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**Arts Council England**

**Evaluation of Catalyst Year 3**

**Executive summary**

**BOP Consulting**

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# Credits

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# Executive summary

In April 2014, BOP Consulting was commissioned by Arts Council England to undertake the evaluation of their Catalyst programme. Catalyst was a £100 million culture sector-wide private giving investment scheme aimed at helping arts organisations to diversify their income streams and to access more funding from private sources. It was made up of investment from Arts Council England, Heritage Lottery Fund and the Department for Culture, Media and Sport (DCMS).

Arts Council England's total investment in the scheme amounted to £70 million, including a commissioned grant of £2 million allocated to the Arts Fundraising and Philanthropy training programme. The programme closed in August 2015. The evaluation was longitudinal and ran until after the end of the programme, to November 2016. This report is the final published output from the evaluation.

## Background and aims of the programme

Fundraising from private sources, philanthropy and endowments has long been understood as an important income-raising approach in the American arts and cultural sector and in other UK charity sectors. However, awareness of this has only relatively recently gained traction within the English arts and cultural sector. For Arts Council England, the Catalyst scheme represents one of the key measures that it is putting in place to “help create a more sustainable, resilient and innovative arts sector”.

The Catalyst programme consists of three “tiers”, each with differing processes and emphases, and aimed at organisations with differing levels of existing practice and expertise in engaging in philanthropy and fundraising. The aims of the programme are:

1. Build the capacity and ability of arts organisations to fundraise
2. Incentivise giving to the arts, particularly from new donors
3. Contribute to an increase in the diversification of income sources, thereby increasing arts organisations' resilience

4. Support a long-term culture change/shift in arts organisations towards fundraising

## Methodology

The evaluation undertook a mixed method approach, which included:

- interviews with stakeholders
- a literature review of arts philanthropy in the UK
- in-depth interviews with donors, covering a range of trusts and foundations, as well as high net worth individuals (HNWIs)
- interviews with all Tier 1 organisations and a number of Tier 1 supporters
- qualitative case studies with 31 Tier 2 and three Catalyst recipients
- qualitative case studies with five non-Catalyst organisations that had applied to the Catalyst programme but were unsuccessful, in order to explore the counterfactual
- two detailed national online surveys of Catalyst beneficiaries in Year 1 and Year 3
- data gathered from four national learning events with Catalyst grantees in Year 1 and Year 3
- an analysis of Arts Council England management data for Tier 1 and Tier 2, both descriptive statistics and regression analysis

## Summary of key findings from Year 1 and 2

The Year 1 evaluation explored how Catalyst grantees were building their fundraising capacity and expertise. Our research identified a specific set of actions and activities that grantees were undertaking, but also the more structural changes that were being made to organisations' governance, processes and strategies.

Overall, findings from Year 1 suggested that the programme acted, as its name suggests, as a catalyst. The funding support gave the organisations the confidence to try new pathways and experiment with new tools and strategies, and it greatly de-risked the experimentation process. Catalyst contributed towards making the case internally for fundraising within arts organisations and this contributed to increased internal resources, skills and capacity. As a result, most organisations approached new donors and the share of overall revenues accounted for by private giving increased incrementally to 12 per cent.

Year 2 findings provided further evidence of these benefits, adding more depth and nuance to our findings and shedding greater light on the financial impact of the programme. The financial analysis of private income raised by grantees in Year 2 suggested that, while not all Tier 1 and 2 organisations had met their financial targets for match funding, significant sums had been raised (£49.5 million across the programme) – such that they were slightly in excess of how much the Arts Council had invested in the beneficiary organisations (£48.5 million).

Year 2 also showed that larger organisations are more likely to be able to raise greater sums of private giving income. However, the same analysis provided only *some* empirical support to previous evidence that suggests that being based in London is associated with a greater ability to raise private giving income. The results were not unequivocal and in fact there were some that challenged the conclusion that “geography is destiny”. Instead, the evaluation results for the Catalyst grantees suggest that there are still improvements that can be made in terms of internal organisational factors that will increase the ability of arts organisations outside London and the South East to fundraise.

Finally, both the Year 1 and Year 2 evaluation reports documented how the match funding element of both Tier 1 and Tier 2 was widely welcomed. It made it more attractive for donors to give (both new and existing ones), at the same time as organisations were improving their ask. In this way, it provided forward momentum to the organisations’ fundraising efforts, creating the best possible conditions for them to succeed.

### Summary of key findings from Year 3

Year 3 focused on assessing the degree to which the fourth aim of the programme was achieved, namely whether Catalyst has helped to develop a long-term culture change/shift in organisations towards fundraising.

The findings of this year’s evaluation are largely positive in this respect. Catalyst has left a sustainable legacy for most organisations, which is likely to last into the medium if not long term (which is always harder to assess as it is further away).

Evidence for this conclusion is provided by:

- the majority of organisations’ continuation of fundraising activities: 86 per cent of organisations have continued to launch campaigns, and to invest in capacity building activities like training (72 per cent) and consultancy (47 per cent), as well as activities that build support bases, like membership schemes (46 per cent)
- a commitment across the majority of organisations (88 per cent) to maintain or increase the level of resources allocated to fundraising, and a greater focus on planning, effectiveness and monitoring of fundraising
- the considerable organisational change undertaken by grantees. Some of the most significant data in this respect is:
  - 87 per cent of organisations now have a written fundraising strategy with clear targets and goals (compared to 30 per cent in Year 1)
  - 52 per cent of organisations recruited new Board members
  - 48 per cent of organisations have developed new dedicated fundraising posts
  - 37 per cent of organisations have been able to sustain new roles and 22 per cent have been able to sustain at least some new roles
  - 64 per cent of organisations report that they have increased their planning timeframes for fundraising

These organisational changes suggest that Catalyst has helped establish a culture of fundraising within their organisations, the greatest benefits of which will be generated in the medium to long term. The continued commitment to

fundraising within their organisations and within their organisational cultures means that they have not shrunk back to the position they were in before the programme started as soon as the grant funding ceased.

Further evidence of the sustainability of organisations' enhanced fundraising capacity post-Catalyst is the dramatic turnaround in the cost benefit of fundraising within organisations from pre-Catalyst to post-Catalyst, with the majority (67 per cent) now reporting their fundraising activities are cost-positive. This constitutes a 34 percentage point increase from Year 1, in which only 33 per cent of grantees reported that their fundraising activity was cost-positive<sup>1</sup>.

The financial impact reported by organisations in Year 3 provides further positive evidence, showing that grantees have been able to attract and retain new donors following the end of the programme. The proportion of philanthropic revenues to overall turnover has also kept rising, and philanthropy now accounts for 14.7 per cent of overall revenues (against 12.7 per cent in Year 1).

### **The distribution of benefits**

The evaluation brief also asked us to look at distributional questions, namely are there organisational characteristics that have meant that some organisations have benefitted more than others?

#### **Tier 2**

In terms of programme design, the Year 3 findings show that organisations that participated in Tier 2 have consistently experienced more benefits than those in Tier 3. This is evidenced by: greater investment in long-term fundraising infrastructure (e.g. membership schemes, ICT systems); a significant increase in cost effectiveness of fundraising activities; a greater increase in Board engagement; bigger increases in the number of dedicated posts; longer planning timeframes; and a considerable increase in philanthropic income.

There are very good reasons for this, both in terms of programme design (Tier 2 organisations benefitted from higher grant income than Tier 3

organisations, so the intervention was larger), but also in terms of the grantees themselves (Tier 2 organisations already had some experience in fundraising).

The match funding and capacity building formula of Tier 2 forms the basis of the follow-up Arts Council Catalyst Evolve programme, while widening out the beneficiary pool to organisations with less fundraising experience, and this year's results support this programme design choice.

#### **Tier 3**

Of course, this is not to say that either Tier 3 or Tier 1 of the programme did not also produce results. This year's survey results suggest that almost three quarters of Tier 3 organisations found the experience of working in consortia (as required under the terms of Tier 3), was a positive one, and just over half of organisations have continued to collaborate with some of their consortia partners since the programme has finished.

#### **Tier 1**

The Year 2 report looked in some depth at the experience of the Tier 1 endowment organisations within the Catalyst programme. Despite some initial challenges, individual organisations had learnt much and in the main, gained tremendously through their participation in Tier 1. Taken as a group, they showed that endowments can be relevant for many larger arts organisations, providing a valuable and distinct element within an organisation's funding mix. This year's evaluation strengthens these findings.

### **Geography**

Concerning the "demographics" of the organisations themselves, the Year 3 survey results continue to show encouraging results for the Catalyst beneficiaries based outside London and the South East. Organisations in the Rest of England have since made greater investment in training and upped the number of dedicated fundraising posts more than their peers in London and the South East. This would suggest both that there is still a greater need for

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<sup>1</sup> Generated more income than it costed.

fundraising capacity and expertise in arts organisations outside of London and its environs, but also that this gap is actively being addressed to some extent.

### Good practices adopted by Catalyst grantees

The qualitative research conducted across all years of the evaluation contain plenty of evidence on what good practices influence the ability of arts organisations to fundraise. These encompass a range of good practice, including:

- designing a compelling case for support
- developing a mission and vision led fundraising strategy
- identifying fundraising assets
- developing fit-for-purpose governance
- establishing a culture of fundraising within the organisation
- understanding donor motivations
- using consistent and effective messaging
- deploying a tailored approach to relationship management
- designing an innovative case for support

### Forthcoming challenges

The majority of Catalyst beneficiaries have shown themselves to be capable of organisational change. The direction of this change also has clear commonalities: greater entrepreneurialism; more involvement in the fundraising mission across the organisation; stronger relationships with donors; and larger private giving revenues as a result.

However, since the end of the programme, the fundraising experience of several Catalyst grantees has still been challenging. In particular, although many Catalyst grantees were able to attract trust and foundation funding with the support of Catalyst, they are now finding that this is not a stable source of revenue: trusts and foundations are heavily oversubscribed and so often do not

provide repeat funding to organisations. As a result, Catalyst beneficiaries are having to more regularly target individual giving, which many are finding more difficult than trusts and foundations, particularly those which are non-venue based, do not sell tickets, or are umbrella organisations. How well they adapt to this next new challenge remains to be seen, although the behaviours and attitudes that most organisations have fostered through Catalyst should stand them in good stead. The different challenges of fundraising for different types of private giving income could be examined in more detail in the forthcoming evaluation of the follow-up Catalyst: Evolve programme<sup>2</sup>.

### The contribution of the programme

Lastly, in assessing the impact of Catalyst, it is important to consider the degree to which the changes and outcomes picked up by our evaluation can be attributed to Catalyst, or were more likely to be the result of other “confounding” external factors. The Year 3 survey shows that, for most organisations, the Catalyst programme *did* make a major contribution to (i) the activities that they undertook to improve their fundraising capacity and practice, and (ii) the financial outcomes of their fundraising strategies.

The Year 2 comparative case studies suggest how Catalyst might have had this effect, namely by enabling:

- greater ability to plan and think long-term, through building capacity
- dedicated time to identify and approach new donors – as opposed to relying on more reactive and opportunistic approaches from existing donors
- opportunities to develop fundraising expertise through training and the use of consultants that would otherwise be hard to justify financially

Overall, the results strongly suggest that Arts Council England’s investment in Catalyst, has paid dividends in contributing to real change in the sector related to private giving. The evaluation has also produced a wealth of material that contributes to a better understanding of current and good practice regarding

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<sup>2</sup> Catalyst: Evolve is Arts Council England’s £17.5 million investment that builds on the Catalyst programme. Catalyst: Evolve will support organisations with a limited track record in fundraising to both build their capacity to earn philanthropic income and incentivise them through match funding.

philanthropy in the arts in England. This is of interest not just here in the UK, but also internationally, for the challenges that arts organisations in England face are not unique.

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