



The funding and finance needs of artists

Research findings: June 2009

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1. Introduction

Artquest exists to support fine arts and crafts professionals, including those working in digital media and artists' film and video. Artquest's role is to enable and facilitate professional artists who are committed to critical and professional development and recognize the need to take an active approach to managing their own practice, career and business. Artquest aims to inform London's artists about all aspects of their practice and careers and to develop opportunities to support artists' welfare and prosperity. In practical terms, Artquest provides advice, information, support and opportunities to London's visual artists using ICT and events.

Artquest wants to help artists access the full range of funding and finance options and is particularly interested in exploring the potential to increase access to loan finance to support artists' business development. We have commissioned this research to establish a better understanding of need and demand for finance among artists to inform our future plans.

Artists and arts organisations are accustomed to a funding model where grants or sponsorship are provided by a funder or donor. Finance – borrowing of funds which have to be repaid over time – is a model with which many artists are more familiar in their personal lives (via credit cards, mortgages, student loans) than their professional finances. As finance ultimately has to be repaid it is most suitable for activities that increase profitability and enable growth. Currently there are very few opportunities for artists to access business finance, other than via mainstream lenders (i.e. high street banks) and we do not believe there is significant activity at present. Not surprisingly, there is also a lack of understanding among artists about how finance could be useful to their businesses and consequently a lack of demand.

In February 2008 we undertook a review of existing literature on finance needs and services for the cultural sector, not-for-profit sector and creative industries and interviewed those occupied in lending to creative industries, not-for-profits and sole traders (see Acknowledgements and Bibliography). As a result of this process we identified a need for further research to establish the potential for increasing the supply of finance to artists by quantifying the areas of expenditure that would be suitable for finance. Based on the experience introducing loan finance with the not-for-profit organisations (which has seen significant development in the past decade), we also explored the issues of attitude to finance and financial management in the research as these have proved major barriers in that sector.

Therefore this report sets out what we have been able to discover about these issues from an online survey we undertook in March/April 2009. Responses to this report from artists or providers of funding and finance are welcomed and should be addressed in the first instance to:

Stephen Beddoe, Programme Manager, Artquest, info@artquest.org.uk

2. Why is funding and finance important for artists?

Accessing funding and finance to make work and develop their business is one of the key challenges facing artists. In our research the majority of respondents (45%) felt strongly that they lacked the funding and finance they needed to make and develop their practice. Only 5% of those surveyed felt they could access the funding they needed currently.

Artists access funds through a wide variety of sources including non-mission related trading (e.g. a 'day job' as a waiter), mission-related trading (e.g. teaching in an art school), selling artworks and fundraising (grants, sponsorships, awards).

Fundraising is an important source of income and includes public and private sources such as Trusts and Foundations, research funds accessed via universities and Arts Council England (ACE), mainly via the Grants for the Arts programme (G4A). There are already very high levels of competition for funding, with far more artists seeking support than can be supported. Moreover, the recession will inevitably lead to a decrease in the availability of both public and private funding, making this situation even more competitive.

Making a profit is not the primary concern of most artists who constantly balance artistic, professional and financial considerations. Indeed many artists do not see themselves as running a 'business' at all, and one of the consequences of this is that many fail to take a long-term approach to financing their activity. In this regard visual artists resemble small not-for-profit organisations who find themselves constantly chasing project funding or trying to cover day-to-day expenses. The pressures of short-term survival too often mitigates against the ability to take the necessary steps to become more financially sustainable in the long term, creating an inefficient cycle of financial crisis management.¹ If artists were able to secure finance that enables them to develop new skills or assets then this would offer them a far more sustainable base for future activity.

For example, instead of having to hire video editing equipment by the hour to produce their work (at commercial rates) an artist is able to use a loan to buy the equipment they need. Now they can access the equipment 24/7 – and that means in addition to creating new work for exhibition, they can also undertake commercial video editing for a client. This, in turn, generates profit to pay back the loan and enables the artist to go on an AVID course so they can make a new type of work, which then leads to new artistic developments and commercial opportunities etc.

¹ 'the majority of TSOs are in the position of focussing continually on organisational survival, sometimes necessitating some mission drift, and certainly in many cases at the expense of concentrating on the future development of the organisation.', SQW consultants, *Research on Third Sector Access to Finance*, report to the Office of the Third Sector, 2007, p.48.

3. Current understanding of funding and finance needs of artists

As a provider of professional advice and information to artists, Artquest already has a reasonable understanding of the funding and development needs of artists in general terms (i.e. we know the types of things artists need to buy). We also have a reasonable understanding of the sources and types of funding and finance artists use to meet these needs. These needs are summarised below:

Type of funding or finance	Source or model of funding	Visual artists might use this for...
Hard development capital ²	Mainstream banks, social lenders (if accessed as a not-for-profit group).	Acquiring and developing studio premises – often as part of a group. Acquiring smaller pieces of equipment – kilns, cameras, hardware etc.
Soft development capital	Some Trusts and Foundations, ACE G4A.	Training or professional development to develop new technical or professional skills (e.g. new software skills or ability to run educational sessions). Research and development.
Working capital	Mainstream banks (e.g. overdraft)	Cash-flow.
Project funding	Trusts and Foundations, ACE G4A, research councils	R&D, production and presentation of new work.
Core funding	Earned income from sale of goods and services – including non-related activity (e.g. waiter).	Day-to-day living costs.

While we have an overview of the types of expenditure that characterise artistic businesses, and the sources of funding and finance open to them, we do not have information about levels of expenditure and current use of these sources. Therefore the research aimed to identify where funding was being

² Development capital supports growth ('hard' development capital is for acquiring fixed assets, 'soft' is for investing in new services or staff to develop future capacity).

sought and also where it is being secured. It also aimed to quantify the types and levels of expenditure that artists currently have.

Existing research about the use of finance in the cultural and not-for-profit suggests that there are several barriers to uptake of finance including:

- lack of awareness and understanding of how or why finance could be useful
- negative attitudes towards risk and finance
- under-developed financial and planning skills that limit understanding of the potential to use finance and contribute to a lack of confidence.

Therefore the research also sought to explore the extent to which artists already consider and use finance, their levels of confidence about accessing funding and finance and their approach to financial management.

4. Methodology

Given we were seeking to establish demand for finance which we suspect is either lacking or under-developed currently, this presented problems in assessing demand – if it's not currently available or 'visible' how can you establish the size of the market? We opted to measure demand by looking at the current value of development costs funded in other ways and also to look at planned spending in that area.

The areas of artists' expenditure for which finance could be used are principally development costs (equipment and professional development/training) therefore we asked additional questions about how these areas are currently funded.

The questionnaire was designed to reflect that artists may have low levels of understanding about finance (based on experience with the not-for-profit sector). Therefore technical terms such as 'working capital' were avoided.

In our experience artists rarely separate their personal and professional finances and so we have gathered information about their overall income.

We used *Survey Monkey* to create a short online questionnaire which was distributed to Artquest's 6,000+ subscribers. It is not known how many of these 6,000 are artists but it is assumed the majority will be actively practicing.

The survey was promoted via direct email, with a covering note explaining the purpose of the research and how the information would be used by Artquest. To encourage participation we offered a prize draw for 4 x John Lewis vouchers worth £25 each. The survey was launched in late March and ran for 10 days, during which period we sent two reminders by email. Approximately 50% of respondents completed the survey within 12 hours, with the subsequent reminders also creating a surge in responses.

A total of **377** people responded to the survey and **315 (84%)** completed all questions and are therefore counted in the analysis (incomplete answers were discounted).

5. Summary of findings

The research covers three main subjects and findings, and implications, are presented in relation to these as follows:

- Business model and profile of visual artists
- Funding and finance needs of visual artists
- Skills and attitudes.

5.1 Business model and profile

The size of turnover, stage of development and sources of income are all important factors which impact on whether finance can be useful to a business.

We also gathered information, for analysis at a later stage, about the types of practice (e.g. media and way of working) which could impact finance needs and inform how we market our activities. For example, if crafts or artists' film and video have significantly higher equipment costs they may have greater need for finance.

In terms of the 'artistic' profile of respondents, we had a good cross-section in our sample. The full range of visual arts media were represented in the sample. Most classified themselves principally as painters (25%) or mixed media (26%).

The key findings about business profile are outlined below with implications of these findings summarised at the end of this section:

Critical engagement: 71% of respondents produce work for a gallery context, which serves as a crude measure to indicate that they are critically-engaged artists. Around 25% also said they worked in either public places or participatory contexts.

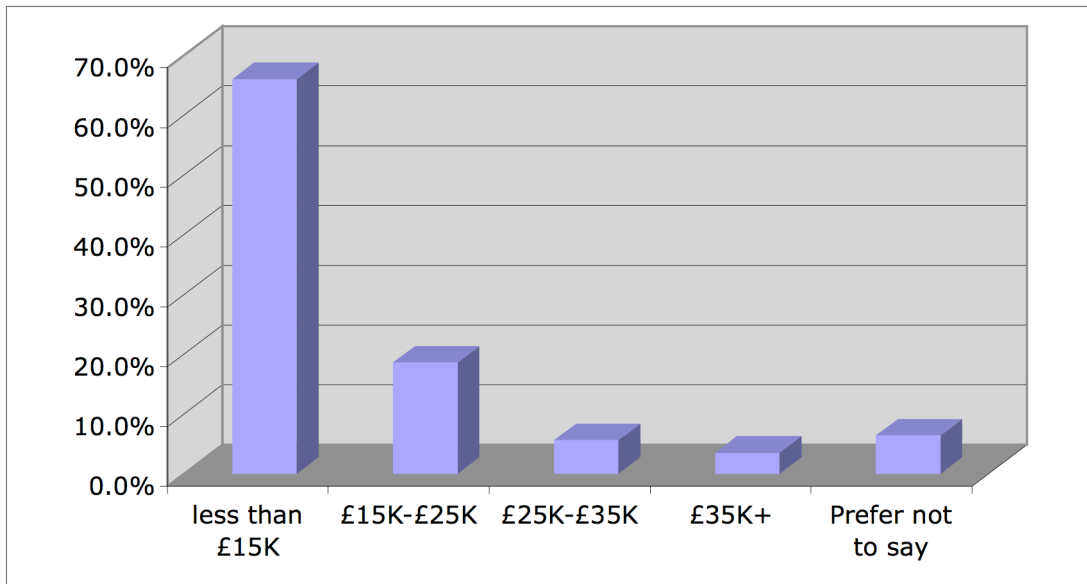
Importance of sales: only 16% of respondents sell work.

Stage of business development: there is a fairly even spread of start-ups (less than 2 years); growing businesses (2-5 years) and more established businesses.

How much do artists earn overall?

Artists' annual gross income (including non-artistic business) is low: 66% of artists surveyed earn less than £15K per annum.

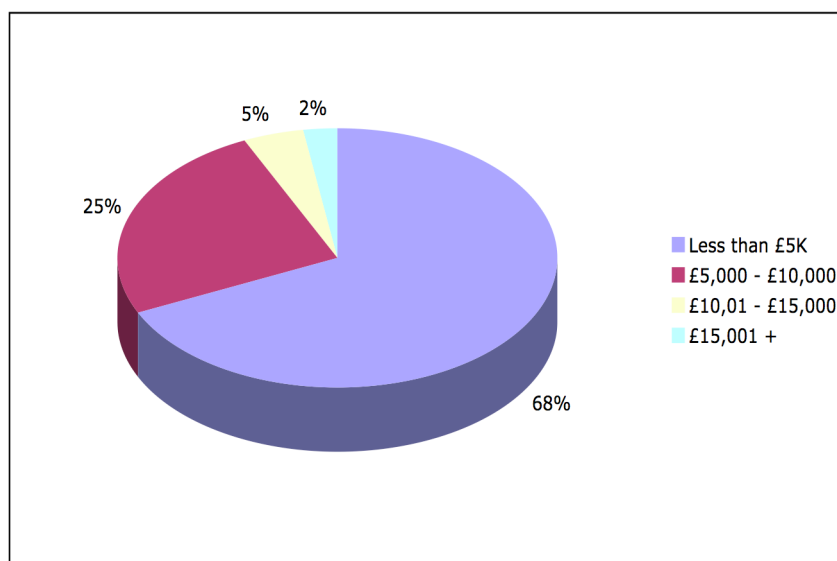
CHART 1: Size of overall turnover



How much do artists earn from their work?

There are low levels of expenditure on artistic businesses. The vast majority of artists questioned spend less than £5K per annum on their work (68%).

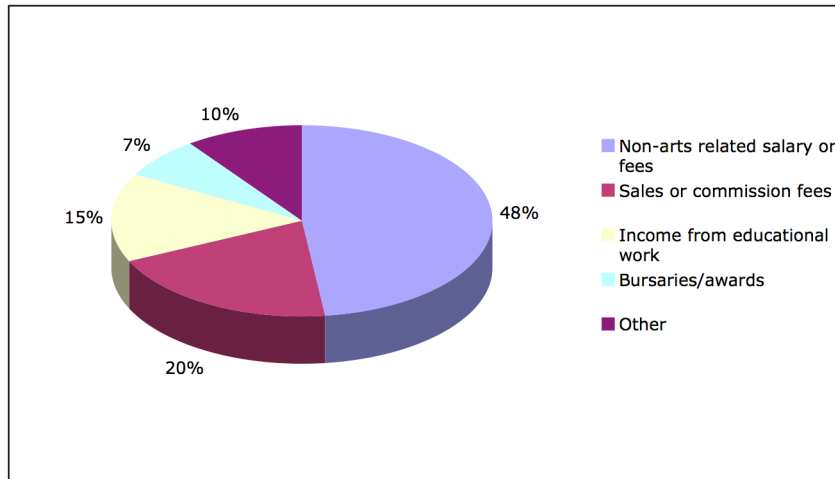
CHART 2: Annual expenditure on artistic practice



From what sources do artists receive and earn income?

The single largest source of income for artists is from non-mission-related trading or 'day jobs' (48%). Sales and fees from making and presenting work account for 20% of income.

CHART 3: Breakdown of income by source



Summary

The implications of our findings about business profile for the finance needs of artists are as follows:

- As overall income is low any finance would need to be affordable (in terms of fees and interest rates).
- The scale of loans required is likely to be small-scale (also known as micro-finance) given the low levels of turnover.
- Small amounts of finance could make a significant difference – just because expenditure levels are low doesn't mean there is no need for finance.

5.2 Funding and finance needs

To quantify the level of potential need for finance we explored current and planned expenditure. We also gathered information about where artists are currently seeking, and receiving, funding and finance to identify potential shortages and duplication in supply.

The key findings about funding and finance needs are outlined below with implications of these findings summarised at the end of this section:

What do artists current spend money on?

Table 1 (below) highlights patterns of expenditure on different areas of artistic activity, it shows:

- Artists' expenditure on the main cost centres rarely amounts to more than £2,500.
- Expenditure is concentrated mainly on materials and equipment.
- Expenditure on CPD (continuous professional development) and training is also significant – although far less than on materials and equipment, and 37% of artists spend zero on this item.
- Both CPD and equipment are 'development costs' and this suggests there is currently a level of demand for these areas (which is being resourced from existing sources).

TABLE 1: The percentage of artists' expenditure of different areas

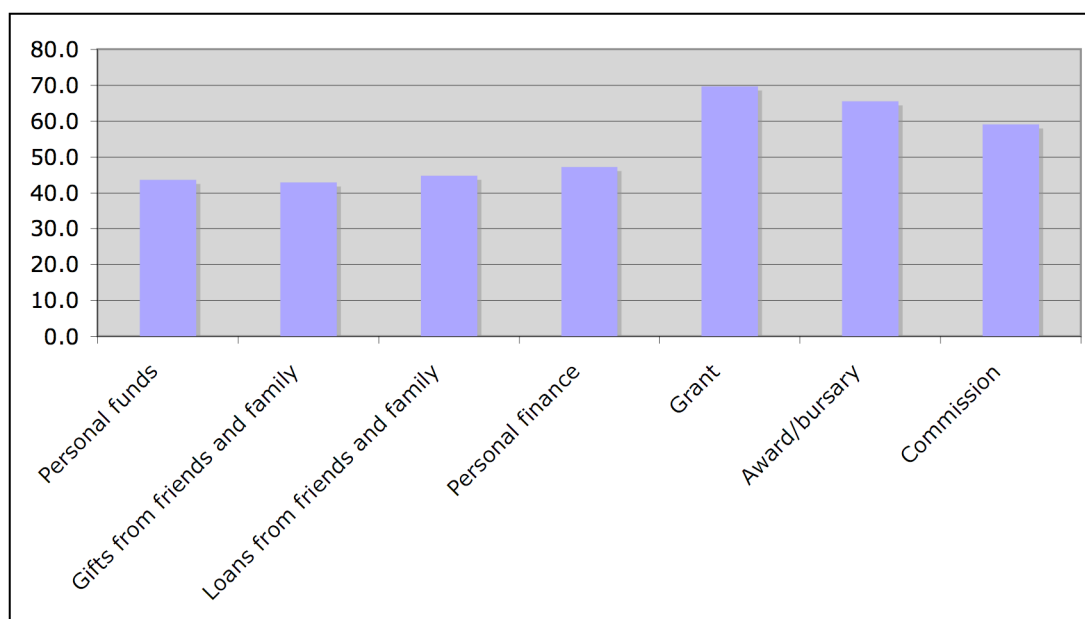
	Zero	Less than £1K	£1K - £2.5K	£2.5K - £5K	£5K +
R & D	17	65	13	4	2
Materials	2	63	24	11	2
Equipment	10	61	21	8	0
CPD/ training	37	38	12	10	3
Specialist fees	55	35	5	4	0
Other	64	14	11	7	4

Where do artists currently access funding?

Subsidy models (grants, bursaries, commissions) are currently a significantly more popular option than seeking finance. Grant funding is the preferred choice of artists seeking to fund their business with 70% of those surveyed having applied for grants in the past 3 years. Success rates are lower, with 58% of those seeking grants being successful.

Loan finance is also being widely used, but either through informal loans from friends and family or in the form of personal finance (overdrafts, student loans, credit cards).

CHART 4: Current sources of funding for artistic practice overall

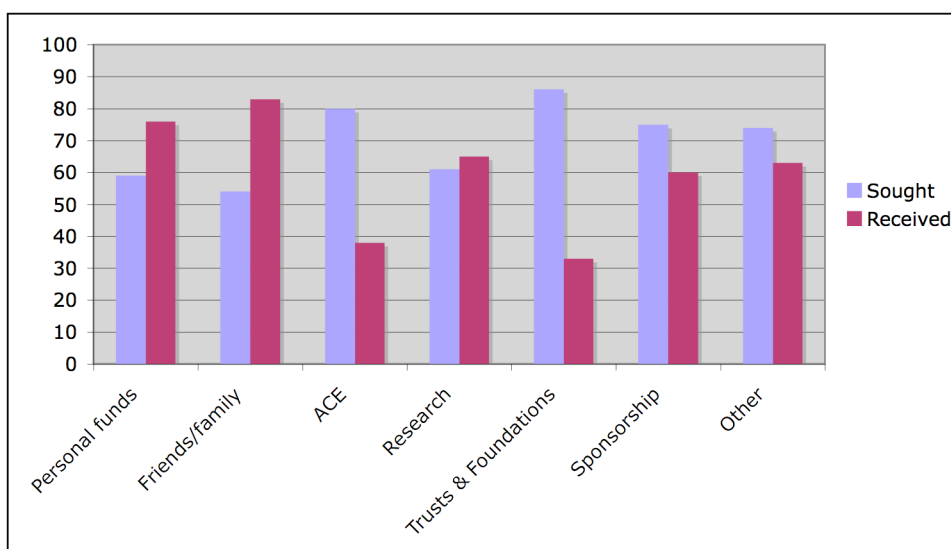


Current funding for development costs

For both equipment and CPD/ training, artists are seeking funds from a very wide range of sources including ACE research funding, Trusts and Foundations, sponsorship, and friends and family.

Artists are receiving funds from an equally wide range of sources with friends and family being the most popular source, closely followed by university research funds.

CHART 5: Current sources of funding for development costs



Supply and demand for development costs

Focussing just on development costs, grants are still a major source of current funding. As many as 86% of those surveyed have approached Trusts and Foundations and 80% had applied to Arts Council England (ACE) for equipment funding.

Twice as many people seek grant funding than receive support from ACE and Trusts and Foundations, suggesting there is a major shortage of supply.

Projected future spend in relation to development costs

Overall, artists expressed the intention to increase spending on development costs in the next 12 months. As with current expenditure, there is more planned expenditure on equipment than CPD and training, but both are still significant. This suggests there is a clear demand for increased development capital.

TABLE 2: Planned expenditure on development costs in next 12 months

	Zero	Up to £1K	£1-£2.5K	£2.5-£5K	£5-£10K
Equipment	7%	49%	29%	10%	5%
CPD/ training	33%	45%	10%	7%	4%

Summary

The implications of our findings about the funding and finance needs of artists are as follows:

- In the key areas of Arts Council grants and Trusts and Foundations demand far outstrips supply. These are the main sources of soft development capital and project funding to artists. If loan finance was more readily available – and used – for soft development costs this could potentially relieve some demand on these sources and enable them to provide more project funding which is in scarce supply.
- As artists are currently seeking (and sometimes able) to access grant funding for development costs then this would be in direct competition with loan providers. Grants are likely to be more popular than loans so finance is likely to be seen as a fall-back option if a grant cannot be secured.
- The research uncovered evidence of both high levels of fundraising activity (across a wide range of sources) and high levels of over-subscription to some sources. This would suggest there is considerable inefficiency with artists wasting resources by applying for funds unsuccessfully.

- Planned expenditure on development costs is significantly higher than recent expenditure in these areas suggesting there is a clear need for increased development capital.
- Artists are currently using loan finance both in terms of loans from friends and family and by using personal finance from High Street lenders to cover professional costs. This would suggest an openness to the concept of finance.
- Personal finance and informal lending and donations from friends and family form a significant part of the artists' economy.

5.3 Skills and attitudes

Experience in the not-for-profit sector clearly demonstrates that providing access to finance alone is not the solution – concerns about managing risk, a tendency to prefer subsidy, a lack of understanding of how finance can be useful and poor financial planning and management skills all inhibit uptake of finance. Therefore, our research also looked at how artists currently plan and manage their finances and their levels of confidence about funding and finance issues.

The key findings about skills and attitudes needs are outlined below with implications of these findings summarised at the end of this section:

Overall the response was startling – only a minority of artists are confident about their understanding of funding and finance issues.

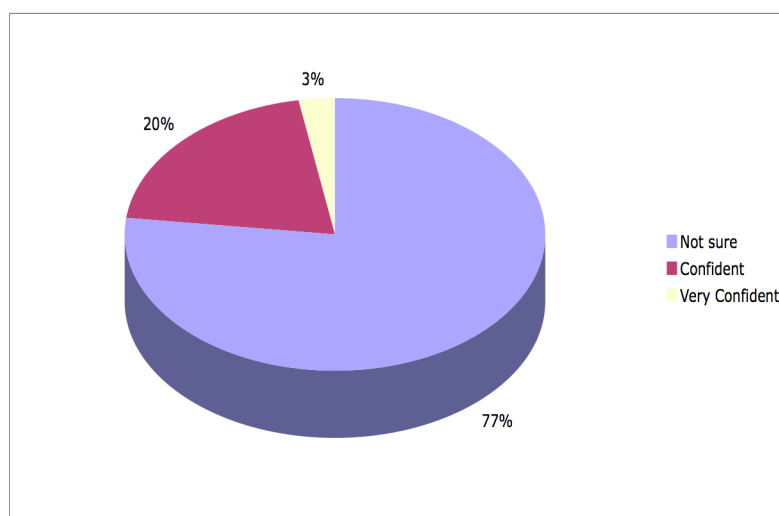
Attitudes to finance

Just as artists currently seek and receive funding from a wide variety of sources they are equally open to using a wide variety of sources in future – including finance. Only 28% of artists wouldn't consider using personal finance in future. This statement of intent is backed-up by current practice with 45% of artists currently seeking loans from friends and family and 47% using personal finance.

Awareness of funding and finance options

Artists feel they understand funding better than finance, but 75% still feel they don't understand their full range of funding options. A staggering 92% of artists say they are 'not sure' about their loan finance options.

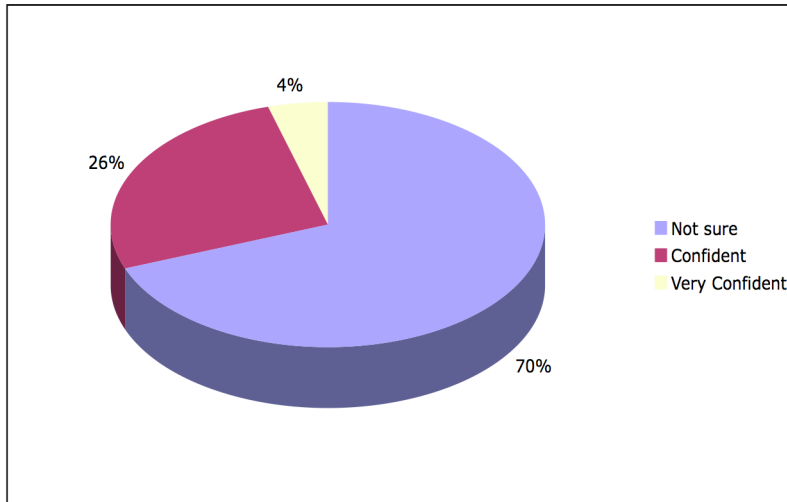
CHART 6: Understanding of funding and finance options



Financial planning and management

Less than one-third of artists feel they understand their long-term funding and finance needs and 60% are planning their finances less than 12 months ahead.

CHART 7: Understanding of long-term financial needs



Support

The vast majority of artists (74%) are 'not sure' where they can access information and advice on funding and finance issues. Given the degree of uncertainty artists expressed about their options this lack of understanding of where to turn for help is particularly significant.

Summary

The implications of our findings about the skills and attitudes of artists are as follows:

- Artists are open to using finance in principle and are actively pursuing personal finance and informal lending.
- Artists have only limited understanding of their long-term financial needs and many are not planning even one year ahead. To be able to understand the potential benefits of using finance, as well as being able to repay loans, artists will need to take a more strategic approach to financial planning.
- There is a major problem around lack of awareness and understanding of the full range of funding and finance options for artists. This could potentially hamper the uptake of any new finance provision for artists.
- There is also a lack of understanding about where artists can turn for advice and information about funding and finance.

6. Summary

The research points to the need to provide artists with more advice and information on funding and finance issues, and indicate a potential market for micro-finance for artists' development costs.

Overall income is low (most less than £15K). Equally expenditure on areas suitable for finance is relatively low (most below £2.5K) therefore the amounts of finance currently required by artists are small – i.e. microfinance.

Artists are currently resourcing their development costs through a wide range of sources, including grants. Therefore the likelihood of artists using finance for these purposes in future depends on:

- The availability of these grant sources in a recession (likely to decline).
- Levels of competition for these funds (which we have seen is high).
- Attitudes to use loan finance (largely positive: 47% of artists already use personal finance and 73% said they would consider using finance).
- This would therefore suggest that increasing the supply of finance could be useful and timely – if accompanied by supporting activity that improved awareness and understanding of the wider financial context for artists (see below).

Understanding of funding and finance options is very poor and many artists don't know where to go for help. This indicates a strong need for support and advice on funding options including information about financial planning, the relative benefits of various funding and finance tools, sources of funding and finance, and the means of securing and managing funds and finance. It should be noted that there are already other organisations working with the not-for-profit and arts sectors on these issues who could be key partners in delivering some of this activity.

Artists appear to be very actively seeking funding and finance, which coupled with our findings about lack of awareness, suggests they may be wasting resources by chasing funding and finance they are unlikely to receive. Therefore, one potential benefit Artquest could offer is to help artists be more efficient in how they seek funds.

Simply providing greater access to finance is unlikely to have the desired impact, but taking a more holistic approach to addressing funding and finance capacity could be extremely useful to Artquest's subscribers. The measures of success of such an initiative would include:

- Artists are able to make better use of the existing resources.
- A reduction in time wasted by artists on unsuccessful applications.
- Artists are able to access new sources of development finance.

7. Acknowledgements

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Simon Zimmerman, Arts Council England, Visual Arts

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