

Perpetual's 2022 Philanthropy Insights Report

Data-driven insights from the IMPACT
Philanthropy Application Program (IPAP)

Trust is earned.

Perpetual 

For over 130 years, Perpetual has been connecting Not-for-Profits (NFPs) and philanthropists – facilitating relationships that drive positive social, cultural and environmental outcomes for the wider community.

Perpetual is one of the largest managers of charitable wealth in Australia, managing over \$3.5 billion on behalf of our clients and working with them to donate \$120 million to the charitable sector in FY22. Our clients are diverse in their interests and tenure of giving, as such collectively they act as an aggregator for the broader philanthropic sector. Their giving practices and approaches provide us with a unique view of the social trends that affect the sector. This is the fourth year we have reported on these trends.

What information does this report draw on?

Every year, through Perpetual’s [IMPACT Philanthropy Application Program \(IPAP\)](#), organisations working in the community sector can apply for funding from over 185 philanthropic trusts and foundations managed by Perpetual. In 2022, our philanthropic clients committed to distribute \$34 million to charitable organisations through this process. Analysis of the data we collect from this application process (nearly 1,400 applications from around 1,000 organisations) underpins this report. We also feature views on current trends, challenges and opportunities from Perpetual staff who work closely with philanthropists and community organisations.

Flows of money – IPAP data for FY22



\$34m

in total funding committed



1,398

applications from approximately 1,000 organisations



26%

of applications funded



\$75,000

average grant



More than

185

foundations and endowments committed funds

Turbulent times – the challenges facing the community sector

The organisations who sought funding in FY22 are at the coalface of our communities. The challenges they face provide us with insight into how we can better fund, support and invest in our communities.

In the next section of this paper, we'll provide some commentary on the key issues that the nonprofit sector has highlighted to us, specifically related to the following:

- COVID-19,
- Rising costs,
- A difficult research environment,
- Pressures of supporting the NDIS,
- Lack of strategic planning,
- Difficulty in delivering programs and services.

Paying the price for Covid

The community sector is still reeling from the effect of the pandemic and the restrictions put in place to tame it.

The worsening of key social and health indicators is directly impacting all sectors and segments in our society. Youth mental health, homelessness, housing affordability, social isolation, domestic violence and the challenges facing ageing Australians, to name a few. This is due to Covid itself, as well as the impact of business and financial losses and the mental and physical health issues created or exacerbated by lockdowns, school closures and border closures. It's also clear that the constraints placed on vital human services, ranging from medical check-ups to childcare, will create a variety of ongoing challenges for the sector to address over the short, medium and longer term.

What we've heard directly from the sector has been further validated by a [report](#) from Social Ventures Australia and the Centre for Social Impact (CSI), which found that 80% of community sector charities struggled to handle increased demand for their services during the pandemic. That demand remains – and in some areas, is growing.

Perhaps most worryingly, we know that Covid and associated lockdowns had most impact on those who already relied on social services and community support. The past two years have widened almost every indicator of socio-economic inequality across Australia¹, placing greater pressure on the services sector and civil society.

A rising wave of rising costs

Australia's inflation rate has hit highs not seen since the Keating era 30 years ago. Individuals and families are paying higher prices for food, petrol and other necessities and face rapidly rising mortgage and rental payments. This financial pressure is driving new demand for services, but these services now cost much more to deliver due to inflationary and supply chain issues increasing the costs of everything from medications, travel costs, building supplies and food. We've heard from organisations that deliver vital medical supplies to communities in the Asia-Pacific, food security organisations providing meals and supplies to vulnerable communities across Australia and medical research organisations purchasing research equipment, that the costs of delivery of their services have significantly increased in the last twelve months alone.

These factors also put pressure on government balance sheets already stretched by Covid spending. With recessionary storm clouds gathering, more is being asked of the community sector with less. This will require the sector to seek efficiencies and collaborations on ways to achieve their mission. Philanthropists can help by providing core support and by resourcing collaborations.

“Never before has it been so important for philanthropists and community organisations to communicate effectively with each other and be clear about their needs, their goals and their capacity.”

Jane Magor, National Manager of Philanthropy, Perpetual Private

¹ Sources:

https://www.oxfam.org.au/wp-content/uploads/2022/01/Inequality-Kills_EN_web.pdf

<https://assets.kpmg/content/dam/kpmg/au/pdf/2021/widening-divide-in-melbourne-covid-19.pdf>

<https://equalityaustralia.org.au/wp-content/uploads/2020/06/Magnifying-Inequality-Submission-to-Senate-COVID19-Inquiry-1.pdf>

Research is in poor health

There are a number of lag indicators that give us pause in the medical research field.

Many of the leading research organisations we've heard from highlighted the impact of Covid in the following ways:

- Delays in patient recruitment and sample collection,
- Difficulty in obtaining medical equipment due to supply chain issues,
- Resources switched from research to coping with Covid patient surges,
- Restricted access to labs due to lockdowns,
- Staff stress, overwork and burnout.

A stretched NDIS

Disability sector leaders have noted that the NDIS is stretched and gaps in much needed support services are growing. As Yooralla's Terry Symonds wrote in Perpetual's recent [Census 2021: Numbers That Matter](#) paper,

“The data reminds us that the vast majority of people with disability who need help and access to resources and providers aren't in the NDIS.”

Philanthropy can help bridge the gap.

Strategy and resources

For community organisations, long-term strategic planning has become a greater challenge due to financial pressures, staff turnover and the need for continuous program review.

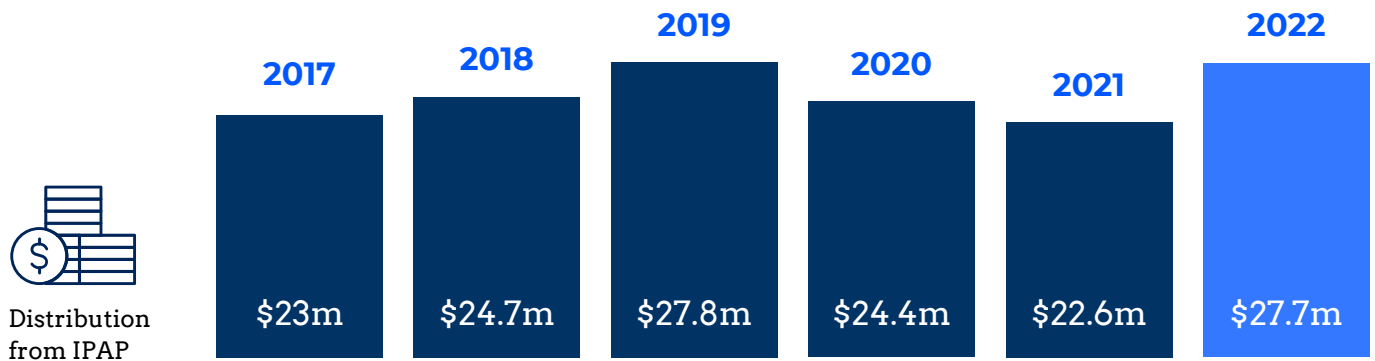
In their IPAP applications and through general conversations, we are hearing leaders talk of mission drift and needing to make hard decisions about where to invest their limited resources into programs and services – and where to withdraw. Almost everyone we heard from referenced Covid's effects on fundraising and supply chains and the ongoing costs and adjustment required by the rapid shift to digital.

The issues dominating the thinking of NFPs and philanthropists in IPAP applications submitted in December 2021



Key IPAP insights

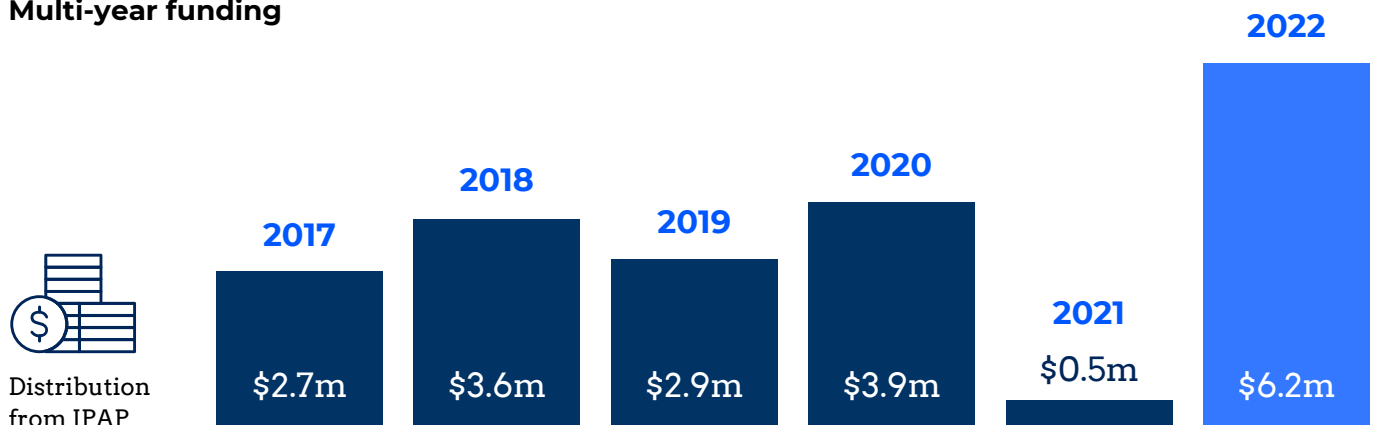
IPAP distributions – the trend



Source: IMPACT Philanthropy Application Program (IPAP) 2022, Perpetual Private.

In FY22, a total of \$34 million was allocated to community organisations through the IPAP process, of which \$27.7 million were committed in FY22 and \$6.2 million were committed to multi-year funding programs. This is an increase of \$11 million on FY21 and is the largest amount ever distributed through the annual IPAP process. This increase was driven by higher levels of income available for distribution and an increase in the number of philanthropists utilising the program.

Multi-year funding



Source: IMPACT Philanthropy Application Program (IPAP) 2022, Perpetual Private.

Where possible and appropriate, Perpetual promotes multi-year funding allowing community organisations greater funding visibility, more strategic certainty and the ability to effectively manage long-running programs.

“Pleasingly, multi-year investment was up this year as the sector started a slow recovery from Covid.”

Lindsay Dawson, Philanthropy Research and Insights Manager, Perpetual Private

Perpetual encourages philanthropists to take a ‘pay what it takes’ approach to fully fund applications where possible and co-funding amongst foundations is also promoted where appropriate. In FY22, almost a quarter of all funded applications were co-funded.

Distributions by sector



\$10.85m

Social and community wellbeing (previously social welfare)



\$10.97m

Health



\$5.91m

Health and medical research



\$4.35m

Education



\$845k

Arts and culture



\$683k

Conservation and environment



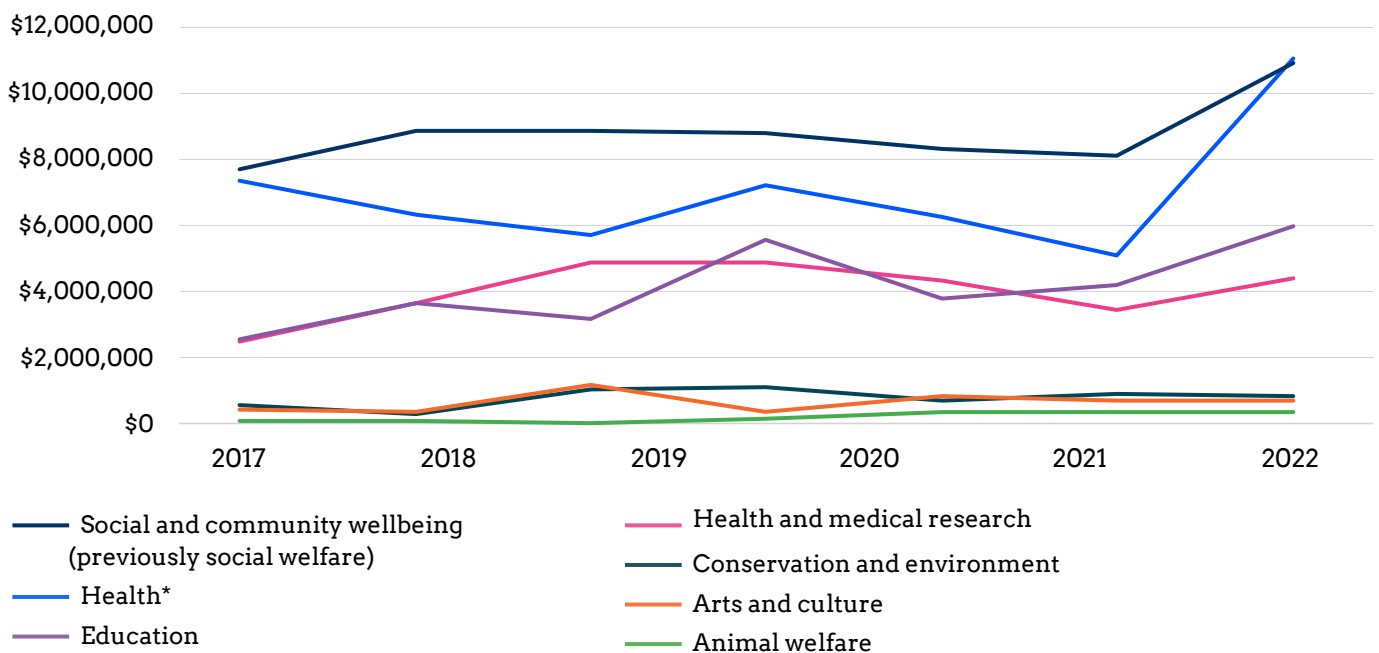
\$349k

Animal welfare



\$33.96m

Grand total



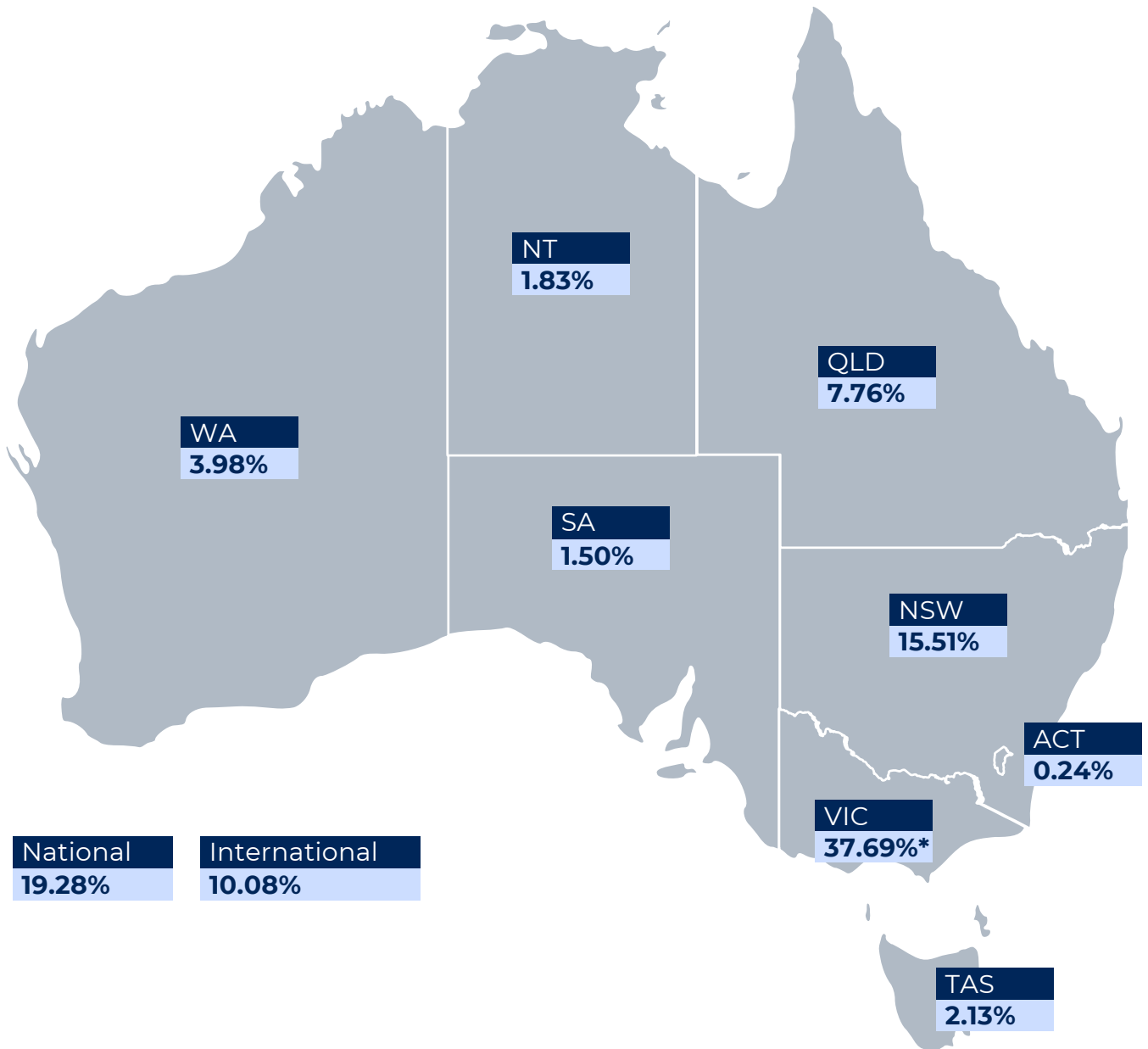
Source: IMPACT Philanthropy Application Program (IPAP) 2022, Perpetual Private.

* Health received a one-off lump sum payment of \$5 million in 2022

- ▶ Distributions to areas such as animal welfare, arts and culture, and conservation and environment were broadly consistent with previous years.
- ▶ As our clients involve their families and younger generations in their giving, and the global focus on climate change strengthens, we expect more funding to flow to climate, environment and conservation in the future.
- ▶ Education distributions rose again after a contraction during Covid.
- ▶ There has been steady increase in funding for health, medical research and social and community wellbeing.

Distribution by geographic area

The following chart reflects geographic distribution of IPAP funding based on the projects' locations.



Source: IMPACT Philanthropy Application Program (IPAP) 2022, Perpetual Private.
* VIC received a one-off lump sum payment of \$5 million

Rural and regional focus

One interesting data point involves regional funding. Typically, 20% of domestic funding goes to regional areas. Given growing regional populations, including the recent sea change and tree change shifts to regional areas, it is vital that the community sector increases investment in regional capability.

“We’ve seen a welcome increase in programs that use technology to support regional and remote communities, but telehealth-style services need investment in hardware, software, people and digital data governance. It’s one area where philanthropists could step in. The alternative is growing inequality when it comes to services for regional areas – and more human hardship.”

Emily Wellard-Baring, Senior Philanthropy and Non Profit Services Manager, Perpetual Private

Aboriginal and/or Torres Strait Island communities

Continued support for Aboriginal and/or Torres Strait Island communities is an area of focus for Perpetual. Regrettably, in the past year there was a fall in applications submitted to support First Nations communities – down from 150 to 128. This could reflect the trend of fewer applications that were submitted generally, or it could point to growing frustration on behalf of Aboriginal and Torres Strait Islander led community organisations that their funding needs are often overlooked in favour of funding larger, more generalist organisations to work in these communities. Research consistently demonstrates that First Nations-led and community-controlled organisations are most effective in achieving impact in this space. The number of applications from these organisations also slipped (down from 69 to 45). More positively however, funding itself increased from \$1.9m in FY21 to \$2.6m in FY22, demonstrating the willingness of philanthropists to support organisations who have the specialist knowledge and expertise to serve their communities.



\$2.6m in funding
up from **\$1.9m**

Hard decisions 1: Volunteers

As seen in the 2021 Census (and discussed in our [Census 2021: Numbers That Matter](#) report), volunteering rates have decreased sharply – from 19% in 2016 to 14.1% in 2021 – a decline of 26%. IPAP FY22 data echoes this fall, with nearly half of applicant organisations reporting a decrease in volunteer numbers since 2019. Some 20% of organisations who applied said attracting and retaining volunteers was “now a challenge” for the organisation.

What’s driving this fall?

- The health threat of Covid – which was exponentially higher for older Australians – forced many ‘grey army’ volunteers out of on-the-ground community work. Even where older Australians were prepared to manage this risk, lockdown laws stopped them.
- Lockdowns led to participation drop-offs that have not bounced back.

- In regional areas, the cumulative effect of Covid and a series of natural disasters have exhausted or demotivated the volunteer cohort.

“Volunteering is a choice that becomes a habit. For many, Covid and lockdowns broke that habit. NFPs and policymakers need to develop incentives and policies that will revive Australia’s volunteering spirit.”

Lindsay Dawson, Philanthropy Research and Insights Manager, Perpetual Private

Hard decisions 2: Mental health

It was inevitable that the combined effect of Covid and the dismantling of crucial social connections caused by lockdowns would affect mental health in Australia. Perpetual’s [Census 2021: Numbers That Matter](#) report cited the ABS’ survey of Mental Health & Wellbeing (July 2022) that revealed nearly 40% of people aged 16 to 25 had a mental illness in the previous twelve months. It’s unlikely the mental health effects of lockdowns, especially amongst younger Australians, will cease simply with lockdowns ending.

We note that IPAP distributions responded to the demand for more support for mental health, with mental health funding up 33% from \$2.2 million to \$3 million. Over a third of that money went to Victoria, which experienced longer lockdowns than elsewhere in the country. We also saw an increase in mental health funding for women and girls and for regional locations. These increases reflect the distinct pressures on women during Covid – increased home-schooling responsibilities, disproportionate job loss and elevated levels of domestic violence.



33% up in funding
to **\$3m**

The looming challenge for policymakers, NFPs and the philanthropists who support them is how to invest in mental health in ways that undo the damage done by Covid and lockdowns – and do it quickly. In [Census 2021: Numbers That Matter](#), Rob Goudswaard from Orygen highlighted the importance of intervention at an early age and the compounding human and financial costs of allowing mental illness to become entrenched.

Sustainable Development Goals

Perpetual always asks IPAP applicants how their programs relate to the Sustainable Development Goals (SDGs) which were adopted by all of the United Nations member states in 2015.

The striking outcome from the responses this year was the relative weakness in alignment for areas like Climate Action (SDG 13) and Responsible Consumption & Production (SDG 12).

Bottom five SDGs that projects were aligned with

| SDGs | No of applications |
|---|--------------------|
| Clean Water and Sanitation (SDG 6) | 0.50% |
| Partnerships for the Goals (SDG 17) | 0.43% |
| Responsible Consumption and Production (SDG 12) | 0.36% |
| Life Below Water (SDG 14) | 0.29% |
| Affordable and Clean Energy (SDG 7) | 0.21% |

Top five funded SDGs

| SDGs | Amount of funding |
|------------------------------------|-------------------|
| Good Health and Well-Being (SDG 3) | \$21,146,095 |
| Quality Education (SDG 4) | \$3,772,932 |
| Reduced Inequalities (SDG 10) | \$2,850,667 |
| Gender Equality (SDG 5) | \$1,644,592 |
| No Poverty (SDG 1) | \$1,244,627 |

Gender inequality and gender-wise programming

The community sector recognises that progress is not happening fast enough in some key SDG areas.

“It’s pleasing that IPAP funding focussed on Gender Equality nearly doubled over the past year. But a recent UN Women report says it will take 140 years for women to be represented equally in positions of power and leadership in the workplace. Investment in women and girls leads to better outcomes for all. It’s a wonderful shorthand for philanthropists seeking impact – just invest more in women.”

Caitriona Fay, Managing Partner, Community and Social Investments, Perpetual Private

The Perpetual IPAP application form asks organisations a number of different questions related to gender programming. In one, we ask whether the target beneficiaries of any given project are female, male, gender-diverse or a combination. From this question, we can understand how many projects are specifically aimed at supporting women and girls, or gender-diverse communities. In the SDG question, there is an opportunity for organisations to nominate whether ‘gender equality’ is a key outcome of their organisation.

These two questions enable us to understand whether organisations are addressing the unconscious gender bias that often results in social interventions favouring men and boys to the detriment of women and girls, and whether organisations are actively working to improve gender equality within the communities they serve. Further, we ask all organisations to identify whether they include a gender analysis as part of their program design process, an important tool for all organisations to understand the direct and indirect gendered outcomes of the work they are doing.

We know that programs that have not undergone a thorough gender analysis almost always (often unconsciously) favour men and boys over women and girls and in the worst instances, actually contribute to gender inequality. Our data has regrettably shown a decrease in responses to this question, from 520 in 2018, to 384 projects that have undertaken a gender analysis in 2022. This fall, along with the narrative answers provided by organisations to this question demonstrates a continued lack of understanding of the importance of ensuring that all social and cultural interventions are examined through a gender lens. It is pleasing to note that despite this, our philanthropic clients are increasing their support for programs which do address gender equality, from \$9 million in 2018 to more than \$13 million in 2022.

Hard decisions 3: Crisis management

In FY22, nearly \$9 million dollars of ad hoc funding was distributed to organisations focused on crisis-affected communities, including those hit hard by Covid, natural disasters and the Russian invasion of Ukraine.

Donor fatigue brought on by funders moving from crisis to crisis has been mentioned as a risk by a number of nonprofit organisations. The ongoing challenge for all in the community sector is how to balance this generous crisis support with long-term strategic giving. It's an issue we raise in our work with philanthropists when we undertake our [Philanthropy Toolkit](#) workshops – how they can allocate funds for 'reactive' giving and maintain a strategic approach that has a compounding long-term impact on the organisations and causes they care about.

Those nonprofits who are on the front line of disaster management and recovery are also keen to see philanthropists invest more in disaster preparedness. There are many ways for philanthropists to consider a strategic approach to support in their crisis-giving.

“Building a philanthropic strategy isn't about taking all the joy from the giving process. It's actually about ensuring you can do with your giving all the things you want to do. A good strategy can also assist you in doing more giving and importantly, doing better with your giving.”

Caitriona Fay, Managing Partner, Community and Social Investments, Perpetual Private



Support for programs addressing gender equality were up from \$9m in 2018 to more than **\$13m** in 2022.



Projects that address gender equality: **38%** of total funding

Funding to women and girls: **13%** of total funding

Assessment of organisational governance

Distribution by application ranking



Source: IMPACT Philanthropy Application Program (IPAP) 2022, Perpetual Private.

Perpetual uses an application assessment process to make recommendations to the philanthropists we work with.

Applications that do well in our assessment process are able to demonstrate the key capabilities, leadership and outcomes-based approach of their organisation.

Out of roughly 1400 IPAP applications, nearly 300 were not recommended for funding, based on receiving a low score through the assessment process.

It should be noted that a low score does not necessarily indicate a poorly governed organisation, rather that the application did not fully articulate those organisational attributes.

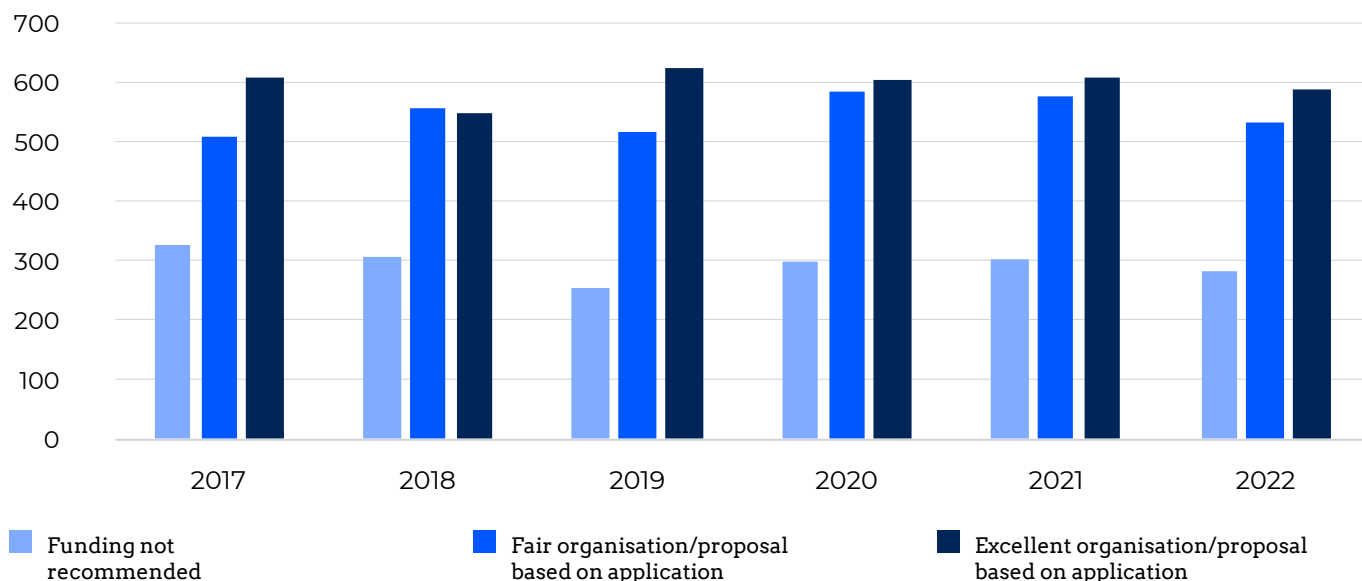
Contrary to expectations, most low-scoring applications were from organisations bringing in revenue of over \$1 million, organisations that may typically have greater resources, experience and expertise available for grant applications.

“This reflects pressure within these organisations. Leaders are telling us that their staff are incredibly stretched and often taking on the responsibility of two or three roles. We also know there’s been movement of key fundraisers within the sector and experienced staff have left or taken other roles with an organisation.”

Jane Magor, National Manager of Philanthropy, Perpetual Private

With fundraising becoming so important, the connection between boards and staff is crucial, especially those completing grant applications.²

Rankings of applications submitted



Source: IMPACT Philanthropy Application Program (IPAP) 2022, Perpetual Private.

2 Perpetual worked with fundraising consultancy Noble Ambition to develop a [white paper](#) on how boards can improve fundraising performance.

Philanthropy 2023 – where to now?

As we've seen throughout this report, Covid shattered many established patterns and assumptions – including in philanthropic giving. The question is: what happens now?

At Perpetual, what we are seeing is a shift in thinking around how to give. There is more openness to longer-term funding of organisations, support for core capacity and investment in organisational capability to deliver on mission. At a time when so much of our social sphere seems upended, these shifts are something we can all be happy about.

At Perpetual, we're keen to contribute to growing the capacity of the philanthropic sector. That's why we launched the [Perpetual Philanthropy Toolkit](#) in October 2021, focussing on helping philanthropists take a more conscious, strategic approach to giving.

As we move into a funding environment likely to be characterised by inflationary pressures, a reduction in government funding and an increase in community need, it's vital philanthropists play their role by supporting capacity, collaboration and core organisational support.

Want to know more?

For philanthropists:

Perpetual provides tailored advice to individuals and families looking to give most effectively.

For NFPs:

For more information on Perpetual's Impact Philanthropy Application Program (IPAP) visit the Perpetual website: perpetual.com.au/impactfunding. There are a range of resources to help you with the application process.

For all in the sector:

Perpetual's IMPACT newsletter brings together our best thought leadership across the NFP and philanthropy landscape. Subscribe here: perpetual.com.au/impact-newsletter



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