



FAY FULLER
FOUNDATION

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2 February 2016

General Manager
Law Design Practice
The Treasury
Langton Crescent
PARKES ACT 2600

Via email

Re: Amendments to the Private Ancillary Fund Guidelines

Dear Sir/Madam,

Thank you for the opportunity to provide comments on the draft amendments to the *Private Ancillary Fund Guidelines 2009*. As a Private Ancillary Fund (PAF) in its 11th year of operation, the Fay Fuller Foundation has read through the proposed amendments with interest and we are in agreement with the efforts to reduce red tape and update the guidelines by removing redundant references.

The one proposed amendment that we do question is the change in the calculation of the minimum distribution. The two proposed calculations require no less effort than the current calculation and therefore there could be no argument of simplification.

Furthermore, the two calculations will add to the complexity of grant making for those PAF's seeking to grant over multiple years. The cash rate calculation will be a significant reduction to what is currently required to be distributed and investment returns can fluctuate in such a way that may make forward commitments difficult to be contained within a minimum distribution. We understand that grants can of course be made over the minimum distribution amount, however, in our experience across multiple philanthropic foundations we have seen Trustees often have strong motivations to stay within, or near, the minimum distribution amount.

The purpose of a PAF is to be 'philanthropic in character and... a vehicle for private philanthropy', that is, its purpose is to distribute philanthropic funds to eligible organisations. While we understand Trustees' desire to preserve, and grow, real capital value of PAFs, we do not see it as being in the best interests of the philanthropic or broader non-profit sectors to implement guidelines that allow PAFs to distribute only a tiny portion of their financial resources.

We believe the current calculation for the minimum distribution is well understood, easy to calculate and do not support changing this. If Treasury were to decide that this must be changed we believe it would make more sense to reduce the minimum distribution to 4% of the market value of net assets as at 30 June the previous financial year, in line with Public Ancillary Funds.

As Full Members of our National peak body Philanthropy Australia we have, in conjunction with other members, provided this feedback to inform their submission to Treasury. We support the range of recommendations made by Philanthropy Australia.

If you would like to discuss the matters raised herewith please do not hesitate to contact me on [REDACTED]

Yours faithfully,
Fay Fuller Foundation

[REDACTED]
David Minns
Chairman