



# Income Generation in London's non-National Museums

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## 1 Executive Summary

The Museum of London commissioned the National Council for Voluntary Organisations (NCVO) to establish the current picture of income generation within the London Museum's sector.

The research included three parts. The quantitative part consisted of a survey of museums and analysis of their accounts to produce an overview of their finances. Qualitative interviews with museums and funders then helped to gain an understanding of their thoughts on income generation. Finally, a panel of experts was convened to discuss the findings and add their own perspective.

### Overview of the sector

The research found that non-national London museums do see themselves as part of a distinct sector, incorporating a wide range of activities. Museums indicated that being part of a network supported the notion of a distinct sector.

They also suggested that being located in London leads to a paradox. Museums gain from being close to the cultural centre of London, but can lose out in competition with well-funded national and international museums.

The survey and financial analysis suggests there are around 200 non-national museums in London, with an estimated total income of around £250 million. Of these, the majority (71%) are independent museums, with just 20 large independent museums accounting for over 70% of the sector's income.

### Financial analysis

There are clear differences in financial patterns between local authority museums and independent museums. Local Authority funded museums receive a large part of their income (83%) from core funding and grants, whereas for independent museums this is a much smaller part of their income.

Independent museums' income is distributed fairly evenly between core funding and grants, trading, fundraising and admissions, painting a picture of a diverse range of sources of funding.

But though the sector's funding as a whole is diverse, many individual museums are reliant on one source of income. In two-thirds of the 77 independent museums, and all local authority funded museums, one income source makes up more than 50% of their income.

Core funding is the dominant source of income for many museums, particularly for local authority funded museums, where it accounts for 75% of total income. Across all museums we estimate that core funding makes up £51 million out of the total of £246 million income. Income from admission charges is not as important for museum finances as might be expected. Half of survey respondents indicated they charged for admission.

Fundraising and donated income provides a significant source of income for some museums. Fundraising is most vital for independent museums, who collectively receive one-quarter of their income from fundraising, while local authority and other museums receive 4% and 6% of

their income from this source respectively. Around three-fifths of the museums surveyed said that they claimed Gift Aid on their income.

Corporate sponsorship is less common in museums; just 10 out of 50 respondents received income from this source. Low levels of funding from corporate sponsorship could also be because museums lack the time and know-how to approach corporate sponsors.

Income from trading, such as gift shops, cafes and online retail, accounts for around £53 million of museum's total income. Nearly half of the survey respondents generate income from copyright and licensing of their images, a positive sign for what might be considered an under-used resource.

### **Staff, volunteers and visitors**

The museums surveyed received an average of 129,000 visitors per year, although this total is skewed by the large independent museums, which had an average of 474,000 visitors.

On average, respondents reported 21 full-time staff, 3 part-time staff and 29 volunteers. However, as with visitors this is skewed by the large independent museums; staffing in small independent museums, Local Authority funded museums and other museums was much smaller, with an average of 2.8 full-time staff and 2.5 part-time staff in these museums.

The survey asked what roles staff and volunteers play in raising income for museums. The majority of museums did dedicate paid staff time to raising income, although this was more likely to be part of someone's paid role rather than a dedicated position.

### **Challenges to income generation**

Respondents highlighted core funding as a particular problem for the future, with a majority expecting it to fall over the next three years. Replacing lost core funding was identified as a key challenge for the future, with a widely held view amongst interviewees that these structural changes to funding would not be reversed.

Other challenges highlighted by museum interviewees related to location and visibility, having the staff time and expertise to generate income, donor dependency, pressures on the fabric of the building and understanding the funding environment.

### **Addressing income generation challenges**

Museums are using a range of approaches to address income generation challenges, including trading, fundraising, applying for grant funding from trusts and foundations and other methods which we have grouped together as organisation development approaches.

Respondents identified trading as playing an important part in addressing challenges. There was a sense amongst funders and professional bodies that running a museum now involves entrepreneurialism and is akin to running a small business, and that they need to have a leader who can spot new commercial opportunities.

Fundraising is another area with potential for growth, though interviews with funders and professional bodies indicated a need for support and development for museums in fundraising.

Membership schemes are an important area for growth, particularly for smaller museums with a select appeal.

Funders who were interviewed highlighted the importance of the right approach when applying for grant funding. This included targeting applications, getting to know the funder and having a clear vision of what you want to achieve.

Partnerships, consortia and networks provide benefits for addressing income generation challenges, and are particularly helpful for marketing and exposure. Networks also help museums to keep their ears to the ground and hear about opportunities and developments.

Having an entrepreneurial, outgoing, savvy and strategic leader emerged as a key theme when discussing income generation strategies; a leader who understands the USP of their museum and can articulate it clearly through a strategic plan.

There are opportunities for innovation to address income generation challenges; respondents particularly highlighted social media as an area with potential.

## 1.1 Implications of the research

There are a range of ways in which museums, regional museum development based at Museum of London and funders can support the income generation strategies of museums. These include:

- Diversifying income was emphasised as an important strategy to addressing the withdrawal of core funds and reducing dependence on one source of funding. This may require strategic review and difficult decisions about prioritising work – including potentially deciding to stop doing certain activities. Museums would benefit from advice and skills in developing new methods fundraising and income generation (e.g. crowd-sourcing or online retail) and support in realising their current assets (e.g. shops, cafes and hire).
- Many museums aim to increase income through admission charges / increased visitor numbers and associated spend. One of the main barriers identified in this strategy was the need to raise individual museum profiles, especially when competing with the large institutions in central London. Museums would benefit from support with marketing and communications to help address this.
- Funding and support bodies should bear in mind that museums have limited staff capacity to devote to fundraising and income generating activities. This should be considered when setting funding criteria and developing programmes.
- The research found that corporate sponsorship, enhanced friends schemes and individual giving are a potential growth area. Skills development for museums in this area should be considered.
- Museums would benefit from clearer understanding of and knowing the importance of their Museum's vision and Unique Selling Point (USP) at all levels (junior staff to trustees) as key to responding dynamically to funding challenges and opportunities.

## 2 Introduction

The Museum of London is an award-winning, charitable institution with a vision of creating: a revitalised, world-class museum that embodies the spirit and energy of the world's greatest city and its people; a museum that plays an active role in the life of the capital both today and in the future; a museum that is a welcoming, inspirational and innovative destination to all visitors as well as a centre of excellence in research, curatorship, conservation and learning.

The Museum helps to strengthen the capital's museum sector through a regional programme of support. The London Museum Development team at the Museum of London offers professional support, advice and guidance to Accredited (or museums actively applying for Accreditation), non-national museums in London. This programme is funded by the Renaissance in the Regions programme, a national investment in regional museums, which is managed by Arts Council England (ACE).

The Museum of London commissioned the National Council for Voluntary Organisations (NCVO) to establish the current picture of income generation within the London Museum's sector.

NCVO is the largest umbrella body for the voluntary and community sector in England. It gives voice and support to civil society. NCVO believes passionately in the voluntary and community sector as a sector with the power to transform the lives of people and communities for the better.

### 2.1 Rationale for research

The Museum of London expressed the need to identify where there is most potential growth and development in fundraising and income generation amongst non-national museums in London. This information is intended to help inform policy for stakeholders such as the Greater London Authority (GLA), Arts Council England (ACE), Heritage Lottery Fund (HLF) and Department for Culture, Media and Sport (DCMS).

This research project explores income generation within non-national London museums through undertaking interviews with both the museums and their funders and gathering financial data and primary survey data, and undertaking a workshop with the museums. The report is structured in the following way:

**Section 3** outlines the **aim and methods** of the research.

We then present the findings of the research, including the results of the survey of museums and interviews with a range of museums and their funders. The results include an overview of the non-national London museum sector (**section 4**), data on the museum's finances (**section 5**) and their staff, volunteers and visitors (**section 6**).

**Section 7** analyses the quantitative and qualitative findings to look at the challenges facing non-national London museums. Finally, **section 8** presents some ways that museums and funders can respond to these challenges.

This research will add to the wider evidence base of how museums currently generate income and will feed into practical discussions about how this is likely to change in the future.

### 3 Background and context

The non-national London museum sector includes a diverse range of more than 200 museums from the Alexander Fleming Laboratory Museum to the World Rugby Museum, Twickenham and range in size from small community based museums to multi-million pound organisations. They include those that are part of or funded by a local authority or university, and those that are independent, of which many are registered charities.

There have been a number of research projects exploring the current picture and future direction of UK museums, some of which are discussed below, alongside discussions and debates such as by the Guardian's Culture Professionals network which recently hosted an online live chat entitled *What's next for museums?*<sup>1</sup>.

#### 3.1 Museum income generation

Museums generate income from a range of sources including core funding, grants, trading, contracts, fundraising, membership schemes, admission fees, corporate sponsorship and investment income. The balance between each of these sources differs depending on the museum's scope and collection.

The Comprehensive Spending Review (CSR) of October 2010 resulted in museums across the whole country seeing large scale budget reductions. Research by the Museums Association<sup>2</sup> explored the impact of these cuts nationally and found half of the respondents (51%) reporting a reduction in their overall budget with just over one-fifth (22%) having to reduce access to sites by closing whole or parts of sites, permanently or temporarily. The research also identified new ways of working with around two-thirds of respondents planning to concentrate more on generating income (69%) and fundraising (62%) over the next year.

Similarly, research by the Chief Cultural and Leisure Officers Association (CLOA)<sup>3</sup> identified that museum services were facing the squeeze with cuts exceeding 15%, cited by the highest number of local authorities. The research also identified significant job losses with cuts notably affecting front line services such as museums.

This latest research by the Museum of London will complement the Museums Association and CLOA research by exploring income generation specifically within non-national London museums and identify commonalities and differences with the national picture and how their income has changed over the two years of analysis.

With further central and local government cuts on the horizon there are a number of income generation challenges facing the museums sector, from who to approach for future funding to setting appropriate admission membership fees. This research will help address these challenges and inform the work of the Museum Development team and other stakeholders in

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<sup>1</sup> Guardian culture professionals (2012) What's next for museums? [www.guardian.co.uk/culture-professionals-network/culture-professionals-blog/2012/may/10/museum-development-tips-ace-fund](http://www.guardian.co.uk/culture-professionals-network/culture-professionals-blog/2012/may/10/museum-development-tips-ace-fund)

<sup>2</sup> Museums Association (2012) The impact of cuts on UK museums [www.museumsassociation.org/download?id=770702](http://www.museumsassociation.org/download?id=770702)

<sup>3</sup> Chief Cultural and Leisure Officers Association (2012) Financial settlements for culture and sport [www.cloa.org.uk/images/stories/2012-06-12\\_Survey\\_summary\\_of\\_findings.doc](http://www.cloa.org.uk/images/stories/2012-06-12_Survey_summary_of_findings.doc)



London such as the Arts Council, Association of Independent Museums (AIM), HLF, GLA and the Trusts and Foundations who regularly fund museums.



## 4 Aim and methods

We employed a mixture of quantitative and qualitative research methods. The **quantitative element** included the collation, classification and analysis of a representative sample of the annual financial accounts of non-national London museums. We also created and distributed two surveys to non-national London museums (contact details provided by MOL) to gather financial information that was unavailable through charity accounts, and to explore in more depth their views and experiences. 50 responses were received to the main survey (a response rate of 25%).

The survey was web-based and was publicised to the population through targeted emails and follow up phone calls by Museum of London staff. Museums were offered a small incentive (the chance to win a £50 voucher) to take part. 36 of the survey respondents were from "independent" museums (those not controlled by a local authority or other part of government), 10 were from Local Authority funded museums and 4 from other types of museums (University or Ministry of Defence museums). The survey consisted of 14 questions in total, asking both for factual information about the museum's finances and staffing and subjective questions about support needs and future funding.

For museums that are registered as charities, additional data about their finances were obtained from their latest available annual accounts, which are available from the Charity Commission website. The accounts of 70 museums were entered by the Centre for Data Digitisation and Analysis (CDDA) at Queens University Belfast. The accounts data was then cleaned and classified to enable aggregate figures to be produced. Charities have a grace period before having to file accounts with the Charity Commission, typically this means the accounts relate to the financial year 2010/11. Museums that are not registered charities were asked supplementary questions as part of the survey to gather this financial information.

For the **qualitative research** we conducted phone interviews with funders and sector support organisations for the museum sector and museums themselves to gain an understanding of their views on museum income generation. The qualitative research comprised semi-structured telephone interviews lasting between 30 – 60 minutes with a range of people in charge of non-national London museums (8 in total) and a range of funders of non-national London museums (10 in total).

The non-national London museums sector is diverse, and we interviewed people from a range of types of museums (see Table 1). These included two Local Authority museums, one independent trust supported by a Local Authority (which includes two historic houses and extensive grounds), one university museum, three historic or 'personality' houses, and one small independent museum.

Table 1 - Profile of museums

Museum	Description
<b><u>Benjamin Franklin House</u></b>	Small, independent museum that opened to the public in 2006. Historic house in which Benjamin Franklin, Founding Father of the United States, lived and worked between 1757 and 1775. Museum offers a historical experience, a student science centre, a scholarship centre and public events. Entrance fee of £7/£5 concession (includes students and Friends).
<b><u>Bexley Heritage Trust</u></b>	A charity that runs Hall Place (a Tudor house) and Gardens (65 hectares) and Danson House (a Georgian villa) in Bexley. Offers historic houses, gardens, visitor centre and cafe, family activities, events, weddings and a farmers market. Entrance fee to house of £7/£5 concession. The trust is responsible for the care and management of Bexley's extensive museum collection and receives funding from the council to enable this.
<b><u>Cartoon Museum</u></b>	Exhibits British cartoons, caricature and comic art from 18 <sup>th</sup> century to present day. Museum with a gallery, archives and innovative exhibitions to make the creativity of cartoon art accessible to all for education, research and enjoyment. Opened to public in 2006. Admission £5.50 adults/£4 concessions/free with National Art Pass and to Friends of the Cartoon Museum.
<b><u>Freud Museum</u></b>	Home of Sigmund and his daughter, now a museum containing Freud's library and collection of antiquities. Museum offers temporary exhibitions, public events and talks, and conferences. It aims to preserve the house and collections and to explore the contemporary legacy of psychoanalytics. Admission £6/£3 concessions, free to Members.
<b><u>Hackney Museum</u></b>	Hackney's local authority museum. Works with local communities, with a focus on the diverse communities of Hackney to communicate their stories and share them with a wide audience. Has permanent, temporary and community exhibitions, events & activities, special projects (e.g. Mapping the Change 2012 Olympics project), and school learning programme. No admission charge.
<b><u>Handel House Museum</u></b>	18 <sup>th</sup> century house where George Frideric Handel, the classical composer, lived for 36 years and composed his major pieces here. Restored to reflect the life and times of the composer. Museum offers school visits, concerts, instruments, and provides rehearsal space for London college music students. Founding member of the Shh (Small Historic House) network. Admission £6/£5 concessions. Free to Friends, National Art Pass holders and London Pass holders.
<b><u>Islington Museum</u></b>	Islington's local authority museum. A modern museum (20 years old) dedicated to the history of Islington. Focus on education, outreach & community engagement. No admission charge.

Museum	Description
<u>UCL</u>	Four collections over three museums open to the public - <u>UCL Art Museum</u> , the <u>Grant Museum</u> , the <u>Petrie Museum</u> , and the <u>Geology Collections</u> . 10 collections in total which are mainly for teaching and research. Free admission. UCL Art Museum holds over 10,000 prints, drawings, sculptures, paintings and media works dating from the 1490s to the present day. The Grant Museum of Zoology is the only remaining university zoological museum in London. It houses around 67,000 specimens. The Petrie Museum houses an estimated 80,000 objects, making it one of the greatest collections of Egyptian and Sudanese archaeology in the world. Admission free.

Trusts and foundations are also diverse, and we interviewed a range of people responsible for funding museums, as well as people responsible for professional museum bodies. Interviewees included the major capital and revenue funders for museums (Heritage Lottery Fund and Arts Council England respectively), professional bodies for museums (e.g. Museums Association and Association of Independent Museums) and private grant makers (e.g. Wolfson Foundation and Paul Hamlyn Foundation). Table 2 gives details on the organisations represented in our interviews of funders and professional museum bodies.

Table 2 - Profile of funders and professional museum bodies

Organisation	Description
<u>Artfund</u>	National fundraising charity for works of art for museums and galleries. Founded in 1903. Core purpose is to provide grants to museums and galleries to help them buy works of art or objects of aesthetic interest. Also provide smaller amounts of support for activities which support acquisitions, e.g. curatorial research, exhibitions and tours. Privately funded through 90,000 members who pay an annual subscription. They receive National Art Pass and discounted entry into major exhibitions and galleries. Make 1-200 grants each year. Tend to be a part-funder.
<u>Arts and Humanities Research Council (AHRC)</u>	Established in April 2005, the AHRC is a Non-Departmental Public Body. Provides funding and support to UK researchers to undertake research that furthers understanding of human culture and creativity. Run a Museums and Galleries Research Programme in which museums and galleries can apply to AHRC in collaboration with a UK university or Independent Research Organisation.
<u>Arts Council England (ACE)</u>	ACE is the national development agency for the arts in England, distributing public money from the Government and the National Lottery. It funds arts activities that engage people in England, or that help artists and arts organisations carry out their work. They are the revenue (salaries, projects, core running costs) funder for museums. ACE's focus is on sustainability.

Organisation	Description
<u>Association of Charitable Foundations</u>	Leading membership association for trusts and foundations in the UK with over 300 members ranging in size from small and local grant-makers to some of the world's largest foundations. Income comes from membership subscriptions. Offers advice to members on grant making.
<u>Association of Independent Museums (AIM)</u>	UK-wide development agency providing advice and support for independent museums, i.e. all museums that are not directly controlled by central or local government. Membership is broad. AIM represents the sector on issues from concerns about gift aid, advice about transferring museums to a trust, and run major grant schemes on behalf of funders (e.g. for the Department for Culture, Media and Sport).
<u>Heritage Lottery Fund</u>	<p>Using money raised through the National Lottery, the Heritage Lottery Fund (HLF) gives grants to sustain and transform the UK's heritage. From museums, parks and historic places to archaeology, natural environment and cultural traditions, HLF invests in every part of the UK's diverse heritage.</p> <p>HLF is a reactor funder, i.e. they fund applicants within their own strategic framework which includes increasing participation, increasing learning and conserving heritage with the requirement that the applicant needs to have a heritage asset and have a learning aim. HLF is not a revenue funder and is not the strategic body for the sector. Manage the <u>Catalyst Endowment Scheme</u> and a forthcoming grants scheme for small to medium sized museums to help them develop their fundraising capacity.</p>
<u>Museums Association</u>	Membership organisation for everyone working in museums, galleries and heritage. Aim to enhance the value of museums to society by sharing knowledge, developing skills, inspiring innovation and providing leadership. Have 5,200 individual members, 600 institutional members and 250 corporate members. Funded through membership.
<u>Paul Hamlyn Foundation</u>	Independent grant-making organisation focusing on the arts, education and social justice. Run an on-going <u>open grants scheme</u> which supports a lot of galleries and some museums. Grants tend to be around engagement and participation, but could be around a residency model. Paul Hamlyn Foundation also runs <u>Our Museum</u> which provides support for organisational development for museums that are committed to community engagement and partnership.
<u>Wolfson Foundation</u>	A charity that awards grants to support and promote excellence in the fields of science and medicine, health, education, and the arts & humanities. Arts and humanities make up roughly 25% of its funding. Generally fund capital infrastructure funders with an underlying principle of backing excellence.

In addition to the quantitative and qualitative research strands, a **panel of experts** was convened to discuss the findings and add their own perspective. Where appropriate the thoughts of the panel have been added to the research narrative in this report.

The panel comprised of seven senior members of staff (mostly CEOs) from a list provided by the Museum of London. The organisations were of varying size and backgrounds, including one local authority funded museum, one funded by the Ministry of Defence, one relatively new museum, one with a social enterprise (café) and another reliant on endowment income.

## 5 Overview of the non-national London museums sector

Two themes were apparent when discussing the general positioning and characteristics of the non-national London museums sector with interviewees: that they offer something unique, and yet can still be characterised as belonging broadly to ‘a sector’, and that being located in London is a paradoxical situation with both positive and negative aspects. These themes provide a useful backdrop to some of the broader challenges and opportunities for non-national London museums to generate income.

### 5.1 Unique yet part of a sector

Non-national London museums that we spoke with tended to see themselves as unique and as belonging to a museums sector, and could generally identify with being part of a non-national London museums sector.

One funder cautioned against a generic ‘bundling up’ of museums, noting that perspectives are wholly different, citing the Hackney Museum’s strong community focus in comparison to the Charles Dickens Museum’s international audience. ‘Uniqueness’ was highlighted in different ways amongst museums. The historic houses, for example, spoke of their uniqueness through the individuality and pull of the house itself as a place of work of great international historic figures such as Handel, Franklin and Freud. The university museum noted that it was part of an international and university environment, which set it apart from other non-national London museums.

Despite generally seeing themselves as unique, most museum interviewees said they did feel part of a London museums sector, with five of the eight noting that they were part of a London museums network, including: Shh (Small Historic Houses); London Museums Health and Medicine; London Museums Group Committee; Museum Mile Network; Central London Museums Group. The MDA and MOL networks were also mentioned. Being part of a network appears to support the notion of belonging to a sector, as the following quotes illustrate:

*‘I sit on the London Museums Committee – so I see that there is a sector and that it’s quite cohesive. The museum sits well in the Local Authority museums. There are personality houses, historic buildings and all that but I think we see each other as one sector.’ (Interview, museum)*

*‘We are involved in quite a lot of networks and see value in being part of larger networks and trying to do things together with other smaller museums, for example we’re a member of Shh historic houses and put in quite a lot of effort to do joint marketing and we’re part of London Museums Health and Medicine.’ (Interview, museum)*

One funder commented that the [London] Museums Group has a good role to play in bringing museums together, providing a network and framework for support and that the Museum Development Officers (MDOs) are valued because they provide a source of advice and guidance for smaller museums.

## 5.2 London as a centre for tourism, culture and business

The paradoxes of being located in London were highlighted: there is huge potential for corporate sponsorship, yet huge competition for it from the nationals who have a higher profile and therefore more appeal for sponsorship; there are many tourists and people seeking cultural experiences, yet nationals are often more visible and offer heritage, art and culture with no admission charge; there are millions of residents yet many have little attachment to place, which poses a challenge for fundraising because,

*'You need to find rich individuals or lots of individuals and people don't care about Bromley. It's just an area. It creates a problem. A large number of museums outside of London nationals are place-based.'* (Interview, funder)

Some museums and funders thought that non-national London museums needed more help (from grant making trusts, for example) than nationals because they are smaller (typically) and have limited fundraising ability. However, one funder said that they still wanted to continue to fund nationals because they need to compete on a global scale. The 'survive or thrive' attitude of some of the smaller museums was noted by another funder, who thought that they were freed from red tape of government and that some of the more interesting curatorial experiences from smaller end of spectrum.

## 5.3 The size and scope of the sector

Data from the survey of museums and financial analysis of museum's accounts allows the size of the sector to be assessed. Museums are divided in two ways – geographically into inner and outer London, and by type of museum, into independent, local authority and other. Large independent museums (those with income over £1 million) are also analysed separately.

Table 3 shows the estimated size of the non-national museum sector in London. We estimate that there are around 200 non-national museums in London, with an estimated total income of around £250 million. Of these, the majority (71%) are independent museums, with just 20 large independent museums accounting for over 70% of the sector's income. The income of museums is estimated for the population based on the results of the survey and financial analysis. For Local Authority and "other" museums this figure should be treated with caution due to the small sample sizes.

Table 3 - Number and income of non-national Museums in London

	Museums	Income (£m)	Average income (£)	% of museums	% of income
Large Independent	12	79.2	6,597,000	5.9%	32.2%
Independent	70	24.4	349,000	34.7%	9.9%
Local Authority	4	1.8	438,000	2.0%	0.7%
Other	18	16.9	936,000	8.9%	6.9%
<b>Inner London</b>	<b>104</b>	<b>122.2</b>	<b>1,175,000</b>	<b>51.5%</b>	<b>49.7%</b>
Large Independent	8	93.5	11,688,000	4.0%	38.0%
Independent	53	8.8	166,000	26.2%	3.6%
Local Authority	28	8.1	288,000	13.9%	3.3%
Other	9	13.3	1,476,000	4.5%	5.4%
<b>Outer London</b>	<b>98</b>	<b>123.6</b>	<b>1,262,000</b>	<b>48.5%</b>	<b>50.3%</b>
Large Independent	20	172.7	8,633,000	9.9%	70.2%
Independent	123	33.2	270,000	60.9%	13.5%
Local Authority	32	9.8	307,000	15.8%	4.0%
Other	27	30.1	1,116,000	13.4%	12.3%
<b>All museums</b>	<b>202</b>	<b>245.8</b>	<b>1,217,000</b>		

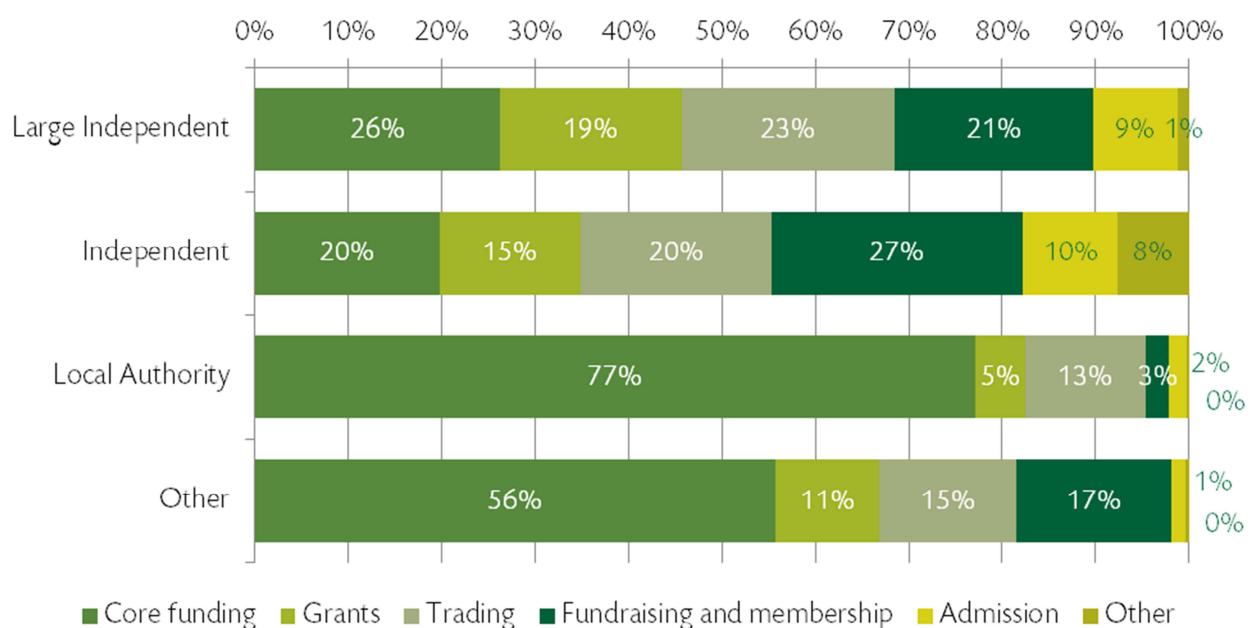


## 6 Financial analysis

Information on the finances of non-national London museums was gathered through museums' annual accounts (where the museum is a registered charity) and the survey of museums. The data gathered divides up the total income of the museum in the latest financial year available (generally 2010/11) into a number of categories. The total income for the 103 museums for which information was available was over £200m.

Figure 1 shows the average proportion of income by type of museum. The figures for local authority funded museums and other museums should be treated with caution as the number of organisations in the sample for these categories is relatively small. The data includes details from 18 Local Authority museums, out of a population of 25 Local Authorities which run museums services, spread over approximately 30 sites. Eight "other" museums (including University museums, Nationally-funded museums and armed forces museums) were included in the sample, out of a total population of 27. There are twenty large independent museums, classified as those with over £1 million income.

Figure 1 – Average proportion from income sources by type of museum



The findings demonstrate a clear difference in funding patterns between independent museums and other types of museum. Local Authority funded museums receive a large part of their income (83%) from core funding and grants, whereas for independent museums this is a much smaller part of their income. This finding chimed with the interviewees: of the four museums that received core funding from their parent institute (three local authority funded museums and one university museum), the majority of their income came from core funding, with other income coming from private grant makers, corporate hire, educational visits, events and donations.

Independent museums' income is distributed fairly evenly between core funding and grants, trading, fundraising and admissions, painting a picture of a diverse range of sources of funding.

Again, the survey and interview data complement each other as we heard about a good range of income sources from our interviewees, including: weddings, school visits, friends schemes, charging for film and photo shoots and exhibition space hire, shop sales (including online retail to overseas), charging for talks and events, fundraising dinners, corporate sponsorship, partnership projects (e.g. with national museums such as the Imperial War Museum and with organisations such as the London Boxing Project).

However, while the aggregate picture shows diversity in funding arrangements, individual museums are often reliant on one source of income. In two-thirds (49) of the 77 independent museums one income source makes up more than 50% of their income. Every local authority and other museum in our sample relied on one source of income for more than 50% of their funding – this was usually core funding.

The coverage of data from the survey and financial accounts allows estimates to be made of the total income of the non-national London museum sector. These estimates suggest that the total income of the sector is around £246 million. 70% of this total (£173 million) is accounted for by 20 large independent museums, with the largest being the Historic Royal Palaces, the Royal Academy, the London Transport Museum and the Royal Air Force Museum. The 123 smaller independent museums have an income of £33 million (13%), local authority funded museums have an income of around £10 million, with other museums (including national museums and university museums) having an income of £30 million.

Table 4 shows the estimated income breakdown for the four types of museums. The estimates for non-independent museums should be treated with a degree of caution as they are based on small samples. Note that this table does not directly correspond with the proportions shown in figure 1 as the chart is based on the average proportion regardless of the size of the organisation, rather than the proportions of the population as a whole.

Table 4 – Total income of non-national London museums, by source (£ million)

	Core funding	Grants	Trading	Fundraising & membership	Admission	Other	Total
<b>Large Independent</b>	20.1	19.1	39.8	43.5	48.7	1.3	<b>172.7</b>
<b>Independent</b>	4.9	4.9	7.5	8.3	4.9	2.7	<b>33.2</b>
<b>Local Authority</b>	7.4	0.7	1.0	0.4	0.3	0.0	<b>9.8</b>
<b>Other</b>	19.0	5.1	4.0	1.8	0.1	0.1	<b>30.1</b>
<b>Total</b>	<b>51.3</b>	<b>29.9</b>	<b>52.3</b>	<b>54.1</b>	<b>54.0</b>	<b>4.2</b>	<b>245.8</b>

The data can also be broken down into inner and outer London based on where the Museum is based (table 5). Because large independent museums account for a large proportion of total

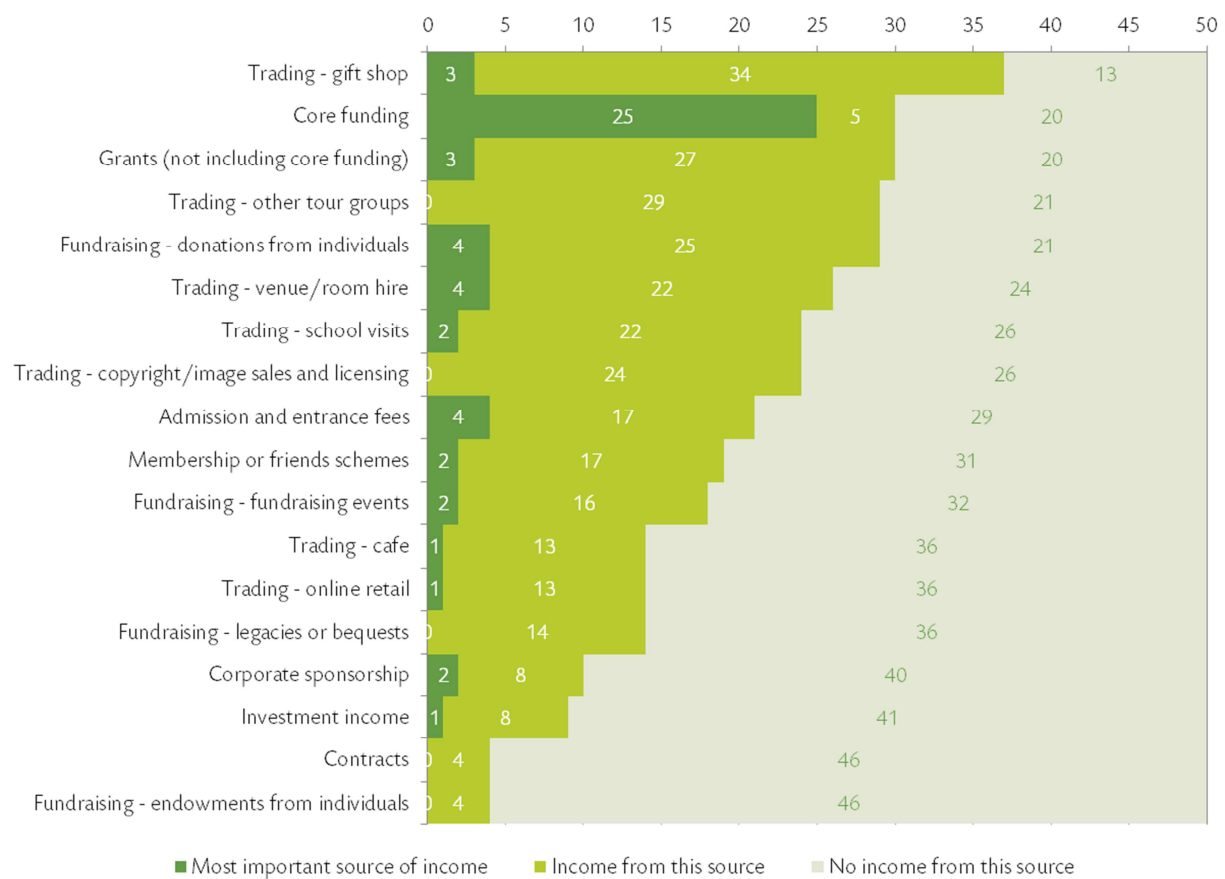
income they have been included separately. The figures suggest that outer London museums have more difficulty attracting donations and other fundraising income, and also generate less income from admission charges.

Table 5 - Total income by inner and outer London

	Core funding	Grants	Trading	Fundraising & membership	Admission	Other	Total
<b>Inner London</b>	16.9	6.7	6.1	7.8	3.6	1.9	<b>43.0</b>
<b>Outer London</b>	17.8	4.4	5.5	1.5	0.6	0.4	<b>30.1</b>
<b>Large Independent</b>	20.1	19.1	39.8	43.5	48.7	1.3	<b>172.7</b>
<b>Total</b>	<b>54.9</b>	<b>30.2</b>	<b>51.5</b>	<b>52.8</b>	<b>52.9</b>	<b>3.6</b>	<b>245.8</b>

These figures are confirmed by survey responses indicating that a museum receives income from a source, and what their most important source of income is (figure 2). Core funding again dominated, with 25 out of 50 survey respondents indicating that core funding is their most important source, and a further 5 indicating they get some income through core funding.

Figure 2 - Income sources of survey respondents



## 6.1 Core funding

As explored above, core funding is the dominant source of income for many museums, particularly for local authority funded museums, where it accounts for 75% of total income. Across all museums we estimate that core funding makes up £51 million out of the total of £246 million income. This figure may be an underestimate, however, as it can be difficult to determine whether items in financial accounts should be classified as "core funding" or a different type of grant.

Core funding constitutes costs for the day-to-day running or operational costs of museums. Generally, local authority and university museums receive the bulk of their core costs from their parent institution. Two local authority funded museums had received no cut to their core budget, but one highlighted that it had not increased and therefore in real terms had depreciated. One local authority funded museum and the university museum had experienced core budget cuts and were adjusting to them.

Many non-national museums do not have a parent institution that provides core funding. They therefore look elsewhere to cover their day-to-day costs. One interviewee from a professional body described the current funding environment in the following terms:

‘Structural changes will not be reversed – there will be less public investment, more commissioning, and changes in governance, for example local authority museums will start thinking about becoming social enterprises and trusts. Museums will have to do everything they can to diversify income and be quick on their feet.’ *(Interview, professional body)*

In general, the funders and professional bodies were at pains to point out that core funding will not be forthcoming from private grant makers, whilst several museums highlighted the difficulty of keeping going without core funding. However, for many museums core funding has never been part of their funding experience – one said nothing had really changed for them – times were tough, and always had been: *‘we have no comfortable bed of funding to rely on - this has never existed for us.’*

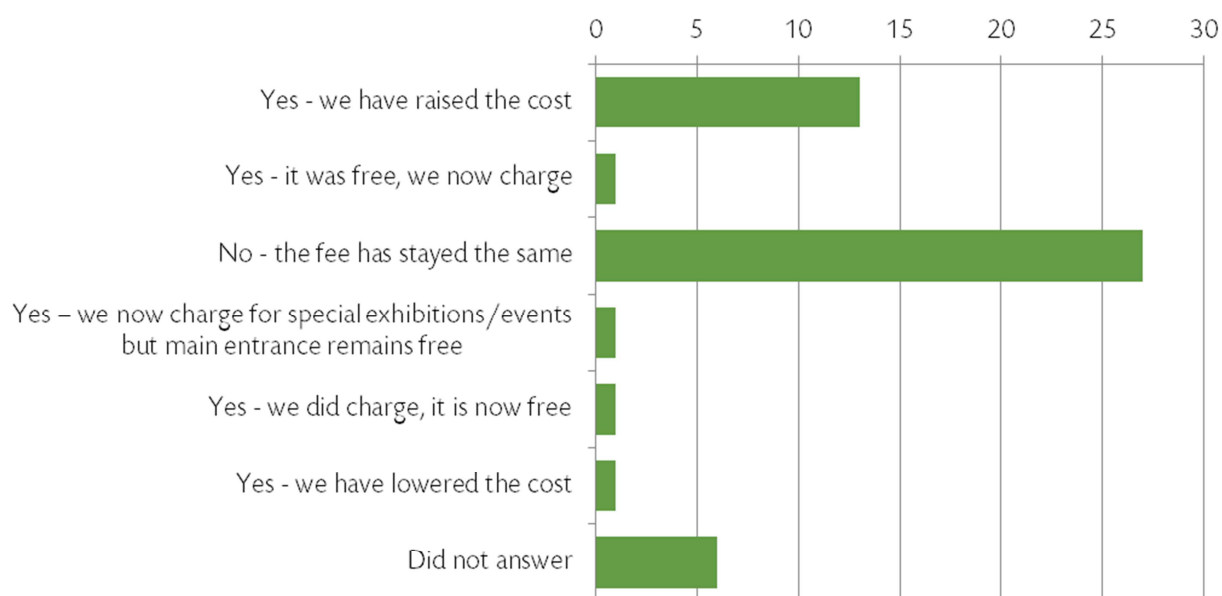
## 6.2 Admission charges

Income from admission charges is not as important for museum finances as might be expected. Half of survey respondents indicated they charged for admission. Only one local authority funded museum and one "other" museum charged for admission. Most of those museums that have admission charges charge for general admission (20 out of the 26 that charge). 11 respondents said they charge for admission to special events and exhibitions. The financial data indicates that non-national London museums generate £54 million through admission charges, with £49m of that generated by 20 large independent museums.

Of the museums we interviewed, three charged no admission fee (two local authority funded museums and the university museum), one had recently introduced charging (a local authority funded museum) and the other four charged an admission fee which had not changed. Four museums have a friends or membership scheme, which gives free entry in three of the museums and a reduction to the entrance fee in the fourth. Two of the charging museums offered free entry with a National ArtFund Pass, and one with a London Pass. The museums belonging to Shh have a scheme whereby if a visitor goes to all 12 historic houses, they receive the last house entrance for free. When asked about future income generation strategies, two museums cited increasing visitor numbers as their top priority.

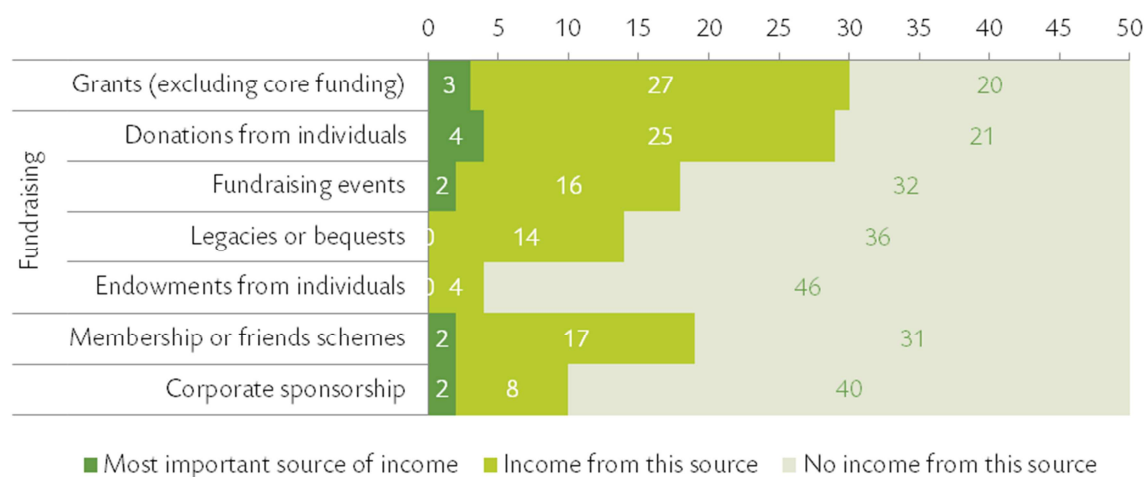
Respondents were asked whether they had changed their admission charges in the last three years. The majority had not changed the amount they charge (27 out of 44 that answered the question - including a number of museums that do not charge). 14 museums had raised the cost of admission in the previous three years including one museum that had free entry and now charges. Figure 3 shows the breakdown of these figures.

Figure 3 - Changes to admission charges over previous three years



### 6.3 Non-traded income

Figure 4 - Income from non-trading sources



As well as core funding, museums receive income from other grants, from government, trusts and foundations or from private sector businesses. While not as important as core income to museums, three-fifths of all museums said they received some income from grants.

Fundraising and donated income provides a significant source of income for some museums. Fundraising is most vital for independent museums, who collectively receive one-quarter of their income from fundraising, while local authority and other museums receive 4% and 6% of their income from this source respectively. Financial data indicates that these income sources are worth around £55 million to non-national London museums.

Four survey respondents said that donations from individuals were their most important source of funding, while two said that fundraising events were their most important source. One interviewee reported that they received an annual donation from a trust in the United States which made up roughly a third of their annual income (£90,000). 18 museums received income from fundraising events.

Fundraising did not emerge as an especially important source of income from the museums we interviewed, although income from Friends schemes was highlighted as a very important in one museum's case, and it formed part of a structured 'ladder of giving' with different tiers: a basic tier with 250 members (which generates approximately £20,000 a year) and the next tier up has 40 members and generates £50,000 a year.

Very few survey respondents (4) received any endowments from individuals, while 14 received income in the form of legacies or bequests. One museum interviewee highlighted that they have an endowment of £1 million which (in a good year) can generate up to £50,000. Another interviewee reported that they were conducting a feasibility study with a fundraising agency into raising an endowment; a study paid for by two museum supporters.

Whilst endowments were not a specific focus of the interviews, several interviewees highlighted the recent 'Catalyst: endowments' fund; a £55m culture sector wide scheme funded jointly by the DCMS, Heritage Lottery Fund and Arts Council England which offers match funding for the purpose of building a new endowment fund, or increasing an existing one. One private grant maker noted a piece of recent research carried out by the Artfund amongst museums which highlighted that many wish to build endowments, and see this as the future of fundraising. His view was that few museums had managed to do it successfully in the past, and was sceptical of the attention and expectation being placed on endowments, questioning why private grantmakers would 'give transferable assets to people who wouldn't manage it half as well as us?'

Turning to Gift Aid, around three-fifths of the museums surveyed (31 out of 50) said that they claimed Gift Aid on their income. Independent museums are much more likely to claim gift aid: three-quarters of the independent museums surveyed claimed Gift Aid, compared to less than one quarter of local authority and other museums.

Membership or friends schemes are a source of income for 19 out of the 50 museums surveyed. It appears that independent museums are more likely to generate income from membership and friends schemes, only one local authority funded museum said they generated income from this source.

Corporate sponsorship is less common in museums; just 10 out of 50 respondents received income from this source. This could in part be because of the paradoxes that non-national London museums face of being in a global capital city with a high density of corporations, whilst also having to contend with high profile national museums for corporate sponsorship. One interviewee said that their museum receives virtually no corporate support because they want to reach a lot of people and to see their money go far.

Low levels of funding from corporate sponsorship could also be because museums lack the time and know-how to approach corporate sponsors; something that came through in our interviews. One museum interviewee said they had received sponsorship in the past from

Deutschebank for an educational programme, and that they would look to corporate sponsorship in the future because although it is challenging, they thought there were some opportunities. Another museum said that they were working with a corporate partner on scanning a 3D image library which employed three members of staff.

### Grant making trusts and funding of museums

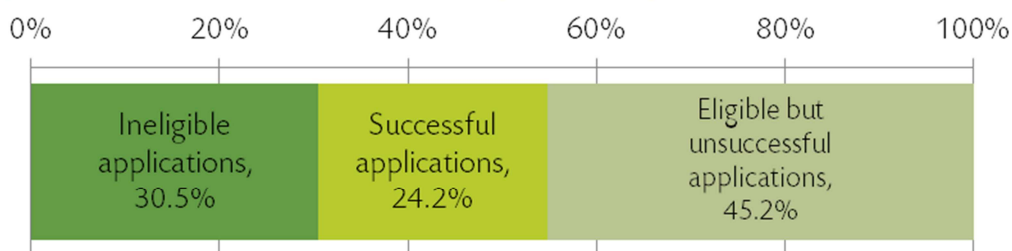
*'You can make no generalisations about trusts and foundations at all. They have private money for public benefit. They are all independent and have their own criteria. They range from the Wellcome Trust to tiny community based trusts.'* (Interview, Funder).

There are 11,700 grant making trusts and foundations in the UK (2009/10); and using the NCVO definition of the voluntary sector, voluntary organisations received £2.1 billion from grant-making voluntary organisations: this implies £200 million goes to other parts of civil society. Given the size of the grant making sector, it is not a surprise that museums may find it difficult to know who to turn to.

The Directory of Social Change (DSC) highlights that the average grant size for 45.6% of trusts that responded to their survey (567) was between £1,001 and £5,000<sup>4</sup>. Trusts tended to give grants to organisations that they had funded in the past, with over 60% of trusts making less than 30% of their awards to new applicants. This supports evidence from the interviews with funders that funders like to have a relationship with the recipients of their funding.

DSC research reveals that almost 157,000 applications were received and that over 30% were ineligible (47,934); while around 1 in 4 were successful overall (see figure 5). This supports the view that museums need to target their applications, not simply fire off as many as they can. Museums need to demonstrate that they fully understand the requirements of the funder.

Figure 5 - Grant applications received by grant making trusts



Source: DSC (2012) Directory of Grant Making Trusts: Key findings

Grant making trusts may fund museums in a number of ways, which will depend on their criteria and area of interest. Area-based funding is one option, for example the City Bridge Trust funds only London-based activities. Others fund the arts directly and explicitly, for example the Art Fund whose core purpose is to provide grants to

<sup>4</sup> Grant Making Trusts, Key Findings 2012, DSC. <http://www.dsc.org.uk/dgm>



museums and galleries to help them buy works of art or objects of aesthetic interest (e.g. the Geffrye Museum's purchase of furniture) or others such as the Wolfson Foundation which funds capital projects. Others still will fund museums as part of their overarching principles and criteria: the Paul Hamlyn Foundation, for example, which will fund organisations to better engage and involve the communities in which they work.

The scale of the funding varies greatly too: from the purchase of a particular object or funding of a short term curatorial post, to the funding of an entire wing of a museum. This matters because the approach of the museum needs to be tailored to the interests and scale of the funder, again emphasising the importance of personal contact with a funder.

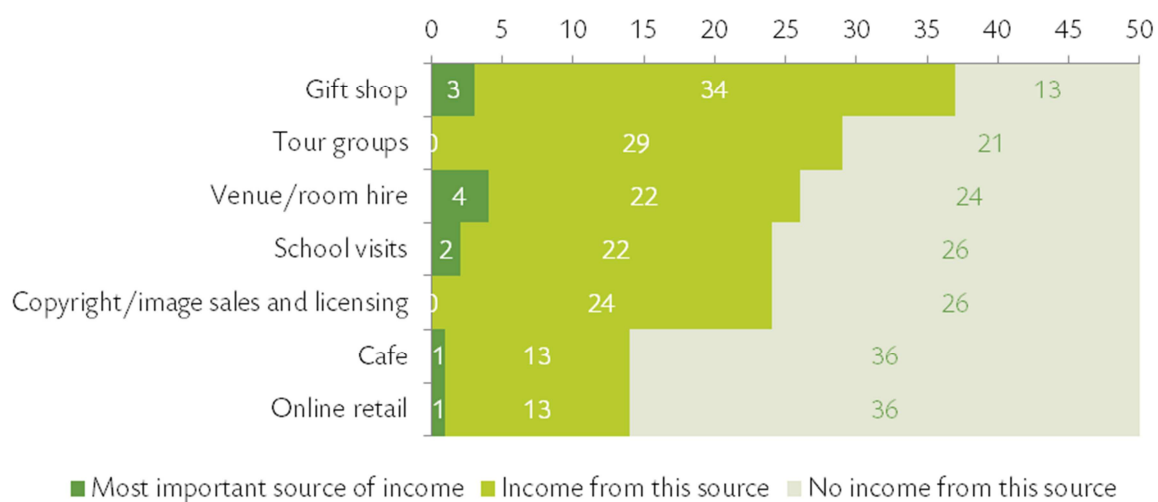
## 6.4 Traded income

The survey and accounts analysis also examined income earned through trading. This could include a gift shop or café, venue hire, school and group visits, tours and copyright and licensing of images. Increasingly, a museum's online presence also functions as a way of generating income for them, with online retailing being mentioned by several museum interviewees. One museum we interviewed, for example, received the largest portion of their income from shop sales (£80,000 out of a total income of approximately £250,000), however this was a museum with an emphasis on exhibiting images, the reproduction and sale of which could account for the high proportion of shop sales. Another museum described the international popularity of their shop products, and that international online sales account for a sizeable proportion of their income. Financial data indicates that these sources represent an income of around £53 million.

Figure 6 shows the number of survey respondents with income from a variety of trading sources. Gift shops are the most popular source, with 37 out of 50 respondents earning income from a gift shop. Cafes are less popular as they rely on more extensive facilities to run, and online retailing is a source of income for only a small proportion of respondents.

Nearly half of the survey respondents generate income from copyright and licensing of their images. This is a positive sign for what might be considered an under-used resource. One museum interviewee, for example, described receiving a grant from the Esmee Fairbairn Foundation to document the strong collection of glass lantern slides that they own. The interviewee is looking into a partnership with the Royal Geographic Society and the Bridgeman Art Gallery, and noted that the reproduction rights that result from documenting the slides could generate income. Recent changes in another museum to IT restrictions have freed them up to exploit the online market: the museum is in the process of scanning images for a 3D image library (the three staff employed to work on the project are funded by a corporate sponsor) which the interviewee anticipated would lead to increased income from the sales of online images.

Figure 6 – Income from trading sources for non-national London museums

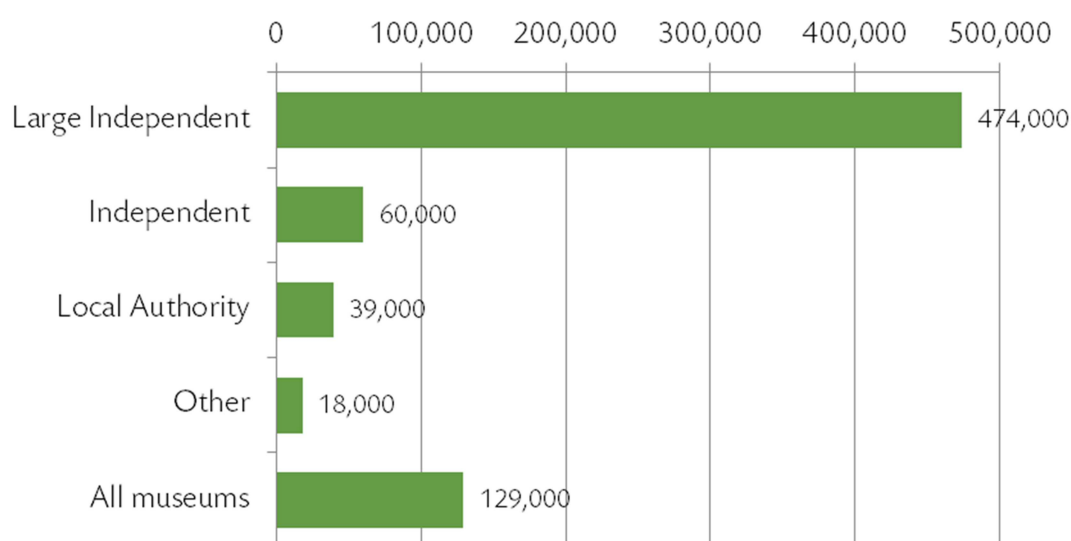


## 7 Staff, volunteers and visitors

### 7.1 Visitors

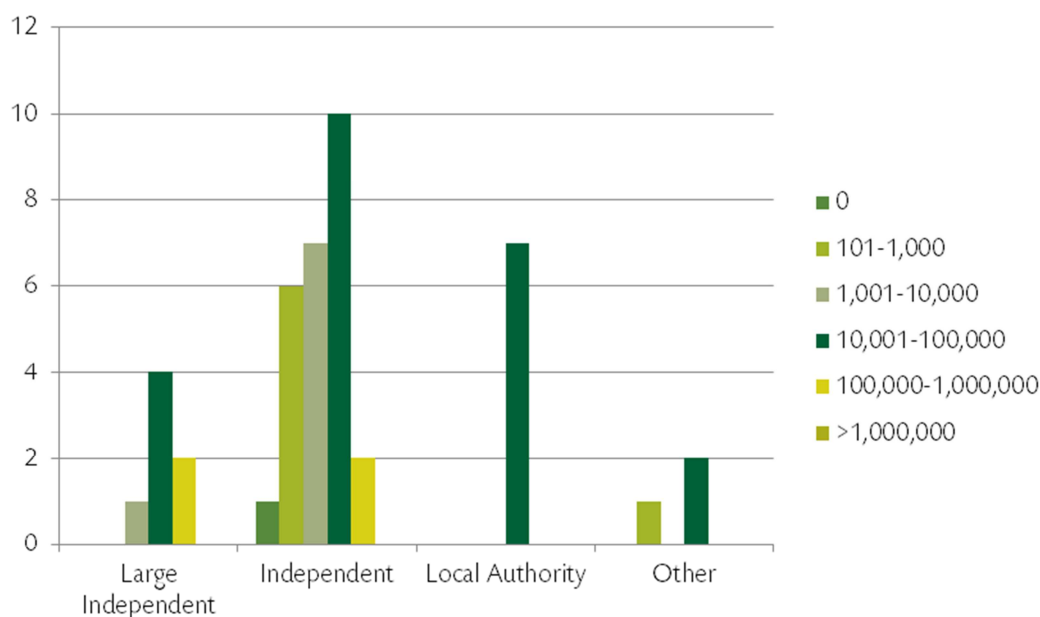
Survey respondents were asked to give the number of visitors in the latest year. The museums surveyed received an average of 129,000 visitors per year, although this total is skewed by the large independent museums, which had an average of 474,000 visitors. Figure 7 shows the numbers for all four types of museum.

Figure 7 - Mean annual number of visitors



These averages can hide significant variation in the visitor numbers, however. While all local authority funded museums surveyed reported visitor number between 10,000 and 100,000, independent museums showed more variation. Figure 8 shows the variation in the number of visitors across museum types.

Figure 8 - Visitor numbers by type of museum



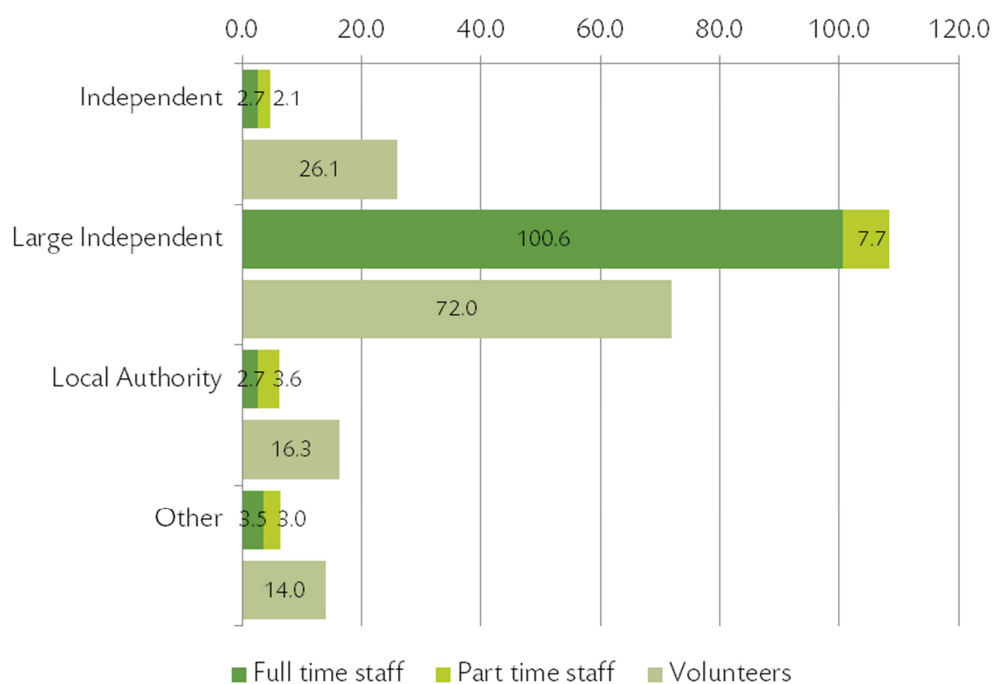
Museum interviewees also reported a range of visitor numbers which varied according to whether they included outreach work and postal enquiries. Two museums received 8,000 annual visitors, five between 20,000 and 31,000 visitors and one received 40,600 visitors. The two museums that reported outreach and schools work and postal enquiries separately reached an additional 37,500 and 48,000 respectively.

## 7.2 Staff and volunteers

Museums were asked to give the number of full-time and part-time staff that work in their museum, as well as the number of volunteers (including trustees). On average, respondents reported 21 full-time staff, 3 part-time staff and 29 volunteers. However, as with visitors this is skewed by the large independent museums, which employed an average of 101 full-time staff and 8 part-time staff.

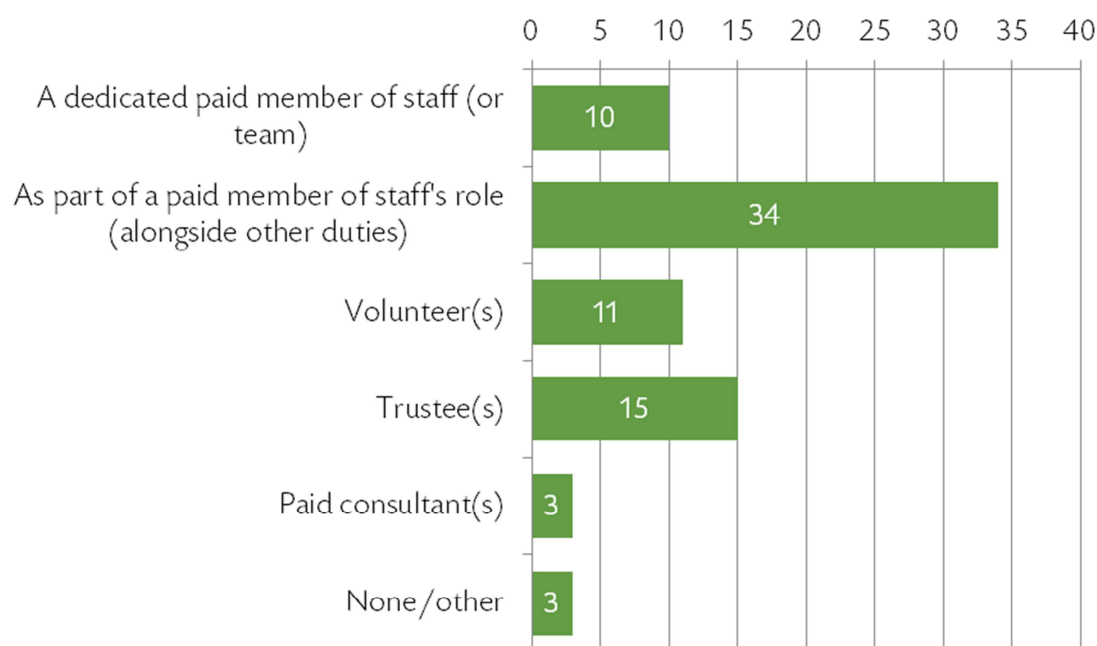
Staffing in small independent museums, Local Authority funded museums and other museums was much smaller, with an average of 2.8 full-time staff and 2.5 part-time staff in these museums. Figure 9 shows the average number of staff and volunteers at respondent museums. Apart from large independent museums, the average number of volunteers is at least double the number of staff, with smaller independent museums having five volunteers for every one staff member. These museums are also more likely to use part-time staff, which make up roughly half the workforce outside of large independent museums.

Figure 9 - Average number of staff and volunteers



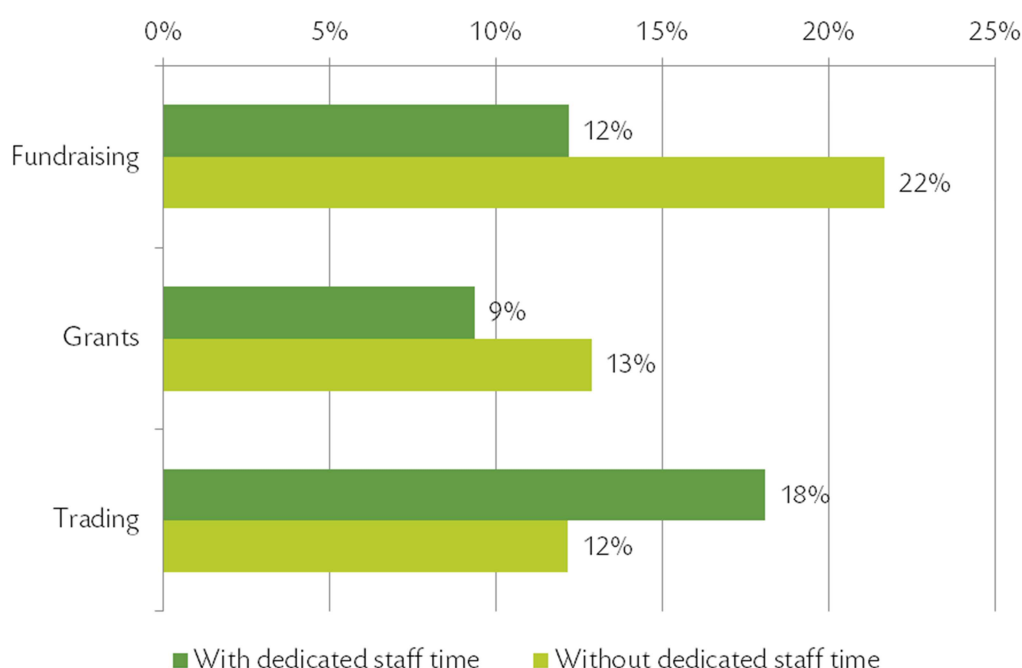
Turning to the roles of staff and volunteers, we asked what roles they play in raising income for museums (shown in Figure 10). The majority of museums did dedicate paid staff time to raising income, although this was more likely to be part of someone's paid role rather than a dedicated position. Volunteers and trustees also take a role in income generation for a minority of respondents.

Figure 10 - Roles of staff and volunteers in income generation (number of museums)



The answers to this question can then be compared to the analysis of museums' finances to see whether having paid staff in income generation roles affects the income profile of an organisation. Figure 11 compares the average proportion of income for organisations with paid staff time dedicated to income generation (whether a dedicated role or as part of a role) across a number of income types. The picture is the opposite of what might be expected, with fundraising income and income from grants a smaller proportion of income for organisations with dedicated staff time than for those without. The figures suggest that these staff may be concentrated on trading activities, as this source is higher for organisations with dedicated staff time.

Figure 11 - average proportion of income generated by organisations with and without dedicated staff time



There are a number of possible reasons for these figures. The sample size in this exercise is small, so the results may not be significant. As mentioned above, the results may also reflect the roles of these staff members – staff time may be concentrated in generating income through trading activities rather than fundraising or grants. Finally, and counter-intuitively, the results may reflect the difficulty of generating income in particular museums. Some museums will be naturally more attractive to donations and grants, while others may have to work harder (and therefore employ staff) to generate income from these sources. There is some anecdotal evidence of this phenomenon in the wider voluntary sector, where unpopular causes have to spend more on fundraising to generate income.

## 8 Challenges to income generation

Interviewees from across museums, professional bodies and funders highlighted significant challenges that non-national London museums are currently facing. Some challenges are structural challenges: cuts to museum funding from central and local government combined with the recession making it harder for some museums to attract visitors as everyone feels the pinch and tries to spend less; private grant makers being hit by the global financial crisis; and corporations being savvy about where to invest were highlighted. Core funding emerged as a key issue for interviewees. Other challenges were highlighted that focused more on the less tangible financial support needed by museums in the form of skills and support with income generation.

### 8.1 Challenge: covering core costs

Data from our survey clearly reinforces the view that museums are pessimistic about the future of core funding. The survey asked respondents whether they expected income sources to rise, fall or stay the same over the next three years. Respondents were most pessimistic about core funding, with 14 respondents expecting this to fall, and 17 expecting it to stay the same. Grant funding was also expected to fall by 8 museums, although 16 expected it to rise. This was supported by the interviews with museums, where a majority of museum interviewees wanted support with core funding.

Figure 12 - Expected change in income sources over the next three years

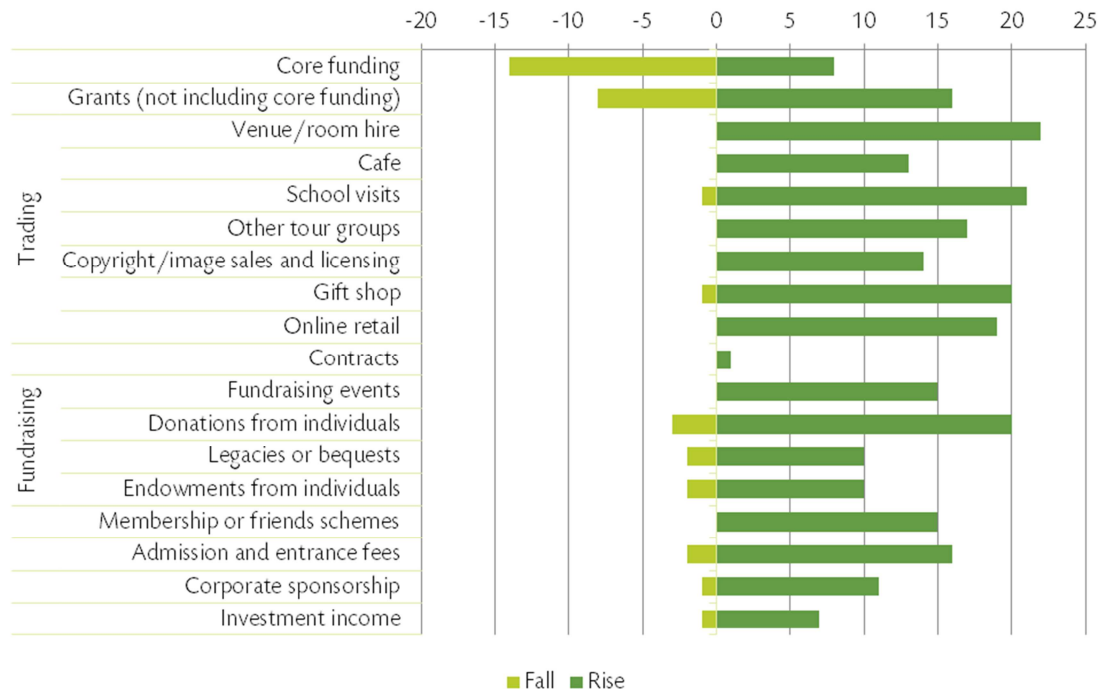


Figure 12 shows the number of respondents expecting each income source to rise or fall (those that responded "stay the same" are not shown). While respondents appear to be most pessimistic about core funding and grants, there is no consensus about what sources will fill the gap. A wide range of sources, concentrating on fundraising (particularly individual donations) and trading (particularly room hire, school visits and online and offline retail), are flagged as

areas for development. The views of respondents do not vary greatly when inner and outer London museums are compared, with concern over core costs and optimism for trading and fundraising replicated across London museums.

This represents an optimistic view of the next few years, with museums expecting to see large decreases in traditional core funding or grants, and replacing that with a range of more enterprising income sources. But it also raises questions about whether this is achievable – if all museums are looking to the same sources to replace lost income, they may end up competing against each other, and against organisations outside the museum sector.

Six out of the eight museums we spoke to in interviews highlighted a key challenge in covering their core costs. One museum experienced cuts several years ago and had gone through the pain of redundancies and making savings already. A selection of museum interviewees comments about core funding include:

*'A key challenge is finance: core funding being cut again and people's pockets being squeezed – whether in the tea room or the ticket price – we have to represent value for money.'*  
(Interview, museum)

*'It's hard to get money for work in our collections in terms of improving storage – it would be good to have some money for collections management and making needed upgrades. That's where we'd welcome the opportunity to apply for grants that aren't just about linking with education or the community but doing some of the basic bread and butter stuff.'*  
(Interview, museum)

*'Funders need to get smarter about supporting the core mission of organisations and stopping forcing new project funding - just doing the wonderful things you do is already miraculous'*  
(Interview, museum)

*'Our key problem is core funding. A lot of funding from people like the Arts Council is for a specific project – Arts Council funding is above and beyond this. To keep the organisation running the challenge is how we generate this core funding to keep going.'*  
(Interview, museum)

Funders generally accept that core funding is an issue for museums, as the quotes below demonstrate:

*'Core funding – the most acute challenge – if you don't have your on-going costs covered there's not much you can do.'*  
(Interview, funder)

*'Core funding? The request for this is not unreasonable. But we won't go back.'*  
(Interview, funder)



Funders agreed that whilst it may be understandable that museums want core funding, they were very clear that private grant makers and public funders (e.g. Arts Council or HLF) cannot make up the shortfall left by the retrenchment of the state – because a) they couldn't afford to, and b) it *is not* what they exist for. One funder clearly stated their position on core funding:

*'... it is a delusion to think that private grant-makers will fill the public gap. We are less than 0.5% of public spend. Whatever is said about what private sources can support is wrong. When you have a cut of 8-12% in funding from whatever source, private grant makers can't fill the gap – we are not the solution, we never could be, we never will be. We can do interesting things to help thinking differently, but we cannot pick up tabs for salaries. Government has very wrongly perpetrated this...'* (Interview, funder)

Another funder explained that there was a lot of discussion about whether they should become a revenue, or core, funder because they *'knew the landscape had changed since our last plan'* and that *'the sector was in difficult financial straights'*. None of those consulted (strategic agencies, the DCMS and trustees) thought they should become a revenue funder. As well as this:

*'... we had done an exercise on where we thought cuts were happening and estimated (in 2010) that there was £800 million going from the sector. At that time we had £250 million to spend so could never fund the gap. So we decided to stick with what we are: funders of projects. We can cover some core costs in this. But not revenue.'* (Interview, funder)

Given the widely held view amongst funders and professional bodies (and amongst some museums) that structural changes will not be reversed (for example, less public investment, more commissioning, possible changes in governance structures for local authority funded museums), one interviewee from a professional body said that museums *'will have to do everything they can to diversify their income and be quick on their feet'*. Another funder said that there is a need to 'reimagine' the world. Some ways in which museums can, and are already, doing this are highlighted in section 10.

## 8.2 Other challenges

Other challenges highlighted by museum interviewees related to location and visibility, having the staff time and expertise to generate income, donor dependency, pressures on the fabric of the building and understanding the funding environment.

In terms of location, the challenge of being in London competing with the nationals was highlighted in terms of both charging for admission, and visibility:

*'It's difficult in London because visitors assume you get funding from the Local Authority or central government – because the nationals are free, it's a challenge.'* (Interview, museum)

*Visibility is a challenge for smaller museums in London – it's important for MOL to have this on the radar. It's about understanding distinctiveness and really*

*knowing the sector and where to link people up, advocating and not always suggesting the obvious people.'* (Interview, museum)

Linked to visibility was the challenge some museums felt with accessing corporate support because of a view that *'they want to reach a lot of people and see their money go far'* (Interview, museum)

High rents were another factor, which one museum interviewee said consumes about 40 per cent of their income. Remaining relevant to a 21st century audience, and to senior managers (in the case of local authority and university museums), were also mentioned as challenges.

Understanding the changing funding environment, and having the staff capacity to apply for funding were also mentioned, along with dependency on one or two major donors, 'doing everything on a shoestring' and, interestingly, the dichotomy of having a successful exhibition and increasing visitor numbers and the pressure this puts on the fabric of the building and staff.

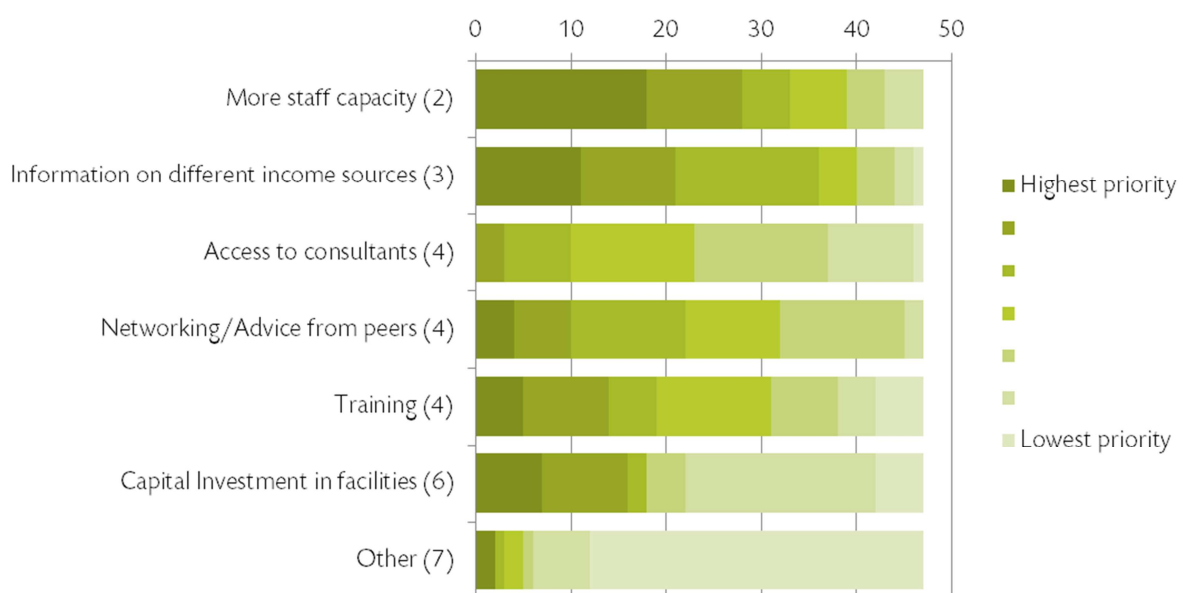
## 9 Addressing income generation challenges

Museums are using a range of approaches to address income generation challenges, including trading, fundraising, applying for grant funding from trusts and foundations and other methods which we have grouped together as organisation development approaches.

Survey respondents were asked whether they had any plans to increase efforts to raise money, with 34 responding that they were, and 7 that they were not (the remainder did not know or did not answer). If they answered yes, they were then asked to specify where they were directing their income generation activities. These answers were coded into the broad income categories used elsewhere in this report. One third of respondents who did have plans said they were looking at trading, while one-third said they were looking at fundraising methods. A small number (6 of the 34) suggested they were looking into grant funding, with the remainder looking at other sources.

The survey also asked respondents to rank a range of support options in order of which would be the most useful. While the results showed that a range of options were popular, respondents particularly emphasised "more staff capacity" (median rank of 2) and "information on different funding sources" (median rank of 3). Figure 13 shows how respondents ranked each of the seven possible support options.

Figure 13 - Support options ranked by respondent museums (median rank shown in brackets)



Museum interviewees provided useful detail on their past, present and anticipated approaches to income generation. Funders and professional body interviewees shared their views on what museums are currently doing well and also gave suggestions about potential income generation ideas or strategies that museums may wish to consider.

## 9.1 Trading

Four of the eight museum interviewees highlighted were trying to increase their traded income as a method to address income generation challenges. One director made a calculated decision to stop doing certain activities that had been losing money, including outsourcing the tea room and shops and decreasing the number of public events the museum put on. The same person was looking at increasing other trading activities, including weddings (which required 'minimal staff time and effort') and the number of filming and photo shoots. They had received support from MOL's 'Survive and Thrive' programme which had been very helpful in sharpening focus, developing a marketing strategy and getting collateral.

Another interviewee was looking into changing their facilities to allow more private hire, and increasing the space they have to exhibit. Several interviewees highlighted online retail – one was in the process of establishing an online shop and another was looking at ways to increase sales of online images and products, and at getting VAT exemption. One museum had introduced a charge for admission in April 2012 when core funding was cut, and another was considering opening every day to try to increase income from admissions.

A funder suggested that museums traditionally think about income from admissions and secondary income from shops, and that they may need support on newer forms of trading such as running electronic shops and virtual retailing, or using phone apps which have a marketing application.

There was a sense amongst funders and professional bodies that running a museum now involves entrepreneurialism and is akin to running a small business, and that they need to have a leader who can spot new commercial opportunities. One funder suggested that some museums can make better use of their heritage assets and suggested having a strategy which includes an audit to look at particular sites to see where there is room for development:

*'Having advice and people who know about the business can be crucial. . . especially around retail, events management, wedding use, corporate hire and retail development. Support can help a museum develop new streams of revenue income.'* (Interview, funder)

### Panel discussion: marketing

Most of the panel had general marketing materials for the museum in place, but areas for improvement were also identified, particularly around understanding audiences and their needs and marketing to potential funders. Key areas for panellists included articulating their unique selling point, understanding how to re-phrase their description to suit a funder or donor and to think of ways to interest supporters in core (non-capital or project) fundraising. They also mentioned that they needed to demonstrate the value of museums to their visitors and communities (and often couldn't).

These areas for improvement could translate into significant risks for museums as they identified the need to adapt as critical to their future survival (including potentially 'rebranding' and completely re-thinking what it is to be a museum) and a shift in

relationship with visitors and supporters – particularly the need to ‘bring them on a journey’ as the museum changes.

## 9.2 Fundraising

Fundraising through events, individual donations, corporate sponsorship, legacies and bequests and endowments are ways in which museums can raise income. Individual giving was not mentioned by museum interviewees (unless in the context of friends’ schemes, which are discussed next), and corporate sponsorship was also not a major priority of any of the museums we spoke to. One museum was carrying out a feasibility study looking into raising an endowment and another had two major donors which accounted for the majority of their income.

Interviewees from funders and professional bodies suggested that there was need for support and development for museums in fundraising. One funder explained that,

*‘... most people didn’t come into museums to be fundraisers – I think it is testament to a lot of museums practitioners that they do turn their hands to lots of things.’ (Interview, funder)*

Funders discussed philanthropy with reference to endowments, individual giving and friends’ schemes. The warning from one funder was that the future of fundraising does not lie in endowments because private grant makers would prefer to manage transferable assets themselves rather than hand them to museums. Another suggestion was that the future of fundraising lay in individual donations, and that there needed to be a long term cultural shift in encouraging individuals to give regular donations to culture, and to leaving legacies in their will, drawing on the USA as an example.

Other suggestions from funders included tapping into commercial opportunities and looking at private sources more – with the acknowledgement that *‘It’s not a panacea but they haven’t explored this.’* Another funder suggested looking into more innovative fundraising approaches, highlighting the digital engineering company, Panlogic, and their current work on developing a national funding platform for the arts and cultural sector. This funder also suggested crowd sourcing:

*‘If museums were properly crowd funding and were able to demonstrate that they were good neighbours that could work. We Fund<sup>5</sup> has made £10,000 profit in two years.’ (Interview, funder)*

### Panel discussion: fundraising

Soliciting donations from individuals – either regular donations or major supporters – was a risk area identified by panel members.

<sup>5</sup> A crowd funding platform: <http://wefund.com/about-us/>

Some organisations found it difficult to pitch their organisations in ‘real’ terms that are likely to appeal to a funder. Whilst later in the day a key strength of the museums was highlighted as their unique selling point, this was not clearly articulated in the pitch. Panellists suggested that they weren’t entirely comfortable with ‘selling’ their organisations in this way, in particular that they sometimes struggled to clearly distinguish between what their organisation does and why someone should support them.

Following from this the panel agreed that it was much easier to fundraise for a tangible end product than revenue – again, they couldn’t articulate the need for ongoing support well. In particular, communicating with the ‘general public’ was a challenge. The panel felt they understood and had a good rapport with ‘experts’ in their field, but understanding the public and translating their communications for them presented different challenges.

### 9.3 Membership (including Friends Schemes)

An area of fundraising that museums had either already developed or were looking to develop further were friends’ schemes. One museum interviewee was trying to increase donations through Friends Schemes, and another has a ‘ladder of giving’ – a Friends scheme with different tiers. Basic tier with 250 members (£20K generated); next up is 40 members generating £50K a year. Another is trying to increase donations, from friends schemes by asking for donations for specific projects, legacies and through increasing numbers of friends. Funders also discussed friends groups:

*Friends groups are an important element [of fundraising] for smaller museums which struggle with general awareness levels like the national ones have but have a select appeal and can draw those people in via a friends group which provide a good source of fundraising. If you build the connection, when the time is right you can build fundraising from them. (Interview, funder)*

Another funder said that some museums are using the reorganisation of Renaissance funding and the Arts Council England taking over the MLA function as an opportunity through using the removal of Renaissance funding to create or go to Friends groups specifically for fundraising to make acquisitions and to start building seed funding locally.

### 9.4 Grant applications

Several museums highlighted applying to trusts and foundations for grants as an income generation strategy. One said that they sent over 100 applications a year to trusts and foundations, and that this generated the majority of the museum’s income, and another said that they were looking to apply to more trusts and foundations, but that this needs staff capacity which is limited.

Funders had suggestions for approaches museums could use when thinking about and actually applying for grants. Their advice included:

- **Stage 1: Research which trusts and foundations operate in your area/field and think broadly about the type of funding you can apply for:**

*Trusts and foundations have become synonymous with grant making. People think they all give grants and that's all they do. This is a changing picture. It may be that there is a trust that would fund a research project – it's about looking at what else trusts could do for you, for example provide access to skills or space to rent. Look at the social investment sector – there are other ways that trusts are using their assets – so see what else they do. (Interview, funder)*

*Use what is there, like the Art Fund: few museums apply to them in order to purchase objects, and they are sad about this. (Interview, funder)*

*Museums could apply to a trust to take stuff on loan. (Interview, funder)*

*'Museums should be making contact with trusts that are useful to them and talking to them. All museums should approach any borough specific funders and talk to them, for example the Cripplegate Foundation in Islington.'* (Interview, funder)

- **Stage 2: Understand what the funder is looking for and develop a relationship with them before applying:**

*'There is a tendency for smaller museums to feel that they can't approach us directly in terms of picking up the phone. The bigger ones build a relationship with us and therefore understand better what we want. Trusts and foundations are more quirky and individual – there's a great variety in what they want and are interested in – smaller organisations need to realise that trusts and foundations want to build up a relationship and are happy to talk beforehand.'* (Interview, funder)

*There is only one organisation with increased funds at the moment and that is the Lottery. It's sad but true that people buy more lottery tickets in times of hardship. Are small museums savvy? Do they understand what the lottery wants? The HLF want to give you money. (Interview, funder)*

- **Stage 3: Making the application**

#### **Have a vision:**

*You need a clear vision of what you'll do, and what it will achieve, i.e. your money will enable us to do x, y and z. Clear story and narrative about the difference made (Interview, funder)*

#### **Ensure the application is eligible and articulates the museum's strengths and achievements well:**

*... there are so many ineligible applications. Get professional help with applications – we are seeing a decrease in quality of applications. It would be, where possible, good to have a dialogue with trusts and foundations and then get some professional advice. (Interview, funder)*

*'One area people fall down on is failing to articulate how and why they are good at what they do – it's amazing how many.'* (Interview, funder)

*'More money to continue to do what we do because we're great?' They need to reimagine – the world is changing for good.'* (Interview, funder)

**Take a mixed economy approach and have a broad range of funding streams**  
(particularly for large capital projects)

*'Strong applications go for a mixed economy approach and having a broad mix of funding streams. Smaller museums fall down on this... It doesn't appear as if they have any contingency plan... The really good applications will have a pyramid structure in mind – the bottom 30-60% might be public resources, and split the rest into 3 chunks, e.g. a public campaign, trusts, and some kind of partnership or corporate approach. This happens infrequently.'* (Interview, funder)

## 9.5 Organisation development and cultural approaches

A range of approaches to income generation which we have grouped into 'organisation development and cultural approaches' were highlighted by museums and funders, and include: developing partnerships; leadership trustee and board development; and using social media or other online platforms.

### Partnerships, consortia and networks

Museums often worked in partnership with other organisations and explained that the benefits of working with others which included marketing and exposure, increasing online trading:

*'We're working with the Crafts Council to do an exhibition on the top floor of [museum] so we should get some more visitors through their networks and publicity... We have a strong collection of glass lantern slides and had a grant from Esmee Fairbairn to document them. There's an opportunity to get into partnership with the Royal Geographic Society, and the Bridgeman Art library so reproduction rights could bring in some money'* (Interview, museum)

The benefits of belonging to museum networks were also highlighted by museum interviewees, for example through joint marketing and ticketing that Shh or the London Museum Mile networks enable, or less tangibly through having one's ear to the ground and hearing about developments and opportunities.



Funders gave many good examples from within and outside London of museums working collaboratively to further their financial sustainability. One interviewee suggested that when thinking about income diversification, museums should,

*... think horizontally rather than vertically so think about alliances and partnerships, for example what can they do in terms of wellbeing - can they work with the health and wellbeing board?* (Interview, funder)

Another funder had observed regional museums going into partnerships with universities or other museums or galleries for marketing or research purposes and that this was ‘about proving your worth in slightly broader lateral ways’. Working with other museums to club together to buy objects, or with the nationals to borrow objects was another suggestion. One museum said that they were small but that they ‘punched above our weight’, and that they had borrowed from the Tate, the V&A, the National Portrait Gallery and from a royal collection.

*‘Use the National Museums – they have changed a lot in the last few years – they understand their partnership role – you’ll see the V&A doing work with the worst parts of Kensington.’* (Interview, funder)

*Enabling probably comes down to mentoring schemes, particularly national to local authority museums. We’re funding the National Gallery and they have recruited two curatorial trainees. We have been happy to be involved because they were selected in partnership with and are embedded within regional museums. They trained for 6 months with National Gallery curators and then went to the museum partners, where they have collections-based projects to deliver. It’s an exciting model, everyone working together, with a whole process of knowledge sharing and dialogue between the National Gallery, the regional museums, the trainees, and us.* (Interview, funder)

Nottingham Castle was highlighted as a museum which had developed a ‘clever model for acquisition from the Arts Council’:

*They have suggested the process of making an acquisition part of their community work – they will bring the community group into the notion of a collections strategy and collections policy, how it feeds into displays and forward planning and help them make the decision on what to acquire (it includes money for the acquisition). They also got money to digitise images in their store – this is an access project – they are using it as income generation.* (Interview, funder)

### Panel discussion: partnership

The panel discussion also reflected the findings around partnerships and collaboration. With the exception of one museum, who have many internal partners and are therefore forced to work collaboratively, there seemed to be little evidence of museums working together, yet it was noted by one museum that in the future there may need to be ‘acquisitions’ and ‘mergers’. One museum’s café is run by a social enterprise, something which many around the table found an interesting possibility –

especially where they were struggling with the skills to successfully provide this kind of service themselves.

Interestingly, whilst few in the panel highlighted building partnerships as a priority for their own museum, once focus was shifted to ‘non-national museums in London generally’, more highlighted this as an opportunity for the sector.

The need for further collaboration was clearest during discussions around the diversity of activities (e.g. the café, which visitors expect but which might drain on resources) and when discussing innovation. The panel were most inspired by examples of other innovative practice and suggested that ‘we’re stronger together’. We observed that it was very difficult to ask the panel to think about innovation for their own organisations (they considered themselves to be ‘creative’ already and struggled to overcome this distinction), yet when talking about what other museums did, they frequently remarked on how an idea could be taken and adapted for their own organisation – e.g. introducing slot-machines or pay-per-play activities around their museum.

When we asked the panel what resources would be most useful to help them move their fundraising plans forward, most told us that they valued peer-to-peer support and mentoring opportunities, although this support was currently organised informally.

### Leadership and strategy

Having an entrepreneurial, outgoing and savvy and strategic leader emerged as a key theme when discussing income generation strategies, and that the leader understands the USP of their museum and can articulate it clearly through a strategic plan:

*Where it works, thinking regionally, is where they have a clear vision for what their strengths are as a museum and they use this as a foundation for a strategic plan – leadership is key. (Interview, funder)*

*We commissioned a piece of research. . . on resilience. The researcher said that the one thing [museums had] in common was a good leader at the top. They were focused, could adapt, knew what they wanted to do, they were entrepreneurial in different ways. My experience would say that too. (Interview, funder)*

Several of the museum leaders we spoke to embodied a sense of opportunism and an outward-looking attitude which supported income generation:

*‘Because we’re quite outgoing and because I’m not just museum-based, I go out and make money and connections. . . Because we work with so many different groups, they always want us to be part of their projects. HLF told some museums that we’re a good example so we get stuff via that. Because my staff are brilliant and go out, they are good at keeping relationships going without too much emphasis on it. . . We’re a social place rather than a historic place, we*

*do a lot with unions, women's issues, young people's issues - we try and make ourselves really relevant.'* (Interview, museum)

Several museum directors said they looked to the changing policy environment to where cuts have already been made and looked elsewhere for income, and that they linked their priorities (e.g. wellbeing, heritage) with those of the local authority, or senior managers.

### **Panel discussion: Strategy**

It was noted in the research that most organisations in the museums sector had a diverse number of income initiatives running. During the panel session there was general agreement that this was a good thing. However, later unpicking their own incomes it seemed that many felt they were spreading themselves too thinly, and perhaps not focussing enough on natural strengths or promising income streams.

A later discussion about the relative merits of 'commercialisation' and 'commodification' versus remaining 'niche' made it clear that the museums in the room were divided over whether small independent museums should stick to traditional activities or compete more aggressively in the 'entertainment' industry. There seemed a genuine impasse about the best way to go, and we felt that many organisations would benefit from re-examining their mission, strategic direction and look at the return on investment of different initiatives.

When we examined the spectrum of income possibilities it became clear that, reflecting the research, the panel were not engaging with the income potential of contract delivery very much – nor were they interested in doing so. In fact, whilst one organisation did have a small contract with their local authority to provide a box-office, most felt that there was no money to be made in this area as commissioners were looking to drive down costs. Plus they felt that small organisations couldn't engage with the contracting process. However, some mentioned areas that we felt would be prime contracting ground – e.g. supporting volunteers with high needs or providing educational programmes and as mentioned above, there is some ground to be covered around collaboration and partnerships.

There was also little engagement with corporate income. When pressed, the panel felt that corporates took too much effort to look after for too little reward. Some had hired facilities to corporates and one museum was looking at ways to engage them as 'patrons' rather than 'sponsors'. It was not clear whether this would genuinely improve return on investment. Generally the panel were more interested in in-kind support, which was seen as a better return on investment.

The panel had a lot of expertise and well-thought out approaches to entrance fees, but awareness that the challenge was to get money out of visitors in different ways, not just an entrance fee (e.g. shop, café, gift aid).

### **Panel discussion: Leadership**

While leadership was not explicitly discussed at the panel, several areas were raised for further leadership development for museums to raise more income.

The comment was made that 'we're not fundraisers' – many on the panel were not recruited for their fundraising skills. As explored above, some panellists suggested that they weren't always comfortable selling their organisation's USP. Relationship building skills and methods that are commonly used in fundraising and income-generating were also flagged as areas that could be improved.

## Trustees

Several museum interviewees mentioned that they were working on drawing in financial sustainability skills via new recruits to their board or committee:

*We're working on trustee board development so we can have new individuals with the capacity to give help or who can help us increase the financial wherewithal of the museum' (Interview, museum)*

Having a good board of trustees with the right skills and relationship with the museum director was highlighted as a key factor by over half of our interviews with funders:

*Looking at the make-up of boards – are their skill sets the right ones for a modern museum in the 21st century? Are there philanthropy skills, marketing, income generation? There's always room for improvement. (Interview, funder)*

*Get the trustees right and the rest will follow. Director or curator needs to be right to, and the relationships between them. Trustee recruitment is critical – high level skills tricky area but can transform an organisation. . . I was attracted by a museum in [area] which was failing on its feet – they housed scientific collections and were a terrific academic resource. They decided not to run a museum open to the public, but to run around exhibitions and lectures. . . An intelligent group of new trustees said 'this isn't working' – what do we need to do. [Let's] be smart and convert our organisation into something different. You don't have to bring in consultants – quite often there's an organisation you can match with. Put your trustees on a bus and get them to see what someone else is doing. (Interview, funder)*

## Explore new opportunities and social media

Several funders suggested that museums look at what other museums are doing elsewhere in the country, think about what their unique opportunities are and look to other platforms for inspiration:

*Look for other platforms, e.g. Art Pass has a website and an app providing info on what's nearby - they promote exhibitions. There are lots of possibilities with social media. (Interview, funder)*

*There are lots of interesting collections in London and unique opportunities. All museums have something different to offer, so ID what makes them special.*  
(Interview, funder)

*In response to a question about what is preventing museums from generating income: Time and you know...time to go out and network and think outside the box, also in times of uncertainty people can concentrate on the core business but might be opportunities to go and explore other options.* (Interview, funder)

### **Panel discussion: innovation**

The innovation element of the panel workshop flagged some challenges for participations. These included focussing innovation on the problem (raising sustainable income) to find a new solution.

Panellists felt they need to be able to generate innovative funding ideas and narrow them down into one or two workable initiatives (again, the challenge of assessing return on investment).

As mentioned earlier, there was an acknowledgement that museums needed to change and may need to challenge the assumptions of what it meant to be a museum.