Private investment in culture 2010/11

Less Public, More Private? Arts Funding in a Cold Climate

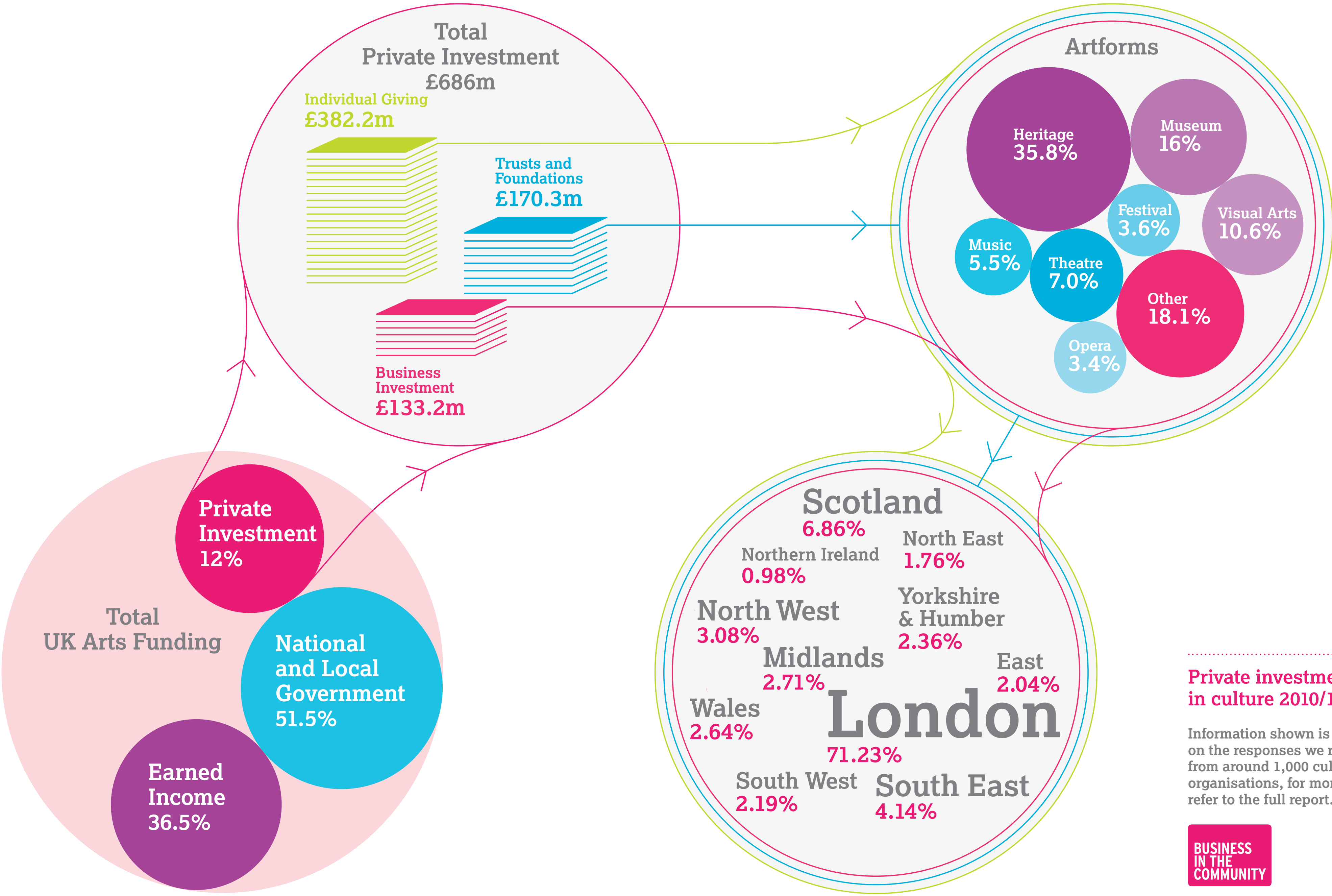
Arts & Business

BUSINESS IN THE COMMUNITY

Where is Private Investment to the Arts going?

Arts & Business

2010/11



Private investment in culture 2010/11

Information shown is based on the responses we received from around 1,000 cultural organisations, for more please refer to the full report.

BUSINESS IN THE COMMUNITY

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Foreword

I have never thought of the arts as a luxury. For me they are essential, they are part of my core. Music is my passion. I played at school and my love of music has grown throughout my life. I want to help find ways to give children the best possible musical and cultural start to their lives. That is one of the reasons why I give and one of the reasons I have supported global cultural partnerships in my business life. Yet, we must never forget that the arts are also a cornerstone of the creative industries that earn Britain £9bn a year and employ almost 2 million people. We neglect them at our peril. We must protect cultural vitality everywhere we can.

As Chairman of the Arts & Business Leadership Team, I want to work with others to prove that the arts are not an optional extra to business. As this report identifies there are many existing superb collaborations between culture and commerce. I believe there is still more we can do together.

As a philanthropist I want to help inspire the next generation of cultural givers – through giving time, skills or money – and cement their belief in the arts. The arts look to givers as angelic creatures who can have a transformative impact on their ability to produce arts that matter. We must look after these future donors and make sure they fully understand that the arts are a charitable cause and show where every penny they give goes and the resultant benefits.

Working alongside Business in the Community, we will also craft the power of the arts to transform communities, through both people and places. We need the arts at the heart of all our communities.

The economy will recover at some point. Ideally, we will increase and protect public money for the arts. Part of securing more private money is to invest more public money. We believe this but cannot control it. Our priority, our area of focus for growth is the private sector.

The arts cannot flourish without the support of businesses, and the relative importance of business to the arts will continue to increase in the years ahead. Indeed, deepening the scale of collaborative ventures between arts and the private sector has never been more urgent.

Arts and commerce, culture and business, creativity and philanthropy are all inextricably linked. Moreover the stakes have never been higher. If we collectively fail to deliver on the requisite opportunities for growth, we place more of the cultural vitality of our communities at risk.

All our work will focus on building an ever more vibrant and sustainable arts sector, with more individuals, communities and businesses enriched by their relationship with the arts.

To deliver growth, businesses – their employees and individuals alike – must work hand in hand alongside for the benefit of the arts and wider society. We all need their skills and finance, but also their hearts and minds more than ever.

The work that the Government and Arts Council England continue to do to boost private sector investment is welcome. Conversely it is incumbent on Arts organisations to ensure that support is nurtured over the medium and long-term. Given the short term funding pressures many, if not all, charitable organisation face the ability to balance the long-term view is a major challenge.

Arts & Business has a very key role to play in encouraging and supporting private sector engagement with all forms of culture and we look forward to engaging in active dialogue around the major themes in the months ahead.

The ability of the private sector to sustain investment in the arts in this dark time is good news. Arts & Business' strategic ambition is to create the enviroment to grow private investment in culture from the current figure of £686m to £1bn in 2020. We must make sure they are thriving for when the good times return.

I would also like to thank Arts Council England for supporting this important piece of research.

Jonathan Moulds
Chairman of the Arts & Business Leadership Team

Key findings

+4% Total increase of 4% in private investment and new figures almost hit record high of 2007/08

25% Private investment for small organisations at a significant 25% of total income

11% Private investment for major organisations only at 11% of total income

+162% Last decade individual giving to the arts grew by 162.1% Growth as individual giving climbs to £382.2m (2010/11)

+123% Last decade income from trusts and foundations grew by 123.2% Trusts and foundations increase to £170.3m (2010/11)

+17% Last decade business investment grew by 17.3% Business falls for the fourth year in a row to £134.2m

London captures 81% of all individual giving but only 56% of business investment **81% 56%**

Largest rise in regional private investment in London (a rise of 9% or over £40m) **+9%**

Largest drop in regional private investment in South West England (a drop of 32% or over £7m) **–32%**

North East, South West and Northern Ireland all contribute under 1% to total individual giving **<1%**

Heritage and museums bring in just over half (52%) of all private sector support **52%**

41% of arts fundraisers expect private investment to increase in the next financial year, a 4% drop from 09/10 **41%**

Introduction

For the last 35 years Arts & Business has been collecting data on the reach of private sector support for culture. In doing so, it has created an authoritative and valuable longitudinal study that is unmatched anywhere in the world.

The length of this research allows us to see where, over time, shifts have happened. It allows us to look back and gauge which factors had a defining influence, both short term and long term, on income development. It also allows us to look forward and predict how cultural fundraising might be influenced by key environmental changes such as a recession.

The report this year shows us the on-going influence of the global economic downtown that started in 2007. It highlights the overarching rise in trust and foundation (TF) support, the rise in individual giving (IG) and the fall in business (BI) support.

But the report also shows us the key details; illustrating that, for example, in 2010/11 legacy income exceeded individual donations for the first time, that business sponsorship of the arts actually went up and that the support from the creative industries sector rose by about 25%.

Finally, Arts & Business has used the report to review the changes it called for in its Private Sector Policy for the Arts, published in 2010, and make further recommendations on the key changes it feels now need to be implemented to strengthen private sector support of culture.

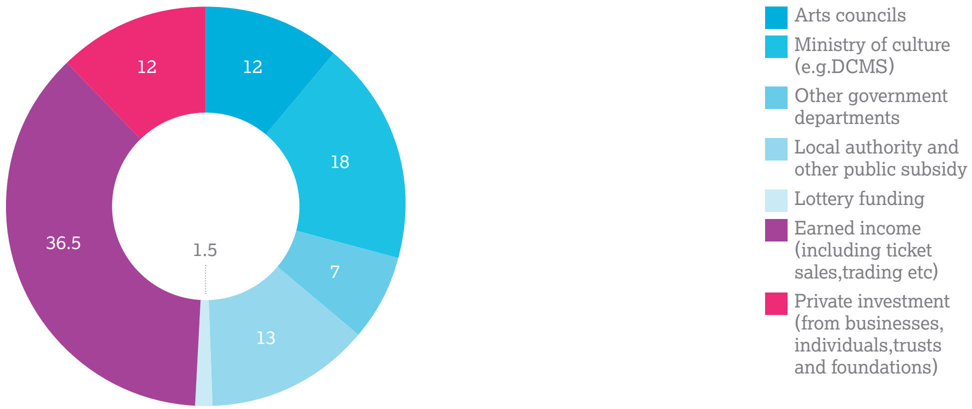
In terms of the data in this report, the results have come from a survey of around 4,500 arts organisations, with a response rate of about 20% (more information on the Methodology is covered on page 52). It should also be noted that throughout percentage fluctuations are given before accounting for inflation.

Arts & Business remains grateful to Alan Joy, as the external statistician, for his on-going work on this report. Together with the research team at Arts & Business, both past and present, he has helped to illustrate each ensuing chapter in the remarkable story of how the cultural sector in the UK has developed support from the private sector.

The golden triangle

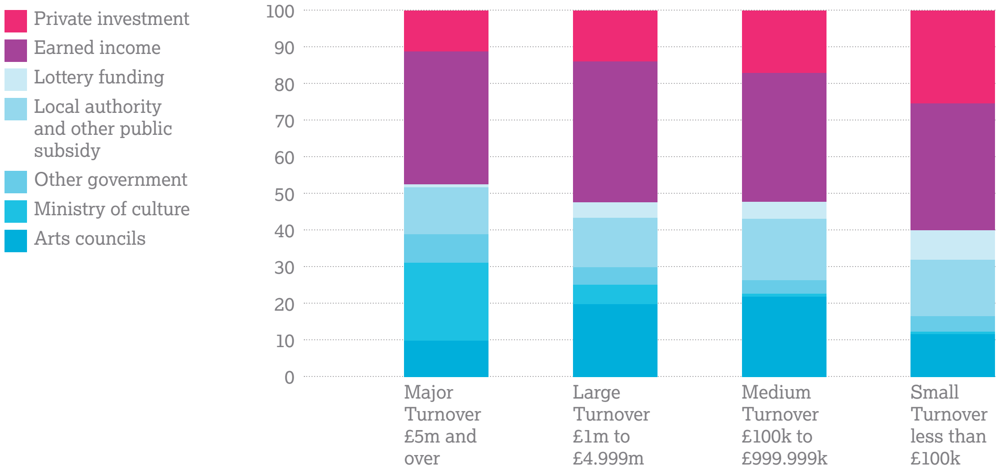
In its Private Sector Policy for the Arts, published in 2010, Arts & Business called for cultural organisations to aim for a golden triangle of income generation; a third of their income coming from the state, a third from earned income and a third raised from the private sector. This, we felt, would create a tripod economy for the cultural sector that would enable it achieve a financial robustness and allow it to better weather wider economic shifts.

The pie chart below shows overall income and is based on the responses we received from around 1,000 cultural organisations. As such, it should not be taken as a definitive income breakdown for the entire cultural sector. However, the much publicised cuts to public funding, both at a national and regional level have come into focus in 2011/12 and the hope would be that the figures for both earned income and fundraising income in 2010/11 would show a rise if they were to be capable of offsetting at least some of the cuts this year. That has not happened. We cannot determine from the survey why earned income, in particular, has shown a decline in relative importance but the challenges faced by the high street that have been reported on a on-going basis might suggest that consumer concerns have also affected their cultural spend.



Public Funding	09/10	10/11	
Arts councils	13%	12%	down
Ministry (DCMS)	20%	18%	down
Other government	3%	7%	up
Local authority	9%	13%	up
Lottery funding	2%	1.5%	down
Earned income	38%	36.5%	down
Private investment	16%	12%	down

Breakdown of income by organisation size (%)



Key facts

¼ of small organisations' income comes from private investment. More than twice as reliant on private investment as major organisations.

Small organisations nine times more reliant on lottery funding than major organisations. 8.1% of income from this source.

Earned income almost constant across the board as a percentage of total income (36%, 39%, 35%, 35%).

Large and medium sized organisations display quite a similar income profile breakdown.

Much of the debate on cultural fundraising has centred on a belief that, as an activity, it only really works for large cultural organisations, predominantly in London and usually in receipt of significant public funds already. In other words, organisations who are able to use their significant profile, buildings and programming to access support from the wealthy demographic living in the capital.

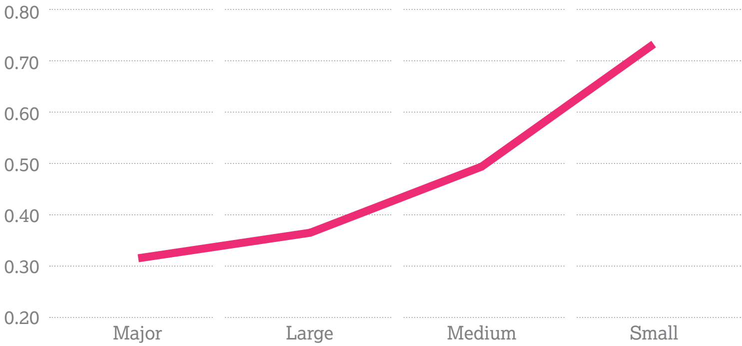
The two graphs on page 12, which show private investment per £ of earned income and per £ of public funding, suggest that an alternative picture is possible. They hypothesise that amongst survey respondents, smaller, predominantly non-London cultural organisations have been more effective at generating private investment in ratio to earned or public granted income than medium, large or major organisations.

It is impossible, within the limitations of the survey, to explain the root causes of this. Likewise care should be taken in extrapolating results drawn from those who responded to the survey and then applying them to the entire sector – it is possible that across the very broad range of small scale cultural organisations, survey respondents have been generally more successful at raising private sector support than those who chose not to respond.

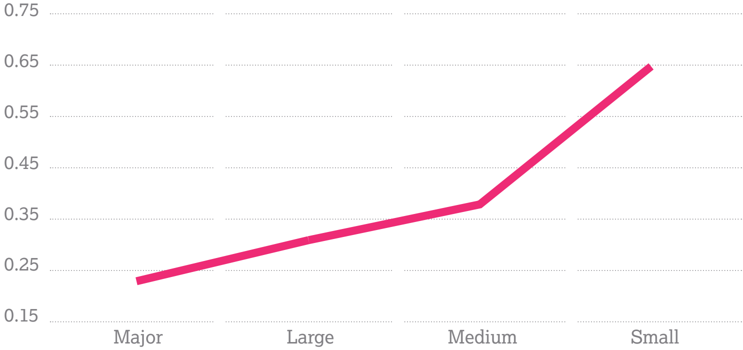
However, these results clearly prove that small cultural organisations can raise money from the private sector and can do so, in some important ways, better than larger organisations.

Whilst the main debate is about London and non-London cultural organisations, it should be remembered that there is no homogeneity across London itself. There remains a huge discrepancy between inner-London and outer-London arts bodies in their ability to raise additional private investment. Any arts body in a significant area of social and economic deprivation will find it hard to compete with major arts players with donors on their doorstep. The ambition must be to find the right mechanisms and 'asks' to grow giving across the diverse arts bodies inside London and to grow giving outside of London.

£ Private investment per £ earned income

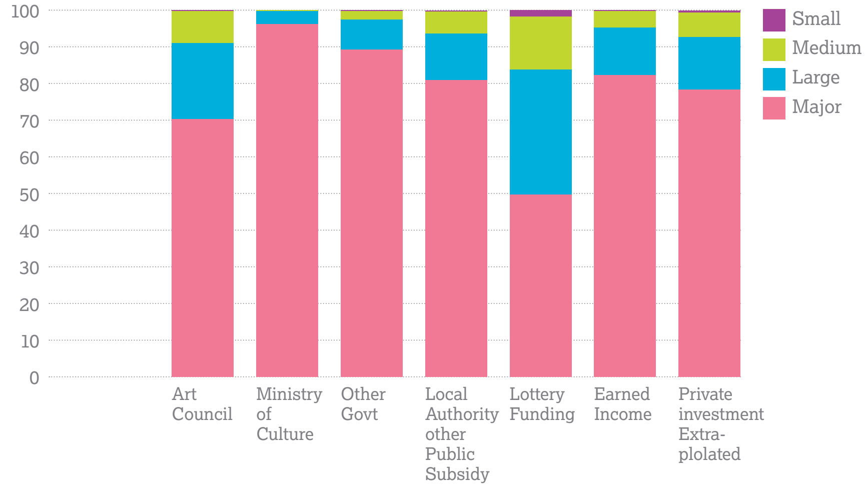


£ Private investment per £ public funding



One of the main tasks for everyone interested in developing private sector support of culture is to help ensure a wider public understanding of cultural bodies as charities and their need to fundraise. In turn, we must collectively work to ensure that the arts know what to ask for, how to ask for it, who to ask, and how to build on any gift; effective fundraising. Part of this is to ensure that the donor better understands the impact of their gift; effective giving. The arts will only truly compete as part of the wider charitable sector, when donors fully understand the impact of the money that they give. Even now not every arts body has a fundraising strategy, a clear ask, a legacy scheme, a membership scheme, a marketing plan etc. If this were to happen, the sector would become far more resilient and confident.

Funding split by size of organisation



The bar chart above shows that Major cultural organisations (those with turnovers greater than £5m) receive the majority of all the income available from most funding sources, private and public.

DCMS funding	96%
Arts Councils	70%
Other Government sources	89%
Local Authority or Public Subsidy	81%
Lottery Funding	50%
Pool of earned income from tickets, merchandise etc	82%
Private investment	78%

The income stream most equally distributed is Lottery Funding, but even that is still skewed, with major organisations receiving almost 50% of the money available. 34% went to large organisations, 15% to medium sized organisations and small organisations received just under 2%.

Of course, it is a fact of life that small arts bodies will not undertake huge capital projects and so capital lottery funding will always appear unequal. Though maybe if the smaller bodies were to collaborate on a bid, it would be an interesting counter mark to the money offered to major players.

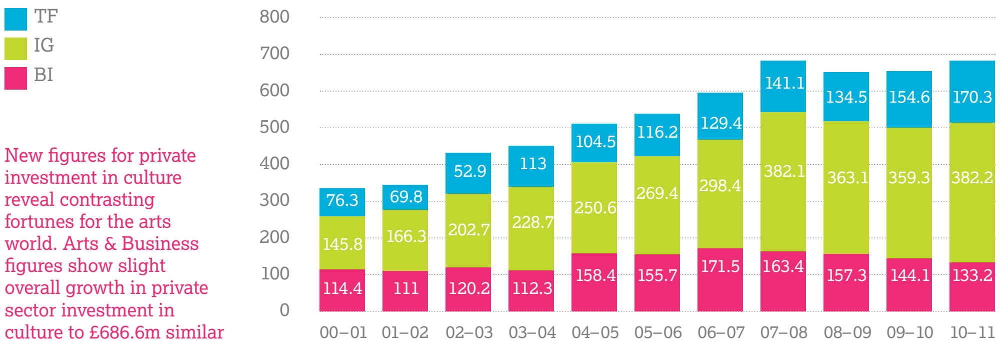
Private investment

The overall private investment increase of 4% (not allowing for inflation) includes a 10% increase in support from trusts and foundations, a 6% increase in individual giving but a 7% decrease in business investment.

Over the next few pages each income source will be discussed in greater detail, highlighting where the overarching percentage changes of an income source are not reflected in the movements in some of the underlying parts of that source. Thus, for instance, we will see that the overall fall in business support has actually come from a very significant decline in the in-kind support offered by businesses and that corporate sponsorship of the arts has actually increased slightly. Looking at these underlying trends enables us to properly identify shifts and their causes.

In terms of total private investment, the following table illustrates the growth and continued importance of the support given by individuals, relative to that from businesses and trusts and foundations.

Private investment £m



New figures for private investment in culture reveal contrasting fortunes for the arts world. Arts & Business figures show slight overall growth in private sector investment in culture to £686.6m similar to 07/08 levels.

Total private investment last year almost hit the record high observed in 2007/8, figures recorded just as the current recession began. If we compare the breakdown of income sources in 2010/11 to those of 07/08 we can see that individual giving to culture has barely changed, rising very slightly from £382.1m five years ago to £382.2m last year (having fallen in the intervening period).

Business support has fallen significantly from £163.4 to £133.2m over the same five year period. This fall has been offset by a considerable rise from trusts and foundations, who have increased their support from £141.1m to £170.3m. Given that trust and foundation expenditure is often closely linked to the returns they receive from their endowments, it will be interesting to see if such an increase in support is sustainable.

	06/07	07/08	08/09	09/10	10/11
TF	rise	rise	fall	rise	rise
IG	rise	rise	fall	fall	rise
BI	rise	fall	fall	fall	fall

Private investment growth

Arts & Business remains confident that business support will recover but key to that change will be clarity on when the economic downturn is judged by the business community to have bottomed out.

Survey figures from previous recessions show that once business confidence in the overall state of the economy returns, so too does their interest in developing their partnerships with the cultural sector. Given that the objectives for such partnerships are usually based around growth in terms of sales through sponsorship, productivity through cultural interventions in the workplace or profile through their community investment, it is entirely reasonable that such partnerships are not pursued until it is felt that the economy can support such growth objectives.

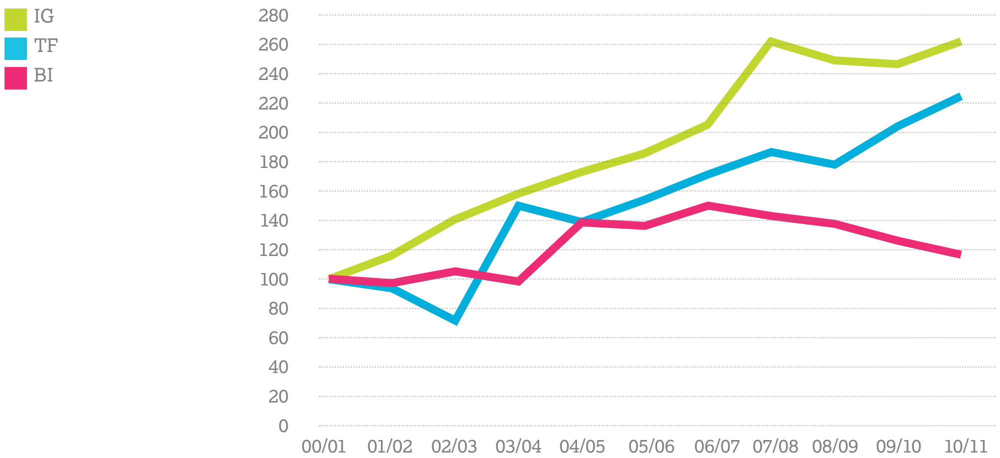
Although historical data can enable us to better predict what behaviour will happen through a series of recognisable circumstances, predicting the size and timing of growth into the future is a less certain sciences.

We can also see that individual giving support experienced fairly consistent growth between 2000 and 2006. Given the increasing focus within the arts and government, it is possible to surmise that the sharp upward change in direction in this graph between 2006 and 2007 potentially signalled the beginning of a new, steeper growth profile.

On this basis, the fall after 2007 would be an unexpected development caused by the recession beginning to impact on consumer spending, as opposed to a natural correction back to the expected growth pattern, as experienced between 2000 and 2006. However, it is interesting to note that the growth between 2009 and 2010 does indeed closely follow the 2000 to 2006 growth pattern. For trusts and foundations, the growth pattern suggested between 2004 and 2007 would appear to be the predominant one, with the growth experienced in 2010 sufficient to bring trust and foundation support back in line following the decrease in 2008. The picture for business support is more varied, with the declines from 2006 possibly suggesting an ongoing decline into the future*. However, the general growth between 2000 and 2006 perhaps suggests a more positive trajectory that was regrettably interrupted by the recession.

* We have proposed certain future growth scenoiros later in the report (p40)

Relative growth over the last decade (%)



Business investment

Type of Investment	08/09	09/10	10/11
Total Business Support	£155,876,566	£143,161,293	£133,204,425
Sponsorship	£92,123,051	£78,595,550	£80,701,272
In-Kind support	£20,419,830	£23,048,968	£14,233,758
Membership	£19,796,324	£21,187,871	£19,586,517
Donations	£23,537,362	£20,328,904	£18,682,877

"Corporate Sponsorship" refers to partnerships where the business is investing in a relationship with an arts organisation primarily for the purpose of promoting the company's name, products or services.

"Corporate Donations" refers to situations where the business donates cash to a cultural organisataion. The company expects little, if anything, in return for their philanthropy.

"In-kind Support" refers to partnerships where the business offers goods or services to a cultural organisation instead of cash. These transactions can either be in the form of sponsorships or, more commonly, donations.

"Corporate Memberships" refer to partnerships where the business joins a structured programme and in return for cash support (or sometimes in-kind support) the business receives a series of benefits throughout the year, normally involving special invitations, free or discounted tickets and newsletters.

Total business investment has fallen for the fourth year in a row and it now stands at £133.2m (excluding awards and prizes), 7% lower than the figure for the previous year (£143m). This continues a trend which began in 2007.

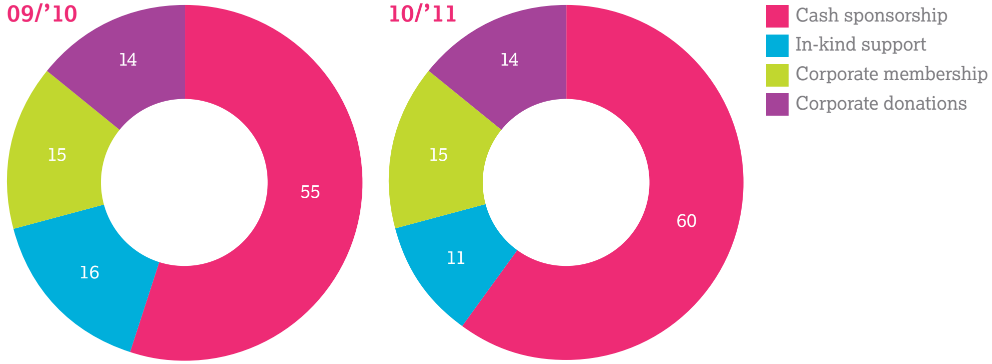
Business investment (£m)

Sponsorship is the most important form of partnership between businesses and cultural organisations and last year it accounted for just over 60% of total business investment. The state of the economy is clearly going to be a strong influence on the extent to which businesses are interested in maintaining current or developing new sponsorship partnerships. Given this, it is remarkable to see that business spend on sponsorship actually increased between 2010 and 2011, albeit by a very modest 3%.

A more intuitive outcome in a recession, in which consumer confidence has resulted in lower sales, is that a businesses would be less willing to use cash in their cultural partnerships and more willing to use excess stock and other underused resources, such as staff, through the offer of in-kind support. Instead we see that the overall decline in business support is actually due to a remarkable 38% drop in in-kind support. In-kind support now accounts for just 11% of total business investment.

Corporate membership schemes and donations, although very different from each other, each account for about 14% of total business investment and each fell by around 8% in cash terms.

What sort of business investment is happening? Share of total (%)



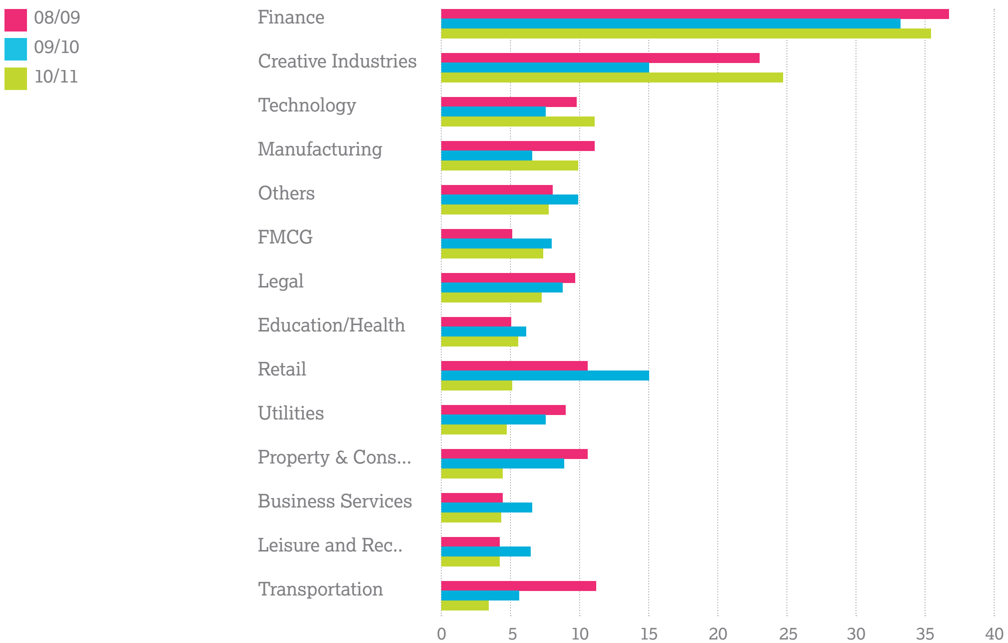
Where business investment is happening in the UK

Region	Business investment	Region % total BI
East	3,771,017	2.83%
London	74,819,542	56.17%
Midlands	4,569,418	3.43%
North East England	4,519,008	3.39%
North West England	7,288,135	5.47%
South East England	8,313,247	6.24%
South West England	5,172,407	3.88%
Yorkshire & Humber	5,126,140	3.85%
Scotland	9,949,831	7.47%
Wales	6,970,340	5.23%
Northern Ireland	2,705,340	2.03%
Total	133,204,425	100.00%

In cash terms, cultural organisations in London receive the largest share of business investment, amounting to almost £75m. However, relative to the rest of the country, London receives a significantly smaller share of total business support than of any other form of private (or public) cultural expenditure.

One of the great success stories, in terms of cultural fundraising in the UK, has been the way that across the country, arts and heritage organisations have developed partnerships with local businesses which together amount to almost 50% of the total business support in the UK. The focus of Arts & Business on this area, the matching programmes it has run and, most importantly, the skill, dedication and professionalism of fundraisers working in the arts across the UK have all played a key part in achieving this.

Where business investment is coming from (£m)



In looking at which business sectors are engaging in the arts, it is understandable to see significant declines in investment from the retail and property sectors. The falls in utilities and transportation are more surprising; utility companies appear to be doing relatively well despite the recession and the role of cultural investment in terms of encouraging leisure travel is well recognised.

Arts & Business has the overall longitudinal data for these trends and it plans to undertake a full study to show how the sectors have shifted over the past 35 years.

For the arts though, it is important to see which business sectors still have culture as part of their portfolio. It is justifiable to ask certain sectors why they are doing so much less and try to make them aware of the benefits of cultural partnerships.

The rise in cultural investment from the manufacturing sector is a surprise, but a very welcome one, and it is good to see investment from finance, the most important sector for culture, recover much of the fall from the previous year.

However, the most interesting increases incur from technology and creative industries. The role of the cultural sector as a platform for traditional sponsorship is well recognised. The increases in interest amongst technology and creative industries perhaps suggests a growing recognition in these sectors of the role of culture both as a centre of creativity and as an important provider of content. In this sense, the boundary between fundraising and the development of earned income through content may become increasingly blurred.

Individual giving

Type of Investment	08/09	09/10	10/11
Total	£363,095,998	£359,300,000	£382,173,000
Individual Donations	£120,148,466	£97,298,440	£73,207,726
Legacies	£65,175,732	£83,968,410	£81,440,868
Friends/membership	£174,867,033	£177,637,920	£226,599,288
Shares	£2,904,768	£251,510	£909,053
Payroll Giving	£11,619	£93,418	£16,066

Please note that a portion of the increase in friends schemes' income to 2010 is due to the recalibration of some income received by a small number of heritage organisations.

"Individual Donations" refers to money given by individuals with limited or no benefits expected in return.

"Legacies" refers to money give to arts organisations through a will.

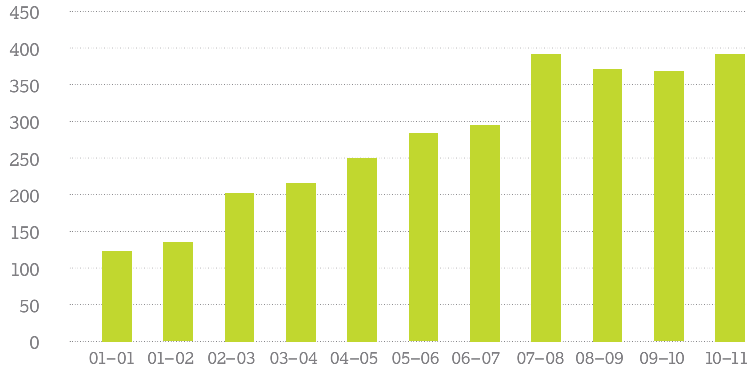
"Friends/membership" refers to money given in return for an expected series of benefits over a set period of time. These sums may be treated as donations from a Gift Aid perspective and/or subject to VAT. (Too many arts bodies still do not run membership schemes)

"Shares" refers to the value of shares given to charities. The recipient charity may decide to keep the gift as shares or sell them.

"Payroll Giving" refers to the payment of a donation to a charity through an individual's payroll. Unlike all other forms of support, this money will always be given net of the tax relief available to the donor. (With such a low take up in payroll giving in the arts, it is worth wondering why some parts of Government still place so much focus on it as a potential area of growth. Our sense is that it will never work for the arts.)

Individual giving to the arts has risen by 6% to reach a total of £382m. This brings the total back to the level experienced in 2007, reversing the impact of the decline over the last two years.

Individual giving (£m)



Friends schemes remain the most important way that cultural organisations raise money from individuals, accounting for 59% of the total. Most research on cultural philanthropy, such as "Local Pride" (Arts & Business's report on individual giving to the arts outside of London), underline the importance of the relationship between the individual and their chosen arts organisations both in terms of sustaining the income stream and developing potential growth. Friends schemes, through the benefits they offer, are ideally placed to strengthen those relationships. However, those benefits may, in some instances, mean that the support given is more akin to a subscription service than a donation, so this income should not be considered as necessarily philanthropic.

It is possible that this growth illustrates an increasing interest amongst individuals who support the arts, at a time of recession, in what they get in return for their support. As the survey does not investigate donor motivation, this cannot be confirmed.

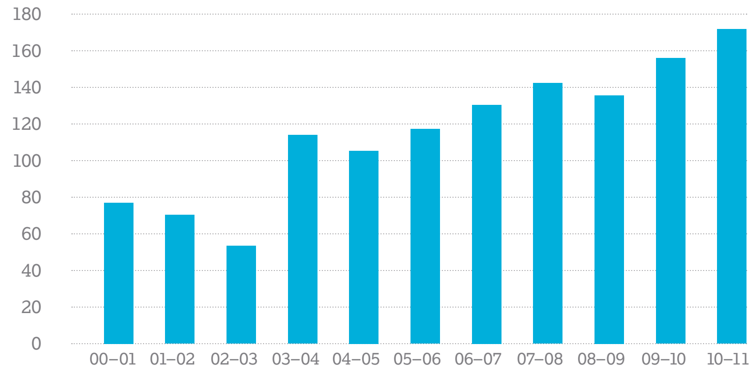
The fall in individual donations means that, for the first time, the amount given in Legacies exceeds donations. Although legacy income fell slightly between 2010 and 2011, this income has shown remarkable growth over the last few years. It is too early to ascribe this increase to any external factors, such as the Legacy 10 campaign, but it does mean that those factors are able to build on an already growing income stream.

Both the gift of shares and payroll giving have played an almost non-existent role in terms of individual giving. Even having experienced a remarkable 261% increase last year, the gift of shares still amounts to no more that 0.24% of total individual giving to the arts. One has to go down to three decimal places to be able to mark the significance of payroll giving to the cultural sector (0.004% of total individual giving). The reasons for both are varied but seemingly unrelenting, as neither income source has made any real impact over the 10 years in which we collected this data.

Trusts and foundations

Trusts and foundations have played an increasingly important role in the funding of culture over the last 8 years, with their support growing every year except for a slight dip in 2008/9. Their support now stands at £170.3m.

Trusts and foundations (£m)



It has been estimated that there are in the region of 4,500 grant making trusts and foundations in the UK and that they give away around £3.9bn (source: Trustfunding.org.uk – part of the Directory of Social Change). If so, the £170m given to culture is 4.3% of the total, meaning that culture is getting a slightly greater percentage of the total trust funding than they are getting from the general population through individual giving (3.4%).

One difficulty here is to differentiate between institutional trusts and foundations, and those where they are a vehicle for the individual preferences of a single donor – in other words, where does trust and foundation giving stop and individual giving start?

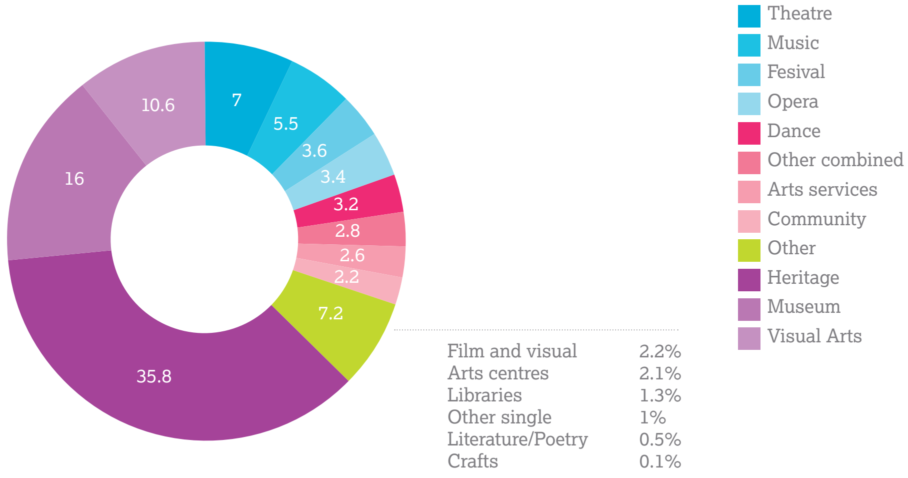
Region	Trusts and foundations	Region % total TF
East	5,202,994	3.06%
London	102,334,322	60.11%
Midlands	7,115,872	4.18%
North East England	4,910,912	2.88%
North West England	8,748,378	5.14%
South East England	9,130,587	5.36%
South West England	6,187,231	3.63%
Yorkshire & Humber	6,476,771	3.80%
Scotland	11,283,536	6.63%
Wales	6,091,612	3.58%
Northern Ireland	2,771,737	1.63%
Total	170,253,952	100.00%

Many trusts recognise the potential imbalance between the income of London based cultural organisations and those throughout the rest of the country and factor in a non-London bias to their decision making. Thus we see that cultural organisations outside of London get a higher percentage of total trust grants than they get from total individual giving. However, it is worth noting that of all private sector income streams for the arts, it is the business sector that is investing the highest proportion of its support to the non-London cultural sector.

Trusts normally fund their grant giving from two sources; new gifts to the trust and the investment income which the trust receives from its endowments. In the current recession, both income streams are likely to have fallen. Anecdotal evidence would suggest that, although facing restricted income, trusts are well aware of the challenges facing the various sectors they choose to support and that, where possible, they have tried to maintain or even increase their funding to help support those sectors through this period. However, if trust income continues to remain below their grant giving, the latter will eventually have to fall.

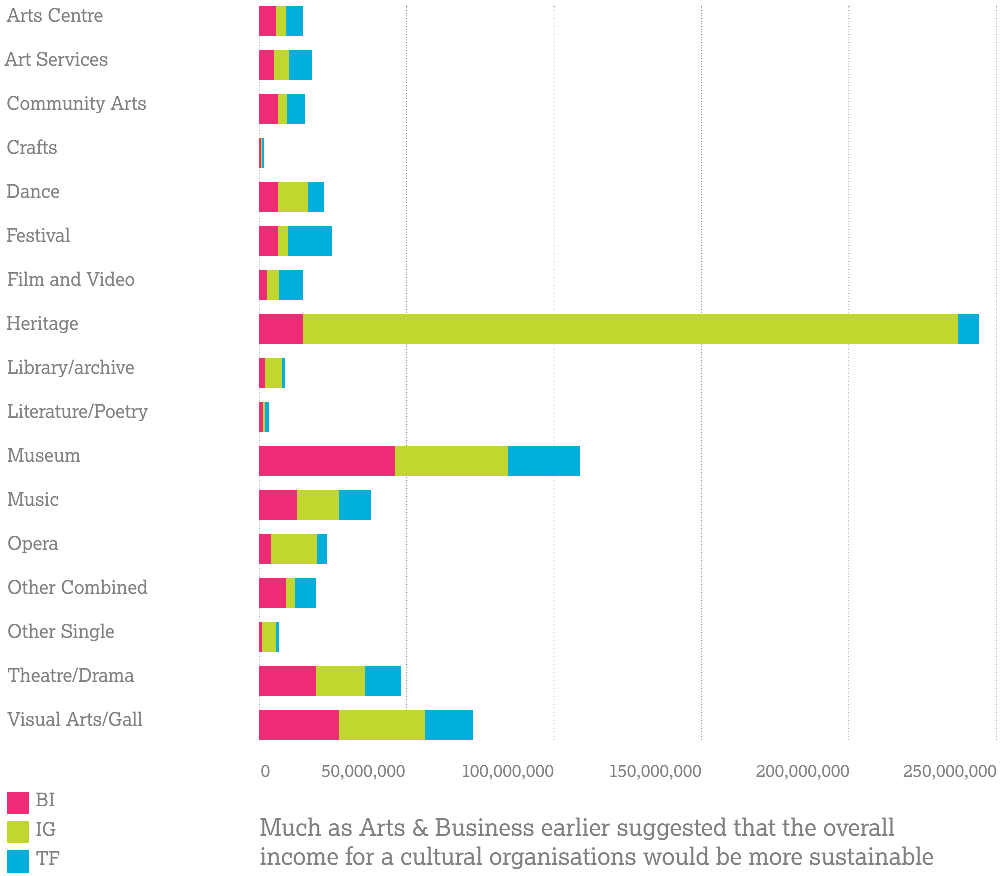
Amongst the 100 cultural organisations that received the most private sector support in 2011, a higher percentage saw a reduction in their trust income (44%) than those who experienced a fall in business income (40%) or individual giving (30%).

Cultural activity and private investment

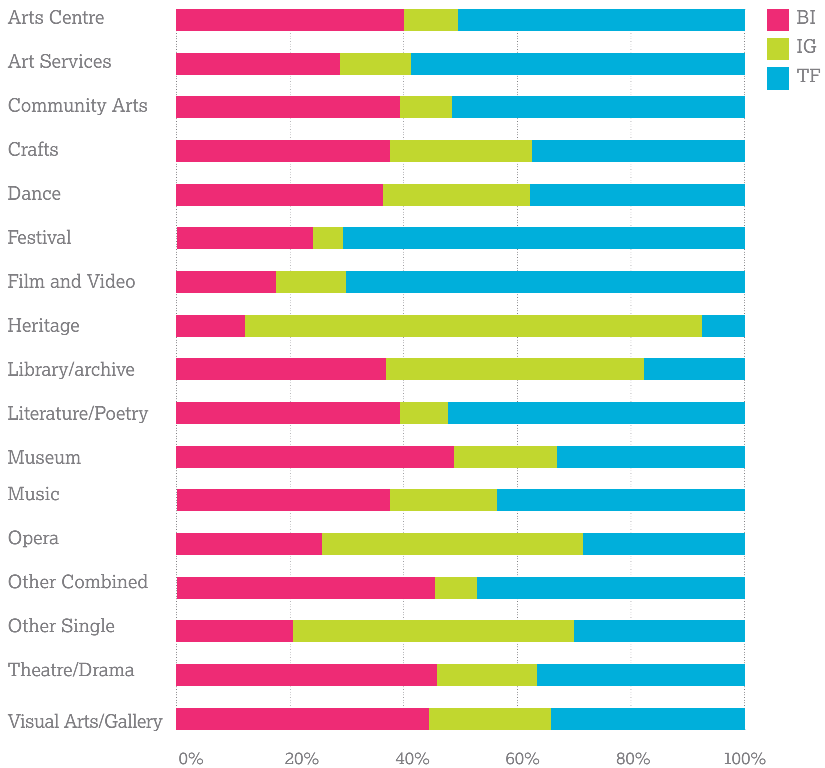


As the above chart shows, the heritage sector appears to dominate private sector support in the UK, with this single sector attracting just over a third of all the income. However, looking at the detailed figures it is easy to see that this dominance does not happen across all three of the main income sources. Amongst the top 100 fundraising organisations in the cultural sector, there are 8 heritage organisations. These 8 account for 5% of total business support of culture, 8% of total trust support but an astonishing 58% of all individual giving to culture (and of that individual giving income, 71% comes through friends schemes). Since individual giving is the most important private sector income stream for the cultural sector, this success with this just one form of income translates into a dominant position in the macro picture.

This dominance of individual giving to the heritage sector can be seen in the following graph:

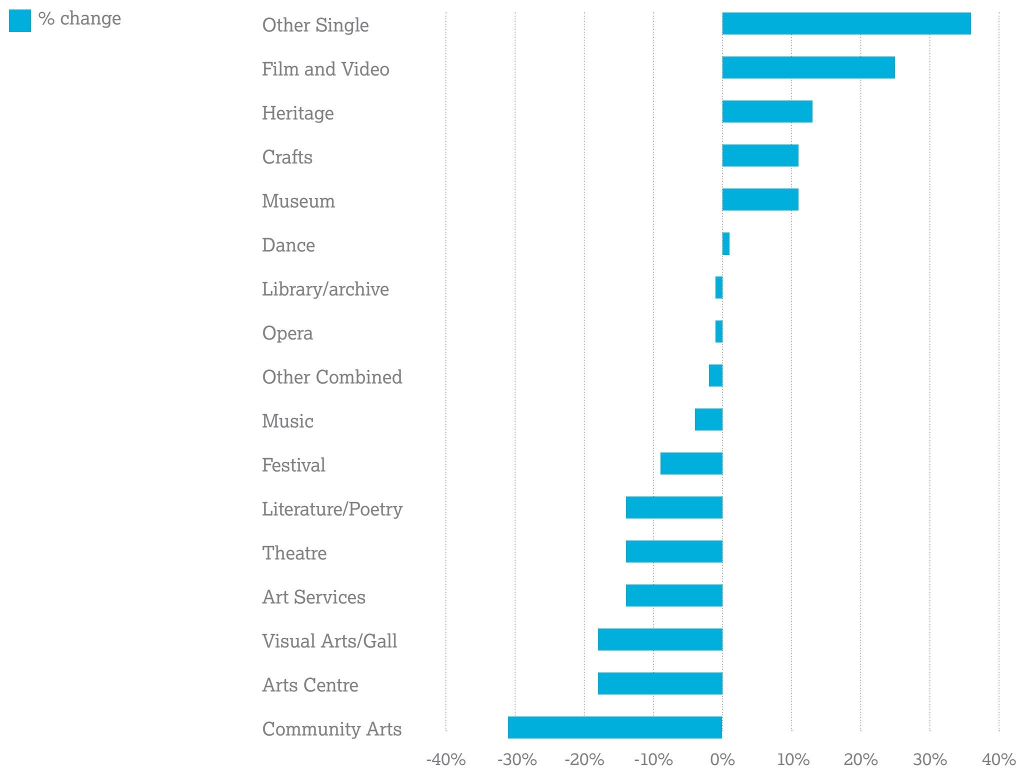


Much as Arts & Business earlier suggested that the overall income for a cultural organisations would be more sustainable if organisations achieved the golden triangle (a third of income from each of public, private and earned income sources), so it is probably sensible, where possible, to strive for an equal balance in fundraising income from businesses, trusts and individuals. To be more reliant on one of these over the others is to open the organisation to a risk if that income stream falters.

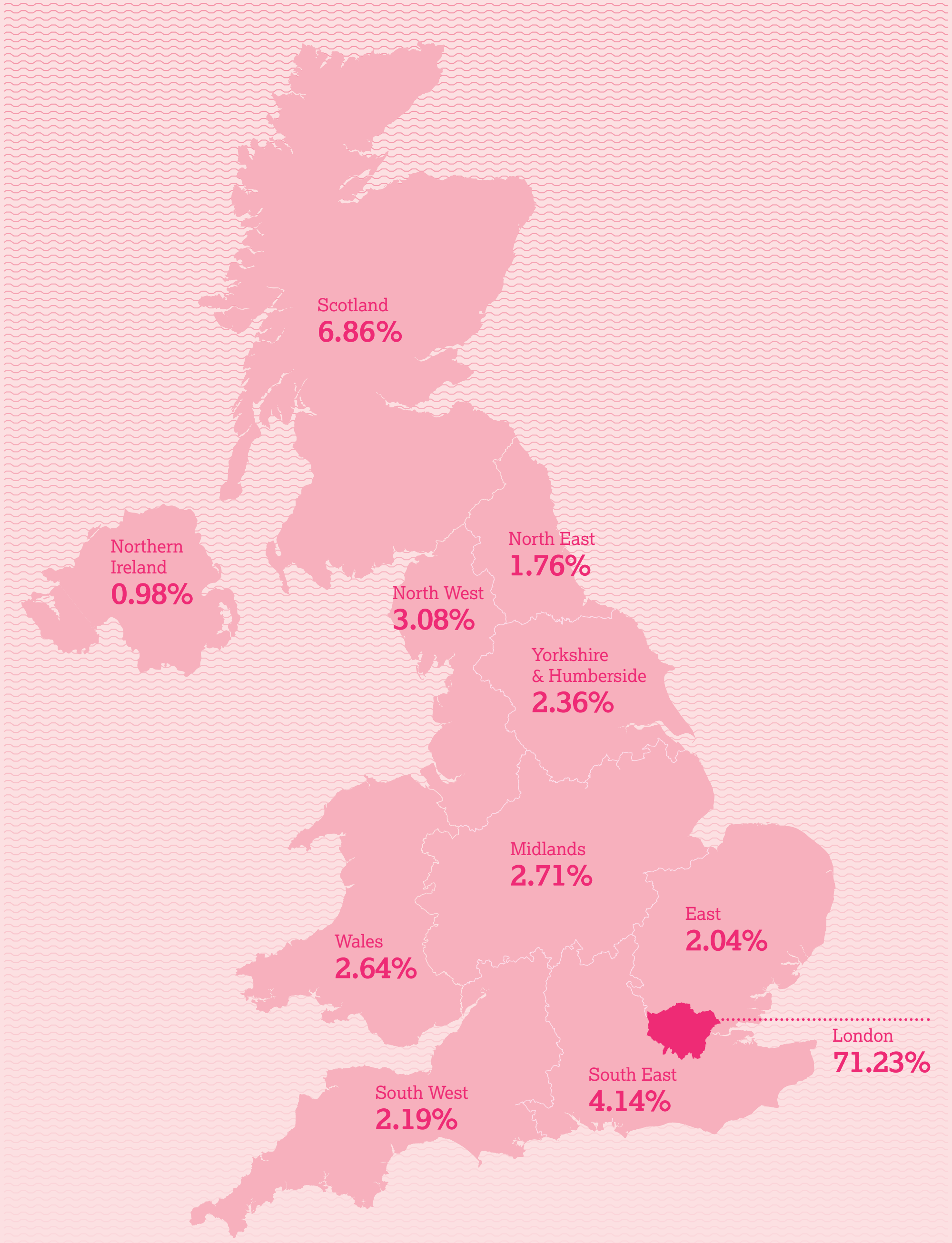


The graph above, that shows the different private sector income streams in percentage terms, highlights how, for instance, the festival and film sectors seem too reliant on trust income and might usefully investigate how their sectors could better develop income from individuals. The heritage sector could perhaps consider the reverse.

Finally we can see how private sector support of each cultural activity has changed over the last year:



Private investment across the UK



Cultural organisations in London receive over 70 times more private sector support than those in Northern Ireland, over 40 times more than those in the North East and almost 35 times more that those in the East of England. In short, they receive 2.5 times more private sector support than the rest of the UK combined.

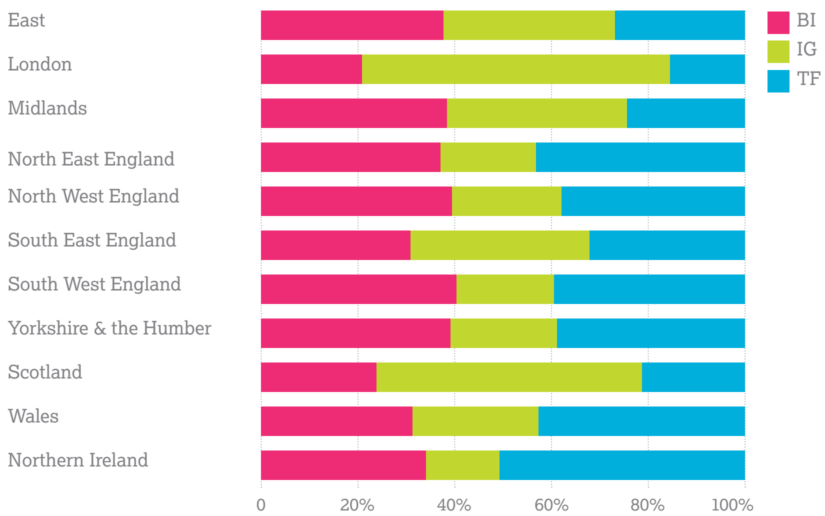
Region	PI	Region % total PI
East	13,960,326	2.04%
London	488,353,930	71.23%
Midlands	18,591,364	2.71%
North East England	12,088,167	1.76%
North West England	21,130,325	3.08%
South East England	28,406,269	4.14%
South West England	14,996,240	2.19%
Yorkshire & Humber	16,182,777	2.36%
Scotland	47,057,657	6.86%
Wales	18,125,771	2.64%
Northern Ireland	6,738,536	0.98%
Total	685,631,362	100%

This dominance is largely due to the way that cultural organisations based in London capture 81% of all individual giving.

Region	IG	Region % Total IG
London	311,200,066	81.43%

There remains a persistent debate across the UK as to whether the development of private sector support of culture is only truly viable in the Capital.

Business investment in culture clearly shows how private investment can be successfully developed by the cultural sector outside of London.

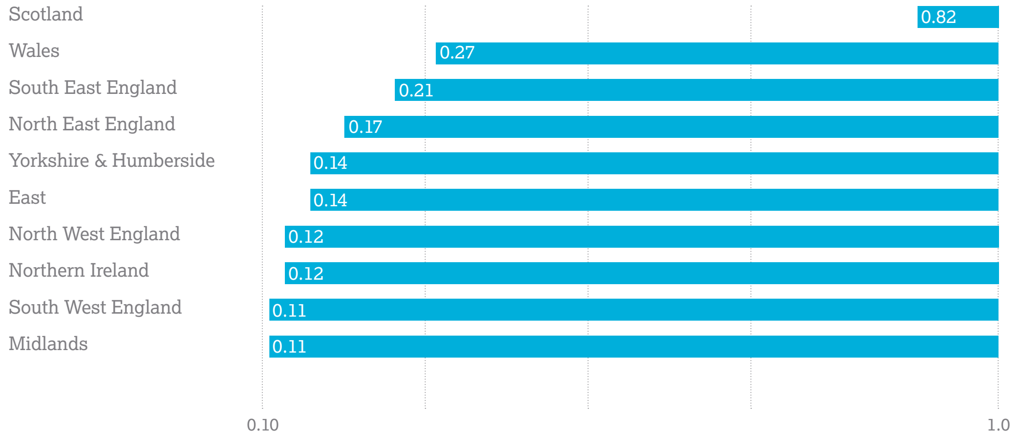


Although individual giving remains, in too main regions, too much of a minority source of income, most regions seem to have a more equitable balance between the three main income streams when compared to the different art forms (see previous section).

This is particularly true in the Midlands and the East of England. However, it is interesting to note that if we compare cultural giving to population size in each region, we find that the Midlands ranks last, suggesting that people there are the least generous to the arts.

Region		IG v Popn Index	
Scotland	0.82	East	0.14
Wales	0.27	North West England	0.12
South East England	0.21	Northern Ireland	0.12
North East England	0.17	South West England	0.11
Yorkshire & Humber	0.14	Midlands	0.11

Inequality in the distribution

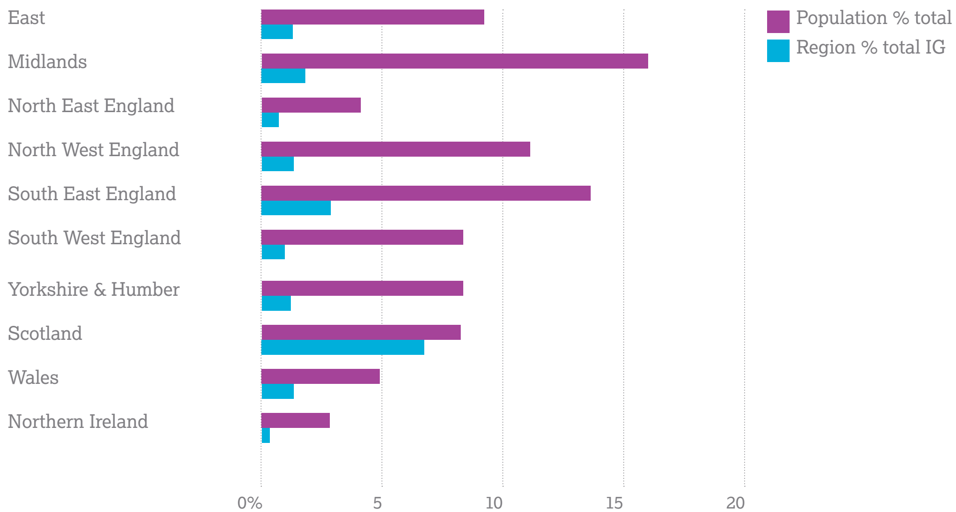


This index simply depicts inequality in distribution of individual giving versus population data (obtained from the 2011 census). London is far above the perfectly equal score of 1.0 at 6.29 however all other regions and nations of the UK fall below with Scotland closest at 0.82 and the Midlands and South West England joint last at only 0.11.

Region	IG per capita	PI per capita	IG v Popn Index
London	£38.07	£59.74	6.29
UK ex London	£1.29	£3.59	0.21
England	£6.60	£11.58	1.09

To complete this analysis here is the breakdown of total private investment compared with population distribution.

Population distribution vs distribution of individual giving



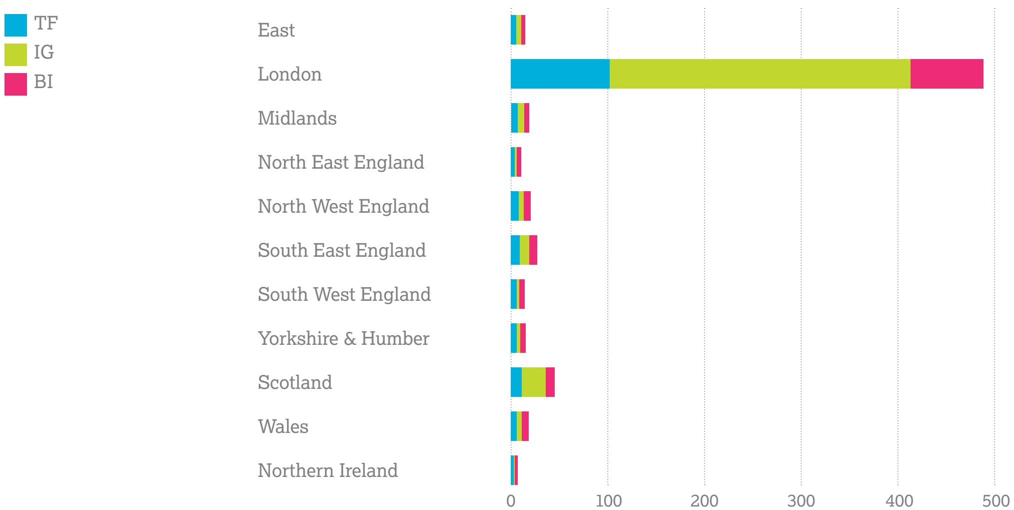
To a slightly lesser extent, this inequality applies to business investment and trusts and foundations as well.

Region	Region% total BI	Region% total IG	Region% total TF	Region% total PI
East	2.83%	1.30%	3.06%	2.04%
London	56.17%	81.43%	60.11%	71.23%
Midlands	3.43%	1.81%	4.18%	2.71%
North East England	3.39%	0.70%	2.88%	1.76%
North West England	5.47%	1.33%	5.14%	3.08%
South East England	6.24%	2.87%	5.36%	4.14%
South West England	3.88%	0.95%	3.63%	2.19%
Yorkshire & Humber	3.85%	1.20%	3.80%	2.36%
Scotland	7.47%	6.76%	6.63%	6.86%
Wales	5.23%	1.33%	3.58%	2.64%
Northern Ireland	2.03%	0.33%	1.63%	0.98%
Total	100%	100%	100%	100%

Contributions to regional private investment

Region	Highest		Lowest
East	Trusts	Individuals	Business
London	Individuals	Trusts	Business
Midlands	Trusts	Individuals	Business
North East	Trusts	Business	Individuals
North West	Trusts	Business	Individuals
South East	Individuals	Trusts	Business
South West	Trusts	Business	Individuals
Yorkshire & Humber	Trusts	Business	Individuals
Scotland	Individuals	Trusts	Business
Wales	Business	Trusts	Individuals
Northern Ireland	Trusts	Business	Individuals

Composition of regional private investment

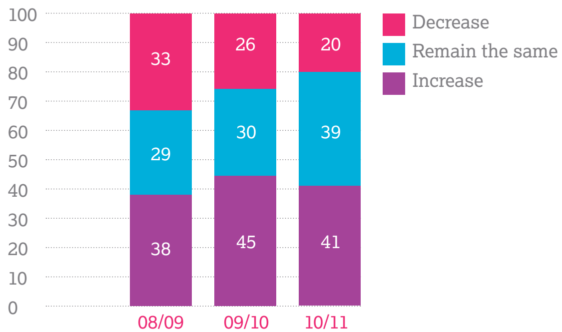


This graph is useful to visualise the monetary distribution by region, but as private investment in London is so disproportionally higher it does not allow us to visualise the proportional distribution elsewhere. The chart on page 33 depicts this more clearly by stacking the graphs to a 100%.

Future private investment

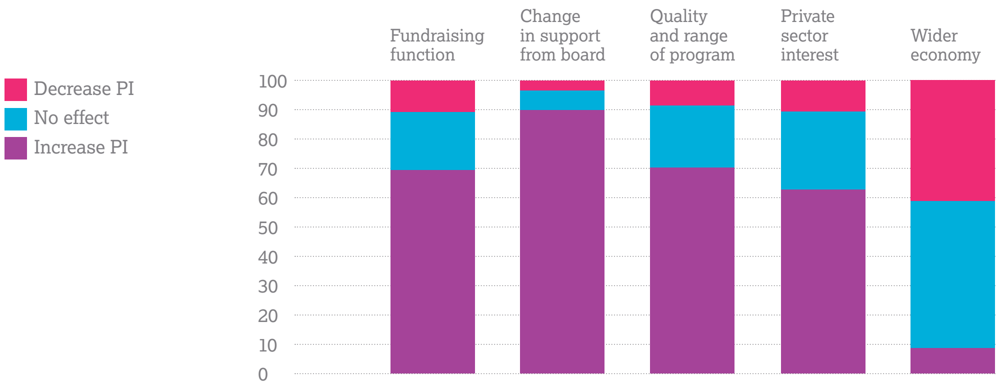
In our survey conducted in 2009/10 we reported that: "Several indicators, including Arts & Business's business contacts, are suggesting that 2010/11 will be a better year for private investment". This has been partially borne out, although the lack of clarity on the length and strength of the recession has probably had a significant impact on growth.

In the survey this year we ask people working in the cultural sector for their sense of how much the private sector will support the cultural sector next year.



Clearly the optimism that developed last year has faded a little. In our current survey the number of people who feel that next year will be better has fallen to 41%, with an increasing number feeling that the picture will remain the same. In 2009/10, 45% of the respondents felt that the following year would be better, compared to only 38% the previous year (it should be noted that in both cases the following year was better, albeit only just!).

Why



Percentage of respondents (%)	Fundraising function	Change in support from board	Quality and range of program	Private sector interest	Wider economy
	11	3	8	14	41
	20	7	21	33	50
	69	90	70	53	9

To better understand what factors may influence why a fundraiser may feel optimistic or pessimistic, we asked respondents to consider the future in light of various factors, both within and outside their organisations, which could influence their ability to fundraise.

The way to interpret this chart is, for example, to say that 70% of respondents who believe the quality and range of an organisation's progrmme affects its private investment also believe that their organisation will raise more money next year.

There was a marked optimism amongst those who felt that key factors inside their own organisations had a significant impact on their ability to fundraise.

Amongst those who felt that their own organisation's fundraising function played a significant role in the amount of money they raised, 70% were optimistic about their future. Likewise, as we have seen, amongst those that felt that the quality and range of their organisation's programme affected the amount of money they could raise.

Perhaps the most startling result comes from those who felt that their own board played a major role in their organisation's fundraising. 90% of these people felt optimistic about the future.

In contrast, greater pessimism existed amongst those who felt that external forces played a stronger role in their ability to fundraise. Amongst those who felt that their fundraising depended on private sector interest in their organisation, only 63% were optimistic. Most dramatic of all, amongst those who felt that the overall economy played a key role in their fundraising, less than 10% were optimistic about the future.

In other words, optimism about the future was prevalent amongst those who felt that how their organisation performed in different areas played a major role in their fundraising. Whereas those who felt that external forces were more important, were more pessimistic about the future.

Possible futures

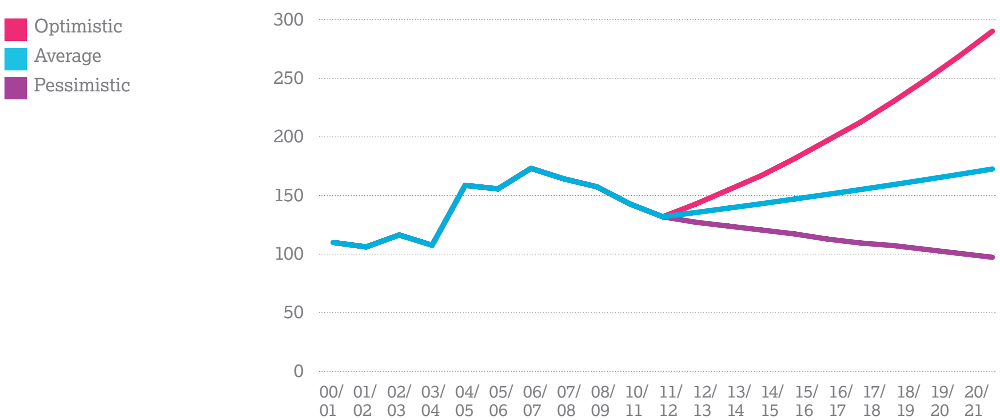
The primary purpose of this report is to record what has actually happened. Other surveys, including this one, also ask about expectations amongst those involved in this field, but these opinions always need to be balanced with the facts, which this survey alone provides.

It is, of course, notoriously difficult to predict the future in any field, especially when it comes to monetary commitment. However, as has already been discussed, there are some trends in terms of growth factors that might suggest what future growth might look like.

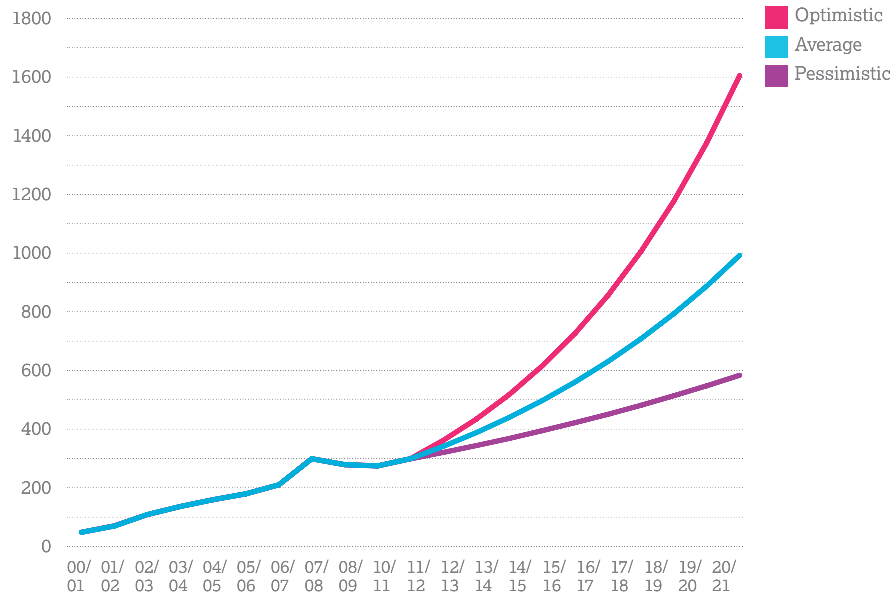
To determine possible growth profiles, we have calculated the average change in annual investment from each source from 2000/01 to 2010/11 and applied that figure in a linear manner to the next 10 years, taking predictions up to 2022. We have then looked at the standard deviation of this average in order to calculate the optimistic (average + st. dev) and pessimistic (average – st dev) predictions. Due to the large historical fluctuations, the standard deviation created a very broad range, so we then reduced the extremes to an arbitrary 5% plus and minus around the average return. We feel that this is a more realistic proposition, especially with regards business investment, which has been in decline in the last 4 years, as it presents a scenario whereby this decline continues.

The graphs look as follows

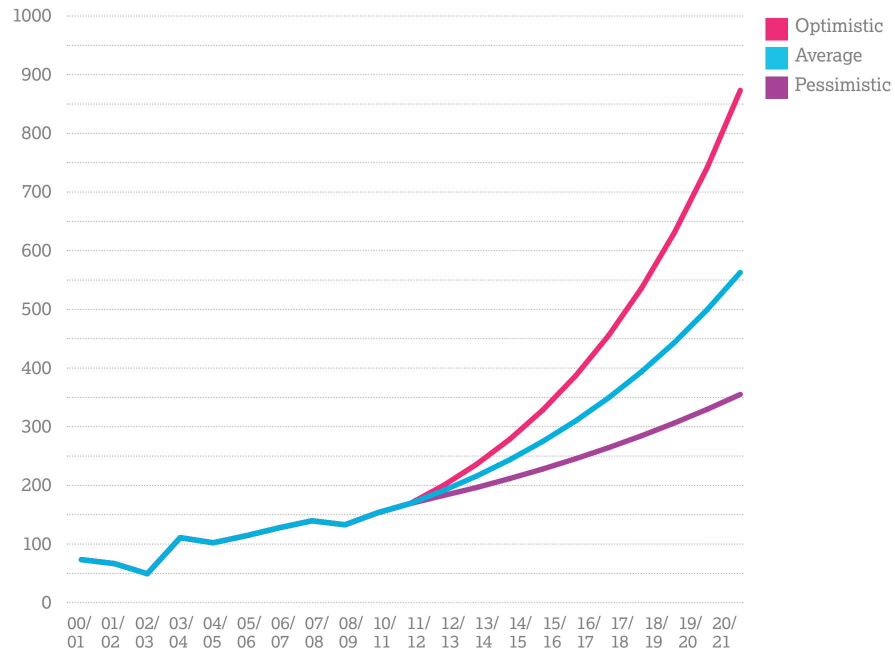
Business investment (£m)

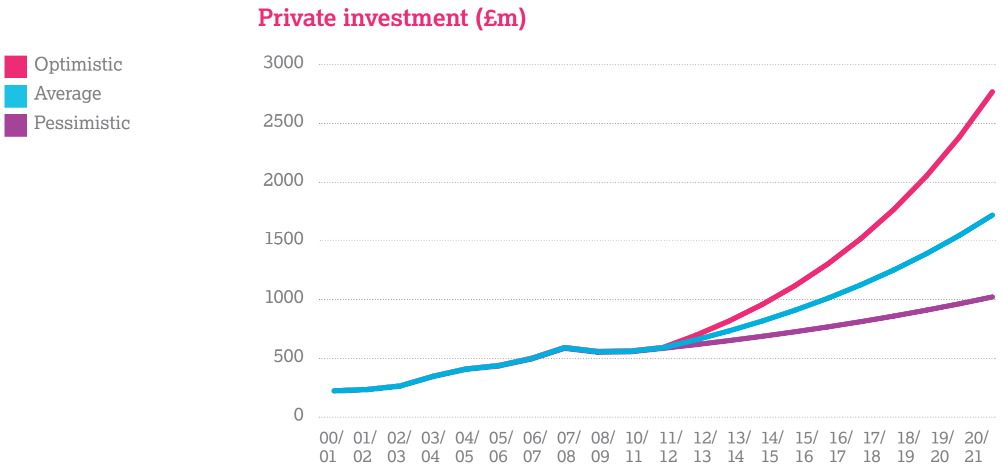


Individual giving (£m)



Trusts and foundations (£m)





Under the optimistic model, based on past performance, private investment in culture would reach £1bn by 2014/15.

However, the current state of the economy would suggest that that is unlikely. Under the pessimistic model, that target is reached in 2020/21 but the steady growth scenario suggests that by 2016/17, the private sector will be contributing £1bn to the cultural sector.

Recommendations

Despite the faltering economy, the level of private investment in the arts has been robust. Ideally when the economy recovers more public money will flow to the arts. The evidence suggests that to secure more private investment in culture we invest more public money. All of this is part of growing the financial health and vitality of the arts.

The current Government has made it a priority to grow cultural philanthropy. It is too early to assess the impact of new policies and see the extent to which the Government has realized these aspirations. We welcome this commitment to progress private giving across the whole charitable sector. We believe with the right mechanics in place it can happen.

There are many issues to confront. There is still a gap between how much the philanthropist believes they give and the amount an arts organisation actually say they receive. The arts still sit on the cusp of the charitable sector. Many wonder if the arts matter, fundamentally – are they part of the human core? If not, how can the arts ask for money in the same way as say health charities or international development agencies?

In making these recommendations we want to be clear where Arts & Business, now part of the wider movement for Business in the Community, will focus its efforts. Other recommendations are for others to pursue, though we will offer expertise and guidance whenever possible. There are wider social and economic problems at play which nuance some of these ideas. We want to achieve continued growth in private sector investment in the arts and believe these recommendations help show the way.

Our ten-point plan for the arts

When Arts & Business was founded over thirty five years ago the juxtaposition of the words ‘arts’ and ‘business’ felt both a necessary clarion call, but also a leap of faith – proclaiming, as it did, that the future of both the arts and business sectors would burn more brightly if they worked closely together.

As this report makes clear, today the arts simply cannot flourish and, in some instances, even survive without the ongoing support of the private sector. Arts and commerce, culture and business, creativity and philanthropy are all inextricably linked.

If the concept of business and arts partnerships has long since passed being a leap of faith, still it is by no means hard wired into either business or arts thinking. The fall in business support over the last four years underlines this.

Every indication suggests that public funding will continue to fall. To help ameliorate the effects of this, there has been much talk – and some important action – from the DCMS and ACE, amongst others – to encourage private sector support, particularly from individuals. These steps are to be welcomed but it is important to reiterate the caveat that not only will private sector support fail to make up the difference in the short term but that cuts to public funding actively disincentivises some giving. One clear message has been that the private sector does not welcome being thought of as a replacement for public funding.

In July 2010 Arts & Business issued our Private Sector Policy for the Arts. At the heart of our thinking was the realization that we collectively had neglected to find the best ways to drive more private sector investment into culture. 2012 is an apposite time to reflect on the main calls then and the picture today, as outlined in this report, in order to focus on the progress made across England.

1 A Matching Grant Programme to stimulate business sponsorship of the arts.

One of the most startling facts shown by this report has been the steady decline in business support of culture over the last four years. Clearly the reduction in financial support is worrying but at a time when business has so much to offer as well as cash, particularly with regards entrepreneurial thinking, the loss of these relationships is a matter of considerable concern.

The decline in business support more or less coincides with the closure of the investment programme run by Arts & Business in England. Scotland, Wales and Northern Ireland continue to benefit from a matching grant programme dedicated to growing business investment. In our Private Sector Policy two years ago we called for its reintroduction. This has not happened and we believe that the figures in this report underline the increasingly vital need for it.

2 A new Challenge Fund Scheme to stimulate individual philanthropy for the arts.

In England, the various Catalyst Programmes* though in their infancy, have a desire to stimulate philanthropy at their heart and that is much to be welcomed. Our report underlines that there is greater optimism about future fundraising amongst those who feel that their fundraising function is crucial to that – so Catalyst’s investment in this area, as well as its matching programme, is a very positive step forward. Our main concern, at a time when CAF have reported that wider charitable giving in the UK remains flat in real terms, is a flood of arts organisations asking for money from the same people at the same time. It is vital that those ‘asks’ are well thought through otherwise we are likely to see not just donor fatigue, but antipathy or even hostility as a result. One route through this would be the development of even better friends schemes. Our research shows that they have proved increasingly popular as general donations from individuals have fallen. Central to this will be greater clarity from HMRC on the donor benefit rules, which we will talk about in our fifth recommendation.

* http://www.catalyst-artsandheritage.org.uk/
http://www.artscouncil.org.uk/funding/apply-for-funding/strategic-funding/grant-programmes/catalyst-arts/

3 A legacy campaign for the arts.

This year, for the first time, our report shows that income from legacies have exceeded donations to the arts, although, as we point out, this is perhaps more due to a fall in donations than a particular rise in legacies (in fact legacy income to the arts fell last year, but by a considerably smaller degree than the rise the previous year). Much work has happened over the last two years on legacies, most notably the change in inheritance tax and the Legacy 10 campaign. It is too early to see if these have had the desired impact – traditional wisdom suggests that actions to improve legacies need at least four years before any impact can be determined. However, they are likely to achieve more if they build on a stronger foundation, and this appears to exist.

4 A campaign to increase cultural philanthropy from the financial sector and the wider business community.

It is encouraging to see that the financial sector has increased its support of culture last year, with our report indicating that they have more than made up for the fall the previous year. Clearly the financial services sector remains vital to the cultural sector and their support needs to be encouraged and championed. However, what the last five years have shown is that the cultural sector should not rely on the financial services sector to the degree that it does. We need to encourage other sectors to match their support. Not only will this reduce the risk inherent in over-reliance on one sector but it will also help encourage business partnerships outside of London, where the financial services sector are less dominant.

Alongside this, Arts & Business intends to investigate further the relationship between the creative and the technology sectors and the arts in England to see what measures could be implemented to help maintain the remarkable growth seen in this report.

5 Tax reforms to underpin a vibrant art.

Over the last two years there have been some important steps taken by the government and HMRC to improve charitable giving. The reduction in inheritance tax where donations are given. the increase in the benefit limits and the introduction of a tax relief on the gift of works of cultural significance are all to be very warmly welcomed. There have been a very small number of setbacks, the most important of which was this year’s attempt to cap the tax relief available on donations. This was rightly overturned but the debate around the measure highlighted an important underlying issue. We need to make sure that there is a cross government approach to developing philanthropy and that this approach is not just at ministeral level. Time and again people who are making significant donations to charity have suggested that their treatment by HMRC implies a level of scepticism at investigator level that the donations have been made for the right reasons. If we are to encourage major gift giving, and reverse the decline in donations shown in this report, then we need to ensure that those making donations are not viewed in some quarters as somehow suspect.

The clear success story in individual giving to culture has been friends schemes. This success has been achieved despite, rather than because of, the rules governing benefits allowed in return for a donation. At times the cultural sector has been guilty of not applying gift aid in the spirit in which it is intended (the early attempt by some arts organisations to claim gift aid on admissions is a case in point). However, the lack of detailed clarity on how benefits should be valued is resulting in wasteful confusion in the minds of both arts organisations and donors. HMRC have done some useful work in this area, but much more needs to be done.

Finally, to encourage greater entrepreneurship in the cultural sector, we would call for the same rules that govern the tax treatment of investment in film and some other forms of commercial cultural activity to also apply to investment in potentially commercial activity being developed in the wider not-for-profit cultural sector. This will lead to a stronger financing market to which the cultural sector can turn for the development of ideas that will generate greater earned income. In time, we would hope to see not just an increase in investment but also venture philanthropy.

So there has been some success with the key points Arts & Business outlined two years ago but our report, as well as our wider work, suggests that a few extra suggestions now need to be added to this list.

6 Increased collaboration amongst arts organisations

The competition for both funding and consumer spending is becoming increasingly tight in both the charity sector and the high street. To mitigate the impact of this, we believe that more arts organisations need to work in closer collaboration not just to share costs but also to create a louder voice to the private sector about their role and impact in the communities they share. To help develop this, we will identify areas of best practice, such as Liverpool, and roll out a programme of advice and support to help cultural partners wishing to develop collaborative approaches. Central to this will be the role of business individuals in those communities. Building on our own volunteering programmes and those being run in BITC, we want to ensure that business skills and expertise support and develop these collaborations.

7 The private sector seen as a core partner and not a final funder.

Too often the private sector is still viewed as the funder of last resort. Wider research on individual giving, this report's views on the growth of sponsorship over donations and the conversations Arts & Business has been having, underline that central to increasing private sector support has to be a revision of the perception of its role in cultural provision. Rather than the arts coming to business with a fully formed project hoping for sponsorship, or coming to individuals with request for money for an idea already in development, the arts need to start talking to the private sector as the initial ideas are being formed. Some may see such early engagement in the artistic process as disquieting, but Arts & Business is seeing increasing examples showing that the outcome is usually so much more than either party originally thought possible. Arts & Business will explore this area in greater detail to draw up guidelines of best practice.

8 Earned income

Anecdotal evidence suggests that there is still a considerable disparity in the amount of earned income raised by respective arts organisations with similar facilities and assets. We need to bring the expertise of the business sector to bear and ensure that the shops, cafes and venues of arts organisations across the country can best use their assets in the most efficient and effective manner possible. By taking a more commercial approach to these assets, notwithstanding the not-for-profit ethos that underpins the organisation, the cultural sector will be ensuring that the artistic programme is supported through maximum income generation.

9 Crowd funding and other income generation ideas

The considerable excitement that has been generated in some quarters on digital fundraising is encouraging. The money being set aside for their development is useful. What is interesting is that most fundraisers that Arts & Business talks to do not share the fervent belief that it will revolutionise fundraising. It will, of course, impact on fundraising as it has on so many other areas but as the arts generally do not engage in mass low level fundraising and instead focus on the development of relationships to ensure long term income generation, there are perhaps larger question marks over its use in the arts relative to other charitable areas. Arts & Business would like to see the enthusiasm and money devoted to this area broadened to cover other, perhaps less immediately exciting, areas within fundraising.

Central to all of these however, will be a better understanding of the consumer. This private investment research report, along with much other cultural fundraising research, focuses on the impact of private investment and the attitude to it in the arts. Arts & Business is looking at how this report could be valuably augmented with equally robust (and, hopefully, long term) research into the thinking underpinning why businesses and individuals give money to the arts.

10 Corporate volunteering

The corporate sector highly value (and invest in) volunteering opportunities in the arts. Often, this route is the only engagement a business has with the arts. Vital commercial expertise and networks are exchanged – bringing tangible benefits to both. Arts & Business has run the highly successful Board Bank programme for over 20 years, bringing the skills of over 5000 business people to the arts. We know there is greater appetite for more structured, strategic and project based volunteering from both business and the arts and recommend a managed volunteering programme that supports these high quality, high impact partnerships in key areas (ie technology, finance etc).

Conclusion and comment

We should remain cautious about making predictions about future levels of private investment in culture. All forecasting is a mixture of judgement and knowledge, juxtaposed against the data we have captured and analysed for over three decades. We remain the best source of stargazing. By studying in-depth the average historical returns, we maintain a case for grounded optimism.

Throughout history the private sector has been the most reliable and constant funder of culture. Individuals driven by passion, corporations inspired by both community provision and a quest to increase profits; trusts and foundations united by the belief of the power of the arts to transform lives; have all turned to the arts. We do not see this ending, the question is how far can it grow.

Arts & Business has set a goal for the sector to raise £1bn of private investment by 2020. To achieve this from our current levels of £686m, we collectively have to hit 5% less than the most recent average returns. In the current environment we see this as a worthwhile and challenging target.

Arts & Business is an agent of change. We have to celebrate and champion those businesses creating wonders with the arts. We have to inspire other businesses to become culturally active. We must find better ways for individuals to give their money and their time. We must build cultural capacity and ensure the arts make the right ask and offer relevant solutions to business issues.

We cannot afford to lose the cultural vitality of our communities. Arts & Business is determined that this does not happen. With our strong 36-year track record of developing private sector support of culture and our recent merger with Business in the Community, we now have an unrivalled network of community-engaged businesses. We will initiate a new debate – harder, more urgent and more critical – that brings responsible businesses, communities and the arts closer together. Together, we will explore the impact of the arts on a changing Britain.

Many businesses continue to show true pedigree in showcasing how business and the arts should collaborate, both as a business and through their partners. Many other business people share our concerns that the arts are not an optional extra – that they provide insight, creativity and opportunities to build self-esteem, all of which are necessary to make the communities healthier and more vibrant. We are committed to growing our market, balancing it better and making sure that business and the arts together continue to enrich all our lives.

Methodology

Out of a population of approximately 4,500 arts organisations, we received close to 900 responses (response rate of close to 20%), making up a representative sample of organisations of all artforms and sizes and from all the regions and nations of the UK. This figure is consistent with our respondents from previous years and we make sure that we have a consistent sample of organisations responding every year, so our year-on-year comparison remains consistent and reliable.

Our respondents provided us with figures for the private investment received by their organisation for the financial year 2010/11, which was then extrapolated to cover the whole of our original population base. Please note that we extrapolate only for figures on private investment and not on other contextual questions we ask in the survey.

Private investment from our actual responses accounted for 81% of the total extrapolated figure, which included most major and large organisations and therefore makes the extrapolation method very robust.

The extrapolation method is based on a projected investment band that each organisation is placed within (there are eight bands ranging from nil to over £20 million). This in turn is based on the amount of private investment each organisation is expected to receive, informed by our regional colleagues' knowledge and relationship with these organisations.

The extrapolation process for organisations that haven't responded is then completed by developing a matrix on SPSS whereby their region, artform and band are used to calculate an extrapolated figure based on the actual responses.

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