New research reveals UK heritage funding in a vulnerable state

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New research published today by New Philanthropy Capital (NPC) reveals that 60% of heritage organisations still rely on grants from funders as their biggest source of income; 21% continue to receive government funding for their projects and 39% depend on grants from other organisations. Only 12% of heritage organisations are sourcing non grant-based financing. In a time of cuts and reductions, this leaves many heritage organisations in a vulnerable position.

The research, commissioned by Heritage Lottery Fund (HLF), explored the need for new mindsets and business models and measured the extent to which heritage organisations are currently struggling to access financial opportunities.

Dan Corry, CEO of NPC, said: “Simply caring about UK heritage won’t guarantee a thriving future. People working on heritage projects need to be able to explain why their work is relevant to society as a whole.

“Our research showed there is an immediate need to look at ways for them to better access and understand finance and rely much less on outside funding as sources dry up. To that end, heritage organisations need to see the importance of measuring and proving the impact of their work which is crucial to unlocking financial rewards beyond grants.”

The research also indicated a lack of appetite for new ways of working with findings showing:

- Less than half said they are interested in new ways of financing their work with new kinds of non-grant finance, such as crowd funding, social impact bonds and community shares
- The appetite for debt / offering equity is even lower with only 20% interested in exploring these options
- Most organisations think they are good at measuring social impact but many also concede that they lack the resources to carry it out
- NPC also concluded that for heritage organisations: proving impact is — yet need not be — limited to the biggest organisations. The sector will need to get to grips with measuring social impact or investment will not be available
- People working in heritage should not be seduced by latest, trendiest funding techniques —crowd-funding has its place and people were well aware of it but is poorly suited to multi-million pound ventures or rolling restoration projects

Research results included:

- 60% said they relied on grants as their biggest source of income; 21% on government grants and 39% on grants from other organisations
- For organisations with an annual revenue of over £100,000, 31% have seen a drop in income
- For larger organisations with annual revenue of £1million or more, 45% have seen income fall. This coincides with government heritage grants falling by over £500m since 2010
- Heritage organisations often have significant assets with 60% owning a physical heritage asset, mainly buildings and/or collections
- The majority surveyed were very reliant on volunteers to keep them going with one in three operating without any paid staff, and another one in three having only one to five paid staff

The research looked into who was currently measuring social impact and accessing non grant finance. Larger organisations with higher income streams were shown to be interested in social investment and social impact but overall, there was low take-up of non-grant income. Princes Regeneration Trust and Architectural Heritage Fund were among those who are interested in or are setting up their own impact funds.

- However, 66% have “no interest” in taking on debt and only 12% currently use loan finance
- 60% feel they have “inadequate resources” to measure their outcomes and impacts
- There was great concern that non-grant income will be hard to access because of mission, relevance and eligibility of heritage organisations

Jenny Abramsky, Chair of HLF, said: “It’s time for a clear-headed and forward-thinking approach to how the UK’s heritage is funded. HLF has always valued enterprising ways of making heritage more financially secure and the importance of measuring impact, but this NPC research shows that many heritage organisations are struggling with the skills needed to secure finance in new ways. Together we need to take some practical steps to ensure they are better equipped to do so. There is good news here and the sector is weathering tough conditions so far but it is clear that even well-established organisations, as well as smaller ones, need to consider new approaches if they are to become less reliant on grant funding.”

Heritage Exchange – 14 and 15 July
The research is being launched at Heritage Exchange – an event which is bringing together for the first time a range of high profile heritage leaders and thinkers on 14 and 15 July to debate the challenges and opportunities facing the UK’s heritage sector. Taking place at LSO St Luke’s in Islington, an inspiring HLF-funded venue, Heritage Exchange is a major thought-leadership event focusing on new ways of working in a radically changing economic environment.

Dan Corry, CEO of NPC, will be hosting a ‘fresh perspectives’ session at the event. He will be joined by Mike Clarke, CEO of the RSPB, Dr Maria Balshaw, Director of Manchester Museums and Jonathon Ruffer, Investment Manager and Philanthropist.

Notes to editors

Follow the debate on Twitter #HeritageExchange

NPC (New Philanthropy Capital) is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. It is driven by the values and mission of the charity sector, to which it brings the rigour, clarity and analysis needed to better achieve the outcomes we all seek. It also shares the motivations and passion of funders, to which it brings its expertise, experience and track record of success. For more information, please visit the NPC website.

During the research, NPC spoke with both social investors and HLF grantees. The first study of its kind, the research also examined current and future funding situations for the heritage sector and surveyed nearly 1,000 heritage organisations.

Further information

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