



RESPONSE BY
COMMUNITY FOUNDATION FOR BENDIGO AND CENTRAL
VICTORIA LTD
TO PROPOSED CHANGES FOR MANAGING
PUBLIC ANCILLARY FUNDS

December 2010

Submitted by:
Community Foundation for Bendigo and Central Victoria Ltd also Trustee for The
Community Foundation for Bendigo and Central Victoria (The Trust)

The Community Foundation for Bendigo and Central Victoria Ltd makes the following observations and comments

- We propose that the current Public Ancillary Fund structure has the flexibility to be utilised by a wide range of different organisations for different purposes. We are concerned to note in the discussion paper that it is expected that the guidelines for public ancillary funds will take similar form to the *Private Ancillary Fund Guidelines 2009*. Whilst the two structures share a common purpose, and some operational guidelines that might well suit both structures, we note that there are real differences that make many of the guidelines impractical, of little relevance and in some cases counter-productive
- It is not clear as to why Treasury is proposing such changes. It would appear that there is little understanding of how, nor confidence in the regulatory framework that already exists regarding how Public Ancillary Funds operate in a Community Foundation environment.
- We suggest that Public Ancillary Funds are already regulated through application, registration and annual reporting as per State based laws re fund raising and grant making including the supply of names of organisations that have received grants and the value of these grants.
- The Trustee of our Trust is a Company limited by guarantee and we already file an annual return to ASIC.

Community Foundations, which use the public ancillary fund structure, have an important and particular community role and purpose. The rules and framework which govern Community Foundations should support their mission and purpose, and should enhance their operation and function, which is significantly broader and more complex than PAFs.

To be successful, a public fund requires the support and confidence of the public who will make donations to it. In the case of Community Foundations, most donors are closely involved with their Community Foundation. The Community Foundation must be accountable and transparent to the community it serves. This is achieved by reports in the press of Foundation activities, provision of Newsletters to supporters as well as publishing a report and distribution of audited accounts on an annual basis.

Philanthropy is not just for the wealthy and effective giving is not just about money.

One of our key activities is to encourage people to start small, get involved, and as their financial capacity allows, to grow their charitable giving over time. Mandating a high level of annual distribution will negate this and will effectively leave philanthropy only for the wealthy. As has been seen over recent years, in some countries interest rates have been as low as 0 to 1% and of course capital values can at certain times have significant declines. Locking into a distribution regime based on a percentage of capital for public funds assumes stable rates of return and capital values. This is not always so and in fact in recent times distribution based on income (since dividends have been quite resilient in Australia) has meant that distributing a

percentage of net income has been of better value than a percentage of capital value.

Requiring lower income donors (who, for example, have set up named sub-funds within a Community Foundation's public ancillary fund structure) to distribute more than high net worth individuals (through their PAFs) is counter intuitive and will greatly diminish the ability of Community Foundations to stimulate, grow and support philanthropy from the broader community.

The proposed Public Ancillary Fund changes will be at cross purposes with the Victoria State Government who have been fostering corpus building via Community Foundations through a series of State Government grants. In these instances there has been a strong focus on the lower socio-economic communities within regions and to this end it is expected that fund raising to support these communities needs to come from within these communities as well as outside. Long term sustainability under the proposed PAF changes will not be possible within these communities who are looking to work for and to re-invest in themselves.

The Community Foundation for Bendigo and Central Victoria Ltd lodges these comments and observation with respect and advises that our long term sustainability will also be at risk if we are not able to work with all members of our community and not just the wealthy.

Sincerely

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