

Australia Council for the Arts

RESPONSE TO THE PRODUCTIVITY COMMISSION'S DRAFT REPORT INTO THE NOT-FOR-PROFIT SECTOR

Introduction

The Australia Council for the Arts is the Australian Government's arts funding and advisory body – supporting Australian arts through funding, strengthening and developing the arts sector. Our vision is to enrich our nation by supporting the practice and enjoyment of the arts. Each year the Australia Council provides more than \$158 million in funding for arts organisations and individual artists across the country. This funding supports the creation of more than 5000 new works that are enjoyed by around 13 million people every year.

The arts in Australia are essentially driven by the not for profit sector with some for profit activity particularly in visual arts and literature. Arts and cultural organisations in Australia mirror the diversity of structures in the not for profit sector. The sector is largely subsidised with organisations ranging from the major performing arts, orchestras, ballet, opera and theatre companies, to community based collectives and service organisations such as the Arts Law Centre of Australia and the Copyright Council.

The arts and related industries in Australia make a direct economic contribution estimated at \$23.6 billion and employ around 285,000 people, with up to #.5 million people engaging unpaid and paid work.¹ It is clear that while the arts make a considerable direct economic contribution, they make an even greater indirect economic contribution building cultural capital and national identity as well as social capital – by opening up dialogues that address cultural diversity, improving the tolerance, equity, health and wellbeing of Australians – and by providing a vibrant and interesting suite of attractions for cultural tourism.

Draft Report

The Council welcomes the Draft report of the Commission as providing a timely overview of the entire Not for Profit sector. We support the approach to focus smarter regulation for the sector and on improving the measurement of the contribution of the not for profit sector. For the arts sector the question of capturing the full contribution to society is one that we are endeavouring to address in various ways through our research program and our involvement in the Cultural Ministers' Council and its working groups.

¹ Source: ABS National Centre for Culture and Recreation Statistics; ABS – Employment in Culture, Australia, cat. no. 6273.0; Work in selected culture and leisure activities, cat. no. 6281.0

The Australia Council has made a number of submissions to other inquiries that are relevant to the terms of reference for this Inquiry. They are attached for the Commission's reference and include:

- *Submission to Australia's Future Tax System Review 2008*
- *Submission to the Inquiry into the Disclosure Regimes for Charities and Not for Profit Organisations 2008*
- *Submission to the Inquiry into the Definition of Charities and related organisations 2001*

This response draws on the material provided in each of these submissions but, rather than repeat the points made, we have chosen to provide some more illustrative material that describes the relationship the Australia Council has with the not for profit arts sector in terms of funding, development and advocacy. These comments broadly align with the sections of the Draft Report dealing with Smarter Regulation for the not for profit sector, Building Knowledge Systems and Sector Development.

Smarter regulation for the not for profit sector

Part of the scope of the Australia Council's activities is to advocate for the arts with government and the community. On the subject of the regulatory environment and compliance standards for not-for-profits, we have previously sought to represent the concerns of the arts industry – notably through our response to the 2001 Senate Inquiry into the Definition of Charities and Related Organisations. (see Attachment 3) On that occasion, we argued strongly for the inclusion of arts and cultural organisations in any new definition of charitable organisation, on the basis of advancement of education and community benefit.

In response to this current inquiry, we support recommendation 6.4 on the establishment of a new Commonwealth Registrar for Community and Charitable Purpose Organisations and recommendation 6.2 for the establishment of a national fundraising register.

The Australia Council also manages its own Donations Fund, specifically to enable it to receive tax deductible donations for its own projects – for instance the Australian representation at the Venice Biennale for the Arts, and the Australian Indigenous Art Commission Project with the Musee du quai Branly project in Paris.

The inquiry comes at a time when figures are showing us that philanthropic giving to arts and cultural organisations is increasing, and thus is of increasing importance to the financial stability of the arts sector. An improved system for the use, recording and disclosure of those funds, a system which provides robust and reliable data to stakeholders, can only strengthen the arts sector and assist the work of agencies like the Australia Council. We are therefore supportive of

- Recommendation 7.1 for a single national application process for organisations for tax status endorsement, or mutual recognition of endorsement, across all jurisdictions.

- Recommendation 7.2 to widen the scope for gift deductibility to include all charitable institutions and charitable funds as endorsed by the proposed national Registrar
- Recommendation 7.3 to explore options to promote and support planned giving, especially payroll giving and bequests..
- Recommendation 7.4 to establish a joint working party made up of representatives of the not-for-profit sector, business, philanthropic and other government to explore obstacles to not-for-profits raising capital and evaluate appropriate options to enhance access to capital by the sector.

In regard to accountability, we are strongly supportive of Recommendation 6.1 to establish a Commonwealth incorporated associations legal structure. National standardisation of legislation regarding not-for-profits, with an emphasis on unifying the different treatment of incorporated associations in different states and territories is important. We believe a single national regulating body for the not-for-profits would assist such standardisation, and could also play a role in advising and assisting not-for-profits to meet their compliance obligations.

Standardising financial reporting for not-for-profits is also welcomed. The Australia Council has been proactive in simplifying and improving the reporting requirements of its multi-year funded small-to-medium arts clients, through a national harmonised reporting framework across state, territory and commonwealth funding agencies. This has included on-line technologies. These on-line systems were extended to all grant applications in 2008.

Building Knowledge systems

The Council supports the Commission in its recommendation to build better knowledge systems for the not for profit sector, specifically

- Recommendation 5.1 to initiate an Information Development Plan (IDP) for the not-for-profit sector.
- Recommendation 5.2 to endorse a common framework for measuring the contribution of the not-for-profit sector.
- Recommendation 5.3 to implement a reform agenda for reporting and evaluation requirements for not-for-profit organisations involved in the delivery of government funded services.
- Recommendation 5.4 for the establishment of a Centre for Community Service Effectiveness to promote 'best practice' approaches to evaluation.

The Australia Council's research program seeks to achieve increased information and better knowledge systems for the arts sector and is focused on delivering research outcomes around five key areas for the arts – economic performance, public consumption and participation, private sector support and the impact of digital technologies. In line with recommendation 5.4 we are also seeking to improve our approach to evaluation, data and evidence gathering, and use that knowledge more effectively to enhance our practices for disclosure, transparency and reporting on the impact and outcomes of grants, initiatives and services, not only to government, but to the sector itself.

In comparison with other parts of the Not-for-Profit Sector the Arts has been better served in terms of data collection. This has come about through a long standing commitment by the Australia Council to the research and gathering of statistical information. This work has also encouraged the Australian Bureau of Statistics (ABS) to focus upon the collection of data in this area. The ABS has a special unit devoted to this: the National Centre for Cultural and Recreation Statistics (NCCRS). There is a strong relationship between the Australia Council and the NCCRS in the area of Arts research.

The Council uses data collected by the ABS in the conduct of its research program. It works closely with the NCCRS to ensure that the ABS is fully aware of the sector's data needs. The Council is also an active member of the Statistics Working Group of the Cultural Minister's Council. The SWG coordinates a range of projects at the national level around improving the level of information about the area. The Council also notes the Commission's recommendation for the establishment of an Information Development Plan (IDP) for the not for profit sector. The ABS with the SWG has already developed an IDP for the arts and culture sector which could be used as a model.

However, the ABS is not the only source of data collection available to the Council. It collects data on the recipients of its grants which is analysed to provide information used in policy development. It also has the capacity to commission primary research that involves data collection and to collaborate with researchers in the tertiary education sector in undertaking research. Some examples of externally commissioned work are as follows:

- Survey of the economic life of practicing professional artists. This is the fourth such study conducted for the Council by Professor David Throsby.
- Cultural Consumption and Participation – This is a national survey of attendance at arts events and participation in the arts. Get a more detailed picture of how Australians engage with the arts and understand how different types of people engage.

Collaboration with tertiary researchers in Australian Research Council funded projects has long been a major feature of Council's research program. A research collaboration currently in development is working towards an integrated evaluation framework for the intrinsic and instrumental benefits of not for profit community based arts initiatives.

The Council regularly publishes the results of its research so as to make it available to the arts community and the whole of government as an essential resource in evidence based cultural policy making. The Council's online Research Hub is continually being developed as an accessible resource of information and data. The following are some examples of recently published research available to the sector on the Council's website:

Love your work: training, retaining and connecting artists in theatre

The future vibrancy and sustainability of the major performing arts theatre companies depends on the ongoing health of the Australian theatre 'ecology' - independent theatre artists, small, medium and large companies, venues and festivals.

On Board 2nd edition On Board: serving on the board of an arts organisation

Effective governance is one of the most important aspects of running a successful arts organisation. But what makes a great board? What are a board's responsibilities? And how do you attract terrific board members?

Adjust your view: Developing multicultural audiences for the arts – a toolkit

This toolkit is divided into four sections and each section can be used as a stand-alone component or be integrated to assist in attracting multicultural audiences to arts and cultural events.

The writer's guide to making a digital living

The writer's guide to making a digital living was developed through the Australia Council's Story of the Future project in 2008 to explore the craft and business of writing in the digital era.

Sector development

The Australia Council supports the nation's leading arts organisations with long term funding and development opportunities. We work with around 170 small to medium and major arts organisations to ensure Australia has an artistically vibrant, financially viable and broadly accessible arts sector. Small to medium arts organisations are the cutting edge of Australia's arts, creating and presenting innovative works and engaging their local communities. The Australia Council supports these organisations with multi year funding programs helping them to plan and build their programs over the longer term.

The arts sector helps build creative communities

The Council supports communities across the country to collaborate with professional artists and to engage with – and produce – art that gives new insights into contemporary Australian society. Facilitating creative partnerships is one of the main ways to develop strong and resilient communities. Building interconnections between arts organisations, businesses, governments and communities strengthens

the cultural lives of all Australians. Some examples of partnerships forged between artists and communities can be found in the recent Australia Council publication *KP11: Producing Communities*.²

Communities have worked with professional artists on a vast range of collaborative programs and projects involving Indigenous groups, people with disabilities, health centres, multicultural organisations, prisons, public housing agencies, environmentalists, educationalists, trade unions, local governments, urban planners, youth centres and women's groups: communities all eager to use a range of creative processes, to develop skills and express their concerns and aspirations to a wider audience. The Australia Council commissioned a study in 2004 *Art and Wellbeing* which examined a range of collaborative arts projects with creative outcomes that strengthen communities.³

The Australia Council supports the Commission's approach to identifying ways of measuring outcomes by identifying potential indicators that can be examined through data collection or program evaluation. The NCCRS in consultation with CMCSWG are in the process of developing a broad set of cultural indicators which are relevant to the National Cooperation Framework for Arts and Culture.

Volunteers

Arts organisations rely significantly on the inkind support and contribution of volunteers. About 207,200 volunteers for arts and heritage organisations provided over 30.6 million hours of work in the 12 months before interview, according to the 2006 Australian Bureau of Statistics General Social Survey.⁴

Regional Arts Australia, in their 2006 national directions report, considered the vital role of volunteers whose energy and enthusiasm enabled arts and cultural programs to flourish. Volunteers often undertake significant roles for which they incur expenses that are not reimbursed, particularly in regional Australia where travel is required.⁵

Business capacity building

Our experience working with arts organisations is that most are fortunate enough to attract talented and dedicated staff, who recognise the importance of governance and compliance skills to the ongoing success of their organisations. In addition to direct funding support, the Council supports arts organisations to address business

²http://www.australiacouncil.gov.au/the_arts/features/community_partnerships/curatorial_essay_kp_1_producing_communities_exhibition

³ Mills, D and Brown, P., *Art and Wellbeing*, Australia Council for the Arts, 2004, p. 6.
http://www.australiacouncil.gov.au/publications/community_arts_and_culture/art_and_wellbeing2
Refer also: Pagan, J, Higgs P, Cunningham, S., *Getting Creative in Health Care: The contribution of creative activities to Australian Healthcare*, 2008.

⁴ [Australian Bureau of Statistics, Voluntary Work, 2006 \(cat. no. 4441.0\).](http://www.abs.gov.au/ausstats/135000main/totals/tables/44410)

⁵ *2006 National Directions Regional Arts Regional Arts Australia*,
<http://www.regionalarts.com.au/raa1/files/RAAbook2006.pdf> page 27

challenges and to improve their capabilities through the delivery of professional development opportunities to their staff. The focus is business analysis, research and development and the design of long term strategies to assist in business development. Current Business Capacity Building activities include:

- Company Development Fund – funding up to \$10,000 for business development projects.
- Philanthropy Mentorship Program – co-funding for Giving Manager position.
- Financial Skills Workshops – a two-day workshop on financial management and analysis.
- Board Development Workshops – a one-day workshop on effective governance for arts organisations, delivered by AbaF.
- Arts Marketing Study Grants – grants to meet the cost of undertaking of Deakin University's post-graduate subject on arts marketing.
- Digital Marketing seminars– a half-day seminar on on-line marketing paired

Artsupport Australia – cultural philanthropy

In recent years there has been a significant rise in philanthropic support for the not for profit arts sector, well above the overall trend for the general not for profit sector in Australia and the United States. Supporting this trend is the work of Artsupport Australia – a special initiative of the Australia Council launched in 2003 to grow cultural philanthropy.

Artsupport Australia is a unique, innovative and effective model to grow philanthropic support within a defined sector whose success can be attributed to:

- providing a free advisory/mentoring service to both arts organisations and philanthropic individuals and entities
- having direct and quick access to specialist knowledge
- having national reach
- having a small team of experienced staff, whose costs are covered by government
- holding strategic events to build brand, networks and business
- having high-profile champions with industry expertise who publically campaign for the cause, and who facilitate strategic introductions
- having important relationships with key bodies in government, business and finance.

Since its inception Artsupport Australia has directly facilitated over \$35 million in philanthropic income for over 100 artists and 500 arts organisations. Working with both the not for profit sector to identify funding opportunities and build fundraising capacity, and individual philanthropists and corporate foundations to match possible cause areas in the arts, Artsupport Australia is a unique model that succeeds by working to maximise the philanthropic exchange for all parties. The advantages of the model are that it is government funded, has national reach (with staff in most capital cities) and works with both sides of the philanthropic equation to achieve best fit outcomes.

Attachments

- Attachment 1 - *Australia Council for the Arts Submission to Australia's Future Tax System Review 2008*
- Attachment 2 - *Australia Council for the Arts Submission to the Inquiry into the Disclosure Regimes for Charities and Not for Profit Organisations 2008*
- Attachment 3 - *Australia Council for the Arts Submission to the Inquiry into the Definition of Charities and related organisations 2001*