The Future of Funding

What are the priorities and directions of Australian grantmakers?

An analysis of funds distributed with the SmartyGrants platform 2013–2020

December 2021

SmartyGrants
Software, data science & grantmaking intelligence

ourcommunity.com.au
Where not-for-profits go for help

About Our Community and SmartyGrants

For more than a decade, Our Community has led innovation in grantmaking.

SmartyGrants, our hosted grants management application, allows grantmakers to receive and manage applications – but it is much more than just a tech solution. SmartyGrants drives sector-wide reform by building best practice into an intuitive and affordable product that grantmakers want to use because it makes their lives easier and their outcomes better.

We are extending our product with added intelligence and insights. We want to help grantmakers become more *efficient* and *effective* by enabling decision making that is driven by data and outcomes. These improvements will benefit the community by ensuring money is going where it's needed and the best projects get funded.

About the author

Nathan Mifsud is a data scientist at Our Community, helping to build the data capability of the Australian social sector. He has consulted with not-for-profit organisations of all sizes, delivered collaborative projects with child services and addiction support agencies, facilitated data science tutorials and run events to foster Melbourne's data-for-good community. Before joining Our Community, he undertook research in youth mental health and higher education and completed a PhD in cognitive neuroscience.

Acknowledgments

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Acknowledgement of Country

The authors and publishers of this report acknowledge and offer our deep respect to the traditional owners of the lands on which we live, work, play and learn to grow wisely. Sovereignty was never ceded. We support the reforms outlined in the Uluru Statement from the Heart. Treaty, Justice, Truth.

ABOUT THIS REPORT

This report examines the Australian grantmaking landscape of the early 21st century, particularly the pandemic era. Which subject areas are funded and which groups benefit? How has the pandemic changed the priorities and directions of Australian grantmakers – and how should they respond to the next crisis?

To start this discussion, we present the first glimpse of funding flows and approval rates in Australia made possible by auto-classification of grant applications according to subject area and beneficiaries. This report represents the not-for-profit sector's only window into the patterns of activity of local, state and federal government, philanthropy and other grantmaking organisations.

We analysed SmartyGrants data to find out where grants have been delivered since 2013, with a focus on 2019–2020 to highlight the initial COVID-19 response. We show approval rates of grant applications by subject and beneficiary group, and snapshots of the top subjects and beneficiaries.

We expect that this report will be used by grantmakers to understand where their slice of the grantmaking pie sits in relation to other funders', to compare their own pattern of activity to the average of their organisation type, and to inform crisis-driven grantmaking responses in the future. It will also be useful for grantseekers who are interested in understanding which funders prioritise them – and their subject areas – as beneficiaries.

TECHNICAL NOTES

What data did we use?

SmartyGrants is a grants management software-as-a-service solution for grantmakers, including government, philanthropic, small business, corporate and educational institutions. While the SmartyGrants database does not represent all funding data in Australia (and hence has biases based on which grantmakers are clients), it provides a large and homogenous sample of grants from which we can derive reliable statistics on the Australian grantmaking environment.

Here's a high-level summary of the data used to produce this report:

| $6B+ (AUD) Grants Funds | 500K+ Grant applications | 440+ Grantmakers | 8 Years of data |
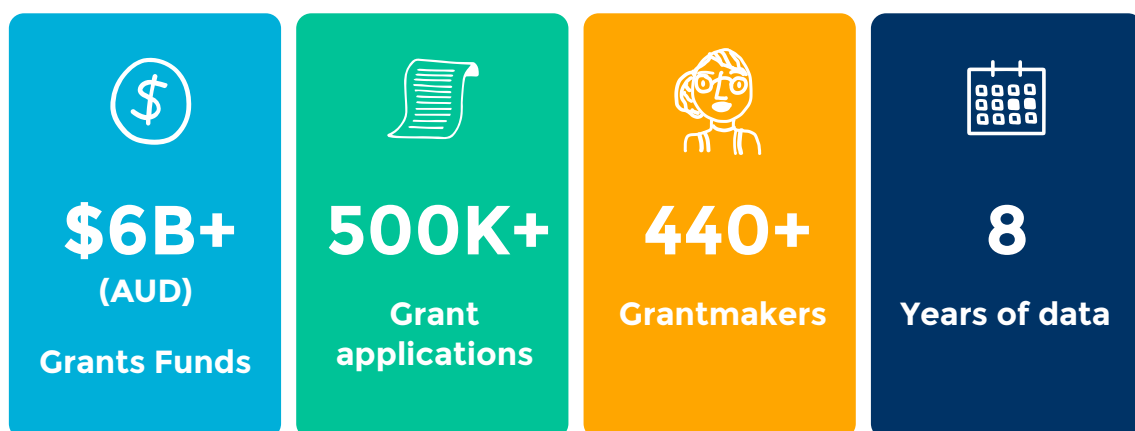
The figures in this report derive from a subset of all SmartyGrants data that met our data quality requirements (e.g. completion of certain fields).

How were grants classified?

For the purpose of understanding funding flows in Australia the Innovation Lab has developed a system of auto-classification of grant applications against CLASSIE, a social sector dictionary. CLASSIEfier was introduced in 2020 as a living auto-classification tool which evolves along with CLASSIE. Both CLASSIE and CLASSIEfier will continue to improve over time. The analysis presented was done with CLASSIE 4.1 and CLASSIEfier 2.3. Future versions of these tools might reveal different insights.

CLASSIE is a social sector taxonomy that enables systematic classification of subjects and beneficiaries. The taxonomy offers a hierarchical breakdown of social sector categories in four different levels of detail.

CLASSIEfier is a keyword-based automated tool which provides standardisation of classification for grants analysis. Its average accuracy is 80–90% (comparable to the accuracy of a human user who is not an expert in the CLASSIE taxonomy). Thus, a margin of imperfect categorisation is one factor to keep in mind when interpreting the findings published below.

The grants analysed for this report were auto-classified using a multilabel approach that allowed a maximum of three subjects and three beneficiary groups to be allocated to each grant application. Data dates from 2013 to 2020.

How were approval rates calculated?

In most instances, approval rates were calculated as total funds allocated divided by total funds requested. While grant applications are sometimes only partially funded, our data suggests the majority are fully funded. Moreover, the minority of partially funded applications is spread across all categories (i.e., it does not bias our calculations towards certain categories).

The exception to this was the overall approval rates segmented by organisation type, which were calculated based on the number of applications approved (regardless of the amount of funding disbursed). This was to avoid skewing by the bigger rounds and programs at federal government level.

HIGHLIGHTS OF THE RESULTS

State and territory grantmakers disburse the lion's share of funds in SmartyGrants in dollar terms.

Average approval rates for local government grants were significantly higher than the approval rates from other levels of government, and from philanthropy, in all years except 2020, when there was a marked drop in local government approval rates, and an equally marked jump in state and territory government approval rates.

The five **most-funded** subject areas in SmartyGrants are human services, **sport and recreation**, **arts** and **culture, economic development** and **community development**.

The marked **increase** in state and territory government **approval rates in 2021 was concentrated in grants under $50,000**; meanwhile, the **decrease** in local government approval rates mostly affected **small grants between $1000 and $5000**, whereas **approval rates for large grants (over $50,000) increased.**

Among SmartyGrants users, government funders more than philanthropic organisations tend to prioritise arts and culture, and sport and recreation, whereas philanthropic organisations give proportionally more funds to health. All organisation types give high priority to human services funding.

Other trends in 2020 – the first year of the pandemic – included:

↗ increased overall funding for economic development, arts and culture, and education (as a proportion of the total funds allocated)
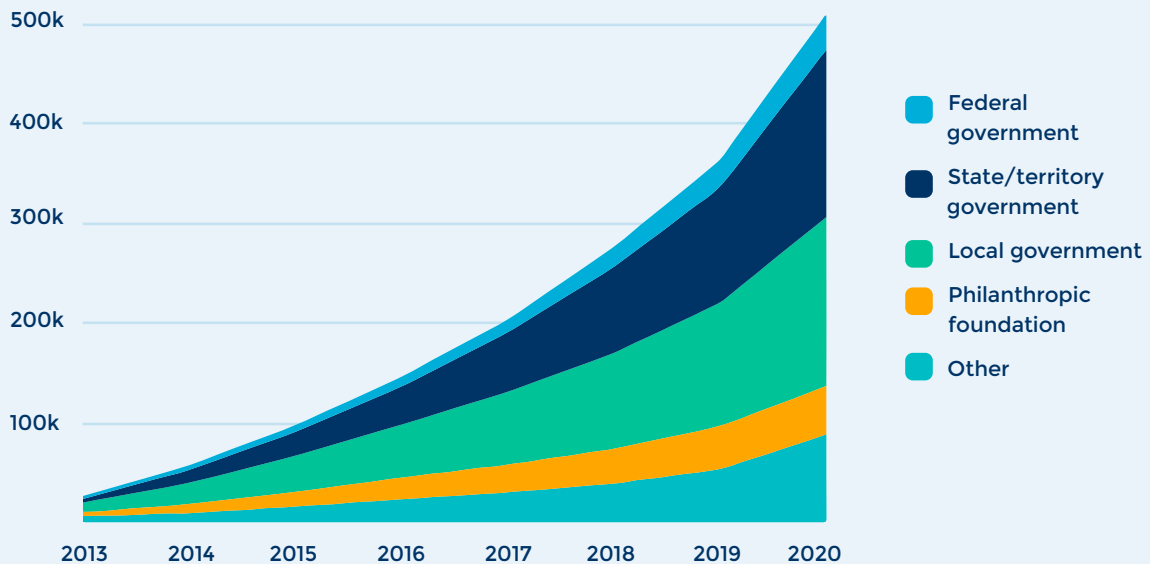
↙ decreased overall funding for sport and recreation (as a proportion of the total funds allocated)

⟫ triple the number of information and communications grant applications, and a reduction in approval rates between 2019 and 2020, indicating demand for funding far outpaced supply.

THE BIG PICTURE

Cumulative number of applications 2013–2020

Legend:
- Federal government
- State/territory government
- Local government
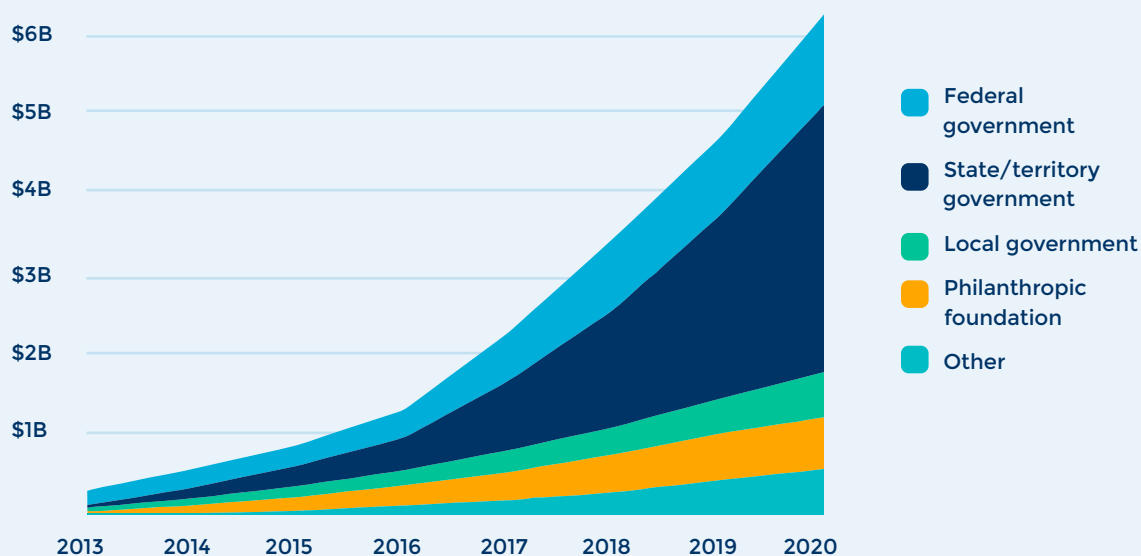- Philanthropic foundation
- Other

We analysed over half a million applications across eight years.

Most of the increase in applications each year is the result of new SmartyGrants customers coming on board. Few individual grantmakers experienced significant annual increases in applications – except for 2019–2020. The acceleration between 2019 and 2020 suggests that in 2020 some grantmakers saw a real jump in the number of applications they received, either because of greater demand for existing programs or because they offered more fast-response or small grants to support COVID-19 resilience and recovery.

Along with overall growth, the chart shows a transition in the destination of grant applications. Initially, local government predominated in SmartyGrants, but with more state and territory government departments now on board, each level of government now receives an equal quantity of applications. (In 2020, local governments received 163,970 applications via SmartyGrants, while state and territory governments received 161,017.)

"We analysed over half a million applications across eight years."

Cumulative funds allocated (2013–2020)

Legend:
- Federal government
- State/territory government
- Local government
- Philanthropic foundation
- Other

Y-axis: $6B, $5B, $4B, $3B, $2B, $1B

X-axis: 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020

State and territory grantmakers disburse the lion's share of funds in SmartyGrants in dollar terms – 68% of the funding allocated in 2020.

All told, we analysed $6 billion in funds allocated over an eight-year span. This is big bucks, but it's worth acknowledging that it's only a subset of what's going on, because missing data meant that not all SmartyGrants applications were included (e.g. in the 'amount allocated' field). The actual amount of funding flowing through SmartyGrants is substantially higher. In addition, significant funding flows outside of SmartyGrants – for example, in the 2020–2021 financial year, $14.7 billion was **awarded** through the federal government's GrantConnect system.

"State and territory grantmakers disburse the lion's share of funds in SmartyGrants in dollar terms"

FUNDING PRIORITIES

Funds allocated and requested by subject area (2013–2020)

Funds allocated ● Funds requested
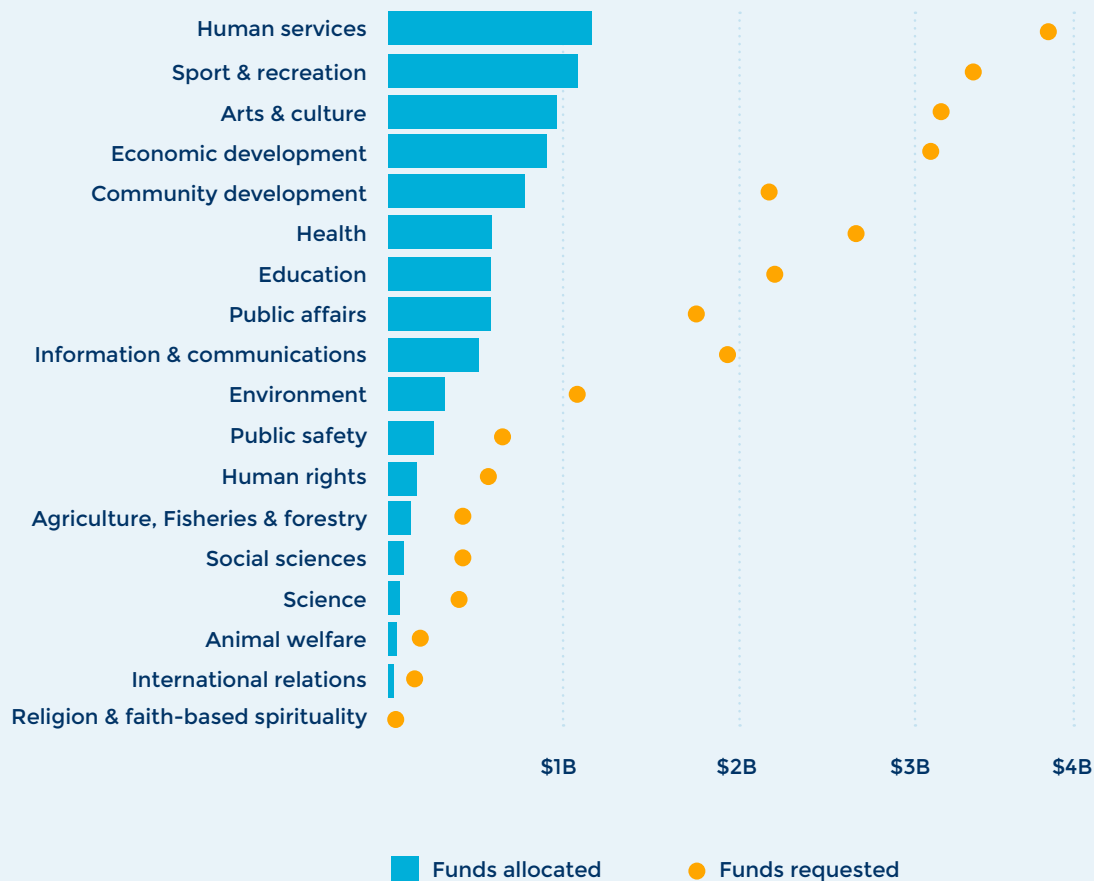
Considering the sum of funds allocated from 2013 to 2020, the most funded subject areas were human services, sport and recreation, arts and culture, economic development, and community development. These subject areas also involved the largest dollar amount of funding requested.

The least funded subject areas were religion and faith-based spirituality, international relations, and animal welfare. These subject areas may be less funded in general, or the lower funding amounts may reflect under-representation in our data (or both); for example, most academic research grants are administered outside of the SmartyGrants platform.

Note that subject areas were auto-classified and that each application could be labelled with up to three subject areas.

Changes in funding priorities over time

Proportion of total annual funding

Chart labels: Sport & recreation, Economic development, Arts & culture, Human services, Education, Community development, Public affairs, Info & comms, Health, Public safety, Environment

Y-axis: 0%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%

X-axis: 2014, 2015, 2016, 2017, 2018, 2019, 2020

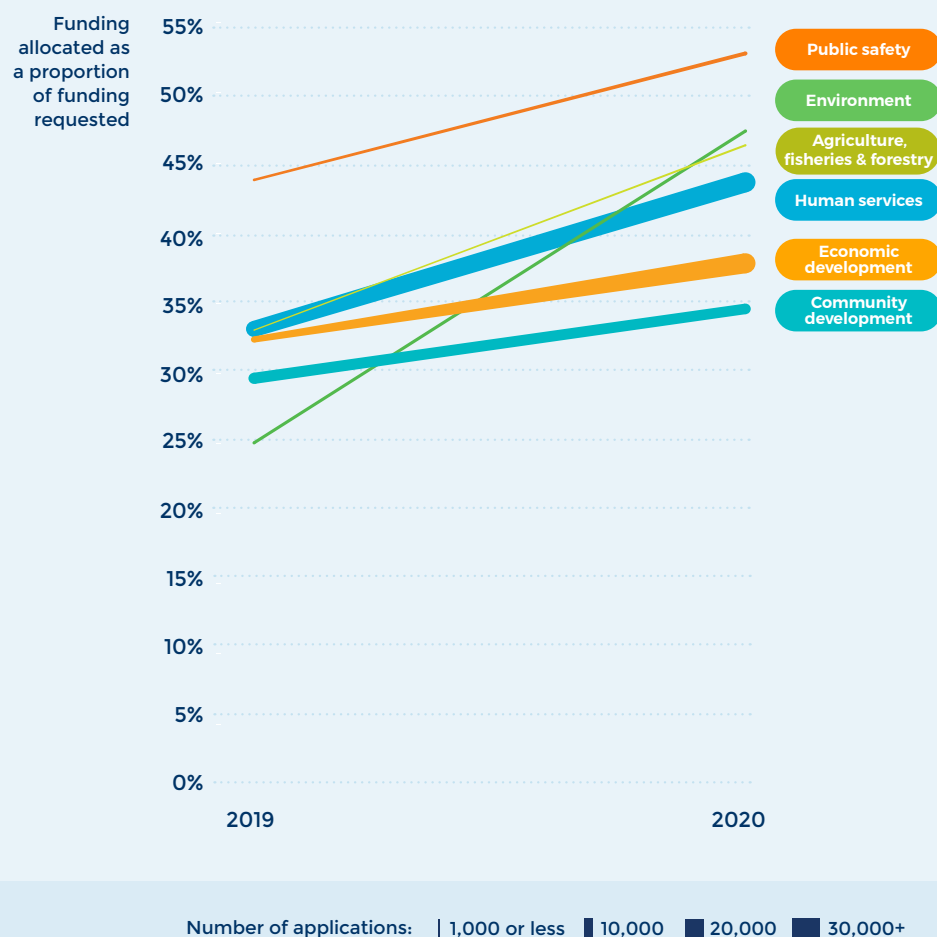Number of applications: | 1,000 or less ▍10,000 ▊20,000 █30,000+
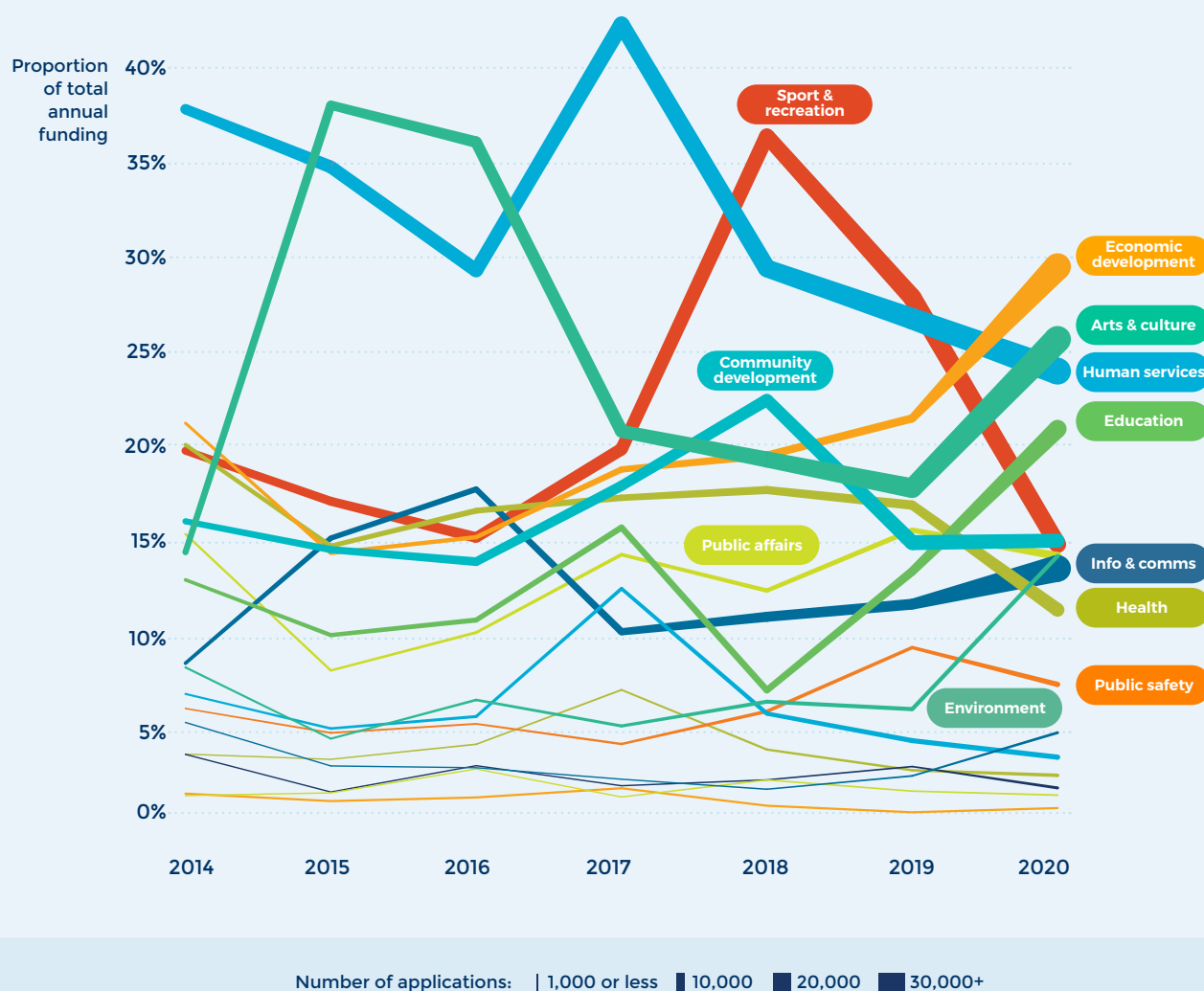
Each line on this chart represents a different subject area (though note that only some lines are labelled). The vertical position of each line shows the proportion of that year's funding allocated to that subject area – so subject areas at the top of the chart garnered the largest slice of funding. In addition, line thickness indicates the number of applications received for that subject area and year (hence the overall increase in thickness over time, which corresponds with the growth of total applications).

Taking human services as an example, we can see that while it is consistently among the most funded subject areas, its priority has changed from year to year: it was the most funded subject area in 2017, but in 2020 it dropped below economic development, and arts and culture.

Notably, 2020 saw sudden jumps in priority for some subject areas, including economic development, arts and culture, and education, which aligns with the support provided to businesses, artists, performers and students during the first nine months of the COVID-19 crisis.

APPROVAL RATES

Increased approval rates 2019–2020

Funding allocated as a proportion of funding requested

Legend:
- Public safety
- Environment
- Agriculture, fisheries & forestry
- Human services
- Economic development
- Community development

Number of applications: | 1,000 or less ▌ 10,000 ▌ 20,000 ▌ 30,000+
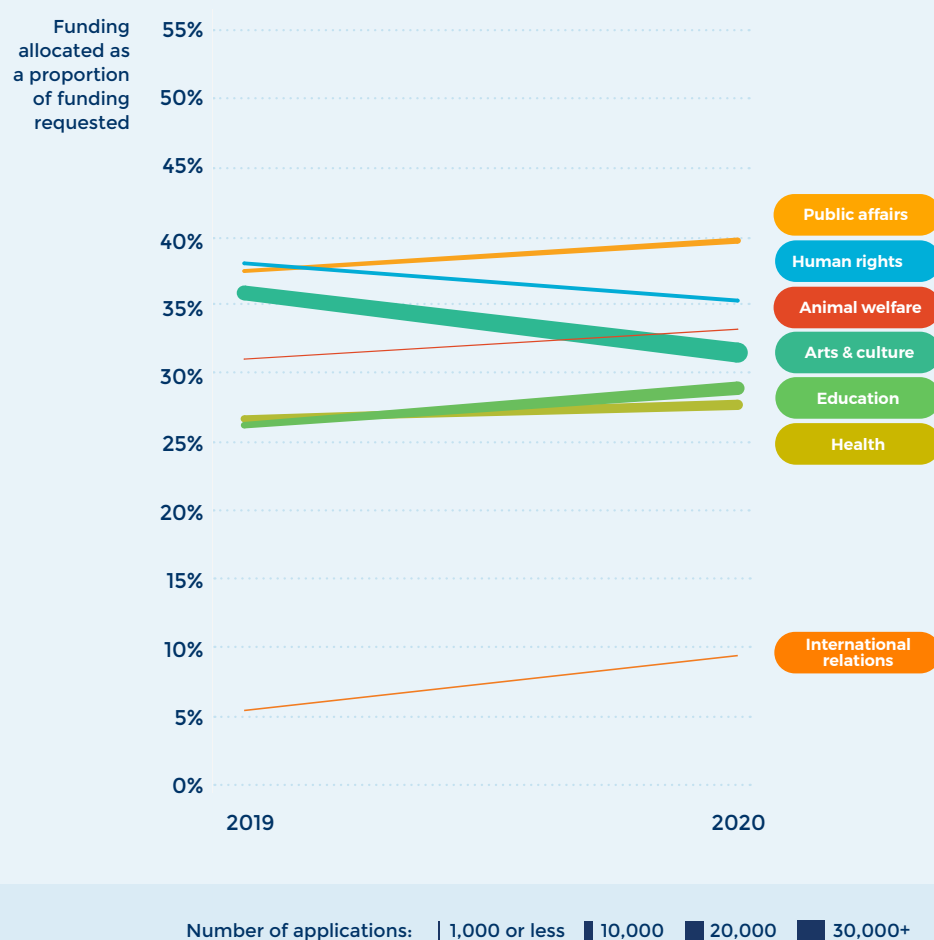
Approval rates notably increased between 2019 and 2020 for the subject areas shown above. For example, 44% of the applications concerning human services were approved in 2020 (up from 33% in 2019).

As in previous charts, line thickness corresponds with number of applications; in this case, far more applications were related to human services, economic development, and community development than public safety, environment, or agriculture, fisheries and forestry.

In addition, in 2019–2020 all subject areas experienced a year-on-year increase in the number of applications, except for community development, which saw a slight drop from 16,594 applications to 15,623. This may reflect changes in program delivery and funding because of COVID-19.

Stable approval rates 2019–2020

Funding allocated as a proportion of funding requested

Legend:
- Public affairs
- Human rights
- Animal welfare
- Arts & culture
- Education
- Health
- International relations

Number of applications: | 1,000 or less   ▎10,000   ▌20,000   █ 30,000+
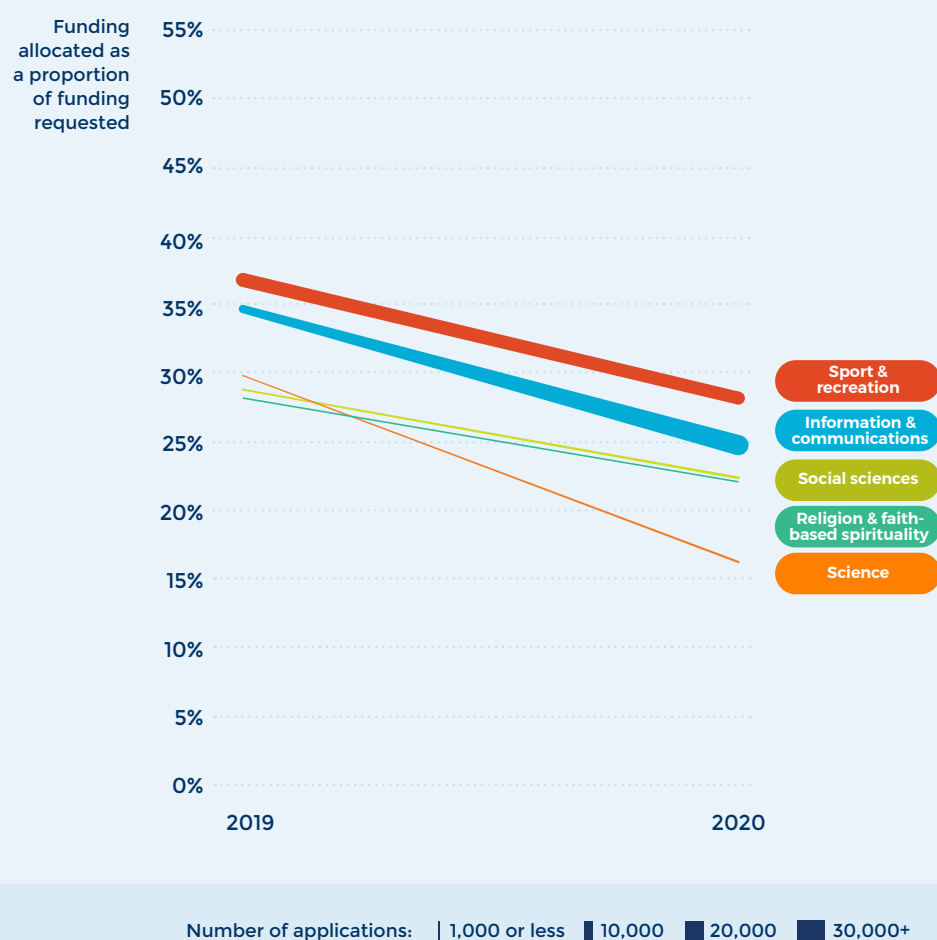
The subject areas shown above had stable approval rates (less than 5% absolute difference between 2019 and 2020).

Notably, this was despite dramatic jumps in the total number of applications for some of these subject areas: in 2020, there were 20,070 grant applications for education (up from 9,407 in 2019); 15,153 applications for health (up from 10,149 in 2019) and 30,424 applications for arts and culture (up from 22,028 in 2019).

In the case of education, and arts and culture, this stability of approval rates in the face of an increased number of requests can be partially attributed to a corresponding increase in available funds. For health, an area whose share of total funding decreased between 2019 and 2020, it may reflect a reduction in the size of funding requests.

Decreased approval rates 2019–2020

Funding allocated as a proportion of funding requested

| | 2019 | 2020 |

Legend:
- Sport & recreation
- Information & communications
- Social sciences
- Religion & faith-based spirituality
- Science

Number of applications: | 1,000 or less   █ 10,000   █ 20,000   █ 30,000+

Approval rates notably decreased for the subject areas above. For example, only 29% of grant applications for sport and recreation were approved in 2020 (down from 37% in 2019).

With respect to information and communications, the decrease in approval rates from 35% of funds requested being allocated in 2019 to 25% in 2020 must be considered in view of the dramatic increase in the number of applications from 11,875 to 34,037, reflecting a need for organisations to respond to changing service delivery and, for some workers, remote work requirements. While the total share of funding allocated to information and communications increased between 2019 and 2020, it was far outpaced by the increase in demand.

ORGANISATION PROFILES

The following pages detail the overall approval rates, key changes in 2020 (versus 2019) and funding priorities for each of these organisation types:
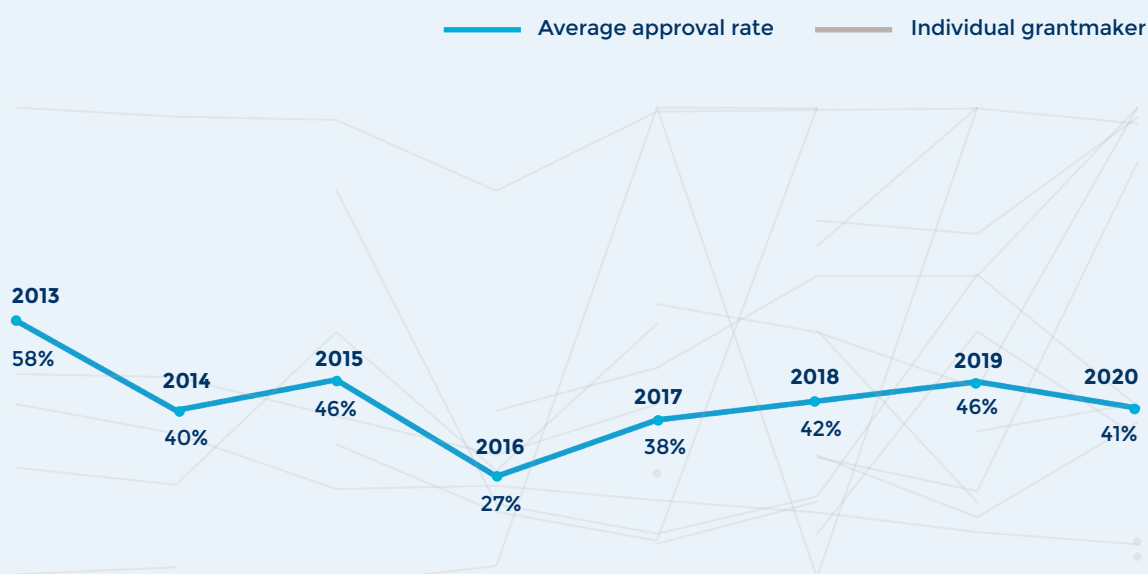
· Federal government

· State and territory government

· Local government

· Philanthropic foundations and trusts

We did not produce in-depth profiles for other types of organisations (Businesses, corporates, educational institutions, statutory authorities, QUANGOs, etc) because we had insufficient data.

The beneficiaries chart for federal government has been omitted to avoid potential customer identification given the limited number of federal government grantmakers in our dataset.
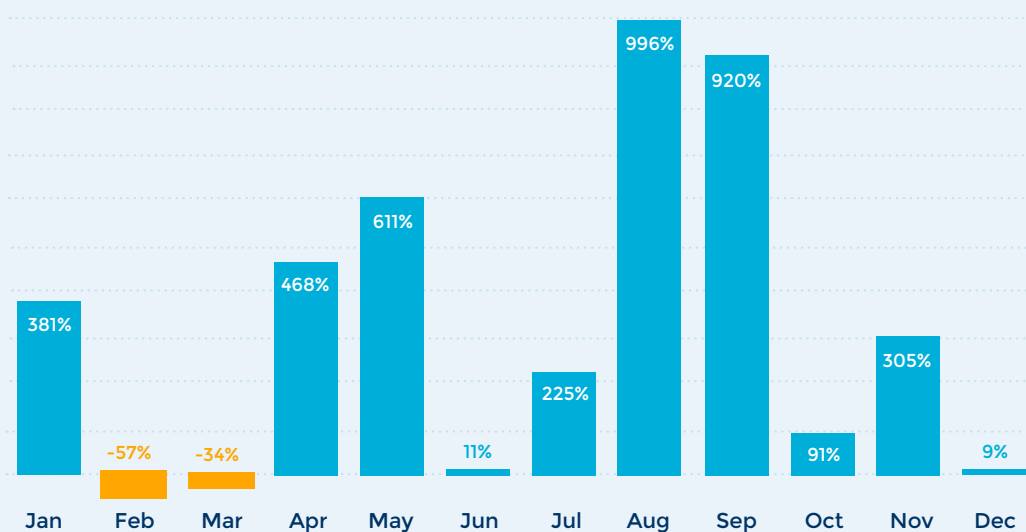
FEDERAL GOVERNMENT
Proportion of applications approved

— Average approval rate   — Individual grantmaker

2013 58%
2014 40%
2015 46%
2016 27%
2017 38%
2018 42%
2019 46%
2020 41%

The average approval rate for applications to federal government grantmakers has stabilised in recent years. However, at the individual grantmaker level there is high variability in approval rates.

FEDERAL GOVERNMENT
Funds allocated in 2020 (vs. 2019)

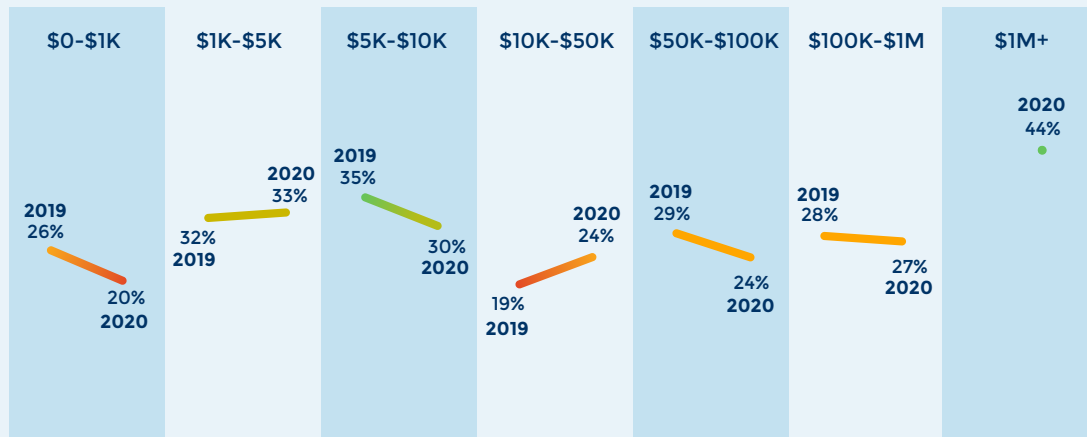| Month	Value
Jan	381%
Feb	-57%
Mar	-34%
Apr	468%
May	611%
Jun	11%
Jul	225%
Aug	996%
Sep	920%
Oct	91%
Nov	305%
Dec	9%

Note that dates in the chart above are based on application submission date, not the date that the funds were disbursed. The chart therefore mirrors patterns of (satisfied) demand rather than the timely flow of funds.

Grant funding slowed once the pandemic reached Australia, as reflected by reductions in funds allocated in February–March 2020. Many grant applicants and grantmakers used this period to redesign programs for delivery before June. In April–May 2020, there were sustained increases in how much funding was requested, compared to the same time the previous year, and this was also the case in August–September 2020.

Witness also the increase in funding associated with January applications (i.e. before COVID-19 was an international concern). This means the true baseline of the 2020 year may be higher than zero; in other words, "real" increases in funds allocated for certain months may have been less dramatic than they appear in the chart above. Conversely, decreases may have been worse than they appear.
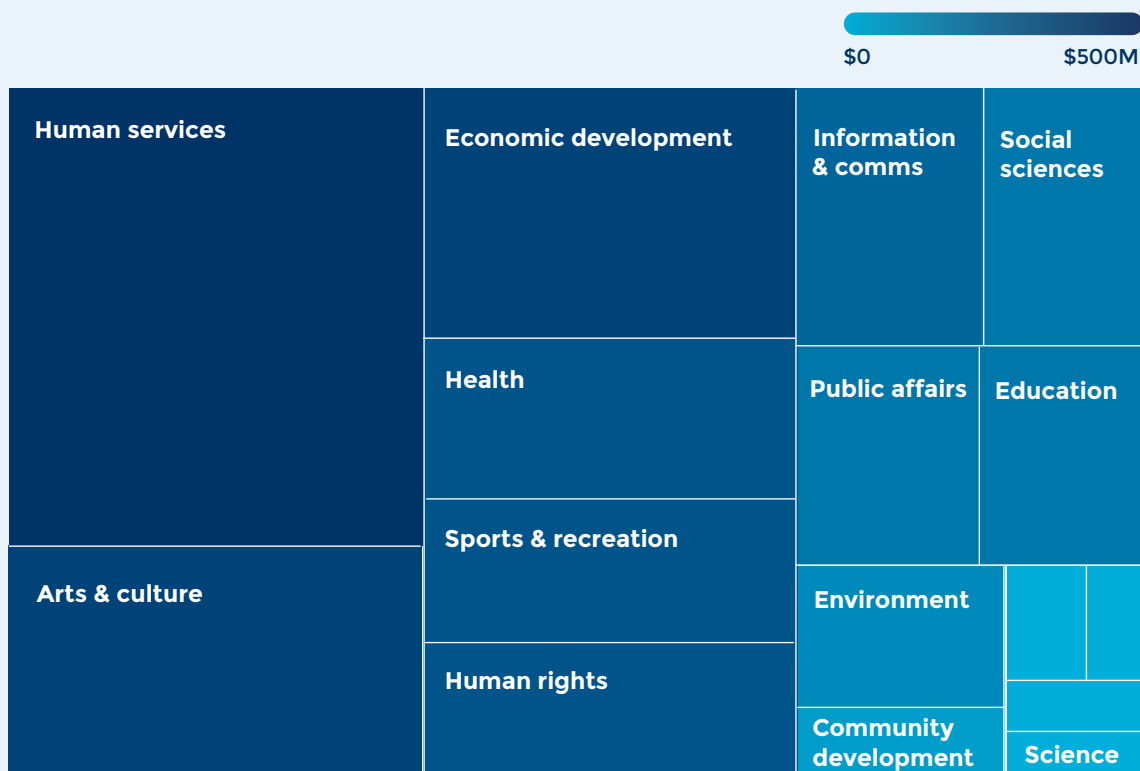
FEDERAL GOVERNMENT

Approval rates in 2020 (vs. 2019) by amount requested

$0-$1K	$1K-$5K	$5K-$10K	$10K-$50K	$50K-$100K	$100K-$1M	$1M+
2019 26% / 20% 2020	2020 33% / 32% 2019	2019 35% / 30% 2020	2020 24% / 19% 2019	2019 29% / 24% 2020	2019 28% / 27% 2020	2020 44%

Approval rates were low across the board for federal government grants, except for $1 million+ applications, 44% of which were approved in 2020 (there were no such applications in 2019). The only category that saw significantly increased approval rates was the $10,000–$50,000 range.

FEDERAL GOVERNMENT

Subject area priorities 2013–2020

$0 $500M

| Human services | Economic development | Information & comms | Social sciences |

| | Health | Public affairs | Education |

| | Sports & recreation | | |

| Arts & culture | | Environment | |

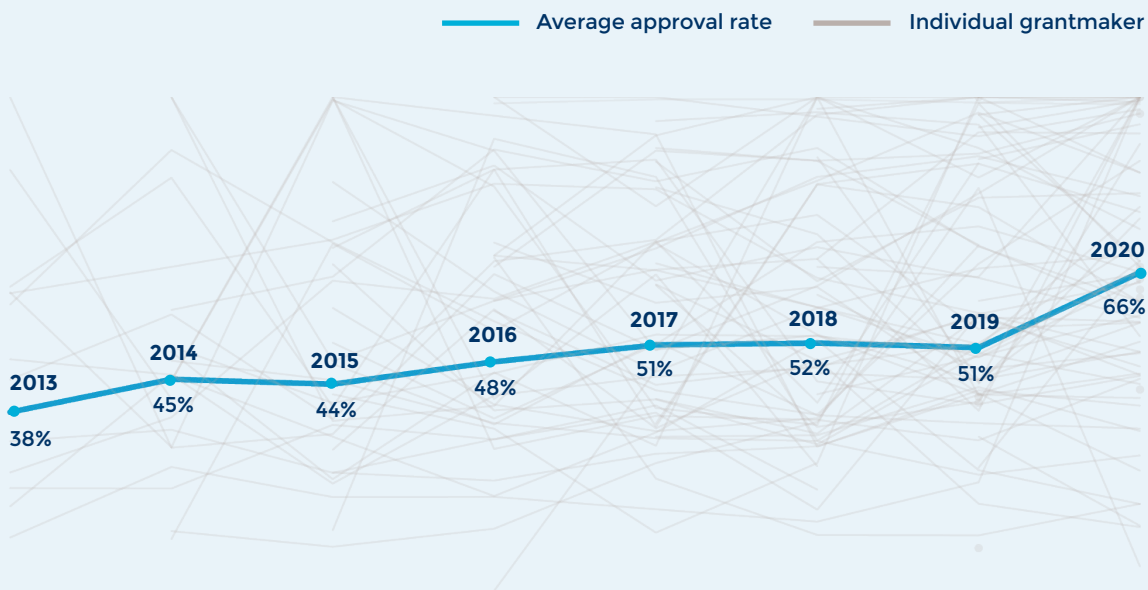| | Human rights | | |

| | | Community development | Science |

Larger and darker rectangles in the chart above represent more funding in dollar amounts.

The highest priority subject area by funding was human services, followed by arts and culture, and economic development.

Note that this only reflects the specific federal government grantmakers who disburse funds via SmartyGrants. For comparison, the **top three categories** funded via GrantConnect over 2018–2021 were ageing (20% of all awards), health, wellbeing and medical research (17%) and Indigenous (14%). However, the classification systems differ, so it is difficult to determine overlap (e.g. some ageing grants may fall under CLASSIE's human services category). Also, in CLASSIE, grants can be labelled with multiple subject areas as appropriate.
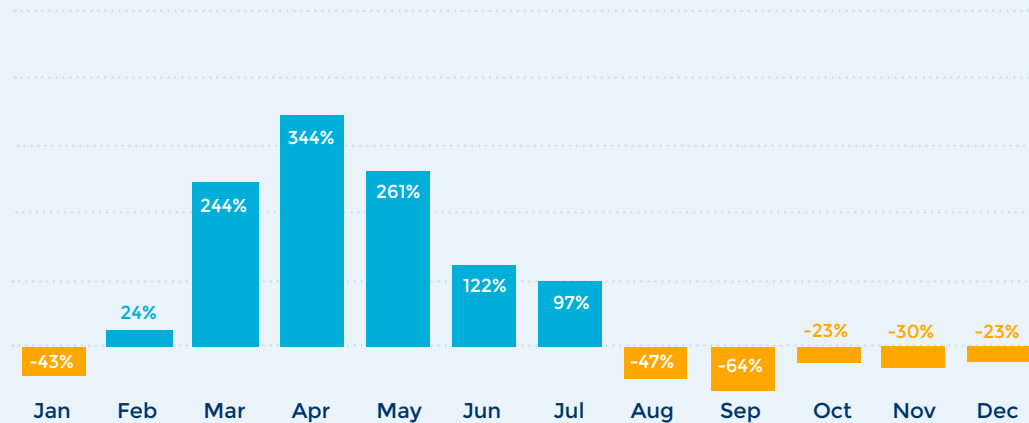
STATE & TERRITORY GOVERNMENT
Proportion of applications approved

—— Average approval rate   —— Individual grantmaker

2013 38%
2014 45%
2015 44%
2016 48%
2017 51%
2018 52%
2019 51%
2020 66%

Approval rates for state government grants were relatively stable until 2020, which saw a 29% jump from 51% to 66%.
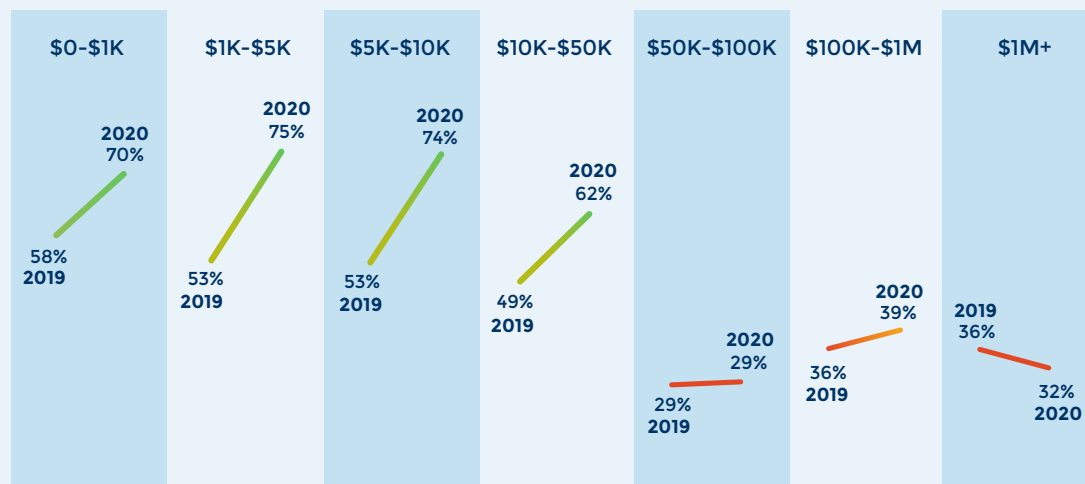
STATE & TERRITORY GOVERNMENT
Funds allocated in 2020 (vs. 2019)

Month	Value
Jan	-43%
Feb	24%
Mar	244%
Apr	344%
May	261%
Jun	122%
Jul	97%
Aug	-47%
Sep	-64%
Oct	-23%
Nov	-30%
Dec	-23%

A clear jump in funding requests satisfied between March and July coincided with state and territory responses to COVID-19 and the attendant lockdowns.

STATE & TERRITORY GOVERNMENT
Approval rates in 2020 (vs. 2019) by amount requested

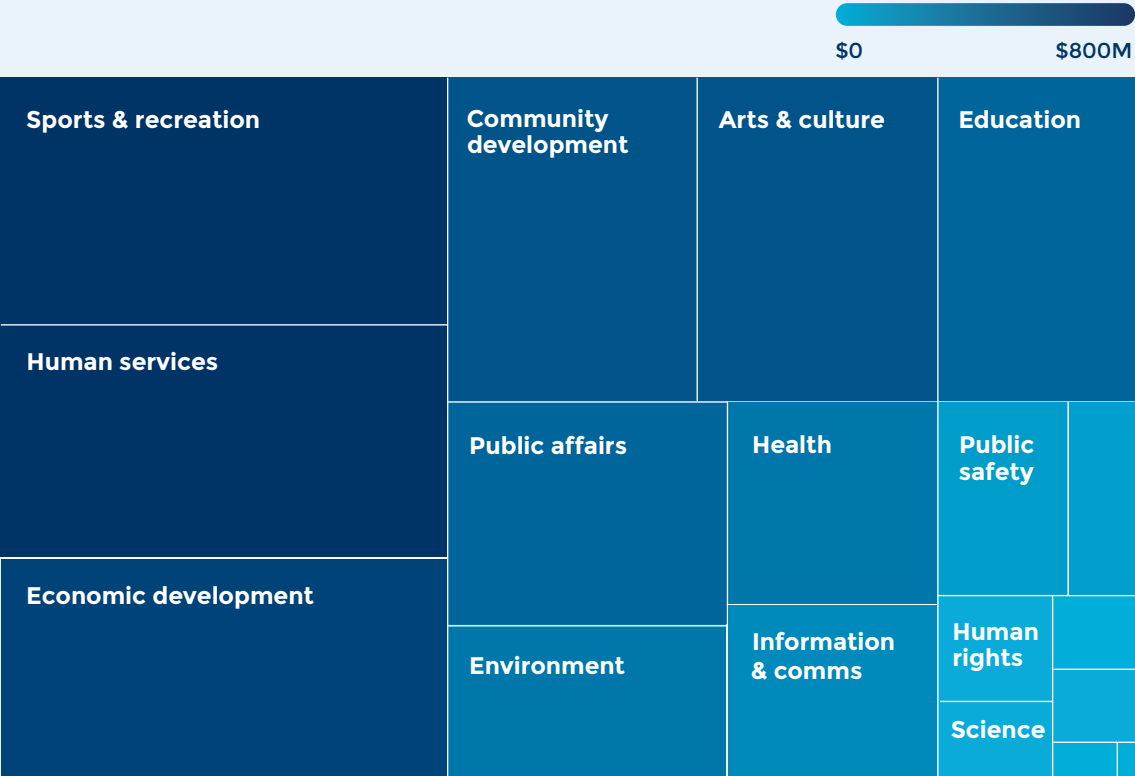| Range	2019	2020
$0-$1K	58%	70%
$1K-$5K	53%	75%
$5K-$10K	53%	74%
$10K-$50K	49%	62%
$50K-$100K	29%	29%
$100K-$1M	36%	39%
$1M+	36%	32%

Here we can see that the pandemic-related jump in funding was concentrated in grants under $50,000, especially grants sized $1000–5000, of which 75% were approved in 2020 compared to 53% in 2019.

Meanwhile, larger grant application approval rates remained relatively stable.

Looking at 2019 alone, we can also see that approval rates were generally higher for grants under $50,000 than for larger grants.

STATE & TERRITORY GOVERNMENT

Subject area priorities 2013–2020

$0 ──────────── $800M

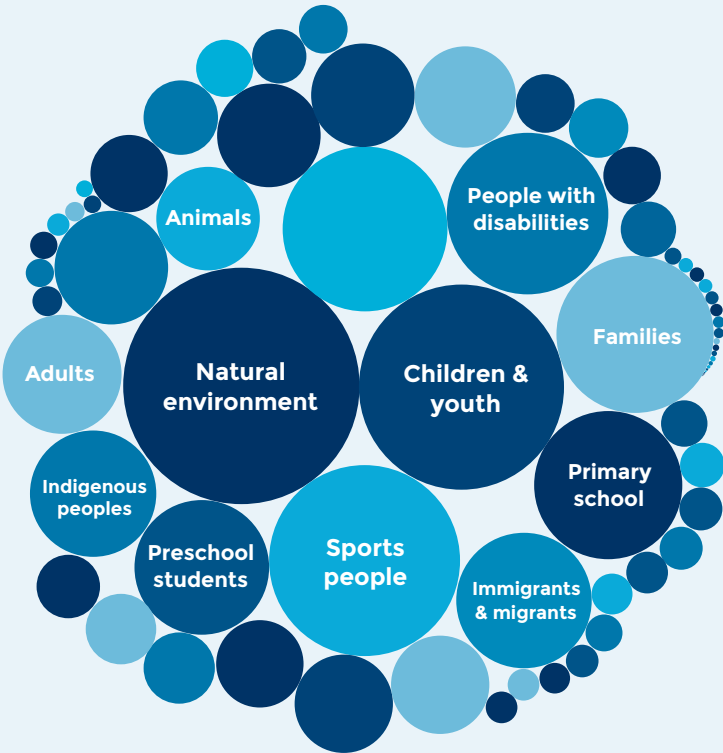| Sports & recreation | Community development | Arts & culture | Education |
Human services			
	Public affairs	Health	Public safety
Economic development	Environment	Information & comms	Human rights
			Science

Larger and darker rectangles in the chart above represent more funding in dollar amounts.

Among state and territory government grantmakers, the highest priority subject area by funding was sport and recreation, closely followed by human services, and economic development.

STATE & TERRITORY GOVERNMENT

Beneficiary priorities 2013–2020

Animals · People with disabilities · Adults · Natural environment · Children & youth · Families · Indigenous peoples · Preschool students · Sports people · Primary school · Immigrants & migrants

The beneficiary groups that received the most funding were natural environment, children and youth, and sports people.

As an indication of the kinds of grant applications involved, applications that benefited "sports people" (anyone who plays sport, not just professionals) were mostly for facility and building works, including tennis court development, cycle paths, school gym refurbishments and amenities blocks. Hence, there is some overlap with children and youth, a category that attracted applications for the construction of school buildings and playgrounds, youth programs and literature development programs. Lastly, natural environment included applications to fund fire management programs, regeneration projects, solar farms, conservation, and stormwater harvesting.

LOCAL GOVERNMENT
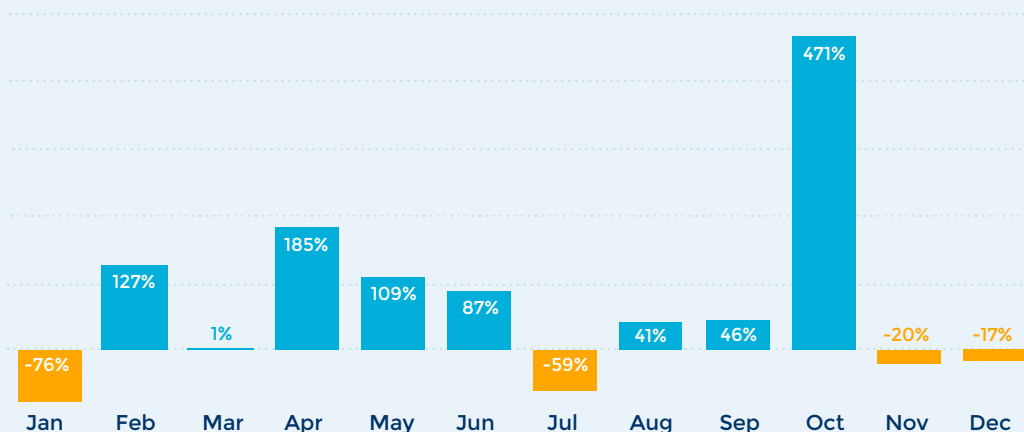### Proportion of applications approved
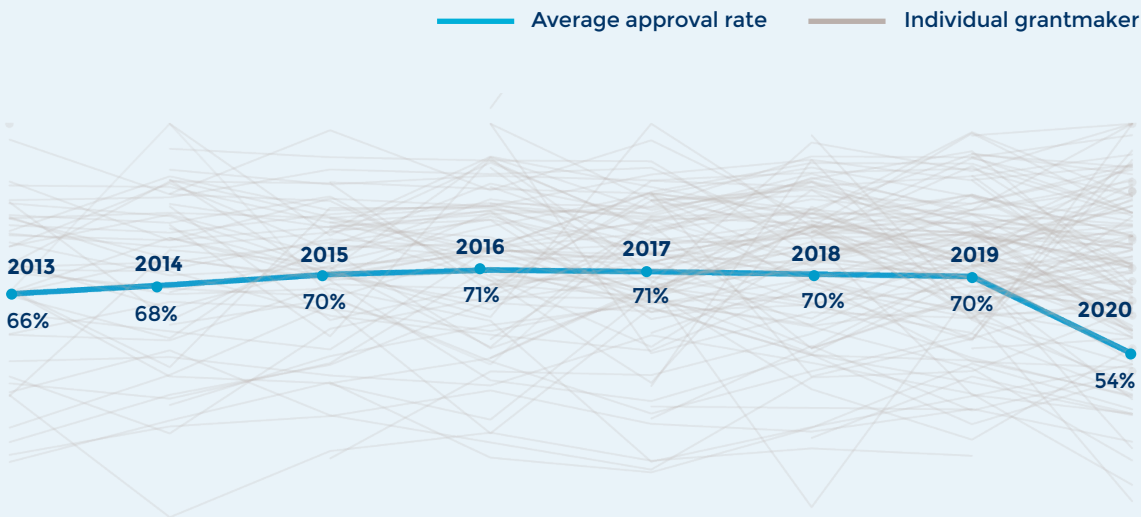
Approval rates for local government grants were remarkably stable (and relatively high) until 2019, but approval rates dropped from 70% in 2019 to 54% in 2020 (contrasting with the increase in approval rates by state and territory government grantmakers).

At the individual grantmaker level (shown in light grey), approval rates continued to vary widely in 2020. Some local government grantmakers bucked the trend and had increased approval rates.
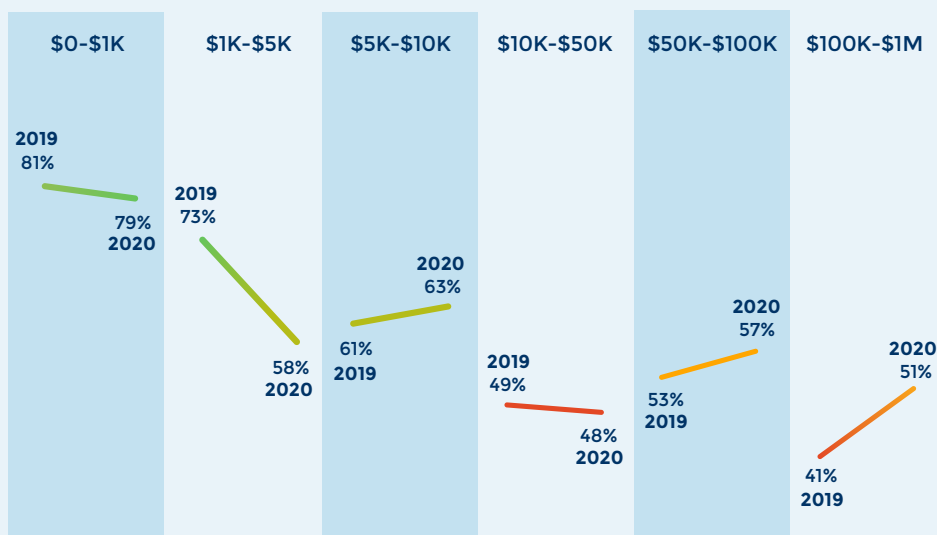
LOCAL GOVERNMENT
Funds allocated in 2020 (vs. 2019)

Jan: -76%
Feb: 127%
Mar: 1%
Apr: 185%
May: 109%
Jun: 87%
Jul: -59%
Aug: 41%
Sep: 46%
Oct: 471%
Nov: -20%
Dec: -17%

October was associated with a significant increase in funding requests being satisfied – an increase associated not with a single large grantmaker but with many smaller grantmakers. As before, it should be noted that dates in this chart are based on submission dates, and the funds themselves will have been disbursed over a longer period.
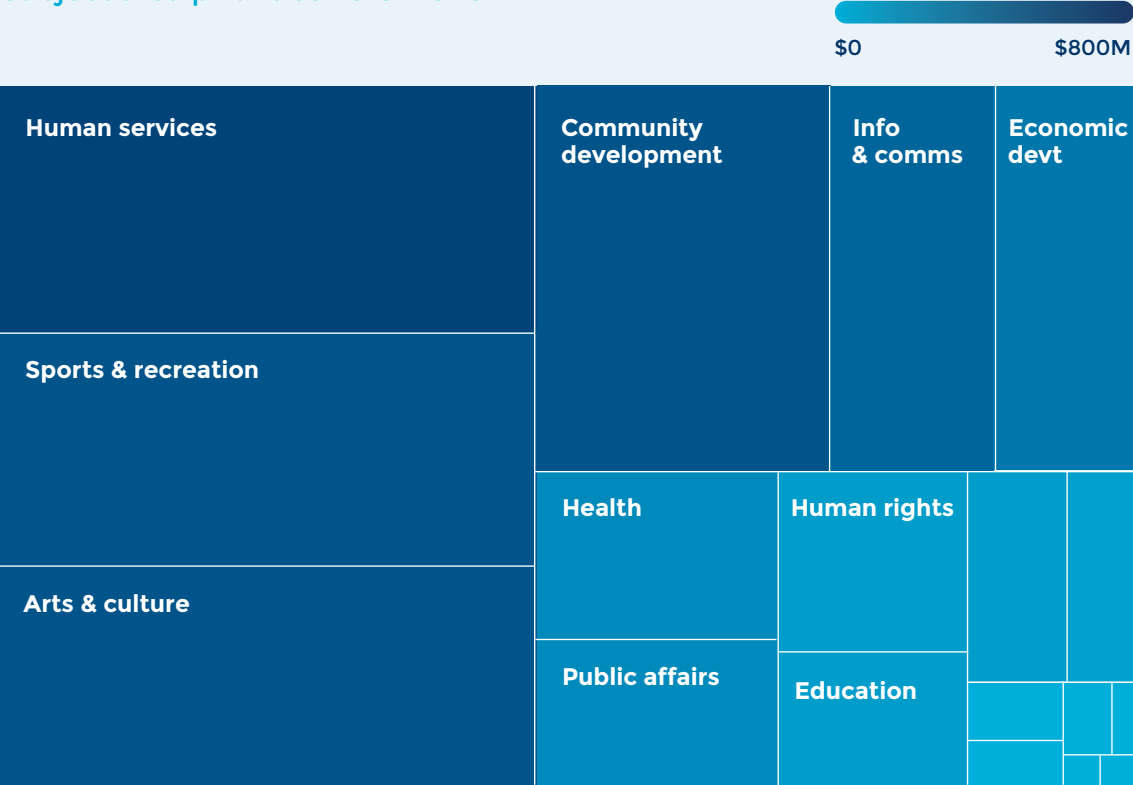
LOCAL GOVERNMENT
Approval rates in 2020 (vs. 2019) by amount requested

$0-$1K
2019 81%
79% 2020

$1K-$5K
2019 73%
58% 2020

$5K-$10K
2020 63%
61% 2019

$10K-$50K
2019 49%
48% 2020

$50K-$100K
2020 57%
53% 2019

$100K-$1M
2020 51%
41% 2019

The most notable movement here was a dramatic decrease in approval rates for grants of $1000 to $5000, offset by an increase in approval rates for grants over $50,000. This may reflect a change in priorities due to COVID-19, and/or a change in the number and kind of applications being submitted. For instance, there may have been a reduction in applications in subject areas associated with smaller grants, and an increase from organisations in subject areas that typically apply for large grants.

LOCAL GOVERNMENT

Subject area priorities 2013–2020
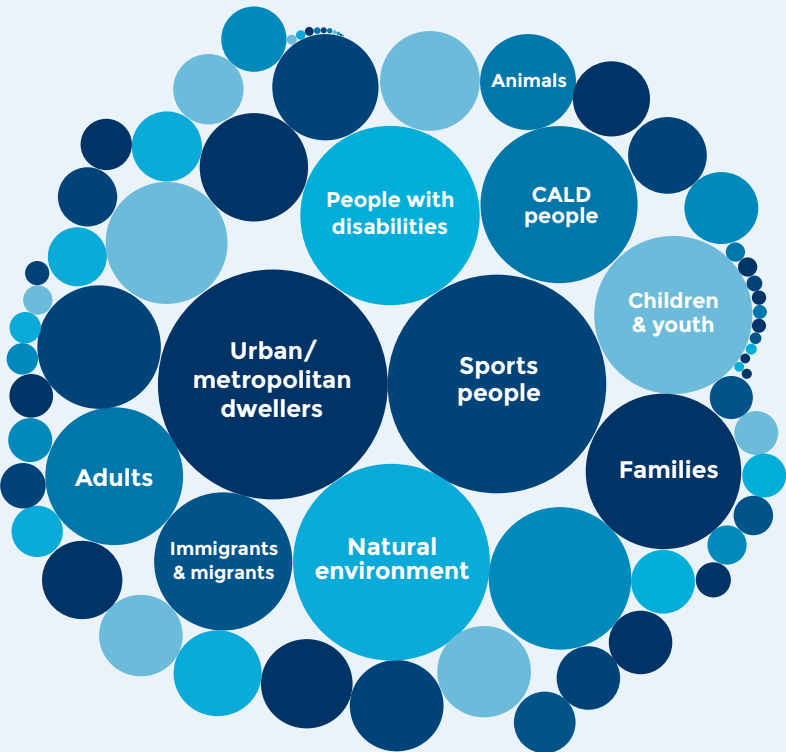
$0 ████████████████ $800M

Larger and darker rectangles in the chart above represent more funding in dollar amounts.

Among local government grantmakers, the highest priority subject area by funding was human services, followed by sport and recreation, arts and culture, and community development.
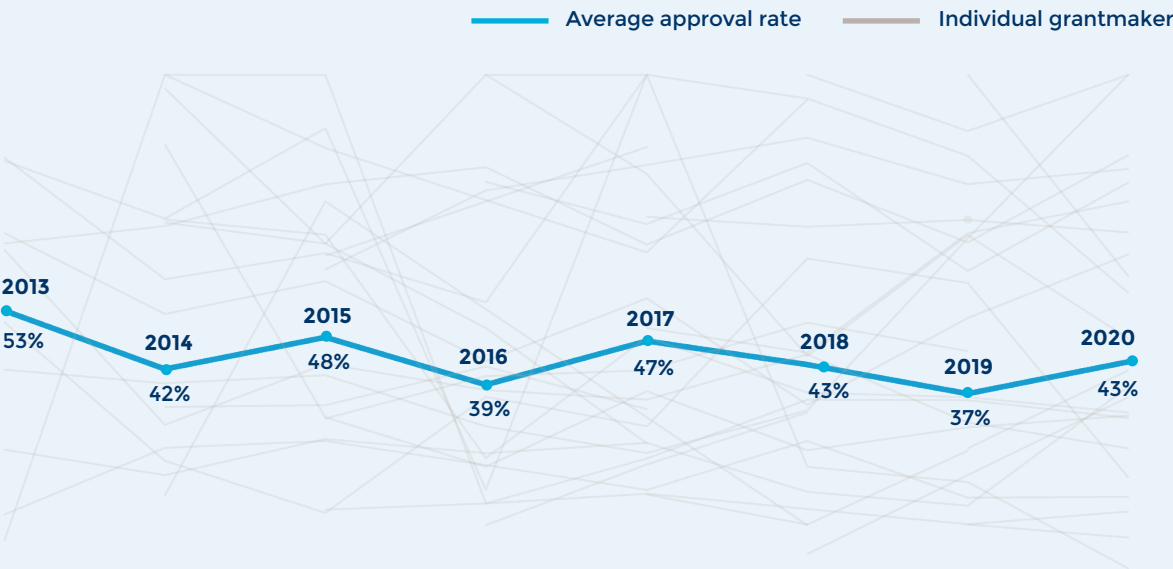
LOCAL GOVERNMENT

Beneficiary priorities 2013–2020

The beneficiary groups that received the most funding from local government included urban and metropolitan dwellers (e.g. applications for art and cultural events and community facilities), sports people, and natural environment. It is worth pointing out that councils in urban and metropolitan areas are more likely to use SmartyGrants than regional or remote councils, in part because they have bigger budgets.
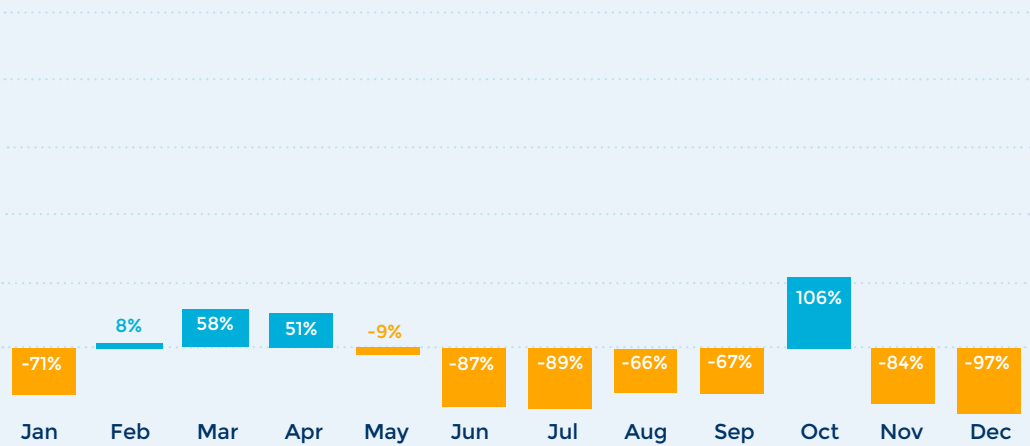
PHILANTHROPIC FOUNDATIONS & TRUSTS
Proportion of applications approved

—— Average approval rate   —— Individual grantmaker

2013 53%
2014 42%
2015 48%
2016 39%
2017 47%
2018 43%
2019 37%
2020 43%

The average approval rate for philanthropic grants has fluctuated over time but remained within a stable range around the most recent rate of 43%.

PHILANTHROPIC FOUNDATIONS & TRUSTS
Funds allocated in 2020 (vs. 2019)

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
-71%	8%	58%	51%	-9%	-87%	-89%	-66%	-67%	106%	-84%	-97%

Most months in 2020 were marked by reductions in funding disbursed by philanthropic foundations and trusts. The approval rate by number of applications increased 6% over the same period (as shown on the previous chart), and this pattern shows that grantmakers disbursed much less than the requested funds.

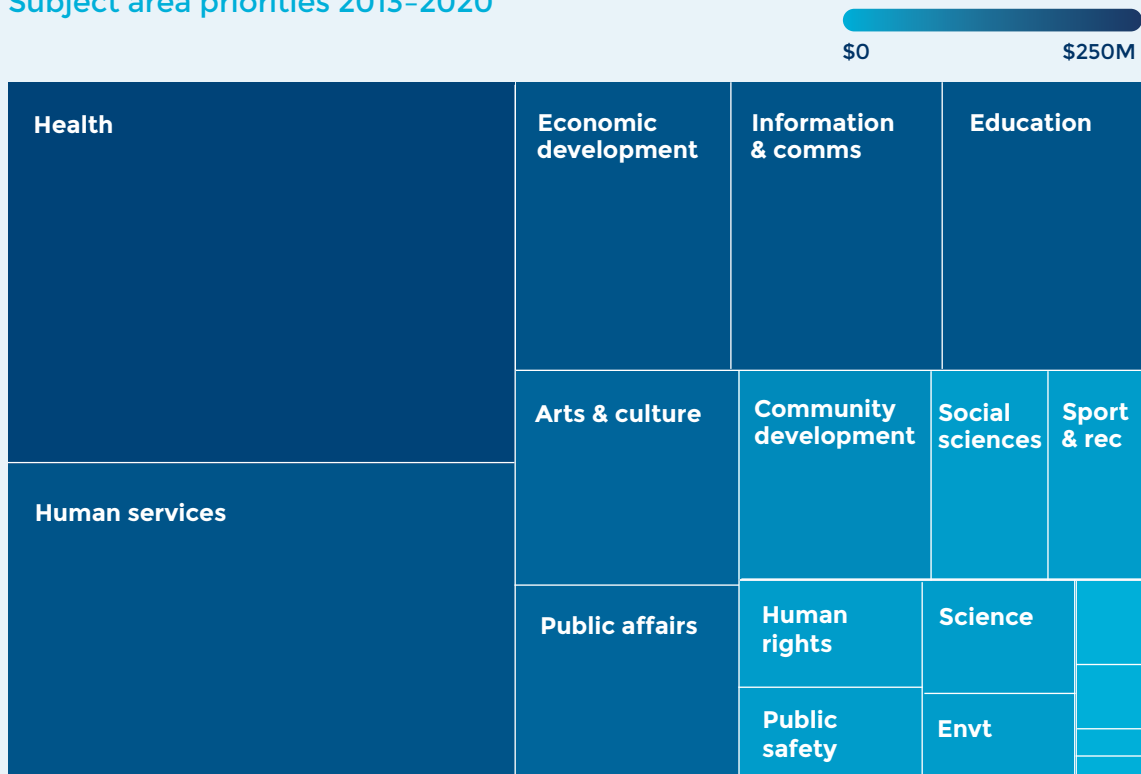# PHILANTHROPIC FOUNDATIONS & TRUSTS

Approval rates in 2020 (vs. 2019) by amount requested

The shift in funds disbursed by philanthropic foundations and trusts came from the top end of applications, with large applications (over $1 million) seeing a dramatic decrease in their approval rate, from 65% in 2019 to 34% in 2020. Approval rates increased or remained stable for every other category, even the $100,000–$1 million category.
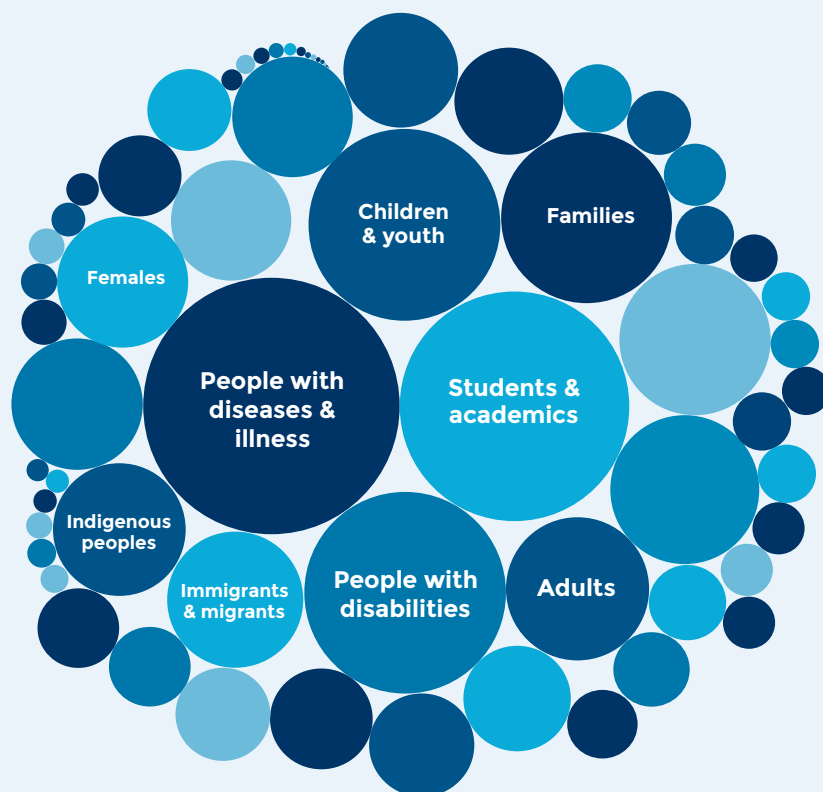
PHILANTHROPIC FOUNDATIONS & TRUSTS

Subject area priorities 2013–2020

Larger and darker rectangles in the chart above represent more funding in dollar amounts. The two highest priority subject areas for philanthropy by funding were health and human services.

PHILANTHROPIC FOUNDATIONS & TRUSTS

Beneficiary priorities 2013–2020

The beneficiary groups that received the most funding from philanthropic foundations and trusts were people with diseases and illnesses (e.g. applications for research, clinical care and counselling), people with disabilities (e.g. installation of assistive technologies, research, and support programs), and students and academics (which includes primary, secondary and tertiary students as well as teaching and research faculty).

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