



FIA submission to the ACT Review of Philanthropy OCTOBER 2007



We exist to make the world a better place by advancing professional fundraising through:

- *advocacy of standards*
- *professional development pathway*
- *measurable credentials*

so that our members achieve best practice



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BACKGROUND

Fundraising Institute Australia

Fundraising Institute Australia (FIA), established in 1968, is the national peak body for fundraising in Australia. FIA is a company limited by guarantee. As a nonprofit body, FIA is recognised as a charitable institution. The Library Trust Fund, a Deductible Gift Recipient, is run wholly through FIA.

Membership

FIA has almost 1,600 members including almost 50 organisational members. Through our various programs, FIA engages with over five and a half thousand fundraisers, representing around two thousand nonprofit organisations.

Regulation and Legislation

FIA briefs state and federal governments on issues relating to fundraising regulation which is hampered by legislative inconsistencies that challenge efforts to fundraise nationally. FIA is pushing for greater clarity and consistency in regulation across Australia and seeking to encourage national harmonization of fundraising regulation. Governments and the sector are acutely aware of the importance of ensuring public confidence in fundraising.

Among recent projects FIA has worked on are *Giving Australia*¹, researching philanthropy, fundraising and the development capacity of the nonprofit sector (for the report see www.fia.org.au under Resources), the Experts Panel, Department of Victorian Communities on the regulatory environment of the nonprofit sector (2006), a governance/management tool kit for the fundraising sector in Queensland for the Queensland Government (2006-7) and member of the expert panel, Swinburne University of Technology on training and education in philanthropy and fundraising (2007).

FIA regularly makes submissions to governments on issues concerning legislation and regulation, privacy and harmonization of legislation.

FIA's Principles and Standards of Fundraising Practice

FIA's priority through to 2009 is to develop comprehensive standards of fundraising practice to:

- provide the Australian community with assurance of accountability for their gifts
- support the rights of donors who make gifts
- establish a code of conduct for fundraisers
- guide fundraisers in ethical and professional practice
- enhance self-regulation of the fundraising industry

In 2005 FIA commenced the process of overhauling its Codes of Ethics and Professional Conduct. A new set of Principles, incorporating the codes of ethics, professional conduct, acceptance and refusal of donations and complaints process

¹ *Giving Australia, Research on Philanthropy in Australia*, Australian Government Department of Family and Community Services, Canberra, October 2005. This project was led by The Australian Council of Social Services, with QUT's Centre of Philanthropy and Non-profit Studies, University of Technology, Sydney's Centre for Australian Community Organisations and Management, Fundraising Institute Australia Ltd, Roy Morgan Research PL and McNair Ingenuity Research PL.



has been adopted. Standards for best practice in different channels of fundraising are being developed and the first two in events fundraising and face to face fundraising have been released. Compliance with FIA's Principles and Standards of Fundraising Practice is mandatory for FIA members.

FIA is a member of the international consortium of twenty-four professional associations for fundraisers. The summit signed off on an International Code of Ethics for Fundraisers in 2006. FIA's work with the summit has been of significant value to the development of the project for FIA's codes of fundraising practice.

FIA and Philanthropy

FIA recognises the value of philanthropy to the development of social capital and the fabric of our society. The role of the fundraising industry, and our members in particular, is therefore of critical importance to the development of philanthropy.

Partnerships

FIA's Chief Executive Officer is a member (2005 – present) of the Code of Conduct Committee of the federally-funded Australian Council for International Development (ACFID).





Review of philanthropy in the ACT

(1) *Identify, analyse and report on philanthropy in the ACT, including:*

(a) *its nature and extent;*

Statistics: from Centre on Philanthropy and Nonprofit Studies, Queensland University of Technology 2004-2005 (QUT, 2006)

- ACT residents donated 0.38% of their income. This is above the national average of 0.346% of incomes. Taxpayers residing in the Australian Capital Territory have in recent years had the highest percentage of deductible donations as a percentage of their taxable income. However, New South Wales at 0.37% exceeded the ACT with 0.315% and Victoria closely followed with 0.31%.
- They make the 2nd highest average tax deductible donations to DGRs of \$396.67 (2nd after NSW)
- 44% of total taxpayers in the Australian Capital Territory made and claimed tax-deductible donations to DGRs in 2004.

(b) *influencing factors;*

FIA is not aware of any research on factors peculiar to ACT that influence giving by those living in ACT or those giving to ACT-based institutions. However, the location of a large number of national institutions, including national collecting institutions and national peak bodies, as well as the Federal Government, could be a factor in encouraging donations from a large number of philanthropists living outside ACT.

Arising from the data of the *Giving Australia* research which showed the need for professional fundraising to address issues of accountability, professional conduct etc. FIA commenced an overhaul of its codes which have been rewritten to include codes of:

- Ethics
- Professional Conduct
- Acceptance and Refusal of Donations
- Fundraisers Promise to Donors
- Complaints Process

For FIA's Principles and Standards of Fundraising Practice see http://www.fia.org.au/AM/Template.cfm?Section=Principles_of_Fundraising_Practice&Template=/CM/HTMLDisplay.cfm&ContentID=3590

(c) *principal recipients, including local, national and international beneficiaries;*

FIA does not have this data. However research on national data shows





that the major DGR recipients are education, welfare and cultural organisations.

- (d) *characteristics of philanthropic contributors;*
This question is thoroughly explored in *Giving Australia* at Chapter 5, research funded through the Australian Government (published 2005) http://www.fia.org.au/Content/NavigationMenu/IndustryLinks/Research/GIVING_AUSTRALIA_SUMMARY-2005.pdf

- (e) *trends in philanthropic giving.*
The actual total tax-deductible donations made by Australian taxpayers is far exceeding the inflation-adjusted total tax-deductible donation as measured by the CPI (QUT, 2006).

- (2) *Estimate the contribution of philanthropy to the operation of charities, non-profit organisations and other community benefit organisations in the ACT.*

Data not available to FIA.

- (3) *Identify impediments to philanthropy in the ACT.*

From its research FIA is not aware of peculiar ACT impediments. However the size of ACT's population may impact on the level of philanthropy [see note below 6 (a) and (b)].

- (4) *Assess the adequacy of locally-directed philanthropy in the ACT in terms of supporting a vibrant, diverse and sustainable non-profit and charitable sector in the Territory, and determine the extent to which ACT philanthropic contributions are directed to non-ACT beneficiaries.*

International trends have shown that as taxes (federal and/or state) decrease, there is less income distributed to fund organisations addressing community needs. Accordingly there is a greater reliance on charities and nonprofit organisations. The ACT Government could commission research to explore the extent of government funding, and to address the question of 'adequacy' of philanthropic contributions.

- (5) *Examine models and practice in other Australian jurisdictions relating to government support for philanthropy (excluding direct financial contributions to philanthropic organisations).*

Other State Governments are reviewing legislation relating to the nonprofit sector and fundraising regulation with a view to reducing red tape and enhancing effectiveness and efficiency of fundraising. In particular we would





refer you to recent FIA's submissions to the Victorian Government, covering issues such as:

- Enhancing public trust and confidence
- Enhancing accountability and increasing transparency in the use of donated funds
- Ensuring that fundraising is undertaken in adherence to FIA's Principles and Standards of Fundraising Practice

- (6) *Recommend options that could be pursued by the ACT Government to:*
- raise awareness of philanthropic giving opportunities; and*
 - encourage growth in philanthropy in the ACT.*

Recent research on successful strategies to increase philanthropy in Vermont USA (Dr Emily Morrow, reported 18 October 2007) has shown that there are four major factors that impact on the development of philanthropic giving. Vermont is a small state of 600,000 people with its largest city with 100,000 residents. The findings from Vermont could therefore be applicable to the ACT.

- Economic environment: currently this has enhanced personal individual net worth, meaning that there is more wealth for distribution
- Taxation: changes to taxation that enhance giving from appreciated assets, such as shares in order to eliminate the burden of capital gains tax for both the philanthropist and the recipient charity
- Enhancing social capital by:
 - assisting collation of data on ACT-based philanthropic foundations, including Prescribed Private Funds, and ACT-based charities;
 - encouraging philanthropists in ACT to be public about their philanthropy in order to encourage others to follow their lead;
 - encouraging core funding as against project funding in order to enhance the effectiveness and efficiency of charities and nonprofit organisations;
 - developing an advocacy campaign (advertisements; bill boards) citing the importance and quantum of philanthropic giving in the ACT;
 - lowering the legal standards of care for the due diligence obligations of directors differing between odd neglect and wilful or intentional behaviour (the reduced liability encourages higher net worth individuals and senior corporates to become more involved with the charitable sector)
 - ensuring that all board members see their obligation to be donors to the charities they work with;
 - fundraising in neighbourhoods or suburbs, not cities or territory-wide.
- Strategic decisions made by charities on the basis that 'A rising tide floats all boats' by
 - working together to build philanthropy in the ACT;





- ensuring CEOs of charities spend most of their time engaging with high net worth individuals;
- building high levels of communication between board and senior management:
- constantly reviewing direction so that the charity does not drift from mission
- building models and evaluating so that successful strategies can be widely adopted.

The nonprofit sector

Australia's nonprofit sector consists of a wide spectrum of organisations addressing societal needs. Nonprofit organisations are the major providers of community services, sport and the representation of collective interests. They are significant providers of education and health services, arts and culture and hospitality services. They are the exclusive providers of religious services. This is a representation much broader than the traditional charitable organisations.

Research undertaken by Professor Mark Lyons (University of Technology, Sydney) has shown there are as many as 700,000 nonprofit organisations, approximately half of which are incorporated as separate legal entities.² About 35,000 organisations employ over 600,000 paid staff and involve over 4 million volunteers. These organisations contribute about 3.3% to GDP (4.7% when the value of volunteer labour is included) and account for 6.8% of total employment).³

Fundraising is a key activity of the nonprofit sector. Australian giving as measured through the *Giving Australia* project is estimated at \$11 billion dollars per annum. The giving of money, goods and services to nonprofit organisations by individuals and business estimated by this research comprises \$7.7 billion by individuals donated by 13.4 million people, 87% of adult Australians and \$3.3 billion from 525,900 businesses, 67% of all businesses.

Taken together, the financial and voluntary labour contributions of Australians to the sector – Lyons estimates that approximately 65 per cent of Australians belong to at least one nonprofit organisation and about 40 per cent describe themselves as active members – provide clear indications that the nonprofit sector impacts on Australians in every walk of life.

² Lyons, M (2001) *Third Sector: The contribution of nonprofit and cooperative enterprises in Australia* (Sydney: Allen and Unwin, 2001).

³ Woodward, S and Marshall, S (2004) *A better framework – reforming not-for-profit regulation*, University of Melbourne: Centre for Corporate Law and Securities Regulation.

