

Private Investment in Culture Survey

2012/13, 2013/14, and 2014/15



mtm

2016

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1 Foreword

I am delighted that MTM are sharing the Private Investment in Culture report commissioned by Arts Council England.

At a time when arts and culture organisations are looking to increase contributed income from all areas, I hope the report will provide you with a helpful starting point for benchmarking your practice and supporting you in strategic development and future fundraising planning.

The report will also be key to informing our scoping of future investments and policy developments to help us deliver our ambition for Goal 3, which focuses on supporting the sector to become more resilient and sustainable.

In addition to this report, [Arts Fundraising & Philanthropy](#) have recently produced a special edition of *Now, New & Next* with individual contributions from other stakeholders and fundraising professionals including Jane Marriott (Hepworth Wakefield) and Tamalie Newbery (Association of Independent Museums). The special edition should be of interest to all involved in fundraising for the arts and culture – do click on the link above.

Finally I'd like to thank everyone who completed the survey and provided us with a robust and rich set of data going forward.

Take a look at the report, read the articles and be part of the conversation on Twitter using #PICSurvey.

Francis Runacres

Executive Director, Enterprise and Innovation

Arts Council England

With special thanks to the following organisations for their help and support in conducting the Private Investment in Culture Survey 2012/13, 2013/14 and 2014/15:

- Arts & Business
- Arts Fundraising & Philanthropy
- Arts Marketing Association
- Association of British Orchestras
- Association of Independent Museums
- Culture24
- Dance UK
- Esmée Fairbairn Foundation
- Garfield Weston Foundation
- Heritage Lottery Fund
- IOF Cultural Fundraisers Group
- Museums Association
- National Dance Network
- National Museum Directors' Council
- Nesta

2 Summary

The relaunched Private Investment in Culture Survey sheds new light into the current state of private philanthropy in the arts and culture sector by providing insight into how private investment or contributed income has developed over the last three years. It presents a detailed picture of the sector in 2014/15 and sets a robust baseline for future surveys.

1,312 survey responses were used to model funding for the sector as a whole¹. Overall, the study has found that private investment in arts and culture has grown over the last three years and the sector appears to be becoming less reliant on public funding:

- **Growing importance of private investment:** Together with earned income, private investment has become more important to the overall funding of arts and culture organisations. Its importance is particularly pronounced among smaller organisations.
- **Individual giving remains the most important form of private investment:** Individual giving accounts for around half of all private investment in arts and culture, with individual donors favouring the largest organisations and those based in London.
- **At the time of the survey, the sector expected further growth:** Recognising that there are important challenges ahead, arts and culture organisations still see a bright future for private investment over the next three years and, in general, are positive about moving towards a more mixed model of income generation.

¹ More details on the method are available in section 10.

3 Key findings

- £480m** Total private investment in culture in 2014/15, of which £96 million came from businesses, £245 million from individuals and £139 million from trusts and foundations
- 18%** Private investment accounted for 18 per cent of arts and culture organisations' total income in 2014/15
- 29%** Private investment is much more important for smaller organisations, accounting for 29 per cent of total income for those with total income under £100,000
- 60%** The largest recipients dominate the sector, with the 50 biggest recipients accounting for 60 per cent of total private funding
- +21%** Private investment grew by 21 per cent in 2014/15, primarily driven by high-value individual donations to the largest recipients
- +8%** Organisations outside of the 50 largest recipients of private investment have enjoyed stable growth in private investment over the last two years, experiencing 8 per cent growth per annum
- 51%** Individual giving accounts for 51 per cent of private investment. 79 per cent of this individual giving is from donations
- 32%** Visual arts organisations have done disproportionately well in attracting private investment, accounting for 32 per cent of total private investment and only 17 per cent of total income. See page 15 for full breakdowns by artform
- 66%** London-based organisations account for 66 per cent of total private investment, which is broadly in line with their share of total income (63 per cent). See page 17 for full breakdowns by region
- 57%** 57 per cent of survey respondents expect their total income to grow over the next three years, primarily driven by increases in earned income and private investment
- 63%** 63 per cent of survey respondents think that lack of in-house staff capacity and time will hold their organisation back in their private fundraising aspirations²

² Note that the survey took place during the first half of 2016, in advance of the European referendum. Forward-looking questions will therefore not have taken the result into account.

4 Introduction

Arts Council England is committed to supporting the culture sector in becoming more resilient and economically sustainable. As public funding is under pressure, private investment is becoming more and more important, but since the last Private Investment in Culture Survey in 2011/12 there has been no sector-wide data on performance.

Robust data demonstrating the nature and extent of private sector engagement with arts and cultural organisations is vital for a number of reasons. Firstly, it enables organisations to benchmark their own performance against their peers and to think about how to optimise their fundraising and development activities. Secondly, evidence is important in informing government and shaping cultural policy, to facilitate further investment and more productive relationships between funders and organisations. Thirdly, detailed data on performance in different parts of the sector can be used to focus sector-wide interventions and guidance, including training. Last but not least, this sort of data enables the sector to profile, celebrate and recognise the private sector's commitment to the arts, thereby encouraging further investment.

As a result, Arts Council England commissioned MTM to relaunch the survey for the financial year 2014/15, with the aim not only to shed light on the current state of play, but also to bridge the gap with 2011/12, to show how the sector has developed since the last survey.

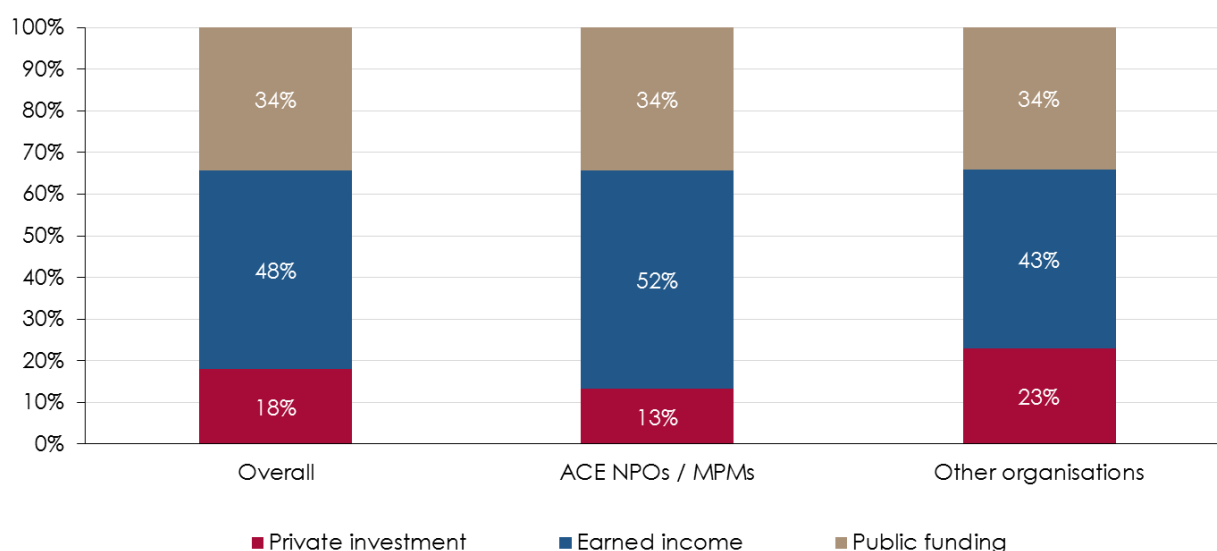
The Private Investment in Culture Survey 2014/15 received 1,312 responses from arts and culture organisations across England. The study used survey responses, Charity Commission filings, and financial data submitted to the Arts Council to establish the relevant universe for analysis – 2,874 active arts and culture organisations. **The relevant universe for analysis represents the number of organisations for which sufficient financial information was available to confirm that they are active and to estimate their total and private investment income; it does not represent the number of all arts and culture organisations in England.** In order to estimate private investment across this universe of relevant organisations, we used the figures provided by the 1,312 survey respondents and extrapolated them.

It is important to note that the historical figures presented in this report for 2012/13 and 2013/14 private investment are less robust, since fewer arts and culture organisations (784 in total) submitted financial data for 2012/13 and 2013/14 compared with 2014/15. It is also important to note that whilst this study used a similar method to the 2011/12 Arts & Business report, there are some key differences – most notably, this study covers just England whereas Arts & Business covered the UK, and different databases were used to source respondents. As a result, this study should primarily be used as a baseline for future work rather than for comparison with previous studies. See section 10 for more detail on the method.

5 Overall funding mix

Arts and culture organisations tend to generate income from three sources: public funding (eg government, Arts Council England, or local authorities), earned income (eg through ticket sales or selling merchandise) and private investment or contributed income (eg donations from individuals and businesses, or grants from trusts and foundations). Historically, arts and culture organisations have relied heavily on public funding, with around half of their income generated from public sources.³ However, over the last five years public spending has come under pressure, both at national and regional levels. As a result, the sector has started to place more emphasis on private investment, with organisations seeking to rebalance their finances to be less reliant on public sources. As shown in Figure 1, private investment accounted for about 18 per cent of total funding for arts and culture organisations in England in 2014/15, while earned income made up almost half.

Figure 1: Total income – breakdown by income type, %⁴

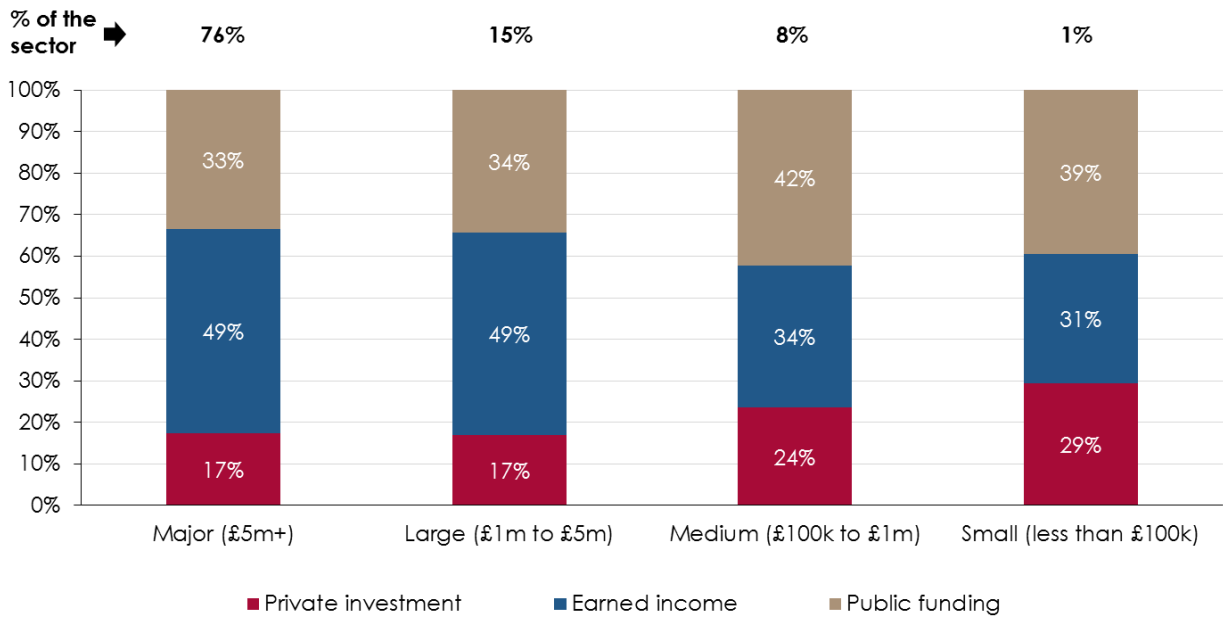


Funding models vary substantially by organisation size (based on total income). Larger organisations tend to generate more earned income, while smaller organisations are significantly more reliant on public funding and private investment. The smallest organisations (less than £100,000 in total income) are almost twice as reliant on private investment as major organisations; however they are estimated to constitute only about 1 per cent of overall sector income (Figure 2).

³ In the 2010/11 Private Investment in Culture Survey, Arts & Business found that 52 per cent of funding came from public sources. As the 2011/12 survey was focused on private investment and did not measure income from public sources, the 2010/11 figure is the latest available.

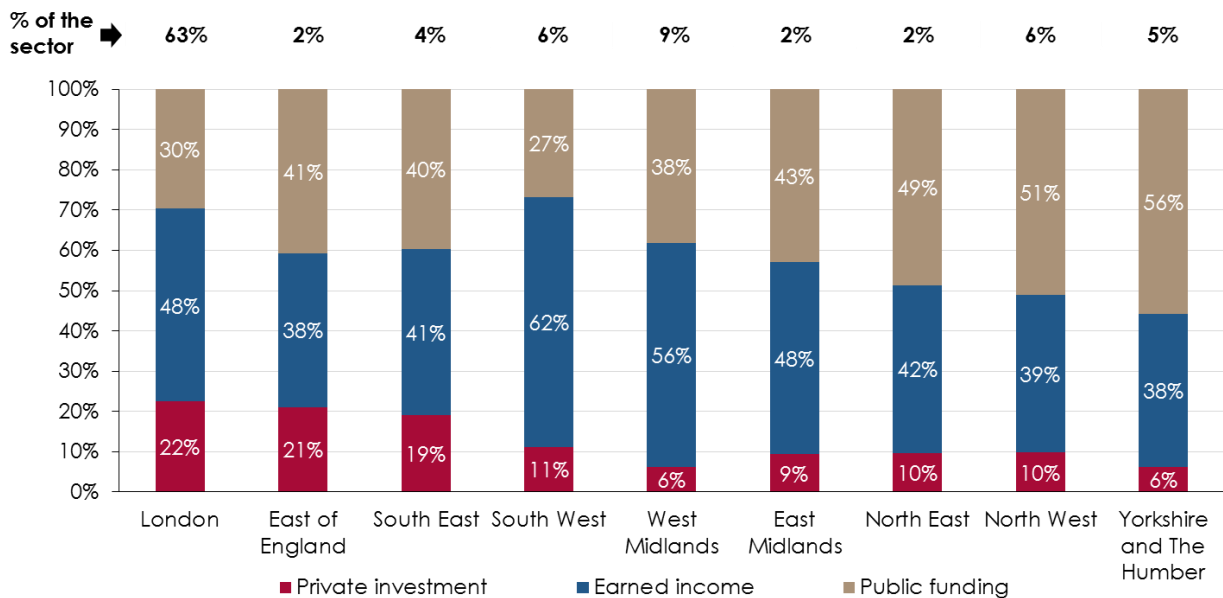
⁴ Estimates based on survey responses (n = 1,287). The results for 2010/11 are based on the Arts & Business study that covers Scotland, Wales and Northern Ireland and includes major heritage organisations (National Trust, Royal Botanical Gardens and English Heritage) that have been excluded from the analysis presented here.

Figure 2: Total income – breakdown by income type and organisation size, % (2014/15)⁵



Funding models also vary substantially by region. For example, arts and culture organisations based in London, the East of England and the South East are much more reliant on private investment than their counterparts in the North. This trend is exacerbated by the presence of a small number of very large organisations that raise large amounts of private investment. However, even after they have been excluded, these three regions still stand out.

Figure 3: Total income – breakdown by income type and region, % (2014/15)⁶



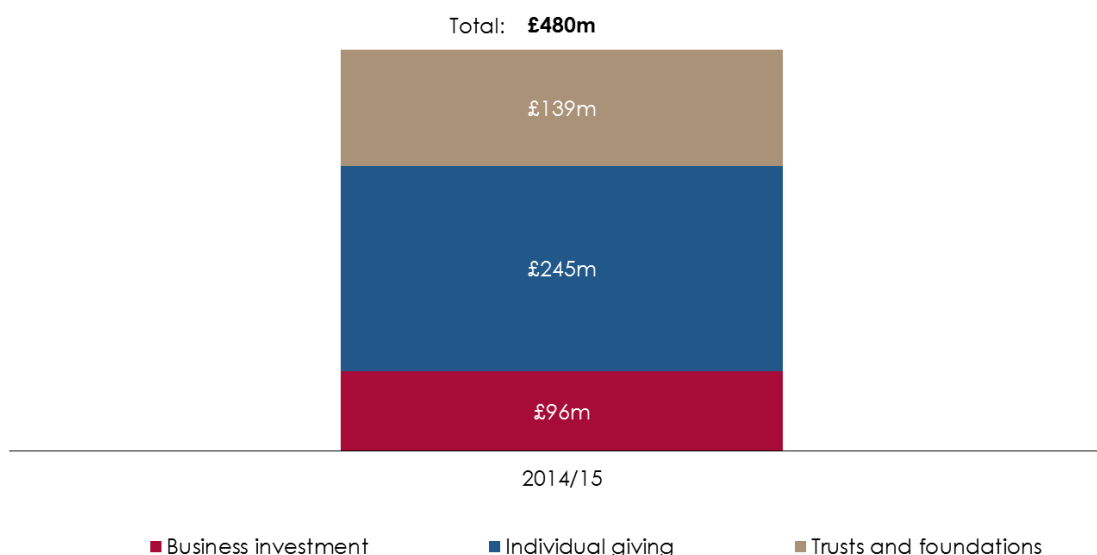
⁵ Estimates based on survey responses (n = 1,287): Major (n = 55), Large (n = 127), Medium (n = 422), Small (n = 683); percentage of sector = proportion of total income accounted for organisations in the category.

⁶ Estimates based on survey responses (n = 1,287); percentage of sector = proportion of total income accounted for organisations in the category.

6 Trends and dynamics in private investment

Individuals, businesses and trusts and foundations are estimated to have invested £480 million in 2014/15 to support arts and culture organisations in England. Individual giving is the most important form of private investment in the arts and culture sector, accounting for around 50 per cent of the total.

Figure 4: Total private investment in arts and culture by category, £m (2014/15)⁷

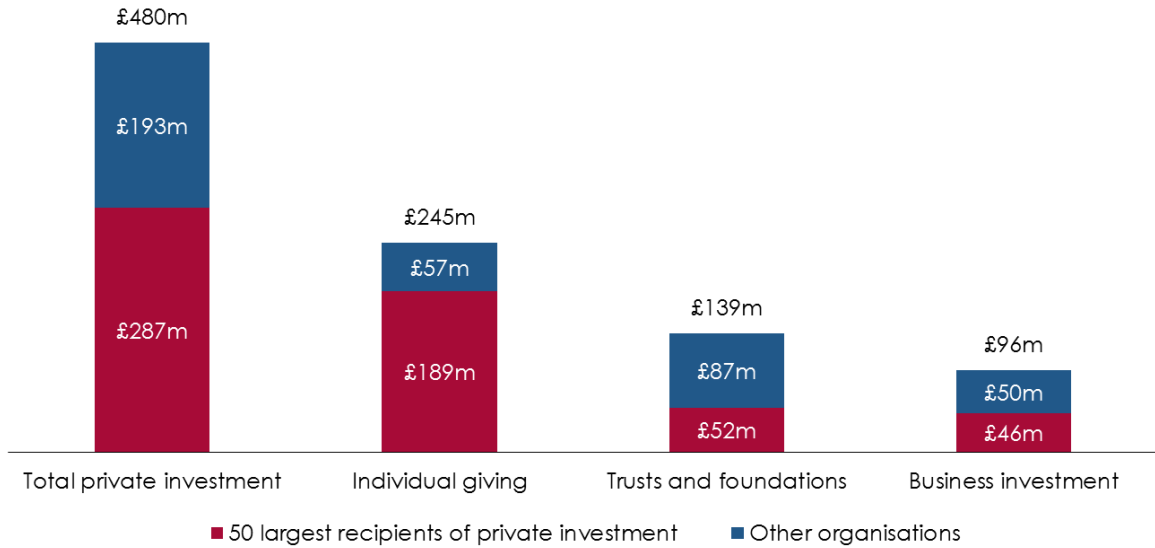


The distribution of private income is extremely uneven, with 60 per cent of all investment flowing to the 50 largest recipients (Figure 5). These largest recipients tend to closely overlap with the largest organisations, with most of them belonging to the major or large organisation categories. However, there is little evidence that the largest recipients of private investment are disproportionately better at attracting private investment, as they also account for 57 per cent of total income received by arts and culture organisations in the study sample. In other words, the largest organisations raise a lot of private investment but they also raise a lot from other sources.

There is, however, a difference between large and small organisations in terms of their sources of private investment. Individual giving in particular is dominated by the largest recipients, while trusts and foundations tend to give more to smaller organisations.

⁷ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874).

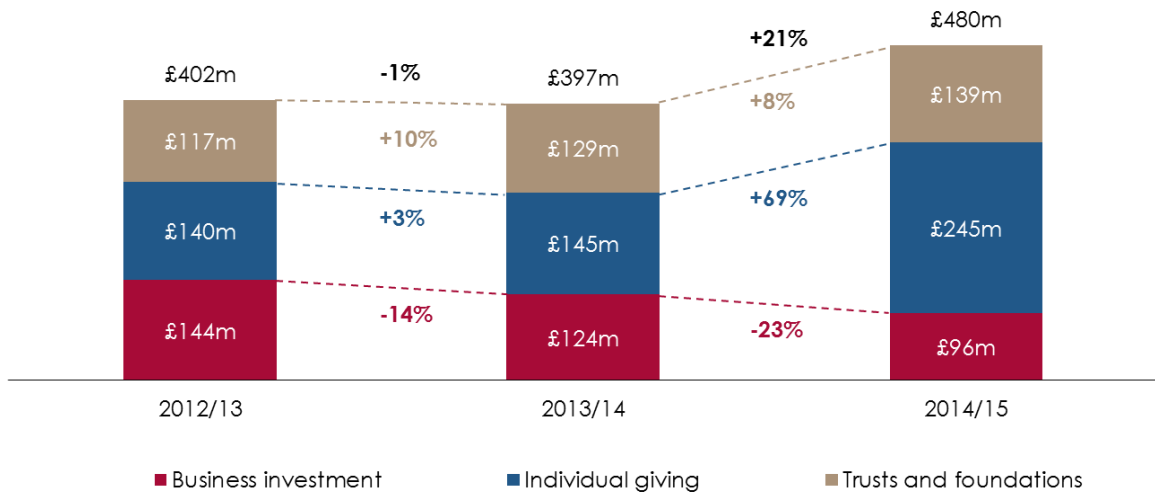
Figure 5: Total private investment in arts and culture by category – top 50 vs. the rest, £m (2014/15)⁸



Overall private investment grew by 21 per cent in 2014/15, including a substantial 69 per cent increase in individual giving and an 8 per cent increase in support from trusts and foundations. The significant increase in individual giving has been driven by a few high-value individual donations to a single organisation, but even when this recipient is removed from the sample there is still evidence of strong double digit growth.

Business investment has seen double digit drops in both years under analysis – a fall of £20 million between 2012/13 and 2013/14 and of £28 million between 2013/14 and 2014/15. However, these significant drops have affected only a few of the largest private investment recipients (described in more detail below) – it does not appear to be a trend across the sector.

Figure 6: Total private investment in arts and culture by category, £m (2012/13 – 2014/15)⁹

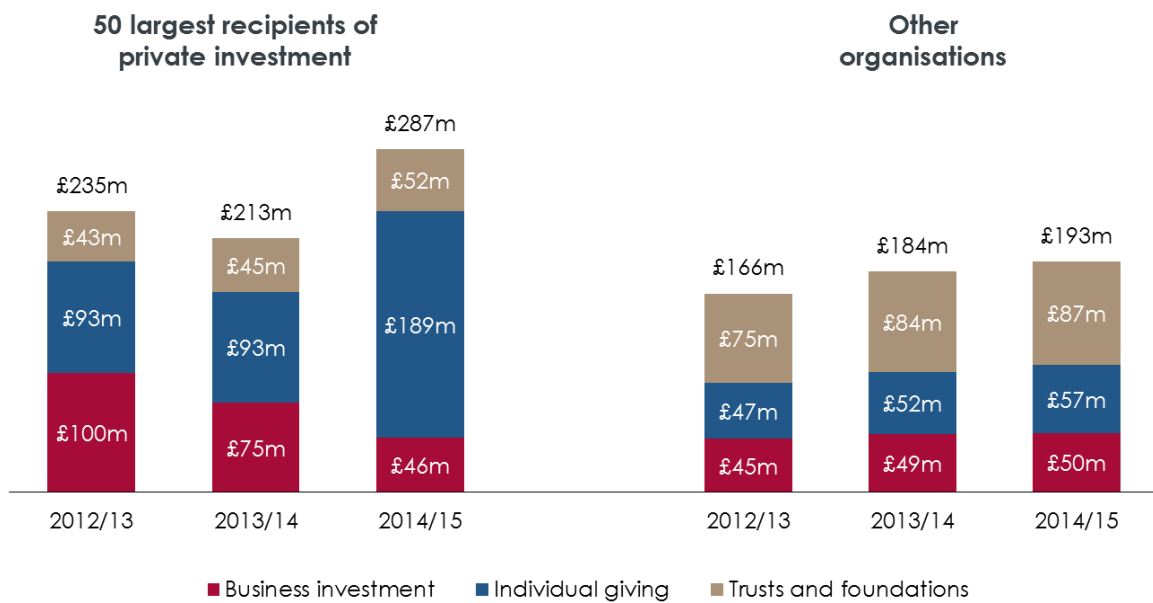


⁸ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874).

⁹ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874); estimates for 2012/13 and 2013/14 are based on a smaller sample of survey respondents (n = 784).

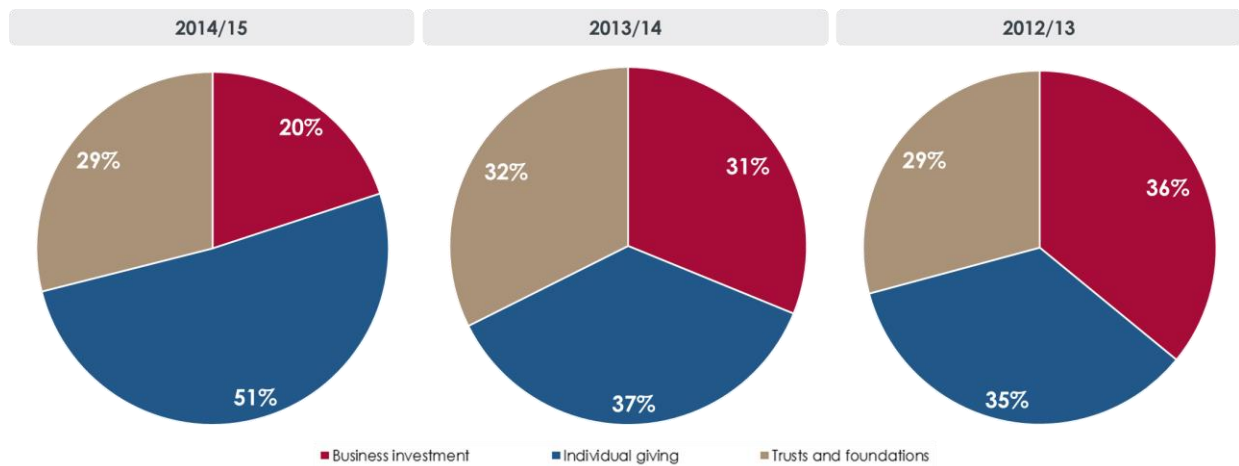
The 50 largest recipients of private investment have seen significant shifts in their private funding mix over the last three years. Individual giving doubled between 2013/14 and 2014/15, while business investment halved between 2013/14 and 2014/15. Both of these changes affected a small number of very large organisations. The significant uplift in individual giving, in particular, was due to a few high-value individual donations to a single arts and culture organisation, as discussed above. When the 50 largest recipients are removed from the sample, we observe stable growth across all three categories of private investment over the last three years, as shown in Figure 7 below.

Figure 7: Total private investment in arts and culture by category – top 50 vs. the rest, £m (2012/13 – 2014/15)¹⁰



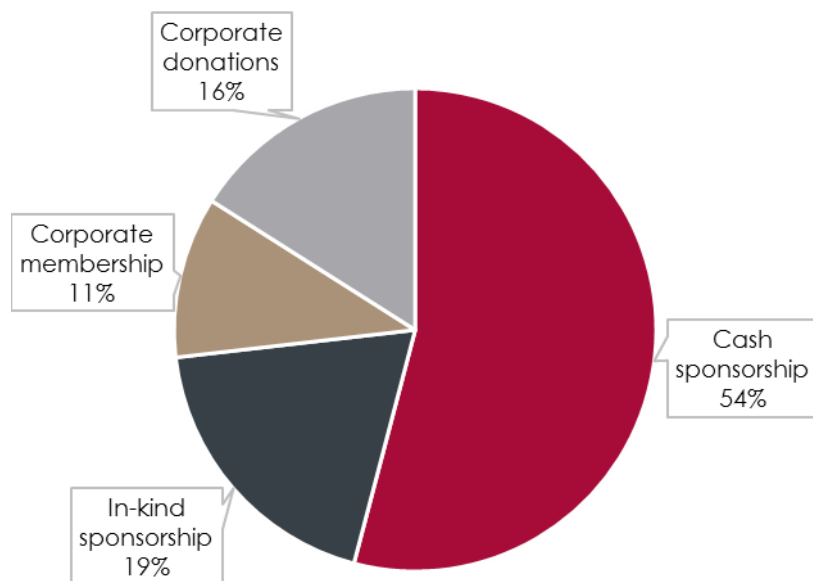
The mix of different private investment sources has varied substantially over the last three years, as shown in Figure 8. As mentioned above, this is primarily driven by a significant uplift in high-value individual donations in 2014/15, while the 2012/13 and 2013/14 figures suggest that business investment previously played a more important role in private investment.

¹⁰ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874); estimates for 2012/13 and 2013/14 are based on a smaller sample of survey respondents (n = 784).

Figure 8: Total private investment in arts and culture by category, %¹¹

6.1 Business investment

Cash sponsorship is the most important form of partnership between arts and culture organisations and businesses, accounting for 54 per cent of business investment in 2014/15.

Figure 9: Business investment by category, % (2014/15)¹²

Definitions:

- Cash sponsorship – the payment to an arts organisation by a business in exchange for agreed benefits such as promotion of the business name, its products or services. Sponsorship is part of a business's general promotional expenditure. It can encompass a sense of corporate or social responsibility, but cannot be considered as a pure donation.

¹¹ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874); estimates for 2012/13 and 2013/14 are based on a smaller sample of survey respondents (n = 784).

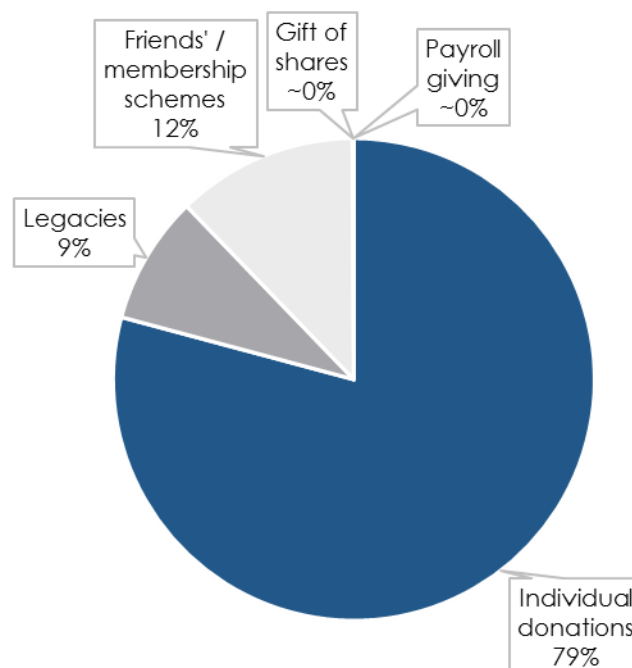
¹² Estimated for the relevant universe of arts and culture organisations in England (n = 2,874).

- In-kind sponsorship – the equivalent cash price of equipment, materials, services or advice in lieu of payment made by a business in exchange for agreed benefits such as promotion of the business name, its products or services. This should not include the value of services provided via employee volunteering programmes.
- Corporate membership – payment of an annual subscription by a business in exchange for a set of standard benefits such as a number of complimentary tickets, the use of hospitality facilities and discounts on programme advertising.
- Corporate donation – the payment of money by a business to an organisation with no expectation of any return, commercial or otherwise (includes support from company trusts and foundations).

6.2 Individual giving

Donations are by far the most important way that arts and culture organisations raise funds from individuals, accounting for 79 per cent of the total in 2014/15. 'Friends' or membership schemes and legacies are also important, accounting for 12 per cent and 9 per cent of the total, respectively. Gifts of shares and payroll giving are rare, with only a few organisations receiving this sort of support.

Figure 10: Individual giving by category, % (2014/15)¹³



Definitions:

- Individual donation – a cash or in-kind gift (including Gift Aid) from an individual to an arts organisation made with no expectation of any return. Individual donations do not include support from charitable trusts and foundations.
- Legacies – a charitable bequest of money or material as stated in an individual's last will and testament.
- Friends/ membership schemes – the payment of an annual subscription by an individual, often entitling that individual to certain benefits such as priority booking and advance information.

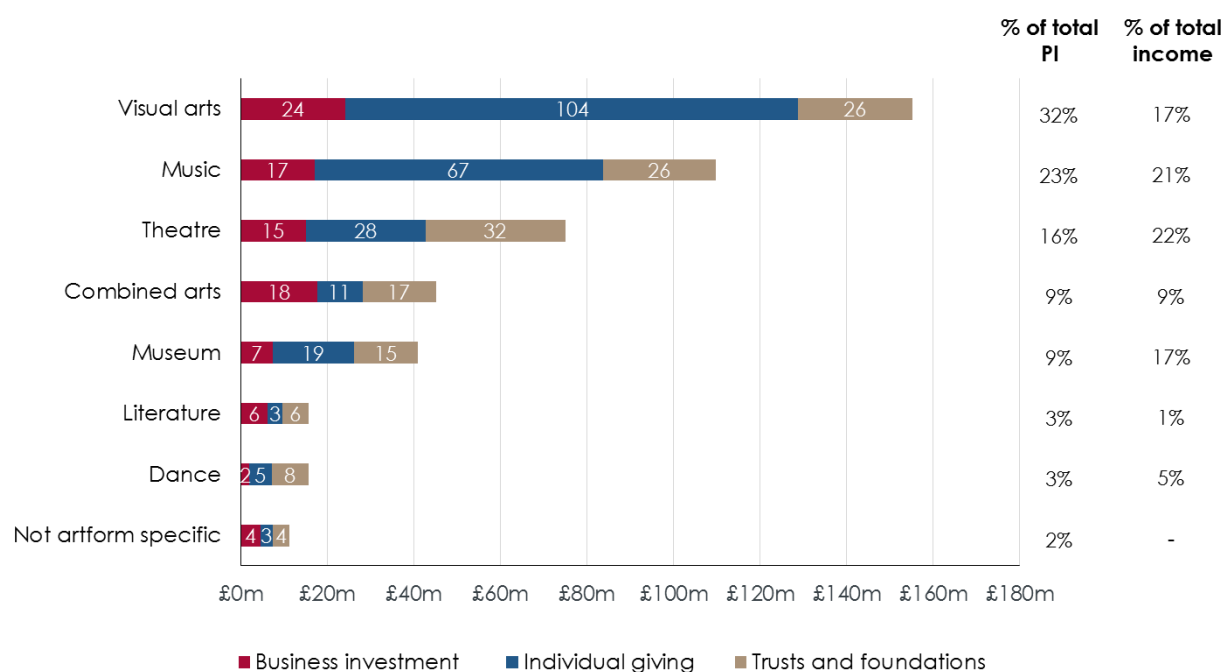
¹³ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874).

- Gift of shares – gifts of shares are exempt from Capital Gains Tax and donors can claim tax benefits.
- Payroll giving/ Give as you earn – regular donations via a payroll giving scheme established by an employer to allow employees to make regular donations. Any employee or pensioner paid under PAYE can donate to any charitable organisation in the UK.

7 Variation by artform

Visual arts organisations dominate private investment – whilst they account for 17 per cent of the sector in terms of total income, they make up around a third (32 per cent) when only private investment is considered. This does not, however, appear to be a sector-wide trend. Instead, it is attributable to a small number of very large individual donations given to the largest visual arts organisations.

Figure 11: Private investment by artform, £m (2014/15)¹⁴

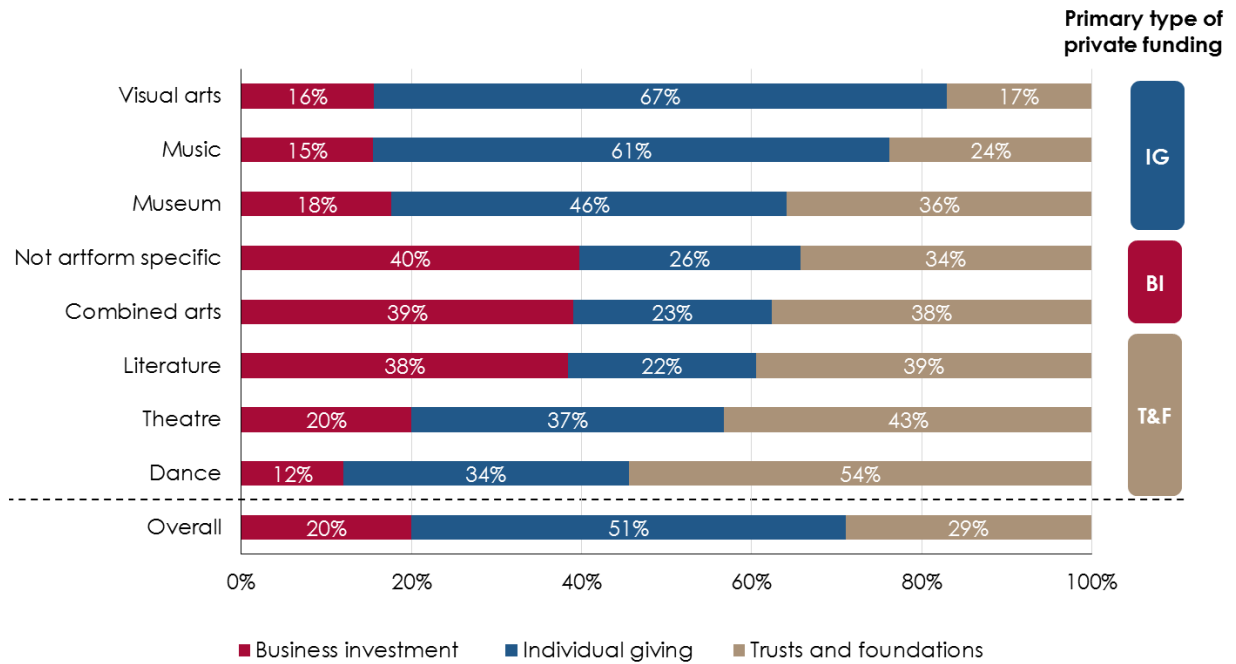


Visual arts organisations are followed by music and theatre organisations, accounting for 23 per cent and 16 per cent of total private investment, respectively. Music, theatre and visual arts remain the three largest artforms even after excluding the 50 largest private investment recipients. On the other end of the spectrum, museums appear to attract disproportionately less private investment relative to their overall income and they tend to receive more public funding.

Private investment mix varies substantially by artform (see Figure 12 below). Visual arts, music and museum organisations tend to receive more individual giving, while the majority of dance, theatre and literature organisations' income is derived from trusts and foundations. Combined and non-artform specific organisations attract business investment.

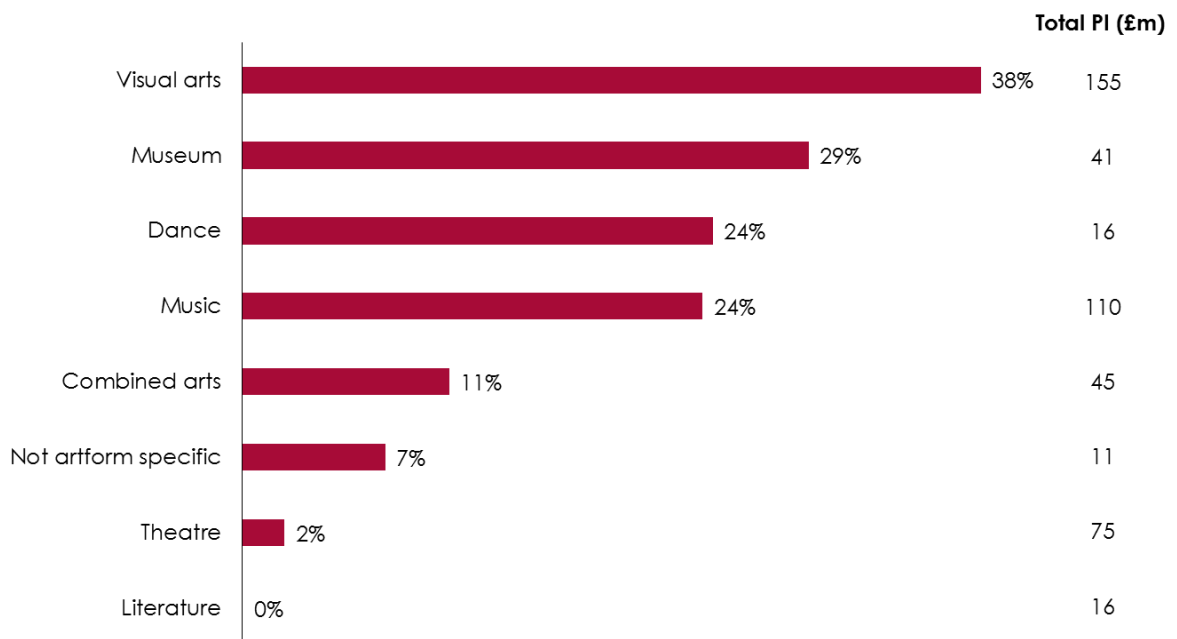
¹⁴ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874); percentage of total income is indicative as it is estimated based on a smaller sub sample of respondents that have reported their total income (n = 1,287). Note that a small number of survey responses were also received from libraries and heritage organisations, but not enough to build a robust overall picture of this part of the sector.

Figure 12: Private investment by artform, % (2014/15)¹⁵



Finally, it seems that the overall growth observed earlier has been spread unevenly across the sector. Visual arts organisations and museums have grown their private income much faster than the rest of the sector, with literature organisations and theatres seeing low or stable private investment.

Figure 13: Annual change in private investment by artform, % (2013/14 - 2014/15)¹⁶



¹⁵ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874).

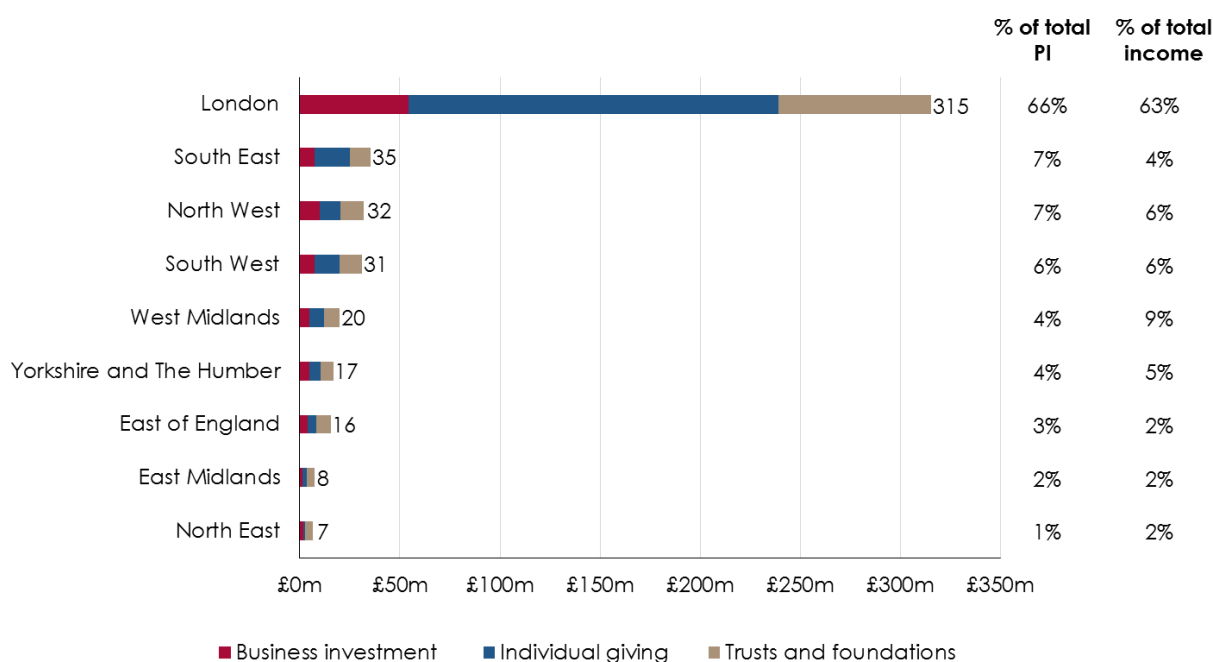
¹⁶ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874); estimates for 2013/14 are based on a smaller sample of survey respondents (n = 784).

8 Variation by region

London-based organisations attract the majority of private investment, accounting for 66 per cent of the total in 2014/15. However, there is little evidence that this is because organisations in London are better at attracting private investment, since their share of total private investment is broadly in line with the share of total sector income (63 per cent).

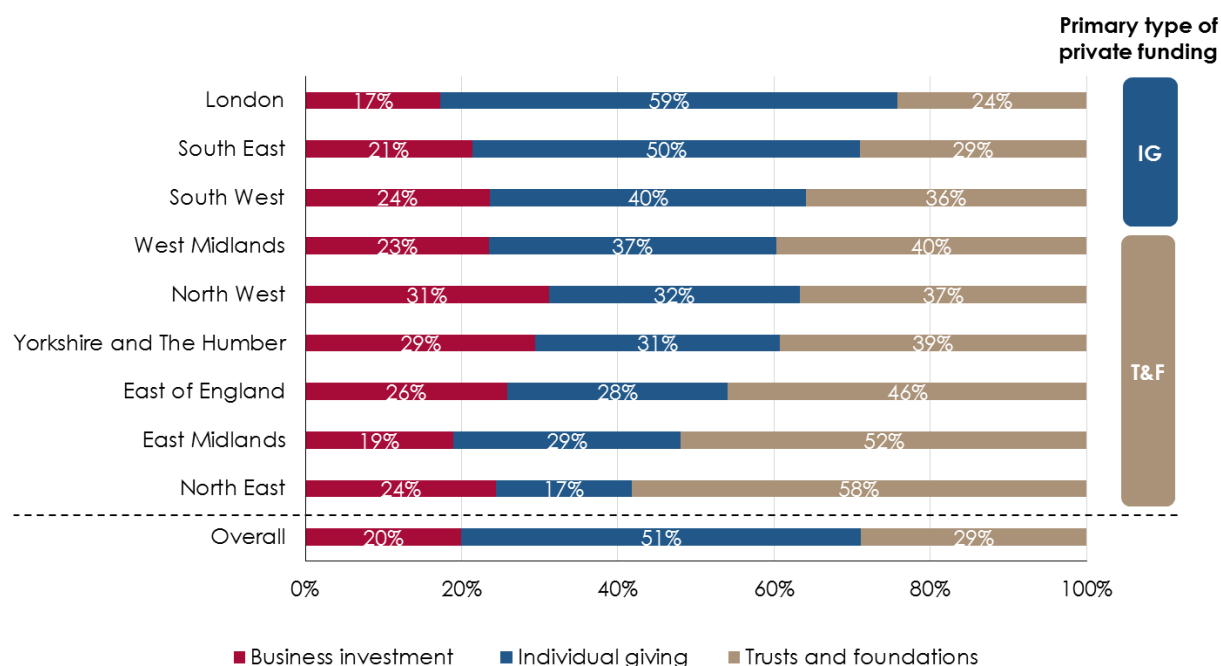
Organisations based in the South East tend to outperform in attracting private investment, accounting for 7 per cent of private income and only 4 per cent of total income, whereas at the other end of the spectrum, those in the West Midlands underperform, accounting for only 4 per cent of private investment compared with 9 per cent of the total income.

Figure 14: Private investment by region, £m (2014/15)¹⁷



In terms of private investment mix, organisations based in London, the South East and South West tend to receive more individual support, whilst organisations based in other regions generate a higher proportion of their incomes from trusts and foundations.

¹⁷ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874); percentage of total income is indicative as it is estimated based on a smaller sub sample of respondents that have reported their total income (n = 1,287).

Figure 15: Private investment by region, % (2014/15)¹⁸

The figure below shows how each category of private income breaks down by region. This enables a comparison to be made between the share of each category which is accounted for by each region. For example, organisations based in London stand out in their ability to attract individual donations, making up 75 per cent of the total investment from individuals, but receive proportionately less business investment (57 per cent) and income from trusts and foundations (55 per cent). By contrast, organisations in the North West make up a larger proportion of business investment (10 per cent) but fare less well with individuals, receiving just 4 per cent of the total in this category.

Figure 16: Private investment and total income by region, % (2014/15)¹⁹

Region	% of business investment	% of individual giving	% of trusts and foundations	% of total private investment	% total income
London	57%	75%	55%	66%	63%
South East	8%	7%	7%	7%	4%
North West	10%	4%	8%	7%	6%
South West	8%	5%	8%	6%	6%
West Midlands	5%	3%	6%	4%	9%
Yorkshire and The Humber	5%	2%	5%	4%	5%
East of England	4%	2%	5%	3%	2%
East Midlands	1%	1%	3%	2%	2%
North East	2%	0%	3%	1%	2%

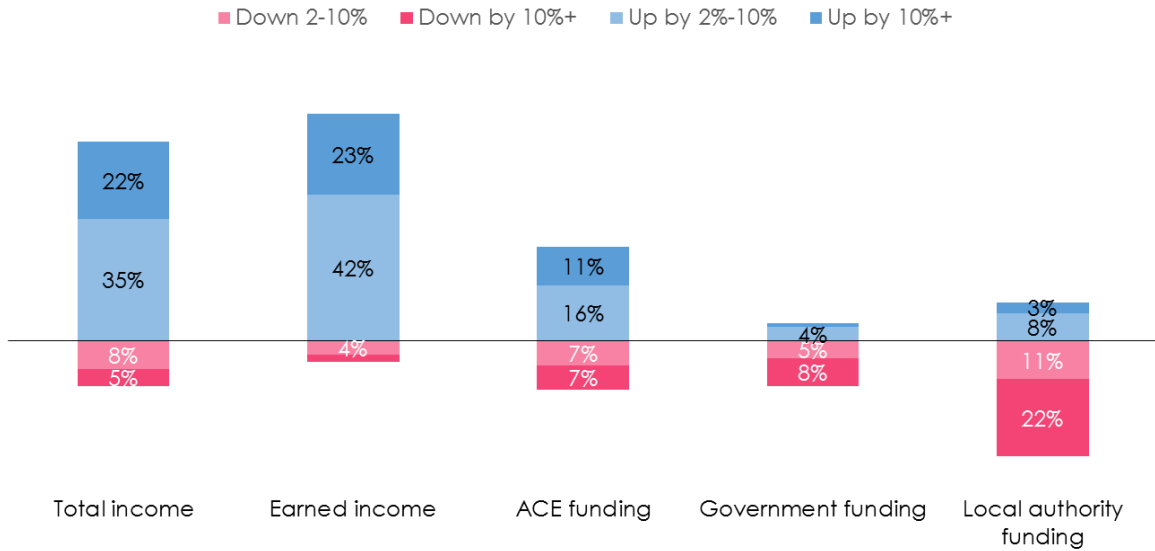
¹⁸ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874).

¹⁹ Estimated for the relevant universe of arts and culture organisations in England (n = 2,874); percentage of total income is indicative as it is estimated based on a smaller sub sample of respondents that have reported their total income (n = 1,287).

9 Future outlook

Organisations are feeling optimistic about their overall finances, with 57 per cent expecting their total income to grow over the next three years²⁰. Survey responses indicate that this will be primarily driven by increases in earned income and private investment, since Arts Council England funding is expected to remain stable and other forms of public funding are expected to decrease.

Figure 17: Expected changes in overall income over the next three years, % of total²¹

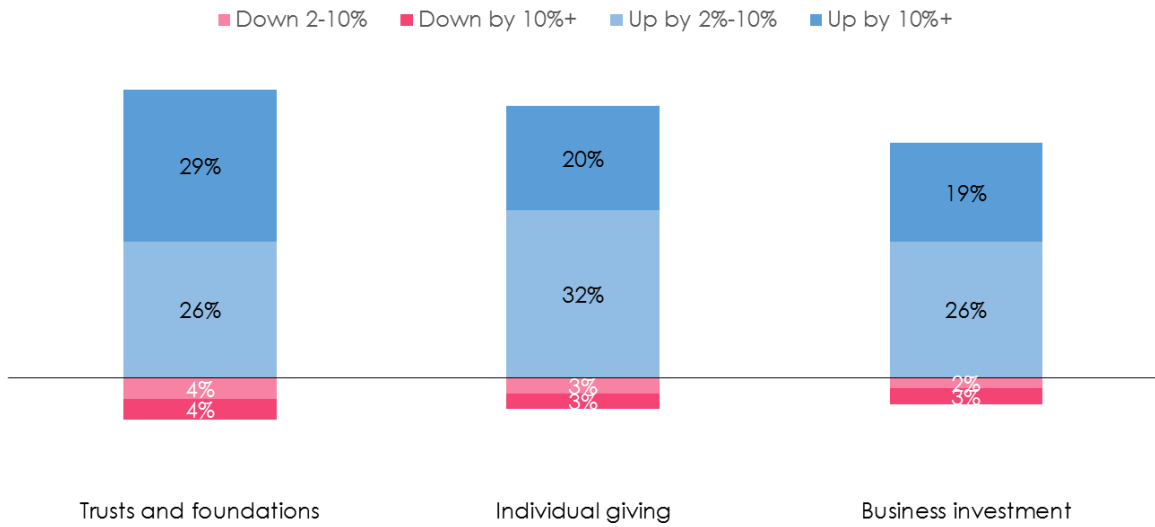


The majority of organisations have seen their private incomes grow over the last two years, and most of them expect this area to continue growing over the next three years. The sector is particularly optimistic about growth in income from trusts and foundations and individuals, with more than 50 per cent of survey respondents saying that they expect these income sources to grow over the next three years.

²⁰ Note that the survey took place during the first half of 2016, in advance of the European referendum. Forward-looking questions will therefore not have taken the result into account.

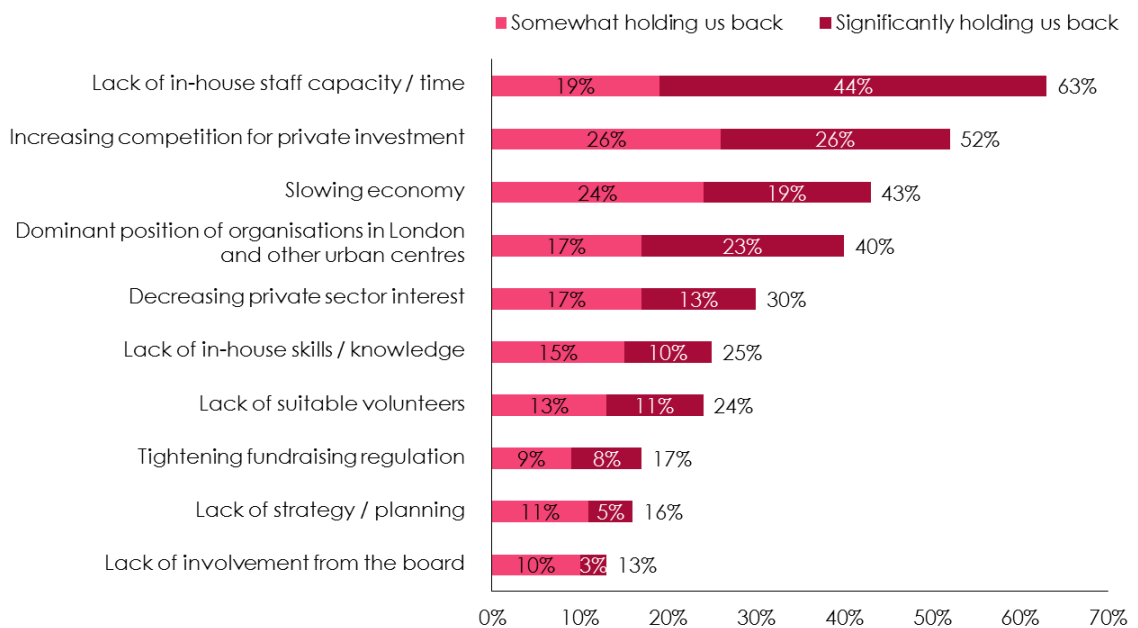
²¹ Question: Over the next three years, how do you expect the funding received from the following sources will change? (n = 801)

Figure 18: Expected changes in private investment income over the next three years, % of total²²



Although they tend to be optimistic about the future outlook, organisations also recognise that certain factors may limit the success of their private fundraising activities. Lack of in-house capacity, growing competition and the slowing economy are the most commonly identified barriers.

Figure 19: Factors holding organisations back in their private fundraising activities, % of total²³



²² Question: Over the next three years, how do you expect the amount of private sector investment received by your organisation will change? (n = 801)

²³ Question: Over the next three years, to what extent do you see each of the following as factors that will hold your organisation back in its private fundraising aspirations? (n = 801)

10 Method

The sample

The Private Investment in Culture Survey received 1,312 responses from arts and culture organisations across England. It is important to note that the sample used is not directly comparable to that used by earlier Arts & Business surveys, for the following reasons:

- The study conducted by Arts & Business covered the whole of the UK, including Scotland, Wales and Northern Ireland, while this study is focused solely on England.
- The contact database used in the Arts & Business study is different to the one used in this study. The database used in this study was developed with the kind help of Nesta, who licensed their Digital Culture database to Arts Council England. The database was further expanded using contact details of recent applicants to the Arts Council's Catalyst and Grants for the Arts programmes. Furthermore, the survey was publicly promoted across the arts and culture sector with the kind help of our partner network: Arts Fundraising & Philanthropy, Arts Marketing Association, Association of British Orchestras, Association of Independent Museums, Culture24, Dance UK, Esmée Fairbairn Foundation, Garfield Weston Foundation, Heritage Lottery Fund, IOF Cultural Fundraisers Group, Museums Association, National Dance Network, and National Museum Directors' Council.
- This study excluded the National Trust, Royal Botanical Gardens and English Heritage that were included in the Arts & Business study. These organisations skew the results significantly due to the high level of private support they receive. The decision was taken to remove them in order to make the picture of the rest of the sector clearer.

The extrapolation method

The study used survey responses, Charity Commission filings, and financial data submitted to the Arts Council to establish the relevant universe for analysis – 2,874 active arts and culture organisations. **The relevant universe for analysis represents the number of organisations for which sufficient financial information was available to confirm that they are active and to estimate their total and private investment income; it does not represent the number of all arts and culture organisations in England.** For the purposes of analysis, other arts and culture organisations for which sufficient financial information was not available were assumed to receive no private investment income.

In order to estimate private investment across this universe of relevant organisations, we used the figures provided by the 1,312 survey respondents and extrapolated them. The extrapolation method relies on a similar approach to that adopted by Arts & Business in the original survey, following a three-step process:

1. Assign all the organisations in the database that have not responded to the survey to a projected private investment band using revenue data from the Charity Commission.
2. For each private investment band, develop a benchmark private investment profile based on the averaged data from completed survey responses, taking into account the organisation's artform and region (based on data available in the database).
3. Use the benchmark private investment profiles to estimate the private investment received by those organisations that have not completed the survey.

The benchmark private investment profiles take into account the private investment band, region and artform of the organisation. Regions and artforms are aggregated to ensure statistically robust sample sizes.

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