Legacy Fundraising in the UK Cultural Sector

Findings from the Arts Quarter/ Legacy Foresight Survey

Summary

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Methodology

This AQ Online Survey was launched on 16th November 2010 and remained available for completion until 20th December. The Survey was launched initially via email to AQ's own email list of 2,003 individuals working within the UK cultural sector as well as being promoted via the Arts Council England and Legacy Foresight websites. Over the course of the 'live period', organisations were periodically prompted to take part.

In all, some 213 completed responses were received, as well as 19 partial responses. While the total number of responses received on this occasion has been fewer than in other recent AQ research projects, we believe that this is a reflection of the relatively low awareness and activity in arts legacy fundraising. Therefore, we are presenting this analysis as a base point from which to repeat this study in future years, tracking changes in this sector as it evolves

In order to report the findings of this Survey with a greater degree of clarity, we have restricted the sample to just one respondent per organisation, selecting the most senior individual identified within any one cultural organisation. This paring down of responses has left us with a sample of responses from 198 individual cultural organisations, the findings of which are reported here.

We recognise that detailed legacy performance information can be hard to supply, and we greatly value the commitment shown by those taking part in assisting us to build up such a comprehensive and useful set of findings.

Summary of Findings

This survey comes at a time when many arts organisations are seeking ways to diversify revenues, away from public subsidy towards higher proportions of earned income and private sector investment. Legacies – or gifts in wills - have been cited by politicians and sector bodies as an important source of future income, as part of a wider conversation about the future of philanthropy in the arts. This survey set out to measure the current extent and variety of legacy fundraising within the UK cultural sector.

This is the first survey that Arts Quarter (AQ) and Legacy Foresight have undertaken jointly, looking at current levels of legacy fundraising within the UK cultural sector. AQ's interest in the potential of legacy fundraising for arts organisations arose out of our ongoing Hidden Wealth Research Project, which is helping individual organisations to engage with High Net Worth Individuals as potential donors. Details of the first phase of the Hidden Wealth Research Project were reported in November 2010, and the findings can be obtained via the AQ website. The programme has provided clear evidence of opportunities to engage more deeply with wealthy individuals as donors. The project has also highlighted the potential to engage more widely with a larger population of potential legacy givers. However, despite that potential, we found little evidence of active legacy promotion among those who participated in the first phase of that programme – hence our desire to map the extent of legacy marketing within the wider arts sector at this particular time.

Legacy Foresight's interest in the arts sector has grown out of its work with general charities over the past fifteen years. While its initial client base came from the very largest charities, it has seen growing interest among smaller, often local charities such as hospices and wildlife trusts, as well as universities and most recently, arts organisations. Its ongoing research shows that arts and education organisations have enjoyed a rapid rise in legacy income - averaging 9.7% a year[1] - albeit from a very low base. Legacy Foresight and Arts Quarter are keen to learn more about this growing sector, and to help arts fundraisers to develop effective legacy strategies.

Money from gifts in wills is worth around £2bn a year to British charities. Some of the best-known charity brands – such as Cancer Research UK, RNLI, Guide Dogs and the National Trust - depend on legacy income to underpin their activities. Across the not for profit sector as a whole (including arts organisations), legacies account for 5.6% of total income. In comparison, legacy giving specifically to the cultural sector remains low. According to a recent Arts & Business survey[2], legacies account for around 10% of private investment in the arts (compared to 13% of voluntary income for general charities) and just 1% of total income. The arts legacy sector is said to be worth around £65m – that is just 3% of all the money left to charity.
This survey aimed to look beyond these headline numbers, to understand more about the current legacy performance and practice of cultural organisations. We asked:

- How many arts organisations are receiving gifts in wills, how many do they get and how much are they worth?
- How – if at all – do arts organisations promote the idea of legacy giving to their supporters? How much resource do they commit? What methods do they use to engage with stakeholders?
- How important is legacy marketing to their future strategy?
- Which organisations are considered to be the leaders in the field? And where do arts organisations generally go to get information and inspiration?

The findings are broken down by organisation size, location, age and art-form, providing additional insight into the shape and size of the market.

Key Findings

Irrespective of whether they are actively promoting legacies as a giving opportunity, less than half of the arts organisations surveyed (41%) have received gifts in wills over the past three years.

And, among those who have benefited from this income stream, the numbers of donations received are generally low, with 77% of respondents receiving fewer than 10 bequests over three years. Of those organisations attracting legacy income, over half (51%) received less than £25,000 a year from this source.

As in the wider charity sector, arts legacies are polarised, with some – generally large – organisations enjoying a disproportionate share of all income. A fortunate 4% of all the

1 Average annual growth rate 2004/5 – 2008/9. Source: Legacy Monitor 2010
2 Arts Philanthropy : the facts, trends and potential, A&B 2010

arts organisations surveyed reported receiving over £100,000 a year in legacy income. Large, well-known organisations tend to attract the small number of major bequests. According to Legacy Foresight, gifts worth over £100,000 account for just 5% of their clients' legacy donations, but half of their legacy income.

The relatively low number of arts organisations receiving legacies is hardly surprising, given that just 38% of respondents actively promote the idea of legacy giving among their supporters. It would appear that in some cases arts lovers are writing unsolicited gifts into their wills, without the knowledge or engagement of the organisations concerned.

There were many reasons given for not promoting legacy giving. The most common were: lack of capacity (27%), more pressing priorities (21%), and a perceived lack of expertise (18%). A surprising 21% of arts organisations without an active legacy strategy admitted that they had "never thought of working on this".

Among the organisations who pursue a legacy fundraising strategy, levels of investment are currently low. Only one of the 198 organisations employed a dedicated legacy manager. Almost half of the organisations pursuing a legacy fundraising strategy (46%) had made no discrete staffing provision of any kind – looking to resource their legacy activities as a modest adjunct to a current role within their fundraising or marketing resource. Most commonly, just quarter of one middle-ranking manager within the fundraising function was reported as being deployed to manage legacy marketing *and* administration.

Among those organisations promoting legacy giving, the majority of respondents reported using a wide range of communication methods, with web-based promotion proving the most popular (reported by 89% of respondents). Over 40% of respondents included legacy messages in their programme-related printed materials or newsletters. More direct communications about legacies were less common, with just 30% of respondents using face to face approaches (as part of more general major donor engagement), while 25% had carried out targeted legacy-specific mailings.

Among all respondents, around half stated that they do not seek out information on legacy best practice at all, while just over a third reported doing so via professional fundraising bodies such as the Institute of Fundraising.

When asked which arts organisations had most impressed respondents in their legacy fundraising, a total of 18 organisations were named in a free-form response. Those receiving the greatest number of mentions included Tate, National Theatre, Royal Opera House and Royal Academy of Arts.

When asked to cite those organisations within the wider charity sector that had impressed respondents in their handling of legacy fundraising, the National Trust received the greatest number of free-form mentions, followed by Cancer Research UK, NSPCC and UNICEF. Perhaps surprisingly, other significant legacy brands, such as Guide Dogs, RSCPA and British Heart Foundation, were not cited by respondents. This probably reflects arts organisations' lack of awareness of the wider legacy market, and their low involvement to date.

Despite the current low levels of legacy fundraising, half of all the arts organisations surveyed told us that legacy income will be important to their organisation in the next five years. A quarter described it as very or extremely important.

These findings show that despite a general lack of investment in legacy fundraising, almost half of the arts organisations surveyed are attracting legacy gifts. However, with the exception of a few large, national bodies, the number and value of legacies received is low.

Key Findings by Art-Form

The 198 responding organisations have been divided into four broad groups: theatres (56 respondents), museums and galleries (46 respondents), music and opera (30 respondents) and 'other' (61 respondents including combined arts venues, dance, and multi art-form venues).

Organisations involved in music and opera were most likely to have received legacies, with 80% of them receiving gifts in wills over the past three years. 18% of these organisations attracted more than £100,000 a year in legacy income. This good performance is echoed in the legacy fundraising activities of this group, with 69% actively encouraging stakeholders and members of the public to leave gifts in wills. A similar number of these respondents (69%) feel that legacies will be extremely/very/important to their organisation over the next five years.

43% of those organisations within the theatre community surveyed had received gifts in wills over the past three years. In this case, the number of legacies received and their value was relatively low. None of the organisations surveyed had attracted more than ten bequests over the past three years, and 71% of them received £25,000 or less a year in legacy income. Just a third of theatres actively promote legacy giving to their supporters at this time, with lack of capacity and conflicting priorities the main reason for not investing. That said, the one full-time legacy manager responding to the survey was employed by a theatre, and half of all respondents in this group agreed that legacies will be extremely/very/important to their organisation over the next five years.

37% of the museums and galleries surveyed have received any gifts in wills over the past three years. Here, performance was polarised, with one large, national body receiving over £0.5m a year in legacy income. 36% of museums and galleries currently promote legacy giving – lack of capacity and perceived lack of expertise were the main reasons for not participating. 47% of respondents considered legacies to be extremely/very/important to their organisation over the next five years. A further 20% considered it to be on a par with other fundraising activities – perhaps reflecting this sector's recognition of the need to do more fundraising in general.

Among the 61 'other' arts organisations surveyed levels of legacies attracted were lower (with only 25% receiving any legacy income) and only 28% actively pursued a legacy fundraising strategy. That said, almost half (43%) of these 'other' respondents considered legacies to be extremely/very/important to their organisation over the next five years.

Key Findings by Age of Organisation

Legacy Foresight's past research has shown that the age of the organisation concerned is a significant influence on the legacy income received. Legators tend to give to the organisations they grew up with, with long-established Victorian and early twentieth century charities enjoying the highest levels of legacy income. However, this is changing, with more contemporary causes seeing fast growth in legacies, albeit from a low base.

This general pattern was reflected by the arts organisations in our survey. Over three quarters of the organisations founded before 1950 had received gifts in wills over the past three years, with 37% of them enjoying annual legacy income of £50,000 a year or more. Over three quarters of these older organisations actively promote legacy giving to their supporters.

Conversely, only 12% of responding organisations founded after 1981 currently encourage their stakeholders and the public generally to leave gifts in their wills, and only 19% of them had received any legacies in the past three years. Among those founded after 1981, 38% of respondents did not see legacy giving forming part of their funding mix in the next five years compared to only 10% of those founded before 1950. Around 27% of respondent organisations founded after 1981 stated that they have never thought of promoting legacy giving.

Given the older age profile of most arts supporters and indeed audiences, there is no inherent reason why an arts organisation, whatever its age, cannot attract legacy gifts – the key issue is the messages given and the tone of voice used in legacy promotion.

Key Findings by Organisation Size

Within the arts and indeed in the charitable sector generally, the overall legacy market is highly concentrated, with the largest charities receiving a disproportionate share of legacy income. According to Legacy Foresight's analysis, the top ten legacy charities[3] account for 30% of all income received, the top 50 for 52%. This concentration effect is more marked than for other forms of fundraising, such as individual giving, corporate donations, trusts or lottery funding. According to NCVO's analysis of the not for profit sector[4], just 4,200 charities received any legacy income in 2007/8, compared to 98,000 who received some form of donation from living individuals.

These survey findings echo the more general trends. 87% of the arts organisations with annual income over £5m have received gifts in wills over the past 3 years, compared to just 10% of organisations with income under £500,000 and 22% of organisations with income of £500,000 - £1m. Likewise, the largest organisations surveyed received more legacy income, with 44% of this group reporting legacy income of over £50,000 a year. That said, levels of income are relatively low compared to their general charity peers – only one of the organisations surveyed enjoyed legacy income of over £500,000 a year – putting it on a par with a typical local hospice.

[3] Cancer Research UK, RNLI, RSPCA, British Heart Foundation, Macmillan Cancer Support, Salvation Army, National Trust, PDSA, Guide Dogs, RNIB

4 Civil Society Almanac, NCVO, 2010

The larger the organisation, the more likely they are to consider legacies an essential element of their future strategy. 70% of respondents with income over £5m a year and 57% of organisations with income of £1-5m a year considered it extremely/very/important to their organisation over the next five years. Almost all the large arts organisations surveyed actively promote legacy giving to their supporters, using a wide variety of techniques, including (in some cases) dedicated legacy mailings and face to face approaches.

Among the smallest charities in our sample, the story was very different. Only 5% of respondents conducted any form of legacy promotion. Apart from lack of capacity, the main reason given was lack of awareness, with 41% of respondents admitting that they had "never thought of working on this".

However, as in the wider charity sector, the concentration effect could be set to change, with smaller, more contemporary and local causes outpacing the legacy 'super-brands'. Legacy Foresight's analysis shows that new players are attracting a growing number of low-value legacies, although when it comes to major bequests, large, long-established charities still win out.

Key Findings by Region: London vs the Rest of the UK

When looking at the position of arts organisations' legacy fundraising activities within the London area versus outside of the capital, we sought to identify any key variations, irrespective of art form and scale. Here, we have noted a number of key issues:

A higher proportion of organisations based outside of London (60%) have not received any gifts in wills in the last three years, compared to 50% of the organisations based in the capital.

Around two thirds of organisations outside of London are not currently promoting legacy giving to their stakeholders, compared to 57% within London.

Among those receiving legacies in the last three years, marginally more organisations outside of London reported receiving higher levels of annual income than within the capital (19% outside London received over £50,000 a year, compared to 14% in the capital). That said, the only organisation receiving over £500,000 a year is based in London.

55% of organisations outside of London regard legacy giving as important to their future fundraising activities compared to just 41% within the capital perhaps reflecting on a sense that organisations within the capital feel able to call on a wider range of giving opportunities or on higher levels of giving via alternative channels than their regional counterparts.

Conclusions

This survey comes at a time when government is embarking on a period of deep reflection with a wide range of interested parties about the future of arts funding and philanthropy. What is already evident is that over generations to come (and indeed the shift on which the sector is embarking may indeed take generations to achieve), we are likely to see arts funding become significantly more diverse. Legacy giving is one of a number of new opportunities for arts organisations to grasp, and one which features highly within Government thinking at this time.

By itself, more proactive legacy marketing is unlikely to provide a ‘quick fix’ to the funding issues facing the cultural community today. However, the levels of success reported in our findings by those arts organisations who are actively pursuing legacy fundraising, along with the impressive performance of many organisations in the wider charitable community, suggest that in the longer term legacies offer arts organisations good potential for a relatively modest investment.

Thanks to a combination of a recovering economy and rising death rates (driven by the large and affluent baby boomer generation, who are now entering their ‘Third Age’), the medium-term outlook for total legacy giving is good. Arts organisations are well placed to benefit from this surge in income, providing they are able to communicate their need effectively and intelligently, in line with their values.

In order to see returns in the medium term, arts organisations need to increase their awareness of best practice beyond the levels shown in our Survey and reflect carefully on their own unique offer to potential legators. In an increasingly competitive legacy sector, it is vital that every organisation, whatever its cause area, plays to its strengths – providing potential donors with a ‘vision’ that they can identify with and find compelling. In legacies, the more tangible and lasting that vision is, the better.

As cultural organisations continue on their fundraising journeys, we look forward to returning to this topic, and indeed seeing higher levels of engagement with and returns from legacy fundraising.

More About the Authors

John Nicholls

John Nicholls founded AQ in January 2008. He has overall responsibility for the strategic direction of the partnership in addition to managing the firm's sector-wide research programmes. John also works with a wide range of clients across all areas of the firm’s core business areas as well as developing its learning and professional development programmes.

John has worked as a senior business development, communications and brand professional for a number of arts organisations in the UK and overseas including Shakespeare's Globe where he held the position of Director of Development. He has also worked for the Young Vic, English National Ballet, San Francisco Symphony and The Washington Ballet in similar roles. Outside of the cultural sector he has worked for Friends of the Earth, the Royal Institute of International Affairs and Stonewall, improving the effectiveness of their communications and revenue generation activities - taking each of these organisations through significant processes of change to realize their ambitions. His most recent in-house role was as MD of London Calling Arts up until the end of 2007, diversifying the agency’s client offer and significantly increasing profitability.

In addition to serving as Managing Partner of AQ, John is a Trustee of the National AIDS Trust, advising on fund-raising and succession planning. He also serves as a Trustee of South-East Dance. In the past, he has served as a Trustee of Headlong Theatre and was Chair of Pacitti Company. He also acts as ad-hoc advisor to a range of other arts organisations at Board level outside of the work undertaken through AQ.

As Managing Partner of AQ, he authored AQ's research report on the impacts of the 2012 Olympics on the UK cultural sector in November 2008. In March 2009, November 2009 and October 2010, he published reports on the impact of the recession on the UK cultural sector. In September 2009 he also published a briefing paper on cultural sector perceptions of the 2010 UK General Election which was followed in April 2010 by a briefing paper on the cultural sectors viewpoint of the major political parties. In November 2010, AQ published the interim findings of its on-going Hidden Wealth Research Project, seeking to identify opportunities to develop individual giving within the cultural sector.

Meg Abdy

Meg is responsible for project management and social research at Legacy Foresight. She has been analysing the legacy market since 1994, when she managed the original Henley Centre for Forecasting (now the Futures Company) Legacy Forecasting Project. Meg regularly speaks at charity conferences and her view on the future of the sector is frequently featured in the third-sector press.

With responsibility for the Legacy Monitor programme as well as ad hoc research projects, Meg is particularly interested in the issues facing mid-sized charities.

In addition to her work in the legacy marketplace, Meg specialises in strategic planning, social innovation and intelligent funding. Recent clients include NESTA, the Clore Duffield Foundation, Comic Relief, Film Education, CASE Europe and the Charity Commission

Arts Quarter LLP

www.artsquarter.co.uk

Arts Quarter was founded in January 2008 in direct response to calls for there to be an effective agency to develop skills and capacities within the UK cultural sector and to devise and implement innovative working practices and business models in the onset of a period of profound public and private sector funding for the arts.

Through our client work, we have active relationships with around 50 arts organisations of all scales, art forms and regions of the UK. Beyond this, we actively dialogue with over 450 arts organisations, government agencies and departments, policy formers and the media through our advocacy and research work.

AQ has rapidly established a reputation across the English-speaking world as the 'UK's leading cultural sector think-tank' and for bringing to the sector a range of services and products which resonate with the ever-changing climate in which its client sector is operating.

Through all of our activities, we seek to challenge conventional thinking within the cultural sector, stimulate discussion, create new ways of working and provide opportunities for learning and professional development.

Client Services

Revenue generation: we look to help organisations improve both earned and unearned revenue streams from improving ticketing returns through to fundraising of all kinds and from all sources. Outside of these areas we help organisations develop new commercial revenue streams based on their visions and values.

Structure: we help organisations to review their staffing and board skills and structures, revising HR practices where required as well as undertaking recruitment.

Branding and communications: we help organisations to understand the value inherent within their brand, and help to enhance communications and marketing both online and offline. Often, we are called on to undertake quantitative and qualitative market research as part of our work on brand development.

Building audiences: we help organisations build new audiences or find ways of getting greater value out of existing ones through improved marketing, event management and through relationship development.

Cost saving: As well as looking at the revenue side of organisations, we look at ways we can rationalize costs effectively and sensibly and above all in line with our clients' values:

AQ Energy

In the current economic climate and at a time when all cultural organisations are seeking meaningful ways to reduce costs without cutting programming, AQ Energy is helping the arts reduce its energy dependency and costs.

AQ Energy is a joint venture between Arts Quarter and Utility Aid. Utility Aid has been helping organisations in the wider charitable community to manage their energy usage by

- implementing the findings from free energy audits,
- installing over 700 smart meters and helping organisations to manage down their energy costs,
- wholesale energy purchasing.

Since 2002, Utility Aid has managed to reduce not-for-profit energy bills by over £4million. Recognising the need for arts organisations to manage their energy usage sensitively yet effectively, this joint venture with AQ aims to bring the opportunity to make considerable savings to the arts at a time when all organisations will be seeking to manage down overheads. Arts organisations will pay no direct fees to take advantage of this service.

AQ Recruitment

Mindful of the resources needed to find the highest calibre marketing, fundraising and executive staff, AQ is co-venturing with Harris Hill, the UK's leading charitable sector search and selection agency, to support arts organisations in meeting their recruitment needs in the most cost effective manner. Launched in January 2011, this is a full-service operation which seeks to manage the recruitment process from start to finish, thereby allowing organisations to continue to meet their day-to-day workloads.

Industry-Wide Research & Advocacy

AQ is now regarded as the UK's leading cultural think-tank, exploring and reporting on issues important to the cultural and not-for-profit communities.

We regularly engage with around 450 arts organisations across the UK collecting performance and opinion data on issues ranging from the wider impacts of the 2008/9 Recession and its aftermath on the arts, engagement with the 2012 Olympics as well as views on key government policies. We publish our findings free-of-charge so that members of the sectors with whom we work can learn from wider trends and from areas of innovation that are shared with us by our research participants.

Legacy Foresight Ltd

www.legacyforesight.co.uk

Legacy Foresight works with individual organisations and client consortia to map, model and predict the legacy market. We analyse the state of the legacies sector, produce income forecasts and research into legator motivations. Over the past fifteen years our team has worked with over fifty clients, including twenty-five of today's top thirty British legacy charities.

Client services

How are we performing? Legacy Monitor is a legacy analysis service, providing quarterly benchmarking reports and an annual review of market trends. By drawing directly on our clients' databases, we present the latest intelligence on legacy incomes, notifications and values. Each client receives tailored reports, comparing their performance against their peers - whether by cause area, age or size.

What's in the pipeline? Our Legacy Forecasting service projects your legacy notifications and income over the next three to five years. Alongside our central forecast, we provide optimistic and pessimistic scenarios, to help with financial planning and risk management. These are backed up by clear commentaries, aimed at busy managers and trustees.

What's on the horizon? Legacy Scenarios provide a long-range perspective on your legacy potential, looking ten to twenty years ahead. First we produce market forecasts, incorporating a wide range of economic, social, demographic and legal factors. These are overlaid with your organisation's positioning, performance and strategy to create a spectrum of future possibilities.

What do our legators think? We manage bespoke Legacy Research to explore emerging issues. Each project is funded by a consortium of interested clients, who share their experience, insights and data. This collaborative approach not only cuts costs; it can also save time, ensure an objective approach and create opportunities for joint campaigning.

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