



FUNDING NEW ZEALAND 2002

Resource flows to the community non-profit sector in New Zealand

A report prepared for Philanthropy New Zealand

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July 2002**

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Foreword

This paper represents the fourth piece of research that Philanthropy New Zealand has produced. It follows on from:

- *Research Survey-Territorial Local Authorities Funding For Voluntary Non-Profit Community Agencies October 1996* Alistair Grey and David Gresham
- *Funding New Zealand - Resource flows to the Non-Profit Sector* October 1996 David Robinson, Robinson Driver Partnership and
- *1998 Survey of Philanthropic Trusts.* David Robinson, Robinson Driver Partnership.

All papers provide valuable background resource material on the not-for-profit, non-government sector in New Zealand, the funding of which is very complex. In the summary of this latest report, our researchers note that there has been no improvement in the collection and availability of data about funding since the 1996 and 1998 reports. However there have been numerous requests for updates of this information and our existing reports have been widely quoted.

Philanthropy New Zealand acknowledges with thanks the financial contribution made to the project by:

- The Fletcher Trust
- The John V Ilott Charitable Trust
- Rotorua Energy Charitable Trust
- The Tindall Foundation
- Tower Financial Services and
- TOWER Asset Management

These organisations have recognized the need for research in the not-for-profit sector. They are committed to ensuring that the strength and viability of civil society organisations is recognized and developed, thus contributing to a healthy society and sustainable economic development. For this we thank them.

We wish to record our appreciation to David Robinson and Pat Hanley of the Social and Civic Policy Institute who ably completed the research on behalf of Philanthropy New Zealand. They brought such interest and enthusiasm to the project.

This report is part of the ongoing work of Philanthropy New Zealand in encouraging the development of a vital community sector in general and a philanthropic sector in particular.

Judith Timpany
Chair
Philanthropy New Zealand
July 2002.

1. Introduction – background and methodology

The purpose of this research project was to collect information on sources and levels of funding made to the voluntary community or not-for-profit sector and to estimate the varying contributions from these sources to different functional activities.

The term “funding” covers the purchase of services from not-for-profit organisations by central and local government as well as grants from Lottery Board and philanthropic trusts and donations from individuals. In reality the distinction between grants and purchases is not as clear as this. Some government funding such as COGS (Community Organisations Grants Scheme) is allocated as grants rather than being used to purchase services.

In defining the recipients of funds to be covered we have confined these figures to charitable or voluntary community organisations. That is, organisations that are not-for-profit and non-government. To meet this criterion organisations may have a surplus in any particular year but these “profits” are not distributed to the owners, any surplus is retained to fund the purposes of the organisation. Organisations must be independent and separate from direction by government, there must be some voluntary involvement in their operation (through volunteer workers, fund-raisers or board members) and the service provided should meet community rather than individual needs. This last criterion excludes professional bodies or trade unions.

This definition of non-government, not-for-profit, voluntary involvement and independence was used to clarify whether to include a number of major groups of funding recipients. For example, we have discounted the Lottery Board Community Facilities, Environment and Heritage and General allocations by the 45% estimated by the Department of Internal Affairs to be allocated by Lottery Committees to statutory bodies and local authorities. Funding for the Film Commission was also excluded while the Hillary Commission and Creative New Zealand are included as they act as funding transfer bodies for community organisations.

In each category of funders the report identifies the sources of funds and presents the best figure or estimates of the actual funds provided.

We have been unable to get information on the level of (i) corporate funding or (ii) fees for service. However, it is important to note the importance of the contribution made to the not-for-profit sector through sponsorship and payments for service by clients.

Although the data in this report indicates the estimated cash flows from different sources it does not show the percentage that each funding source provides to the total income of the not-for-profit community sector as this total income is not known.

Figures are provided for seven major funding sources:

1. Philanthropic trusts.
2. Local government.
3. Gaming machine trusts
4. Lottery Grants Board.
5. Personal donations.
6. Bequests.
7. Central government.

Of these seven funding sources figures are only publicly available for central government, the Lottery Board and gaming machine trusts.

Information on funding by philanthropic trusts and local government has been collected in surveys carried out with Philanthropy New Zealand and Local Government New Zealand. An estimate has been made of funding from bequests based on figures provided by the Public Trust and information on personal donations was obtained from Statistics New Zealand.

Each section provides information on the sources and collection of data, the accuracy of the figures and the basis of any estimates.

For comparative purposes it would be useful to develop a common system of classification of funds into functional categories, which would help identify levels of funding from each source allocated to areas such as health, welfare, education, recreation and cultural activities. At present each funding source classifies recipients differently and the figures vary considerably. We have only been able to make comparisons of allocations to functional categories for the philanthropic trusts, gaming machine trusts and local government. Reaching agreement on a common classification system and form of collection of data is essential to enable useful comparative analysis.

The absence of data on fees for service and corporate funding or of funding from Maori trusts makes it impossible to provide an accurate overview of the **percentage** of funding from each source going into the sector or the **total income** of community organisations.

However, we estimate that the minimum annual income of the sector from donations, grants and payments for service from funders (not including payments from clients) is over **\$1.6 billion per year**. A complete picture of the economic value of the non-profit sector would include the contribution of unpaid, voluntary work (see appendix 2) as well as fees for service and corporate funding.

The total income of the New Zealand not-for-profit sector including fees for service and corporate donations is likely to be around \$3 billion per year excluding the input of unpaid voluntary workers. (See Appendix 2 for an estimate of total income).

Categories of recipients

The main interest of Philanthropy New Zealand is in the role of philanthropic trusts. However, understanding the impact of these trusts on the community sector requires having information on funding from all sources and identifying, as far as possible, categories of recipients. In selecting categories of recipients we reviewed the categories used in various other studies and consulted with Philanthropy New Zealand members. *Giving Australia*, published by Philanthropy Australia, used six functional categories.

1. Religion
2. Education
3. Health
4. Arts/Culture
5. General Social Benefit Organisations
6. Special Human Services Organisations

The Johns Hopkins University comparative study covered.

1. Culture/Recreation
2. Education/Research

3. Health
4. Social Services
5. Environment
6. Development, housing
7. Civil, advocacy
8. Philanthropy
9. International
10. Business, professional

After considering the sources of funding, the information available in the 1996 study and the interests of potential users of this study, we have included:

1. Health and Social Services.
2. Art and Culture.
3. Sport and Recreation.
4. Education and Research.
5. Religion.
6. Environment.
7. Employment and Economic Development.

Environment and employment and economic development have been added to the categories used in 1996. This reflects the increased emphasis on these areas by community organisations in the last few years. The figures for bequests and individual donations were not classified into functional areas.

Sources-of funds

Giving Australia covered:

1. Individuals.
2. Business.
3. Foundations.
4. Bequests.

The John Hopkins study grouped funding sources into:

1. Private giving
2. Public sector payments.
3. Private fees and payments.

This report covers:

1. Philanthropic Foundations and Trusts.
2. Local Authorities.
3. Gaming machines trusts.
4. Lottery Grants Board.
5. Individual donations.
6. Bequests.
7. Central Government.

We have included a wider group of funders than the other projects in an attempt to cover all available sources of data. For comparative purposes the figures could be re-grouped into the more general categories with the exception of private fees and payments used in the Johns Hopkins study.

2. Summary of report

The funding of the non-profit, non-government sector in New Zealand is extremely complex as this report demonstrates. Since our previous report in 1996 there has been no improvement in the collection and availability of data about funding of the community sector. However, there have been numerous requests for updates of this information and our existing reports have been widely quoted.

That is, there is a growing gap between the demand and supply of data on funding of community and/or charitable activity in New Zealand.

One danger in this situation that has come to our attention during the current research is that the demand for data may be met privately with useful information (often collected from community organisations) being kept out of the public domain. We have become aware of surveys that have been carried out for specific clients in which the information collected has not been made publicly available. In some cases this is directed at improving the fundraising position of specific organisations. In addition, the State Services Commission has carried out a review of funding procedures in a range of Government agencies but we were not able to gain access to this information. These factors highlight the importance of ensuring that research on community funding (and other community sector issues) is carried out by non-profit and non-government agencies such as Philanthropy New Zealand.

Overall the information available from central government is, if anything, less useful than previously as the move from grants to purchase of services continues and the procedures for funding public health services (the largest government funder of community agencies) have once again been restructured.

The introduction of a system of tracking expenditure to community organisations through identifying the nature of providers would appear to be a relatively simple way of dealing with this issue.

Developments in local government include the increased use of not-for-profit or charitable structures to manage Council operated services through adopting the legal form of charitable trusts. These services include sports and cultural facilities and economic development activities.

This appropriation of the not-for-profit institutional form by local (and in some cases central) government suggests that the interests of Philanthropy New Zealand and those expressed in this report may be more correctly described as being with the **community sector** rather than with organisations that have the legal form of not-for-profit or charitable organisations. That is, we are interested in the way in which community activities are funded and the adoption of charitable legal form by government agencies and services does not bring them into this sphere.

This development does not just affect the analysis of funding made by local government. It is also relevant to the way in which we consider allocations made by other funders such as the Lottery Grants Board and the statutory trusts. In some cases local government becomes a recipient of funds through the establishment of charitable trusts to manage council services. This is of current interest as the falling revenue of the Lottery Grants Board has resulted in a change to its funding criteria to reduce funding for large community (most often City or District Council) facilities.

Information on the level of funding made available through bequests remains elusive and we have provided our best estimate from limited information.

The changing situation with personal donations is unclear, although it is of great interest to community organisations as this is the one area of true “discretionary” giving where the donor has complete choice over what they give to. This area of personal “giving” has also been used to provide an indication of the level of generosity in New Zealand society. For example at a recent conference on philanthropy in Tauranga, the Governor General, Dame Sylvia Cartwright, related the “fundamental generosity of spirit and a concern for and awareness of the problems and challenges facing people both nationally and internationally that makes us a very special people and a special nation” with a statement that “Official figures show that donations to charitable, church or civil organisations last year totalled around \$230 million - an increase of \$80 million over ten years.”

Apart from the fact that this is, in fact, less than the \$281,906,000 of donations given in 1994 quoted in our 1996 report, the figures for donations are among the less precise areas that we have covered. The Governor-General’s figures may well be correct, depending on what is covered by “charitable, church or civil organisations” but what is certain is that there are no valid “official” figures.

The figures from the Household Economic Survey have too large a margin of error to be useful. The IRD figures on claims for tax rebates on donations indicate (allowing for inflation) a slight drop during the last six years.

Unless changes are made to the HES survey so that it distinguishes between gifts and subscriptions and includes a specific question about donations then data on personal donations will become even less robust in the future. Prior to 2000/01 the IRD personal taxation forms included a space for deductions for donations. The removal of this field means that the already limited data collected will be reduced even further.

In our 1996 report we introduced a distinction in the category of charitable trusts between statutory and philanthropic trusts. Developments in the intervening period have made this distinction even more important with an additional category of gaming machine trusts.

What all these three forms of trust share in common is that they have the structural, legal form of a charitable trust and they make grants to a range of community activities. However using the term ‘philanthropic’ suggests that the motivation for giving has a personal, altruistic basis. In the break down of figures within the category of philanthropic trusts (a term we have continued to use for comparability purposes with our previous report) we have divided these trusts into private and public or statutory trusts. It is only the private trusts that are truly philanthropic.

Members of public/statutory trusts are appointed by central government in the case of the community trusts and elected in the case of the energy trusts. In both cases the appointed or elected members are allocating public funds rather than being engaged in philanthropic giving.

The gaming machine trusts distribute the proceeds of gambling, mainly from poker machines. This, again, is not a form of altruism or philanthropic activity. This distinction does not concern the destination of the funds but the process of giving.

In respect of recipients of funding it is interesting to note the role of private trusts in funding emerging areas such as environmental and economic development activities. Although their level of funding is lower than that from statutory and gaming machine trusts, they appear to have more flexibility to respond to changing needs.

We have included a pie chart in the Summary of Funding Sources (Fig 3.1), which shows the allocation of funds having regard to the motivation for giving in terms of personal generosity (donations, bequests and private trusts), public policy (statutory trusts, local and central government) and levies on gambling (Lottery Board and gaming machine trusts).

It would be useful for these distinctions to be more widely discussed and a framework developed that would better illustrate how “generous” New Zealanders really are, rather than the degree to which we are “coerced” to give through taxation and levies on gambling.

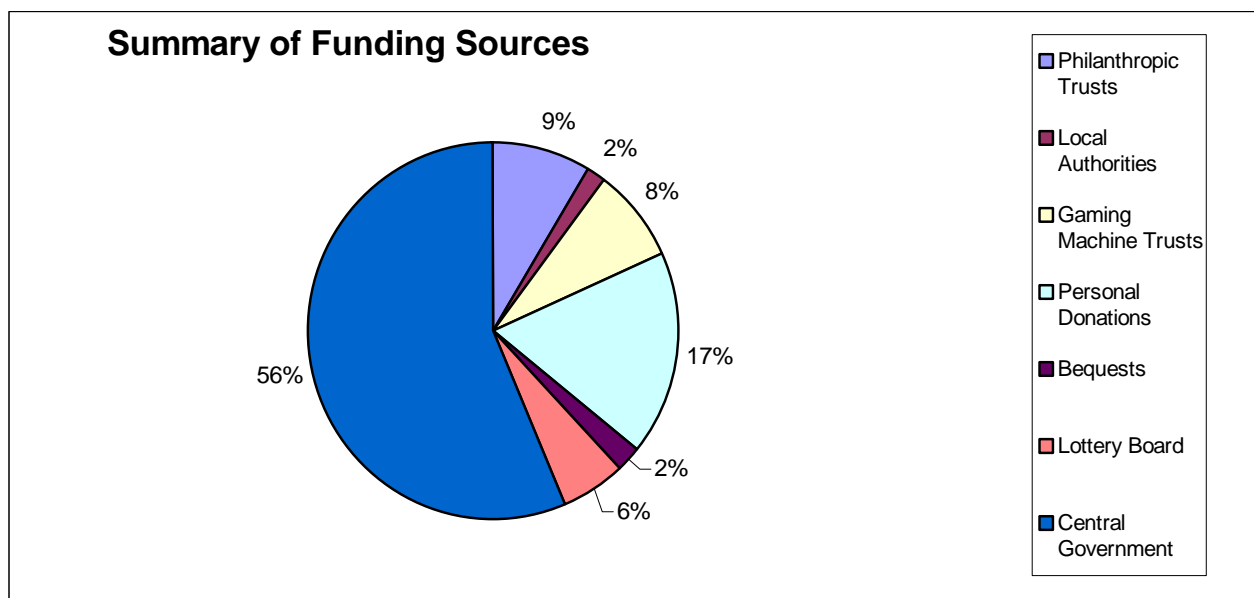
There is growing interest, both nationally and internationally, regarding the strength and viability of civil society organisations. This is based on a growing perception of the critical contribution these organisations make to social cohesion and the development of social capital and ultimately to both a healthy democracy and sustainable economic development. On this basis the funding of the community sector warrants greater attention from government, academics and the community sector itself. Provision of greatly improved methods of data collection would improve our understanding of this sector.

3. Summary of findings

Table 3.1 Summary of funds from each source.

Philanthropic Trusts	\$142,801,284
Local Government	\$28,200,000
Gaming Machine Trusts	\$131,241,000
Lottery Board	\$91,381,417
Personal donations	\$281,905,620
Bequests	\$37,698,180
Central Government	\$920,595,000
Total	\$1,633,822,501

Fig. 3.1



Summary by motivation for giving

- Personal giving \$ 342,452,005
- Public policy \$1,067,320,065
- Gambling \$ 222,622,417

Total **\$1,632,394,487***

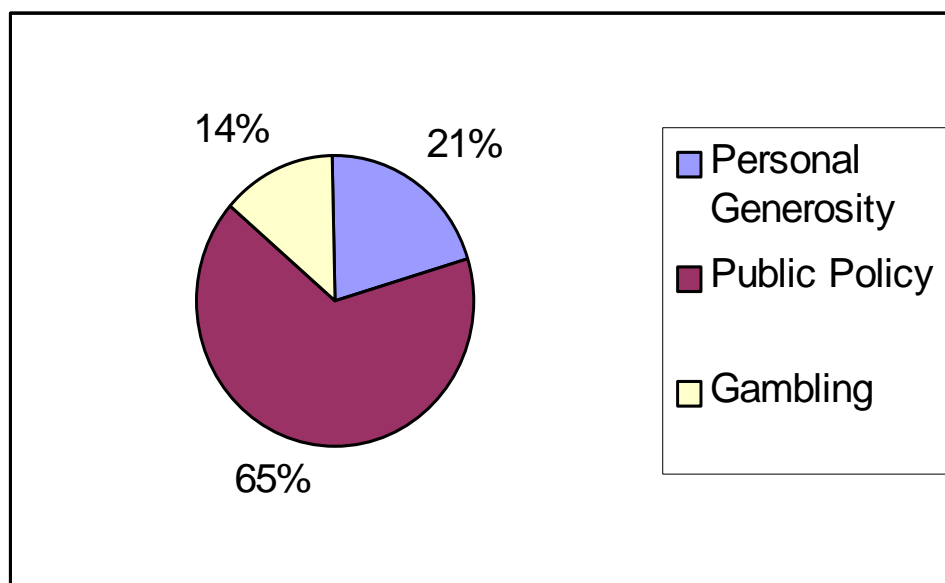
* excludes company trusts which are included above in summary of funds from each source.

Personal giving includes funds that are given by free choice rather than coercion or by legislation. We have clustered together personal donations, bequests and private philanthropic trusts. This figure can be considered a reflection of generosity.

Funding allocated through public policy reflects government legislation. We have grouped together the statutory trusts, local government and central government funding in this category.

Gambling covers funds allocated by the Lottery Grants Board and gaming machine trusts. The funds are collected through a levy on these gambling activities.

Fig.3.2



Comparison with inflation adjusted 1996 figures

	<u>2002 report</u>	<u>in 1994* \$</u>	<u>1996 report</u>
Philanthropic Trusts	\$142,801,284	\$130,520,373	\$70,736,837
Local Government	\$28,200,000	\$25,774,800	\$26,000,000
Gaming Machine Trusts	\$131,241,000	\$119,954,274	N.A.
Lottery Board	\$91,381,417	\$83,522,615	\$108,305,800
Personal Donations	\$281,905,620	\$257,662,084	\$258,825,000
Bequests	\$37,698,180	\$34,455,972	\$25,353,120
Central Government	\$920,595,000	\$841,423,830	\$669,950,000
Total	\$1,633,822,501	\$1,493,313,948	\$1,159,170,757

* The inflation-adjusted figures provide an indication of the real change in funding in the period between the two reports. We have benchmarked the inflation adjustment to 1994 \$ as most of the data in the 1996 report was collected from 1994/1995.

The increase in the total funding partly reflects an improvement in our collection of data, such as the inclusion of funding from gaming machine trusts, rather than any real comparative increases.

The figures for personal donations are extremely similar in both years in spite of the proviso from Statistics New Zealand over their accuracy. This shows the value of a consistent form of data collection if we want to make comparisons. The personal donations data from IRD has been collected and analysed in the same way on both occasions.

Although overall the Lottery Board allocations had only a slight reduction over the last six years we have taken a more critical approach towards the definition of non-profit community organisations and have excluded funding of individuals, local authorities and universities. This has resulted in a considerable drop in the figures shown.

The increase in philanthropic funding has come from the establishment of one new major private philanthropic foundation and the increased activity of the statutory trusts.

The increase in Government funding reflects the continued transfer of services from direct delivery by government to contractual delivery by community organisations, especially in health. However, the lack of differentiation by government departments over whether services have been purchased from for-profit or not-for-profit organisations means that most of the Government figures are estimates of the allocation to community organisations.

In comparison with the increased funding for government-defined services purchased through contract, there has been little change in the funds made available for community-defined activities through programmes such as the Community Organisations Grants Scheme (COGs) and the Community Employment Group(CEG). A slight reduction in COGs funding has been balanced by an increase in CEGs Funds.

4. Philanthropic Trusts

A comprehensive mail-out survey was carried out of the members of Philanthropy New Zealand.

Although, in general philanthropic trusts do not fund central government services, a number of major allocations were made to local government cultural and recreation facilities especially from the statutory trusts.

We have separated out the general category of philanthropic trusts into:

Private trusts which are trusts established by individuals or families.

Statutory trusts which are trusts that have been established through legislation with trustees publicly appointed or elected. This category includes the former savings bank trusts (now known as community trusts) and the power board trusts.

Company related trusts which are directly associated with a company.

All Philanthropic trusts are governed by trustees who receive no personal financial gain from the activities of the trusts although they may receive an honorarium or expenses related to meeting attendance. Among the trusts surveyed, 50% paid some form of remuneration. All statutory trusts, with one exception, paid an honorarium and/or meeting fees and expenses. Only one third of private trusts made any payment to trustees.

Payments made included honorariums in the order of \$2,000 to \$3,000 per year and meeting expenses in the order of \$200 to \$350 per meeting.

Among the Trusts surveyed, the number of Trustees ranged from 1 to 20. The average for private trusts was 6 trustees. The average for Statutory trusts was 7 trustees and for companies 5 trustees.

More than 80% of the trusts surveyed have formal application procedures.

Information about eligibility for grants is most frequently provided through responding to direct enquiries to the trust concerned. About 40% of the trusts have brochures available and about 40% provide information via Fundview (a computer database of information about funding sources for community groups), while 30% have a web site, and about the same number place advertisements in the media.

30% of the trusts employed advisors to assist in determining allocations.

Allocations are generally made to not-for-profit, community and voluntary organisations but the groups which are excluded vary considerably among the Trusts surveyed. While almost all excluded political parties, government departments and for profit businesses, some did in fact make allocations to schools and health providers which would generally be regarded as government funded organisations.

Twelve of the 72 trusts (17%) did not make allocations to individuals, seven did not make allocations to sports organisations and five trusts excluded religious groups.

4.1 Responses to the Survey

There were 72 Trusts that responded to the questionnaire. Additional information on the statutory trusts was obtained from their published annual reports.

Table 4.1 Responses by Type of Trusts

Trust Types	Number of Responses	Percentage
Private Trusts	53	73
Statutory Trusts	17	24
<ul style="list-style-type: none"> • Community Trusts 12 • Licensing Trusts 3 • Energy Trusts 2 		
Company Trusts	2	3
Total	72	100

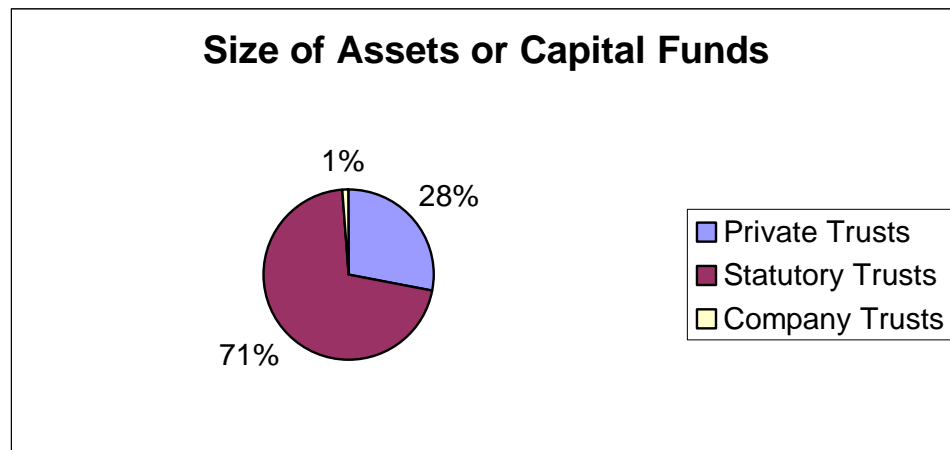
4.2 Size of Trust Funds and Distribution

From the responses the total Assets were **\$3,395,929,993**.

Table 4.2 Size of Trust Funds (Capital Assets) by Type of Trust

	Value of Assets at 2000	% of total
Private	\$954,495,838	28
Statutory	\$2,425,234,155	71
Company (1)	\$16,200,000	1
Total	\$3,395,929,993	100
(1) only two companies reporting		

Fig. 4.2



Within both Statutory and Private Trusts the capital assets are heavily concentrated in a few Trusts. Over 70% of this capital is held by the Statutory Trusts.

- The ten largest trusts hold 89% of the assets of the 72 trusts surveyed.
- The three largest trusts (by asset value) account for 56% of all assets of the trusts surveyed.
- The next seven largest trusts hold 33% of the total assets.
- The remaining 63 trusts hold 11% of the total assets.

4.3 Range of Assets

Table 4.3 Size of Assets or Capital Funds by Range of Assets

	\$ range	Number of Private Trusts	% of Private Trusts
Private Trusts	0-100,000	4	9
	100,000-1,000,000	16	36
	1,000,000-100,000,000	23	51
	100,000,000 +	2	4

	\$ range	Number of Statutory Trusts	% of Statutory Trusts
Statutory Trusts	100,000-1,000,000	1	6
	1,000,000-50,000,000	2	13
	50,000,000-100,000,000	3	19
	100,000,000-500,000,000	9	56
	500,000,000 +	1	6

Please note: Not all trusts answered questions on size of Assets.

4.4 Funds Distributed 1999/2000

Total distribution of funds by those Trusts that responded to the survey was **\$142,801,284**.

A further \$25,714,484 of available funds was not distributed with one trust accounting for nearly 90% of the undistributed funds. This amount distributed was equal to approximately **4.2% of Capital**

We have excluded funds distributed to individuals and to institutions or agencies not regarded as part of the community or voluntary sector. Therefore there is some variation between the amounts allocated as indicated here and other published sources.

Table 4.4 Percentage of Capital Allocated

Type of Trust	% Of Capital Allocated
Private	2.8
Statutory	4.5
Company	7.7

The ratio of funds allocated to assets was relatively consistent for Statutory and Company Trusts. However among Private Trusts there was a wide variation with funds allocated ranging from 1% to 18% of capital. While the average was 2.8%, in fact 82% of the Private Trusts allocated 3% or more of their capital. However the remaining 18% of trusts surveyed held 56% of the capital and allocated less than 3% of this capital. The largest single Private Trust allocated approximately 1.5% of its capital.

4.5 Functional Areas Funded

Table 4.5 provides a breakdown of the funds distributed by Private, Statutory and Company Trusts.

Table 4.5 Allocations by Type of Trust

Type of Trust	Total Allocations	% of Total
Private Trusts	\$22,712,212	16
Statutory	\$118,389,072	83
Company	\$1,700,000	1
Total	\$142,801,284	100

Fig 4.5 Allocations by Type of Trust

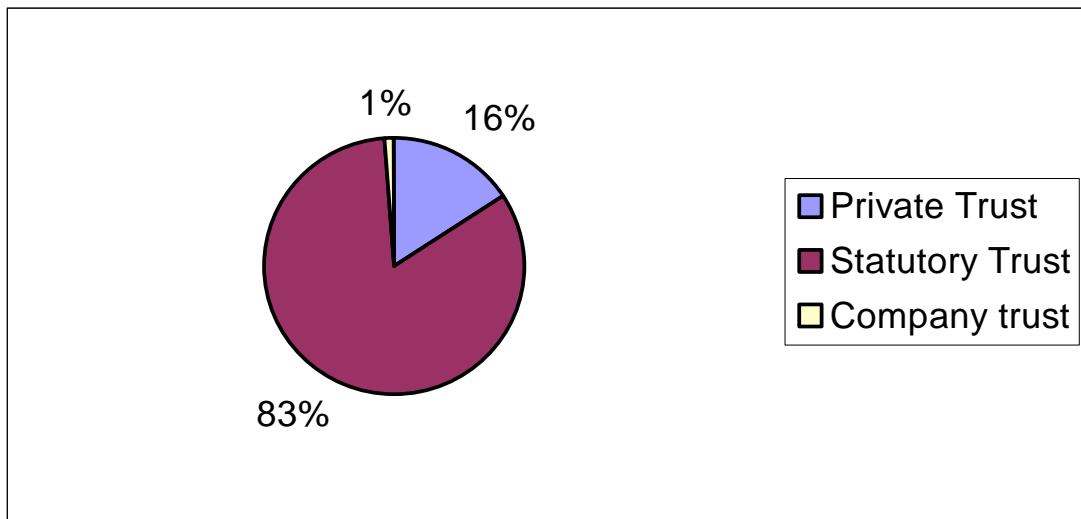


Table 4.6 Functional Allocations

Functional Area	Amount Allocated	% of Total
Health and Social Services	\$39,994,003	31
Art & Culture	\$12,158,623	10
Sport & Recreation	\$37,567,194	29
Education & Research	\$24,303,240	19
Religion	\$738,361	0.6
Environment	\$2,410,201	2
Employment & economic Development	\$4,426,682	3
Other (e.g. International development, community facilities,)	\$6,991,259	5
Unidentified (no information provided)	\$14,211,721	Not included in % of allocations above
Total	\$142,801,284	

Fig.4.6

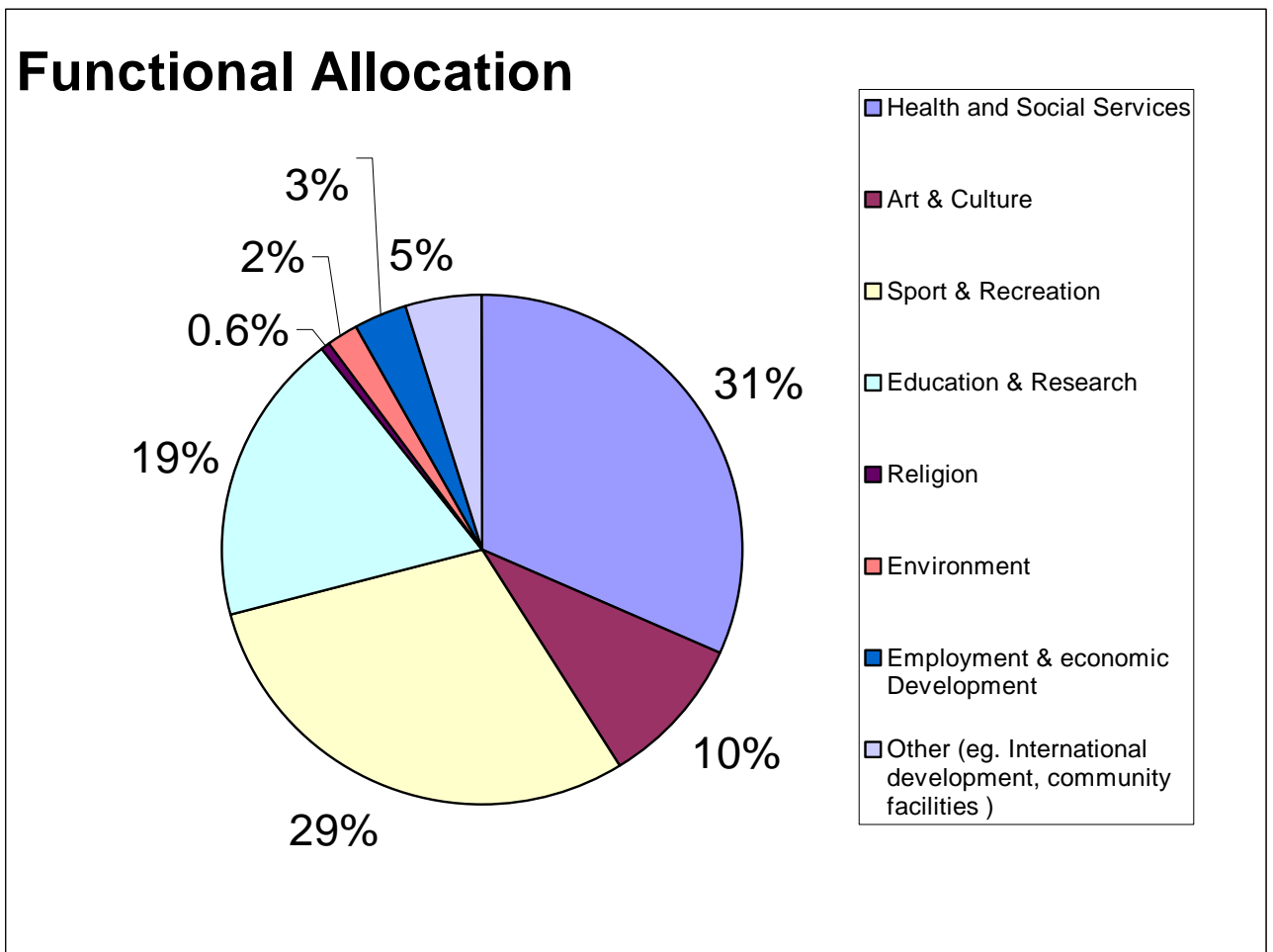
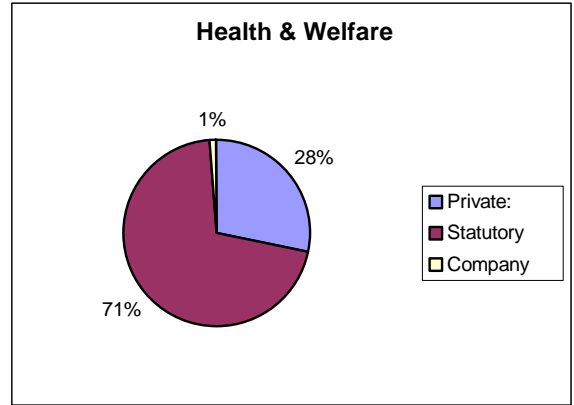


Table 4.7 Functional Allocations by Type of Trust

Health & Welfare

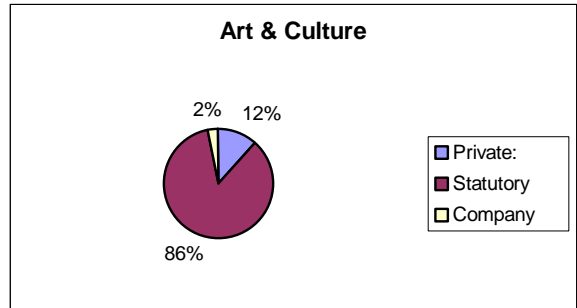
Private:	\$11,017,753	28%
Statutory:	\$28,522,151	71%
Company:	\$454,099	1%
Total	\$39,994,003	

Fig. 4.7



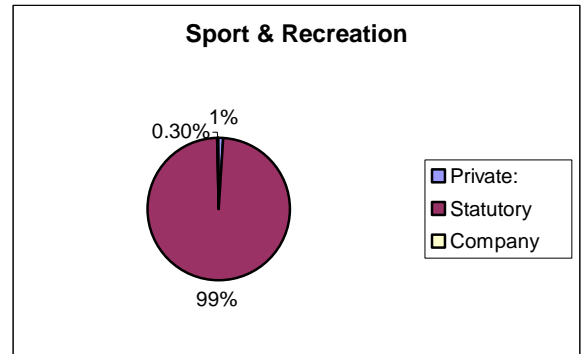
Art & Culture

Private:	\$1,409,681	12%
Statutory:	\$10,482,208	86%
Company:	\$266,734	2%
Total	\$12,158,623	



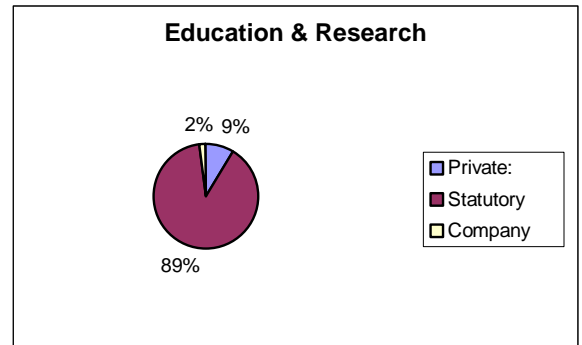
Sport & Recreation

Private:	\$302,263	1%
Statutory:	\$37,132,231	99%
Company:	\$132,700	0.3%
Total	\$37,567,194	



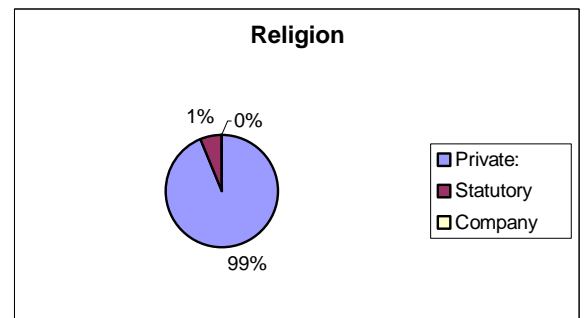
Education & Research

Private:	\$2,145,657	9%
Statutory:	\$21,642,727	89%
Company	\$514,856	2%
Total	\$24,303,240	



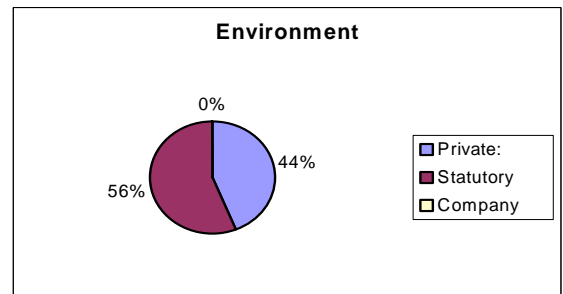
Religion

Private:	\$731,451	99%
Statutory:	\$6,910	1%
Company	\$ nil	
Total	\$738,361	



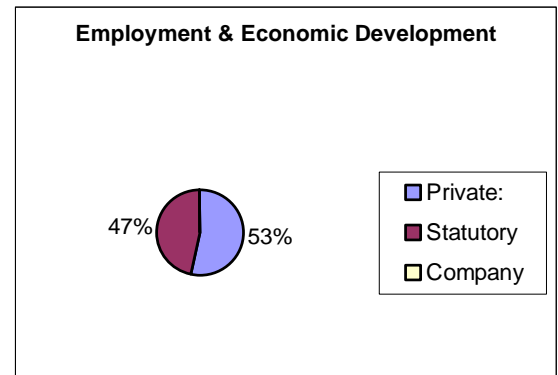
Environment

Private:	\$1,053,060	44%
Statutory:	\$1,357,141	56%
Company	\$ nil	
Total	\$2,410,201	



Employment & Economic Development

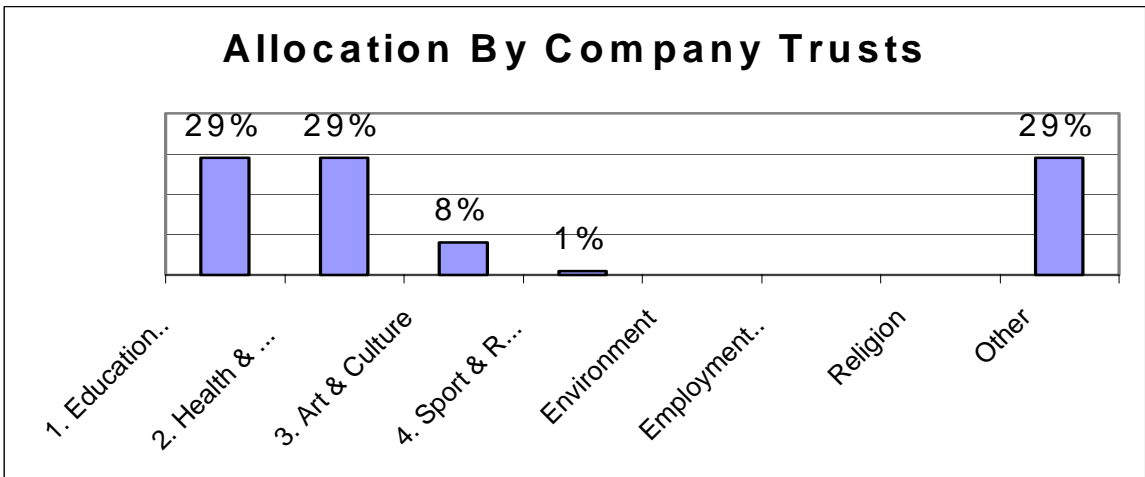
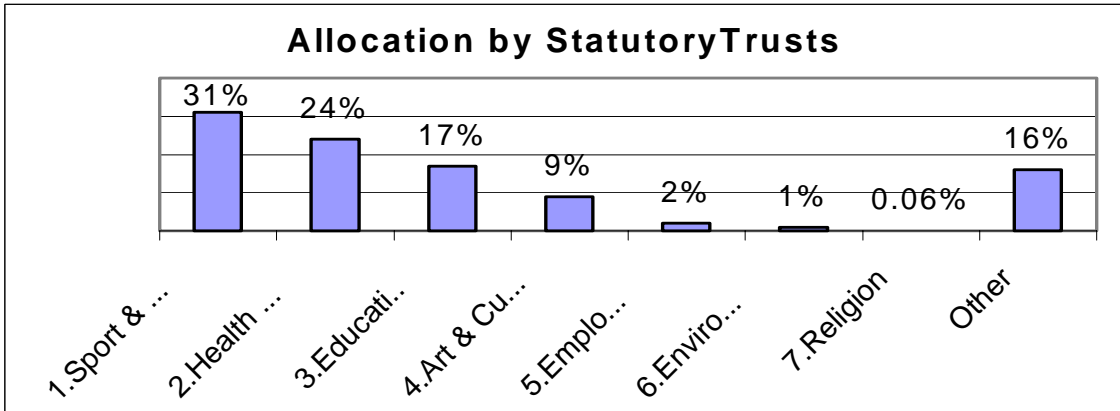
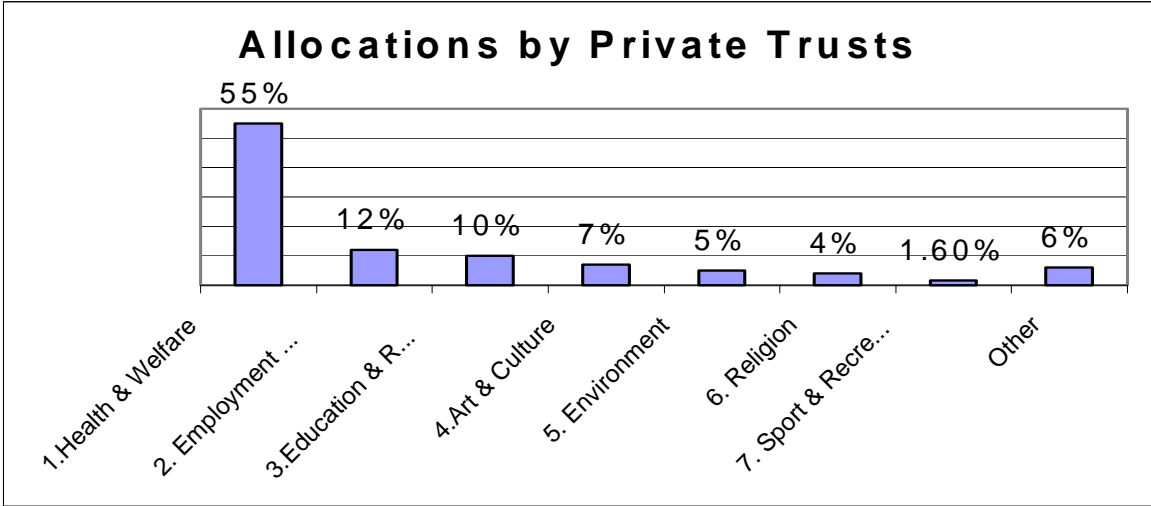
Private:	\$2,361,917	53%
Statutory:	\$2,064,765	47%
Company	\$ nil	
Total	\$4,426,682	



Comparison Of Allocations by Type of Trust

There are significant differences between the three types of trusts in terms of the proportion of funds they allocate to different functional areas. As the table below shows, private trusts allocate the largest proportion to health and welfare, statutory trusts to sport and recreation and company trusts to education and research. The major categories of functional allocations are set out for each of the three types of trusts.

Private	%	Statutory	%	Company	%
1. Health & Welfare	55	1. Sport & Recreation	31	1. Education & Research	29
2. Employment & Economic Development	12	2. Health & Welfare	24	2. Health & Welfare	29
3. Education & Research	10	3. Education & Research	17	3. Art & Culture	8
4. Art & Culture	7	4. Art & Culture	9	4. Sport & Recreation	1
5. Environment	5	5. Employment & Economic Development	2	Environment	Nil
6. Religion	4	6. Environment	1	Employment & Economic Development	Nil
7. Sport & Recreation	1.6	7. Religion	0.06	Religion	Nil
Other	6	Other	16	Other or undisclosed	29%



4.8 Allocations by Geographical Areas

Responses to the survey included 25 national trusts, that is trusts that distributed funds throughout New Zealand or indicated that they had no specific limitations on where in New Zealand applicants lived.

The 25 national trusts held assets with a combined value of \$840,000,000, or 25% of all assets.

There were 41 local or regional trusts which allocate their funds to applicants within defined geographic boundaries. Local and regional trusts held approximately \$1,654,000,000, or 49% of all assets.

The balance of assets, 26%, were held by trusts that did not provide information on allocation by geographical area.

4.9 Geographic Spread of Allocations

The table below provides an assessment of the geographic spread of the allocations by trusts based on the information provided in the survey. In addition the table provides a comparison of the per cent of funds allocated to a particular area compared to its population as a per cent of the New Zealand population.

The distribution of funding by regions can only be regarded as indicative as some trusts did not provide information on where funds were distributed and in addition there are other trusts which did not participate in the survey. The results of this assessment must be seen in the light of these limitations.

Table 4.9 Analysis of Funding Allocations by Region and Population

Area Covered	% of New Zealand Population	% of Funds Allocated as % of all allocations
National Allocations	100	\$15,708,141 11
Local/regional Allocations	100	\$127,093,143 89
Auckland/Northland	34	40
Waikato	10	6
Central North Island/BOP	7	7
Lower North Island	13	16
Wellington	11	2
Nelson, Canterbury, West Coast	17	13
Otago /Southland	8	16

Based on the quality of the information available we would conclude that the allocation of funding is generally consistent with population distribution. However it appears that the Wellington region receives a significantly lower proportion of funding than other regions.

5. Local Government

There is no regular, central collection of data about funding of non-profit or community organisations from City or District Councils.

Local Government New Zealand, LGNZ, assisted us with a postal survey of Territorial Local Authorities (City and District Councils). LGNZ were sent a copy of the draft questionnaire and their comments were incorporated in the final text. The survey, which excluded regional councils and included unitary councils such as Gisborne, Marlborough and Nelson and Tasman, was carried out in 2001. Councils were asked for information for the years 1999/2000.

Local authorities often act as redistribution or co-ordinating agents for central government funding in areas such as recreation and crime prevention. Our survey specifically asked for information on funds allocated from Council income excluding any transfer of Government funds.

5.1 Responses

Responses were received from 46 out of 74 Councils giving a 62 % response rate. The Councils included in the survey responses represent 68% of the NZ population.

The survey respondents indicated they made total contributions of \$19,133,756 to the sector which represents \$7.40 per head of population. This expenditure of \$7.40 per capita compares to reported expenditure of \$7.55per capita in 94/95 and \$7.91 per capita in 95/96.

Table 5.1 Per Capita Contributions to the Voluntary Sector by Local Councils 1994/95 – 1999/2000

<i>Year</i>	94/95	95/96	99/2000
Per Capita Contributions by Local Councils	\$7.55	\$7.91	\$7.40

Based on the reported per capita contribution of \$7.40 by Local Councils we estimate that the total financial contributions to the sector by all Local Councils is in the area of **\$28,200,000.**

In addition, the Councils that responded also indicated that they made in kind contributions to the value of \$7,278,094, which equates to \$10,700,000 for all Councils. “In Kind” contributions included: use of halls, meeting rooms and other Council owned facilities, rent subsidies and rebates, postage, photocopying, mail outs, advertising, administrative support, and provision of second hand equipment.

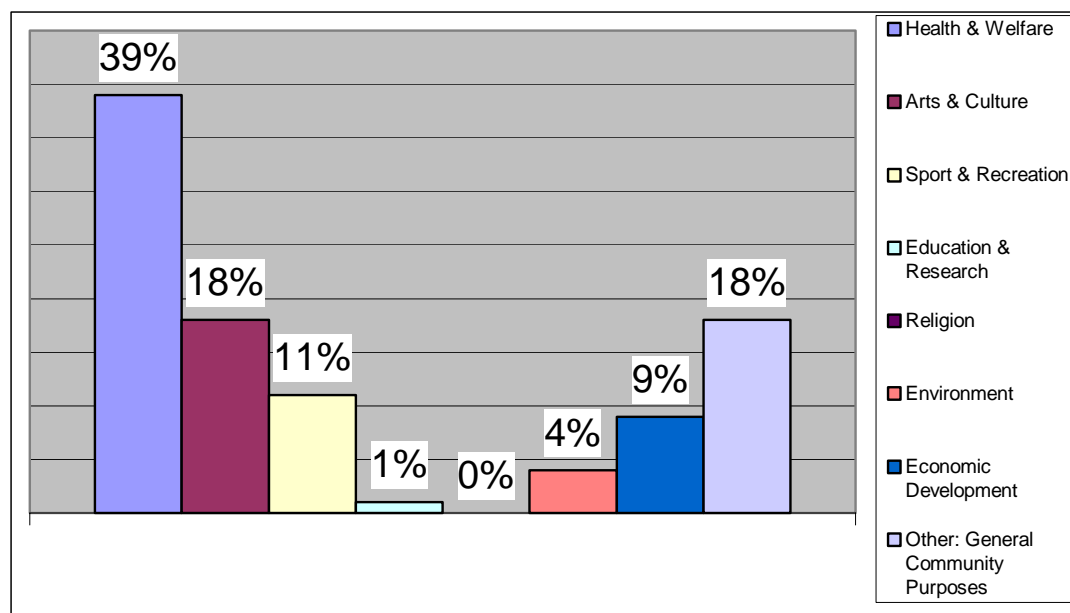
5.2 Contributions by Categories

Only 35 Councils were able to provide a breakdown of their contributions by the type of functional organisation or services they funded. Given that limitation the estimates below for all Councils can only be regarded as indicative.

Table 5.2 Local Council Contributions 1999/2000 by Category

Category	Estimated Contribution By All Local Councils	As a Per Cent of Total Contributions
Health & Welfare	\$11,000,000	39
Arts & Culture	\$5,100,000	18
Sport & Recreation	\$3,200,000	11
Education & Research	\$300,000	1
Religion	Negligible	
Environment	\$1,100,000	4
Economic Development	\$2,500,000	9
Other	\$5,000,000	18
Total	\$28,200,000	

Chart 5.2 Council contributions 1999/2000 by category as a % of total contributions.



6. Gaming Machine Trusts

Information on Gaming Machine Trusts was obtained from published reports for the 2000/2001 financial year. Information is included from the Lion Foundation, Community Grants Foundation, Scottwood Group, NZ Community Trust and Pub Charity Incorporated.

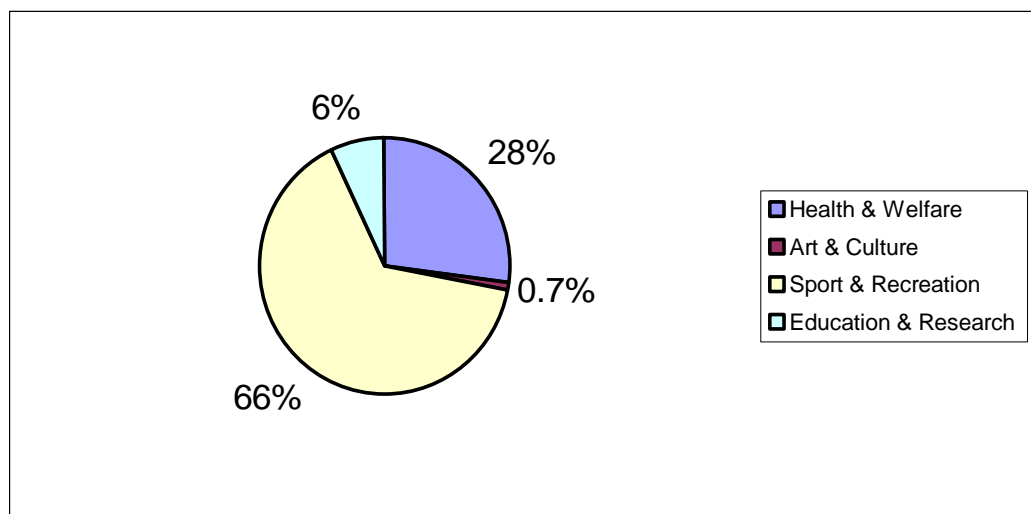
Total allocations to the community and voluntary sector was **\$131,241,000**

Funds were allocated as follows.

Table 6.1 Functional Allocations by Gaming Machine Trusts

Health & Welfare	\$35,875,000
Art & Culture	\$850,000
Sports & Recreation	\$85,416,000
Education & Research	\$9,100,000
Religion	0
Environment	0
Employment & Economic Development	0
Total	\$131,241,000

Fig 6.1 Functional Allocations



The relative contribution of Gaming Machine Trusts as compared to other types of trusts is shown in the table below.

Table 6.2 Percentage of total funds allocated

Type of Trust	% of total funds allocated
Private Trusts	8
Statutory	44
Company	1
Gaming	47

Fig 6.2

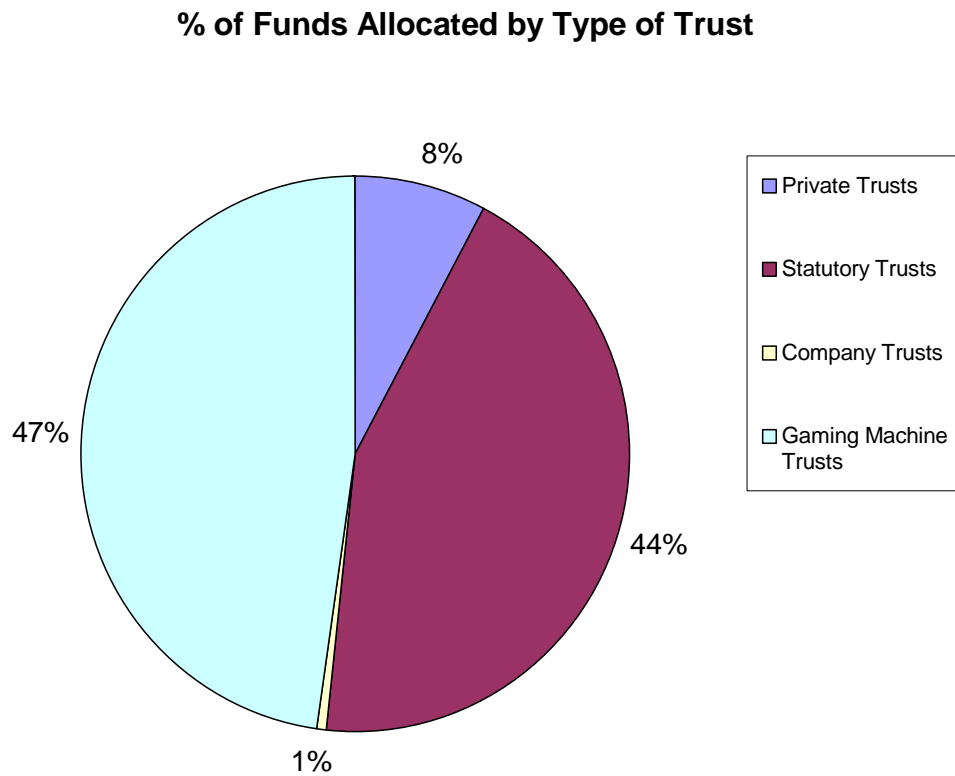


Table 6.3 Allocation by Type of Trust Including Gaming Machine Trusts

<u>Health & Welfare</u>	Private	\$11,017,753	15%
	Statutory	\$28,522,151	37%
	Company	\$454,099	1%
	Gaming	\$35,875,000	48%
	<u>Total</u>	<u>\$75,869,003</u>	
 <u>Art & Culture</u>	 Private	 \$1,409,681	 11%
	Statutory	\$10,482,208	81%
	Company	\$266,734	2%
	Gaming	\$850,000	6%
	<u>Total</u>	<u>\$13,008,623</u>	
 <u>Sports & Recreation</u>	 Private	 \$302,263	 0.2%
	Statutory	\$37,132,231	30%
	Company	\$132,700	
	Gaming	\$85,416,000	69%
	<u>Total</u>	<u>\$122,983,194</u>	
 <u>Education & Research</u>	 Private	 \$2,145,657	 6%
	Statutory	\$21,642,727	65%
	Company	\$514,856	2%
	Gaming	\$9,100,000	27%
	<u>Total</u>	<u>\$33,403,240</u>	
 <u>Religion</u>	 Private	 \$731,451	 99%
	Statutory	\$6,910	1%
	Company		0
	Gaming		0
	<u>Total</u>	<u>\$738,361</u>	
 <u>Environment</u>	 Private	 \$1,053,060	 44%
	Statutory	\$1,357,141	56%
	Company	-	0
	Gaming	-	0
	<u>Total</u>	<u>\$2,410,201</u>	
 <u>Employment & Economic Development</u>	 Private	 \$2,361,917	 53%
	Statutory	\$2,064,765	47%
	Company	-	0
	Gaming	-	0
	<u>Total</u>	<u>4,426,682</u>	

7. Lotteries Board Funding

Lottery Board funding of non-profit organisations - \$91,381,417

Lottery Board funding allocations have recently been re-organised with the establishment of nine distribution committees. These are Community Facilities, Environment and Heritage, General, Health Research, Marae Heritage and Facilities, Science Research (which is being phased out), Seniors (formerly Lottery Aged), Welfare and Youth. In 2000/2001 there was also a special sub-committee of Lottery General, the Lottery General International Year of Volunteers Subcommittee.

To enable comparison with the previous report the figures have been placed in the following functional groupings. Health and welfare, arts and culture, sport and recreation and other. As all of the Lottery Health Research Funding was granted to University Staff, with the exception of two grants to Area Health Boards and one to a commercial research firm, these funds have not been included.

Three statutory bodies or Crown Entities, (Creative New Zealand, NZ Film Commission and Hillary Commission), are funded directly by the Lottery Board. The funding allocated to the Film Commission has not been counted in the total with the exception of the grant to the New Zealand Film Archive which is a charitable trust that is a client of the Film Commission.

Grants made by the Lottery Welfare Individuals with Disabilities Subcommittee have not been included, as this funding does not go to the community organisations.

The Lottery Board estimates that between 40% and 50% of the annual allocation of Lottery Community Facilities, Lottery Environment and Heritage and Lottery General Distribution Committees will go to statutory bodies, schools and local authorities. We have taken the mid-point and included 55% of the current year's allocation.

All figures used are the total for the grants approved by each allocation committee. These figures vary from those for the funds allocated to each committee by the Lottery Grants Board. In some cases additional funds have been approved from grants written back or refunded from the previous year's allocation; in other cases committees have not approved the whole of their allocation with the excess being carried forward to the following year.

Health and Welfare

Seniors Distribution Committee	-	\$3,165,866
Welfare Distribution Committee	-	\$10,781,602
Youth Distribution Committee	-	\$5,049,992
Total	-	\$18,997,460

Arts and Culture

Creative New Zealand (Statutory body)	-	\$20,410,000
NZ Film Archives	-	\$628,640
Total	-	\$21,038,640

Sports and Recreation

Hillary Commission (Statutory body)	-	\$30,887,500
Less \$3,807,500 to High Performance Sports Fund		
Total	-	\$27,080,000

Other

General International Year of Volunteers		\$500,000
Marae Heritage and facilities		\$5,810,444
Minister's Discretionary Fund		\$469,035
General Distribution Committee 55% of total		\$5,407,404
Community Facilities Distribution Committee 55% of total		\$6,051,722
Environment & Heritage Distribution Committee 55%		\$5,447,512
Community Millennium subcommittee 55% of total		\$579,200
Total		\$24,265,317

The Lottery Board allocated 74% of its total grants to non-profit organisations.

Lottery Board funding of not-for-profit organisations **\$91,381,417**

8. Personal Donations

Personal donations based on IRD figures for 1998/99	-	\$281,905,620
This compares with the IRD figures for 1992/93 of	-	\$258,825,000

In both the 1996 and the 2002 reports we have used two sets of data on personal donations obtained from Statistics New Zealand. These are the Household Economic Survey and the IRD returns covering claims for tax rebates on donations.

In each case there are problems with the accuracy of the data.

1. The Household Economic Survey (HES) is a survey of income and expenditure with a sample size of 3,000 that is held every three years. The categories used are not ideal for our purposes as donations to churches are included with those to charities. The figures also include a combination of subscriptions and donations. Statistics New Zealand suggests that the analysis provides an under-estimate, as the survey may not include direct debits or small donations. This under-counting may be offset to some degree by the inclusion of subscriptions.
2. Prior to 2000/01 the IRD personal taxation forms included a space for deductions for donations. A sample of these forms for the 1997/98 and the 1998/99 financial years has been analysed by Statistics New Zealand. This figure is also conservative as it only includes donations for which rebates have been claimed. This will exclude many small donations (e.g. for street or door to door appeals) as well as donations over the rebate limit of \$500 which can be claimed on the maximum allowable donations of \$1,500.

In the HES donations and subscriptions are clustered together as the classification is by functional destination i.e. welfare or residents associations, rather than by intention i.e. giving (donations) or purchases (subscriptions). Any over-counting through including subscriptions is likely to be balanced through under-counting of donations made by other family members, some giving covered through regular bank payments and unrecorded small donations.

Figures taken from the 1997/98 HES show an annual funding flow of \$175,567,000, which is substantially lower than the figure of \$214,200,000 from the 1992/93 survey quoted in our 1996 report. However, Statistics New Zealand suggest that allowing for sampling error the figure is between \$140,454,000 and \$210,680,000. This includes donations and subscriptions to the following areas.

CA 6607 welfare groups,
CA 6608 conservation societies,
CA 6616 charitable, church or civic organisation,
CA 6617 personal interest group.

Noting the reservations made by Statistics New Zealand we have used the IRD rather than HES figures. This still under-counts but it does provide a minimum estimate of the level of personal donations.

Personal donations based on IRD figures for 1992/93	-	\$258,825,000
Personal donations based on IRD figures for 1997/98	-	\$272,784,960
Personal donations based on IRD figures for 1998/99	-	\$281,905,620

Allowing for inflation these figures indicate a fairly stable level of personal donations.

9. Bequests

Estimated annual value of bequests - \$37,698,180

No official data is available on the level of giving through bequests. Prior to the 1996 report we met with representatives from the Law Commission, Public Trust and Age Concern to consider ways of collecting this information. Three possible methods of collecting data on bequests were identified.

1. Intentions

A study in Queensland indicated that only 1.5% of bequests were left by people under the age of 60. This suggested that a survey of the elderly to ascertain their "intentions" in relation to the allocation of assets in their wills could provide useful information.

2. Review of Charities.

A survey of charitable organisations to collect information on the receipt of bequests. The Queensland report identified 20 charities as the major recipients of bequests and the bequest officers at 15 of them were interviewed. The average bequest from this survey of \$36,580 was similar to the average bequest of \$35,870 obtained from the deceased estate data.

3. Review of Wills.

A model to estimate the flow of funds through bequests to charity has been developed by Chris Barnard, Queensland University of Technology. As the majority of bequests (98.5%) come from donors aged over 60 years the flow of funds should equal the product of:

- The population greater than 60.
- The death rate of people older than 60.
- The percentage of the population over 60 who die with a will indicating a bequest to charity (of the 9,600 wills reviewed electronically by Barnard 5% left a bequest to charity).
- The average bequest.

We have used a modified version of the "review of wills" methodology.

The number of estates with a "grant of administration" made by the courts was taken from the Law Commission Report "*Succession Law as Testamentary Claims*", August, 1996.

The Public Trust provided figures for the payment of bequests from estates handled over a five-year period (1/7/96 to 26/7/01). In this period they processed 963 estates which made bequests at an average value of \$48,331 per estate. These figures compare with an average of \$32,504 reported in 1996. As we do not have updated information on the number of estates with a "grant of administration" made by the courts we have used our 1996 formula with the substitution of the current average bequest made through the Public Trust.

Public Trust figures

Total value of estates with bequests over five years	-	\$211,095,725
Total payments to charity	-	\$46,542,676 (22% of value)
Average yearly level of bequests paid by Public Trust	-	\$9,308,535

Around 27,000 people die in New Zealand each year (e.g. 27,100 in 1993 and 26,206 in 1998) with the courts making around 13,000 grants of administration in respect of the estates of dead people each year. In the remaining cases a grant of administration is not sought as the estate is small or the principal assets are not passed on by a will.

Estate sizes vary and it appears that around 65% of estates will be worth \$40,000 or less and 90% worth \$168,000 or less.

In the case of the Public Trust, bequests to charitable organisations were left by 6% of the estates accounting for 23% of the value of the estates.

Extrapolating the Public Trust figure of 6% of estates making charitable bequests to the total of those with grants of administration made by the courts suggests that around 780 estates make bequests to charitable organisations each year.

The average bequest handled by the Public Trust was \$48,331 (compared to an average of \$32,504 reported in 1996). In general the Public Trust handles estates from the lower to middle range of value of assets so that using this figure provides a conservative estimate of the total value.

The Public Trust figures show the impact of a small number of large bequests. Although only 229 out of 963 estates (24%) left more than \$50,000 to charity this group accounted for a total of \$39,270,423 in bequests (84% of the total value) with an average value of \$171,487.

That is, 24% of the estates left 84% of the total value of bequests.

Multiplying the 780 assumed bequests by the Public Trust average of \$48,331 gives a conservative estimate of \$37,698,180 per year.

Estimated annual value of bequests	-	\$37,698,180
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10. Central Government Funding

The following estimates have been taken from the government's budget figures (The Estimates of Appropriations for the New Zealand Government for the Year Ending 30 June 2002). The estimates are for the previous year's actual expenditure.

Additional information was obtained from other government sources. Government departments do not record data that distinguishes between for profit and not-for-profit organisations. Therefore, where government purchases services from the community and voluntary sector as well as private for profit providers it is impossible to identify the precise amounts paid to community and voluntary sector agencies. This is particularly relevant in the areas of Health and Education which are the two largest funders of services in the community and voluntary sector.

The majority of government funding for health services is now allocated by government through District Health Boards. At the time of our previous survey these funds were allocated by the four Regional Health Authorities and we included health as a separate category. In both cases under their contracts with the Ministry of Health these agencies are responsible for purchasing health services in specified fields such as mental health and disability support services. The purchase of services is reportedly based on "quality and price" and therefore no distinction is made between for-profit and not-for-profit organisations. For this reason no separate records are kept of funding (or purchases from) non-profit organisations.

As other government agencies are also devolving decision making (within parameters set by government) we have now integrated the Health funding into the section on central government funding.

For the 1996 report contract managers at the Regional Health Authorities were able to provide estimates of the amount of contract funding which went to not-for-profit organisations. For the current report, due to the inability of health authorities to provide such estimates we have used the 1996 figures as base line funding. We have then adjusted the figure in line with inflation and changes in expenditure as reported in "Health Expenditure Trends in New Zealand 1980-1999" Ministry of Health, August 2000. The resulting estimate provides a very conservative indication of the level of health funding within the community and voluntary sector.

Table 10.1 Government Funding

Department/Agency	1996	Department/Agency	2000
Community Funding Agency	\$100,800,000	Child Youth & Family	\$79,946,000
Education and Training Support	\$79,900,000		
Ministry of Education	\$67,000,000	Ministry of Education	\$162,000,000
Community Employment Group	\$14,300,000	Community Employment Group	\$17,611,000
		Maori Women's Development Fund	\$2,000,000
Department of Internal Affairs		Department of Internal Affairs	
• Community Organisations Grants Scheme	\$11,600,000	• Community Organisations Grants Scheme	\$10,595,000
		• Community Work training	\$60,000
		• Youth Work training	\$200,000
		• Maori Community Work training	\$225,000
		• Community Projects Workers Scheme	\$1,227,000
		• Grants	\$158,000
		• Youth Suicide	\$473,000
Ministry of Youth	\$10,600,000	Ministry of Youth	\$7,547,000
Department of Courts: domestic Violence Prevention	\$4,300,000	Department of Courts: domestic Violence Prevention	\$5,300,000
Crime Prevention Unit	\$4,300,000		
Health Funding Authority	\$376,000,000		
Ministry of Health	\$1,150,000	Health	\$624,253,000
		Includes purchase of: Advisory services, provider development, Information Services, disability Support, National Services, locally purchased services.	
Ministry of Foreign Affairs and Trade		Ministry of Foreign Affairs and Trade	\$9,000,000
TOTAL	\$669,950,000	TOTAL	\$920,595,000

Appendix 1

Projected figures for total income of New Zealand not-for-profit sector

These figures provide an estimate of the total monetary total income (that is, excluding voluntary work) of the non-profit sector in New Zealand. The estimates for payments and fees for service and corporate giving are based on the average for the John Hopkins comparative study. All other figures are taken from this report.

The Johns Hopkins Comparative Non-profit Sector Project has collected detailed data on seven countries (Japan, Hungary, Italy, US, UK, France and Germany). An average of 47% of non-profit revenue came from private fees and payments. These fees and payments include areas such as childcare, education, residential care, entry fees in museums and arts and sports fees. Some of these fees for health, welfare, education and residential care will be paid from welfare benefits. As an estimate we suggest taking 40% as an indicative figure of revenue in New Zealand coming from fees and services.

Corporate giving in the UK, US and France ranged between 2% and 2.9%. Taking a mid-range figure of 2.5% suggests the possibility of around \$80 million in corporate giving in New Zealand.

If the percentage of not-for-profit sector income from fees and payments for services and corporate giving is similar to that indicated by the Johns Hopkins study then the total revenue of the sector would be around \$3 billion per year. The following diagram shows how this estimated income of the New Zealand not-for-profit sector would look.

The estimated figures for fees and service and corporate giving are based on data from the Johns Hopkins study. It places the figures covered in the body of this report in the perspective of the total income of the community sector.

Philanthropic Trusts	-	\$142,801,284
Personal donations	-	\$281,905,620
Bequests	-	\$37,698,180
Gaming machine trusts	-	\$131,241,000
Lottery Board	-	\$91,381,417
Local Government	-	\$28,200,000
Central Government	-	\$920,595,000
Sub-total	-	\$1,633,822,501
Payments and fees for service *	-	\$1,250,000,000
Corporate giving *	-	\$80,000,000
Total estimate	-	\$2,963,822,501

* Estimates based on John Hopkins project figures for the average of seven countries.

Fig. Appendix 1 Projected Figures for Total Income of New Zealand Non-Profit Sector

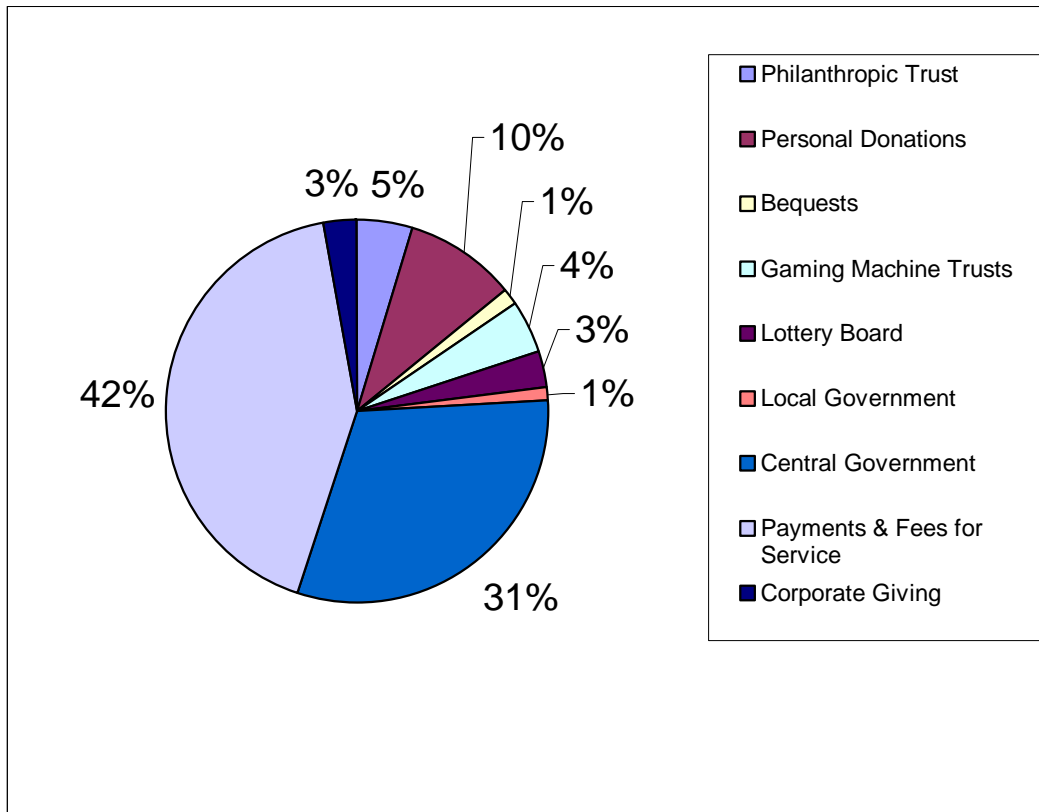
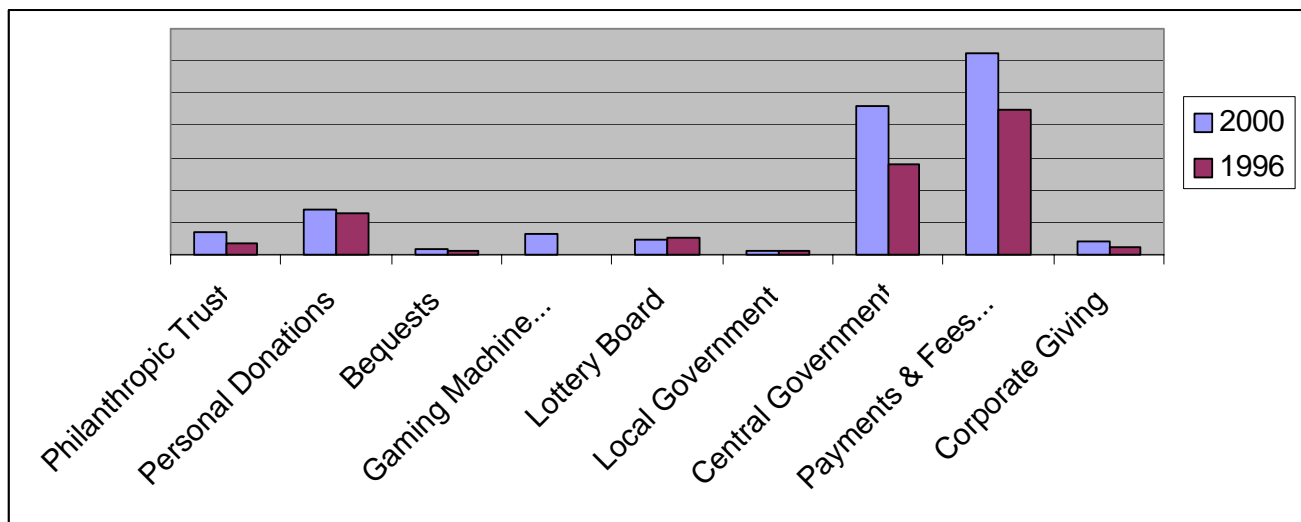


Fig. Appendix 1.2 Comparison of Allocations 1996 – 2000



Appendix 2

Estimating Value of Voluntary Work

In Statistics New Zealand accounting the outputs of Private Not-for-profit Organisations Serving Households are valued at the sum of the inputs, which does not allow for any possible value to be added.

Possible procedures to account for value added include:

- (i) adding in the "value" of all unpaid labour,
- (ii) estimating an output value through comparison with the value of services provided through for-profit organisations,
- (iii) estimating an intrinsic production value for services where there is no comparable market service.

Methods for accounting for the value of unpaid labour have received the most attention. For example, in 1993 the New Zealand Citizen's Advice Bureau Association estimated that the total value of their voluntary labour is in the region of \$8 million per year. The NZCAB used the "market alternative - housekeeper cost" (see below) approach.

Various approaches to the valuation of voluntary labour are considered by Robert Eisner in *The Total Incomes System of Accounts*, University of Chicago Press, 1989, (p55).

Eisner's main concern is with non-market household labour but the voluntary labour input to Non-profit Organisations (NPOs) is also covered. The three basic methods of valuation of non-market labour are:

- (i) Estimating wages in relation to the opportunity costs of the time spent. The wage rate is related to the skills of the individual and should be net of taxes.
- (ii) The "market alternative - housekeeper cost" (in relation to household labour). In this method one general market determined wage rate is used to cover all functions carried out.
- (iii) The "market alternative - individual function cost" identifies the market rate for each individual activity carried out. In the case of a NPO this could include categories such as accounting, secretarial and counselling with separate rates for each.

In the second and third methods the pre-tax wage rate is used, as this is the cost to the organisation. After tax is used in the first method as this relates to potential income forgone by the voluntary worker.

In relation to voluntary work for NPOs none of these methods makes any allowance for the gains to the individual volunteer e.g. additional skills, experience, training, to be offset against the potential loss of income. These gains constitute consumption rather than expenditure (or loss) by the individual.

Eisner imputed the "output" value of volunteer activities to NPOs in the USA as \$18 billion in 1981 compared with \$68 billion for paid staff. This is based on estimates of time spent in

volunteer activities and the average wage of non-supervisory service industry workers, (Eisner, 308 has details of the formula used).

The 1999 Statistics New Zealand Time-Use Survey found that 59% of New Zealanders aged 12 and over spent some time during the previous four weeks doing unpaid work for people or organisations outside their own home. Analysis by length of time spent on each unpaid activity shows slightly more of this time was spent on work for other people – such as caring for children, than was spent in working for non-profit organisations. Within the non-profit organisations grouping the three categories, which recorded the highest number of hours, were leisure and recreation, member benefit groups and education. Unpaid work for social support, disability and health, and community safety and protection showed relatively low levels of time commitment. However, to gain a good picture of the total contribution of voluntary work for non-profit organisations would require a survey focussing more specifically on work for organisations rather than caring activities outside the household.

Appendix 3

Corporations.

Although there has been an increase in interest in the relations between business and the community no data is available from Statistics New Zealand on corporate giving.

Data from the IR10 forms is held by IRD but a formal application for access would need to be made through the Statistics New Zealand Data Laboratory. The research project would have to be approved both within Statistics New Zealand (who would be providing access) and IRD (who provide the data).

The John Hopkins report shows that 2.8% of the non-profit income in the UK comes from corporations with figures of 2.8% for France and 2% for the US. We do not have an accurate figure for the total income of the sector in New Zealand but using our estimate of \$3 billion with a figure of 2.7% would indicate around \$80,000,000 p.a. for corporate donations.