

Swinburne University of Technology

Asia-Pacific Centre for Philanthropy and Social Investment

**Working Group on Education and Training in Philanthropy
and Social Investment**

Second Report

**Proposal for the Australian Institute of
Philanthropy and Social Investment**

8 August 2007



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AUSTRALIAN
GRADUATE
SCHOOL OF
ENTREPRENEURSHIP

8 August 2007

The Hon Mal Brough MP
Minister for Families, Community Services and Indigenous Affairs
Parliament House
Canberra 2600

Dear Minister

A month ago we sent you the Interim Report of the Working Group on Education and training in Philanthropy and Social Investment. This contained our Group's conclusions.

We now have very great pleasure in presenting a second report (prepared by the academic members of the working group), which develops the conclusions of the Interim Report and presents our specific recommendation; namely, the establishment of the Australian Institute for Philanthropy and Social Investment (AIPSI).

AIPSI will be a multi-university, multi-campus, Australia-wide body, dedicated to teaching, researching and consulting in the related fields of Corporate Social Responsibility, Fundraising, Grant making, Non-Profit Management and Social Enterprise. We seek the Australian Government's support, initially by enabling the development of a detailed business and financial plan.

We also include as an appendix a letter from the Dean of the Faculty of Business at University of Technology Sydney, supporting the first report's conclusions and looking forward to exploring ways in which that university might play a future role.

Thank you again for your recognition and support of the Working Group.

Yours sincerely



I R Young
Vice-Chancellor and President
Swinburne University of Technology



Peter Fritz AM
Chairman
Working Group of Education in
Philanthropy and Social Investment

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1 Executive Summary

This document outlines the case for the establishment of the Australian Institute for Philanthropy and Social Investment (AIPSI). AIPSI is conceived as an innovative Australia-wide, multi-university, multi-campus entity positioned to take advantage of growing desire by Australians to engage in philanthropy and social investment. Its principle objective is to promote and develop a culture of effective giving in Australia.

A total investment of \$10 million is sought from the Australian government. However, in order to establish a full strategic and business plan, accompanied with robust financial analysis and governance arrangements, \$350,000 is now required. This document has been developed to inform the case for this initial \$350,000. It is anticipated that the remaining \$9.65 million will be required by July 2008.

The broad strategic objectives of AIPSI are to provide comprehensive education and training in the fields of:

- Corporate social responsibility
- Fundraising
- Grant making
- Non-profit management
- Social enterprise

AIPSI will also be the organisational structure for research into the need for, and the ways to participate in philanthropy and social investment for both individuals and corporations.

It intends to build world-class research capability in philanthropy and social investment with a view to promoting and further developing a culture of effective giving in Australia.

An independent research firm, Deloitte, was engaged to undertake a preliminary analysis of the market and opportunity. This report is the outcome of collaboration by Deloitte and the Working Group on Education and training in Philanthropy and Social Investment.

2 Members of the Working Group

2.1 Academia

Professor Gavin Brown AO (Vice-Chancellor, University of Sydney)

Professor Kerry Cox (Vice-Chancellor, Edith Cowan University)

Professor David Hayward, (Dean, Faculty of Business and Enterprise, Swinburne University of Technology)

Dr Michael Liffman and Denis Tracey (Asia-Pacific Centre for Philanthropy and Social Investment, Swinburne University of Technology)

Professor Myles McGregor-Lowndes (Centre of Philanthropy and Non-profit Studies, Queensland University of Technology)

Professor Ian Young (Vice-Chancellor and President, Swinburne University of Technology)

2.2 Business

Andrew Carriline (General Manager, Risk, Westpac)

Peter Fritz AM, (Managing Director, TCG)

Andrew Gale (Immediate Past President, Institute of Actuaries, Australia)

Corey Loehr (ANZ Group Manager, Enterprise Solutions, Intel Corporation)

Natalie Toohey (Director, Government, Industry and Community Relations, Foster's)

Su-Ming Wong (Managing Director, CHAMP Ventures)

2.3 Government

Mandy Hillson (Prime Minister's Community-Business Partnership)

Victor Perton (former Victorian MP)

2.4. Non-profit Sector

Bruce Bonyhady (Chair, Philanthropy Australia)

Sam Lipski AM (CEO, Pratt Foundation)

Baillieu Myer AC (Myer Foundation)

Jane Schwager (CEO, Non-profit Australia and Board Member, Social Ventures Australia)

Dr Sue-Anne Wallace (CEO, Fundraising Institute Australia)

3 Overview

3.1 The Purpose of this Document

In July 2007, the Working Group on Education and Training in Philanthropy and Social Investment reported to the Minister for Families, Community Services and Indigenous Affairs, The Honourable Mal Brough, about serious gaps between the demand for, and the availability of, education in fields relating to philanthropy and social investment. The Working Group concluded that there is a market demand for tertiary education and training in these specific fields.

In order to meet this demand it is proposed that the Australian Institute for Philanthropy and Social Investment (AIPSI) be established.

The document outlines the preliminary background overview for the establishment and sustainability of the AIPSI.

A total investment of \$10 million is sought from the Australian Government. However, in order to establish a full strategic and business plan, accompanied with robust financial analysis and governance arrangements sufficient to support a government funding case, \$350,000 is initially required. This initial investment will also be used to enable the development of a curriculum framework.

This document has been developed to inform the case for the receipt of the initial \$350,000. It is anticipated that the remaining \$9.65 million will be required by July 2008.

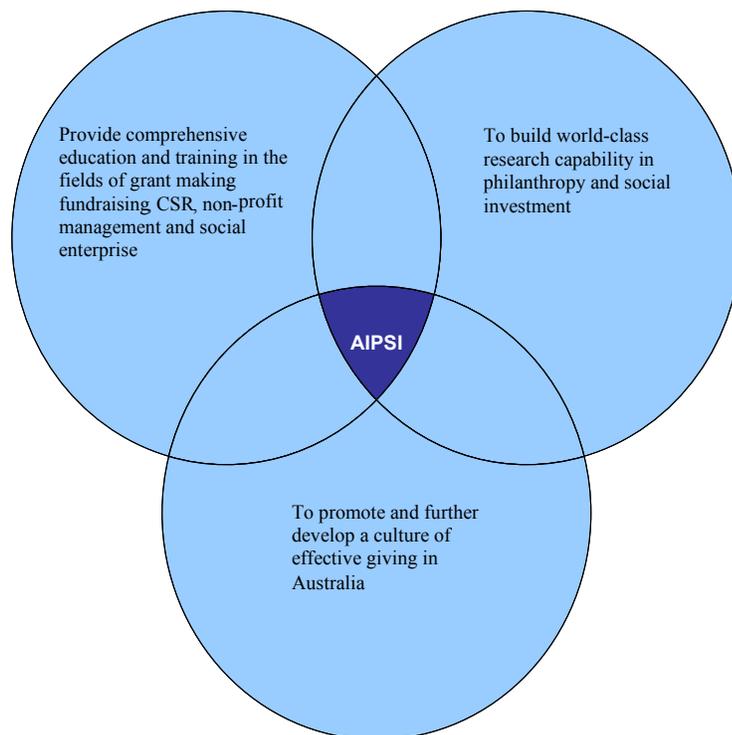
3.2 Vision and Philosophy

To provide the education, training and research infrastructure needed to make Australia the leading base in the Asia-Pacific region for education and training in philanthropy and social investment.

3.3 Strategic Objectives

The broad strategic objectives of AIPSI are to:

- Provide comprehensive education and training in the fields of:
 - Corporate social responsibility
 - Fundraising
 - Grant making
 - Non-profit management
 - Social enterprise
- Build world-class research capability in philanthropy and social investment with a view to promoting and further developing a culture of effective giving in Australia. Research will provide essential underpinning for teaching.
- Promote and further develop a culture of effective giving in Australia



The Strategic Objectives of AIPSI

3.4 Value Proposition

Philanthropy is evolving to a new stage. Contemporary philanthropy is increasingly business-like, knowledge-based, market-conscious and strategically-oriented; the aim is to ensure that money is put to good use. The focus has broadened from fundraising and grant making to incorporate corporate social responsibility, social entrepreneurship, the triple bottom line, and venture philanthropy. A major theme is the need for the non-profit sector to emulate some of the philosophies and practices of the for-profit sector.

In order to transform philanthropy into a thriving and effective industry, it needs a framework to manage it at a level of excellence equivalent to that of the corporate sector. There are approximately 700,000 third-sector organisations in Australia including 320,000 incorporated organisations (180,000 bodies corporate, 120,000 incorporated associations, 9000 companies limited by guarantee, 3000 cooperatives, and 8,000 others). Some 34,000 of these have paid employees¹.

The proposed function of AIPSI is both nationally and internationally unique. AIPSI will adopt a new approach to philanthropic education by delivering courses within a conceptual framework that considers the interrelationships between corporate social responsibility, fundraising and grant making within the broader theme of social enterprise.

AIPSI will provide Australia with a more sophisticated, educated and relevant philanthropic and not-for-profit community. This will help ensure efficiency and effectiveness in the allocation and management of philanthropic and social investment resources.

It can be expected that the payback from AIPSI will include facilitating an increase in giving in Australia. For every 0.01% increase in national giving as a percentage of GDP, the monetary value of the increase would be approximately \$96.6 million, based on the 2005/06 Australian GDP of \$966bn². The impact in dollar terms of an increase in private funding of the non-profit sector would be, for example:

% of GDP		Additional dollars (nearest million)
From	To	
0.68	0.75	\$676m
0.68	1.00	\$3,091m

i.e., should the percentage of GDP gifted rise from 0.68 to 1.0% this would yield more than \$3bn in additional philanthropic funds.

¹ Lyons, M. (2001). *Third sector: The contribution of nonprofit and cooperative enterprises in Australia*. Crows Nest, NSW: Allen and Unwin.

² Australian System of National Accounts (2006). *5204.0 Australian System of National Accounts 2005-2006*.

Another view of potential impact is provided in Singer's³ recent exploration of what people 'should' give, where he proposed a scale of giving proportionate to individual income:

Top	0.01% of income earners give	33% of their income p.a.
	0.1%	25%
	0.5%	20%
	1.0%	15%
	10%	10%

The compounding power of this potential level of giving can be demonstrated by application of the Singer formula to the 2006 assets of the BRW Rich 200⁴:

- Total estimated assets of Top 200 = \$101bn
- Assume 8% return on assets
- If each of the top 200 were to contribute one third of their income, then the total gift each year by this 200 alone would equal \$2,640m p.a.

While giving at this level by all of Australia's most wealthy is improbable, the initiatives of AIPSI can be expected to have a direct and compounding impact on the level of giving in this country by increasing the skills and effectiveness of the non-profit sector in eliciting and securing private funding contributions. Any and all such increases in the amount of private sector wealth being directed at the non-profit sector would relieve the strain on the government considerably by freeing up funding. Private sector funding is better-placed to test relatively risky initiatives, leaving the government free of controversy but well-placed to support proven initiatives.

Lyons⁵ reported that the non-profit sector has an income of approximately \$27 billion while the third sector as a whole (which includes mutual finance and insurance organisations and trading cooperatives) has an income of approximately \$59 billion. These figures are based on economic data drawn from the Australian Non-profit Data Project and the resultant publication, *Dimensions of Australia's Third Sector*⁶, which explored basic economic dimensions of Australia's non-profit and third sectors for the period 1995/96. More recently, the ABS⁷ provided a comparison between 1995-96 data and 1999-2000 data from its own report *Non-profit Institutions Satellite Account*. This report estimated the income for the non-profit sector to be approximately \$34 billion. The average growth between 1995-96 and 1999-2000 was 6.5%. Assuming a continuous (average) growth rate of 6.5% from 2000 to 2007, we can assume that the total income of the non-profit sector is currently sitting at approximately \$52 billion. If the infrastructure provided by AIPSI increased the income of the non-profit sector by even 1%, 5% or 10% (a conservative estimate), then this will result in an additional \$520 million, \$2.6 billion, or \$5.2 billion for the sector respectively. Note that these estimates are based on the non-profit sector rather than the broader third sector. Using figures for the third sector would reveal an even greater potential impact for AIPSI.

³ Singer, P. (2006). What should a billionaire give - and what should you? *New York Times*. nytimes.com 17 December.

⁴ *Business Review Weekly*, May 18-June 26, 2006

⁵ Lyons, M. (2001). *Third sector: The contribution of nonprofit and cooperative enterprises in Australia*. Crows Nest, NSW: Allen and Unwin.

⁶ Lyons, M., & Hocking, S. (2000). *Dimensions of Australia's third sector*. Lindfield: CACOM, University of Technology, Sydney.

⁷ ABS (2002). *5256.0 - Non-profit institutions satellite account*.

It should be emphasised that the aim of AIPSI is not only to increase giving, but to improve the effectiveness of giving. Unfortunately, many people give in unimaginative or unproductive ways, with gifts to charity largely wasted on initiatives that have no real impact. AIPSI will emphasise giving and spending well and the consequent social impact. Improving knowledge and skills in this field should maximise the social return.

4 Market Landscape

A brief market summary is provided below. For a more detailed insight, please refer to Section 2 of our earlier report, *Working Group on Education and Training in Philanthropy and Social Investment: Interim Report (5 July 2007)*.

The information highlighted below is sourced from this report.

4.1 Market Overview

The key philanthropy market trends are:

- Total giving is on the rise in most countries
- There is evidence to suggest that a ‘new generation of giving’ is emerging with people now giving at a younger age
- Giving in Australia is currently sitting at around 0.68% of Gross Domestic Product. Although this is much lower than the equivalent figure for the United States (1.6%), many of the trends that have encouraged the current ‘philanthropic renaissance’ in the United States are also present in Australia. These include:
 - Economic prosperity
 - Growing societal challenges
 - Increased interest in civil society
 - Many successful entrepreneurs
 - Intergenerational transfer of wealth
 - The Government’s recent introduction of initiatives for encouraging giving (e.g., incentives such as tax-advantaged Prescribed Private Funds)
- Generation Y is promoting the growth of an ‘ethically-aware’ culture. In addition, there is greater demand for outcomes-based philanthropy where givers feel a linkage with the results rather than ‘cheque book’ philanthropy where donations are made without much awareness of the outcomes.

4.2 Supply and Demand

The table below summarises the market forces of supply and demand that apply to the philanthropic education sector in Australia. Also shown are the potential students of AIPSI and where they may be sourced from.

Market force	Summary
Supply	<ul style="list-style-type: none"> • Significant shortages in the supply of education and training in philanthropy • TAFE courses are non-existent • Three universities offer dedicated courses, but these only address some aspects of philanthropy and social investment • There are 9 research centres at universities that deal with aspects of philanthropy and social investment, but they are mainly centred around corporate social responsibility
Demand	<ul style="list-style-type: none"> • A survey conducted by the <i>Working Group for Education and Training in Philanthropy and Social Investment</i> indicated that universities are the preferred providers of courses in the field* • Demand for a greater emphasis on fundraising and leadership and management skills with practical application • Flexible course delivery modes and suitably experienced educators are paramount • There is a trend that education and training in philanthropy will become a high demand component of business courses • Many industries are unaware of how to be 'efficient' philanthropists

Potential student sources	<ul style="list-style-type: none">• Individuals who have a philanthropic background, possibly through their family• Employees who work in companies with a strong corporate social responsibility focus or employees who may want to drive this as an initiative in their company• Wealth managers and advisors• ‘Philanthrocats’; those whose specialise in giving advice and consulting to philanthropists• Those working in the not-for-profit sector• Aspiring social entrepreneurs
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*Refer to Appendix D of the report titled: *‘Working Group on Education and Training in Philanthropy and Social Investment: Interim Report (5 July 2007)’*.

5 The AIPSI

5.1 The Concept

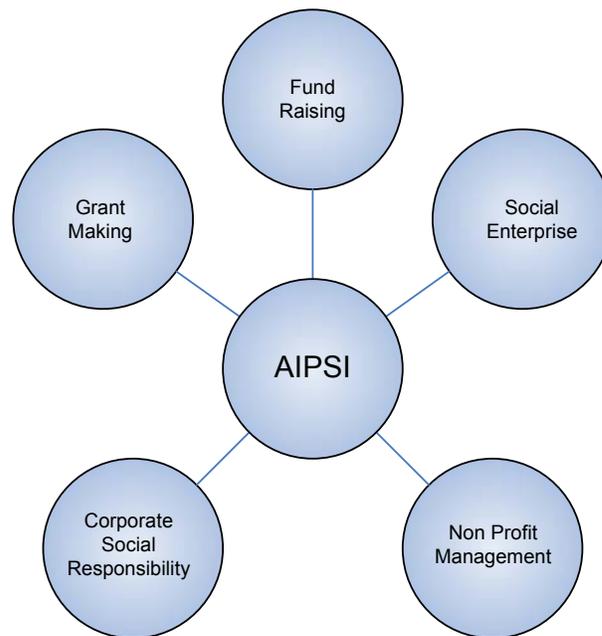
AIPSI has arisen out of discussion between Swinburne University of Technology and:

- University of Sydney
- Queensland University of Technology
- Edith Cowen University, Perth

It is envisaged that AIPSI will lead Australian universities in the provision of education, research, and consulting in philanthropy and social investment with the aim of promoting informed and effective giving at the individual and organisational level. Also, there is potential for more universities to enter AIPSI.

It is likely that AIPSI will collaborate with non-profit and peak bodies such as the Fundraising Institute of Australia and Philanthropy Australia to deliver courses (TAFE, undergraduate, postgraduate and executive), single units, projects and consultancy services across five key areas:

Core philanthropic area	Definition
Corporate social responsibility	A way in which companies can voluntarily integrate into their activities social and environmental concerns which are over and above their legal responsibilities
Fundraising	Attracting people, money and in-kind resources to fulfill the mission of a community organisation
Grant making	Giving by foundations, trusts, individuals, companies and governments that is intended to bring social benefits
Non-profit management	The management of not-for-profit entities
Social enterprise	Organisations that give significant priority to the achievement of a social purpose with reliance on business and entrepreneurial activity. These may be not-for-profit or for profit entities



The Five Core Areas of Philanthropy

5.2 The Purpose of AIPSI

The purpose of AIPSI is to fill a significant gap in Australian tertiary education and training; namely, the skills necessary for effective decision making in the field of philanthropy and social investment.

It is perceived that this will complement existing government initiatives such as the Prime Minister's Community Business Partnerships, through the promotion of informed giving coupled with business and ethical principles. There is also a synergy between AIPSI and the Department of Families, Community Services and Indigenous Affairs (FaCSIA). Like FaCSIA, AIPSI will have a commitment to helping the community through encouraging Australians and Australian businesses to 'make a difference'. By promoting knowledge about corporate social responsibility, fundraising and grant making, non-profit management, and social enterprise, AIPSI should help facilitate the achievement of FaCSIA's key objective of developing resilient and strong communities.

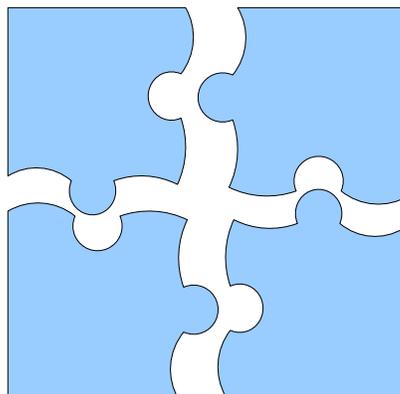
The table below summarises how the functions of AIPSI complement both the community support function of FaCSIA and its strategic objectives by providing education infrastructure.

FaCSIA strategic objectives	AIPSI objectives
Assist communities to develop capacity and self-reliance	Promote effective fundraising and grant making Conduct research to inform giving in Australia (e.g., assessment of current giving trends and community needs)
Support, individuals, families and communities in crisis	Provide education and training to ensure better management of the not-for-profit sector Provide advice and information to donors to ensure giving is appropriately directed
Provide Australians with relevant up-to-date community information and services	Provide accurate, up-to-date advice and information to ensure the mix of giving is balanced with community needs Establish public advice and advocacy services for philanthropy and social investment
Encourage and promote a culture of corporate and individual social responsibility in Australia	Build education and training on philanthropy and social investment into existing degrees as well as providing a comprehensive range of learning opportunities for those working in the field or aspiring to work in the field Research undertaken by AIPSI will inform social policy on issues surrounding corporate and individual social responsibility
Encourage Australians to undertake volunteering activities and develop a wide range of support measures for Australians recovering from disasters	Distribute information about volunteering opportunities Providing information that will assist grant seekers, not just grant makers

Other possible synergies have been identified with overseas education providers. The most notable of these is The Centre of Philanthropy at the University of Indiana, which is a world leader in this field and has an established relationship with Swinburne University of Technology.

5.3 The Services

The services offered under the AIPSI will fall under the following broad categories



5.3.1 Tertiary Education

It is anticipated that the AIPSI would offer a range of courses. These may include:

1. TAFE
2. Undergraduate and
3. Postgraduate level (including PhDs)

The table below summarises the possible course offerings in the five core areas of philanthropy:

Accredited Courses	Grant Making	Fundraising	Corporate social responsibility	Social Enterprise	Non-profit management
TAFE courses		X			X
Dedicated undergraduate courses	X	X			
Elective units in other undergraduate courses incl. business and commerce	X	X	X	X	X
Dedicated postgraduate courses	X	X	X	X	X
Elective units in other postgraduate courses	X	X	X	X	X

Tertiary
Education

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Commission
Research

5.3.2 Executive Training

Executive training is seen as a potential high growth area, with the business community increasingly valuing corporate social responsibility and social enterprise. The table below summarises the different types of executive training that may be provided across the core areas:

Non-accredited courses	Grant making	Fundraising	Corporate social responsibility	Social enterprise	Non-profit management
Workshops	X	X	X	X	X
Executive education	X		X	X	X
In-house training	X	X	X		X

5.3.3 Research

Research is needed to create knowledge and improve understanding in the field. The aim of such research is not only to increase giving but to enhance its effectiveness. Research should also be used to inform the development of relevant education and training programs.

Pertinent areas for research include evaluating current practices in the five core areas:

- Corporate social responsibility
- Fundraising
- Grant making
- Non-profit management
- Social enterprise

Research conducted by AIPSI will identify barriers and best practices in these areas, including the competencies needed to ensure effectiveness. Developing performance indices and benchmarks is also important. Assessing the impact of philanthropic education programs will become an agenda for research as new programs are developed and implemented. Research should continue to monitor trends in individual and corporate giving (as in the recent *Giving Australia Report*), providing regular updates. AIPSI will translate research findings into advice and information that is accessible to the broader community.

5.3.4 Consulting

Consulting services are likely to include a focus on community engagement and a public advocacy role. AIPSI will provide advice and information on philanthropy and social investment to the broader community and promote greater accountability and transparency in the sector. It may work closely with bodies such as OurCommunity, Philanthropy Australia and the Not-for-Profit Round Table. It will also help community organisations identify appropriate sources of support. Other activities might include an initiative similar to the highly successful Foundation Center in the United States, an online database of grant makers and grants.

6 Governance

The governance structure of the AIPSI is as yet undecided. We believe that it is premature to prescribe the development of the governance structure, prior to the completion of the full strategic and business plan and the identification of all participating universities.

That said, preliminary identification of the optimum governance structure for AIPSI suggests a committee or trust that has the following mix of qualities:

- Experience in AIPSI's target markets
- Strategic expertise
- Political expertise
- Business expertise
- Subject matter expertise
- Media and marketing experience
- Strong networks within the philanthropy sector
- Objectivity and integrity

To this end it is possible that a trust structure within Swinburne University of Technology will be established thus allowing tax-deductible donations. The trust may draw (possibly on a rotating basis) on the following sectors:

- The Australian government
- State governments
- Universities and TAFEs
- Private business
- Philanthropy
- Fundraising
- The non-government organisation sector

In addition, the universities will seek to negotiate arrangements for the development and delivery of education and training, intellectual property and other issues. These will be recorded in a memorandum of understanding and signed by all AIPSI members.

Other states and universities may join AIPSI through mutual agreement and on making an initial contribution. Governance arrangements will be built with flexibility in order to accommodate any potential future entrants.

7 Financial Projections

7.1 Introduction

The financial overview included in this report has been made on initial and high level estimations provided to assess the viability and feasibility of AIPSI. To confirm the long-term commitment of \$10 million funding from the Australian government, \$350,000 is required now to enable the development, within one year, of a full and robust business case which will incorporate:

- The structure and composition of AIPSI
- Sustainable governance arrangements
- Details of the educational curriculum
- Details of research programs for four years
- A full strategic plan with supporting robust financial documentation

7.2 Investment

The investment required to support the development of the AIPSI is estimated to be:

Source	Investment Share
Australian Government	\$10m
State Governments (Vic, NSW, WA, Qld)	\$5m each
Business and Philanthropic Sources	\$10m
Total Investment	\$40m

Note that there will also be a significant contribution from universities in the form of infrastructure, accommodation, equipment and facilities, resources, staff, and in-kind contributions.

7.3 Assumptions

The assumptions behind our financial projections are as follows.

7.3.1 Investment

The investment for this initiative will amount to AUD\$40m. It is conservatively assumed this will yield a 6% return on investment per annum.

7.3.2 Revenue

Annual income comprises the following elements:

- *6% yield from the funds invested*

In addition to the \$10 million investment from the Australian government, the draft plan envisages four states investing \$5 million each. So far there have been no discussions with State governments, but the political advice taken suggests this will be achievable. It is possible that there will be fewer or more states participating, so the eventual business plan will need to be sufficiently flexible to accommodate this.
- *Contributions from philanthropic foundations and corporate sponsorship and support*
 - The expectation of philanthropic foundation donations is based on previous experience. For example, the Asia-Pacific Centre for Philanthropy and Social Investment at Swinburne has received grants of approximately \$200,000 from Victorian-based foundations (especially the Myer Foundation, Pratt Foundation, Colonial Foundation, Fairfax Foundation and Helen McPherson Trust). It has been assumed that a national body with a far greater range and scope would receive no less than \$0.5 mill per annum. In addition, support from overseas foundations is also strongly possible, especially if the proposed institute is active in the Asia-Pacific.
 - Given the growing acceptance of corporate social responsibility and the absence of relevant training, there is a high probability of securing corporate support for the high profile, national initiative envisaged in this proposal. The recent *Corporate Community Investment in Australia*⁸ report noted that corporate giving is increasingly recognised as a core function and an integral component of strategy. Common drivers of corporate community investment identified in this report included ‘reputation’, ‘community trust/support’, ‘long-term sustainability of the business’, ‘employee engagement’, and ‘public common good’. Companies may utilise corporate community investment as a competitive weapon, using it to command a significant premium in the price of goods and services or to overcome a past negative image.

⁸ Allen Consulting Group (2007). *Corporate community investment in Australia*. Melbourne: Centre for Corporate Public Affairs.

- *Student Fees*
Student fees are likely to be a function of the price of the individual courses or units multiplied by the volume of students. The complexity of this increases due to:
 - The type of student, for example:
 - TAFE
 - Undergraduate
 - Postgraduate
 - Executive
 - The particular course or unit that these students take
 - The length of attendance of students
- *Consulting and academic and commissioned research will be in the core areas of:*
 - Corporate social responsibility
 - Fundraising
 - Grant making
 - Non- profit management
 - Social enterprise

7.3.3 Costs

The various costs assumptions are as follows

- Costs will consist of salaries (including salaries for Head Office key functions), research, scholarships and other services
 - Salaries grow at 4.5% per annum
 - Research costs will grow at 5% annually
- Under this model, each participating State government will be entitled to AIPSI scholarships and other services at a rate that reflects its contribution. For example, a \$5m contribution, assuming 6% yield will earn \$300,000 per annum in benefits such as consulting, research and scholarships - especially to smaller non-government organisations.
Allocation of the Return on Investment (ROI) against each of these services has yet to be determined.
- The participating universities will contribute infrastructure. As AIPSI will be based at Swinburne University of Technology, its contribution will be larger.

7.4 Benchmarking

Benchmarking the financials for AIPSI against current financial estimates from some comparable institutions allows us to test our initial assumptions.

The Australian Housing and Urban Research Institute (AHURI)

This consortium of seven research centres is managed by a not-for-profit management company, AHURI Limited, and is primarily funded by grants from the Australian, State and Territory governments, with additional revenue generated from participating institutions and contracted commercial research. Funding is fed into core research projects in six priority areas, collaborative research ventures, capacity building, disseminating research findings, and underwriting operating costs. Funding for research projects is allocated based on annual competitive funding and research tenders.

AHURI is governed by a Board of Directors which includes three members who are independent of the governments and universities. It is staffed by a group of core researchers and research associates from other centres or schools within the member universities. Income for FY06 was \$3.6m, with expenses equal to \$4.2m (the \$600,000 deficit was deliberately planned due to ongoing research commitments). Note that this centre delivers research only, and the costs associated with operating a teaching and research consortium are likely to be greater.

The Australian and New Zealand School of Government (ANZSOG)

This international consortium of six governments and 10 higher education institutions is a multi-state, multi-campus teaching and research initiative that operates as a not-for-profit public company limited by guarantee. It delivers courses at campuses at each of its member universities and is governed by a Board of Directors, including a Chair and Deputy Chair and government, industry and university representatives. The annual operating cost is between \$7 and \$8m.

Australian Research Council Centre for Excellence Australian Creative Innovation System

This newly-established research centre, based on a consortium model and centred at Queensland University of Technology, is organised around three themes: creative innovation, innovation and policy, and creative human capital. This centre has an external Advisory Panel and is governed by a Centre Director, Executive Research Director, and Program Leaders. Its management group is supported in its financial duties by a Centre Manager and administrative support. It estimates an annual operating cost of around \$3m. Again, that this centre delivers research only, and the costs associated with operating a teaching and research consortium are likely to be greater.

The Institute for Social Research (ISR)

ISR is based at Swinburne University of Technology. It offers coursework and research degrees and focuses on research and publishing in three core fields: citizenship, politics and government; urban and housing studies; and media and communications and operates three corresponding research programs. It is governed by an Advisory Board consisting of government, industry, and university representatives and a management group comprising a Director, Deputy Director, ISR coordinator, and Centre Directors. An internal Research

Committee assesses applications for research grants, postgraduate scholarships, and internships. ISR employs 12 full academic staff (distributed across the three research programs), four administrative staff, and one business development offer.

ISR also undertakes consulting commissioned research and work obtained through competitive tender. It hosts a node in the ARC Centre for Excellence for Creative Industries and Innovation, the AHURI Swinburne-Monash Centre, and the National Centre for Gender and Cultural Diversity. ISR's annual operating costs are about \$3.8m (this includes external income for specific projects).

LH Martin Institute for Higher Education Leadership and Management

This emerging interdisciplinary institution for post-secondary education management and governance will operate as a national entity offering award courses, short courses, research, conferences and symposia, and consultancy in locations across Australia. The Institute is a collaborative effort between three universities although cross-sectoral collaboration with TAFE and other vocational education and training (VET) providers and the private higher education sector is planned.

It will be governed by an Advisory Board consisting of institutional leaders and representatives from universities, the VET sector, and private higher education and training providers. Its Director will lead and manage the development of institute activities and generate additional funding through research contracts and consultancies. The Institute will include a small core of academic staff supported by a business manager and a small team of professional staff who provide project management, consultancy, and administrative services.

The establishment phase of the institute will be supported by an initial grant of \$10m (or \$2.5m over four years), provided by the Australian government. For the first four years, a significant investment will be made in course development costs, the development of on-line subjects and marketing activities to establish the institute and its range of products and services. For the first three years, scholarships will be made available in larger numbers to encourage enrolments in the award programs. These will reduce as the courses become established and fee-paying enrolments increase. As an ongoing contribution to the Institute, the lead university will provide the academic infrastructure required and will allocate appropriate physical facilities.

The National Centre for Sustainability (NCS)

NCS consists of a consortium of four TAFE colleges and operates as a physical and virtual centre, with an administrative hub at the lead agent and nodes at each of its member organisations. It functions across relevant courses and programs in individual departments within each of its member organisations.

NCS was established through a one-year implementation plan, with \$600,000 in seed funding from the Office of Training and Tertiary Education (OTTE) and confirmed contributions from its member organisations (e.g., reallocation of student contact hours and income from fee-for-service activities in tagged research delivery and project developments). The business plan for NCS estimated an annual operating cost of approximately \$1m. NCS was initially based on curriculum and delivery focuses of programs either already developed or under construction, and now offers an expanded range of programs delivered through the member organisations. NCS is supported by an annual performance and funding agreement with OTTE, which the lead agent negotiates on behalf of the other member organisations.

Additional funding is generated from partnership arrangements, projects, research grants, short courses, and sponsorships. The governance structure of NCS includes an Advisory Board, Consortium Group, four Strategic Development Groups, and an Operations Team.

At this early stage of the analysis, the projections for AIPSI are comparable. Detailed analysis will explore this further and in a more robust manner.

7.5 Stakeholder Financial Benefit

7.5.1 Government

The doubling of philanthropic giving (both bequests and investment, as has occurred in the United States) in 10 years will lead to greater income for Australian charities. This has the potential to reduce the national tax burden – in other words, to replace compulsory contributions with voluntary ones.

Also, there is a positive return to the State government in the form of:

- Scholarships
- Research
- Consulting

As discussed above, the exact mix of these services is yet to be determined, but it is thought that each state will benefit in proportion to its investment.

A further benefit is the increased understanding and improved performance of the non-profit sector in the growing area of social enterprise. Increasingly non-profit organisations are being required to operate in a businesslike way in order to perform in an increasingly regulated, stressful and competitive business environment. Conversely, as for-profit companies take on more of the activities that are the traditional domain of the non-profit world (e.g., hospitals) they need to understand the relevant social and cultural domains.

7.5.2 Universities

It is likely that the universities will benefit through:

- Increased revenue
- Wider market appeal through an increased range of subjects on offer
- Positive effects of an association with philanthropy

7.5.3 Students

The student community, from TAFE through to graduate, postgraduate and executive level are likely to benefit through access to courses in these areas. The AIPSI will service the latent demand for philanthropic education and training.

7.5.4 Community

Education and training in this area could possibly stimulate the ‘philanthropic’ economy and increase giving in Australia as a whole.

As discussed in the report titled *‘Working Group on Education and Training in Philanthropy and Social Investment: Interim Report’* (5 July 2007), the non-profit sector is unconstrained

by shareholder or voter pressure, and thus has the scope to invest its resources in addressing a much wider range of societal problems. As such, it may have the potential to develop innovative and potentially-profitable ways of solving problems which may later be scaled up and implemented by the for-profit sector. It may offer the best possibility for relieving growing social needs, including long-standing or urgent social problems.

8 Risk Management

8.1 Introduction

An understanding of key risks associated with the creation of the proposed AIPSI creates the foundation for defining strategies and action plans to mitigate them. While this document has not sought to quantify these risks fully, the major risks have been identified. Outlined below is a summary of some key risks that may be encountered by the AIPSI. These risks will be reviewed again as part of the forthcoming detailed business planning process.

The risks and mitigation strategies are presented in three categories based on the current assessment of the magnitude of each risk. The risk categories are:

- Critical
- Important
- Minor

8.2 Key Risks

Identified risk	Possible mitigation measures	Magnitude
The detailed cost benefit analysis does not display an attractive return	<ul style="list-style-type: none"> • Detailed research into all drivers of both costs and revenues • Flexibility in the approach to the business model 	Critical
The governance structure is yet to be decided upon and may also have to alter over time to allow for new entrants	<ul style="list-style-type: none"> • A flexible governance structure that allows for adaptation if new member universities join the institute 	Important
The ‘physical architecture’ of the institute and the course delivery method have not yet been decided	<ul style="list-style-type: none"> • Consider all possible options: such as a hub and spoke model, centralised at one campus and online and distance education 	Critical
Other course providers may not join the institute, but rather become competitors	<ul style="list-style-type: none"> • It is essential that AIPSI’s first mover advantage is capitalised upon. AIPSI is in the strongest position to gain competitive advantage and also to attract potential competitors to join 	Important
The institute does not obtain the predicted student volumes	<ul style="list-style-type: none"> • A detailed business plan that includes in depth financial analysis and robust assumptions will reduce this risk 	Important

Identified risk	Possible mitigation measures	Magnitude
There is a risk that the initiative does not receive the required funding from the State governments, Australian government or philanthropic community	<ul style="list-style-type: none"> • A detailed business plan that includes a clear strategy and states the benefits to each of the investing stakeholders • Analysis of “what if” scenarios – what if the funding received is less than budgeted, how might the strategy change? 	Critical

9 Appendix



FACULTY OF BUSINESS

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30 July 2007

Mr Peter Fritz AM
Chair
Working Group on Education in Philanthropy and Social Investment
Asia-Pacific Centre for Philanthropy and Social Investment
Swinburne University of Technology
PO Box 218
HAWTHORN VIC 3122

Attention: Denis Tracey

Dear Peter

Thank you for a most enjoyable and informative meeting over lunch.

I have read this new interim report with interest and note that a second report is to follow, specifying recommendations on how to proceed with this initiative. I support the spirit of this report regarding the value of philanthropy and social investment to Australia's future and, related to this, the importance of developing understanding and skills within the business community to encourage this trend.

I look forward to seeing the recommendations to be outlined in the soon to be released second report, with a view to building on this in principle support by exploring ways in which UTS may be able to play a role in this important endeavour.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Lynch'.

Rob Lynch
Dean