staffing, but are not yet at a level where they can fund such positions through their fee structures alone. The step-change that comes with a bump in capacity is one that has been repeatedly observed throughout the sector. The Executive Director of a Community Foundation in Australia shared their organisation's experience as:

"Looking at our financials over time, there's a direct correlation between growth and staffing. The two times we've brought on a paid staff member, we've seen a noticeable jump in our donations and grant-making. The second staff member brought us to just over 1.5 FTE, and our growth from that moment was catalytic."

Multi-year, operational support will provide a foundation with more capacity to engage potential donors, growing the corpus to a level that provides all required operational funding through service/granting fees. Once a foundation has reached this point, they can become fully self-sustaining, with no further external operational support required.

Awareness Campaign

Raising awareness of Community Foundations and what they do is one of the biggest challenges we face. With such limited resources, it is difficult to effectively spread this information and engage new potential donors on a

large scale. The sector would benefit greatly from a national campaign, developed through CFA and co-funded with the Federal Government, that highlights the strengths of place-based giving and Community Foundations in general.

Strengthening the Peak Body

CFA will be an integral contributor to the development of an overarching Strategy to Strengthen and Grow Australia's Community Foundation Network. Newly appointed CEO, Ian Bird, brings with him an enormous amount of knowledge and a keen understanding of how this sector can play a stronger role as part of critical, local social infrastructure in communities across Australia.

With appropriate financial support, CFA will be able to more effectively work with government on the roll out of this package of reforms and support the network – particularly new foundations – to achieve sustainable growth.

Time-limited matched funding to create twenty new community foundations

Currently, only 60% of Australians have access to a local Community Foundation. Providing matched funding "challenge grants" to twenty new Community Foundations will allow the rapid establishment and growth of foundations in regions that have previously had no access to community funds.

Streamlined access to DGR 1 for any new Community Foundations

The Government's current work to provide access to DGR 1 for existing Community Foundations needs to be expedited. This is landmark legislation that is well overdue for implementation. Government should also ensure streamlined access is provided to new foundations in the future.

Establish a mechanism for Community Foundations to access unclaimed charitable moneys

A dollar spent by a Community Foundation goes a long way. If unclaimed charitable moneys could be accessed by this sector, it would have a greater effect than if it were to be absorbed into a government structure.

Superannuation Bequests

The recommendation of the PC to allow people to bequest through their super arrangements is welcomed by FF.

We acknowledge many of the already identified benefits of this change, including:

- Bequests are a particularly cost-effective means of charitable giving because donors do not receive a tax break in return for their bequest.
- Money bequeathed through super is taxed at up to 17 cents in the dollar. Where such bequests partially displaced funds otherwise to be distributed to non-adult dependents (which are tax free), they would create a helpful addition to net government revenue.

It is our position that bequests through superannuation have the potential to address a critical risk of inequity – the unprecedented transfer of intergenerational wealth simply passed down to dependents. Bequests through superannuation could allow the transfer of significant funds from the those who inhabit the top end of wealth in Australia, to those in greatest need.

FF also agrees that non-lapsing death benefit nominations should be employed with superannuation bequests, mirroring the framework commonly employed in wills. This will significantly reduce the burden of administration,

simplify the bequest process, and give trustees a level of certainty that their money is going where they want it to upon their passing.

A Voluntary Choice to Donate as Part of the Tax Return Process

FF endorses PA's recommendation that Australian citizens are prompted to consider giving part or all of their tax return to charity, as part of the tax return process.

Today's generation is greatly influenced by celebrity; by those who have amassed great wealth and influence, but do not make a habit of promoting the power of giving. Australia needs to shift our culture of giving, and this is one simple way to provide a gentle reminder; there are people in our communities who are in real need of help.

Over time, this gentle prompt would become part of our tax process. Any backlash would be short-lived, as it becomes the new norm. One extra small step in the tax return process, but one that could have a profound effect for generations to come.

Research into behaviour has shown that people are more inclined to give away something they haven't yet received than give away something they already possess. For those of significant wealth, a generous tax return could be perceived in this light.

We would also recommend that an option to donate to a local Community Foundation be included as one of the choices. Community Foundations can help direct donations where they will have the most effect, helping answer the question:

"For financial donations, how do we know where it's going? How do we know how it's helping?"

This is an incredibly important time for philanthropy in Australia. The potential opportunities these recommendations could enable are limitless. It is vital that the voices of those involved on the ground are heard.

I am available for further comment any time, via phone or email.

Regards,

Stu MacLeod
Executive Officer

Fremantle Foundation

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