

Submission to the Productivity Commission's Philanthropy Review

May 2023

A New Approach (ANA)

About A New Approach (ANA)

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A New Approach (ANA) is Australia's leading think tank focused on arts and culture. We believe Australia can become a cultural powerhouse whose compelling creativity is locally loved, nationally valued and globally influential.

Through credible and independent public leadership, ANA helps build an ambitious and innovative policy and investment environment for arts, culture and creativity.

We work to ensure Australia can be a great place for creators and audiences, whoever they are and wherever they live.

ANA acknowledges the cultures of Aboriginal and Torres Strait Islander peoples in Australia and their continuing cultural and creative practices in this land.

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ANA Reference Group

Genevieve Lacey (Chair), Ben Au, Julian Canny, Jane Curry, Professor John Daley AM, Damien Miller, Rupert Myer AO, Alison Page, Laura Tingle and Dr Mathew Trinca AM.

ANA Partners

ANA is supported by a unique collaboration of 11 philanthropic organisations across the country. [The Myer Foundation](#); [Sidney Myer Fund](#); [Tim Fairfax Family Foundation](#); [The Ian Potter Foundation](#); [Neilson Foundation](#); [Minderoo Foundation](#); [Besen Family Foundation](#); Spinifex Trust; [The Keir Foundation](#); Aranday Foundation; and The Yulgilbar Foundation.

This submission has been prepared by ANA and the opinions expressed do not necessarily represent the views of ANA's funding partners, or advisory groups, or others who have provided input.

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Summary

This submission is focused on the impact of philanthropy for the arts and cultural parts of the not-for-profit sector, and more broadly the impact of philanthropy for the cultural and creative industries. It asserts that strategic government investment in arts and culture leverages philanthropic support in this area, highlighting that fit-for-purpose government support for arts and culture through a variety of mechanisms can provide both motivation and accessibility for potential donors.

The following aspects are addressed in this submission:

- Defining philanthropy for arts and culture (Information request 1)
- Vehicles, trends and motivations for giving from an arts and culture perspective (Information request 2)
- The role of government in supporting philanthropy (Information request 3)
- The deductible gift recipient framework from an arts and culture perspective (Information request 4)
- Unnecessary regulatory barriers to philanthropic giving and connected opportunities (Information request 6)

Key Insights

- Strategic government investment in arts and culture leverages philanthropy
- Existing giving vehicles specific to arts and culture such as the Cultural Gifts Program are successful and could be further promoted
- 11% of all charities registered with the ACNC provide one or more arts and culture classified programs
- In total 61% of 'advancing culture' charities have deductible gift recipient status compared to an average of 41% across all charities.
- Donation related income is 23% for 'advancing culture' charities, compared to a 7% average across all charities

Recommendations

- Recommendation 1:** Strategic collaboration across all levels of government to foster partnerships with different agencies, portfolios, industry operators, philanthropic entities and co-investors is recommended to foster Australia's potential to become a cultural powerhouse.
- Recommendation 2:** Promote programs such as the Cultural Gifts Program more widely.
- Recommendation 3:** We recommend that Creative Australia continue developing existing functions of Creative Partnerships Australia (including reporting on philanthropic impact).
- Recommendation 4:** Consider what additional incentive structures might be available to state and territory governments to drive philanthropic giving in their jurisdictions.
- Recommendation 5:** Reconsider the eligibility criteria for deductible gift recipient status to increase the ability of more arts and cultural charities to receive tax deductible donations.
- Recommendation 6:** Review the complexity of corporate and philanthropic gifting to best facilitate financial inflows to arts and culture from commercial and philanthropic sources.
- Recommendation 7:** Allow Private Ancillary Funds to count future year's grant commitments in current years target (up to three years), to increase multi-year funding for arts and cultural organisations.

Insights in detail

Information request 1 - Defining philanthropy for arts and culture

Of the 46,455 charities reported by the Australian Charities and Not-for-profits Commission (ACNC) as generating \$173 billion revenue in 2019-20, 4,984 (11% of the total) are classified as providing arts and cultural related programs.¹ Of these, 1,348 (3% of the total) belong to the subtype 'advancing culture'² and generated \$1.2 billion revenue in 2019-20. For the most part, the data referenced in this submission refers to the entities in the advancing culture subtype which consist of a variety of arts, cultural and creative not-for-profit entities. The advancing culture subtype consists of 10,918 employees and an estimated 50,698 volunteers. In terms of deductible gift recipient (DGR) status, 61% of the advancing culture subtype entities are DGR registered.³

For advancing culture, 23% (\$265 million) of total revenue relates to donations and bequests.⁴ Along with donations as a form of financial inflows, other types of giving to the arts and cultural sectors have previously been quantified in research by Creative Partnerships Australia (CPA) and most recently published in the Giving Attitude 2020 report. The CPA found that arts and culture giving totalled \$540 million in 2019-20. This total includes: cash (donations, fundraising, bequests and sponsorships), in-kind support (donations, fundraising, and sponsorships), and time given (volunteer and pro bono hours).⁵

Information request 2 - Vehicles, trends and motivations for giving from an arts and culture perspective

Several arts and culture specific giving vehicles exist. One example is the Cultural Gifts Program.⁶ This program was first introduced in 1981 as the 'Taxation Incentives for the Arts Scheme' with the goal of broadening support for arts and culture beyond direct expenditure. The Cultural Gifts Program is a prime example of how government support has leveraged philanthropy. For the past 40 years this program has successfully enriched Australian public institutions by providing a tax deduction when donating works of cultural significance to public art galleries, museums and libraries.⁷ Programs such as the Cultural Gifts Program could be further promoted to build Australia's cultural inheritance.

Since 2012, Creative Partnerships Australia (CPA) has strategically operated two types of vehicles that facilitate giving. The first is the Australian Cultural Fund, which provides entities (including individual artists and artist groups) the opportunity to benefit from a special DGR status to fundraise towards a specific project.⁸ CPA also operates matched funding programs which provide fundraising skills development to participants and dollar-to-dollar matched funding (up to a cap) for amounts fundraised.⁹ Both types of giving vehicles (the cultural fund and the matched funding programs) facilitate investment for arts and culture. In 2020-21, the Australian Cultural Fund raised over \$4.4 million in donations, whilst the matched funding programs (in combination) raised \$2.2 million in fundraising (this includes donations and partnerships) and received \$1.3 million in matched funding from CPA.¹⁰

Noting the upcoming merger of CPA into Creative Australia in July 2023¹¹, we highlight the value and ongoing relevance of actions previously undertaken by CPA including the operation of the Australian Cultural Fund and the matched funding programs; research monitoring the quantum of philanthropic giving to arts and cultural activities; and formal recognition of philanthropic giving to arts and culture. We recommend that Creative Australia continue developing the existing functions of CPA (including reporting on philanthropic impact).

We also note that, anecdotally, there is an observed shift in philanthropic giving towards social impact causes and social impact investing,¹² with a potential impact of the philanthropic opportunities for arts and cultural organisations. This emerging trend warrants further validation, but a timely response could include:

1. Ensuring existing giving mechanisms specific to arts and cultural purposes are effective
2. Considering what additional incentive structures might there be available to the state and territory governments to drive philanthropic giving for arts and cultural purposes in their jurisdiction (noting that state and territories benefit from philanthropic giving in their jurisdictions, while the cost is born by the Commonwealth Government agreeing to the offsets to what would otherwise be part of its tax revenue base).

Information request 3 - The role of government in supporting philanthropy

Strategic government investment for arts and culture leverages philanthropy. Along with investing in arts and culture with direct expenditure, strategic government support to best leverage philanthropy involves ensuring that the tax system is fit-for-purpose, and that regulatory barriers are evaluated in relation to changing contexts. This could include, for example, ensuring that unnecessary complexity for philanthropic gifting is reviewed to ensure that neither donors nor beneficiaries are disadvantaged.

In ANA's recent submission to the National Cultural Policy (NCP) consultation,¹³ we suggest that one of the five key elements that the NCP should explore is a partnership framework between different investors, including governments, industry and philanthropic entities.¹⁴ Ideally this framework should elevate collaboration as a competitive advantage. From this perspective, we view the role of government in philanthropy is to strengthen collaborative relationships with philanthropic entities and co-investors. More broadly, public policy settings for culture that take a transparent, strategic and long term approach, generate confidence and trust from co-investors, including philanthropic supporters.

Information request 4 - The deductible gift recipient framework from an arts and culture perspective

When considering the DGR status of advancing culture entities in relation to all charities, there are notably more advancing culture entities registered (61%) compared to all charities (41%). This section examines the relationship between DGR status and donation revenue, with consideration that the DGR framework provides a mechanism that encourages a healthy relationship between government and donors.

To illustrate these differences, Figure 1 replicates the percentage breakdown of all charities that was published in the Review of Philanthropy Call for Submissions report (p.6),¹⁵ whilst Figure 2 provides the percentage breakdown of revenue sources solely for advancing culture charities. Both figures show the total breakdown as well as a breakdown for entity size.

Figure 1. Source of revenue percentage breakdown, by charity size, 2020 (all charities)¹⁶

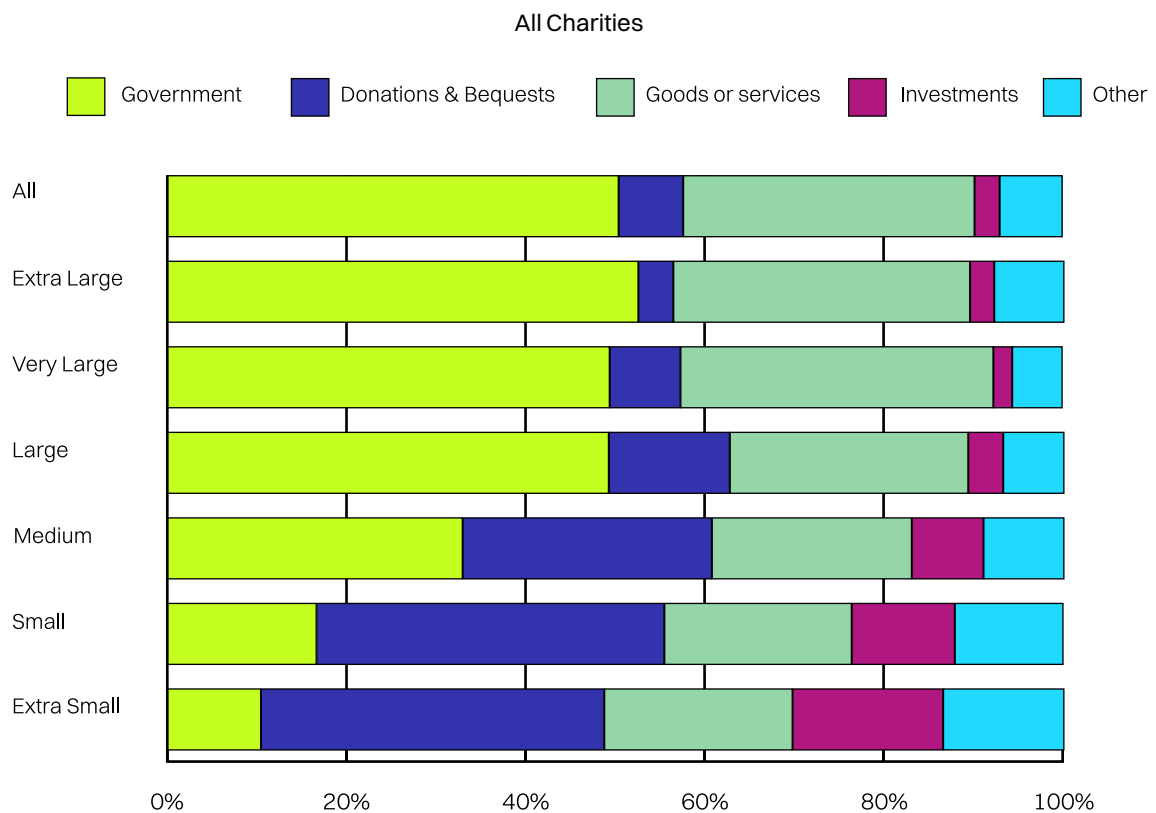
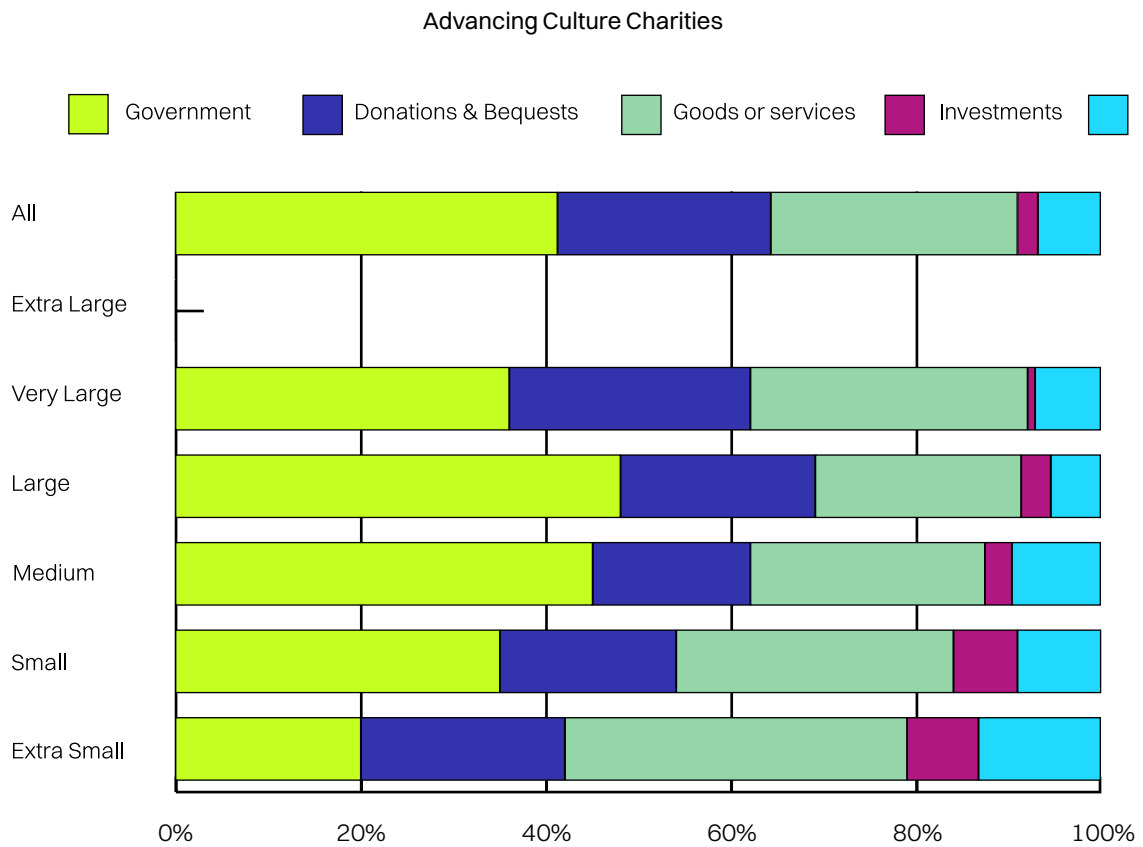


Figure 2. Source of revenue percentage breakdown, by charity size, 2020 (advancing culture subtype)¹⁷



For the advancing culture subtype, a larger percentage of total revenue is derived from donations and bequests in comparison to all charities, this being 23% for arts and culture compared to 7% for all charities. This is likely, at least in part, due to arts and culture charities having a higher percentage of DGR status (61% compared to 41%). Considering that arts and cultural NFPs have both a larger percentage of DGR status compared to all charities and a larger percentage of donation income, it could be inferred that the DGR framework provides substantial motivation for potential donors to invest.

Information request 6 - Unnecessary regulatory barriers to philanthropic giving and connected opportunities

In ANA's recent NCP submission¹⁸ we asserted that alongside well targeted government financial inflows, there is opportunity for the government to remove existing barriers and consider targeted incentives and opportunities for other forms of financial inflows, such as commercial and philanthropic sources, to operate optimally.

One barrier that we identified is the complexity of corporate and philanthropic gifting, and recommend that this is an area that should be reviewed to best facilitate these forms of giving.

To inform opportunities to remove barriers, ANA also commends the recent submission to the NCP consultation by Philanthropy Australia¹⁹, which outlined the following measures to support philanthropic activity:

- Current restrictions of Private Ancillary Funds in counting future years grant commitments in current years target is discussed by Philanthropy Australia as an opportunity for improvement. By allowing Private Ancillary Funds to count future years (maximum three years), it is understood that this would encourage increased multi-year funding for organisations with DGR status, increasing cash-flow certainty, productivity, and workforce retention,
- New structures and incentives be introduced to increase philanthropic support to arts organisations such as Living Legacy Trusts²⁰, and
- Reforming DGR eligibility so more arts and cultural charities can receive tax deductible donations.

Concluding remarks

Fit-for-purpose government support for arts and culture includes not only strategic financial investment, but ensuring that the tax system is fit-for-purpose, and that regulatory barriers are evaluated in relation to changing contexts.

ANA asserts that one of the key elements towards achieving Australia's potential in becoming a cultural powerhouse is a partnership framework that elevates collaboration as a competitive advantage. This includes ensuring strategic collaboration across all levels of government to foster partnerships with different agencies, portfolios, industry operators, co-investors, and philanthropic entities.

Endnotes

1 Charities registered with the ACNC are able to report up to 10 programs and for each program a classification needs to be nominated. The 4,984 charities that are classified as providing arts and cultural related programs reflects the quantity of charities that have nominated one or more of its programs as being related to arts and culture. The majority of these charities are not solely arts and culture charities however and belong to a variety of subtypes, the subtypes include: HPC (n=9), Reporting group (n=38), Environment (n=15), Social welfare (n=83), Other (n=247), PBI (n=75), Education (n=295) and Religion (n=185). In addition, a substantial number of the charities with an arts and culture classification have no subtype (n=837) or multiple subtypes (n=1338).

2 The subtype refers to the charitable purpose that the entities activities and objects align with. This includes 12 subtypes that are defined in the Charities Act 2013 (Cth) and two additional subtypes, Public Benevolent Institutions and Health Promotion Charity. The culture subtype is for advancing culture and "includes the purposes of promoting or fostering culture, and caring for, preserving and protecting Australian heritage (but is not limited to this)." Source: Australian Government, Australian Charities and Not-for-profits Commission. N.d. Charity Subtypes. <https://www.acnc.gov.au/for-charities/start-charity/you-start-charity/charity-subtypes>

3 Australian Government Productivity Commission. 2023. Review of Philanthropy Call for Submissions report. p.6.; Australian Government, Australian Charities and Not-for-profits Commission (ACNC). 2022. Australian Charities Report - 8th edition - interactive dataset. <https://www.acnc.gov.au/tools/reports/australian-charities-report-8th-edition>

4 Ibid.

5 Creative Partnerships Australia. 2020. Giving Attitude: Private Sector Support Survey 2020 Research Report. https://creativepartnerships.gov.au/wp-content/uploads/2021/12/CPA-Giving-Attitude-2020_Private-Sector-Support-Survey.pdf

6 Australian Government, Australian Taxation Office. 2017. Donating under the Cultural Gifts Program. <https://www.ato.gov.au/Non-profit/Gifts-and-fundraising/Tax-deductible-donations/Gift-types,-requirements-and-valuation-rules/Donating-under-the-Cultural-Gifts-Program/>

7 Gardiner-Garden, J. (2009). Commonwealth arts policy and administration: Department of Parliamentary Services, Parliamentary Library.

8 The Australian Cultural Fund provides entities such as individual artists, artist groups and organisations that would not normally qualify for DGR status a unique opportunity to access strategic philanthropic giving. Creative Partnerships Australia's 2020-21 Annual Report noted that more than \$4.4 million was donated to the Australian Cultural Fund.

9 NFP entities and cultural organisations can apply for the Plus1 program, whilst individual artists and artist groups can apply for the MATCH Lab program.

10 Creative Partnerships Australia. 2022. Our annual report 2020-21. <https://creativepartnerships.gov.au/2021/10/16/our-annual-report-2020-21/>

11 Creative Partnerships Australia. N.d. To foster a culture of private sector support for the arts in Australia.

<https://creativepartnerships.gov.au/#:~:text=In%20the%20October%202022%20Budget,effect%20from%201%20July%202023.>

12 A recent report published by the Equity Trustees indicated that “many philanthropists are adding impact investing to their toolkit, along with traditional philanthropic funding. Impact investments are financial, social and or environmental returns that are measured and considered.” (Equity Trustees, 2022, p.18). The report also notes a decrease to arts, human services and animal welfare, the findings are however likely affected by Covid-19. Sources: Equity Trustees. 2022. Philanthropy: Annual giving Review 2022. <https://view.publitas.com/equity-trustees/philanthropy-giving-review-2022/page/1> ; Kraner-Tucci, Ruby. 2022. For-purpose grants over \$100K increase, but overall drop in philanthropy: Equity Trustees. Probono Australia. <https://probonoaustralia.com.au/news/2022/12/for-purpose-grants-over-100k-increase-but-overall-drop-in-philanthropy-equity-trustees/>

13 A New Approach (ANA). 2022. Becoming a cultural powerhouse: Submission to National Cultural Policy consultation 2022. https://www.arts.gov.au/sites/default/files/documents/a-new-national-cultural-policy-ncp0332-a-new-approach-ana_.pdf

14 The partnership framework is defined as: “A framework elevating collaboration as a competitive advantage, describing existing inter-governmental arrangements and the potential for new agreements and/or accords and outlining the desired relationships with different agencies, portfolios, industry operators, philanthropic entities and investors that are required for success.” Source: A New Approach (ANA). 2022. Becoming a cultural powerhouse: Submission to National Cultural Policy consultation 2022. https://www.arts.gov.au/sites/default/files/documents/a-new-national-cultural-policy-ncp0332-a-new-approach-ana_.pdf

15 Australian Government, Productivity Commission. 2023. Review of Philanthropy: Call for submissions. <https://www.pc.gov.au/inquiries/current/philanthropy/call-for-submissions/philanthropy-call-for-submissions.pdf>

16 Data source: [ACNC Australian Charities report, 8th edition, interactive dataset](#).

17 Ibid.

18 A New Approach (ANA). 2022. Becoming a cultural powerhouse: Submission to National Cultural Policy consultation 2022. https://www.arts.gov.au/sites/default/files/documents/a-new-national-cultural-policy-ncp0332-a-new-approach-ana_.pdf

19 Arts Funder Network (Philanthropy Australia) National Cultural Policy Submission. https://www.arts.gov.au/sites/default/files/documents/ncp0052_philanthropy-australia-arts-funder-network.pdf

20 An example of a Living Legacy Trust from an United States perspective, specific to artists estates, can be found in the Joan Mitchell Foundation report “Creating a living legacy: Estate Planning Workbook for Visual Artists”. <https://www.joanmitchellfoundation.org/uploads/pdf/CALL-EPW-I-2019.pdf>