



18 November 2019

Committee Secretary

Select Committee on Regional Australia

PO Box 6021

Parliament House

Canberra ACT 2600

via email to: regional.reps@aph.gov.au

Dear Sir / Madam:

Please find enclosed a short submission on behalf of Australia's regionally based Community Foundations for consideration by the Select Committee on Regional Australia.

Australian Community Philanthropy (ACP) is the peak body for Community Foundations in this country.

The Select Committee's Chairman Mr Tony Pasin MP, Member for Barker, is aware of the work of Community Foundations and their importance for community building and resilience especially in regional areas.

We commend the attached submission to the Committee. We would be pleased to provide any additional information that may be of interest and to respond to any questions. You can contact ACP at the address, phone number or email included below.

Thank you in advance for your interest.

Yours faithfully,

A black rectangular box redacting the signature of Ben Rodgers.

Ben Rodgers
Chair

A black rectangular box redacting the signature of Gerlinde Scholz.

Gerlinde Scholz
Executive Officer

Submission to Select Committee on Regional Australia

About this submission

This submission is made by Australian Community Philanthropy, the peak body representing Australia's Community Foundations, on behalf of Community Foundations based in regional Australia.

About Community Foundations

Community Foundations are community-owned and -managed philanthropic institutions that bring together people and resources to address local issues and support community development.

While there is no legal definition of Community Foundations and some entities that may be corporate or private foundations use the term 'community foundation' in their name (eg. RACV Community Foundation), a *bona fide* community foundation is an incorporated body with the following characteristics:

- 1 it is charitable;
- 2 it engages in community building activities and may also make grants, usually for a defined geographic region;
- 3 the directors and members are connected to the relevant geographic region;
- 4 it is able to support a broad range of charitable purposes; and
- 5 it is supported by a number of donors.¹

In Australia, four out of five Community Foundations operate in regional areas. They provide vital social infrastructure and social capital in their local communities.

Select Committee on Regional Australia – Terms of Reference

This submission refers specifically to the following items among the Select Committee's Terms of Reference:²

- d. Promoting private investment in regional centres and regional infrastructure;
- and
- l. Consider other measures to support the ongoing growth and sustainability of regional Australia.

¹ Herbert Smith Freehills, Constitution, Australian Community Philanthropy Ltd, p.14

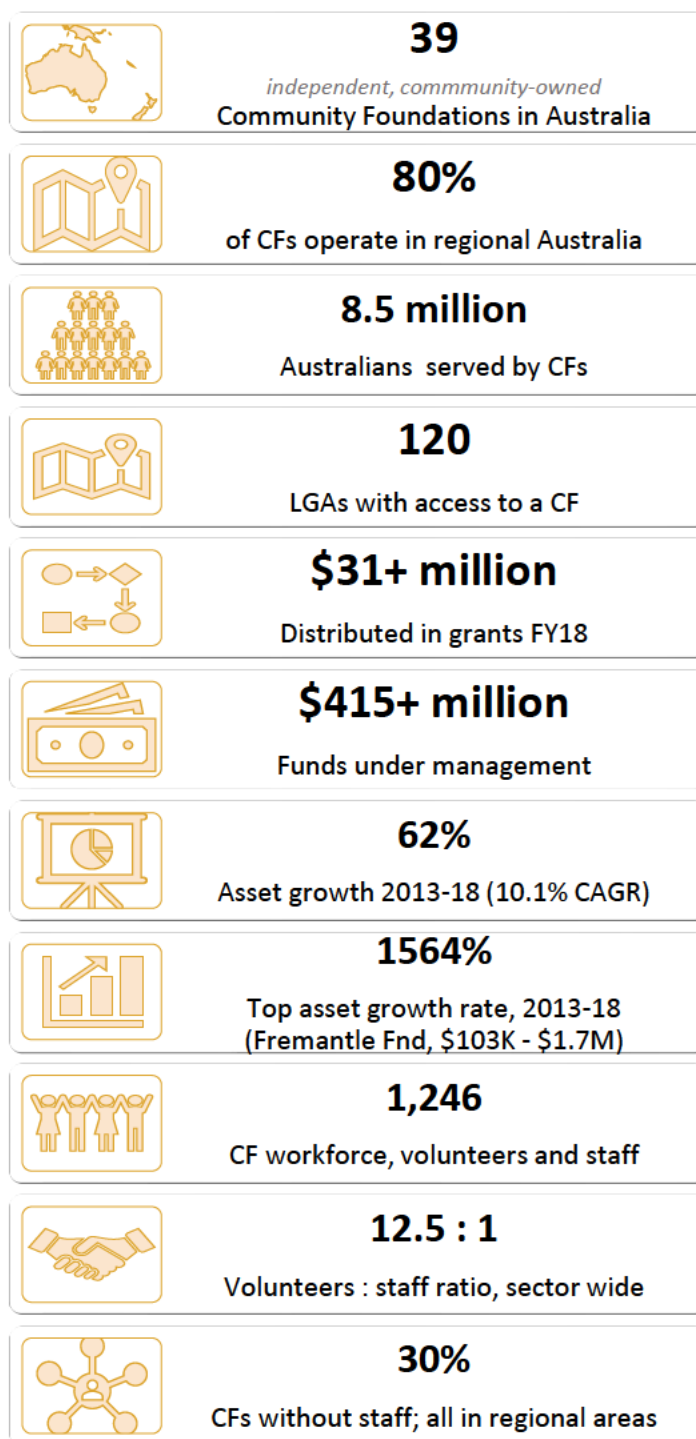
² https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Australia/RegionalAustralia/Terms_of_Reference

Community Foundations in regional Australia: facts and figures

- There are 39 *bona fide* Community Foundations in Australia.
- Community Foundations as a sector have over \$415 million in funds under management, representing assets contributed by their communities
- In FY17/18, Community Foundation grants to community organisations, groups and projects in their respective local areas totalled more than \$31 million.
- Cumulative grants over time from Community Foundations to their communities exceed \$300 million; the lions' share of that has been distributed in the past 15 years.
- Geographic distribution is uneven: 17 CFs are based in Victoria; 10 in NSW; 4 in South Australia; 3 each in WA and Queensland; 1 each in ACT and Tasmania.
- Community Foundations fund across 120+ local government areas (LGAs) serving a combined population of 8.5 million Australians
- 31 out of 39 (80%) Community Foundations are based in regional communities:

	Foundation name	Town / State / Postcode of registered address		
1	Albany Community Foundation	Albany	WA	6330
2	Border Trust	Albury	NSW	2640
3	Ballarat Foundation	Ballarat	VIC	3350
4	Northern Rivers Community Foundation	Ballina	NSW	2478
5	Mumbulla Foundation	Bega	NSW	2550
6	Community Foundation for Central Victoria	Bendigo	VIC	3550
7	Tomorrow Today Foundation	Benalla	VIC	3672
8	The Southern Highlands Foundation	Bowral	NSW	2576
9	MCRAAG Community Foundation	Broadford	VIC	3658
10	Foundation Broken Hill	Broken Hill	NSW	2880
11	Upper Murray Innovation Foundation	Corryong	VIC	3707
12	Buderim Foundation	Cotton Tree	Qld	4558
13	Denmark Community Foundation	Denmark	WA	6333
14	Red Earth Community Foundation	Durong	Qld	4610
15	Geelong Community Foundation	Geelong	VIC	3220
16	Give Where You Live Foundation	Geelong	VIC	3220
17	Kinglake Ranges Foundation	Kinglake	VIC	3736
18	Mackay Community Foundation	Mackay	QLD	4740
19	Marysville and Triangle Community Foundation	Marysville	VIC	3799
20	Mornington Peninsula Foundation	Melbourne	VIC	3000
21	Mirboo North & District Community Foundation	Mirboo North	VIC	3871
22	Glenorchy Community Fund	Moonah	TAS	7009
23	Stand Like Stone	Mount Gambier	SA	5291
24	Into Our Hands Community Foundation	Myrtleford	VIC	3689
25	Barossa Region Community Foundation	Nuriootpa	SA	5355
26	Eyre Peninsula Community Foundation	Port Lincoln	SA	5606
27	Community Foundation for Tumut Region	Tumut	VIC	2720
28	Fleurieu Community Foundation	Victor Harbour	SA	5211
29	Lake Macquarie Foundation	Warners Bay	NSW	2282
30	South West Community Foundation	Warrnambool	VIC	3280
31	Bass Coast Community Foundation	Wonthaggi	VIC	3995

Community Foundation sector snapshot



Data reflect status at 30 June 2018

Sources:

- ACP 2019 Community Foundation Census
- Additional information sourced from Community Foundations' Annual Information Statements published at www.acnc.gov.au
- Comparative data from 2014 ACP *Mapping the Community Foundation Sector* survey

Re.: Promoting private investment in regional centres and regional infrastructure

Private investment includes philanthropic investment.

Community Foundations are excellent partners for philanthropic or multi-sector partnerships for investment in regional Australia. A Community Foundation has in-depth knowledge about local community needs, strong local networks with key stakeholders and is a trusted intermediary to foster local community engagement in development projects. Leveraging this knowledge and connections can mean the difference between a successful investment or not.

However, the Deductible Gift Recipient (DGR) system as it currently applies to Community Foundations creates a significant barrier to effective partnerships with other trusts and foundations:

- Most Community Foundations in Australia operate as Public Ancillary Funds (PuAF), which have DGR2 status. As such, Community Foundations are unable to receive funds from other Public Ancillary or Private Ancillary Funds (PAFs). This constrains their ability to partner with private philanthropists for community initiatives.
- Private Ancillary Funds (PAFs) have become a popular structure for private giving. By 2016/17, there were more than 1,600 PAFs in all states and territories with combined assets in the order of \$8 billion.³ The PAF guidelines mandate that 5% of funds under management, or approximately \$400 million, be distributed each year to eligible charities. The DGR regime creates a structural impediment to accessing this important source of support for the benefit of regional communities.
- Australian Tax Office data highlights that most PAFs are registered in capital cities, often disconnected from grassroots community activity. Community Foundations are able to offer deep local knowledge and networks to connect philanthropic resources to local community priorities, helping to move investment and capital from the cities to the regions. To play this essential bridging role, they need DGR1 status. A change to the DGR rules to allow Community Foundations to contribute in this way will enable more strategic philanthropy to reach regional, rural and remote communities where it is much needed.
- Experience in the US, where Community Foundations receive substantial funds from the major private foundations to tackle issues in their local areas like homelessness, mental health, family violence or educational disadvantage shows that such cooperation helps to 'grow the pie' of philanthropic funding that reaches grassroots needs effectively.
- DGR2 status is not only problematic for receiving funds from private philanthropists wishing to invest in regional areas. It also creates difficulties for grant-making. As DGR2 entities, Community Foundations are allowed to distribute funds only to charities that have DGR1 endorsement. However, very few DGR1 charities operate in rural and regional communities while conversely, many local charitable organisations that have wide public benefit including sports clubs, schools,

³ JBWere 'Support Report', 2018, pp15-16

homework clubs for disadvantaged students, or mobile laundry services for the homeless, do not have DGR1 endorsement. To support such worth-while local initiatives, Community Foundations have to work through intermediaries. One of these intermediaries is the Foundation for Rural and Regional Renewal (FRRR), which has been a valuable partner and proactive supporter of Community Foundations since its establishment in 2000. Similar mechanisms exist in other domains; for example the Australian Cultural Fund and Australian Sports Foundation allow culture and sports projects to receive tax- deductible charitable contributions.

- Most regional Community Foundations (and also Australian Community Philanthropy) have donations accounts with FRRR that provide a practical solution for working around current DGR restrictions, and we value our partnerships with FRRR. Nonetheless, working around a regulatory system that is not enabling incurs administrative overhead for Community Foundations that often have very limited administrative resources. (NB: 30% of CFs are entirely volunteer-led and have no staff; a further 25% have only one part-time staff member. The majority of these are regional foundations.) If the DGR restrictions were removed, it would free up Community Foundations and FRRR to collaborate and partner in more value-adding ways for the benefit of regional communities.

Recommendation

On behalf of Australia's regional Community Foundations, we seek support from the Select Committee on Regional Australia for making DGR1 endorsement available to Community Foundations to enable them to attract increasing private philanthropic investment to their local regions and communities, and to cut red tape and increase operational efficiency of grant-making in regional Australia.

Re.: Consider other measures to support the ongoing growth and sustainability of regional Australia

The concept of Community Foundations is more than 100 years old. The Cleveland Foundation in Ohio, USA was the first known community foundation, established in 1914. Today, there are over 1,800 Community Foundations throughout the world.

Community Foundations are growing most rapidly in areas where people feel marginalised by global economic forces and wish to (re)build and strengthen civil society, having a say and participating actively in the development of the place they call home. Based on self-help, reciprocity, social cohesion and interdependence, the community foundation idea has a natural affinity with traditional liberal values. In Western democracies including the USA, Canada, the UK, Germany and Australia where the community foundation model has gained currency, these foundations are mainly found in regional communities outside capital cities. Community Foundations offer a social infrastructure model tailor-made for community engagement and development to build regional sustainability.

A strong network of Community Foundations will be an invaluable asset for connecting regional communities around Australia to resources, investment, capacity building and sustainability. Governments at all levels can help support the continuous strengthening, development and expansion of this network. A strong Community Foundations network is a resource and enabler to help improve outcomes on the ground from public, private and philanthropic funding directed to regional areas.

In Australia, Community Foundations are still an emerging sector. Some 90% (35 / 39) of these foundations (94% for regional CFs – 29/31) have been established since 2000 and are thus less than 20 years old. Data from overseas and from Australia's oldest CFs shows that community foundations require on average 25-35 years to mature to a point where they reach a self-sustaining 'virtuous cycle of growth'. The large majority of Australia's Community Foundations, especially in regional areas, are still building their capacity and momentum for growth. There is compelling evidence that an infrastructure support ecosystem can accelerate this development and assist Community Foundations get further faster.

The Foundation for Rural and Regional Renewal (FRRR), established in 2000 as a partnership between philanthropy and the Federal Government, has been a vital part of that support infrastructure system. FRRR has been a strong proponent of the community foundation sector. It has provided technical assistance, expert advice and resources to the sector and has through seed funding, matching and challenge grants supported the initiation and growth of a number of community foundations.

It is no accident that the majority of Community Foundations operating in Australia today were founded in the decade after 2000 with help from FRRR and others, including different levels of government, philanthropic supporters, Philanthropy Australia, and later Australian Community Philanthropy as the support organisation specifically dedicated to the community foundation sector.

There is compelling evidence from overseas, particularly from Canada and the UK, that a well resourced infrastructure support organisation is critical for the growth and success of Community Foundations.⁴

Governments across the country value and wish to support vibrant and sustainable communities in regional Australia. The presence of a vital and successful community foundation is a marker for a community being actively engaged in creating its own future, self-reliant and resilient in the face of adversity – whether in the form of drought, fire, or economic challenge.

While Australia's Community Foundation sector is proud that we are serving 8.5 million Australians across more than 120 Local Government Areas, there are still many locations – and people – that do not have access to their own community foundation.

We strongly believe that 'measures to support the ongoing growth and sustainability of regional Australia' should include

- investment in building the capacity of existing Community Foundations in regional Australia, and
- a commitment to assist the growth of new Community Foundations in places that would be able to support a Community Foundation but need a little help to get this off the ground.

This kind of support could be provided via ACP as a one-stop-shop for the sector, or directed at selected communities with ACP's help as expert support and coordinator.

ACP has identified, researched and quantified investments needed for a range of sector-wide capacity building projects, and support needed to help establish new Community Foundations in new LGAs. We would welcome an opportunity to discuss these with appropriate counterparts in Government.

Recommendation

On behalf of Australia's regional Community Foundations, and on behalf of communities that do not currently have access to a local Community Foundation, we seek support from the Select Committee on Regional Australia for starting a structured dialogue with appropriate counterparts about Government investment towards these goals.

⁴ WINGS-CF, *Unlocking philanthropy's potential. What funders can do to build strong philanthropy ecosystems*. 2018, p.3

About Australian Community Philanthropy

Australian Community Philanthropy (ACP) was established in 2007 by and for Community Foundation practitioners as a network and support organisation for this sector.

ACP is incorporated as a Company Limited by Guarantee and is registered as a charity with the ACNC. It is governed by a skills-based board of directors.

According to the objects in its Constitution, ACP exists to

1. build the capacity of Community Foundations in Australia
2. help create an optimal operating environment for the growth of Community Foundations in Australia
3. provide a focus point for the community foundation movement's interaction with external stakeholders
including government, donors, philanthropic sector peers, national and international organisations.

We stand ready to work with the Select Committee, its Chairman, Minister Seselja and other counterparts in Government, philanthropy and the private sector to progress the growth and capacity building of Community Foundations in Australia.

We thank the Members of the Select Committee on Regional Australia for your consideration of this submission.

Australian Community Philanthropy
Melbourne, November 2019