

## Culture Forum Minutes of Meeting Tuesday 21 September 2010

### 1 Introduction

The Chair welcomed the group.

- 1.1 Apologies were received from Richard Mantle, David Brownlee, Janine Irons, Jenny Williams, Mark Pemberton, Peter Helps, Colin Tweedy.
- 1.2 The minutes from meeting 2 were approved.
- 1.3 The focus of the third meeting was to agree the broad structure and the key messages of the final report for the DCMS. The Forum agreed that the initial draft covered the ground thoroughly.
- 1.4 John Munro of NCA will draft the next version. The Forum agreed that the report should follow the structure of the Treasury questions. This next draft would be circulated by end of Friday and members would submit comments by close of play Monday. A final draft would then be distributed on Friday 1 October with a deadline for comments of Monday 4 October.

### 2 Working Group Papers

The Forum received and discussed papers on topics identified at the second meeting.

#### 1.5 Paper: Tourism (Nick Hunt and Matthew Rowe)

The Forum agreed that the following examples should be included - relevant details of the Tate Connect partnership and the Sea Change initiative; details of how the arts and heritage sector can partner with national parks and other parts of the tourism infrastructure; examples of regeneration projects from the North East and a case study from the Jurassic Coast arts project which is particularly strong as it represents a World Heritage site.

The Forum noted their concern about the future of regional investment without Regional Development Agencies. In the North West especially, many projects are not arts/heritage funded but receive support from economic development budgets and are therefore judged as investments with an expected wider return. There was a lack of certainty about both the role and budgets of Local Enterprise Partnerships. The Forum noted that if there were to be changes in the budgets for arts/heritage funding, they will be exacerbated by changes in budgets for economic development.

The Forum also agreed to include a data set to evidence how the cultural sector impacts on tourism overall. Information could be referenced for London (The Wyndham Report), from the Visit Britain website and some RDA figures for the North East and the South West. The Forum also requested inclusion of evidence of employment growth in creative industries related to tourism (available in a recent report on the Visit Britain website).

All three recommendations for the paper were approved to be in the final report:

- For Government to recognise the essential value of arts and heritage as engines of the tourism offer.
- For Government to acknowledge the hard evidence of powerful economic and social impacts deriving from recent investment in arts and heritage.
- For Government to identify cultural tourism as a high value, priority area for investment when framing the terms of the proposed Regional Growth Fund.

## **2.2 Paper: Broadcast and digital distribution by Mark Pemberton and Denise Proctor**

The main message of this paper was that the arts and heritage sectors could generate more earned income, but it was not a panacea. It was felt that the paper provided a heavy dose of realism. The Forum noted the work being undertaken between Arts Council England and the BBC around Project Canvas and the possibilities of income generation for the arts through digital content.

## **2.3 Paper: Brand development and exploitation**

The Forum agreed to consider elements of Graham Devlin's report for inclusion in the final report.

## **2.4 Paper: Strategic commissioning (Sue Isherwood)**

The main focus of this strong and pragmatic paper was the need for the cultural sector to connect with other areas of local and social services where commissioning of services is likely, as culture is not a statutory provision for local authorities. It was not anticipated that local authorities would close culture services overnight but where they exist they will have to make the argument about being commissioned within their local authorities. It was thought that more local authorities would be likely to move cultural service provision out to independent trusts.

The arts and heritage sectors do not think of themselves as being part of the voluntary sector and so become excluded from a number of vital debates within this arena. (It was suggested that Forum members and the wider cultural sector take a more active role with ACEVO - Association of Chief Executives of Voluntary Organisations) and join the special interest group for culture to lobby for the sector.

### **2.4.1 Paper: Strategic Commissioning – Arts and Health (Guy Eades)**

The Forum welcomed this concise and useful paper on the specific issues of anticipated changes in the NHS and health commissioning.

## **2.5 Paper: Venture capital and attracting investment in trading/Venture philanthropy arts fund (Peter Wilson and Graham Henderson)**

The report explored how far the arts and heritage sectors could benefit from venture capital and venture philanthropy. The Forum noted the success of IMPETUS in the wider charitable sector but this form of venture philanthropy was not thought immediately transferable into the cultural sector. The

Forum concluded that venture capital/philanthropy could not be seen as offering a complete solution for arts/heritage funding.

The Forum noted: (i) Theresa Lloyd's work on the motivations for giving as cited in her book "Why Rich People Give"; (ii) Martin Smith's paper "Arts Funding in a Cooler Climate" which calls for a limited investment fund; and (iii) Hugh Rolo's work to encourage investment in new development trusts through the Development Trusts Association.

There was a place for venture philanthropy in the cultural sector as evidenced by the success of trusts and foundations. The Forum also noted the work of Alec Reed and Arts & Business Big Arts Give which uses a philanthropist's investment to unlock new money for the sector.

### **3. Developing corporate support and philanthropy**

#### **3.1 Increasing corporate support for the cultural sector**

Donation or investment – are arts/heritage organisations using the right language and tools to speak with business?

The Forum's attention was drawn to the latest data from Arts & Business' Private Investment in Culture Survey. Out of the total £655m 55% came from individuals, 24% from corporate funding and 21% from trusts and foundations.

The Forum noted that arts and heritage organisations outside of London, despite raising 50% of total corporate support of culture, only raised 20% of the total individual giving (although growth of 4% was achieved in this income stream last year despite an overall drop in private sector support nationwide). The Forum acknowledged the strong correlation between growth in private sector funding and in arts/heritage bodies raising additional earned income.

The Forum appreciated that businesses are looking for a return on investment and efforts to promote the arts/heritage as part of a CSR strategy have only met with limited success. In the past greater success has been achieved in obtaining corporate support, in the form of sponsorship, from the marketing function (where budgets are generally larger), than from corporate "giving" through the community or CSR budget. As increasing value for money is being sought by businesses in their commercial relationships, it was suggested that arts and heritage organisations would benefit from broadening their appeal to business by also positioning themselves as charities serving local needs.

The Forum noted that there had been a distinct shift from "sponsorship" to "partnership", demonstrating that businesses did not see themselves as funders but in a genuine two-way relationship with mutual benefits.

Overall corporate partnerships present a very mixed picture – there are cultural organisations of all sizes getting their fundraising right and some getting it wrong. Some cultural organisations appear to be inhibited by the different language and drivers of business. Others consider that getting too close to business may compromise their charitable status.

It was noted that many decisions on regional investment by a business are now taken in a Head Office, often far away from the region – there is often a local ceiling of about £5000. Even with the

most compelling case, organisations benefited from a business champion to sell the arts/heritage proposition.

Given the recession and recent reduction in corporate support for the arts and heritage, it was thought useful to provide some inducements and incentives to encourage the return of cultural sponsors. Members cited the government funded matching grant scheme run by CASE to stimulate private sector support for the higher education sector and were keen to see similar incentive models for the arts/heritage sectors.

The Forum identified further possibilities for corporate-cultural partnerships through commercial endeavours such as “Arts Based Training”. Several cultural organisations had diversified successfully into this field. However, it was not thought to be a reliable source of income from corporate clients, particularly in the current economic climate.

### **3.2 Models**

The Forum debated the potential for arts/heritage organisations that are not currently registered as charities, raising additional income through philanthropic sources. These organisations, often purposefully established along more commercial lines (such as Community Interest Companies), may already generate substantial amounts through earned income, though nothing through public giving. It was suggested that these organisations may not wish to become charities solely to achieve individual philanthropy. The concept of a range of cultural models across the not-for-profit arena, with a spectrum of different types of income, was to be welcomed. It was however noted that the sector had a limited knowledge of the different types of model available to them.

### **3.3 Gift Aid**

The Forum considered whether the sector could replicate the very successful fundraising model adopted by the National Trust as it generates a sustained income from membership which attracts Gift Aid. This is due to the particular nature of membership/admission to National Trust properties being based upon support of conservation, rather than admission for individual benefit. Could arts/heritage charities promote themselves as conservation or education projects in order to benefit from the “Conservation” element in Gift Aid that allows organisations to offer admission without that being considered a benefit? Although perhaps a long shot, this was felt worth exploring.

The current rules for such conservation organisations state that to claim Gift Aid, either the individual has to offer 10% more than the admission price or the organisation must offer free entry for the rest of the year. The Globe Theatre successfully claimed Gift Aid on the grounds of conservation and Gift Aid can be claimed on tours of cultural buildings.

A further way of driving additional income was to charge a £1 “restoration” levy on tickets which is becoming increasingly common in theatres.

The Forum agreed to explore the “conservation” element of Gift Aid to see how feasible this might be for other non-conservation arts and heritage organisations. However, it is a very complex area and it is important that this level of complexity is articulated.

Overall the Forum agreed that the sector needs to be encouraged to take better advantage of Gift Aid.

### 3.4 Boards

The Forum agreed that the arts sector needed to become better at raising funds from business.

Some boards of trustees needed to become more outward facing and have a better understanding of issues pertaining to fundraising and commercial partnership development. The Forum considered that fundraisers themselves might be encouraged to sit on Boards, both as part of their own professional development as well as promoting a better understanding of fundraising at trustee level.

Currently only 4% of arts/heritage organisations have Boards where more than 75% of the members contribute financially and more than half of cultural organisations have Boards where no-one gives. Organisations whose trustees give, are at an immediate advantage in developing their giving network over those who do not. This is not driven by a desire to fill boards with high net worth donors; it's about their contacts and their hearts and minds.

The Forum expressed a wish to enhance the diversification of arts/heritage boards, not solely to focus on big givers but on thoughtful, proportionate gifts at all levels.

The Forum accepted that Individual Giving to culture is something that needs to grow in this country, whether it is 50p out of someone's pocket money through to a £10 monthly standing order and beyond to major gifts; there is a collective need to start small and grow.

### 3.5 Increasing philanthropy outside London and across all art forms

The Big Arts Give is a new pilot challenge fund for the cultural sector, run by Arts & Business. It is designed to enable arts and cultural charities of all sizes and in all parts of the UK to build and develop the income they receive from individuals, including their trustees. The scheme provides the framework for participating organisations to develop relationships with new givers and leverage new donations. The evidence at the moment is that it's a useful tool especially for small organisations and the significant majority of participants are organisations outside of London.

The catalyst challenge fund has been established in partnership with philanthropist Alec Reed and The Big Give. This fund is used to lever new giving relationships with the trustees and potential major donors of participating organisations; their pledges are added to the catalyst fund to create an online challenge fund, which in turn matches online donations to individual organisations pound for pound. It will help to generate at least £8 of new cultural wealth for every £1 invested by Arts & Business. The Forum recommended this as a good model to leverage philanthropic monies.

When Jeremy Hunt first started talking about US philanthropy, lots of people suggested that this was inappropriate for the cultural sector in the UK. Is it something for everybody or something for only a few? Do different art forms have different propensities to inspire gifts?

Obviously the large organisations with their cultural brands are better equipped to increasing income streams from different sources but they need more money to keep their doors open.

The Forum believed that some art forms would find it easier than others to develop their investment from the private sector. Poetry, for example, is considered to have found more challenges in forming private sector relationships than some other art forms. It was agreed that small organisations can have greater difficulty in accessing and handling the demands of a corporate sponsor.

The arts, cultural and heritage sectors as a whole need to campaign for better recognition as charities by members of the public.

### 3.6 Legacies

The Forum recognised the need to encourage more cultural organisations to set up legacy fundraising schemes (Arts & Business is leading on this campaign) as a potential area of growth. Potential legators can be identified and “stewarded” when alive to plan for the future, but these individuals may not be given any benefits relating to a potential legacy.

It is obviously difficult to plan in budgetary terms for income from this source; it may come from a contact nurtured over years or arrive unexpectedly from an unknown source. Richard Radcliffe of Smee & Ford was quoted as saying that 70% of the public give to charities, 60% say they would leave a gift in their Will if asked, yet only 5% actually do.

Legacy fundraising is very straightforward fundraising. Once you have overcome the fear factor. Donors may not always leave money without strings, for example legacies left as endowment funds can have unsuitable strings attached that limit their use. Similarly, Forum members noted that there can be some restrictions in legacy giving and that a few organisations have had to turn away money because of the restrictions.

On average it takes four and a half years to see a return on investment in a legacies programme. The Forum wished to explore whether legacy giving can be incentivised.

Legacy fundraising is a form of planning for the future. Once you’ve identified that people are going to leave money to your organisation in their Will, you won’t know when you’re going to realise this money but whilst they’re living you can work with them and help them understand your organisation better.

The Forum was keen to investigate other ways to help increase individual giving outside of London. In Birmingham it has taken 5 years to develop individual giving as an income stream. Local solicitors firms could benefit from more advocacy to promote the arts as a beneficiary for charitable giving; and cultural organisations, where they are themselves charities, need to promote their status more clearly.

### 3.7 Professional Fundraising

The Forum believed it was vital that there is investment for training in fundraising.

There was unanimous support for the urgent development of professional fundraising skills and the creation of a recognised pathway of progression for those working in the field. It was proposed that such skills development should not be limited to fundraisers, as others working in the arts, especially artistic leaders also had a flair for fundraising. The key was to support these individuals in developing ever more compelling cases to sell commercially.

Members of the Forum noted how difficult it was to recruit experienced fundraisers. We are seeing very little transfer from main stream into the cultural sector because salaries in the sector are low.

Forum members noted that concern had been expressed by Theresa Lloyd, amongst others, on how the ability of the cultural sector to fundraise could be adversely affected by the government’s call for charities to limit their administrative expenditure to 6%. (Link to Theresa Lloyd’s thought piece - under “New 26.7.10”: <http://theresalloyd.co.uk/Publicationsandarticles/Articles/tabid/97/Default.aspx>). The

Forum considered that this recommendation of the Secretary of State should be challenged, specifically in respect of fundraising costs.

### **3.8 Tax**

It is often suggested that philanthropy in the UK will only increase when we adopt the same tax breaks as they have in the US. In fact almost all gifts can already be given as tax efficiently in the UK as they can in the US.

Hawkish attitudes by the HMRC towards those giving to the arts will not help in the development of philanthropy in the cultural sector.

As noted before, the Forum believes that there are still too many charities in the cultural sector not claiming Gift Aid.

The Forum was informed that the Heritage sector is disappointed that recent benefits derived from the suspension of VAT charges on the restoration of churches, which expires in March 2011, may not be renewed.

#### **The Forum's tax recommendations include:**

The Forum's focus in the short term is to advocate for simplification and modification of the existing tax breaks, specifically Gift Aid, and to consider new tax reforms further down the line. The Forum agreed the following recommendations:

- To oppose the proposal of the composite rate for Gift Aid.
- To promote the message that Gift Aid is not hard to claim.
- To encourage government to factor in that any gift under £1000 is automatically assumed to have Gift Aid
- To focus energies on protecting donor benefits.
- All gifts of assets, including works of art, should have the same tax breaks

## **4. The Final Report**

The Forum agreed to focus the report in response to the 9 Treasury questions.

The Forum agreed to position the report under the themes "keep, grow, change". (Things to keep/grow included the diversification of income schemes.)

The Forum agreed that the report should encourage cultural organisations to move with the changing climate, focusing on complementing rather than replicating the cuts campaigns already underway. The message to Government would be to invest in the sector specifically to help us through change. We want to be able to consolidate AND to attain growth through diversification of income streams.

The Final Report needs to:

- Reflect the needs of practising artists – including researchers, crafts people, individuals who are central to the cultural sector.

- Balance the needs of large and small organisations; and note that tax and legacies will have less impact on individual artists. Acknowledge that individual artists and those small organisations will take longer to achieve their income development aspirations.
- Balance coverage of publicly funded charitable organisations alongside CICs and other models, plus a better understanding of how these different models operate. Not all models are equally placed to benefit from all forms of private income development – and may not wish to do so.
- Promote the arts and heritage as part of civil society and as part of the economy - we have a contribution to make to both.

Members declined to advocate for one cultural development and funding body (similar to Creative Scotland) as this was felt to be beyond the brief of the Forum.

The Forum recognised the need to grow the evidence base for the huge role that arts, culture and heritage plays in society, in education and in health.

## Future actions

- LW agreed to submit a paper on the growth of the contribution of the private sector.
- MJ and JT will work on design of this publication.
- Ministerial approaches will be made for presentations to: Jeremy Hunt, Ed Vaizey, Tony Penrose, (next list Don Foster.) The Forum also agreed to offer to make presentation to Arts Council England.
- The Forum will send tax paper to John Whiting (via Arts & Business Tax Taskforce)
- The Forum discussed which other departments of central government might be targeted with the final report such as Vince Cable and Education. S Isherwood to explore opportunities to present to Communities and Local Government.
- DH, IL, LB and JT to work on media approaches post Ministerial briefings
- General commitment to put the minutes into the public immediately and undertake consolidation with trusted contacts. (Note The Report will be the view of the Forum.)
- To enhance profile JT will circulate minutes out to the heads of communications at arts/heritage bodies.
- Arts & Business will confirm arrangements for a final meeting in November ASAP.