The art of the possible: strengthening private sector support for the Arts in New Zealand

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A report to Creative New Zealand
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Research overview

In May 2010, Creative New Zealand commissioned the Allen Consulting Group to conduct research into private sector support for the Arts, and to develop an action plan for increasing this support.

The research has two main objectives:

• examine and analyse the environment, trends and barriers/opportunities for increasing private sector support for the benefit of the Arts; and
• develop an action plan and recommendations that identify actions or initiatives that could be taken or developed by Creative New Zealand, arts organisations and the New Zealand Government to increase private sector support for the Arts.

The approach

As part of this research, the Allen Consulting Group employed, to capture data for analysis:

• desktop research of existing reports, reviews, research publications and benchmark research about the general environment of private sector support for the Arts in New Zealand and abroad;

• an online qualitative survey that captured views from 20 businesses and two trusts/foundations. We interviewed also one trust/foundation respondent for further feedback. The survey was conducted between 16 July and 4 August 2010 from a sample of 50 businesses. We caution that this is not a scientific survey, and is not representative of all New Zealand businesses. However, the survey provides useful trend data and provides specific insights;

• seven individual consultations with members of an external reference group including individuals from the Arts Foundation of New Zealand, Inland Revenue, the Charities Commission, the Office of the Community and Voluntary Sector, the Ministry for Culture and Heritage, and Philanthropy New Zealand;

• five interviews with private philanthropists; most of them leading arts philanthropists with a long-term and informed view of arts funding in New Zealand; and

• two focus groups attended by a total of 10 large and small-size arts organisations.
Executive summary

In developed economies and nations internationally, the challenge facing most arts organisations is to sustain their operations in a climate of continued economic uncertainty flowing from the crisis in the global financial system that started in 2008.

Even before the global financial crisis, Creative New Zealand and the Ministry for Culture and Heritage were considering how to broaden the revenue base for arts organisations in New Zealand for a number of years.

In New Zealand — and in Australia and the United Kingdom, where the State has traditionally provided significant support in the form of funding for the Arts — it is unlikely that government funding for arts organisations will increase in the short to medium term, given efforts to reduce the budget deficit.

It is perhaps safe to claim that the days of governments in New Zealand, the UK, Canada and Australia providing the lion’s share of funding and support for many arts organisations, are either numbered or over.

To sustain themselves in this environment, as part of good risk management to broaden their external revenue base, and to continue to engage the community, arts organisations need to secure more support from the private sector.

**The private sector is the most viable source of additional support**

The private sector is the most viable source of external support (financial, in kind goods and services, skills-based volunteering) for arts organisations seeking to broaden their revenue base, reduce costs, and free up cash flow to fund value-adding activities.

This report, which offers 33 recommendations to Creative New Zealand, concludes that of the three sources of private sector support for the Arts in New Zealand — individuals, trusts/foundations and business — it is business, and especially corporations, that are likely to be the source of significant and sustainable additional support of the Arts.

Data collected during research interviews for this report (including with high-net worth philanthropists in New Zealand), correlate with data from the UK and Australia, which suggests that while individual giving will remain an important component of the revenue of arts organisations, it is unrealistic to expect that the wealthy philanthropists will be the primary source of funds from the private sector.

New Zealand, like Australia, Canada and the UK, but unlike the US, does not have a strong culture of philanthropy among its wealthiest citizens, and has still a much smaller circle of wealthy citizens engaged with philanthropic giving to the Arts. Increasing the total number of New Zealanders who give to the Arts, in a highly competitive and sophisticated philanthropic market, is a worthy but long-term endeavour.
Identifying and building the business case for corporations and small and medium enterprises to invest in arts organisations as a core component of business strategy, offers New Zealand an undeveloped, sustainable and significant source of private sector support.

**Arts/business partnerships offer the greatest opportunity**

In developed economies internationally, corporations are seeking opportunities to engage more with the community to build trust, and attract and retain the best employees, and extend their socio-political license to operate. Corporate community investment — an element of corporate social responsibility — is a strategy central to achieving those business objectives. We recommend that public policy in New Zealand be oriented to assist arts organisations better understand and engage with the business case for corporate community investment, and better encourage business to commit more of its corporate community investment efforts to the Arts, where the interests of arts entities and business intersect. This includes State Owned Enterprises (SOEs).

Rather than focus on simple philanthropy, the interests of arts entities and corporations will best be served, and mutual value for both sectors maximised, if genuine corporate/arts entity partnerships are encouraged and celebrated.

**Closer relationships with community trusts and foundations**

There are opportunities for the Arts to attract more financial philanthropic support from community trusts and foundations if both of these segments forge closer relationships and better understand the modus operandi of the other. Our finding is that the key barrier to arts organisations receiving more grants and financial support from community trusts and foundations is that they are yet to establish sustainable relationships with community trusts and many foundations. In New Zealand, religious, welfare, health and sporting not-for-profit organisations (NFPs) receive more grant monies from community trusts annually.

Internationally, arts organisations find it more difficult to compete for available trust and foundation funding than other NFPs focusing on addressing social need and creating social opportunity. However, compete they must. Action to equip the Arts sector to better position itself through forging relationships, engagement, and building grant application capability and capacity is identified as a clear opportunity to increase trust and foundation funding of arts organisations in New Zealand.

**Building capability, capacity and sustaining a focused effort**

To ready, equip, inform and focus effort to increase private sector support for a vibrant, innovative and broad Arts sector in New Zealand, we recommend that a new entity be established focused solely on strengthening the capability of the Arts sector to increase support from corporations (including SOEs) and trusts and foundations.
Sharing some characteristics with organisations such as Arts & Business in the UK, and AbaF (Australia Business Arts Foundation) and Artsupport in Australia, we recommend this new entity develop programs, pursue approaches and create platforms to better and more deeply engage business and trusts and foundations with the Arts, and engage arts organisations more productively with business and trusts and foundations.

Given the relative scale of the New Zealand market, we recommend that this new entity be established within Creative New Zealand, but be at arms-length from government, governed by an independent governance board chaired by a prominent business person and comprising board members from arts entities, business, community trusts/foundations, the CEO of Creative New Zealand and a number of leading philanthropists.

Experience in Australia (AbaF) and in the UK (Arts and Business) suggests that ‘independence’ of the business/arts entity from government is very important to secure meaningful involvement from business, and from senior businesspeople. If the entity is seen as an arm of government, it may be difficult to secure the quality and quantum of business engagement to be successful.

**Role of the new entity**

We recommend the new entity consider the short, medium and long-term recommendations of this report, and especially the viability and appropriateness of initiatives such as increasing business representation on arts entity boards via a Board Bank matching mechanism, and seconding for up to three months business employees with specialist skills to matched arts organisations in need of those skills.

These recommendations — and including those to train and assist arts entities establish and cement relationships with trusts and foundations, be able to identify and build business cases to encourage corporate community investment in the Arts, and actions to engage the head offices of companies trading in New Zealand with offshore head offices to consider more community investment in the Arts sector in New Zealand — are among this report’s recommendations.

**Private individuals**

Private individuals in New Zealand remain an important source to increase funding of the Arts.

The Government’s Payroll Giving Scheme is relatively new and will take time to gain momentum. Too few employers and employees appear to be aware of the Scheme, and we make recommendations in this regard.

Recent reform of the tax system to encourage payroll giving, but more importantly to encourage donations to charities, including arts organisations, have the potential to increase giving to the Arts.

An implementation of a gift aid scheme that maximises the value of donations received by donee organisations, is a further opportunity to strengthen support for the Arts from individuals. We counsel that New Zealand proceeds with implementing such a scheme.
To maximise individual contributions to arts organisations — especially by high net-worth individuals who make the highest contribution in monetary terms, we recommend that peak accountancy and legal bodies be engaged to better inform them about the tax incentives available for giving to arts organisations via donations, and through bequests and estate planning.

To encourage and highlight the value and importance of individual giving, we recommend also an annual national medal be awarded for an individual (or couple or family) who recently, or over time, has made a significant financial contribution to an arts entity or cultural institution.

Highlighting the support of the Arts by individuals, corporations and trusts/foundations is very important in a society in which perceptions are widespread that the State is the default monetary supporter of the Arts.

We also recommend that cultural gift tax arrangements similar to those in place in Australia since 1978 be considered to provide incentives and encouragement to New Zealanders to gift significant art and cultural assets to the nation’s art and cultural institutions.

Our research and analysis suggests also that coordinated and focused efforts between the New Zealand Arts Foundation, and the recommended entity for business/trust/foundations/Arts cooperation, could strengthen approaches to increase individual arts philanthropy in New Zealand.

We recommend Creative New Zealand seek discussions with the New Zealand Arts Foundation to investigate if the remit and operations of the Foundation can be extended to provide services and impetus to increase philanthropic support for all arts organisations in the nation.

If this cannot be achieved, we recommend Creative New Zealand investigate the feasibility of establishing within its structure, an organisation similar to Artsupport in Australia, to focus on building the capability of arts organisations to engage with philanthropists, and increase their support from philanthropic sources.

**Short, medium and longer term goals**

The key recommendations in this report, presented here and at Chapter 6, are categorised into short-term, medium-term and long-term goals — ‘quick’ and achievable wins to, along the time continuum, goals and objectives to be achieved over a longer term.

As a small, developed economy, the success and impact of pursuing any of these recommendations is underpinned by looking for creation of shared value — the classic ‘win, win’ — for each stakeholder involved.

Our stakeholder engagement and research for this report suggests strongly there is opportunity for a coordinated effort to coalesce terminology and language related to giving to the Arts in New Zealand.

The Ministry for Culture and Heritage’s 2010 report on giving and sponsorship to cultural organisations can provide the blueprint for this effort. However, the captured data should reflect broader aspects of private sector support (see comments in section 1.1), and allow comparisons with other not-for-profit sub-sectors.
Recommendations

Short-term

Increasing support from individuals

i. The peak accountancy and legal practitioner groups in New Zealand be engaged to partner in disseminating to their members details of tax incentives and credits associated with giving, including in relation to bequests and legacies.

ii. In cooperation with the New Zealand Arts Foundation and the leading arts organisations, Creative New Zealand work to identify younger, existing and potential young, high net-worth or professional New Zealanders to engage them around the benefits of giving to the Arts, and to begin to establish long-term relationships with these individuals.

iii. Consider an initiative similar to the Prince Of Wales Medal in the UK, as part of which small and large arts organisations nominate individual donors who have recently or over time made outstanding financial contributions to the Arts, as publicly recognising private giving to the Arts in New Zealand. This initiative could be a partnership between Creative New Zealand, the New Zealand Arts Foundation and a corporate partner. This award can be a continuation of the Arts Foundation of New Zealand Award for Patronage.

iv. Consider working with peak business, trade union and professional associations to ensure more New Zealanders are aware of tax incentives available to employees via the Government’s Payroll Giving Scheme.

v. Creative New Zealand seek discussions with the New Zealand Arts Foundation to investigate if the remit and operations of the Foundation can be extended to provide services and impetus to increase philanthropic support for all arts organisations in the nation.

vi. If this cannot be achieved, we recommend Creative New Zealand investigate the feasibility of establishing within its structure, an organisation similar to Artsupport in Australia, to focus on building the capability of arts organisations to engage with philanthropists, and increase their support from philanthropic sources.

Increasing support from trusts and foundations

vii. Work with the largest community trusts to initially bring arts organisations and trust staff together as a start to establishing and nurturing relationships between arts entities and trusts. This could take the form of a conference or showcase.

viii. Consider developing and delivering a number of workshops in 2011 for arts entities on how to strengthen relationships with trusts and foundations, including good practice grant application preparation and lodgement.

Increasing support from business

ix. Engage with the NZ Business Roundtable to begin a dialogue on the business case for corporate community investment in the Arts, including employee engagement, corporate reputation, stakeholder engagement and creating shared
value, with a view to engaging the organisations more closely with sustained private funding of the Arts in New Zealand.

x. Develop a strategy to better engage state owned enterprises to better understand their corporate community investment responsibilities and where a business-case driven approach to supporting the Arts may be in the interests of many of those enterprises.

xi. Consider scoping of engaging key stakeholders around establishing a separate and dedicated entity to build the capability of arts organisations to better engage with the business sector (and trusts and foundations) to increase support for the Arts in these segments (see medium-term recommendations for increasing business support for the Arts later in this section). This entity should focus on building capability for large, medium and small arts organisations.

xii. With the Business Roundtable or as an initiative of the Minister or Creative New Zealand, and as part of the process to establish an entity to focus on increasing support for the Arts from business and trusts and foundations, convene a roundtable including Creative New Zealand, CEOs of some large corporations, and some leading arts administrators, to discuss closer partnerships between the Arts sector and business.

**Medium-term**

**Increasing support from individuals**

xiii. Examine the viability of developing and promoting a national ‘challenge campaign’ to encourage competition between employees in their workplaces for the highest single-month or annual contribution to arts organisations via the Payroll Giving Scheme.

xiv. New Zealand consider developing cultural gift tax arrangements, similar to those in place in Australia since 1978, to encourage more individual gifts of art and cultural heritage items, which would be of value to cultural and Arts institutions, and to the nation.

xv. New Zealand proceed to develop and introduce a gift aid scheme that maximises the value of donations received by donee organisations. Consideration be given that Creative New Zealand drives a coordinated effort to advocate the implementation of the scheme with the involved stakeholders.

**Increasing support from trusts and foundations**

xvi. Either as responsibility of the separate entity charged with facilitating increasing support for the Arts from business and trusts/foundations, or as a stand alone initiative, develop a matching service to assist community trusts and private trusts and foundations find partners, and match funding sources.

xvii. Develop the short-term trust/foundations and arts entities conference/showcase, into an annual event as a vehicle to foster more and stronger relationships between trusts/foundations and the Arts in New Zealand.

xviii. Consider recommendation xix, which applies to increasing support from both trusts and foundations and business.
Increasing support from business

xix. Establish an entity within Creative New Zealand, but with some independence from government via it having its own independent Board of governance, chaired by a businessperson to focus solely on increasing corporate (including SOE) and trust/foundation support of the Arts (focusing both on large and small arts entities).

xx. As well as a chairperson who is a prominent businessperson, the Board could also comprise a philanthropist, a representative of the Business Roundtable, arts administrators, the CEO of Creative New Zealand, two representatives of the community trust sector, and other business people.

xxi. Similar to Arts & Business in the UK and AbaF in Australia, the new entity be focused on building the capability of the Arts sector (both small and large arts entities) to work more closely with business and trusts/foundations to provide more support to the Arts, and seek opportunities for mutual creation from business/trust/foundation/arts entity partnerships.

xxii. The new entity be funded seeded by Creative New Zealand, but over time funded and supported by a partnership between business, trusts/foundations, arts organisations, and Creative New Zealand.

xxiii. The new entity be charged initially to engage with the Arts sector and business and trusts/foundations on the programs and initiatives most appropriate to meet demand in New Zealand to cement mutually beneficial arrangements between business, trusts/foundations and arts organisations.

xxiv. The new entity work closely with the Arts Foundation of New Zealand to coordinate capacity and capability building offerings and other activities to increase private philanthropic giving to the Arts, as well as giving from corporations and trusts and foundations.

xxv. Convene a roundtable workshop of corporations operating in New Zealand, but with head offices offshore, to discuss and gain better insight into where Arts corporate community investment fits into the corporate responsibility priorities of participating companies. Data from this workshop could be used to develop a strategy for the New Zealand High Commission or Consul General in markets such as Australia, the UK and the US to use functions and outreach to engage CEOs and the Head of CSR in these companies to better position the value of including corporate community investment in the Arts as part of the company’s business strategy in New Zealand.

Longer-term

Increasing support from individuals

xxvi. Creative New Zealand to encourage arts entities (large and small) to more aggressively promote the tax incentives available to individuals who support the arts via Payroll Giving, bequests and legacies and direct donations. Grants to large organisations from Creative New Zealand should be contingent on the grant recipient having an incentives communications plan in place.

xxvii. Encourage medium to large arts organisations to have access to Board members or pro bono advisors with estate and bequest planning.
**Increasing support from trusts and foundations**

xxviii. Encourage, through engagement and encouragement from the Minister in public statements, that arts organisations should ideally have on the Board individuals who have experience in working with, or being former Board members, of community trusts and foundations.

xxix. The new entity proposed partner with community trusts/foundations to provide training and mentoring to smaller arts entities to assist them better access trust and foundation grants.

xxx. Consideration be given for regulating end user trusts to provide a minimum return from their gaming machine profits to community groups, with a possible clause that specifies returns to community arts organisations.

**Increasing support from business**

xxxi. A remit for the recommended entity should be to broaden in the mid to long-term, the focus of business support of the Arts in New Zealand from simple philanthropy towards integrated, more sustainable partnership relationships, which is best practice internationally. This shift is characterised by business/arts entity relationships that involve monetary transfer, mutual capability build, and effective workplace volunteering.

xxxii. Either as a separate initiative, or as a responsibility of the proposed entity, an Arts Board Bank be established to attract business, trust/foundation executives and recent retirees in both these segments, to be matched and work with arts organisations that require their technical and governance skills, and leverage their commercial networks.

xxxiii. Either as a separate initiative, or as a responsibility of the proposed entity, establish a business secondment in the Arts program, which would involve participating corporations seconding employees with specialist marketing/brand management, finance and accounting, strategic planning, corporate communications and general management skills for periods of up to three months with matched arts entities in need of those specialist capabilities. Shared created value would include skills and capability transfer, employee engagement and creation of brand and reputation capital.
Chapter 1
The environment for private sector support for the Arts in New Zealand

This chapter outlines the terms of reference for our research and describes briefly the environment in which private sector support for the Arts occurs in New Zealand.

1.1 Scope and definitions
Our research focuses on the private sector’s support of the Arts.

The following subsections clarify our terms of reference, including which entities comprise the ‘private sector’, and which actions are regarded as providing ‘support’ for the Arts.

Past research and common policy approaches in New Zealand group the Arts with the heritage and/or the recreational (including sports) sub-sectors in terms of Ministerial responsibility and policy focus.

In our analysis, we seek to distinguish the Arts from other sub-sectors to consider solely the visual and performing arts, literature, and Maori/Pacific arts practices.

Defining the ‘private sector’
For the purposes of this study, the ‘private sector’ comprises three primary stakeholder groups:

- individuals — including citizens of modest and average means, but individuals also of high net worth;
- businesses/corporations; and
- trusts and foundations.

Defining ‘support’
We define that private sector ‘support’ of the Arts equates to:

- monetary giving from individuals and trust/foundations; and
- business contributions of money, in–kind resources and employee volunteering. The nature of this support is known as ‘corporate community investment’, but may be more elementary in the form of sponsorship, which is an elementary relationship based on corporate marketing, brand and hospitality considerations only.

Internationally, and especially in ‘civil societies’ such as New Zealand, the UK, Australia, Canada, Germany, France, most of the Scandinavian nations, and to a lesser extent the US, arts organisations operate in markets in which they compete keenly for funds from governments and their agencies, individuals, corporations and trusts and foundations. (In the US, arts organisations are funded primarily by individuals, corporations and trusts, with unreliable, scant and unpopular funding from the State).
In these markets, arts organisations compete for private support with other arts entities, and a plethora of other not-for-profit organisations (NFPs) with interests in the environment, human rights, health, human and animal welfare and education and research.

In New Zealand, Australia and the UK, marketplaces in which NFPs compete to secure private sector financial support can be fierce.

It is not recognised widely that the not-for-profit market for private support in New Zealand, the UK, Australia and Canada are among the most competitive markets internationally — frequently the same as or more competitive as banking, insurance, other financial services, grocery retail, telecommunications and some consumer goods products.

In these economies and nations, the quantum of stakeholder commitment and funds available for financial and other support for institutions and elements of the community seen as essential for civil society, has increased markedly over the last three decades.

The trend in New Zealand, Australia, Canada and in the UK during the later years of the Blair/Brown Government and the Cameron/Clegg Governments in the UK, has been for government to play a smaller role in the economy — to ‘steer’ rather than ‘row’ in service delivery.

In New Zealand and internationally, arts organisations that need to be less reliant and expectant of support from the State, have looked to the private sector for increased support to ensure sustainability.

Box 1.1 provides an overview of the nature of ‘support’ for the Arts in New Zealand from individuals, businesses, trusts and foundations analysed for this study.

In Chapter 2, we discuss further the particularities concerning the nature of ‘support’ from individuals, businesses and trusts/foundations.

### Box 1.1

**RESEARCH SCOPE: NATURE OF ‘SUPPORT’ FOR THE ARTS**

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<th><strong>Trusts and Foundations</strong></th>
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<td>• Statutory or discretionary monetary giving from:</td>
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<td>— Family and individual trusts</td>
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<td>— Community trusts</td>
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<td>— Energy trusts</td>
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<td>— Licensing trusts</td>
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<td>— Gaming machine societies</td>
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<td>— Lottery Grants Board</td>
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<th><strong>Individuals</strong></th>
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<td>• Cash donations (discretionary or as membership fees)</td>
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<tr>
<td>• Bequests/Legacies</td>
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<th><strong>Businesses</strong></th>
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<tr>
<td>• Cash contributions (discretionary or sponsorship-based)</td>
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<tr>
<td>• In-kind contributions (discretionary or sponsorship-based)</td>
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<tr>
<td>• Employee volunteering (skilled or unskilled)</td>
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A note on our terms of reference

We acknowledge that the overall support for the Arts from individuals is not limited to the above definition.

Two significant areas of private sector support for arts organisations — individual volunteering and event ticket sales — are not included in the scope of our study.

These two areas of support have equal or higher prevalence with New Zealanders than monetary giving. Research suggests most New Zealanders — 86 per cent, aged 15 or over — are engaged with the Arts as attendees and/or participants (CNZ 2008a).

Eight per cent of New Zealanders aged 10 years or over volunteered in 2008 at an arts and culture organisation. About the same population percentage made an ad hoc donation to an arts and culture organisation. By contrast, about 6 per cent made a committed donation (PGP 2009).

We acknowledge also that studies that focus on monetary contributions to community organisations curtail data collection about individuals ‘supporting’ the Arts.

This is due to individuals being more comfortable discussing giving of their time than discussing giving money (PNZ 2004).

Furthermore, Maori and Pacific peoples in New Zealand consider ‘giving’ as central part of their cultures, and not necessarily something to be measured or noted. In their culture, ‘giving’ is something driven by affection, duty and care (PGP 2009b).

Given this context, we note that there are further opportunities for increasing support and engagement of individuals with the Arts, which are outside our study’s scope. This is an area that merits separate examination.

1.2 The legislative and regulatory environment

As a player in the market for private support of the Arts in New Zealand, the national Government influences the level of private sector support for the Arts through:

• legal requirements for statutory institutions and trusts;

• its own direct and indirect funding (which may influence the economic behaviour of existing and potential corporate and individual contributors of funds); and

• its policy and taxation settings, that influence private sector contributions to the Arts.

Statutory institutions such as community trusts and the Lottery Grants Board, and private organisations including gaming societies and licensing trusts, have legal obligations to distribute a percentage of their surplus funds to the community (PNZ 2007).

Recent taxation and legal reforms in New Zealand were developed with a view to creating an environment more conducive to community giving to the Arts.
These developments include proclamation of the Charities Act 2005, recent changes to the way charitable donations are taxed, and introduction of the Government’s payroll giving scheme.

The following subsections provide a brief overview of these developments.

Charities Act 2005

The Charities Act 2005 established the Charities Commission, an Autonomous Crown Entity that administers the framework for registering, reporting and monitoring charitable entities.

According to the Act, charitable entities can be any institutions, societies or trusts established or maintained for charitable purposes — namely the relief of poverty, the advancement of education or religion, or any other matter beneficial to the community (Charities Commission 2009).

Registration with the Charities Commission has important implications for an entity’s taxation status. Registered charities are exempt from paying income tax on their income and receive a donee status for tax purposes. This entitles their donors to obtain tax credits for their monetary contributions (PNZ 2010).

Entities can alternatively gain donee status by applying in writing directly to Inland Revenue (Inland Revenue 2010a).

Tax incentives for donations

In 2008, the New Zealand Government introduced tax incentives to encourage a stronger culture of charitable giving in New Zealand.

The incentives included:

• removal of the maximum limit on the tax credit for donations made by individuals;

• removal of the five percent deduction limit on donations made by companies and Maori authorities; and

• extension of the company deduction to apply to companies not listed on a recognised stock exchange.

Box 1.2 provides an overview of the incentives for individual and business donations.
**Box 1.2**

**TAX INCENTIVES FOR DONATIONS**

**Individuals**
Under the previous New Zealand tax laws, individuals were able to claim a tax credit for a third of the total amount of their donations during a year, but the tax rebate was capped at $630.

Under the new tax reforms, donors can still claim one third of the amount of their total donations, however this amount is no longer capped. Donations must be made to an Inland Revenue Department-approved recipient organisation to be eligible for the rebate, and the donors must keep a receipt of the donation.

Additionally, donors may not claim back more than their total taxable income for the year. For instance, if an individual donates $30,000 but only earns $8,000, she can claim a maximum of $8,000. These changes may encourage people to donate more frequently and to donate larger sums, as they are able to claim more money back from the donations they have made.

**Businesses**
Previously, the tax laws stipulated that a company could only deduct 5 per cent of their total donations for the year from their yearly taxable income. Under the new reforms, companies are eligible to deduct the total amount of the donations that they have made during the year, provided the donation is to an Inland Revenue Department-approved recipient organisation.

These new reforms apply to both publicly listed companies and unlisted companies, and are also applicable to Maori authorities. The reforms provide greater incentives for companies to donate, as they are eligible for rebates amounting to the sum of their donations.

The reforms have been geared to facilitate more giving to charities and other non-profit organisations, and encourage a culture of private generosity in New Zealand.

Source: Inland Revenue 2010b

Tax credits are currently only available for monetary giving. Tax relief is not available for gifts of goods (Australia’s cultural gifting arrangements does provide such relief, see Box 4.2) or services, although the New Zealand Government is seeking comment on whether this is desirable (PNZ 2010).

Entities registered for GST cannot claim GST input tax for any donations they make. GST is claimable only on supplies purchased as part of taxable activity (Inland Revenue 2010a).

**A gift aid scheme**
The Inland Revenue is currently considering options for establishing a gift aid scheme in New Zealand, enabling charitable organisations to receive the tax benefit from their donors.

A gift aid scheme is already in place in the UK. The UK arrangements allow charities to claim the tax benefit of charitable donations on behalf of their donors. In the UK, gifting of the tax benefit to an entity eligible to receive it requires a declaration from the donor.
Establishment of payroll giving

In January 2010, the New Zealand Government introduced a payroll giving scheme. The scheme makes it easier for employees to donate to community organisations directly from their salary payments. Deductions are made from an employee’s gross before-tax salary payment, and provides with immediate tax relief each payday, without requiring them to present donation receipts.

The scheme is modelled on similar initiatives abroad, but with more flexibility. Under these arrangements, donations are made through the employer’s payroll system. The frequency, value and the entity receiving the donation is selected by the employee, and can be altered at the employee’s discretion (Inland Revenue 2010b).

Early projections estimate that by the end of 2010, the payroll giving scheme will contribute $2 million to New Zealand charities (OCVS 2010).

Box 1.3 presents an analysis on the uptake of payroll giving from the Office for the Community and Voluntary Sector.

**PAYROLL GIVING UPTAKE**

<table>
<thead>
<tr>
<th>Month</th>
<th>Employees</th>
<th>Employers</th>
<th>Donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>56</td>
<td>34</td>
<td>$12,729</td>
</tr>
<tr>
<td>February</td>
<td>135</td>
<td>69</td>
<td>$16,983</td>
</tr>
<tr>
<td>March</td>
<td>249</td>
<td>80</td>
<td>$25,863</td>
</tr>
<tr>
<td>April</td>
<td>952</td>
<td>174</td>
<td>$83,262</td>
</tr>
<tr>
<td>May</td>
<td>980</td>
<td>214</td>
<td>$114,813</td>
</tr>
<tr>
<td>June</td>
<td>1,135</td>
<td>227</td>
<td>$170,193</td>
</tr>
</tbody>
</table>

$423,500 has been donated via payroll giving in six months. If growth continues at that rate, $2 million could be donated in the first year.

Since payroll giving began, several payroll companies have adapted software to make administration easier for employers. Intermediaries are also acting to assist employers and non-profit recipients with processing. The Ministry of Social Development has also been making its software freely available to employers who wish to introduce payroll giving.

Source: OCVS 2010
1.3 Arts and the economic environment

Anecdotal information internationally suggests the global financial crisis and its aftermath have created a difficult economic environment for private sector support for the Arts. The extent and longevity of the crisis remains unknown at the writing of this report.

The crisis is believed to have a negative influence on discretionary spending from investment-based trusts and businesses, and from individuals that have experienced reduced incomes (CNZ 2008b).

A short survey from early 2009 by Philanthropy New Zealand and the Funding Information Service was unable to conclude whether non-government funders (mostly trusts and foundations) were significantly reducing their contributions (PNZ 2009).

International research suggests that during the economic downturn businesses reduced their discretionary spending on corporate community investment, including to the Arts, but maintained support commitments to long-term partnerships with community organisations (Centre for Corporate Public Affairs 2009).

A 2010 survey by the New Zealand Ministry for Culture and Heritage revealed that cultural organisations believe that the economic downturn has negatively affected the level of corporate support for the Arts, with sponsors spending less, and being reluctant to enter into new sponsorships (MCH 2010).

The experience of the Arts sector in New Zealand noting a fall in private monetary contributions since the global financial crisis began in 2008 is shared in other markets also: acutely in the US and Canada, and to a lesser extent in the UK and Australia.

We note that economic downturns and crises often force structural changes in industries and sectors, including structural change that can be permanent.

For instance, many arts organisations in the US report that they are only now beginning to recover from funding cuts that the Regan Administration made to the Arts in the 1980s.

Commensurate with US Federal Government reducing drastically public support for the Arts, many corporations shifted their community citizenship funds away from the Arts to meet demand by NFPs for corporate giving for social welfare programs, following significant reductions in social welfare funding by President Regan.

Developments are still unfolding in the UK, but the expected drastic reductions in national government funds available to the Arts as part of a radical reduction in government spending will, we posit, force major structural adjustment in the United Kingdom’s arts sector.

Focusing back on New Zealand, figures from June 2009 indicate income levels for New Zealanders were relatively unchanged from 2008 (Statistics New Zealand 2010). However, the economic crisis was still in effect for most of 2009, and may have affected income levels for 2010.
Data on personal and household income levels, and on personal net-worth are important because these indicators affect how individuals in New Zealand make discretionary donations, including donations to the Arts.

Research has demonstrated a significant lift in the likelihood of committed giving from people earning $10,000 to $60,000, and another lift for those earning more than $60,000. This suggests there are three distinct categories of individuals who are committed to giving (King 2007).

The likelihood of an individual making committed donations also rises with household income — although this growth is not as steep as it is with personal income. Individuals from the middle to upper income household brackets are the most likely to make ad hoc donations (King 2007).

People with high levels of disposable income tend to use formal structures such as private philanthropic trusts to manage their giving, and have very clear ideas about how their contributions should be distributed (PGP 2009).

As with most developed economies, a small percentage of the New Zealand population owns most of the available wealth.

Research in 2001 indicated that 48 per cent of New Zealand’s total wealth was held by the top decile per cent of households. On average each household in the top 10 per cent of the wealthiest households owned $1 million (Easton 2010).

2007 research indicates that more than half (52 per cent) of all individuals in New Zealand have a personal net-worth within a relatively narrow range of $0 to $100,000.

For the other half of the subject population, individual net worth is widely spread over the upper positive end of the distribution, with 10.8 percent of New Zealanders having net-worth of more than $350,000 (Statistics New Zealand 2007).
Chapter 2

The state of private sector support for the Arts

This chapter provides a snapshot of the state of private sector support for the Arts in New Zealand. It includes comparisons with support for the Arts with support for other sectors, including sport.

Studies that focus on private sector support for the Arts in New Zealand apply a variety of definitions and metrics. The lack of consistency in terminology and measurement about support to the Arts makes it difficult to identify solid benchmarks and trends. We suggest later in this report, that going forward, efforts be made to coalesce terminology and language related to giving to the Arts, so that stakeholders involved in private giving are more certain about this element of funding.

[Please refer to Appendix A for details about the differences in the scope, definitions, methodology and measurement of key research reports relating to support for the community sector.]

In our analysis, we refer to ‘cultural organisations’, ‘arts/culture/heritage charities’, ‘arts and culture organisations’ and ‘culture and recreation organisations’.

These are the definitions applied in the available research. As they refer to different clusters, it would have been incorrect to report them under a single ‘arts organisations’ reference. We have maintained these definitions to stress the lack of consistency and the difficulty in making comparisons and identifying trends.

2.1 A general context

We note three trends about the state of general support for the community/voluntary sector and the Arts in New Zealand:

- Overall levels of support for the community/voluntary sector in New Zealand are comparatively strong, but stable.
  - New Zealand’s private sector giving in 2006 as a percentage of GDP compared favourably with that in Canada, Australia and UK. The total estimated giving in New Zealand equated 0.81 per cent of GDP. Almost all of the contributed funds went to New Zealand recipients, and the majority of granted funds to Auckland recipients (PNZ 2007).
  - 2008 research indicates that support for the community and voluntary sector remained stable between 2007 and 2008 (see Table 2.1). The research indicated diversity in the number of sectors supported, with a large number of New Zealanders supporting diverse causes in different ways (PGP 2009).
Table 2.1
SUPPORT FOR THE COMMUNITY AND VOLUNTARY SECTOR 2006-2008

<table>
<thead>
<tr>
<th>Type of support</th>
<th>Year</th>
<th>Percentage point change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2007</td>
</tr>
<tr>
<td>Personally supported (Total support)</td>
<td>76.0</td>
<td>75.4</td>
</tr>
<tr>
<td>Volunteered your time (Volunteering)</td>
<td>33.1</td>
<td>33.8</td>
</tr>
<tr>
<td>Donated money/goods (Ad hoc donation)</td>
<td>49.7</td>
<td>47.4</td>
</tr>
<tr>
<td>Direct donation/sponsorship (Committed donation)</td>
<td>32.8</td>
<td>33.6</td>
</tr>
<tr>
<td>Other type of support (other support)</td>
<td>22.3</td>
<td>23.0</td>
</tr>
</tbody>
</table>

Source: PGP 2009

- Cultural organisations receive a small percentage of their total support from the private sector.
  - Up to 80 per cent of total support for cultural organisations is through public funding (either from local or central government) (MCH 2010).
  - Lottery, trusts and foundations (excluding the Lottery Grants Board) deliver 4.5 per cent of total support for cultural organisations. Businesses and individuals contribute 6 and 3 per cent of total support respectively. The level of business support of the Arts in New Zealand is a potential for significant growth.

- Social service, religious, and sport-related charities receive more support than arts/culture/heritage charities.
  - Table 2.2 compares available data on income and support for charities and not-for-profit institutions.
  - Arts/culture/heritage organisations registered as charities have a lower average income than sport/recreation charities [Please note that this income includes also government grants, not just donations]. They attract also lower levels of community volunteer time.
  - However, arts and culture organisations receive more support and volunteers on average than sport organisations (excluding recreation) when support from the private sector and the whole non-profit sector is taken into account.
  - We explore further comparisons for support of the Arts and other sub-sectors in Table 2.3.
Table 2.2
SUPPORT FOR COMMUNITY SUBSECTORS

<table>
<thead>
<tr>
<th></th>
<th>Social services (excludes for people with disability)</th>
<th>Sport/Recreation</th>
<th>Religious activities</th>
<th>Arts /Culture/ Heritage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of charities</td>
<td>1,932</td>
<td>1,315</td>
<td>3,992</td>
<td>2,006</td>
</tr>
<tr>
<td>Total income received</td>
<td>482,585,010</td>
<td>216,355,883</td>
<td>809,045,187</td>
<td>282,987,465</td>
</tr>
<tr>
<td>(includes government grants, donations and income from service provision)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average income for each charity</td>
<td>249,785</td>
<td>164,529</td>
<td>201,666</td>
<td>141,070</td>
</tr>
<tr>
<td>Volunteer hours</td>
<td>73,944</td>
<td>80,821</td>
<td>306,628</td>
<td>106,100</td>
</tr>
<tr>
<td>Average volunteer hours for each charity</td>
<td>38</td>
<td>61</td>
<td>77</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: Charities Commission 2010

Table 2.3 presents information from research exclusive to private sector support for the Arts.

Insights include:

2.2 Trends for private sector support for the Arts

Table 2.3 presents information from research exclusive to private sector support for the Arts.

Insights include:
• corporations support cultural organisations mostly via sponsorships rather than philanthropy or corporate community partnerships. This support is primarily via cash in return for marketing and branding;

• most businesses in New Zealand assign less than 20 per cent of their total sponsorship budgets to cultural organisations;

• individuals support cultural organisations mostly through membership schemes and cash donations;

• the number of individuals willing to support sports via donations is almost double the number willing to support the Arts. In 2003, New Zealanders who were willing to support sports activities were about double the number of individuals willing to support arts and culture organisations. A 2007 estimate of ad hoc and committed donations made to arts and culture organisations and sports club organisations verified this ratio.

In April 2010, the Ministry for Culture and Heritage released the only study that allows comparisons of support from the three private sector segments. This is the only comprehensive research on the state of private sector giving and sponsorship for cultural organisations in New Zealand.

Table 2.4 provides a snapshot of the information included in the Ministry’s study.
## SUPPORT FOR ARTS AND CULTURE ORGANISATIONS: AN OVERVIEW FROM AVAILABLE RESEARCH

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Captured information relates to support for:</td>
<td>Cultural organisations — Research provides information relating to a number of cultural activities including Interdisciplinary, Community arts, Media/Film, Heritage, Visual arts, Literature/Poetry, Libraries, and Performing arts.</td>
<td>Cultural organisations, including Museums and Galleries, Music, Theatre, Dance, Literature, Film, Heritage, and Arts festivals.</td>
<td>Arts and Culture organisations (no further specification)</td>
<td>Culture and Recreation (including sports)</td>
<td>Arts and Culture organisations (no further specification)</td>
</tr>
<tr>
<td>Level of support</td>
<td>From trust/foundations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>From businesses</td>
<td>$42.2 million (of which $25.5 million from Lottery Grant Board)</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$22.6 million (from businesses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Breakdown:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Cash sponsorship (cash given in exchange of promotion or other agreed service) — 55%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Non-cash sponsorship (products or other services given in exchange of promotion or other agreed services — Implies employee volunteering) — 26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Cash donations (discretionary cash payment) — 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Non-cash donations (products or services given with no expectation of benefits — Implies employee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No monetary figure given</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 87% of businesses have contributed something by way of cultural sponsorship</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INCREASING PRIVATE SECTOR SUPPORT FOR THE ARTS

From individuals

$9.9 million

Breakdown:

- Membership schemes (set cash payment) — 43%
- Cash Donations (discretionary cash payments) — 37%
- Legacies/Bequests (includes cash and non-cash gifts given under the terms of a will) — 14% ($1.4 million)
- Non-cash donations (assets given with no expectation of benefit) — 5%
- Payroll giving (regular automatic payment) — <1%

No monetary figures given

- 6% of people 10 years and over make committed donations to Arts and Culture sub-sector (increase from 3% in 2007)
- 9% of people 10 years and over make ad hoc donations to Arts and Culture sub-sector (increase from 4% in 2007)

N/A

- No monetary figure given
- 20% of sample would definitely support arts and culture (mostly through small donation)
- Of those with a will, 4% have included arts and culture organisations in their will

Comparison with other parts of not-for-profit sector?

No

- 39% of businesses spend up to 20% of total sponsorship budget on cultural sponsorship
- 21% of businesses spend between 41-60% of sponsorship budget on cultural sponsorship
- 12% of businesses spend more than 80% of sponsorship budget on cultural sponsorship

- 10% of people 10 years and over make committed donations to Sports Club sub-sector (increase form 4% in 2007)
- 16% of people 10 years and over make ad hoc donations to Sports Club sub-sector (increase from 8% in 2007)
- 20% make ad hoc donations to Primary/Secondary Education, followed by 18% to Hospice sub-sectors.
- 14% make committed donations to Primary/Secondary Education, followed by 11% to Hospice.

Sport beneficiaries are estimated to have received $123 million from gaming machine societies. Community recipients received approximately $84.5 million, while health and education beneficiaries received $38.8 million and $26 million respectively.

- 41% would support sports activities
- 85% would support organisations supporting the health and welfare of New Zealand children.
- Most people with a will have included an organisation dealing with illness and disease in their will (26%)

Key insights from Table 2.4 include:

- businesses deliver more monetary support to cultural organisations than do trusts/foundations (excluding the Lottery Grants Board) and individuals. This, however, is distributed to fewer cultural organisations than support from individuals and trusts/foundations. This suggests that business contributes more than individuals and trusts and foundations, which is similar to the experience in Australia (but not the US);

- cultural organisations in receipt of support from businesses tend to receive significantly more funds than organisations receiving support from trusts/foundation and individuals; and

- more cultural organisations receive monetary support from individuals than from businesses and trusts/foundations.

Table 2.4

<table>
<thead>
<tr>
<th></th>
<th>Total contribution</th>
<th>Average amount of contribution</th>
<th>Number of organisations receiving support</th>
<th>Nature of support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery Grants Board</td>
<td>$25.5 million</td>
<td></td>
<td>37 (8% of sample)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(majority goes to Creative New Zealand)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trusts and Foundations</td>
<td>$16.7 million</td>
<td>$64,871</td>
<td>259 (54% of sample)</td>
<td>65% cash vs 35% non-cash</td>
</tr>
<tr>
<td>Businesses</td>
<td>$22.6 million</td>
<td>$106,604</td>
<td>212 (44% of sample)</td>
<td>81% sponsorships vs 17% donations</td>
</tr>
<tr>
<td>Individuals</td>
<td>$9.9 million</td>
<td>$33,623</td>
<td>296 (62% of sample)</td>
<td>81% cash vs 5% non-cash</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15% legacies/bequests</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>43% membership schemes</td>
</tr>
</tbody>
</table>

Source: MCH 2010

2.3 Support from trusts and foundations

Nature of support

Anecdotal evidence from our consultations and research for this report suggests support of the Arts from trusts and foundations is mostly philanthropic in nature. This involves the transfer and acceptance of funds without establishing a long-term relationship between donor and donee.
**Level of support**

Information about the level of support for the Arts from trusts/foundations is scarce, as data often includes contributions to sport and recreation organisations.

A 2006 measurement estimated total contributions to cultural and recreation organisations from trusts and foundations was $56.6 million (PNZ 2007).

The Ministry for Culture and Heritage’s research estimated that in the 2007-2008 tax year, trusts and foundations contributed $16.7 million to cultural organisations. This amounts to 4.5 per cent of the total support given to cultural organisations in New Zealand, and one third of support provided by the private sector (excluding the Lottery Grants Board).

The Lottery Grants Board contributed an additional $25.5 million, with most of this given to Creative New Zealand (MCH 2010).

**Where does trust and foundation support go?**

Of the $16.7 million that trusts and foundations granted to cultural organisations in the 2007-2008 tax year, 61 per cent went to performing arts organisations, and 17 per cent to heritage organisations (MCH 2010).

Information provided to us during our consultations suggests that trust disbursements are biased heavily towards supporting sports. Research relating to gaming machine society disbursements verifies this.

In 2006, the gaming machine societies of New Zealand contributed between $272 million and $302 million to community organisations. Most funding (45.1 per cent) was given to sporting groups, compared to 31.1 per cent for the community (PNZ 2007). The report does not give an indication about the contributions made to the Arts.

**2.4 Support from businesses**

**Nature of support**

The size and profitability of an enterprise, as well as its strategy, are the primary determinants of how it invests in, or ‘gives back’ to the community.

As in most countries, most enterprises in New Zealand (97%) have fewer than 20 employees. Most of these enterprises do not employ individuals other than their owners, as they account for one third of all New Zealand employees (Statistics New Zealand 2009).

In these businesses — referred to as comprising the small enterprise sector — the principals determine if the enterprise is involved in corporate community investment, including of arts organisations. These enterprises are more likely to support community organisations, including arts entities, closer to the personal connections and interests of the owners and senior managers.

Support at the small and medium enterprise level is frequently equated with effective support of the Arts by an individual, and is often of a philanthropic or basic transactional nature — provision of cash, time or in-kind resources, with no mutual obligation on the arts organisation.
At the small business level, it is difficult to differentiate or measure support as originating from the individual or from the business. Therefore, there is lack of research information on the extent of small business contribution to the Arts in New Zealand.

The nature and extent of the support from bigger businesses (corporations) is clearer and better documented.

Although comprising only 0.4 per cent of the total number of enterprises in New Zealand, businesses with more than 100 employees employ 47 per cent of the total number of employees (Statistics New Zealand 2009).

Many of these businesses — often referred to as corporate organisations — are involved in a broad involvement with community organisations, including arts entities.

Corporations internationally, including in New Zealand, are seeking to be responsible and be seen as ‘good citizens’ in the communities in which they operate as part of business drivers that include attracting and retaining employees, corporate reputation, securing socio-political license to operate, and a commitment to corporate citizenship.

This has led to most corporations developing approaches to corporate social responsibility (CSR), including as part of that responsibility, corporate community investment.

The main characteristics of corporate community investment in Australia and New Zealand (and to varying extents in the UK, Canada and the US), include:

- community investment is increasingly embedded into business strategy, supported by pre-established criteria and proactive decision making;
- corporations committed to best practice are seeking to move to the most sophisticated form of corporate/community value creation, known as the ‘integrative’ phase of corporate community partnerships (see Figure 2.1);
- most companies believe there needs to be a business case for corporate community investment;
- corporations conduct rigorous identification and selection of community activities or partners to ensure they intersect with their needs, the needs of their partners, and the needs of the communities in which the corporation operates;
- while some companies consider community investment activities as a competitive reputational differentiator, other companies are working collaboratively to deliver community outcomes for their own sake;
- corporations are allocating a smaller percentage of their corporate community investment budgets to unsolicited requests or ad hoc requests;
- local community programs attract more corporate community investment resources (particularly in heavy industry, and around remote facilities);
- there are increasing levels of engagement with NFPs and ‘influencers’ as part of corporations determining their community investment priorities;
- employee volunteering (at all levels including technical and governance support of community organisations) is fundamental to the approach that most corporations are taking as part of their community investment. In Australia, the US and the UK, there has been a rise in the prevalence of corporate/employee matched-giving programs;

- corporate sponsorships are increasingly likely to focus on the dual purpose of building corporate brands and investing in community welfare (i.e. shift to more cause-related marketing). Increasingly, corporations and their stakeholders (including employees) do not see sponsorship as corporate community investment;

- while companies support arts partnerships as a component of their corporate community investment, they are doing so with a small proportion of their community investment resources, or as part of their corporate citizenship portfolio — unless there is a business case to do otherwise;

- there has been an increase in the number of corporate giving foundations, primarily by US-based corporations. But as community partnerships are becoming a favoured vehicle over philanthropy as part of corporate community investment, the growth in the number of foundations established is not a widespread trend.

Research in New Zealand into corporate community investment has tended to focus on the transactional (cash, non-cash sponsorships) or philanthropic level (cash, non-cash donations) of business community partnerships.

**Figure 2.1**

**CORPORATE COMMUNITY PARTNERSHIP CONTINUUM**

- **Philanthropic**
  - Organisations have a traditional donor-recipient relationship
  - Limited to the receipt of funds by NGOs and enhanced reputation of funder

- **Transactional**
  - Organisations move to a partnership stage — start to exchange resources through specific activities (i.e. cross-marketing, grant sponsorship etc)
  - Enhanced through greater leverage of brand for both NGO and funder

- **Integrative**
  - Partners mobilise and pull resources to create a new set of services, activities and resources unique to the collaboration
  - Development of new and innovative solutions. Enables partners to work together to improve services — particularly delivery of government and business services at local level

Source: Austin 2002
However, our conversations with business professionals and feedback from our survey (see Figure 2.2) suggest that corporations in New Zealand are moving towards the integrative phase of corporate community partnerships. This level requires further understanding, and different measurements than the more basic relationship levels.

Figure 2.2
BUSINESS SURVEY: LEVEL OF RELATIONSHIP/COLLABORATION WITH ARTS GROUPS

Source: Allen Consulting Group 2010 survey; N=13

**Motivation for support**

Previous research in New Zealand suggests that businesses ‘sponsor’ cultural organisations to assist the corporation reach a particular market segment and to increase brand awareness. Other factors include being associated with an event of local significance, being the sole sponsor, client hospitality, and serving the public good (MCH 2008).

The results of our online survey suggest that large corporations in New Zealand support the Arts because of the business benefits of building corporate reputation and community trust and support (see Figure 2.3).
Corporations participating in our research indicated also what factors they considered when deciding to support an arts organisation.

These include the national recognition that the investment may generate, the reputation and popularity of the Arts organisation, and strategic fit with the business’ objectives and values (see Appendix B for all responses).

**Corporate support of the Arts in New Zealand**

As noted earlier, businesses in New Zealand provide more monetary support to cultural organisations than trusts/foundations (excluding the Lottery Grants Board) and individuals.

In the 2007-2008 tax year, businesses contributed $22.6 million to cultural organisations. This amounts to 6 per cent of total support given to cultural organisations, and almost half of the support provided by the private sector (MCH 2010).

A recurrent survey by the Ministry for Culture and Heritage found that in 2007, 87 per cent of respondent businesses contributed something by way of cultural sponsorship (MCH 2008).

However, it is difficult to obtain from the Ministry’s previous research whether overall business sponsorship budgets are increasing or decreasing, and whether any shifts will actually affect cultural organisations.

Our online survey of 20 corporations in New Zealand indicated that 60 per cent support the Arts (either through financial or in-kind means or through employee volunteering).

Our respondents provide on average 76.5 per cent of their total support for the Arts through financial means. Only a small element of their support is provided via employee volunteering (see Figure 2.4).

These results are in line with the Ministry for Culture and Heritage’s 2010 report.
Direction of corporate support

A 2007 survey of New Zealand businesses and cultural organisations, revealed the most common forms of business sponsorship included sponsoring arts festivals, providing legal and/or financial services, supporting single productions or performances, sponsoring cultural competitions, awards and prizes, and assisting to supplement operating costs and annual seasons (MCH 2008).

Most businesses assign less than 20 per cent of their total sponsorship budgets to cultural organisations. Only 12 per cent of respondent businesses spend more than 80 per cent of their sponsorship budget on cultural sponsorship (MC 2008).

A 2002 survey exploring the attitudes and commitment of New Zealand business to community involvement found the four main priority areas of support were education (23%), sport (14%), and arts/culture and environment (11%) (Lee 2002).

Feedback from our survey confirms that businesses tend to support other community/voluntary segments more than they support the Arts, though there was not a strong suggestion that the participating corporations favoured supporting sport over supporting the Arts (see Appendix B for all responses).

2.5 Support from individuals

Nature of support

The Ministry for Culture and Heritage’s 2010 research outlines the different types of monetary support that cultural organisations receive from individuals.

These include membership schemes (set cash payments given in exchange for benefits), cash donations (discretionary cash payments), legacies and bequests (includes cash and non-cash gifts given under the terms of a will), non-cash donations (assets given with no expectation of benefit) and payroll giving (regular automatic pay) (MCH 2010).
Support from individuals is usually ad hoc and philanthropic in nature, though the Ministry’s research suggests that committed regular contributions through membership or friend’s schemes are also prevalent in New Zealand (MCH 2010).

A very small number of individuals have established private trusts/foundations to provide a vehicle to give to arts organisations, or do so via formal bequests and legacies.

Though the Ministry’s research (MCH 2010) does not indicate the wealth or income of these individuals, we can assume from previous trends and our interviews with some leading philanthropists as part of this study, they that they can be categorised as high net-worth individuals.

**Motivation to support the Arts**

Altruism and trust underpin the main motivations for individuals to give to the Arts. Many individuals identify the income they receive as a factor in their decisions to give money to charity (PNZ 2003).

Research suggests that donors prefer not to be pressured to give to organisations. Furthermore, having a belief in an organisation or cause, and knowing that someone has benefited from engagement with that organisation, are the two most common drivers for individuals choosing to donate more to a particular organisation or cause (PNZ 2003).

**Level of support**

In the 2007-2008 tax year, individuals in New Zealand contributed $9.9 million to cultural organisations. This amounts to 3 per cent of total support given to cultural organisations, and 20 per cent of total private sector support for the Arts (excluding the Lottery Grants Board).

Research indicates that most individuals would rather give a small donation (72 per cent) to an arts and cultural organisation, rather than a large donation (19 per cent) (PNZ 2003).

Information about the level of bequests and legacies for the Arts in New Zealand is scarce.

In the 2007-2008 tax year, legacies and bequests contributed $1.4 million to cultural organisations, representing 14.4 per cent of total support from private individuals (MHC 2010).

Research in 2003 noted that 4 per cent of individuals who have a will would consider including arts and cultural organisations to receive a benefit from their will (PNZ 2003).

**Where individual support for the Arts is focused**

Individuals in New Zealand appear more willing to support religious, sporting and health and welfare causes and organisations through giving, ahead of giving for the Arts.

In 2003, the number of individuals willing to support sporting organisations through giving in New Zealand was almost double than the number of individuals willing to support the Arts (PNZ 2003).
This was verified in later research. Nine per cent of New Zealanders aged 10 years and over made an ad hoc donation to arts and culture organisations in 2008. Six per cent made a committed donation. In comparison, 16 per cent made an ad hoc donation to a sports club, and 10 per cent made a committed donation to a sports club (PGP 2009).

Considering the overall preference for donations in New Zealand, health and welfare appears to be a priority, with 85 per cent of New Zealanders willing to support organisations promoting the health and welfare of New Zealand children (PNZ 2003).

Churches and other religious activities receive the most frequent monetary donations from New Zealanders (PNZ 2003).
Chapter 3

Key stakeholders and initiatives supporting the Arts in New Zealand

This chapter provides an overview of key stakeholders and initiatives being developed, or underway, to increase private sector support for the Arts.

The most significant initiatives designed to increase private sector support in New Zealand were not developed exclusively for the Arts sector.

These initiatives, like the recent developments in the legislative environment (detailed in section 1.2.) and the Generosity Hub initiative, appeal to the community/voluntary sector in general.

They aim to increase support directly from its source (donors or donor organisations), or inform and educate organisations to attract more support.

Initiatives that focus exclusively on private sector support for the Arts belong mostly in the latter category, and seek to stimulate the market of existing and potential donors.

These include:

- establishment of the Cultural Philanthropy Taskforce;
- the work of Creative New Zealand and the Arts Foundation of New Zealand;
- a group of entities that provide information or training to arts organisations relating to the payroll giving scheme, and the recent tax incentives affecting donations;
- a small number of entities (including intermediaries) that provide support services for arts organisations to increase the workplace uptake of payroll giving;
- some information-based services for arts organisations about broadening their funding base;
- a small number of programs designed to increase the capability of arts organisations to seek support and build relationships with their audiences or sponsors (mainly from Creative New Zealand).

Table 3.1 provides an overview of these main initiatives. Please refer to Appendix C for further information about each involved stakeholder.

Our analysis of the initiatives and developments in place to increase private sector giving to the Arts in New Zealand includes the following:
Most initiatives appear to relate to increasing support from individuals. There is less emphasis on garnering and increasing support from corporations as part of their corporate community investment, and few initiatives to garner more support from trusts/foundations. We note that during our consultations with some arts organisations for this study, some arts entities were not well versed in seeing the advantage of forming closer relationships with trusts and foundations as part of a strategy to broaden and increase their funding base. There can often be reluctance for some arts organisations internationally (other than some large entities) to understand the business case for corporations supporting arts entities or art forms, and to seek opportunities to inject themselves into that business case. In the last decade in Australia and the UK, and for decades in the US, many large and small arts organisations have been entrepreneurial in seeking to understand the intersection between their interests, and the interests of potential corporate partners, and developing and presenting a business case for corporate support based on these overlapping interests.

There is no single entity that focuses on increasing private sector support for the Arts. Such entities exist in Australia and the UK, and in many parts of Europe, driven by market conditions in which high net-worth individuals who may be well-disposed to give to arts organisations often have complex financial and, or, trust entity arrangements, and in which corporate giving is being driven by business strategy and business cases. These developments have created a more sophisticated marketplace for individual and corporate giving that can make it difficult for many arts organisations to understand and embrace without some interpolation and informed assistance; and

Most initiatives are information-based. While providing information to arts organisations is helpful, ensuring that they are able to connect, engage with potential donors and supporters, and have the skills to execute to secure support is also of immense value if New Zealand is to increase private sector giving to the Arts.
### Table 3.1

<table>
<thead>
<tr>
<th>Entity</th>
<th>Relating to increasing support from Individuals</th>
<th>Relating to increasing support from Business</th>
<th>Relating to increasing support from Trust/Foundations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative New Zealand</td>
<td>▪ Audience and Market Development program: Capacity building for arts organisations for developing relationships and seeking support through their audiences and sponsors.</td>
<td>▪ Online ‘Donations toolkit’ to help arts organisations understand recent changes to tax rules on donation.</td>
<td>▪ Cultural Funding Guide: Provides information to arts organisations about available funds.</td>
</tr>
<tr>
<td>Creative New Zealand National Services Te Pāerangi (Te Papa) Ministry for Culture and Heritage Funding Information Service</td>
<td>▪ Conducts research on sponsorship and giving for cultural organisations.</td>
<td>▪ Established Cultural Philanthropy Taskforce to investigate different ways of promoting cultural philanthropic giving.</td>
<td></td>
</tr>
<tr>
<td>Ministry for Culture and Heritage</td>
<td>▪ The Big Idea website: Online portal for the creative community to share information. Includes ‘smArt Talk’ webforums that provide opportunity for commentary. The webforum’s third session in April 2010 related to arts and fundraising in New Zealand.</td>
<td>▪ The Big Idea Junction: This is a proposed centre of excellence in Auckland that will bring the Arts, business, education and investment communities together.</td>
<td></td>
</tr>
<tr>
<td>Minister for Arts, Culture, and Heritage</td>
<td>▪ Provides means for individuals to support arts, including by donating to the fund.</td>
<td>▪ The Arts Foundation of New Zealand Award for Patronage acknowledges an individual or couple who have contributed significantly to the Arts as patrons.</td>
<td></td>
</tr>
<tr>
<td>The Big Idea Charitable Trust (Supported by: Creative New Zealand ASB Community Trust Auckland City Council Wellington City Council North Shore City)</td>
<td>▪ Has developed guide for solicitors and professional advisers relating to gifts and bequests.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arts Foundation of New Zealand</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Allen Consulting Group
<table>
<thead>
<tr>
<th>Organization</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts Advocates Auckland Inc.</td>
<td>- The group’s website includes information on funding sources and a series of resources for arts organisations.</td>
</tr>
<tr>
<td>The National Business Review</td>
<td>- NBR Sponsorship of the Arts Awards: Annual award that acknowledges partnerships between business and the arts.</td>
</tr>
<tr>
<td>- For the whole community sector</td>
<td></td>
</tr>
<tr>
<td>Office for the Community and Voluntary Sector Philanthropy New Zealand Volunteering New Zealand</td>
<td>- Generosity Hub initiative: Provides online information on payroll giving and resources to the whole community sector.</td>
</tr>
<tr>
<td>- Generosity Hub initiative: Is exploring ways to encourage more giving of money from high net worth individuals, and determining and building links between school curriculum and promotion of philanthropy.</td>
<td></td>
</tr>
<tr>
<td>- Generosity Hub initiative: is exploring ways to support a CSR network and work to embed CSR practices into business strategy.</td>
<td></td>
</tr>
<tr>
<td>Inland Revenue Department</td>
<td>- Introduced payroll giving.</td>
</tr>
<tr>
<td>- Provides payroll giving guide in website, and information on tax incentives for donations.</td>
<td></td>
</tr>
<tr>
<td>- An information pack was distributed to employers during November 2009. Every employer received a letter and brochure explaining the basic changes. Employers with five or more staff also received a CD-Rom including the Payroll Giving Guide (IR617) from Inland Revenue and a selection of promotional posters.</td>
<td></td>
</tr>
<tr>
<td>Office for the Community and Voluntary Sector Charities Commission Inland Revenue Generosity Hub initiative Funding Information Service</td>
<td>- In 2010, staff from the Office for the Community and Voluntary Sector presented payroll giving workshops at a number of locations around New Zealand, with support from Inland Revenue, the Charities Commission and the Generosity Hub.</td>
</tr>
<tr>
<td>- Provides online information on preparing applications, marketing and business plans for community organisations.</td>
<td></td>
</tr>
<tr>
<td>- CorporateCitizens: A fee-based information service with details on New Zealand businesses committed to building relationships with community and voluntary</td>
<td></td>
</tr>
<tr>
<td>- FundView: A fee-based information service on available funding including</td>
<td></td>
</tr>
</tbody>
</table>
### Increasing Private Sector Support for the Arts

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charities Commission</td>
<td>• Provides online information on payroll giving, including a guide.</td>
</tr>
<tr>
<td>Office for the Community and Voluntary Sector</td>
<td>• Provides online tax relief information.</td>
</tr>
<tr>
<td>Philanthropy New Zealand</td>
<td>• Provides online information on establishing a bequest.</td>
</tr>
<tr>
<td></td>
<td>• Distributes grant making tools and organises workshops relating to grant making.</td>
</tr>
<tr>
<td>Fundraising Institute of New Zealand</td>
<td>• Offers workshops and mentoring on fundraising to its members.</td>
</tr>
<tr>
<td>‘Give a little’ website</td>
<td>• Provides online platform for giving.</td>
</tr>
<tr>
<td></td>
<td>• Provides accreditation to community organisations for payroll giving.</td>
</tr>
<tr>
<td>iPayroll Giving</td>
<td>• Provides online platform for giving.</td>
</tr>
<tr>
<td>Payroll Giving Foundation</td>
<td>• Aims to make 20 per cent of New Zealanders donate through payroll giving by 2020.</td>
</tr>
<tr>
<td></td>
<td>• Provides accreditation to community organisations for payroll giving.</td>
</tr>
<tr>
<td>Ministry of Social Development</td>
<td>• Provides accreditation to community organisations for payroll giving.</td>
</tr>
</tbody>
</table>

Source: Entity websites, see Appendix C
Chapter 4

Assessment of international initiatives to increase private sector Arts funding

This chapter identifies key initiatives and incentives from Australia and the UK to increase private sector support for the Arts.

The information we provide relates to three key organisations: Australian Business Arts Foundation, Artsupport Australia, and the United Kingdom’s Arts & Business.

We conclude this chapter with a qualitative analysis of the efficacy and viability of considering some of these international initiatives for application in New Zealand.

Different cultures — different approaches to the role of the State in arts funding

Like New Zealand, government in Australia and the UK has traditionally played a significant role in supporting the Arts. This has included providing funding to arts organisations, providing training to strengthen the capacity of arts and cultural entities, and providing incentives to encourage private sector involvement in and support of the Arts.

We have focused on Australia and the UK also because unlike the US and to a lesser extent Canada, there is a different culture of giving in New Zealand, the UK and Australia.

In the US and to a lesser extent Canada, NFPs, including arts organisations, have been supported by and large through philanthropy, via wealthy individuals and trusts and foundations established by wealthy industrialists and corporations.

From the 19th century in the US, individual philanthropy among the wealthiest individuals and families carried social status, and was viewed almost as a social responsibility.

Because of this, and since then, the State has played only a minor role in providing support for arts organisations in the US, though the Federal Government in particular has used tax policy and legislation to create a more conducive environment for individuals, corporations and trusts and foundations to give to the Arts.

In the US also, corporate community investment has moved slowly (but since 2007 has been moving rapidly) from an emphasis on philanthropy, towards corporate community partnerships.

The culture of philanthropy in the UK, Australia and New Zealand is very different from what is pervasive in the US. Since the 1950s, the State has played a significant role as a financial supporter of the Arts.

Individual arts philanthropy is more common in the UK than in Australia, and more common in Australia than in New Zealand. But in all three nations there has been regular debate that the significant role of the State in providing funding for the Arts has discouraged more private sector support.
Since the 1980s, governments in New Zealand, Australia and the UK has been reducing direct funding of the Arts, and shifting policy to encourage more private support, using instruments such as tax incentives, training to build the capability of arts organisations, and creating competitive tension in the allocation of available funds to strengthen the efficiency of the organisations in the Arts sector.

In 2010 the three nations discussed, had committed to efforts to reduce public deficits, and maximise budget surpluses. This means public spending is under pressure, and net public spending on the Arts is unlikely to increase, and in the UK, is likely to fall significantly.

In such an environment, innovation and maximising the effectiveness of existing channels of support will be important for the Arts to sustain themselves and thrive, both in the short and longer term.

### 4.1 Australia Business Arts Foundation (AbaF)

The Australia Business Arts Foundation (AbaF) is a national organisation. It provides a platform to bring together businesses (primarily corporations), grant makers and arts organisations.

AbaF was established to build the capacity and capability of arts organisations to attract and benefit from business support. AbaF aims also for arts and businesses to build mutually beneficial relationships that can create value for corporations and arts entities (AbaF 2009).

The organisation provides advice, professional development, volunteering and networking opportunities for businesses and arts organisations. Most of these services are free of charge.

AbaF is a wholly owned Federal Government company, but operates at arm’s length from its shareholder. It receives its revenue from government grants, a donation fund, and business contributions. Its 2009 revenue was AUD$4.9 million (AbaF 2009).

AbaF’s core operations includes three main programs. They focus on increasing partnering with business, arts/business volunteering, and giving between businesses, grant-makers and the Arts.

Box 4.1 provides further information about AbaF and its approach.
Box 4.1

ABAF’S APPROACH

ABAF works with business, the Arts (organisations and individuals) and the philanthropic sector (foundations, trusts and individuals) in all Australian states and territories through three programs:

Partnering — connecting business and the Arts: ABAF provides business and the Arts with information and advice and helps them to build relationships. ABAF creates opportunities for the sectors to network, find out about each other and explore partnership possibilities.

Volunteering — connecting business people with the Arts: ABAF creates opportunities for business people to volunteer their time and expertise to the Arts, enabling the parties to exchange benefits.

Giving — connecting donors and grant makers with the Arts: ABAF works with donors and grant makers, artists and cultural organisations to increase donations to support Australia’s cultural life. It operates a unique facility, the Australia Cultural Fund, which enables donors to make tax-deductible donations to ABAF to support eligible arts and cultural projects.

Source: ABAF 2009

AbaF’s primary initiatives

Table 4.1 provides an overview of ABAF’s key activities.

Table 4.1

<table>
<thead>
<tr>
<th>Activity</th>
<th>Target</th>
<th>Purpose</th>
<th>What is done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts Connecting Communities</td>
<td>Arts organisations / Local governments</td>
<td>Build local capacity to create arts-business partnerships</td>
<td>Includes networking activities and professional development workshops between local governments and art organisations. The program connects all interested parties in a partnership to equip them with skills to develop and manage future projects.</td>
</tr>
<tr>
<td>Premier’s Arts Partnership Funds</td>
<td>Arts organisations</td>
<td>Encourage partnerships from small businesses</td>
<td>A form of grant-matching funds: The Funds match the value of sponsorships between a small business and an arts organisation.</td>
</tr>
<tr>
<td>Workshops</td>
<td>Arts organisations</td>
<td>Capacity building for arts organisations</td>
<td>Deliver workshops that aim to increase an organisation’s capacity to seek and develop successful partnerships with businesses, become a more effective fundraiser and explore ways to increase donations, and develop their Board. This is a paid service.</td>
</tr>
<tr>
<td>‘Partnering guide’</td>
<td>Arts organisations</td>
<td>Information and establishment of a business case</td>
<td>A guide available at ABAF’s website. Provides information about sponsorships, partnerships and donations.</td>
</tr>
<tr>
<td>Brokering and informal advice from ABAF personnel</td>
<td>Arts organisations / Businesses / Trusts and foundations</td>
<td>Matching arts organisations with businesses and trusts/foundations, and guiding best practice</td>
<td>ABAF staff advise arts organisations about sectors and companies that are a good match for a business case. They also advise businesses and trust and foundations on potential sponsorships and funding. Staff provide advise about the preparation and review of written applications to foundations and provide guidance for building relationships with trust and foundations.</td>
</tr>
<tr>
<td>Australia Cultural Fund</td>
<td>Individual donors</td>
<td>Provide a platform for tax deductible donations for artists and art organisations that do not have deductible gift recipient status</td>
<td>Arts organisations (whether having a deductible gift recipient status or not) and artists can register themselves to receive tax-deductible donations from individuals who wish to donate to the Arts sector.</td>
</tr>
</tbody>
</table>
### Increasing Private Sector Support for the Arts

<table>
<thead>
<tr>
<th>Activity</th>
<th>Target</th>
<th>Purpose</th>
<th>What is done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance for business organisations</td>
<td>Business organisations</td>
<td>Developing an understanding about partnership opportunities with arts organisations</td>
<td>AbaF provides personalised advice to businesses regarding the benefits of partnering with the Arts sector. Additionally, businesses are provided with networking opportunities to interact with arts people and other organisations involved in the Arts sector.</td>
</tr>
<tr>
<td>AdviceBank</td>
<td>Arts organisations / Businesses</td>
<td>Effective, skill-based business volunteering</td>
<td>Arts organisations request particular professional services from the Foundation and are matched to a business that provides the required skills.</td>
</tr>
<tr>
<td>BoardBank</td>
<td>Arts organisations / Businesses</td>
<td>Increase number of business people in arts Boards</td>
<td>Arts organisations can request from AbaF any number of corporate members to serve on their Board. The Foundation then attempts to match business professionals to art organisations.</td>
</tr>
<tr>
<td>Workplace giving</td>
<td>Businesses</td>
<td>Increase uptake of workplace giving</td>
<td>AbaF can assist businesses and their employees to set up workplace giving. Support can also be provided from other intermediaries that specialise in workplace giving.</td>
</tr>
<tr>
<td>AbaF Awards</td>
<td>Arts organisations / Businesses</td>
<td>Recognise business efforts for advancing the Arts sector Recognise achievements in leadership or partnerships</td>
<td>Various financial and non-financial awards are given at yearly events for various achievements within the sector.</td>
</tr>
</tbody>
</table>

Source: AbaF 2010

There has been some debate in recent years (following the election of the Rudd Labor Government in 2007), if AbaF was the most appropriate vehicle to strengthen the focus for corporate/Arts sector interaction. This debate centred on whether AbaF’s activities, and its private sector support base, was too narrow.

However, AbaF has strong support from leaders in the business community because it provides an ‘arms-length’ focus on strengthening corporate community investment in the Arts, and assists arts organisations better understand business, and the drivers of corporate investment in arts entities.

On the flipside, many arts entities are committed strongly to AbaF because it assists business — as funders and partners — better understand the operations and capacity of arts entities, both large and small.

An organisation such as AbaF has been a mechanism to focus exclusively on strengthening corporate support of and involvement in the Arts in Australia. The nature of its focus and operations on a scaleable level, is worthy of consideration in New Zealand.

#### 4.2 Cultural gifts program in Australia

Unlike New Zealand, Australia offers tax deductions for non-monetary gifts made to deductible gift recipients — the tax status equivalent of an organisation with donee status in New Zealand.

Cultural items that are gifted through the Cultural Gifts Program are eligible for these deductions.
The Cultural Gifts Program encourages individuals in Australia to donate items of cultural significance from private collections to public art galleries, museums, libraries and archives. With some exceptions, the market value of the gift is fully deductible.

This policy instrument encourages Australians to consider donating items of cultural significance to local institutions so that they can remain in Australia, instead of being offered for sale on international markets.

The program provides an avenue also for Australian cultural institutions to increase their inventory of cultural exhibits, especially indigenous art and archival material.

Box 4.2 provides an overview of the Program.

**Box 4.2**

**CULTURAL GIFTS PROGRAM IN AUSTRALIA**

The Cultural Gifts Program offers tax incentives, in the form of deductions and capital gains tax exemptions, to private donors to the nation’s public collections.

Since its establishment in 1978, over $589 million worth of items have been donated through the Cultural Gifts Program. They include visual and decorative arts, Indigenous arts and cultural artefacts, social history and scientific collections and archival material.

The program is administered in accordance with the gift provisions of the income tax law and with the advice of an expert committee, the Committee on Taxation Incentives for the Arts.

Source: Australian Department of the Environment, Water, Heritage and the Arts 2010

### 4.3 Artsupport Australia

Artsupport Australia is an initiative of the Australia Council for the Arts. Its mission is to grow cultural philanthropy. (The Australia Council for the Arts is the Australian Government’s arts funding and advisory body — the equivalent of Creative New Zealand).

Artsupport Australia supports artists, arts organisations and philanthropic individuals and entities to develop their philanthropic potential through a free advisory/one-on-one mentoring service.

The Australian Government invested AUD$3.6 million over six years from Artsupport’s launch in 2003 to June 2009.

Over those six years, Artsupport has directly facilitated more than AUD$35 million in philanthropic income for artists and arts organisations — a return of nearly 1000 per cent (Jirasek 2009).
Main initiatives

Table 4.2 provides an overview of Artsupport’s primary operations.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Target</th>
<th>Purpose</th>
<th>What is done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Performing Arts Board Mentoring Program</td>
<td>29 Australia Council-funded arts organisations</td>
<td>Assist major arts companies to develop and grow their philanthropic funding services</td>
<td>A mentoring consultant is partnered with each arts organisation and monitors progress over the period of the project. Artsupport pays the mentor to spend two hours a month with the mentored organisations.</td>
</tr>
<tr>
<td>Indigenous Philanthropy Mentoring Program</td>
<td>Indigenous arts organisations</td>
<td>Develop more sustainable Indigenous arts organisations</td>
<td>Artsupport selects 10 organisations for a three-year program. Each organisation is assigned a business mentor.</td>
</tr>
<tr>
<td>Key Organisations Philanthropy Mentoring Program</td>
<td>Australia Council triennially-funded arts organisations</td>
<td>Assist key arts companies to develop and grow their philanthropic funding services</td>
<td>The organisations are provided with 50 per cent salary costs of a part-time Philanthropy manager for two years. After this period they are expected to be self-sufficient.</td>
</tr>
<tr>
<td>One-on-one mentoring</td>
<td>Artists and arts organisations</td>
<td>Capacity building on how to develop and grow philanthropic funding</td>
<td>Individual assistance that is provided by expert Artsupport staff to assist arts organisations with strategic advice and practical tips on how to develop and grow philanthropic funding sources.</td>
</tr>
<tr>
<td>Board presentations</td>
<td>Arts organisations</td>
<td>Educate and inspire arts Boards to become more actively engaged in philanthropic fundraising</td>
<td>Artsupport staff conduct Board presentations about increasing funds from philanthropic foundations or trusts and about developing stronger relationships with businesses.</td>
</tr>
<tr>
<td>Facilitating connections between fund sources and sources in need of funds</td>
<td>Artists, arts organisations and philanthropic individuals and organisations</td>
<td>To match and support donors and arts organisations</td>
<td>For philanthropists, Artsupport staff provide advice on the cultural sector and source projects in need of assistance. For arts organisations, Artsupport staff clarify and assist prepare applications to philanthropic foundations.</td>
</tr>
<tr>
<td>Seminars and networking events</td>
<td>High net-worth individuals</td>
<td>Raise awareness for the Arts and arts philanthropy</td>
<td>Artsupport runs seminars that promote tax benefits and presents exclusive events for existing and potential philanthropists.</td>
</tr>
<tr>
<td>Australia Council Donations Fund</td>
<td>Individual donors and philanthropic organisations</td>
<td>Provide platform for philanthropic giving</td>
<td>Artsupport conducts also a number of exclusive networking events for new philanthropists.</td>
</tr>
<tr>
<td>‘Arts guide to philanthropic gifts and tax’</td>
<td>Arts organisations</td>
<td>Information</td>
<td>Tax-deductible donations are assigned to a range of projects. These funds are used also to grant awards such as the Young Leaders Award and the Writers’ Emeritus Award.</td>
</tr>
</tbody>
</table>

Source: Artsupport 2010
4.4 Arts & Business (UK)

Arts & Business is a not-for-profit organisation in the United Kingdom that seeks to ‘spark new partnerships between commerce and culture’, and ‘help businesspeople support the Arts, and the Arts inspire businesspeople’ (Holden n.d, Arts & Business 2010).

As of September 2010, the primary source of funding for Arts & Business is the UK Department of Culture, Media and Sport, through Arts Council England. The organisation receives funding also from local government and councils.

In addition to government funding, Arts & Business raises funds through grants, subscriptions, donation, and the sale of membership and other services, including consultancy fees. This additional income represents about 20 per cent of the income it receives from government grants (Arts & Business 2009).

Arts & Business offers consultancy services, advice, research, training and events through a membership system to arts entities, businesses and high net-worth individuals.

Business membership costs vary based on the services consumed, and range between £500 and £5,000, depending on the consultancy services provided (2010 figures).

**Primary operations and focus**

Table 4.3 provides an overview of the primary focus of Arts & Business’ operations.

It is different to AbaF in many subtle ways, with the key difference being its consultancy charge-back model, which has much in common with the approach of many public and quasi-public agencies interacting with business and the NFP sector during the Blair and Brown New Labour Governments in the UK (the driving philosophy behind charge-back arrangements was to send a market signal related to mutual obligation).

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### Table 4.3

**ARTS AND BUSINESS (UK) MAIN INITIATIVES**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Target</th>
<th>Purpose</th>
<th>What is done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts membership</td>
<td>Arts organisations</td>
<td>Discounted services, access to information and networking opportunities</td>
<td>Discounted rates are provided on consultancy services, as well as access to monthly newsletters, research for the cultural sector, and networking and learning events.</td>
</tr>
<tr>
<td>Fundraising consultancy/advice</td>
<td>Arts organisations and artists</td>
<td>Provide advice and guidance about income generation from private sources</td>
<td>Offers two levels of paid consultancy: one delivered for a fixed price and a more tailored plan. The consultancy can cover an audit for funding sources, funding identification, and skills training.</td>
</tr>
<tr>
<td>Fundraising toolkit</td>
<td>Arts organisations</td>
<td>Provide support and advice for all experience levels</td>
<td>Provides classes, workshops and seminars (in collaboration with a professional development website) for entry, mid and senior and executive level experience with fundraising. Most of these services are free to members.</td>
</tr>
<tr>
<td>Board development</td>
<td>Arts organisations</td>
<td>Energise and enhance arts Board skills</td>
<td>Helps train executives in good governance, allowing a better understanding of Board roles and responsibilities. Offers facilitation, training, tools and guidance on</td>
</tr>
<tr>
<td>Initiative</td>
<td>Target</td>
<td>Purpose</td>
<td>What is done</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Board Bank</td>
<td>Arts organisations / Business</td>
<td>Connect business people with arts organisations</td>
<td>Arts &amp; Business UK tries to match business people with suitable organisations to achieve a successful blend of skills, objectives, and contacts.</td>
</tr>
<tr>
<td>Business membership</td>
<td>Business organisations</td>
<td>Discounted services, and access to information and networking</td>
<td>The business organisation is provided with assistance by Arts &amp; Business UK to build their brand, engage stakeholders and motivate staff. Additionally, dedicated support and access to networking opportunities are offered to members.</td>
</tr>
<tr>
<td>Business Consultancy</td>
<td>Business organisations</td>
<td>Advice and guidance on developing strategies to deal with the cultural sector</td>
<td>Paid consultancy services include a cultural audit, options appraisal, and development of cultural strategy.</td>
</tr>
<tr>
<td>Young Professionals on Arts Boards</td>
<td>Business leaders under the age of 30</td>
<td>Provide art organisations with fresh talent with passionate ideas, to sit on their Board</td>
<td>Arts and Business UK detects the best up-and-coming talents that British business has to offer and places them on the Boards of leading arts charities in the United Kingdom.</td>
</tr>
<tr>
<td>Visually for Business</td>
<td>Business organisations</td>
<td>Install original artworks in businesses</td>
<td>A contemporary art lease/borrow initiative that enables businesses to buy, borrow, display or even commission contemporary art in their spaces.</td>
</tr>
<tr>
<td>‘The Tax Guide’</td>
<td>Individual philanthropists, Arts organisations</td>
<td>Information on tax benefits</td>
<td>Provides a guide at website for tax-efficient giving.</td>
</tr>
<tr>
<td>Big Arts Give</td>
<td>Arts organisations, and individuals</td>
<td>Raise funds for the cultural and arts sector</td>
<td>A form of a challenge fund scheme: Helps arts and cultural charities to build and develop income from individuals. Challenge funds like The Big Arts Give are an innovative way to motivate donors and leverage donations by creating a matched funding pot to double online donations.</td>
</tr>
<tr>
<td>Awards for cultural champions</td>
<td>Individuals</td>
<td>To acknowledge and honour people who assist the Arts sector</td>
<td>Given in different geographical locations in the United Kingdom. A Cultural Champion is an individual who has shown a commitment to support local arts organisations to the best of their abilities.</td>
</tr>
<tr>
<td>Prince of Wales Medal</td>
<td>Great philanthropists who contribute to the Arts sector</td>
<td>To honour people who assist the Arts sector</td>
<td>A yearly award that honours individuals and couples with stellar curriculum vitae in helping the Arts to succeed.</td>
</tr>
</tbody>
</table>

Source: Arts & Business 2010

4.5 **Assessment of the efficacy and viability of establishing/adapting international initiatives in New Zealand**

This subsection provides a qualitative analysis of whether it is desirable or viable to establish or adapt vehicles in New Zealand such as AbaF, Artsupport or Arts & Business to strengthen private sector support for the Arts.

We consider also whether an existing entity can take the lead, with its current means and capabilities, to implement any of the successful activities developed and pursued by the three entities examined in this chapter.
Our analysis is based on three qualitative assessments.

- Perceived gaps between what arts organisations expect and need to attract more support from the private sector, and what is currently available to them. We captured feedback about these expectations and needs during our two research focus groups with large and small arts organisations.

- Perceived gaps between what philanthropists consider as essential for them or other high net-worth individuals to increase their support for the Arts, and what is currently available. We captured feedback about these perceptions during our one-on-one consultations with philanthropists.

- Perceptions about the role and delivery of services in New Zealand by primary institutions, including perceptions about Creative New Zealand. We captured feedback about these perceptions during our consultations with an external reference group, arts organisations, and philanthropists.

**Expectations and perceived needs**

Arts organisations with which Allen Consulting Group consulted, voiced their expectations and needs about their ability to attract private sector support. We consulted also with philanthropists, who shared their ideas about what needs to be in place for individuals to increase their support for the Arts.

Table 4.4 outlines the perceived gaps between these expectations and what is available in New Zealand. The Table identifies also any initiatives/incentives from AbaF, Artsupport, or Arts & Business, which could address these expectations.

<table>
<thead>
<tr>
<th>Expectation/need</th>
<th>Most relevant international initiative/incentive</th>
<th>Is this currently available in New Zealand?</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand needs an entity that focuses on increasing private sector support for the Arts</td>
<td>AbaF, Artsupport and Arts &amp; Business focus on increasing support for the Arts, although they place emphasis on different sources for that support</td>
<td>Creative New Zealand and the Arts Foundation of New Zealand want to increase private support for the Arts, but do not focus on all private sector sources of support</td>
</tr>
<tr>
<td>Arts organisations need to be educated and inspired to adapt business or social enterprise practices. This will increase their ability to generate support themselves</td>
<td>AbaF and Arts &amp; Business workshops</td>
<td>Creative New Zealand provides some development programs for arts organisations, but there is scope to adapt and develop more innovative approaches to build the capacity and capability of arts entities to attract private sector support in New Zealand</td>
</tr>
<tr>
<td>Arts organisations, large and small, could strengthen their capability to operate on a more strategic level to attract and sustain private sector support</td>
<td>Arts &amp; Business provides sophisticated (but paid) consultancy and advice on this</td>
<td>This is addressed to varying degrees through Creative New Zealand’s development program</td>
</tr>
<tr>
<td>Arts organisations need to be able to develop sophisticated businesses cases to indicate the value proposition for more private sector support of the Arts</td>
<td>AbaF offers workshops to build capacity building within arts organisations</td>
<td>None available</td>
</tr>
<tr>
<td></td>
<td>Arts organisations in the UK and Australia rely on professional development and training provided by AbaF, Artsupport and Arts &amp; Business to build business cases, as well as other professional development options, and internal capability</td>
<td></td>
</tr>
<tr>
<td>Expectation/need</td>
<td>Most relevant international initiative/incentive</td>
<td>Is this currently available in New Zealand?</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Arts organisations need to engage and win the support of more young high-net worth individuals</td>
<td>Artsupport engages with and organises exclusive networking events for new philanthropists</td>
<td>No coordinated effort</td>
</tr>
<tr>
<td>There is a need to engage young business professionals with arts organisations</td>
<td>Arts &amp; Business’ Young Professionals on Arts Boards initiative</td>
<td>No initiative</td>
</tr>
<tr>
<td>There needs to be a more efficient way to apply for funding from trusts/foundations, and many arts organisations do not seek to build relationships with funding trusts and foundations</td>
<td>Arts &amp; Business, Artsupport and AbaF provide training and capacity building for arts organisations to be able to apply for funding. They also provide matching services for trusts and foundations to find suitable arts organisation that meet their criteria.</td>
<td>Support for applications and matching to trusts and foundations is informal</td>
</tr>
<tr>
<td>Arts organisations prefer long term commitments from sponsors and partners, particularly from businesses</td>
<td>Both AbaF and Arts &amp; Business engage stakeholders around and promote increasing long term partnerships between the Arts and business</td>
<td>No coordinated effort</td>
</tr>
<tr>
<td>There needs to be acknowledgment and appreciation of support from individuals or businesses who support the Arts</td>
<td>Arts &amp; Business awards cultural champions, and AbaF has annual awards for arts-business partnerships</td>
<td>The Arts Foundation of New Zealand grants an Award for Patronage. Some awards do recognise partnerships between arts organisations and businesses (i.e. NBR Sponsorship of the Arts Awards)</td>
</tr>
<tr>
<td>There could be more public recognition of businesses as good corporate citizens</td>
<td>This is addressed indirectly through training and capacity and capability building by Arts &amp; Business, Artsupport and AbaF</td>
<td>No initiative</td>
</tr>
<tr>
<td>Arts organisations need to engage more with their membership base and supporters to capture more funding</td>
<td>AbaF’s and Arts &amp; Businesses’ Board Bank initiatives</td>
<td>No initiative</td>
</tr>
<tr>
<td>There needs to be a mechanism to find and assign business people to arts Boards</td>
<td>Artsupport initiates networking events with high net-worth individuals. AbaF and Arts &amp; Business provide opportunities for arts organisations to network with businesses</td>
<td>No coordinated effort</td>
</tr>
<tr>
<td>Arts organisations need networking opportunities to meet business contacts and high net-worth individuals</td>
<td>AbaF and Artsupport provide matching services for high net-worth individuals and businesses</td>
<td>Arts Foundation of New Zealand manages some engagement of philanthropists</td>
</tr>
<tr>
<td>Arts organisations need an entity that will be able to offer matching services for business sponsors and high net-worth individuals</td>
<td>AbaF addresses this indirectly with its yearly awards. Arts &amp; Business, Artsupport and AbaF Are active in media relations and public engagement around the role and support of the private sector in the Arts</td>
<td>This occurs informally</td>
</tr>
<tr>
<td>The Arts in New Zealand needs a higher profile, so that the community better understands its value, and the importance of giving to sustain the Arts</td>
<td></td>
<td>Some fragmented effort, but not coordinated by a single entity</td>
</tr>
</tbody>
</table>

Source: Perceptions from our consultations with arts organisations and individual philanthropists
We note some key insights from Table 4.4:

- There are significant gaps between the expectations and perceived needs of the arts organisations and philanthropists with whom we consulted, and what is now available to them.

- The largest gaps between expectations and perceived need relate to increasing support from corporations and trusts and foundations.

- No single international model or modus operandi (AbaF, Artsupport, or Arts & Business) in its current form addresses stakeholder expectations around strengthening private sector support of the Arts in New Zealand. Bespoke policy and practical approaches are required to meet local market needs.

- The individuals and groups with whom we consulted as part of research for this report advocated strongly for an entity to be established in New Zealand that will focus solely on increasing private sector support for the Arts. This entity will assist arts organisations build their capability to increase their efforts in attracting support. Such efforts can include capitalising on the support from their current members and ‘friends’, improving communication with their existing and potential supporters, establishing and maintaining relationships, and setting up the required infrastructure to attract further support from individuals, businesses and trust/foundations.

Table 4.5 examines further the perceived current stakeholder demand in New Zealand for elements of policy approaches and services similar to those provided by AbaF, Artsupport and Arts & Business.

Table 4.5 has been populated based on:

- initiatives and approaches identified by stakeholders and our analysis as a need, that if addressed, could increase private support for the Arts in New Zealand;

- our assessment of the likely short to medium term impact of the service/initiative on increasing private sector giving to the Arts in New Zealand. This qualitative assessment is based on the data and information we received from our consultations and interviews, and analysis of the relevant available research in New Zealand and internationally.

<table>
<thead>
<tr>
<th>Target</th>
<th>Services/Initiatives focus on:</th>
<th>Impact over short to medium term</th>
</tr>
</thead>
<tbody>
<tr>
<td>High net-worth individuals, philanthropists</td>
<td>Educating individuals about the Arts sector and philanthropy</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Provide advice for philanthropy options</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Provide matching/brokering services between individuals and arts organisations</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Distribution of information (mainly on bequests/legacies and tax incentives)</td>
<td>Medium</td>
</tr>
</tbody>
</table>
## Table 4.5

<table>
<thead>
<tr>
<th>Target</th>
<th>Services/Initiatives focus on:</th>
<th>Impact over short to medium term</th>
</tr>
</thead>
<tbody>
<tr>
<td>High net-worth individuals, philanthropists</td>
<td>Networking opportunities for arts organisations to meet high net-worth individuals</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Exclusive/specialised events that bring together high net-worth individuals (including young philanthropists)</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Recognising significant support from individuals</td>
<td>High</td>
</tr>
<tr>
<td>General public</td>
<td>Providing donation platforms</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Challenge fund schemes</td>
<td>Medium</td>
</tr>
<tr>
<td>Businesses</td>
<td>Educating businesses about the sector and relationships with arts organisations</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Distribution of information (about tax incentives and payroll giving)</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Networking opportunities for arts organisations to meet business contacts</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Provide matching/brokering services between business and arts organisations</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Increase the number of business executives on arts Boards of Governance</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Matching grant scheme — incentives for small businesses to partner with arts organisations</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Recognising best practice business support of the Arts</td>
<td>High</td>
</tr>
<tr>
<td>Arts organisations</td>
<td>Capacity building through training and mentoring</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Distribution of information (mainly for tax incentives and payroll giving)</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Development of Board capabilities and skills</td>
<td>Medium</td>
</tr>
<tr>
<td>Trusts/Foundations</td>
<td>Provide advice to trusts/foundations for philanthropy options</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Provide matching/brokering services for trusts/foundations to find donee organisations that match their funding criteria</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Encouraging and assisting arts entities to forge closer and sustained relationships with trusts/foundations with statutory obligations to disburse funds to community organisations</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Perceptions from our consultations with arts organisations and individual philanthropists

Table 4.5 can be read as a proxy for the priority that policy makers and stakeholders may want to examine when considering applying *some* practical measures to increase private sector support of the Arts in New Zealand.

If a range of practical policy settings are to be developed, and provision of services are to be considered and offered to increase private support of the Arts sector, how can this best be achieved?
Establishing an entity to focus on increasing private sector support for the Arts

The individuals with whom we consulted provided varied feedback about whether a new entity needs to be established to focus on increasing the gaps in services and initiatives for increasing private sector support for the Arts.

Some stakeholders argued that New Zealand’s relative size as an economy does not warrant establishment of a stand-alone entity responsible in large part for boosting such an entity, and there should be an attempt to drive a collaborative effort from existing agencies and institutions.

Other stakeholders supported that it will be difficult to assign responsibility for initiatives to current entities because of factors including a lack of existing expertise, capacity issues, disparate established relationships, and a need to focus scarce resources and energy towards a common objective.

Our counsel is that if an entity dedicated to increasing private sector support to the Arts is considered (which we recommend should be), then that organisation should focus on fostering and facilitating establishment of long-term relationships and support. This will be more effective than a focus on philanthropic interactions alone.

During our stakeholder discussions, the two entities identified most frequently as taking the lead currently to develop and deliver initiatives for increasing private sector support for the Arts, were Creative New Zealand and the Arts Foundation of New Zealand.

However, neither of these entities was considered capable alone of taking full responsibility for developing, coordinating and delivering activity across the corporate, individual and trust/foundations segments.

Most stakeholders with whom we consulted perceived that:

• the Arts Foundation of New Zealand is traditionally associated with giving from philanthropists, though the Foundation has still some way to significantly increase giving to the Arts by philanthropists — and especially high net-worth individuals.

• the Arts Foundation was not performing the role of nationally lifting private philanthropic giving to the Arts, as its activities and fundraising benefited only the organisations it supported.

• if the Arts Foundation continues to operate under its existing business model, there will continue to be a gap in formal and coordinated efforts to lift philanthropic giving to the Arts in New Zealand.

• Creative New Zealand may not have the resources to guide or deliver initiatives that relate to the corporate sector.

Our conclusion, guided by a preference to focus resources and create and sustain momentum, utilise most efficiently scarce resources in a relatively small, developed economy, is that New Zealand would be best placed to consider increasing private sector support for the Arts by the following:
• Establish an entity to build the capability of arts organisations to better engage with the business sector and trusts and foundations to increase support for the Arts in these segments.

• Establish that entity with some independence from government, by creating it as an agency within Creative New Zealand, but with an independent Board chaired by a business person, and that may include a philanthropist, a representative of the Business Roundtable, arts administrators, the CEO of Creative New Zealand, and other business people.

• A remit for the recommended entity should be to broaden in the mid to long-term, the focus of business support of the Arts in New Zealand from simple philanthropy towards integrated, more sustainable partnership relationships, which is best practice internationally. This shift is characterised by business/arts entity relationships that involve monetary transfer, mutual capability build, and effective workplace volunteering.

• Creative New Zealand engages the Arts Foundation to determine if its remit and operations can be broadened, so the Foundation is an entity and vehicle to assist the nation’s arts organisations to be better able to engage with and increase support from philanthropists.

• If discussions with the Arts Foundation to broaden its remit are not successful, consideration be given to investigating the feasibility of establishing within Creative New Zealand, an entity similar to Artsupport in Australia, to build the capability of arts organisations to increase revenue through private philanthropic giving.

This issue is addressed again in Chapter 6, when we present our recommendations.
Chapter 5

Barriers and opportunities for private sector support for the Arts

This chapter outlines the barriers and opportunities for private sector support for the Arts in New Zealand.

We identify barriers and opportunities for all three sources of private sector support, as well as the uptake of the payroll giving scheme, and the recent tax incentives for donations.

These barriers and opportunities were identified based on data and feedback we received from philanthropists, arts organisations, an external reference group, responses from businesses and trusts/foundations to our online survey, and our analysis.

5.1 Payroll giving scheme

As indicated in Box 1.3, the uptake of the government’s payroll giving scheme from individuals and businesses has been slow, but is increasing since its launch in early 2010.

We note also that the scheme is in its early life. Our observation is that arrangements of this nature internationally, take some time to pick up momentum.

The Minister for Revenue, Hon Peter Dunne, acknowledged in 2010 that ‘some employers have had concerns about taking up payroll giving’, mainly about issues relating to the verification of donee organisations, entering payroll giving data into payroll systems, and being responsible for distributing those funds to donee organisations (2010).

Feedback from our online survey indicates that many large businesses are not aware of the payroll giving scheme, or have already established their own giving programme with employees (see Appendix B).

Our analysis of trends in payroll giving internationally, and on feedback we received during our consultations, is that the Government’s payroll giving scheme will over the long-term provide limited opportunity for arts organisations to increase their support from individuals.

This does not mean that the funds captured by this scheme will not be useful and valued by the Arts sector; however, they will most likely only ever be a small part of private individual contribution to the Arts in New Zealand.

Considerations to support this conclusion include:
• in the short-term, there is poor awareness of this initiative, and employers have been reluctant to establish payroll giving arrangements;

• in a social workplace context, many employees may be reluctant to be seen to support the Arts on a sustained basis, instead of other causes perceived to be more ‘important’ or ‘needy’, such as health and education;

• some large arts organisations do not, and are reluctant to, identify themselves as charities. Therefore, these organisations are reluctant to consider participating in the scheme;

• some large businesses have already established their own payroll giving arrangements; and

• experience in Australia, the UK and the US suggests that Arts organisations are often the least popular destination in volume and in value via workplace giving arrangements.

However, it is very important that individuals and businesses in New Zealand are aware for the scheme.

Table 5.1 summarises the main barriers and opportunities relating to the Government’s payroll giving scheme.

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of awareness about the scheme</td>
<td>Awareness campaign</td>
</tr>
<tr>
<td>Many large businesses already have their own employee giving scheme</td>
<td>Creating awareness about the tax benefits of workplace giving and demand for better uptake</td>
</tr>
<tr>
<td>Reluctant employers — some employers are reluctant to adopt the scheme due to establishment costs and issues</td>
<td>Promotion</td>
</tr>
<tr>
<td>Hesitant employees — Some employees are hesitant to support the Arts instead of other institutions/causes perceived socially to be more ‘needy’ or ‘important’</td>
<td>Working with trade unions, business groups, large corporations and via public education to promote awareness about the recent tax reforms as an extra incentive</td>
</tr>
<tr>
<td>Some arts entities are reluctant to see themselves as scheme participants — some arts organisations don’t see themselves as charities. Others feel that the scheme will not significantly contribute to their income.</td>
<td>Promotion of participation by intermediaries — entities that provide platforms and vehicles for giving, and would be interested in the scheme’s uptake (i.e. Givealittle, iPayroll Giving, Payroll Giving Foundation)</td>
</tr>
<tr>
<td>Legal status of organisations — some arts organisations do not have donee status</td>
<td>Showcasing of ‘best practice’, if available</td>
</tr>
</tbody>
</table>

5.2 Tax incentives for donations

There was general consensus among stakeholders participating in research for this report that the recent reforms to taxation arrangements have been one of the most important steps towards creating a stronger culture of giving in New Zealand. These changes have addressed previous limitations.
However, the impact of the incentives in the tax arrangements have not yet, in our view, reached their full potential.

Most stakeholders were of the view that public awareness of changes to the tax treatment of donations is low.

Most stakeholders agree that arts organisations, Creative New Zealand and the government should promote the incentives. With the right promotion, the tax incentives remain an opportunity for the Arts increase support from individuals.

Arts organisations recognise this opportunity, but appear to be cautious about the appropriate way to communicate the incentives. They understand that the benefit of the tax credit is not a primary motivation for giving in itself, but rather an important aspect of the whole ‘package’ of giving to the Arts.

5.3 Support from individuals

In the near future, no single incentive or initiative can significantly increase support for the Arts from individuals with low or medium personal income in New Zealand.

The current economic climate, and an environment in New Zealand in which the Arts enjoys a lower a profile than in Australia and the UK (where major arts and cultural institutions have framed successfully their economic value and contribution to the tourism sectors), is a barrier to the general public becoming a major source of funds for giving to the Arts.

A significant change in how individuals perceive and understand the Arts and its value to the community will require a long-term coordinated effort from public and private institutions that shape common values and New Zealand’s culture, including the education system and the media.

Recommendations for this public engagement campaign/effort are beyond the scope of this report, and require further examination and coordination between public entities responsible for education, communication, and arts, and the Arts sector. We suggest Creative New Zealand coordinate work on developing such a campaign, its reach, and its scope.

However, there are three key opportunities in the short term to increase support from high net-worth individuals and a segment of the community who are passionate about the Arts.

These opportunities include:
• engaging young, high-net worth individuals to consider giving to the Arts;
• increasing legacies/bequests to arts organisations — this appears to be an area of considerable opportunity. Coordinated efforts to promote this avenue of giving, including with accountants, legal practitioners and estate planners (wills and bequests), has been a special focus of arts policy and peak arts groups in Australia, the US and the UK;
• arts organisations better leveraging on current ‘friends’ and membership base. Stakeholders with whom we consulted considered that most arts entities shy away from engaging their supporters and asking for further assistance. Research indicates that support of membership schemes is strong in New Zealand (MCH 2010), and that arts organisations could leverage this. Practical considerations in this regard could include short messages on tickets, newsletters and promotional material encouraging giving to take advantage of tax arrangements and workplace giving credits.

Table 5.2 summarises the main barriers and opportunities relating to Arts support from individuals.

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current economic climate</td>
<td>Community access and exposure to arts</td>
</tr>
<tr>
<td>• Difficult to attract new support</td>
<td>• Lack of profile of arts sector in popular media</td>
</tr>
<tr>
<td>New Zealand’s size</td>
<td>Competition with other charitable sectors and other priorities</td>
</tr>
<tr>
<td>• Few high net-worth individuals</td>
<td>• Young people have many worries and financial burdens (mortgages) to even begin thinking about giving to arts</td>
</tr>
<tr>
<td>• Some local communities are too small to sustain cultural organisations</td>
<td>Perceptions for giving to arts</td>
</tr>
<tr>
<td>• Lack of understanding the value of arts within the community</td>
<td>• Perception that only wealthy citizens support the Arts</td>
</tr>
<tr>
<td>• Lack of education about arts and culture</td>
<td>• Assumption that charitable giving is about social status</td>
</tr>
<tr>
<td>• Lack of an articulated and well understood identity for New Zealand arts (both within and outside the sector)</td>
<td>• Assumption that the Arts is supported by government, so no need for public support</td>
</tr>
<tr>
<td>Limited resources for arts organisations</td>
<td>Cultural activities seen less important/necessary than other areas</td>
</tr>
<tr>
<td>• Arts organisations have limited resources to nurture relationships with philanthropists</td>
<td>Lack of quality advice from banking/legal sector</td>
</tr>
<tr>
<td>Low engagement with younger generation</td>
<td>Untapped markets</td>
</tr>
<tr>
<td></td>
<td>• Young wealthy individuals</td>
</tr>
<tr>
<td></td>
<td>• Young women</td>
</tr>
<tr>
<td></td>
<td>Increase uptake of legacy/bequests</td>
</tr>
<tr>
<td></td>
<td>Capitalise on current membership and ‘friends’</td>
</tr>
<tr>
<td></td>
<td>Capitalise on older audiences</td>
</tr>
<tr>
<td></td>
<td>Encouraging and recognising entrepreneurial cultures in arts entities</td>
</tr>
<tr>
<td></td>
<td>• Support more income generating activities within arts organisations — social enterprise model</td>
</tr>
<tr>
<td></td>
<td>• National recognition of innovation in the Arts</td>
</tr>
<tr>
<td></td>
<td>New media</td>
</tr>
<tr>
<td></td>
<td>• Opportunities for more online giving</td>
</tr>
<tr>
<td></td>
<td>• Connection with young audiences via social media networks</td>
</tr>
</tbody>
</table>
5.4 Support from business

Research suggests that support for the Arts from business in New Zealand is strong compared to support from individuals and trusts/foundations (excluding Lottery Grants Board) (MCH 2010).

However, increasing this support is challenging.

Feedback from our online survey indicates that many large businesses in New Zealand refrain from supporting the Arts either because of budget limitations, or because they don’t consider the Arts as a ‘strategic fit’ with their business objectives (see Appendix B).

As is the case in Australia, the US and the UK, an important component of this strategic fit is opportunity for corporate employees to volunteer and engage with the partner arts organisation. Arts organisations we consulted indicated they found it difficult to provide volunteering. This is a barrier that needs to be addressed in the mid to longer-term.

Furthermore, small arts organisations with whom we consulted perceived that there was little effort to coordinate assistance and skills development to help them develop relationships with businesses.

In their wider relationship with business, many arts organisations with whom we consulted indicate that in recent years it has been ‘challenging’ to engage with big businesses.

Some stakeholders noted that many large companies operating in New Zealand were headquartered in Australia, or in other nations. They reported that it is common for these enterprises to have their corporate responsibility and corporate community investment priorities and budgets driven from their headquarters offshore.

(We make a recommendation relating to this issue in the next Chapter).

Despite these difficulties, we counsel that the greatest single opportunity to increase private sector support for the Arts in New Zealand is by encouraging and tapping corporate community investment.

This does not mean that sources of support such as giving from wealthy individuals, smaller amounts of support from less-wealthy New Zealanders, or funding from trusts or foundations are not important. They will continue to be.

But as in the UK (Arts philanthropy: the facts, trends and potential, Arts and Business, October 2010), and as many arts organisations in Australia have discovered over the last decade, the potential to increase giving from high-net worth individuals is limited.

According to Alan Davey, the chief executive of Arts Council England and chair of the International Federation of Arts Councils and Culture Agencies, in the US, where arts organisations rely heavily on financial support from philanthropists, one in ten arts organisations have had to make ‘swinging cuts’ to survive the global financial crisis.
Philanthropists in New Zealand interviewed for this report mirrored views of many high-net worth philanthropists in Australia and the UK: the philanthropy market is very crowded and extremely competitive, and that expectations of large increases in arts funding coming from wealthy philanthropists is unrealistic.

However, business support of the Arts in New Zealand is now well developed relative to economies such as Australia, Canada, the UK and the US in that it revolves most commonly around a sponsorship relationship that is primarily transactional (see section 2.4 earlier in this report).

Because they are motivated by commercial considerations — which include strategy, corporate reputation, corporate responsibility and citizenship, employer brand — private enterprises, and state owned enterprises to a lesser degree, have a business imperative to invest in the community, and as a whole, have more funds available to invest in the community than individuals and trusts and foundations.

Corporate community investment internationally is increasing, driven by commitments to corporate responsibility and as a strategic management response to counter growing community distrust in business.

This is the case internationally. Until about 2002-2004, larger corporations were focused more on corporate community investment as a business strategy more so than smaller enterprises.

Globally, smaller enterprises communities have been providing funds and pro bono goods and services on an ad hoc basis to community-based groups and causes for many years. However, until recently, such support was not central to business strategy, and considerable giving by smaller enterprises was guided by the personal or family relationships of the small business owner.

From the middle of this decade, proactive public policy settings (especially in the UK and Australia), more active academic research, competitive pressures, and supply chain policies of larger businesses with small business suppliers, has seen more smaller and medium enterprises (SMEs) embrace corporate community investment as a deliberate management tool and tactic.

The confluence of supply drivers — business increasing its overall corporate community investment as part of embedded business strategy, and looking for relationships with community organisations beyond ‘transactional’ marketing sponsorships, that fit with the business model — means that not-for-profit organisations that best understand a business case for corporate investment will be placed best to secure it.

In the New Zealand context, the Arts sector has the opportunity to increase both the incidence and total amount of support it receives from private enterprises by better understanding the business drivers of corporate community investment, and by small and larger arts organisations being equipped to make the business case for corporate community investment in them.

In laymen’s terms, the opportunity exists in New Zealand for arts organisations of all sizes, to grow the corporate funding pie through a business case-based approach to engage corporations and SMEs in corporate community investment.
This opportunity is more viable in the short and longer term. Over the longer term, as well as increasing support from business, increasing the quantum of New Zealanders who give to the Arts, and the volume that they give, might be achieved if a cultural shift occurs.

Internationally (UK, Australia, France, Canada), active government policy, and efforts by arts funding and promotion bodies and the Arts sector have been working to influence cultural attitudes so that the community better values and supports the Arts.

Examining these efforts at a macro level, it is very difficult indeed to quantify any progress. Longer-term shifts in cultural morays are difficult to achieve by public policy settings alone.

Our analysis suggests that in the short, medium and longer term, the opportunity to secure the most sustainable increase in private sector support for the Arts in New Zealand is with the business sector.

And the most substantial opportunity involves policy makers, arts entities understanding and nurturing partnerships between arts organisations and business — partnerships that are growing in quantum and value internationally.

Many arts organisations are equipped to understand and ‘fit’ with businesses more so than some other NFPs and charities, and more so because they employ business-like practices to generate income and produce work.

Table 5.3 summarises the main barriers and opportunities to increase business support for the Arts in New Zealand, based on our research and analysis.

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current economic climate</td>
<td>Branding/marketing drivers for businesses</td>
</tr>
<tr>
<td>• Difficult to attract new support</td>
<td>• Difficult for many arts organisations to offer publicity</td>
</tr>
<tr>
<td>Lack of long-term commitment</td>
<td>• Some arts organisations are not comfortable with corporate branding/marketing imperatives</td>
</tr>
<tr>
<td>• Difficult to find corporate support for the long term</td>
<td>Lack of direct local business contacts</td>
</tr>
<tr>
<td>Limited arts organisation resources</td>
<td>• There are fewer local contacts that handle corporate social responsibility. International businesses have their budgets and priorities driven from headquarters abroad</td>
</tr>
<tr>
<td>• Arts organisations have limited resources (especially time) to seek or build relationships with businesses</td>
<td>Challenges with employee engagement/participation</td>
</tr>
<tr>
<td>Lack of understanding about the value Arts has in society</td>
<td>• Businesses seek opportunities for staff involvement in their partnerships, but arts organisations find it hard to respond</td>
</tr>
<tr>
<td>Lack of awareness of where to seek support</td>
<td>Partnership culture</td>
</tr>
<tr>
<td>• Arts organisations find it difficult to approach businesses</td>
<td>• Nurture partnerships between business and arts organisations</td>
</tr>
<tr>
<td>Lack of quality advice from legal/banking sectors</td>
<td>Capitalise on common traits</td>
</tr>
<tr>
<td></td>
<td>• Many arts organisations have business-like practices, more so than many other NFPs</td>
</tr>
<tr>
<td></td>
<td>Skilled volunteering</td>
</tr>
<tr>
<td></td>
<td>• Businesses to offer pro bono funding and sponsorship strategy development</td>
</tr>
<tr>
<td></td>
<td>More business representation on arts entity Boards</td>
</tr>
</tbody>
</table>
5.5 Support from trusts/foundations

Some arts organisations with whom we consulted perceived that decision-making for distributing funds from some community trusts is not a transparent process.

We identified also a popular perception among the individuals with whom we consulted — which is supported by research data — that community trust disbursements are weighted towards supporting sporting activities and organisations (especially disbursements from gaming trusts).

Another view is that most arts entities have not invested the appropriate capability or resources to establish and maintain relationships with community trusts and foundations, to influence and secure more funding over the longer term.

Many arts entities (especially smaller entities) allocate considerable resources applying for funding from community trusts/foundations.

These organisations report that it is ‘frustrating’ managing disparate application processes, and that considerable time and resources have to be assigned to ‘bureaucratic’ processes, often with no financial success.

There are opportunities for services and training to be provided to assist smaller arts entities in particular to not only streamline their approach to community trust application processes, but to establish relationships with community trusts, so that they better understand arts organisations and their operations and needs.

Furthermore, an opportunity exists for arts organisations to attract more funding from private/family trusts and foundations. Support from individual trusts and foundations is an untapped financial reservoir for most arts organisations, and one that offers similar opportunities as individual bequests/legacies.

Table 5.4 summarises the main barriers and opportunities relating to increasing support for the Arts from trusts/foundations.

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic considerations for trusts/foundations</strong></td>
<td>Variable capability for arts organisations to apply for funding</td>
</tr>
<tr>
<td>• Reduced investment returns for foundations/trusts due to economic downturn</td>
<td>Support for developing and increasing the funding pool from trusts/foundations</td>
</tr>
<tr>
<td>• Limited pool of funds to meet considerable demand</td>
<td>Inflexible funding criteria</td>
</tr>
<tr>
<td><strong>Limited arts organisation resources</strong></td>
<td>• Funds from trusts/foundations may need to be spent over a short time period, or can’t be used to cover wage or rent expenses</td>
</tr>
<tr>
<td>• Applying and obtaining support from trusts/foundations is time consuming</td>
<td>Relationship building between arts organisations and community trusts/foundations</td>
</tr>
<tr>
<td><strong>Bureaucracy</strong></td>
<td>• Sports receive disproportionately high level of support, especially from gaming trusts</td>
</tr>
<tr>
<td>• Trusts/foundations tend to be very bureaucratic</td>
<td>Increase uptake of individual/family trusts/foundations</td>
</tr>
<tr>
<td><strong>Unclear future</strong></td>
<td>• Some arts organisations may have ethical considerations over accepting money from gambling</td>
</tr>
<tr>
<td>• Sustaining support from trust/foundations is unclear</td>
<td>Support arts organisations in their governance and financial management</td>
</tr>
</tbody>
</table>
Chapter 6

Recommendations and action plan

Based on the analysis in this report, we make the following recommendations to strengthen private sector support of the Arts in New Zealand.

We have categorised these recommendations into those that may have the greatest short-term, medium-term and long-term impact of increasing private sector support for the Arts.

Our stakeholder engagement and research for this report suggests strongly there is opportunity for a coordinated effort to coalesce terminology and language related to giving to the Arts in New Zealand.

The Ministry for Culture and Heritage’s 2010 report on giving and sponsorship to cultural organisations can provide the blueprint for this effort. However, the captured data should reflect broader aspects of private sector support (see comments in section 1.1), and allow comparisons with other not-for-profit sub-sectors.

**Short-term**

*Increasing support from individuals*

i. The peak accountancy and legal practitioner groups in New Zealand be engaged to partner in disseminating to their members details of tax incentives and credits associated with giving, including in relation to bequests and legacies.

ii. In cooperation with the New Zealand Arts Foundation and the leading arts organisations, Creative New Zealand work to identify younger, existing and potential young, high net-worth or professional New Zealanders to engage them around the benefits of giving to the Arts, and to begin to establish long-term relationships with these individuals.

iii. Consider an initiative similar to the Prince Of Wales Medal in the UK, as part of which small and large arts organisations nominate individual donors who have recently or over time made outstanding financial contributions to the Arts, as publicly recognising private giving to the Arts in New Zealand. This initiative could be a partnership between Creative New Zealand, the New Zealand Arts Foundation and a corporate partner. This award can be a continuation of the Arts Foundation of New Zealand Award for Patronage.

iv. Consider working with peak business, trade union and professional associations to ensure more New Zealanders are aware of tax incentives available to employees via the Government’s Payroll Giving Scheme.

v. Creative New Zealand seek discussions with the New Zealand Arts Foundation to investigate if the remit and operations of the Foundation can be extended to provide services and impetus to increase philanthropic support for all arts organisations in the nation.
viii. If this cannot be achieved, we recommend Creative New Zealand investigate the feasibility of establishing within its structure, an organisation similar to Artsupport in Australia, to focus on building the capability of arts organisations to engage with philanthropists, and increase their support from philanthropic sources.

**Increasing support from trusts and foundations**

vii. Work with the largest community trusts to initially bring arts organisations and trust staff together as a start to establishing and nurturing relationships between arts entities and trusts. This could take the form of a conference or showcase.

viii. Consider developing and delivering a number of workshops in 2011 for arts entities on how to strengthen relationships with trusts and foundations, including good practice grant application preparation and lodgement.

**Increasing support from business**

ix. Engage with the NZ Business Roundtable to begin a dialogue on the business case for corporate community investment in the Arts, including employee engagement, corporate reputation, stakeholder engagement and creating shared value, with a view to engaging the organisations more closely with sustained private funding of the Arts in New Zealand.

x. Develop a strategy to better engage state owned enterprises to better understand their corporate community investment responsibilities and where a business-case driven approach to supporting the Arts may be in the interests of many of those enterprises.

xi. Consider scoping of engaging key stakeholders around establishing a separate and dedicated entity to build the capability of arts organisations to better engage with the business sector (and trusts and foundations) to increase support for the Arts in these segments (see medium-term recommendations for increasing business support for the Arts later in this section). This entity should focus on building capability for large, medium and small arts organisations.

xii. With the Business Roundtable or as an initiative of the Minister or Creative New Zealand, and as part of the process to establish an entity to focus on increasing support for the Arts from business and trusts and foundations, convene a roundtable including Creative New Zealand, CEOs of some large corporations, and some leading arts administrators, to discuss closer partnerships between the Arts sector and business.

**Medium-term**

**Increasing support from individuals**

xiii. Examine the viability of developing and promoting a national ‘challenge campaign’ to encourage competition between employees in their workplaces for the highest single-month or annual contribution to arts organisations via the Payroll Giving Scheme.

xiv. New Zealand consider developing cultural gift tax arrangements, similar to those in place in Australia since 1978, to encourage more individual gifts of art and cultural heritage items, which would be of value to cultural and Arts institutions, and to the nation.
xv. New Zealand proceed to develop and introduce a gift aid scheme that maximises the value of donations received by donee organisations. Consideration be given that Creative New Zealand drives a coordinated effort to advocate the implementation of the scheme with the involved stakeholders.

*Increasing support from trusts and foundations*

xvi. Either as responsibility of the separate entity charged with facilitating increasing support for the Arts from business and trusts/foundations, or as a stand alone initiative, develop a matching service to assist community trusts and private trusts and foundations find partners, and match funding sources.

xvii. Develop the short-term trust/foundations and arts entities conference/showcase, into an annual event as a vehicle to foster more and stronger relationships between trusts/foundations and the Arts in New Zealand.

xviii. Consider recommendation xix, which applies to increasing support from both trusts and foundations and business.

*Increasing support from business*

xix. Establish an entity within Creative New Zealand, but with some independence from government via it having its own independent Board of governance, chaired by a businessperson to focus solely on increasing corporate (including SOE) and trust/foundation support of the Arts (focusing both on large and small arts entities).

xx. As well as a chairperson who is a prominent businessperson, the Board could also comprise a philanthropist, a representative of the Business Roundtable, arts administrators, the CEO of Creative New Zealand, two representatives of the community trust sector, and other business people.

xxi. Similar to Arts & Business in the UK and AbaF in Australia, the new entity be focused on building the capability of the Arts sector (both small and large arts entities) to work more closely with business and trusts/foundations to provide more support to the Arts, and seek opportunities for mutual creation from business/trust/foundation/arts entity partnerships.

xxii. The new entity be funded seeded by Creative New Zealand, but over time funded and supported by a partnership between business, trusts/foundations, arts organisations, and Creative New Zealand.

xxiii. The new entity be charged initially to engage with the Arts sector and business and trusts/foundations on the programs and initiatives most appropriate to meet demand in New Zealand to cement mutually beneficial arrangements between business, trusts/foundations and arts organisations.

xxiv. The new entity work closely with the Arts Foundation of New Zealand to coordinate capacity and capability building offerings and other activities to increase private philanthropic giving to the Arts, as well as giving from corporations and trusts and foundations.
xxv. Convene a roundtable workshop of corporations operating in New Zealand, but with head offices offshore, to discuss and gain better insight into where Arts corporate community investment fits into the corporate responsibility priorities of participating companies. Data from this workshop could be used to develop a strategy for the New Zealand High Commission or Consul General in markets such as Australia, the UK and the US to use functions and outreach to engage CEOs and the Head of CSR in these companies to better position the value of including corporate community investment in the Arts as part of the company’s business strategy in New Zealand.

**Longer-term**

*Increasing support from individuals*

xxvi. Creative New Zealand to encourage arts entities (large and small) to more aggressively promote the tax incentives available to individuals who support the arts via Payroll Giving, bequests and legacies and direct donations. Grants to large organisations from Creative New Zealand should be contingent on the grant recipient having an incentives communications plan in place.

xxvii. Encourage medium to large arts organisations to have access to Board members or pro bono advisors with estate and bequest planning.

*Increasing support from trusts and foundations*

xxviii. Encourage, through engagement and encouragement from the Minister in public statements, that arts organisations should ideally have on the Board individuals who have experience in working with, or being former Board members, of community trusts and foundations.

xxix. The new entity proposed partner with community trusts/foundations to provide training and mentoring to smaller arts entities to assist them better access trust and foundation grants.

xxx. Consideration be given for regulating end user trusts to provide a minimum return from their gaming machine profits to community groups, with a possible clause that specifies returns to community arts organisations.

*Increasing support from business*

xxxi. A remit for the recommended entity should be to broaden in the mid to long-term, the focus of business support of the Arts in New Zealand from simple philanthropy towards integrated, more sustainable partnership relationships, which is best practice internationally. This shift is characterised by business/arts entity relationships that involve monetary transfer, mutual capability build, and effective workplace volunteering.

xxxii. Either as a separate initiative, or as a responsibility of the proposed entity, an Arts Board Bank be established to attract business, trust.foundation executives and recent retirees in both these segments, to be matched and work with arts organisations that require their technical and governance skills, and leverage their commercial networks.
Either as a separate initiative, or as a responsibility of the proposed entity, establish a business secondment in the Arts program, which would involve participating corporations seconding employees with specialist marketing/brand management, finance and accounting, strategic planning, corporate communications and general management skills for periods of up to three months with matched arts entities in need of those specialist capabilities. Shared created value would include skills and capability transfer, employee engagement and creation of brand and reputation capital.
Appendix A
Research: A varied approach

Table A.1 details how key research reports have approached the subject of private sector giving to the community sector in New Zealand. The table highlights disparities between each research, including:

- Differences in the input and methodology for collecting feedback — i.e. whether input/data was taken directly from individuals, businesses or organisations, or by desktop research;
- Whether the analysis relates explicitly to support for arts organisations or to a bigger set of organisations (that include arts organisations);
- Whether the research provides information about all or some of the three private sector groups — support from individuals, businesses, or trusts and foundations;
- Differences in the set of initiatives or actions considered as ‘support’ for organisations; and
- Whether the research provides comparisons for support from other parts of the not-for-profit sector, including support from sport organisations.

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<tr>
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</thead>
<tbody>
<tr>
<td>Research input from:</td>
<td>Cultural organisations — Defined as organisations that have arts, culture, and/or heritage as main or significant purpose/objective</td>
<td>Businesses and bodies representing cultural organisations (This was a non-scientific sample)</td>
<td>Individuals</td>
<td>Trusts/foundations, corporates, charities and grant recipients</td>
<td>Households (Individuals)</td>
</tr>
<tr>
<td>Method of collecting feedback:</td>
<td>Online survey</td>
<td>Online survey</td>
<td>Omnibus survey</td>
<td>Survey and desktop research</td>
<td>Telephone survey</td>
</tr>
<tr>
<td>Analysis relates to support for:</td>
<td>Cultural organisations (defined as above). Research provides information relating to a number of cultural activities including Interdisciplinary, Community arts, Media/Film, Heritage, Visual Arts, Literature/Poetry, Libraries, and Performing arts.</td>
<td>Cultural organisations, including Museums and Galleries, Music, Theatre, Dance, Literature, Film, Heritage, and Arts festivals.</td>
<td>Charities, non-profits and other community organisations. Provides specific information on Arts and Culture organisations, but does not include definition.</td>
<td>Charities and other community purposes. Research provides information relating to a number of activities that grant support, including Culture and Recreation (as one, unified)</td>
<td>Any organisation — Charitable organisations, schools and other educational institutions, churches, service clubs, sports clubs and various</td>
</tr>
</tbody>
</table>
### Increasing Private Sector Support for the Arts

#### Data captured for:
- **2007—2008 tax year**
- **2007 and 2008**
- **Financial year ending mid 2006**
- **Late 2002**

#### Measurement input:

<table>
<thead>
<tr>
<th>Definitions for measurements of support:</th>
<th>Dollar amount</th>
<th>Percentage of respondents</th>
<th>Dollar amount</th>
<th>Percentage of population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For trusts/foundations:</strong></td>
<td></td>
<td>N/A</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>• Cash support</td>
<td></td>
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<tr>
<td><strong>For corporates:</strong></td>
<td></td>
<td>N/A</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>• Cash sponsorship (cash given in exchange of promotion or other agreed service)</td>
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<tr>
<td>• Non-cash sponsorship (products or other services given in exchange of promotion or other agreed services — Implies employee volunteering)</td>
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<tr>
<td>• Cash donations (Discretionary cash payment)</td>
<td></td>
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</tr>
<tr>
<td>• Non-cash donations (products or services given with no expectation of benefits — Implies employee volunteering)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Cash memberships (set cash payment)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>For individuals:</strong></td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Membership schemes (set cash payment)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Cash Donations (discretionary cash payments)</td>
<td></td>
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<td></td>
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<tr>
<td>• Legacies/Bequests (includes cash and non-cash gifts given under the terms of a will)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Non-cash donations (Assets given with no expectation of benefit)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Payroll giving (regular automatic payment)</td>
<td></td>
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</tbody>
</table>

#### Comparison with other not-for-profit sub sectors?
- **Yes — Presents only information on cultural category).**
- **Yes — Presents information on several sub sectors**
- **Yes — Presents information on several activities that grant support**
- **Yes — Presents information on Sports Clubs**
- **No**

---

No specific information on Arts and Culture organisations but does not include definition.
sponsoring as proportion of overall sponsorship budget. Does not provide breakdown of support to other areas.

including Arts and Culture, Sports clubs, etc

but groups Culture and Recreation, as one category. separate to Arts and Culture.
Appendix B

What businesses said — responses from our online survey

Profile of respondents

N=20

Business with more than 100 employees: 19 (95%)

Business with 50—99 employees: 1 (5%)

Does your organisation support the Arts? (Please note: Support can be financial, in kind or volunteering time/expertise)

Source: Allen Consulting Group 2010 survey; N=20

What are the main reasons your organisation support the Arts?

Source: Allen Consulting Group 2010 survey; N=13
What factors does your organisation take into consideration when deciding which arts groups to support?

- We consider local artists showcasing their work, and capacity building of support services for artists.
- Whether there are advertising benefits for the company and whether the initiative is strongly linked to our community Social Responsibility policy.
- The potential audience and fit with our brands/clients. The benefits that would be provided through the association and the professionalism of the organisation.
- Location (region in NZ), audience reach and psychographics of audience, alignment with our brand, business growth opportunities.
- Existing relationships / 'Fit' with our brand (e.g. opera instead of a rap performance) / Potential client/marketing benefits from the sponsorship.
- Reputation of organisation with our potential target audiences.
- Popularity of arts programme offering amongst our customers and target market.
- Those that match our company's strategic goals.
- It is important to fit with our brand values.
- It is important for us that they to allow staff participation/access and be national in scope.
- Community penetration / Knowledge and participation / Large centre or national importance.
- We support only one arts group and not for much longer.
- In considering support of any group (arts/other) factors include: Alignment to own business goals / National reach — with a regional presence / Ability to sustain a partnership / Sufficient existing profile / Sufficient resources to be able to deliver on the sponsorship benefits agreed.
- We are interested in participation numbers and PR angles.
- That the organisation is run properly and has sound management and governance, the amount of funding that it currently gets and if we can make a difference and that there is no competing companies already sponsoring.

Does your organisation/entity support other social/community or sports groups and causes? If yes, please compare the level and nature of that support with the support you provide to arts groups and the Arts.

- Yes, we have formed a Community Care Fund to support projects in proximity of our assets.
• We support all types of community services — each art application is on a par with other commitments. However, the number of arts-based applications as a total are fewer.

• The Arts is the smallest area that we support because it is not as strongly linked with our business objectives, but it is still good to support when it is something that is in our local community.

• Yes — we have a broad base of support for arts/sports/causes to match with each of our brands to connect and engage most efficiently with our target audiences.

• Yes. We support many sports groups — this is because sport attracts a wider group of people and more brand visibility can occur. It also easier to leverage and interact with the audience at a sports event. However, while we find the Arts supporters are a smaller, more niche group they are a passionate group and they tend to support the sponsor/s more than the sports audiences would.

• Yes. We provide pro bono and financial sponsorship to social/community causes — the allocation is approximately equal with the Arts.

• We are very committed to community activities. We are less committed about sport and even less with the Arts.

• The level of our support is about the same.

• We provide other community programs — Arts sit around 30 per cent of the overall mix.

• We have a large and comprehensive community investment programme which focuses on community and environmental groups that deliver social and ecological benefits meeting local needs. We have a limited interest in the Arts.

• Yes — sport, environment, community — though at present our major sponsorship is of a national arts organisation.

• We support a wide range of local events.

• We support a number of sporting codes but would be less than our support of the Arts.
What proportion of your overall support towards the Arts or arts groups is...

Source: Allen Consulting Group 2010 survey; N=13 The figure shows the average percentage of overall support for the Arts for all participants

What needs to be in place, or what could be improved to make supporting arts and arts groups more attractive for your organisation? Please comment relating to financial, in-kind or volunteering support.

• Not much. It is not an easy link with our business.

• We need to ensure there are tangible benefits for our support that provide greater leverage opportunities than just a logo on a programme.

• If you compare it to sports (say rugby or netball), there can be more interactive games and audience participation compared to the Arts. Therefore for a sponsor, it is easier to leverage and get brand recognition during an experiential activity, than it is doing anything else.

• Arts groups should have a clear idea of what we do and how their style will fit with our brand when seeking support — if they can make a strong case for this it becomes more attractive to support them.

• I don’t think there is anything necessarily that needs to be done. At end of day it just about clarifying our objectives and weighing up the different sponsorship options as to what will meet these the best.

• There needs to be more tangible benefits from the sponsored organisation.

• There needs to be a view towards national programming rather than regionally based or small centre — meaning that a show is transportable and can be taken on the road. Some need to take on the challenge of walking the line between creativity and mainstream — difficult but sponsors are looking for ways to either leverage their participation or to host clients.

• We are not really interested in supporting the Arts. We are focused on organisations that deliver programmes meeting education, health and social needs.

• There needs to be more contact between us and them.
**How would you describe the level of your relationship/collaboration with arts groups?**

- 30.8% Philanthropic: purely donor - recipient relationship
- 61.5% Transactional: exchange resources through specific activities
- 7.7% Partnership: relationship embedded in both organisation’s strategic outlooks

Source: Allen Consulting Group 2010 survey; N=13

**What is your organisation's view of or experience with the Government's payroll giving mechanism?**

- We need greater financial incentives in way of tax relief.

- **We already have our own matched giving programme so the Government initiative does not offer benefits over and above what we already have in place.**

- None.

- **We already had a payroll mechanism in place for charities. But it is good to see the government supporting such an initiative.**

- No experience.

- I'm not sure we have looked into this yet.

- Haven't embedded with our employees yet

- We have no view. We are not offering payroll giving to our staff. Instead we have a formalised employee volunteering scheme.

- Currently not in place.

- Nil.

- **We offer this but I am unsure of the employee uptake.**

- Payroll giving is not that well promoted nationally and doesn't appear to have much public visibility.
In your view, what are the main barriers to your organisation/entity supporting arts in New Zealand, or to increasing its support?

- We are taxpayer funded and it is difficult to support arts unless the support is tied to a community funded grant.

- Ability to make strategic fit.

- Not aligned with our business. We are more focused on education and/or environment related sponsorships.

- We have three main global themes for community engagement — education, basic human health and micro enterprise. While we are able to support some arts activities in some regions, at the moment budgets are very tight and we are focused on core themes only.

- We are presented with more opportunities than we can possibly deal with effectively.

- We have strict funding criteria and donations made through our Community Assistance Programme are for non-profit organisations under the umbrella of health, education, welfare and the environment. We do not support travel or events etc.

- The level of possible experiential leveraging is limited. The audiences are usually niche or top socio groups that are harder to market to.

- Not part of the organisation’s role.

- Budget is a factor for any organisation, and we give priority to continuing our existing sponsorship relationships before entering into new ones.

- Budget is the main factor and that the Arts just aren’t seen as a priority for us.

- Our budget.

- There are no barriers but all involvement with the Arts needs to be weighed against business benefits and be in line with overall direction. It is very difficult for organisations to solely look at the Arts in a philanthropic light in the current economic environment — we need to get value, brand presence, business, entertainment or community support out of it.

- No barriers as far as I know. We have made a strategic decision to focus on areas that don't include the Arts.

- Due to our ongoing support for other initiatives, it's sometimes meant we've had to decline other requests for sponsorship.

- We need to find art properties that take a more modern approach and that can be leveraged to meet our brand needs going forward.

- Financial limitations.
Current contributions program strategy is to focus on: community safety, health promotion, education (science/maths/engineering) and volunteering/community support. The company has previously been involved with the Arts but current global direction has shifted focus to other funding areas/issues.

Other comments provided

- Every organisation that does participate in community funding will have strict guidelines as to what they can support and what they don't support. It is not that we don't think the Arts are important — they are, but so are the things we support. We have used baseline community data to ascertain where our support will go — it is important that community funding from us is aligned to our business plan. Unfortunately the Arts are not a high priority for us.

- We believe an important part of being a sustainable organisation is being an active contributor. It's a principle of citizenship that guides and drives our pro-bono and sponsorship investments.

- The Arts have become a difficult proposition in the current climate as shareholders look to value of spend and the challenge for the Arts community is to ensure that they are not viewed as either discretionary spend or 'high brow' as organisations look to engage with the wider community and gain maximum value/penetration. Part of that challenge is for the Arts community not be seen as a receiver of sponsors money but as a true partner.

- We believe we can make a real difference by supporting social programmes in local communities. From our point of view, funding the Arts is a luxury and is limited to PR and hosting opportunities.
Appendix C

Key stakeholders/initiatives in New Zealand

Creative New Zealand

Creative New Zealand is the national agency responsible for promoting the Arts in New Zealand. As an Autonomous Crown Entity, Creative New Zealand operates at arms length from the Ministry for Culture and Heritage, although the Minister is responsible for appointing members to its governing body, the Arts Council.

The Arts Council sets the policy and strategic direction for Creative New Zealand and allocates funding to the Arts Board and Te Waka Toi — the Maori Arts Board —, who then distribute these funds to various arts organisations.

Source: Creative New Zealand website, viewed 10 August 2010, http://www.creativenz.govt.nz/who_we_are

Ministry for Culture and Heritage

The Ministry for Culture and Heritage’s main role is to make New Zealand culture visible and accessible. It is politically involved in the promotion of culture through advising the government, as well as administering a number of legislation.

The Ministry funds a large number of cultural agencies, including arts and film agencies, sport and recreation agencies, public broadcasting agencies and heritage agencies. It administers a number of projects, including web projects, history projects, arts and culture projects, heritage projects and memorial projects.

The Ministry provides access to resources relating to culture; including policy reports, statutory documents, media releases, newsletters and website publications.


Inland Revenue Department

The Inland Revenue Department (IRD) is involved in collecting revenue that the government uses to fund programmes, as well as administering a number of social support programmes. It is directly involved in the implementation of the government’s payroll giving scheme, and the tax incentives for donations.


Charities Commission New Zealand

The Charities Commission New Zealand registers and monitors charities in accordance with the Charities Act 2005. It provides support and education to the charitable sector on good governance and management. Of the 24,893 registered charities, 2,006 focus on the Arts/culture/heritage sector — the fourth largest sector focused on by charities.

**Philanthropy New Zealand**

Philanthropy New Zealand is the peak body for philanthropists and grantmakers in New Zealand. It brings together private philanthropists, trusts, foundations, businesses and community and energy trusts. The body membership includes trusts dedicated to the creative arts, such as the Arts Foundation of New Zealand, as well as trusts that support the creative arts, such as the ABS Community Trust, the Todd Foundation and the Tindall Foundation.

The organisations provides information for philanthropists and grantmakers as to tax policies that affect grant-giving, as well as advice for tax-effective giving. It takes a lead role in advocating for not-for-profit and philanthropy issues, as well as informing members of public policy affecting philanthropy.


**Arts Foundation of New Zealand**

The Arts Foundation is an organisation dedicated to the development and promotion of New Zealand’s artists. The Foundation not only provides a means for people to support the Arts, but also provides financial and honour awards to artists. People can support the Arts through this Foundation by giving a one off donation, being a member on an annual subscription, or by leaving a legacy. People can also enter into partnerships with the Foundation to create a fund for a specific purpose, e.g. an award for a particular art form. Funding comes from both individuals and corporate sponsors and trusts, such as the New Zealand Community Trust. The Foundation is not affiliated with the government.


**Cultural Philanthropy Taskforce**

The taskforce was established by the Minister for Arts, Culture and Heritage, and is designed to investigate different ways of promoting philanthropic giving. The taskforce is currently examining overseas examples of philanthropic giving, as well as ways to inform and publicise existing tax incentives.

The taskforce is chaired by Peter Briggs, the former chair of Creative New Zealand and current chair of the New Zealand Victoria Business Group, member of the Board of the Melbourne Symphony Orchestra, Chunky Move Dance Company and the Centre for Books, Writing and Ideas. The other members are:

- Margaret Belich, a fundraiser with experience raising funds for Indian Ink Theatre Company and New Theatre Initiative/ Q Theatre,
- Carolyn Henwood, a former lawyer and District Court Judge who now is a trustee of the Theatre Artists Charitable Trust and a member of the Toi Whakaari NZ Dance School Board,
- James S Hill, who is the Director (Advancement) of External Relations at the University of Auckland,
Increasing Private Sector Support for the Arts

- Jenny Gibbs who was involved in developing the New Gallery and establishing the Walters Prize for contemporary art, as well as having substantial patronage of the Auckland’s Writers and Readers Festival, the Opera NZ Foundation and the Auckland Philharmonic Orchestra. Gibbs is currently on the governing board and art purchasing committee of Auckland University’s Gus Fisher Gallery

- Dayle Mace, who is the former chair of the Patrons of the Auckland Art Gallery, and Head of Patrons for New Zealand at the Venice Biennale.


Arts Advocates Auckland Inc.

Arts Advocates Auckland (AAA) aims to promote the Arts in Auckland through advocacy, leadership and promotion of high professional standards throughout the industry. The group provides a support resource and network for the wider regional arts community. Arts Advocates Auckland is advised by Creative New Zealand, the Auckland City Council, the North Shore City Council, the Waitakere City Council and the Manukau City Council.


Funding Information Service

The Funding Information Service is a not-for-profit organisation collecting and distributing information about funding by way of three separate searchable computer databases, FundView, BreakOut and CorporateCitizens. Access to the databases is not free, and there is a series of price and service options.


Office of the Community and Voluntary Sector

The Office of the Community and Voluntary Sector (OCVS) was established to address overarching issues affecting the community and the voluntary sector, and to raise the profile of the voluntary sector within government.

The OCVS has a role in providing advice to the Minister of the Community and Voluntary, building the capacity of the voluntary sector, and building knowledge of the community and voluntary sector through ongoing research. The Office also provides various government agencies with policy advice relating to the community and voluntary sector, and actively supports the development of good practice by government agencies involved in the sector. The OCVS also encourages and promotes volunteering in the wider community.

The OCVS is administered by the Ministry of Social Development. It provides supports to the Generosity Hub and established the ‘Building Better Government Engagement’ reference group to report to the OCVS on priorities for government action to strengthen engagement with citizens and community organisations.

**Generosity HUB**

The Generosity Hub is a joint initiative of Philanthropy New Zealand, Volunteering New Zealand and the Office of the Community and Volunteer Sector. The project is aimed at exploring ways to encourage individuals and businesses to participate in their communities and relevant organisations by giving time, money, in-kind donations and acts of kindness. The Generosity Hub is currently engaged in four key projects; developing comprehensive research, promoting generosity in young people, supporting new and different ways of giving and growing business generosity.


**The Big idea website**

The Big Idea website is a forum for the creative community in New Zealand. The site allows members to share news and views, advertise and search for job events and opportunities, and to display their work online. The website also allows for networking within the creative community through the creation of profiles and a chat system. The Big Idea Charitable Trust provides financial support for artists, arts’ practitioners and creative workers in all forms of creative arts and their management.

The Big Idea team is also proposing to create a centre for excellence, ‘TBI Junction’, that will bring the Arts, business, education and investment communities together.

The Big Idea is supported by the ASB Community Trust, Auckland City Council, Wellington City Council, North Shore City Council, Creative New Zealand and the Connells Bay Sculpture Trust.


**Give a little initiative**

Givealittle is an online giving platform. It was developed by Givealittle a small web company based in Wellington, New Zealand.

The platform allows charities, non-profits and community groups to create member pages to grow awareness for their work, spread the word and receive online donations easily and cost effectively.

Source: Givealittle website, viewed 10 August 2010, <http://www.givealittle.co.nz/content/about>

**Payroll Giving Foundation**

The Payroll Giving Foundation has been set up to promote and establish Payroll Giving as a main stream form of donating to charities and community organisations in New Zealand. The Foundation aims to make payroll giving as easy and simple as possible for all parties to implement. It’s goal is for ‘20% of working New Zealanders donating to 1 or more charities via their salary by the year 2020’.

The Payroll Giving Foundation is supported by group of individuals from Auckland.
Fundraising Institute of New Zealand

The Fundraising Institute of New Zealand is the professional body for those employed in or involved with fundraising, sponsorship and events in the not-for-profit sector. It aims to promote and uphold professional and ethical fundraising and encourage the development of philanthropy in New Zealand.

The Fundraising Institute of New Zealand serves:

• Organisations working to provide services and raise funds in the charitable and not for profit sector.

• Fundraisers and volunteers employed to assist charitable organisations to achieve their mission.

• The public of New Zealand who donate funds and obtain services from charitable organisations.

References

See Reference

AbaF — Australia Business Arts Foundation
CNZ — Creative New Zealand
MCH — Ministry for Culture and Heritage
OCVS — Office for the Community and Voluntary Sector
PGP — The Promoting Generosity Project
PNZ — Philanthropy New Zealand

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