

Where is Private Investment to the Arts going?



Arts & Business

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Private Investment in Culture Survey

2011/12



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Summary

This survey looks at the extent of private sector support and investment in culture in England in 2011/12, marking the 5th year of minimal growth in the UK economy since the day, in 2008, when Damien Hirst had an auction sale at Sotheby's and Lehman Brothers collapsed.

This year's survey shows a relatively modest rise in total private sector investment of 7.6%. When compared to the state of the economy, however, this looks like a remarkably robust show of support for culture.

Two main concerns arise from the figures.

First, the increasing dominance of cultural organisations based in London in terms of who is raising the most money.

Second, the increasing reliance on Trust and Foundation support.

These issues, along with a brief analysis of the support given by businesses and individuals, are explored below.

The Arts & Business Private Sector Investment in Culture Survey has been running for over 30 years and, in the process, has become not just the most authoritative source of information on the way that the private sector engages with the wide cultural sector but also a rare longitudinal study on how that support has changed over the years. It is unique in the world.

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Regional variance

There is widespread concern that the cultural sector outside of London is being disproportionately affected by the recession. Alongside Arts Council cuts (which have happened across England), an increasing number of regional local authorities have also been making significant cuts to their cultural portfolio.

In this environment, the figures from the Arts & Business Private Sector Investment in Culture survey are worrying in that they show not just the dominance of London in terms of the amount of money being raised from the private sector but, more worrying, the gradually increasing dominance that London based organisations have.

In terms of money from Individuals, the percentage going to London based organisations has risen from 88.9% to 89.9%. business support has increased from 65.9% to 67.8% and with regards trust support, it has increased from 68.2% to 73.1%.

These increases may not seem that great, but since the overall income raised has also increased by 7.6%, these are percentage increases are on a large total sum of money.

The concern is whether this is an inevitable situation and reflective of the potential emergence of a “two-speed Britain as London soars away from the rest” (headline in the Observer 12/05/13).

In their recent report “The contribution of the arts and culture to the national economy”, commissioned by Arts Council England and the National Museums Directors’ Council, the Centre for Economics and Business Research highlight the regional impact of the arts in two ways; first in terms of the employment in the arts and cultural sectors in each region and, second the direct GVA contribution of the arts and culture industry in each region.

What is interesting is that the rankings given to different regions in each metric are not mirrored by the private sector investment figures.

For instance cultural organisations in the East of England have the third highest cultural employment in England and are 3rd equal in terms of contribution to GVA, yet rank 7th out of 9 in terms of the private sector income raised. The North West, on the other hand, ranks 4th in terms of GVA contribution and 8th in terms of employment yet ranks 3rd in terms of the amount of private sector money raised. This suggests that the link between the strength of a region’s cultural sector and the amount of money it raises are not necessarily linked. Although the strength of the local economy will naturally impact on the ability of any local arts organisation to raise money, the size and strength of that local arts sector is less of a factor. In short, the ability to fundraise may be less about the environment and more about the approach taken by the cultural organisations to the process of fundraising.

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Trusts and Foundation support

In the main, **Trusts** support their giving through the income they raise from their endowments.

Between 2010/11 and 2011/12 trust support of culture has risen by 15.8%. It is impossible to determine from this survey whether this represents a significant shift in Trust funding priorities to culture or is part of an overall increase in their grant giving in reflection of the increasing need in England. Either way, it is likely to be somewhat in excess of the performance of their endowments and is therefore potentially unsustainable.

Conversations that Arts & Business has been having with arts and cultural organisations suggest that an increasing number of them are approaching trusts and foundations for support. Our concern is that this will increase the pressure on an income stream that may, sooner rather than later, need to reduce its overall spending to bring it better in line with its own investment income.

Business Support

Business investment in English cultural organisations has slightly risen from £113.6m to £113.8m. In a time of considerable economic challenges, however, this slight rise is a clear testament to a consistent recognition within the business community that their arts partnerships do add value.

Business support remains focused on investment through **Sponsorship**, which is defined as a business expense for the purpose of trade. Sponsorship has accounted for around 60% of total business investment over the last four years.

Counter intuitively during a recession, whilst cash sponsorship has remained fairly stable, **in kind** support from the business sector has fallen between 08/09 and 10/11. The figure this year is similar to that last year, suggesting that the fall has stabilised.

The amounts that business have paid for arts **Membership** has gently risen since 2008. Memberships are structured programmes run by arts organisations in which the business receives a prescribed series of benefits over the year. Their on-going popularity suggests that they are really delivering for the businesses that are joining them.

The biggest decline in business support has occurred in **donations**. In 2008 they accounted for 15% of total business support of culture and that has fallen to 12% (of an increasingly smaller amount of total business support). Since donations are nominally money given for nothing in return, this underlines that in the current economy, business need to see the rationale for cultural support and that rationale has to feedback into their core objectives.

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Individual Giving

Support given by individuals to the arts in England has risen by almost £23m between 2010/11 and 2011/12, reaching a total of £372.9m, a rise of 6.5% from the 2011 figures of £350.0m.

This figure does not include the considerable discount offered by the Duke of Sutherland on the purchase of the Titian painting “Diana and Callisto” by the National Gallery and the National Galleries of Scotland. Although there is likely to be an element of an in-kind donation in this, it is difficult to ascribe an absolute value to this.

Nor does this figure include, where these figures have been given to us separately, the money raised through admission payments that are taking advantage of the rule that allows such payments to be treated as donations eligible for Gift Aid if, for instance, the price paid for admission is 10% higher than the regular admission price. Such payments highlight the challenge of determining the difference between a sum of money given as a purely philanthropic donation and that given specifically for free or discounted entry—in some instances the rules allow for them both to be considered as donations eligible for Gift Aid. Central to any successful fundraising operation is the process of drawing the donor closer into the work of the charity. In recognition of this, all charities are allowed to offer a limited number of benefits in return for a donation. Whilst the overarching guidelines on this are very clear, there remains an unhelpful grey area in terms of the implementation of some of those guidelines. Arts & Business has called on HMRC to try to resolve these grey areas as soon as possible to ensure the greatest clarity for all.

Although the total figure for individual support of culture has risen by 6.5%, the breakdown in terms of how that support is given has remained largely consistent with breakdowns from previous years, suggesting that this a very welcome general increase rather than the result of one or two specific and significant gifts.

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By far the largest percentage, 57.7%, has been spent by individuals to join membership schemes run by arts organisation. As well as providing support for the work of these arts organisations, these membership schemes will offer their members a variety of different benefits. Some of these membership payments can be considered as donations, eligible for Gift Aid, and others will not, depending on the nature of the cultural organisation and the benefits given in return. The continuing strength of membership schemes through a recession is encouraging for three reasons. First, this figures underlines the on-going commitment that is clearly being shown by individuals to those cultural organisations which matter to them. Second, the size of this support, relative to the fairly low level cost of entering such membership schemes, is evidence of the large number of people showing such commitment. Finally, this is an encouraging figure because such income is less dependent on the decisions of a few and is therefore a more stable income stream.

The second largest percentage of total individual support has been given in the form of donations. It is interesting to note that, at 22.9%, donations account for just over a third of the money given as membership payments.

The third highest percentage is in legacy giving. At 19.4%, this is almost equivalent to the income donated by the living. Legacy income might be thought of as unpredictable but the evidence from fundraising in other charity areas shows that a strong legacy campaign can result in a fairly regular flow of income. Legacy income grew significantly in 2009/10 and has remained since at this higher level, suggesting that the investment that some cultural organisations have made into their legacy income fundraising has begun to pay sustainable dividends.

Payroll Giving and the Gift of Shares remain a statistical irrelevance for cultural fundraising. There are likely to be systemic reasons why Payroll Giving, in particular, has not proved useful to the arts, and these are likely to remain, irrespective of steps taken by anyone to improve the impact of Payroll Giving in the UK.

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