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Grant Funding as Seed Funding

Exploring approaching grant funding as start-up funding, not the end goal

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Introductions…

Arts Council England – Breakdown of funding

- £333 million in 663 arts organisations in the National Portfolio
- £70 million of Lottery funding in Grants for the Arts, the open-access funding programme
- £7.5 million in museums
- £34.7 million in strategic funding programme, targeting particular opportunities or funding gaps to create arts and culture experiences for everyone, everywhere

Let's have a healthy debate!

Split into two groups…

Group 1
We think that ALL arts and culture should be **grant funded** throughout their journey – to fund projects and to sustain them

Group 2
We think that there is a place for **enterprise and other income streams** within the arts and grants should only be for start-up

What funders are looking for…

Financial sustainability

Arts

We recognise the power of culture to bring communities together and give opportunity and visibility to people who may otherwise be marginalised. We want to support the artistic and financial sustainability of the sector and make sure that the widest range of people can participate.

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What funders are looking for…

Financial sustainability

Organisations at a pivotal point

We support:	• Strong organisations to make a transition to, or test out, a new business model or new artistic programme, with a clear and realistic plan to exit from our funding. • Collaborations and partnerships, or local and regional networks, which establish new ways of working, develop diverse audiences, or nurture emerging companies or new artistic practice.
Applicants must:	• Show that their new models or collaborations will result in a better experience for artists, audiences and participants.
We want our funding to:	• Encourage the broader sector to adopt new models or improved ways of working which are informed by the learning from this work. **Case Study: Pentabus Theatre** Read more

What funders are looking for…

Financial sustainability

Digital Arts & Creative Ageing

nominettrust

Your organisation:

- Should have a clear and demonstrable social purpose.
- Will be UK-based, and you must be working with beneficiary groups in the UK.
- Will already be a registered legal entity, or prepared to become one.
- Must be able to demonstrate that your initiative can generate social, user and financial value, with the potential to be self-sustaining.
- Should be ready to scale, having evidence that you have already piloted your product or service, gained traction from users and beneficiaries and have evaluated your existing work - and used that learning to improve your product or service.
- You will ideally have channels to market (and potentially partnerships) already in place.

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What reports are saying…

Financial sustainability

> “Those organisations that seem to be thriving tend to pick two or three key areas of income to focus on”

New skills, fit for purpose

I'm wary of the message that organisations should diversify private sector fundraising too broadly. So often we see organisations stretched too thinly across all areas of private sector fundraising, from trusts to crowd-funding. This approach makes it almost impossible to create a sustainable base for fundraising. Those organisations that seem to be thriving tend to pick two or three key areas of income to focus on and build a team with the depth of skills and experience in that area to deliver successfully.

Post-referendum uncertainty

At face value, the Private Investment Survey might lead us to conclude that we need to focus strongly on individual giving and major gifts, and to maintain the amounts raised from trusts and foundations. It also tells us that we need to investigate corporate sponsorship, whilst recognising that this area might be the most challenging. This is all true.

However, I believe that we also need to beware the status quo. Although we don't know what the impact of the referendum vote will be, it is only sensible to adapt business models, and prepare fundraising teams accordingly, as any impact on confidence in the wider economy may lead to decreases in private investment. I think this is likely to impact on individual giving, and to mean reductions in the investment portfolios of grant makers and falls in fundraising and earned revenues, as businesses hold back from investing. Of course, we may also see reduced statutory income from National and Local Authority-led sources funded by EU initiatives such as Creative Europe.

So we need to be realistic.

Private Investment Survey
December 2016

What reports are saying…

Financial sustainability

£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

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Arts Professional
25/04/17

What reports are saying…

Financial sustainability

Focus on finance

The theme of financial sustainability runs throughout the whole report, which makes a broad series of recommendations for measures that ACE should take to build the financial resilience of the sector:

- further integrate financial sustainability into its grant applications
- support the sector to build financial skills that will help organisations diversify further their revenue streams and explore "alternatives to pure grants".
- embed commercial skills and commercial leadership, and support organisations to become 'investment ready'
- facilitate the sharing of best practice so that organisations can learn from each other how to "strengthen their respective financial resilience models"
- innovate around business delivery, such as touring models, fundraising and digital skills
- encourage partnerships to reduce costs, "for example by providing capital grants for organisations to share space, storage and/or services".

It implies that continued funding should depend on organisations' success at reducing their reliance on grants, and ACE is asked to set "more stretching targets" for National Portfolio Organisations (NPOs) to further diversify their sources of income.

"Arts Council England (ACE) must operate as a development agency and focus on developing financially sustainable arts organisations, a wide-ranging review by the Department for Culture, Media and Sport has concluded."

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Fundraising UK
Article by Melanie May
30/05/17

What reports are saying…

Financial sustainability

Mark Salway, director of social finance and social investment at Cass CCE said:

"Social investment can often seem overly complicated; however, the reality is that small-value loans are one of the most powerful investment tools to help charities grow and leverage their funding. A mix of grants, donations and social investment funding is now seen as the future for many.

"We believe that charities need to be able to use both 'head' and 'heart' to overcome traditional reservations about perceived commerciality, and to develop robust financial models that will support social impact and the creation of a sector fit for the challenges ahead."

Based on The research report, Social investment as a new charity finance tool: using both head and heart

"The report found that 60% of the charities were positive about social investment, with 17% saying it could transform their business models. The research estimates that the shift towards social investment could account for approximately 11% of funding: equivalent to around £4bn–6bn capital for the sector."