Evaluation of the Catalyst: Endowment Grant Programme

Final Report

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Centre for Philanthropy
University of Kent

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Executive Summary

Evaluation

The Centre for Philanthropy at the University of Kent was commissioned by the Heritage Lottery Fund to undertake the five-year evaluation of the new Catalyst: Endowment grant programme. The evaluation ran from January 2013 to January 2018, monitoring the progress and achievements of two sets of grantee organisations with grants lasting for four years.

Background and aims of the project

The Catalyst programme is a partnership initiative between HLF, DCMS and Arts Council England (ACE). Forming part of HLF's response to the funding challenges faced by heritage organisations since the financial crisis that began in 2007, which has resulted in reductions in government spending on the sector, Catalyst is a National programme designed to encourage more private giving to culture and heritage. It also aims to build the capacity and skills of organisations to fundraise from private donors, corporate sources and trusts and foundations.

The *Catalyst: Endowment* grant programme offered matched funding worth between £500,000 to £5m to encourage organisations to either create or grow an endowment in order to establish long-term sources of income. The stated aims of the programme are to deliver two outcomes and one additional achievement:

- Outcome for heritage: Heritage will be better managed
- Outcome for communities: Organisations will be more resilient
- To bring additional private money into the heritage sector

Through two rounds of funding, awards were made to 31 grantees offering up to £36 million in matched funding.

Methodology

The goal of the Evaluation was to track the progress of the grantees, and also to gather information that would enable us to reflect broadly on the outcomes of the programme and to make strategic observations about the role of endowments in cultural organisations.

The evaluation included both qualitative and quantitative elements and was designed to draw the maximum amount of information and learnings from the grantee organisations.

The methodology included data analysis of HLF documentation; a literature review of private giving and philanthropy; the creation of a control group of unsuccessful applicants to make comparisons with those who did receive funding; two case study interviews with grantee organisations – one at the beginning and one at the end of their grant period; an annual web survey to track grantee experiences, progress and plans; and an annual facilitated workshop for the grantee organisations and key HLF staff.

Conclusions

The *Catalyst: Endowment* scheme is aptly named as it has literally had a catalytic effect on grantees, who describe the programme as having had a 'galvanising' and 'transformational' effect on their organisations, including 'cultural shifts' in terms of attitudes to fundraising.

The outcome that **heritage will be better managed** was overwhelmingly accepted by grantee organisations as applicable to their organisation. All but one of the organisations reported that Catalyst: Endowment had already helped to ensure that their heritage was better managed or would do so in the future.

The outcome that **organisations will be more resilient** as a result of having the endowment was entirely agreed with by the grantee organisations. All of the organisations said that Catalyst: Endowment had already helped to make their organisation more resilient or would do so in the future.

The aspiration that **additional private money** would be brought into the heritage sector was achieved in that all but one of the 31 grantee organisations did raise money for their endowment, and did so from private sources raising £53.3m in total before matching.

The key feature of the *Catalyst: Endowment* grant was the matching offer, which was universally acknowledged by the grantee organisations as being a very positive tool that helped with their fundraising. The vast majority of grantee organisations reported that the matching offer was instrumental for approaching and encouraging donors to give to the endowment appeal.

As the grant period coincided with a time of economic difficulties, the matching offer often, but not always, helped to over-ride legitimate concerns about low interest rates, which were a particular barrier for major individual donors and trusts and foundations. The matching offer was also very appealing to those giving smaller amounts such as supporters, members and visitors who enjoyed knowing that their contribution would grow in size at someone else's expense, such donors could participate in the scheme without necessarily appreciating what an endowment is.

The impacts of Catalyst: Endowment are that it has helped to up-skill grantee organisations, bring in new donors, and for some the impact has been a cultural shift in their organisation. Having engaged with new supporters, and invested in donor care, there is legitimate expectation that they will be retained and continue to support the organisation in the future, even without the matching offer.

The programme has contributed to organisations in many ways. All of the grantees that raised money received some benefits, both financially through the matching and having new endowment capital to draw on in the future, and by improving their financial resilience to some extent that will improve their capacity to better manage their own heritage. The internal changes and learnings and the new plans for the future that were prompted by having the *Catalyst: Endowment* grant have changed organisations and their fundraising approaches in the longer terms. These changes are added benefits for the grantees, which may not have happened without the need to fundraise for an endowment as part of a grant. By helping organisations to become more independent and less reliant upon public funding, *Catalyst: Endowment* has helped the heritage sector to become better prepared for the future.

The future for the grantee organisations is that two-thirds plan to keep fundraising or will resume shortly: only three had no plans to continue fundraising for the endowment. In the majority of cases therefore, the Catalyst: Endowment will have a lasting effect on organisations, as they strive to increase their resilience and independence.

Summary of key findings

- Perhaps the most significant finding is that the majority of respondents intend to continue fundraising for an endowment, so it is reasonable to claim that the Catalyst programme has successfully kick-started and developed endowment fundraising amongst grantees, in line with the programme's goal.

- Two-thirds of the 31 grantee organisations completed their fundraising within the grant period, raising £83.1m in total (including HLF grant funding). Those that did not complete had experienced a range of internal and external reasons that

impeded their success; we saw no evidence of lack of interest or effort on the part of non-completers.

- The matching element of the grant was widely viewed as an important driver for success. This 'offer' created opportunities to start conversations with potential donors about endowments, and was appreciated by donors who wanted to see the value of their contribution increased.

- There were numerous non-financial benefits to the grantee organisations of having the Catalyst: Endowment grant. Getting new opportunities from donors, stakeholders and others because the grant impressed them; receiving in-kind donations; and trustees and patrons bringing in new donors from their contacts were all mentioned as being added value for the project.

- The positive push to improve fundraising within heritage organisations that the Catalyst: Endowment grant scheme sought has been affected by external factors (such as the economic downturn) more than was anticipated, particularly when it came to encouraging donors to give to an endowment in favour of other more tangible, immediate projects, perhaps in other sectors. Convincing those who prefer a tangible project or heritage object to give to an endowment is difficult because (as grantee organisations perceived) endowments do not align with the philanthropic aspirations of many donors, including high net worth individuals and corporates, who wish to donate to achieve immediate impact.

- Many grantee organisations have learned lessons about prioritising the endowment appeal. Internal factors, notably high staff turnover and lack of support from trustees, also affected some grantees' ability to implement their plans to build and grow endowments.

- The majority of grantee organisations did attract new donors, with donations largely coming from their target donor groups whose confidence was increased by knowing the organisation had an HLF grant.

- Diversification of income streams was widely stated by the grantee organisations as something that they wanted to achieve. However once the programme began the majority did not do so, often out of choice, perhaps preferring to focus on the same donors or donor groups from whom they had previously received support. Some regarded themselves as already diversified before they were awarded the grant.

- Legacy donations and grants from trusts and foundations were the income sources which brought in the most money during the grant period. The key donor groups and income streams which the grantee organisations reported having success with were legacies, fundraising events, trusts and foundations, donation boxes and donations from the organisation's own trustees.

- Organisations had to learn how to communicate with some potential donors who do understand endowments such as US donors, high net worth individuals and trusts and foundations, in order to convince them to donate to the endowment. These groups often felt that it did not make financial sense to "lock their money away", especially at a time of historically low interest rates.

- The vast majority of organisations did not need to bring in new staff specifically to work on fundraising for the endowment, as they felt that the skills needed for the project were already available in-house, or could be learned by existing staff through the course of the project. However the changes made, lessons learned and new

skills have become embedded in grantee organisations and will make a difference to successful future fundraising.

- Overall, we identify three key success indicators in Table 19 in section 4. In summary, the following points are most often the characteristics of organisations successful at endowment fundraising:

    1. Being an older, larger organisation based in a town, with an existing endowment or investment income.
    2. Having substantial experience as a fundraising organisation, including prior significant support from HLF, a supportive Board of trustees and a named individual to lead the matched funding campaign
    3. Having the ability to run a diverse fundraising portfolio, an existing desire to create or grow an endowment, a goal to secure support from major donors and from trusts and foundations, investing in donor care, dedicating resources and over 3,000 hours of staff time per annum to the fundraising campaign.

Recommendations

Recommendations are made by the evaluation team for HLF, and it is hoped that these will be taken into account when developing future policy. The recommendations cover HLF working with grantee organisations, working with the whole heritage sector, and also for heritage organisations considering fundraising for an endowment. In 2015 the evaluation team conducted some additional research with heritage organisations about the design of the endowment programme, and HLF actioned many of these when designing the Heritage Endowment programme.

Recommendations to benefit HLF grantees:

- Future matched funding should be accompanied by a budget for fundraising training and skills development in order to ensure that grantees are well-placed to maximise the opportunity of being able to offer a match.
- The HLF could help share learning with grantee organisations, perhaps as part of the networking and learning sessions or as training sessions or self-help guides on a range of topics.
- HLF could offer more support to grantee organisations, especially when they are aware that an organisation is struggling to reach its fundraising target. (At present grantees can access funding through the Resilient Heritage programme to review their organisational strategies and plans more broadly, and some grantees have taken advantage of this.)
- Encouragement to write long-term strategies and business plans beyond the grant period. This could be part of a future grant programme.
- Offer more advice to applicants before awarding grants on what an organisation needs to be aware of and have in place before starting fundraising, such as having Board and senior-management buy-in and coping with multiple priorities when the endowment campaign exists alongside other fundraising projects.
- Encourage organisations to set-up a legacy scheme so that legacies can be channelled into their endowment during the grant period, and then can be used for either topping-up the endowment or for other projects in the future.

Recommendations to benefit all heritage organisations:

- The HLF should share findings from Catalyst: Endowments as widely as possible so that any organisation thinking of starting an endowment, not just to grantee organisations, can benefit from the learning

- HLF could also share learning on the value of a matching scheme for organisations starting an endowment without being part of a HLF programme. For example, organisations may wish to engage other donors who understand the purpose of leveraging their contribution in this way as match funders.

Recommendations for heritage organisations considering fundraising for an endowment:

- Make certain there is total senior management and trustee support for the endowment to ensure that there is internal prioritisation of the appeal, set a realistic fundraising target and start planning as early as possible.

- Ensure that your messaging is clear and that you focus on the project and longevity to capture donor interest. Endowment fundraising can be a hard sell compared with more immediate and tangible projects.

- Encourage trustees to make lead gifts and teach them to make 'the ask' themselves; stay flexible and open to opportunities; and work closely with your Friends organisation.

1. Introduction

In January 2013, The Centre for Philanthropy at the University of Kent was commissioned by the Heritage Lottery Fund to undertake an evaluation of the new Catalyst: Endowment grant programme.

The evaluation was longitudinal and ran from January 2013 to January 2018, covering two cohorts of grantee organisations, awarded their grants in June 2012 and June 2013, both of which had a grant period of four years.

This final evaluation report draws on five years of research to assess the extent to which the Catalyst: Endowment scheme met its aims and what impact it has had on the heritage sector.

1.1 Background and aims of the project

The Catalyst programme is part of a partnership initiative between HLF, DCMS and Arts Council England (ACE). It is a national programme designed to encourage more private giving to culture and heritage, and to build the capacity and skills of organisations to fundraise from private donors, corporate sources and trusts and foundations.

The Catalyst: Endowment grant programme is one of three Catalyst strands, the others aim to build fundraising capacity through nine Catalyst: Umbrella grants and through Catalyst: Small grants of between £3,000 and £10,000. Catalyst: Endowment offered matching grants worth from £500,000 to £5m, with the size of the match and resulting fundraising target being related to the value of the grant as shown in Table 1:

Table 1: Value of grants and size of matched funding and resulting fundraising target

Size of matched grant	Value of match	Resulting fundraising target
£500,000	£1 for every £1 raised	£1 million
£1 million	£1 for every £1 raised	£2 million
£2 million	£1 for every £2 raised	£6 million
£5 million	£1 for every £3 raised	£20 million

In addition to helping grantees reach their chosen fundraising target, the aims of the Catalyst: Endowment programme were to deliver two outcomes and one additional achievement:

- Outcome for heritage: Heritage will be better managed
- Outcome for communities: Organisations will be more resilient
- To bring additional private money into the heritage sector

The Catalyst: Endowment grant programme is an innovative scheme designed to encourage heritage organisations to become more resilient and to increase their financial sustainability. Towards the end of the grant period, the HLF launched the new Heritage Endowment grant programme which builds upon the Catalyst: Endowment scheme and has been adapted following preliminary feedback from grantee organisations participating in the scheme evaluated in this report.

1.2 Aims of the evaluation

HLF commissioned the evaluation of Catalyst: Endowments to help them establish whether the aims and outcomes of the programme have been achieved. In addition, they also wanted an understanding of whether the individual projects met their objectives in terms of fundraising and other project outcomes, and wanted other heritage organisations to learn from the experiences of grantee organisations.

In particular, the aims of the evaluation were to examine:

- was the matching completed?
- the changes in behaviour and attitude towards fundraising within heritage organisations
- the range and type of donors that have engaged with heritage organisations, and the benefits of new relationships that have been formed between grantees and external organisations/funders/stakeholders
- any particular successes or challenges in accessing private funding, and the diversity of funding sources accessed by grantees at the start and the end of projects
- an analysis of the range, type and geographic location of organisations accessing funding through Catalyst, and analysis of any difference in levels of success aligned with these different factors
- the range and type of people involved in projects, the types of skills learned, and any subsequent benefits these new skills have brought (either to the organisation or to the individual)
- the extent to which new skills have been embedded across organisations as a whole, and whether the behavioural fundraising changes are sustainable
- any other factors which have impacted upon the financial sustainability of the organisation within the grant period

In addition, HLF wanted to:
- understand the experience of applicants using HLF's application and grant management process
- learn about attitudes towards giving amongst donors, and how these might change as a result of involvement in the Catalyst: Endowment programme.
- contribute to the body of knowledge available on private giving by creating a literature review

1.3 Methodology in brief

The goal of the evaluation was to track the progress of the grantees, and also to gather information that would enable us to reflect broadly on the outcomes of the programme and to make strategic observations about the role of endowments in cultural organisations.

The methodology included both qualitative and quantitative elements and was designed to draw the maximum amount of information and learnings from the grantee organisations.

The methodology included:

- Data analysis of HLF documentation, including grant applications, scoring assessments of applications, and draw-down data.
- A literature review of private giving and philanthropy.
- The creation of a control group of unsuccessful applicants to make comparisons with those who did receive funding.

- Interviews with grantee organisations at the beginning and the end of their grant period, culminating in case study documents.
- An annual web survey to track grantee experiences, progress and plans
- An annual facilitated workshop for the grantee organisations and key HLF staff to attend, for networking and learning

Outputs included:

- An annual review of the progress of grantee organisations and of the control group (2013-17)
- An annual report which summarised all the key developments of the year (2013-17)
- Two case studies per grantee organisation, one focusing on the beginning of the fundraising, and one looking back over the whole project (2013-17)
- Two reports per annual workshop, one for attendees and one for HLF to use internally (2013-18)
- Draft final evaluation report (2017)
- Final evaluation report (2018)
- Data provided in Excel (2018)
- Presentation/stakeholder meeting (2018)

2. Context: What do we know about giving to heritage and how can an understanding of donor behaviour help heritage fundraisers?

An early output of this evaluation process was the publication of a literature review in 2013 summarising the academic and non-academic research into philanthropy and giving in the culture and heritage sectors. Mid-way through the Catalyst: Endowment programme, that literature review was updated. Both documents are freely available online here:

2013 Literature review
2015 Refreshed literature review

An update of the literature is summarised here. It begins by presenting the most recent data on private giving from both 'mass' and 'major' donors, including a comparison with data from the US, followed by statistics highlighting the growing importance of private giving to the heritage sector. A discussion of the 'golden tripod' model of funding – whereby heritage organisations receive broadly equal amounts of income from public funding, private giving and earned income – shows some progress towards this balanced ideal. This section ends with a summary of the research on donor motivation, highlighting how understanding of the determinants of charitable giving behaviour can be understood and operationalised by fundraisers working in heritage organisations.

2.1 The state of charitable giving and philanthropy in 2017

Two main sources provide data on the state of mass giving and elite philanthropy in the UK. These are the UK Giving Survey and the Coutts Million Pound Donor report.

2.1.1 Mass giving
The UK Giving survey, conducted by CAF (Charities Aid Foundation) reports that 61% of the population made at least one donation in 2016 (the last year for which data is available), whilst a third (33%) had done so in the last four weeks. Participation rates are slightly down in previous years. The characteristics of the most frequent givers are that they are female, older[1], and are in the higher social groups (AB).

During 2016, these mass donors collectively gave a total of £9.7 billion, which is on a par with the amount given the previous year, showing neither a worrying drop nor an encouraging increase in UK generosity. But the median monthly donation rose by 29% from £14 in 2015 to £18 in 2016, indicating that those who continue to give are giving more. A slightly shrunken pool of more generous donors may be disappointing for those whose prime goal is to widen participation in giving, but is potentially good news for charities who can more effectively communicate with, and offer high standards of donor care to a smaller group of more generous – and ideally loyal - supporters.

Heritage is not a stand-alone category in the UK Giving report, so it is not possible to identify the level of support for heritage organisations. But as figure 1 shows, the category of 'Conservation, environment and heritage' received 7% of donations, on a par with charitable sub-sectors widely perceived to be more popular, such as 'animal welfare' and only 1% fewer than the percentage of the population supporting 'Children or Young people' and 'Hospitals and hospices'. Only 2% of the public support the category of 'Arts' into which

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[1] each of the age bands (16-24, 25-44, 45-64, 65+) gives more and more often than the younger age bands, peaking with highest giving amongst the 65+ group

some heritage organisations, such as galleries, fall. But overall this suggests a more promising base of support than is generally assumed.

Figure 1: Proportion of total donation amount received by each cause in 2016
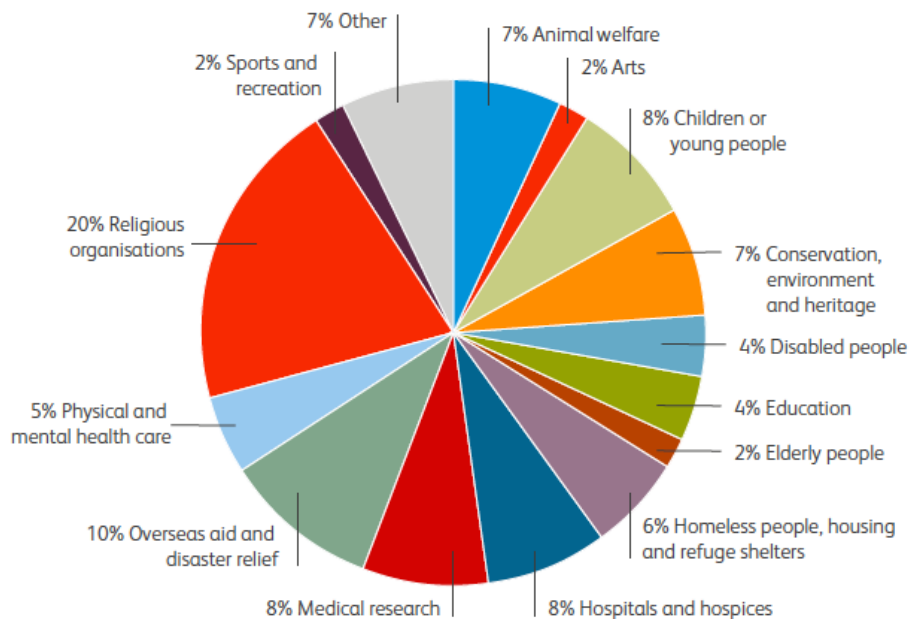
Base: All adults 16+ who have donated directly to a charity in the last four weeks (n=2,903)

Source: UK Giving, CAF

The methodology used in the UK Giving survey – random probability sampling within the general population (sample size 8,000 in the latest report) – means it is highly unlikely that the small number of major donors will be caught in the sampling frame. The annual Million Pound Donors report, funded by Coutts bank and researched and written by the Centre for Philanthropy at the University of Kent, was established in 2008 to provide data about the top-end of giving.

2.1.2 Elite philanthropy

The 2017 Coutts Million Pound Donor report, which covers single donations worth £1m or more made in 2016, identified 310 donations worth a total of £1.83 billion. These are made by charitable trusts and foundations and by corporations, as well as by individuals. The category within which donations to Heritage organisations are counted covers 'Arts, Culture and Heritage'. 40 donations were made to organisations in this category, with a total value of £100 million. The only cause areas that received a larger share of the value of 'million pound donations' in 2016 were 'Universities' and 'Overseas', underlining the greater popularity of Heritage as a cause amongst richer donors.

Heritage has also been identified as a popular cause amongst richer donors in other countries. 27% of US high net worth households reported giving to 'Arts and Culture' (the category which includes 'heritage') in 2015 (the last year for which US data is available), though only 5% of the total value went to that cause (see Osili, Clark et al, 2016).

2.2 The growing importance of philanthropy to the heritage sector

Central government funding of the heritage and cultural sectors has fallen by 15% in the past five years. In 2010/11, the DCMS provided £1,047 million of grant in aid, which had fallen to £884 million by 2015/16 (DCMS, 2017). A study commissioned by HLF and conducted by New Philanthropy Capital in 2014 confirmed this "significant drop in government grants" was being experienced by the 955 heritage organisations that participated in the research. That same study argued that the likelihood of heritage organisations attracting non-grant income, including social investment and crowd-funding, was related to a number of factors including the need to be more explicit about their social benefits and wider social impact. The ability of heritage organisations to articulate and communicate this story is discussed further in section 2.5.

2.3 UK heritage organisations and 'The Golden Tripod' ideal

The historically significant role of both government and private funding for UK heritage organisations makes this country different from the US (where private donors have historically played the larger part in funding non-profit organisations in general, including this cause area) and to mainland Europe (which has been most reliant on government funding). As a result, it has been suggested that the ideal scenario or 'golden standard' for the income of UK heritage organisations can best be depicted in the idea of 'the golden tripod' (Mermiri, 2011): i.e. to be in receipt of broadly equal amounts of income from public funding, private investment/donations and earned income. Having a golden tripod funding model will, it is argued, make organisations resilient to economic challenges and make them more creatively autonomous, allowing for innovation in a context of stability (Freshminds, 2008).

Progress towards a larger share of income from donations has been made, as DCMS reports an almost doubling from £234m in 2010/11 to £418m in 2014/15 (DCMS, 2017). The ability for heritage organisations to raise funds from private sources is, of course, reliant on the presence of fundraising skills within the sector. A study of the impact of a training programme to teach fundraising to 'inexperienced' staff and volunteers through the Catalyst: Umbrella 'Giving to Heritage' programme, run by The Heritage Alliance in partnership with the Institute of Fundraising, from 2014-2017, reported increased skills and confidence and attributed £3.15m of new money having been fundraised to the scheme (Webb, 2017).

The Catalyst: Endowment programme slightly pre-dates the Heritage Alliance capacity building scheme as it started two years earlier. However it shares the view presented in numerous reports, including NPC (2014) and Webb (2017) that increasing fundraising skills and confidence across the heritage sector is the main key to unlocking a significant increase in donated income to heritage organisations. Whilst the offer of matched funding proved a useful incentive to askers and donors alike, the realisation of the promise contained in this incentive could only be unlocked by skilful and confident solicitation. To that extent, the heritage sector is no different to any other charitable sub-sector, where the role of effective, experienced and ethical fundraisers is the largely overlooked yet essential factor in encouraging the 'new philanthropy' (as charted in Breeze, 2017) that can provide the funds needed in a time of growing demand and decreasing funding from other sources.

2.4 What does academic research tell us about donor motivation?

Since the early 1970s there has been a growing body of research studying the motivation of charitable donors. These studies have been carried out by academics working in many different disciplines, including economics, psychology, sociology and business studies. Some studies focus on the individual-level factors (such as gender, age and personality) that are most closely associated with giving, whilst others are concerned with the social, cultural and political contexts that are more or less likely to encourage organised altruism. Across all these published, peer-reviewed studies, which now number well over 500, the most significant eight mechanisms that drive charitable giving have been identified in an extensive literature review written by Dutch academics Rene Bekkers and Pamala Wiepking, as follows:

Table 2: The eight mechanisms that drive charitable giving

Mechanism	Explanation
Need	People give when they are aware that an organisation needs funds – this awareness is raised through the media and word of mouth as well as through the charities' own efforts in fundraising and communication.
Solicitation	Most giving is prompted by an 'ask', so actively soliciting donations is more effective than passively presenting opportunities to give.
Costs/Benefits	Donors are incentivised when the 'price of giving' is lowered by tax breaks and matched funding, and by receipt of benefits such as invitations to events and access to interesting relationships and unusual experiences.
Altruism	Caring about the beneficiaries, and a belief that donations will have a positive effect on their welfare, is a driver of giving.
Reputation	Donations are more likely when giving is viewed as a positive thing to do, and donors are rewarded socially by public approval and an enhanced reputation.
Psychological rewards	In addition to social benefits, donors seek psychological benefits: these include feeling good, alleviating guilt, opportunity to express gratitude and avoiding the cognitive dissonance that occurs when values and actions are not aligned.
Values	When personal values (such as belief in the value of heritage) align with organisational values (such as a charity that exists to protect heritage) there is a greater probability of a donation occurring.
Efficacy	Donors want their contribution to make a meaningful difference. Demonstrating efficacy to the donor can be formal (e.g. through evaluation reports and financial information) or informal (e.g. through anecdotes in charity communications, participating in a 'seeing is believing' trip, and modelling by high status people whose actions are emulated).

Source: Bekkers and Wiepking, 2016

2.5 How can heritage organisations apply the 'Eight mechanisms' model to fundraising for endowments?

Every charity should have its own unique 'case for support' that clearly and succinctly explains the organisation's purpose and why it needs donations. Every successful fundraising organisation will also have a detailed strategy that sets out how resources can best be used to maximise voluntary income. Both the case and strategy should be understood and supported by trustees, staff and volunteers, and these documents should be regularly reviewed and adjusted as necessary in response to changes in the internal and external environment.

Understanding the eight mechanisms, and how they apply to any specific charity and its potential donors, is a useful part of this planning and review process. Table 3 offers examples that might be relevant for motivating donors to heritage organisations.

Table 3: How the 'Eight mechanisms' model applies to fundraising for endowments by Heritage organisations

Mechanism	Example in relation to Heritage organisations
Need	The needs served by heritage organisations are often less obvious than many charities, such as those providing food and shelter. So every opportunity and communications channel must be taken to explain the importance of heritage and to remind people that the organisation is seeking funds.
Solicitation	Proactive fundraising is essential for every type of charity. Heritage organisations need to invest in the fundraising function, and recruit and train fundraisers with the skills and the confidence to "make the ask".
Costs/Benefits	Heritage organisations need to highlight how the value of donations can be enhanced through charitable tax breaks and matched funding schemes, so that donors can enjoy seeing their money go further. Coming up with imaginative benefits (with no/low material value to comply with Gift Aid rules) such as 'behind the scenes' tours and access to expert staff, is a key part of successful fundraising.
Altruism	Articulating who will benefit from heritage organisations is a necessary precondition to trigger donors' sense of care and compassion for those served by the charity.
Reputation	Finding meaningful ways to celebrate and recognise donors, including appropriate naming opportunities, seeking positive press coverage and membership of exclusive 'friends' and 'giving groups', can promote giving.
Psychological rewards	Investing in providing excellent donor care so that supporters know they are appreciated will enable people to experience the 'joy of giving' and feel good about themselves and their decision to donate.
Values	Fundraising efforts are best focused on people who believe in the value and importance of heritage in general and are supportive of the specific mission of the charity. Those who are members, visit the heritage site, and/or have given to similar charities are all likely to be 'good prospects'.
Efficacy	Producing information that demonstrates your successful outcomes and positive impact, and making efforts to spread the word and harness the power of role models will enhance the confidence of potential donors.

2.6 Which mechanism is most relevant for the Catalyst Endowment programme?

Costs/Benefits is the most important mechanism for Catalyst: Endowment because of the matching offer. Depending on how the donor and/or charity choose to frame the effect of the match, it either lowers the price of giving or grows the value of the original gift. . As Table 4 shows, the size of the match varied across grantees, from 1:1 to 1:3 (as described in section 2.1 of this report). When charitable tax breaks are also claimed, this further lowers the 'price of giving'. Those organisations able to find a donor willing to offer a further match, such as The Holburne Museum, could offer their donors an extremely attractive offer such that the 'cost of giving £560 was just £100, or – looking from the other angle - a major donor could turn a £1 million gift into a gift worth £5.8 million to the recipient.

Table 4: How matching reduces the cost of giving for Catalyst: Endowment donors

Value of original donation	Value with match			Increased value through charity tax breaks, e.g. Gift Aid on a 1:1 match			Increased value through additional 1:1 match by another donor identified by the organisation		
	1:1	1:2	1:3	+20%	+40%	+45%			
£100	£200	£150	£133	£240	£280	£290	£480	£560	£580
£1 million	£2m	£1.5m	£1.33m	£2.4m	£2.8m	£2.9m	£4.8m	£5.6m	£5.8m

The matched funding offer was noted by many grantees as crucial in attracting donors, who appreciated the low 'cost' of giving and/or the leverage it offered to grow the value of their gift. This aligns with what is known from academic studies, which have repeatedly demonstrated that donors find matched funding especially attractive, even more so than tax rebates (see, for example, Eckel and Grossman, 2003; Breeze and Lloyd, 2013, p.85) in bringing in private funding because it was a determining factor in encouraging donors to give.

The time-limited nature of the match – such that the 'price of giving' was only temporarily lowered – also proved useful for successful grantees. The existence of a deadline was reported as useful by four grantees who completed their match: St Martin-In-The-Fields PCC, The National Horseracing Museum, The SS Great Britain Trust, and The Mary Rose Trust. Perhaps unsurprisingly, none of those who did not compete reported finding the time-limited nature a useful tool in encouraging donors to 'close' on their gifts.

The 'Benefits' offered to donors were handled in many different ways by grantees – examples of well-received benefits included appropriate naming opportunities and invitations to interesting events, with the overall pattern supporting the literature: that donors are motivated by low costs and high benefits.

2.7 Applying the other mechanisms behind donor behaviour to successful fundraising for heritage organisations

Need – many grantees reported difficulties in articulating why donations were needed for an endowment in preference to – or indeed as well as – present day running costs. Telling a compelling story about the need for an endowment proved a challenge to many, and at least five organisations believed that their donors preferred a more tangible capital appeal (The Ashmolean Museum of Art & Archaeology, The Greenwich Foundation for the Old Royal Naval College, The Holburne Museum, The SS Great Britain Trust, and The Tank Museum)

Relatedly, four grantees reported that communicating about the endowment appeal and creating successful messaging was a challenge (The Abbotsford Trust, The Ashmolean Museum of Arts & Archaeology, The Churches Conservation Trust, The National Horseracing Museum), and at least one grantee (Sir John Soane's Museum) felt that charitable trusts and foundations were not receptive to requests for funding that would go into an endowment rather than be available immediately for core or project costs.

Solicitation – Having skilled, experienced and confident fundraisers is a key determinant of fundraising success, but not all grantees had this mechanism in place, or were able to recruit to fill that gap. Competing priorities meant that the 'ask' for the Catalyst: Endowment challenge was not always as evident, clear and compelling as it could be. The support of trustees in supporting solicitation – including having trustees who are willing to give and get gifts - was also viewed as critical by many grantees, including The Abbotsford Trust, Sir John Soane's Museum, and The Watts Gallery Trust.

The other five mechanisms – Altruism, Reputation, Psychological rewards, Values and Efficacy – also play a role in motivating donors, and conversely their absence impeded success. Examples of how all the 'Eight mechanisms' apply to fundraising for endowments by Heritage organisations are given in Table 3 above.

We therefore suggest that heritage organisations beginning a fundraising campaign, whether for an endowment or otherwise, could usefully consider the Eight Mechanisms model and ensure they align and communicate their 'offer' in a way that is most conducive to triggering these eight factors so that a larger number of donors are motivated to offer support.

3. Findings

The evaluation shows that success comes in many forms for the 31 Catalyst: Endowment grantee organisations. They have approached fundraising for the endowment in a variety of ways, have encountered diverse external influences, interacted with different types of donors in many ways and have achieved a variety of benefits. All of these issues and more are explored in this section. In its simplest form though, success can be measured by whether an organisation reached its fundraising target, as section 3.1 examines.

3.1 Completion of fundraising

This section analyses the extent to which the 31 grantee organisations completed their fundraising by reaching their target within their grant period.

The list of organisations, their grant award and matching ratios can be found in Appendix 8.2. and in section 4. The overall statistics for the Catalyst: Endowment grant scheme are as follows:

Table 5: Overall statistics for the Catalyst: Endowment programme

Round	Number of grantee organisations	Amount awarded	% drawn down	Total draw downs
1	18	£27,500,000	83%	£22,946,785
2	13	£8,500,000	76%	£6,434,626
All	31	£36,000,000	82%	£29,381,411

20 of the 31 grantee organisations achieved their fundraising target and so claimed 100% of the matched funding. Slightly more of the organisations in the second round completed than those in the first round. 69% (9 out of 13) in the second round completed, compared with 61% (11 out of 18) in the first round. Two organisations have been issued extensions to their grant period and have therefore not reached the end of their grant period at the time of writing this evaluation report (London Wildlife Trust and South Tynedale Railway Preservation Society).

Of those that did not reach their fundraising target within the grant period, there was a wide range in the amount of money raised and therefore the amount of the matched funding that was drawn-down, ranging from 70% down to 0%

Nine organisations that did not complete have a range of reasons for not being able to reach their fundraising target, including internal issues and extenuating external factors. Please see section 4 for a list of all organisations and what percentage of their target they were able to reach.

There was a wide range of internal factors which the grantee organisations felt had impacted upon their ability to reach their fundraising target. These ranged from organisations nearly going bankrupt in the grant period and having to focus on that, to lacking prioritisation of the endowment by senior managers, to getting a whole new senior management team and development team alongside amendments to the objectives of the endowment and a suspension of fundraising for the endowment. When the endowment was running alongside another project, some organisations felt that donors favoured other more tangible projects, plus prioritising the endowment over more immediate fundraising needs could be a struggle.

The following external factors impacted grantee organisations: one grantee said that not only were trusts reluctant to give to their endowment, but they are *"not a fashionable charity"* and were competing against local high-profile charities for donations. Another did not get the support from the US that they had anticipated, and had trouble accessing trust and foundation funding, plus they found that individual givers were not interested in the endowment because it *"simply did not capture their imagination".* Three organisations encountered serious financial difficulties, and this is covered in section 3.8.

Summary

Two-thirds of the 31 grantee organisations completed their fundraising within the grant period. Those that did not complete had experienced a range of internal and external reasons that impeded their success; we saw no evidence of lack of interest or effort on the part of non-completers.

In the next section we explore the reasons behind some organisations being more successful than others in their fundraising, the experiences and challenges encountered by grantees, and changes within organisations during the grant period as a result of having the Catalyst: Endowment grant.

3.2 Changes in behaviour and in attitude towards fundraising within heritage organisations.

Grantees were asked whether they had noticed any changes in attitude or behaviour among their donors and potential donors towards heritage organisations during the grant period. Around half of the organisations reported a difference, noting alterations in donation levels as being the key change. Some felt that any drop in donations was largely due to the economic downturn rather than any particular attitudinal shift away from heritage organisations:

> *"From talking to donors and others in the sector it has become clear that where some major donors have reviewed their giving, it is not necessarily that they have moved away from heritage, they may just have less money to give or want to work with another organisation for a time"* (Churches Conservation Trust)

> *"Over the course of the economic downturn, we have noticed a drop in corporate donations to the museum".* (Tank Museum)

In contrast some organisations did perceive that fundraising specifically for heritage had become more challenging:

> *"Corporates have been more difficult to fundraise from for heritage over the past few years, and trusts have become more competitive as there is less money available to them so organisations often get less money than wanted"* (The Abbotsford Trust)

> *"Family wealth in trusts was also affected which could have had a knock-on effect, but really only a certain type of person prioritises heritage only, and they have kept giving".* (The British Library)

One grantee believed that major donors had become more engaged with them as a heritage organisation:

> "*Individual major donors are more receptive to heritage and arts than many other sectors".* (The Abbotsford Trust)

One organisation explained that their donors' perceptions of their organisation's role had an impact on donations:

> *"Our experience with some trusts and foundations is that they have trouble seeing us as a heritage organisation rather than sporting"* (The National Horseracing Museum)

However, another organisation felt that any drop in donations was actually due to asking for donations for the endowment rather than due to the economic climate:

> *"An immediate reaction to a request for an endowment donation has on occasion been "it's boring": donors are definitely more interested in something tangible".* (Strawberry Hill Trust)

The 'selling' or messaging of endowments to donors is a recurring theme in the case studies and is explored in more detail in section 3.4.

Summary
The push to improve fundraising within heritage organisations that the Catalyst: Endowment grant scheme represented has been affected by external factors, such as the economic downturn, more than was anticipated, particularly when it came to encouraging donors to give to an endowment in favour of other more tangible, immediate projects, perhaps in other sectors.

3.3 Donors and their engagement with heritage organisations

This section explores grantees' ability to bring in new donors, their target donors and which groups they actually fundraised from, how far diversification of income streams was achieved, and the added benefits of relationships with donors and prospective donors.

3.3.1 New donors
At the outset of the programme, 23 grantees planned to bring in new donors during the grant period and just five did not hold this intention. Towards the end of the grant period, 17 organisations said that they had indeed attracted new donors and five said that they had not.

Of these organisations, 14 went on to attract new donors (we will know about London Wildlife Trust and South Tynedale Railway Preservation Society when their grant period ends), only 7 did not get the new donors that they had hoped for. Three organisations captured new donors when they had not planned to do so.

3.3.2 Intended donors
The grantee organisations all indicated in their fundraising plans which donor groups they planned to target for fundraising for the Catalyst: Endowment, and it is interesting to analyse how these plans align with the groups that actually gave during the course of the grant period.

The disparity between what was planned and what occurred was not that large. Of the 31 organisations, 11 had donations entirely from their target donors and 16 had donations partly from their target donors. No organisations had donations from completely different sources than they had intended to target, as noted in their original plan and/or during the first case study interview near the start of the evaluation process. Overall, compared with what had been planned grantees attracted fewer trust and foundation donors and corporates than planned, but the trade-off was that more legacy donations and lower-level donors were involved than anticipated.

Looking in detail at the successful completer organisations, eight had donations entirely from their target donors and 11 partly from their target donors.

Table 6: Success in attracting intended donors

	Target donors	Partly target donors	Additional donor groups	Fewer donor groups than intended	Substitution of donor groups
20 Successful Completers	8	11	5	3	4
Not a completer	3	5	0	4	1

Source: case studies

A detailed analysis of who the target donors were compared with the actual donors reveals that there was often some movement between planned and adjusted targeting of different donor groups. Overall, the pattern between target and actual donors is broadly similar, but in individual grantees there were a lot of changes. Five organisations brought in at least one additional donor type on top of what they had originally intended. Six organisations found that they had to rely on fewer types of donors than originally intended and another five organisations changed their efforts from one or more type of donor:

- The Bowes Museum - did not succeed in attracting legacies but did attract lower-level donors
- The Governors of the Belfast Library & Society for Promoting Knowledge – did not succeed in attracting trusts and foundations but did secure legacy income for the endowment, which could have been written into wills before the Catalyst grant began
- The SS Great Britain Trust - did not succeed in attracting trusts and foundations or corporates but did attract legacies
- St Martin-in-the-Fields PCC – did not succeed in attracting American donations but did attract legacies and lower-level individual givers
- The Watts Gallery Trust – did not succeed in attracting corporates but did attract donations from their own trustees

In terms of which donor groups the grantee organisations relied upon in practice there was a leaning towards individual givers, legacies and trusts and foundations. The successful completers attracted most donations from major and lower-level individual givers, corporates and grants from trusts and foundations. Legacy donors and the America market were accessed more equally by those that completed their fundraising and also those that did not.

Table 7: What types of donors were attracted by completers and non-completers?

	20 successful completers	Non-completers	
		Raised 40% or more of their target	Raised less than 40% of their target
Major individual donors	17	2	5
Lower level individual donors	10	1	2
Trusts and foundations	8	0	2
Legacies	7	1	3
Corporates	4	0	0

	20 successful completers	Non-completers	
The US	3	0	2
Friends organisations	1	0	0
Trading income	1	0	0
Trustees	1	0	0

Source: case studies

3.3.3 Diversification
Seven grantee organisations said that they had actually gone on to diversify their income and 12 said that they had not. Diversification of income sources and how this happened in practice is discussed further in section 3.4.

3.3.4 Added benefits
Having a broader range of supporters brings benefits beyond raising money for the endowment. The Lakeland Arts Trust and Severn Valley Railway Trust said that good relationships had led to in-kind donations:

> *"we were also given items for the collection too: indeed eleven of the boats in the Museum came from one local family"* (The Lakeland Arts Trust)

> "*We will be doing more gift in kind asking in the future"* (Severn Valley Railway Trust)

Access to new donors was a popular benefit of diversification. Trustees and patrons have been active in both making donations and bringing in new donors:

> *"One patron… wants to host a dinner at Abbotsford for his contacts which is an opportunity for us"* (The Abbotsford Trust)

> *"We have had generous donations from trustees, as well as access to their contacts and the chair hosting events where he asks attendees to follow suit and give"*, (Severn Valley Railway Trust)

> *"One of our trustees who gave substantially also hosted a dinner at the gallery for people she knew. It was linked to Catalyst and brought a new audience here".* (The Watts Gallery Trust)

> *"There tends to be a sharing of knowledge and experience, and opportunities are opened up to us to go to networking events or dinners".* (The Lakeland Arts Trust)

Other added benefits to organisations included the Sir John Soanes Museum which received *pro bono* work from donors, and The Tank Museum which has a strong relationship with the World of Tanks online game said that *"We do get added benefits from this relationship, such as them publicising us, and this is one of the reasons why we are the most popular military museum on social media outside of North America".*

Section 3.2 examined attitudes to heritage organisations. Knowing whether changes occurred because of the Catalyst: Endowment programme is difficult to pinpoint, however some grantee organisations felt that the endowment led to new donors, be they a new donor group or more donors from a group already accessed by the organisation:

> *"It has brought in new donors which we would not have had otherwise"* (The British Library)

> *"Have built up supporters which was an objective at the outset"* (The Bowes Museum)

Other organisations felt that the very fact that they had a HLF grant award brought rewards in terms of new donors or partnerships:

> *"Having HLF support is always very good endorsement of an organisation, always when you talk to other organisations they do note the fact that they are supporting us"* (The Holocaust Centre)

> *"Reputationally getting the grant was important, a huge tick for us, people were probably thinking what is this organisation all about, you should look at them if they got this grant so quickly"* (Severn Valley Railway Trust)

3.3.5 Summary
The top-level findings from this section are that the majority of grantee organisations did attract new donors; donations came largely from those they planned to approach; plans to diversify income streams did not all come to fruition; and that grantees gained added benefits from their donors and supporters, as well as from those prompted by the mere existence of HLF support.

3.4 Private funding and diversification of income

This section describes the diversity of grantees' income sources, and the successes and challenges encountered when trying to attract private funding during the grant period.

One of the key goals that HLF hoped would be achieved as a result of the Catalyst: Endowment scheme was to increase the heritage sector's access to private funding - that is grants from trusts and foundations, corporate donations and support from major and smaller individual donors. As discussed in Section 3.1 the 31 grantees experienced wide-ranging levels of success, and in section 3.2 we noted the differences in which donor groups were most successfully accessed. In addition, while diversification was agreed overall to be a priority, there were again varying degrees of success across the grantees.

3.4.1 Diversifying funding streams
In each year of the evaluation, the majority of organisations agreed with the statement that 'Catalyst makes diversification of our income possible'. This shows their clear understanding that Catalyst: Endowment is instrumental in achieving a diversified income.

The majority of grantees indicated that they had planned to diversify their income streams even before they were awarded the Catalyst: Endowment grant. This intention to diversify is carried through into the grant period where on average (over the five years of the programme) 13 organisations said that they did plan to diversify their income during the grant period, and a negligible number (0.6) said that they did not.

It is also interesting to note that the grantee organisations tended to view themselves as already being quite diversified before the grant was awarded: the majority of organisations classed themselves as being diversified before they were awarded the grant.

Some grantees explained that when they started fundraising they felt that their income was already very diversified, and so therefore did not plan to diversify further, because they did not need to:

> *"We have always been diversified in terms of our funding streams so that we don't have all our eggs in one basket, and we plan to continue with this"*. (The Abbotsford Trust)

> *"[It] provides an opportunity for the Gallery to refocus and reinvigorate the approach to generating income".* (The National Portrait Gallery)

On the other side of the coin, some organisations said that they planned to focus on a few specific income streams rather than trying to diversify their income:

> *"Our plan is to focus on the most productive income streams for us rather than diversifying our income, for example our commercial income has increased over the last two years, so this is very important for us to continue in order to develop our enterprise activity".* (Arnos Vale Cemetery Trust)

> *"We are not diversifying our funding streams as we had already accessed all streams that were open to us, and we are focusing on what we know will work well".* (The Tank Museum)

Early on in the process, other organisations expressed a desire to diversify during the grant period:

> *"This grant is an opportunity to diversify our overall income so that we have new sources and are not just moving money around".* (The Wiener Library Institute of Contemporary History)

> *"One of the reasons we are so keen to attract new donors is so that we are not simply diverting their gifts from one pot…to another".* (The Ashmolean Museum of Art & Archaeology)

> *"There has not been a diversification of the funding streams that we are accessing for the endowment as yet, although whether this happens in the future will depend on the strategy over the next few years".* (Sir John Soanes Museum)

In the majority of cases, the organisations' plans for diversifying (or not) did come to fruition, with a few notable exceptions where organisations adapted from their original intentions:

> *"The endowment has been crucial in helping us to diversify our sources of income".* (The Holburne Museum)

> *"Catalyst helped us to diversify our sources of income by bringing in new major donors, often via trustees and donors who brought in their own contacts".* (Sir John Soanes Museum)

Again there were some organisations that said they were already diversified and could not improve on this:

> *"The organisation has not really diversified it sources of income as a result of Catalyst, because we were already fundraising across all main income streams and we planned to focus on legacy donations for the endowment".* (The British Library)

The majority of organisations towards the end of the grant period explained that they did not diversify and instead chose to work on bringing in additional donations from new donors within the donors groups that they had worked with before Catalyst: Endowment:

"Catalyst did not cause us to diversify sources of income, nor did we capture new donors, but we wish it had". (Dulwich Picture Gallery)

"It was support from those already associated with the Mary Rose rather than us accessing a whole new group" (The Mary Rose Trust)

"We have not diversified away from the types of people we have identified". (Pallant House Gallery)

The Catalyst: Endowment grant scheme did encourage diversification and innovation for some organisations:

"Initiatives such as the restaurant bills and print sales gallery where 10% goes to the Portrait Fund". (The National Portrait Gallery)

"We did not really diversify our income streams during the project, but we are being spurred onto doing this now, building upon our work to date". (The Watts Gallery)

Finally, The SS Great Britain Trust fed back on the scheme's aim to diversify income that *"it is difficult to see how this programme encourages this compared with any other programme".*

Diversification in itself was not necessarily a precursor of success: by the end of the grant period seven organisations said that they had diversified their income streams, and 12 said that they had not.

For the successful completer organisations though there was a clear leaning towards achieving diversification of income in the grant period.

Table 8: Diversification of income by completion of fundraising

	Did diversify income during the grant period	Did not diversify income during the grant period
20 Successful Completers	6	6
Non-completers	1	6

Source: case studies

In the final year of the programme, respondents who disagreed with any of the statements about diversification of income were asked to give more information. Of the organisations which provided more clarification, one organisation explained that their *"income was not completely diversified because we have a high reliance on grants and donations"* (The Holocaust Centre). The remaining five organisations indicated that they believe that diversification is a good thing and stated that they planned to diversify further.

"It is imperative on all actors within the cultural sector to diversify income – not doing so is not an option" (The Churches Conservation Trust)

There was a range in the experiences of grantee organisations and their plans for diversification of income, and in their actual experiences of it during the grant period. The income sources that the grantee organisations received funding from are examined below.

Grants from trusts and foundations grew as a percentage of total income during the grant period, despite many grantee organisations reporting that this type of funding was

increasingly difficult to access. Similarly, income from smaller individual donors also generally crept up.

Other income streams tended to show more fluctuations over time: donations from individual major donors changed most dramatically especially in the last year, dropping from 21% to 3% of total income; trading income fluctuated but remained important; events fundraising went up and then down; and investment income went up and down, peaking in 2016 (probably due to more endowment capital being invested by that time). Public funding fluctuated but remains important to grantees, despite hopes of organisations becoming less reliant on this source of income.

Table 9: Income streams as a percentage of total income

	2011/12*	2015/16**	2016/17***
Trading income	31%	25%	33%
Public funding	20%	14%	23%
Grants from trusts and foundations	18%	31%	39%
Individual major donors	6%	21%	3%
Legacies	2%	22%	19%
Smaller individual donors	2%	9%	19%

Source: annual surveys
*Only answered by round one organisations
**Answered by all respondents
***Only answered by round two respondents

Legacy donations have been the income stream which has been most consistent in its growth, with legacy income accounting for just 2.17% of all income in 2011/12, rising to a peak of 22% in 2015/16 and then down slightly in 2016/17 to 19%. Eleven organisations received legacies, or put legacy income into their endowment challenge.

Of these organisations, seven were successful completers. On the whole, legacy fundraising seems to have been quite reactive, with any unexpected legacy donations being put into the endowment. Only the British Library intentionally had legacy donors as a key target group, whilst The Mary Rose Trust and Severn Valley Railway Trust viewed legacies as one of their priorities. The other eight organisations did not do much promotion of legacies, and when an unrestricted legacy arrived it was either assigned to the endowment or another fund. However The Churches Conservation Trust did produce its first legacy leaflet and The Lakeland Trust ran a will writing scheme which brought in one donation.

There was also a mixture of approaches in terms of whether legacy donations went into the endowment or not, and on what basis they were put in. The Severn Valley Railway Trust described a comprehensive way of remembering legacy givers which includes a memory garden, an annual remembrance day and a celebration of life day on board luxury carriages for the family. The majority of organisations however, whilst grateful for legacy donations, did not mention any particular strategy for celebrating the donor, their gift or their life. Lincoln Cathedral and St Martin-in-the-Fields assigned legacies on a case by case basis; The SS Great Britain Trust decided that all legacies would go into the endowment during the grant period; and The Churches Conservation Trust and Pallant House Gallery arranged for all legacies to go into the endowment, continuing after the end of the grant period.

Expenditure on fundraising is important to consider when exploring diversification as it plays an important role in reaching out to donors. Every year the largest group of organisations said that their expenditure on fundraising had stayed the same, followed by those who said that it had increased. Looking in detail at what fundraising tasks organisations were spending money on, spending on donor care increased as a percentage of fundraising expenditure to the greatest extent from 22% to 48%, event costs generally went up, and spending on all of the other tasks fluctuated. The increase in spending on recruitment going up in 2015/16 is consistent with three organisations recruiting for Catalyst: the majority of organisations though had said that they did not intend to recruit (More on this in section 3.6).

Table 10: Fundraising tasks as a percentage of fundraising expenditure

	2011/12*	2015/16**	2016/17***
Donor care	22%	27%	48%
Event costs	11%	21%	18%
Marketing	17%	19%	15%
Recruitment	2%	16%	9%
Resources spent on grant applications	25%	15%	19%

Source: annual surveys
*Only answered by round one organisations
**Answered by all respondents
***Only answered by round two respondents

Summary
Diversification of income streams was widely regarded by the grantee organisations as something that they wanted to achieve, however in reality the majority did not do so, often out of choice, perhaps preferring to target the same donors or donor groups as they traditionally targeted. Legacy donations and grants from trusts and foundations were the income types which became most important to organisations during the grant period. In terms of whether there is any differentiation between the successful completers and those that did not reach their fundraising target, on diversification of income streams there are some marked differences. The successful completer organisations usually said that they did not intend to diversify, however towards the end of the grant period there was an equal split between whether they actually had diversified or not. For those that had not completed, the majority had not diversified. This suggests that whether or not an organisation diversified their income does not affect whether they complete or not.

3.4.2 Successes in accessing private funding

Accessing private funding was a key aim of the grant scheme. The grantee organisations displayed quite different fundraising approaches for achieving this. Only three organisations said that they had made Catalyst: Endowment their sole fundraising priority, and 17 said that they had run it alongside other projects.

The way that grantees communicated about the programme also differed: eleven organisations openly discussed and promoted the idea of endowments to donors but most chose not to talk about the concept of endowments *per se* and instead focused on the project that they were fundraising for instead. Also, the vast majority of organisations appeared to be very optimistic about their likelihood of fundraising success.

Early successes
The most frequently mentioned early success concerned getting legacy donations into the endowment fund. The British Library, The Churches Conservation Trust, The Holburne Museum, Pallant House Gallery, Sir John Soanes Museum and St Martin-in-the-Fields PCC all received legacy donations or pledges early on in their fundraising. Some organisations such as The Holburne Museum received one large legacy early on, and others like Pallant House Gallery had several smaller legacy donations.

Fundraising events were also mentioned as being a successful way to raise money for Catalyst: Endowment. Eight organisations all tried running events and felt they went well. The events included: cultivation events, private dinners, train trips to visit the organisation, a race day beneficiary, a party, a dining club and a music recital. The creation of some of these events was stimulated entirely by Catalyst: Endowment and represented totally new ground for the organisation.

> *"One idea that was suggested to us by a local business man, which we have implemented, has really taken off. We have begun a Dining Club, using the spectacular historic rooms for the events".* (Strawberry Hill Trust)

Donations from trusts and foundations were described a few times as successes (but also as challenges for other organisations) and grantee organisations generally felt they became harder to access during the grant period. Some grants were from personal trusts and foundations and others were from large, professional grant making organisations. The Holburne Museum received two large trust grants and The John Clare Trust Ltd had a pledge, which unfortunately did not materialise. The Mary Rose Trust also had an early trust donation and although it did not go into the endowment, it helped indirectly (see quote below). As explained above, The Holburne Museum received a donation from a charitable trust to enable double-matching which, with the HLF match on top, created quadruple matching.

> *"The trust gave us the same amount of money that we had requested but over five years towards our revenue fundraising stream, giving us the time and security to establish both our revenue and endowment fundraising".* (The Mary Rose Trust)

> *"The most significant breakthrough being that an anonymous trust gifted £250k to us for the specific purpose of pre-matching donations from individuals and small trusts"* (The Holburne Museum)

> ### Greenwich Foundation for the Old Royal Naval College
>
> The organisation had expected individual major donors to be the key to meeting their challenge, but after installing donation boxes for the endowment appeal on-site, contributions into these boxes from visitors accounted for 41% of reaching their goal. The growth in on-site donations was so great that before Catalyst: Endowment, around £20k per year was raised in this way but in the last two years of the endowment fundraising this had jumped to £100k per year. They explained that making donation boxes work as a fundraising tool is reliant on having a clear fundraising message and staff and volunteers who are willing to encourage visitors to make use of them:
>
> *"This growth is due to the training of all front-of-house staff and volunteers to the level where they will proactively engage with visitors, adding more donation boxes and making the message clearer in communications"*

Other early successes in raising private funding resulted from:
- identifying London city wealth as a target group (The Abbotsford Trust)
- identifying younger donors who are usually male, with their own money, working in finance with a connection to Oxford (The Ashmolean Museum of Art & Archaeology)
- people with an interest in conservation (The Churches Conservation Trust)
- using donation boxes, asking for 50p, and a donor offering a venue for a reception (The Greenwich Foundation for the Old Royal Naval College)
- simply telling major donors about the endowment (Lakeland Arts Trust)
- donations from smaller individual donors (London Wildlife)
- an early pledge before they got the grant and then using the Director's imminent departure to ask for donations to the endowment in his name (Pallant House Gallery)
- getting a promise from their holdings company that at the end of the grant period they will top-up with legacies to reach the target (Severn Valley)
- a paying to adopt an architectural model scheme (Sir John Soanes Museum)
- a £100k pledge from anonymous individual donors (South Tynedale)
- a changed relationship with an individual donor leading to new donations being redirected into the endowment (The SS Great Britain Trust)
- having an endowment-branded range of goods for sale where a percentage of the profit goes into the appeal, as well as the opportunity to make donations online when buying tickets for the house or an event (Strawberry Hill Trust)

The attractiveness of the matching offer was widely viewed as facilitating these early successes:

> *"Once they saw that creating an endowment will give us financial sustainability, they could see that this would help us to gain future grants as we would be seen as a less risky organisation to give to, and so pledged to make a donation" (*The Holocaust Centre)

> *"We have already made contact and have had good success already, mainly because the matching is such an attractive proposition for donors".* (The Wiener Library Institute of Contemporary History)

Later successes

The National Horseracing Museum

The museum received several large gifts as well as many smaller donations, and topped these off by holding a very successful fundraising event towards the end of the grant period which raised £197k. They designed a charity auction, hired someone with excellent contacts to run the event and it was timed to be held during the racing festival in Newmarket to capitalise on getting racing people to attend. By waiting until the end of the grant period it was possible to show people the new museum building which many of them had contributed to during the capital appeal. Talking about the approaching grant and matching deadline was key to the success of the event:

"More than double what we thought would be raised was donated. All the feedback from donors was that the match funding was crucial to their giving".

Fundraising successes in the later years of the programme were broadly the same as early on, with legacy donations, fundraising events, grants from trusts and foundations. Notably, donation boxes and trustee donations became more important as the programme progressed.

Eight organisations all found trusts and foundations (including the personal trusts of high net worth individuals) to be a successful fundraising stream:

"[A] donor gave £500k from a personal foundation, which is the biggest ever donation to the Soane in its history". (Sir John Soane's Museum)

"Two trusts came to our aid which brought us to £1m. One of these we had a long-standing relationship with, the other was a new foundation who we approached via one of our trustees". (The Mary Rose Trust)

Fundraising events of various descriptions were also a successful way of bringing in donations for nine grantee organisations:

"Smaller dinners in the Mary Rose Museum worked much better for us". (The Mary Rose Trust)

Securing legacy donations also became an important way of fundraising money for the endowment later on in the grant period. The British Library had a donation from a staff member; The Churches Conservation Trust and The Holocaust Centre both planned for legacy donations to go into the endowment in the future; and four others reported successes:

"We benefitted from a large legacy from a former staff member who left £750k and all this went into Catalyst". (The British Library)

"Fundraising for the endowment will continue with unrestricted legacies going towards it". (The Churches Conservation Trust)

Donation boxes also became an important way of generating income for five of the organisations:

> *"We also decided to put in a new collection box in the dry dock underneath the ship where you can see the hull…This box brought in approximately £1k per month which is much better than all our other collection boxes combined".* (The SS Great Britain Trust)

Donations from trustees were also important, and invaluable in meeting the target for four organisations. This is despite a general feeling among grantee organisations that trustees were not engaged with the Catalyst: Endowment grant and that their trustees often did not understand exactly how the matching worked – for example some thought that being chosen as a Catalyst: Endowment grantee meant they had already secured the funding, rather than it being available if they could match it. The organisations which had success with their trustees did not report any particular method in gaining their interest and support, they simply understood and then grasped the opportunity: However engaging with trustees during the application process can eliminate confusion and help to gain support for the endowment as a pot of money and for prioritising fundraising for it:

> *"The trustees have been instrumental, in terms of giving donations themselves and seeking donations from others"* (Watts Gallery Trust)

Peterborough Cathedral was the only grantee that had good fortune with corporates. They planned to target corporates from the outset and carried this through. Their success came from bringing them in as corporate partners rather than just asking for cash donations, and this resulted in more than half of their total donations coming from corporates.

Peterborough Cathedral

The key target donor group for the endowment appeal was corporates, and in the end 50% of the donations for the endowment came from this source. Their approach was to engage them as partners not just donors, which was successful because they then brought additional revenue into the cathedral by paying for things like private corporate events. To keep these new supporters involved, a breakfast meeting for corporate partners is held every month which creates networking opportunities for the corporates, and enables the cathedral to highlight upcoming activities that they would like support with:

> *"Bringing in corporate partners has helped us because in a partnership the corporates get involved with the cathedral in a variety of ways, not just through donating money".*

There are two explanations offered for success in bringing in private donations. The first is the Director, through their proactivity in asking for donations (The Wiener Library Institute of Contemporary History) and strong relationship with donors (The Victoria & Albert Museum). The second explanation is that the matching element of the grant was one of the key successes in bringing in private funding because it was a determining factor in encouraging donors to give. Five other organisations all reported matching as being key to their success:

"The biggest success was engaging people who had already given to us to give again, and the matching really helped with that". (Lakeland Arts Trust)

"Lower and mid-level donors seem to understand the value of endowments better; they see endowments in terms of sensible financial planning and feel that the leveraging of public/government funds is worthwhile". (St Martin-in-the-Fields PCC)

Summary

The two most interesting points arising from the successes reported by grantees are firstly that the matching element of the grant was mentioned as an incredibly important driver for giving for donors, and secondly that legacies were more important than anticipated during the grant period and became seen as a key route to financial sustainability by many organisations. The key donor groups and income streams that grantees reported having success with were: legacies, fundraising events, trusts and foundations, donation boxes and trustee donations.

3.4.3 Challenges in accessing private funding

Many of the challenges that some grantees faced in fundraising are the same points raised by others in relation to their successes, which shows how very different experiences have been in the grant period. The two key donor groups that were reported as being challenging in fundraising for the endowment were: trusts and foundations, and corporates.

Trusts and foundations

Fundraising from trusts and foundations was the most frequently mentioned challenging donor group, with many grantees choosing not to even attempt to fundraise from this group. Eight organisations reported difficulties with this donor type:

"It would be difficult to get further income from trusts as only a few will consider contributing to an endowment" (The Holburne Museum)

"Trusts and foundations won't give to endowments because they do not want to take out of their endowment to give to ours". (St Martin-in-the-Fields PCC)

"We did not try to get any money from trusts as we could not find any that would give to an endowment". (The Tank Museum)

Corporates

Seven grantee organisations said that targeting corporates would either be too difficult to attempt, or it had been tried and had been too challenging, or it was an ongoing challenge throughout the grant period. The reasons ranged from a belief that corporates prefer to demonstrate corporate social responsibility without making donations (The Governors of the Belfast Library & Society for Promoting Knowledge) to too much local competition (Arnos Vale Cemetery Trust) and corporates simply having a preference to give to other tangible projects in the organisation rather than to the endowment (The Victoria & Albert Museum).

"There was a small corporate target but we did not raise anything from this group as they were mostly more interested in the capital appeal". (The SS Great Britain Trust)

The US

Three organisations found that trying to raise donations from the US a challenge. The Abbotsford Trust's patrons' scheme also failed to take off:

"There was also no drive to support the endowment from America where we are still actively fundraising, and we got no money from there at all". (Lincoln Cathedral)

"In addition to the need to convince them to give to an overseas charity, their awareness of how endowments work means that they are very conscious that current poor interest rates mean this is not a good time to invest money". (St Martin-in-the-Fields PCC)

Major donors

Two organisations also reported difficulties in pitching to major donors. They said that donors found the idea of giving to an endowment difficult because it is not tangible:

"An immediate reaction to a request for an endowment donation has on occasion been "it's boring": donors are definitely more interested in something tangible like restoring a room or helping us to buy a picture or piece of furniture". (Strawberry Hill Trust)

Other challenges

There were a range of other challenges raised, including holding events and legacies. Other more specific challenges included the charity's particular sector/focus being regarded as wealthy and so not needing donations (The National Horseracing museum), and a poor response to print adverts (The Severn Valley Railway Trust).

"We had planned…to have major donor dinners in London. We did try to hold one but it just did not work because the city was still suffering after the banking crisis". (The Mary Rose Trust)

"There were adverts in the main SVR timetable booklet which has a circulation of 300,000 plus and banners around the railway, but no donations came in at all". (The Severn Valley Railway Trust)

Other interesting comments about fundraising challenges included donor preferences in relation to endowment giving and concerns about losing control over their charitable investments, and simply not getting contributions that were as high as they had wanted:

"Many potential donors…believe that they should be the judge of what should be funded and are reluctant, as they see it, to transfer their capital to someone else who will then make those decisions". (The Holburne Museum)

"Contributions to the endowment were not as high as we had wanted, but it helped us to drive legacy pledges". (The Holocaust Centre)

"UK higher-level donors…are unconvinced that it is the most effective way for them to support an organisation, particularly when the markets are volatile and interest rates have fallen". (St Martin-in-the-Fields PCC)

Summary

Two themes run through the challenges experienced by grantee organisations. The first is that there was difficulty in convincing potential donors who do understand endowments - such as US donors, high net worth individuals and trusts and foundations - to donate to the endowment during the grant period because it did not make financial sense to them, in terms of locking their money away and the money achieving low interest rates. The second theme is the difficulty in convincing those who prefer a tangible project or heritage object because

(as grantee organisations perceived) endowments just do not interest many donors such as high net worth individuals and corporates.

3.4.4 The effect of matching on donor behaviour

As discussed in section 3.4.2, the matching offer from the Catalyst: Endowment scheme was key to success. The matching offer was universally welcomed by the grantee organisations, and was found to be fundamental to their success because it was instrumental in starting conversations with potential donors and encouraging donations. There were three elements to the appeal of matching: the first was the actual matching of donations, including the matching of Gift Aid; the second was being able to use matching to convince donors who did not regard the endowment as a wise investment to give to; and the third was the time-limited nature of the offer, because the deadline spurred donors on.

Sir John Soane's Museum

After a relatively slow start to fundraising for the endowment, in the final 18 months of the grant period the museum pushed hard with its major donors to meet the target. Their chosen approach involved putting extra effort into explaining the value of the matching offer from HLF, emphasising that the upcoming deadline was approaching, after which the match would not take place, and making donors feel part of a team with a shared goal. As a result, a number of major donors, including all of the museum's trustees, rose to the challenge:

"[One] donor gave £500k from a personal foundation, which is the biggest ever donation to the Soane in its history: she understood the importance of endowments and was American".

All of the grantee organisations saw matching as essential to their fundraising, offering a clear incentive for donors to give to the endowment:

> *"The matching element was essential to the success of our fundraising"* (The Abbotsford Trust)

> *"We would not have got anywhere near the total without the matching element of the grant"* (Arnos Vale Cemetery Trust)

> *"The matching will galvanise people"* (The British Library)

> *"Donors love it and understand it. It promotes more of a partnership than the endless begging bowls of the past"* (Churches Conservation Trust)

> *"During the fundraising the matching was the first hook to use"* (Dulwich Picture Gallery)

> *"The matching element of the grant was the most important thing"* (The Holburne Museum)

> *"It really helps with engagement"* (The Lakeland Trust)

> *"We did not use endowments as the main thrust of the campaign, it was matching"* (The National Horseracing Museum)

> *"When they realise that this amount and the Gift Aid will be matched they see it will be a huge bonus to the organisation"* (Pallant House Gallery)

> *"Matching was the USP for us"* (Severn Valley Railway Trust)

> *"The matching element was great because it is matching on donations as well as Gift Aid, which gives an extra boost"* (Sir John Soane's Museum)

> *"Donors finding out that the Gift Aid element would be matched was so important and often tipped the balance"* (The Wiener Library Institute of Contemporary History)

The matching offer also turned out to be very useful for encouraging any donors, usually major individual donors, to give to the endowment when they did not view the endowment as a wise investment:

> *"Particularly to those who think that the endowment return is too meagre to justify giving to it, the matching has made the difference to them psychologically"* (The Bowes Museum)

> *"With higher-level donors that [matching] was a big factor in their decision to donate to the endowment, especially over and above another donation option"* (Greenwich Foundation for the Old Royal Naval College)

The fact that the grant and therefore the matching had a deadline was also a valuable tool for the grantee organisations, especially towards the end of the grant period when they could use the deadline to encourage final donations:

> *"A public appeal was planned towards the end of the grant period in order to make use of the matching deadline"* (The Abbotsford Trust)

> *"We were able to send out a call to arms for the matching deadline as it approached and this worked to our advantage"* (The Mary Rose Trust)

> *"Being time-limited and the matching were the two things that made it stand out"* (SS Great Britain Trust)

Some specific examples of how matching helped grantee organisations to bring in donations:

> *"For the lower-level donors, those with a long-standing relationship gave to the endowment because of matching"* (Holocaust Centre)

> *"We convinced a local donor to transfer money into the endowment, specifically because of the matching offer"* (The Governors of the Belfast Library & Society for Promoting Knowledge)

> *"[a] £250k donation from the foundation who were incentivised by the matching"* (The Mary Rose Trust)

> *"People have written to tell us the opportunity to match their gift with the HLF award was the reason they were either inspired to give or chose to give more"* (St Martin-in-the-Fields PCC)

"The Friends in particular were enthused by the idea that matching made their money work harder" (The Tank Museum)

"There was a person in the US with a trust… and he had previously given to the capital appeal but also gave to the endowment, encouraged because of the matching" (The Abbotsford Trust)

3.5 Organisational context indicators of success

This section analyses the demographics of the grantee organisations in order to determine whether any of these affect the level of success of an organisation.

Organisation type - There are six HLF categories of organisation type. Of the 31 organisations with a Catalyst: Endowment grant, four categories were represented, with the largest group falling in the Museums, Libraries, Archives and Collections category (15), followed by 10 in the Historic Buildings and Monuments category. Five organisations fell into the Industrial, Maritime and Transport category and one in Land and Biodiversity. Among the 20 organisations that successfully reached their fundraising target, the same pattern is followed but with a stronger leaning towards Museums, Libraries, Archives and Collections which accounted for over half of this group.

Table 11: How HLF categories relate to completion

HLF organisation type	20 successful completers	Non-completers	Total
Historic Buildings & Monuments	5	5	10
Industrial, Maritime & Transport	4	1	5
Land & Biodiversity	0	1	1
Museums, Libraries, Archives & Collections	11	4	15
Community Heritage	0	0	0
Culture & Memories	0	0	0

Source: HLF

Age of organisation - In terms of the age of each grantee organisation, whether their charity was registered with the Charity Commission from the year 2000 onwards or older was analysed in order to assess whether organisational age was related to success. Of the 31 organisations, 20 were registered pre- 2000, 11 were newer. For the successful completers, there were twice as many older than younger organisations, whereas for the non-completers the numbers were almost identical. This suggests that for the successful organisations being a more established charity was helpful to their success.

Table 12: How organisation age relates to success

Age of organisation	20 successful completers	Non-completers	Total
2000 or later	6	5	11
Pre-2000	14	6	19
Not registered	0	1	1

Source: Charity Commission

Geographic location - 20 grantees were based outside of London and 11 inside London. There were also 23 in towns (including London) and eight were rural. Of the successful organisations, the pattern was similar with nearly twice as many outside London as inside, which suggests that this was not a factor in determining success; however four times as many successful completers were based in a town rather than a rural area which is a greater proportion than for the wider sample. For the non-completer organisations, the numbers were a lot closer but still with the same emphasis on towns. This suggests that being based in a town helped with an organisation's success. This could be because these organisations have a strong network of supporters located in the local area, and for those outside London they are likely to have less competition for donations.

Table 13: How geographical location relates to success

Geographic location	20 successful completers	Non-completers	Total
In London	7	4	11
Outside London	13	7	20
Town (including London)	16	7	22
Rural	4	4	9

Source: evaluation analysis

Size of organisation - Twelve grantees had an income below £1m, and nineteen had an income of £1m or more. For the successful completer organisations, the pattern was the same but with a slightly less even spread with seven receiving an income of below £1m and nearly twice as many at £1m or more. For the none-completers there was hardly any difference in whether organisations had an income of below £1m or above £1m. This suggests that for the successful organisations, having a larger income at the outset was helpful to their success.

Table 14: How organisation size relates to success

Size of organisation	20 successful completers	Non-completers	Total
Below £1m	7	5	12
£1m or more	13	6	19

Source: HLF scoring assessments

Prior significant support from HLF - All grantees had already received HLF funding before they were awarded their Catalyst: Endowment grant. An analysis of the total amount that they received reveals that the largest group of organisations (10) received grants totalling £5-9.9m. Of the successful organisations, the £10m+ category had the highest number of organisations (8), just one organisation behind this was the £5-9.9m category and then £1-4.9m (3) and under £1m (2). The non-completers tended to have received less prior funding from HLF, mainly below £5m. This suggests that for the successful organisations, the larger the previous total value of grants, the more successful they were.

Table 15: How prior funding from HLF relates to success

HLF grant income before the grant award	20 successful completers	Non-completers	Total
Under £1m	2	3	5
£1m-4.9m	3	5	8
£5-9.9m	7	3	10
£10m+	8	0	8

Source: HLF

Existence of a prior endowment - Whether a grantee organisation had an endowment before they were awarded the Catalyst: Endowment grant is a very valuable indicator to explore. This has been looked at from two different sources. During HLF's assessment of applicants to the programme, 19 organisations were noted as already having an endowment, 11 had not and for one) no answer was recorded. For the successful organisations, the comparison with the scoring assessments is that again most had held an endowment already, but it was twice as many as had not. Among the non-completer organisations, almost an equal number of organisations had a previous endowment as did not. This suggests that for the successful organisations, having had an endowment before Catalyst: Endowment was related to securing success.

Table 16: How holding a previous endowment relates to success

Held a previous endowment	20 successful completers	Non-completers	Total
Yes	13	6	19
No	6	5	11
Blank	1	0	1

Source: HLF scoring assessments

Having prior investment income - 21 grantees reported having investment income before the grant began, and 10 did not previously enjoy this source of income. Among the successful organisations, 15 had an investment income and five had not. For the non-completer organisations the numbers were almost the same, which suggests that for successful organisations, having an investment income contributed to their success.

Table 17: How having prior investment income relates to success

Investment income before the grant award	20 successful completers	Non-completers	Total
Yes	15	6	21
No	5	5	10

Source: HLF scoring assessments

Summary
Overall therefore, of the various indicators of the range, type and geographic location of the grantee organisations, for those 20 organisations that successfully reached their fundraising target, all of the eight indicators appear to have helped with their success. Specifically, the successful organisations tended to fall into the Museums category, be an older charity formed before 2000, be based in a town, have an income or £1m or more before their

Catalyst: Endowment grant, have had £5m+ of previous HLF funding, had an endowment prior to Catalyst, and also had investment income before receiving this grant.

3.6 Skills used in fundraising for an endowment

This section examines the people working on fundraising, their prior skillset and new skills required for fundraising for the endowment.

New skills can enter an organisation either by individuals proactively learning new skills, or by bringing in new staff, either temporarily or permanently to fill skills gap. During the Catalyst: Endowment programme, organisations tended to learn new skills rather than recruit staff, but some did also employ new staff to specifically work on the fundraising appeal.

Recruitment - In terms of recruitment, in the 2016 survey (the most recent survey where all 31 grantee organisations were invited to respond), three of the successful completer organisations said that they had recruited new staff for Catalyst: Endowment (The Bowes Museum, The National Portrait Gallery, St Martin-in-the-Fields PCC) and 12 had not. Of those organisations that did not complete their fundraising, only one had recruited. Across all of the surveys in each year, the majority of organisations said that they had not recruited any new fundraising staff specifically for Catalyst nor did they intend to.

Fundraising skills - The vast majority of grantee organisations already had some fundraising skills before being awarded the grant. 28 organisations said that they had fundraising skills and of the successful organisations all but one (19) said the same. For those younger charities like The Bowes Museum and Severn Valley Railway Trust (both completers) with no fundraising function before Catalyst, skills either existed in the organisation but had not been utilised before, or the staff that joined when the charity started had fundraising skills. The average (mode) of fundraising staff across 2013-16 was having between 1 to 2.9 members of staff, and 3 to 4.9 staff in 2017. Having more than 10 members of fundraising staff was very unusual.

Named individual leading on Catalyst - Within each organisation, there was not always a specific member of staff working on the Catalyst: Endowment. Just 11 organisations reported that there was one named individual, seven of which were successful organisations The size of a fundraising team also affects how many fundraising hours can be spent on fundraising and in four out of five years of the survey, there were slightly more organisations spending 3000 hours or more on fundraising than below this level.

A wide range of types of people were involved in fundraising for the endowment. The key contacts in organisations were sometimes part of the leadership group: Directors, Chief Executives, Trustees and a Deputy Chairman. For other grantees the key contacts were directors of functions including finance, development and communications, and income generation. There were also many contacts in development teams, a project manager, a fundraising manager, a head of trusts and foundations, a trust fundraising manager, a head of grants, and a trust and communications officer. Often in smaller organisations it was a senior person leading on the project, whilst in organisations with a larger fundraising function the development team would take the lead on this grant.

Buy-in from the board - Trustees can be valuable in terms of bringing skills to a grantee organisation. 15 organisations said that they had trustee support and of the successful completers, 11 said they had trustee support. Furthermore, five of the successful organisations said that their trustees had either donated to Catalyst themselves or had asked their contacts for donations. Just one non-completer said this, taking the total to six.

This suggests that as the majority of organisations with trustee support were successful completer organisations, having engaged and supportive trustees is key to success.

Senior management support - Having the support of senior managers in an organisation can also be instrumental in the success of a project, and this support was often in the form of helping to ask for donations and helping to prioritise the Catalyst: Endowment over other donations. Of the successful completers, nine said that they had senior management support and one said that their CEO was the most supportive manager, and three non-completers also had support. This suggests that senior management support is helpful to success.

Looking more widely at skills, in the initial case studies, many grantee organisations said that they would not need any new skills to fundraise for the endowment. Of those that had already learned new skills or saw a need for new skills, there were a wide variety of skills mentioned. Only one of the organisations mentioned deliberately bringing in new skills from outside the organisation, and they brought in a consultant to help with the bid and then had a fundraising consultant and freelance community fundraiser when the project started.

Other organisations reported learning fairly 'hard' skills and others more 'soft' skills like becoming more confident. The harder skills included application writing and setting up an endowment committee. The softer skills include understanding and communicating about endowments effectively; how to manage the endowment appeal against a capital appeal; finding new ways to be resourceful on selling the idea; thinking about how to approach different people and what appeals to them; managing multiple projects and messages; building personal relationships with donors; and learning to cross-sell ways in which the organisation can be supported.

New skills were also learned at the annual facilitated networking and learning workshops. Five workshops were run during the grant period at which expert speakers were invited to teach attendees about topics such as fundraising for legacy donations, fundraising in America, and the financial practicalities of fundraising for an endowment. The workshops were attended by representatives from 30 of the 31 organisations and were always very successful with all delegates rating each workshop as being 'very good' or 'good'. Some of the comments on the workshops include:

"I wanted to thank you… for arranging such an inspirational day yesterday. I have returned to my desk with renewed vigour and determination! It was a great opportunity with some wonderful motivational speakers and I was so pleased to share experiences with other grantees".

"I will be reporting back some of the ideas to our trustees, particular in terms of how we are structuring our 'asks'"

"Excellent and helpful event – have gone away with new ideas – not sure I thought that was possible before I came!"

In summary, the vast majority of organisations did not bring in new staff specifically to work on fundraising for the endowment, and the skills that they needed for the project were generally already available in-house, or could be learned by existing staff through the course of the project, all of which can be used again in future fundraising appeals.

3.7 Embedded new skills

This section considers how new skills are embedded in grantee organisations and will make a difference in the future.

Overall, we evaluate that the changes made and lessons learned have become embedded in grantee organisations and will make a difference to successful future fundraising. The sustainable skills tend to not be discrete such as 'learning to fundraise from corporates' but more broad such as learning to write bids or set-up a legacy programme.

> **The National Portrait Gallery**
>
> Early on in the grant period, the gallery began using the Catalyst: Endowment grant as a way to test innovative new ways to fundraise. The principal innovation was very simple but effective: in the restaurant they put an optional £1 donation on to every bill, which brought in around £2k per month. Till receipts were also refreshed to include a message about the endowment appeal, which was part of the larger Portrait Fund appeal:
>
> *"The restaurant donation is the best example of a direct success for us, because it worked so well that it has become business as usual for us".*

Examples of new fundraising strategies that grantee organisations intend to use in the future include legacies still going into the endowment (The National Portrait Gallery), legacies beginning to be funnelled into the endowment (The National Horseracing Museum & St Martin-in-the-Fields PCC), and legacies being seen as the way to keep the organisation going in the future (The Watts Gallery Trust):

> *"We are confident that we can grow the endowment fund through legacies in the future as we can now talk about donations being in perpetuity and evidence it with the existing endowment fund"* (The National Horseracing Museum)

Other initiatives that are going to be continued are the optional additional £1 donation on restaurant bills and promotions via till receipts at The National Portrait Gallery, and keeping the collection box in the dry dock location at The SS Great Britain Trust:

> "*The box brought in approximately £1k per month which is much better that all our other collection boxes combined…so we will keep this box"* (The SS Great Britain Trust)

Other success stories which promise to be of benefit in the future include setting up a higher-level benefactors scheme to convert capital campaign givers to be regular givers (The National Horseracing Museum), having donors who have increased their annual giving for Catalyst to keep giving at this level for another fund (Pallant House Gallery).

Looking internally, other developments have proved fruitful. The Bowes Museum had not been used to asking for donations but has had to start doing this now, which they describe as a "cultural change". Arnos Vale Cemetery Trust also went from no fundraising to creating a fundraising campaign and describe themselves as having built up *"a legacy of fundraising knowledge".* Lincoln Cathedral reported that a key success for them was getting internal committees to recognise the importance of channelling legacies into the endowment. Severn

Valley Railway Trust is planning to keep fundraising for the endowment until they reach their target:

> *"It had not been in our DNA to ask for money, and that change has now started"* (The Bowes Museum)

Other internal alterations included getting volunteers more involved in communicating projects to visitors (The SS Great Britain Trust) and having very engaged trustees who are willing to fundraise and donate themselves (The Watts Gallery Trust & The Abbotsford Trust)

> *"Our success in reaching the target has been our trustees who are incredibly well-connected"* (The Abbotsford Trust)

There were other more tangible internal changes. The Holocaust Centre brought in a Trust and Grants Manager, a Legacy and Major Donor Officer and administrative support. The Bowes Museum implemented a CRM system which now contains all donor contact details and the separate Friends organisation's membership details, and a Fundraising Officer has been employed. Arnos Vale Cemetery Trust also brought in a Fundraising Officer.

Perhaps the most significant finding of this evaluation process is that the majority of respondents intend to continue fundraising for an endowment, so it is reasonable to claim that the Catalyst programme has successfully kick-started and developed endowment fundraising amongst grantees, in line with the programme's goal. This important outcome is discussed in greater detail in section 8.5.

In summary, the internal changes, learnings and the new plans for the future that were instigated by having the Catalyst: Endowment grant have changed organisations and their fundraising approaches permanently. These changes are added benefits for the organisations which would not have happened without the need to fundraise for an endowment as part of a grant.

3.8 Impacts on financial sustainability

This section considers the extenuating internal and external factors that have impacted upon the grantee organisations and their finances during the grant period.

Many factors have impacted upon grantee organisations during the grant period. Most of these have affected an organisation's ability to fundraise and in some cases have caused them to not reach their fundraising target. Other factors have been more serious and have actually impacted upon the financial sustainability of the entire organisation.

Three organisations experienced more serious issues. In each case the organisation was at risk of collapse and the focus for the organisation turned to staying afloat. Each of the organisations are still operational and had varying degrees of success with their fundraising for the endowment. One was not able to raise any money for the endowment, one 43% of their target, and one reached their target.

More broadly, the external factors that have affected grantee organisations included the effects of the economic downturn (demonstrated by difficulty in getting grants from trusts and foundations for some and from major individual donations for others), Grant In Aid (money from central government for a specific organisation) decreases, cuts in government funding, low interest rates, competition with other fundraising organisations (locally and linked organisations) and vulnerability from fluctuations in visitor numbers:

"During the economic downturn we have found that the lower-level appeals were affected, as were the amount received through donation boxes. Family wealth in trusts was also affected which could have a knock-on effect" (The British Library)

"30% of what we needs comes from the Department of Culture, Arts and Leisure…in Northern Ireland (it used to be more than half of our funding but it has been cut)" (The Governors of the Belfast Library & Society for Promoting Knowledge)

"There are a few risks to the charity's financial sustainability. Most notably our pool of shareholders and members have multiple ways to give to the railway, so we are competing against these" (Severn Valley Railway Trust)

"Over the last five years we have lost over 20% in real terms of Grant In Aid and in 2015/16 we are told there will be another cut" (Sir John Soane's Museum)

"Rain is bad news for us, not just in terms of visitor numbers but because bad weather can affect the railway structurally" (South Tynedale Railway Preservation Society)

"Over the course of the economic downturn, we have noticed a drop in corporate donations to the museum" (The Tank Museum)

"The general financial climate was challenging for us and the low interest rates not helpful. One donor asked why they should give us money to put in the bank when they could put it in their own portfolio at a better rate of return and then give us the money from that". (The Holocaust Centre)

In most years the average proportion of income that came from local authorities was below 5%, however in 2017 this jumped to 13% which is solely due to an outlier: the one organisation that reported a local authority income, the London Wildlife Trust.

Internal factors such as key members of staff leaving organisations have had a marked effect on many grantee organisations. Ten grantee organisations cited staff changes as having had a negative impact on their ability to fundraise as planned; seven of these were successful completers, which suggests that staff changes do not always have a negative impact on fundraising:

"Our Chief Executive is leaving in spring 2015, so that's going to be another challenge – especially if there are particular donor relationships that are with him rather than with the Trust" (London Wildlife Trust)

"In 2012, Stefan our Director left after 15 years and was replaced in February 2013 by a new Director who was in post until November 2013. After his departure, two senior management team colleagues, who had been at the Gallery for over ten years took over as co-Directors". (Pallant House Gallery)

"Our Director left four or five months after getting the grant, which meant it was difficult strategically as an organisation" (Sir John Soane's Museum)

"The main issue was the staff changes due to the departure of senior fundraisers who had been leading the endowment campaign and Catalyst challenge, as well as the retirement of the Ashmolean's Director" (The Ashmolean Museum of Art & Archaeology)

"The Head of Development role…was vacant for over two years, which affected team capacity" (The British Library)

"Our part-time fundraiser left two years ago and it took nearly 18 months to recruit into this role" (Severn Valley Railway Trust)

Whilst only three of the grantee organisations experienced serious issues that affected their financial sustainability, it is clear that a mixture of external and internal factors such as the economic downturn and staff turnover have affected the grantee organisations and their fundraising capacity significantly.

4. Success indicators

An analysis of all the evaluation data generates 3 broad 'indicators of success', each of which contains 5 component parts, as summarised in table 18.

Table 18: Summary of Success indicators

Success indicator	Component parts	Explanation
Organisational context	Category within the diverse heritage sector	Museums, libraries, archives and collections were more successful than the other 4 HLF categories: Historic buildings and monuments; Land and biodiversity; Industrial, maritime and transport; and Culture and memories.
	Age of organisation	Longer established organisations had more success in reaching their goal.
	Location of organisation	Being located in a town rather than a rural location was associated with success.
	Size of turnover	Having an income of £1m or more before the grant started were more likely to succeed
	Existing endowment and investment income	Organisations that had a historic endowment or experience of saving and investing to generate interest were better prepared to succeed in building an endowment
Institutional readiness	Prior reliance on private giving	Those organisations that already received 50% or more of their income from private giving were more likely to succeed.
	Prior receipt of significant HLF funding	Having already received £5m + of funding from HLF was associated with success in the catalyst endowment challenge
	Recently completed a capital appeal	Organisations that had recently completed a capital appeal were primed to succeed in this scheme.
	Buy-in from the Board	Having trustees who understand and are supportive of endowment fundraising was associated with success.
	Named individual leading the project	Having a named person – whether staff, trustee or other volunteer – taking responsibility for delivering the match, was a success indicator.
Fundraising capacity	Existing desire to create or grow an endowment	Those organisations with a pre-existing plan to do endowment fundraising, were better placed to succeed when Catalyst Endowment was launched.
	Running a diverse fundraising portfolio and planning to bring in new, and new types of donors	Successful organisations were more likely to be running this campaign alongside other fundraising projects, and proactively seeking new supporters, rather than trying to raise more from existing donors.
	Focus on Major Donors and on Trusts and Foundations	Efforts to attract major donors and charitable trusts and foundations resulted in more success than only focusing on mass giving and corporate donors.
	Spending a higher percentage of fundraising costs on donor care	Successful fundraising organisations focus resources on donor care and retention, not just on the initial recruitment of supporters.
	Putting in a greater number of fundraising hours	Organisations that declared an annual commitment of 3,000+ hours on fundraising for the endowment did far better than those spending <3,000 hours.

The following sections provide more detail on the three main indicators of success and their component parts, along with some suggestions as to why they might be associated with successful outcomes in the Catalyst: Endowment matched funding challenge. At the end of the section is Table 19 which shows the level of success for each of the 31 organisations.

4.1 Success indicator 1: Organisational context

The organisational context includes variables that are the result of historical and geographical factors. The five component parts of this first success indicator were not open to change at the point of applying for and participating in Catalyst: Endowment. The reason they are associated with success could be due to greater prior experience of running fundraising campaigns and providing donor care, access to larger pools of potential supporters, less local competition, and organisational understanding of – and support for the value of - endowments.

1. Category within the diverse heritage sector – more than half (55%) of the successful completer organisations are in the Museums, Libraries, Archives & Collections classification, whereas across the 31 grantees only 48% are in this category. Non-completers were most likely to be in the Historic Buildings & Monuments category.

2. Age of an organisation – The older the organisation, the more likely it was to successfully complete fundraising for its match. More than twice as many successful completer organisations were registered with the Charity Commission before the year 2000 than afterwards.

3. Location of organisation – four times as many successful completer organisations were based in towns than in rural areas, whereas location was not a relevant factor for non-completers.

4. Size of turnover– nearly twice as many successful completer organisations had an income of £1m or more before the grant period started as had below £1m. There was no particular bias towards smaller or larger incomes for non-completers.

5. Existing endowment and investment income – more than twice as many of the successful completer organisations already had an endowment than non-completers; and three times as many successful completer organisations were already in receipt of some type of investment income than were not.

4.2 Success indicator 2: Institutional readiness

Institutional readiness is a core concept in fundraising planning. It means that charities should not begin or scale up their efforts to attract private giving until they have prepared the ground to create the most fertile conditions for success. This covers a wide range of activities including: preparing a robust 'case for support'; building a 'culture of philanthropy' amongst trustees, staff and volunteers; and investing in essential staff and equipment, such as an experienced fundraiser and a good fundraising database.

1. Prior reliance on private giving – Most successful completer organisations already received 50% or more of their total income from private giving before beginning the Catalyst; Endowment matched challenge.

2. Prior receipt of significant HLF funding – All 31 grantee organisations had previously received HLF funding, and many had received multiple grants in the past. But more than half

of the successful completers had received significant sums totalling £5m or more. For the non-completers just one-third had received grants at this level.

3. Recently completed a capital appeal – more than double the number of successful completer organisations ran their endowment appeal straight after a capital campaign than did not. None of the non-completer organisations ran their appeal after a capital appeal. This suggests that capital campaigns, rather than leading to donor fatigue may actually help with fundraising due to momentum and warm donor contacts.

4. Buy-in from the Board – just over half of successful completers said that their trustees had been supportive of Catalyst: Endowment from early on in the grant period. This was lower for non-completer organisations at one-third. This suggests that an actively engaged trustee board, especially one making donations and willing to approach their contacts is helpful for success.

5. Named individual leading the project – nearly twice as many successful completer organisations had a named person leading on their Catalyst: Endowment project than did not. Having one person leading on the fundraising obviously helps to clarify responsibilities and provides a consistent point of contact, but this factor may to some extent be a proxy for organisational size, as it may be more feasible in larger organisations with a defined fundraising function, rather than in one where fundraising is a collective responsibility.

4.3 Success indicator 3: Fundraising capacity

The third and final over-arching success indicator – fundraising capacity – includes the variables that are most open to manipulation by the grantee organisations: deciding to prioritise fundraising for an endowment, creating a successful plan, and dedicating sufficient resources and time to achieve success.

1. Existing desire to create or grow an endowment – a higher proportion of the successful completer organisations than non-completers had planned to fundraise for an endowment before they had heard about the Catalyst: Endowment grant programme.

2. Running a diverse fundraising portfolio and planning to bring in new, and new types of, donors – all but one of the successful completer organisations ran the fundraising for the endowment alongside other projects, rather than it being their sole fundraising priority. The vast majority of successful completers (eight times as many) planned to reach more new donors than those that did not, and only one of these organisations did not report attracting new donors.

3. Focus on Major Donors and on Trusts and Foundations – more than twice as many successful completers than non-completers received donations in the grant period from major individual donors. Four times as many successful completers than non-completers received donations in the grant period from trusts and foundations.

4. Spending a higher percentage of fundraising costs on donor care – Completers were more likely to devote resources to spend on donor care and stewarding donors after their contribution had been received. This includes costs such as arranging appropriate acknowledgement, providing high quality communications, and gathering evidence on the impact of donations. Dedicating resources to spend on retaining existing donors may seem a luxury when new funds are urgently needed and the norm is to focus on donor recruitment, but it is considered good practice, and ultimately more cost effective if it results in repeat donations.

5. Putting in a greater number of fundraising hours – of those grantees that provided this information, all but one of the successful completer organisations spent 3,000 hours or more on fundraising for the endowment. For non-completer organisations, the pattern was reversed with just one that was willing and/or able to dedicate 3,000 hours or more to focus on the Catalyst: Endowment challenge.

4.4 Conclusion on Success Indicators

Analysis of the data on the 20 organisations that successfully reached their fundraising targets, shows that they were more likely to have benefitted from a conducive organisational context, to have undertaken the work required for institutional readiness, and to have the fundraising ambition and capacity to put in place the strategy and resources required for success.

In Table 19 all 31 organisations, their fundraising targets, matching ratios, amount raised, and which indicators of success they demonstrated are presented. As there are five component parts to each indicator of success, if an organisation demonstrated three out of five component parts for an indicator then they are shown with a tick. The table suggests that organisational context was the most important indicator of success, followed by fundraising capacity and then institutional readiness.

Within the three key success indicators, the following component parts are particularly linked to success:

1. A **conducive organisational context** – being an older, larger organisation based in a town, with an existing endowment or investment income.

2. **Institutional readiness to begin or grow endowment fundraising** – having substantial experience as a fundraising organisation, including prior significant support from HLF (>£5m), a supportive Board of trustees and a named individual to lead the matched funding campaign.

3. **Fundraising capacity to successfully reach the matched funding target** – ability to run a diverse fundraising portfolio, an existing desire to create or grow an endowment, a goal to secure support from major donors and from trusts and foundations, investing in donor care, dedicating resources and over 3,000 hours of staff time per annum to the fundraising campaign.

The next section describes in closer detail the stories behind the grantees' efforts to meet the fundraising target for the endowment and address challenges that they encountered.

Table 19: Summary of Success

Grantee Organisation	Endowment Fundraising Goal	Match awarded	Amount raised (including HLF grant)	Completed match funding challenge?	Success Indicators			Number of success indicators
					Organisational context	Institutional readiness	Fundraising Capacity	
Abbotsford Trust	£2m	1:1	£2m	Yes	✓	✗	✓	2
Arnos Vale Cemetery Trust	£1m	1:1	£594,409	No - 59%	✓	✗	✗	1
Ashmolean Museum of Art and Archaeology	£2m	1:1	£2m	Yes	✓	✓	✗	2
Bowes Museum	£2m	1:1	£2m	Yes	✓	✗	✓	2
British Library	£6m	2:1	£2,055,492	No – 34%	✓	✗	✓	2
Churches Conservation Trust	£1m	1:1	£1m	Yes	✓	✓	✗	2
Dulwich Picture Gallery	£6m	2:1	£2,381,902	No – 40%	✓	✗	✗	1
The Governors of the Belfast Library & Society for Promoting Knowledge	£2m	1:1	£199,852	No – 10%	✓	✗	✓	2
Greenwich Foundation for the ORNC	£2m	1:1	£2m	Yes	✗	✓	✗	1
Holburne Museum	£2m	1:1	£2m	Yes	✓	✓	✗	2
Holocaust Centre	£1m	1:1	£366,950	No – 37%	✗	✗	✓	1
John Clare Trust	£1m	1:1	£0	No – 0%	✗	✗	✗	0
Lakeland Arts Trust	£1m	1:1	£309,805	No – 31%	✓	✗	✓	2
Lincoln Cathedral	£2m	1:1	£1,405,186	No - 70%	✓	✗	✓	2
London Wildlife Trust	£1m	1:1	£1m	Yes	✗	✗	✗	0
Mary Rose Trust	£2m	1:1	£2m	Yes	✗	✓	✓	2
National Horseracing Museum	£2m	1:1	£2m	Yes	✓	✓	✓	3
National Museum of the Royal Navy	£20m	3:1	£20m	Yes	✓	✗	✗	1
National Portrait Gallery	£2m	1:1	£2m	Yes	✓	✓	✓	3
Pallant House Gallery	£2m	1:1	£2m	Yes	✓	✓	✓	3
Peterborough Cathedral	£1m	1:1	£1m	Yes	✓	✗	✗	1
Severn Valley Railway	£1m	1:1	£1m	Yes	✗	✓	✓	2
Sir John Soane's Museum	£6m	2:1	£6m	Yes	✓	✗	✓	2
South Tynedale Railway Preservation Soc	£2m	1:1	£400k	No – 20%	✗	✗	✗	0
SS Great Britain Trust	£1m	1:1	£1m	Yes	✓	✗	✓	2
St Martin-in-the-Fields PCC	£2m	1:1	£2m	Yes	✓	✓	✓	3
Strawberry Hill Trust	£1m	1:1	£426,056	No – 43%	✓	✗	✓	2
Tank Museum	£1m	1:1	£1m	Yes	✓	✗	✗	1
Victoria and Albert Museum	£20m	3:1	£20m	Yes	✓	✓	✓	3
Watts Gallery Trust	£1m	1:1	£1m	Yes	✓	✓	✓	3
The Wiener Library Institute of Contemporary History	£2m	1:1	£2m	Yes	✓	✗	✓	2
TOTAL	**£98m**		**£83,139,651**		**24**	**12**	**19**	

5. Learnings

This section presents learnings from the case studies of grantee organisations, which shed light on the impact of the catalyst: Endowment programme, and will also be useful for any organisation interested in fundraising for an endowment. Additional learnings can be found in section 3.

Arnos Vale Cemetery Trust – the organisation is based in Bristol and faces local competition from other high-profile charities that are also seeking private support, including another Catalyst: Endowment grantee organisation (The SS Great Britain Trust). As a result, Arnos Vale cemetery Trust decided to spend a lot of their grant period raising awareness of their organisation locally, which they viewed as a positive outcome that was a direct result of being part of the Catalyst: Endowment programme. With the awareness-raising and the three awards that they won during the grant period (Bristol Leisure and Tourism Destination of the Year, Museums at Night and the Queen's Award for Volunteering) they described themselves as being transformed as a visitor destination. The trust feels that the new levels of public and community awareness will be a lasting legacy for the organisation:

> *"Following our awareness-raising, people now talk about us in Bristol: they now know we are a charity not a council-funded organisation"*

The Ashmolean Museum of Art and Archaeology – early in the grant period the Ashmolean reported challenges in speaking confidently about endowments with well-informed high net worth individuals as these prospective donors had greater knowledge about how endowments work and the related financial issues. They felt that their case for support for growing an endowment needed to be made more robust. The team had to gain confidence and in-depth knowledge of how the endowment was managed, and to improve the understanding of staff and volunteers relating to issues such as rates of return, investment policies and how inflation affects endowments. Armed with this new knowledge, they then had to learn how to speak about endowments and all related issues more effectively. They were helped by colleagues working in the University of Oxford who were more experienced with endowment fundraising. The team went on to develop materials to support their detailed conversations regarding this financial instrument with prospects and existing donors. As a result they were able to reach their target, and report that:

> *"Many people see endowments as an opportunity to invest in the Ashmolean's future and we are fortunate in having a number of donors who understand the value to them and to the organisation of supporting in this way".*

The Bowes Museum – as a young charity which is new to fundraising, asking people for donations was a relatively new concept for the organisation. Previously the museum had relied largely upon local authority funding but was aware that they needed to diversify their income streams to protect themselves from future public sector funding cuts. They viewed gaining skills and confidence in asking for donations as a "cultural change" that they needed to make. As a result of being a Catalyst: Endowment grantee, they began building a base of individual supporters, many drawn in by the matching offer:

> *"A key learning for us is that if we do approach visitors with a compelling ask then they will give".*

Churches Conservation Trust – Initially the purpose of the endowment was designed to pay for the training of volunteers so that they could then fundraise for the historic features or artefacts in their locality that most need work done. However there was confusion about the

programme internally: some people perceived it as being for money to spend on conserving specific projects, but in reality the funds raised would not be enough to conserve even one project with the grant money. They realised that it was necessary to clarify the message for both donors, prospects and trustees, and to simplify the fundraising plan to target legacy donations plus channel membership fees for the new Ivor Bulmer-Thomas Fellowship which was set-up for donors with a particular interest in conservation:

> *"After we decided to the change in purpose of the endowment, we created the Bulmer-Thomas scheme and 50% of all membership fees were put into the endowment".*

Dulwich Picture Gallery – early on in the grant period the gallery set up a Campaign Cabinet and worked to secure lead gifts from their contacts. This approach was successful and during the private phase a number of lead gifts were received which set them up for a good start to their fundraising. Later on however, with a change in leadership and an operating deficit, fundraising had to be halted for a time. As a result of this pause, the Gallery completed only 40% of their goal, but nonetheless achieved four significant gifts that bode well for future fundraising efforts:

> *"The lead gifts were excellent: a couple of £100k donations, a £500k donation and a legacy of nearly £100k".*

The Governors of the Belfast Library & Society for Promoting Knowledge – despite only reaching 10% of their target, the Linen Hall believe that being part of Catalyst: Endowment was a positive and useful experience. This is because it prompted them to make some important cultural changes internally which affects how they are seen by potential funders. In the past, many people were not aware that they were a charity, so they have become registered with the Charity Commission for Northern Ireland, which they also see as part of their move towards "professionalization". Stakeholders were invited to the library for an awareness-raising meeting where it was explained that they were a charity, which most attendees had been totally unaware of:

> *"In the past there was a culture of not admitting the library needed money, but now it is made clear we are a charity and we do not collect for other organisations (via collecting tins) in the building any longer, which is a culture change for our staff".*

The Holburne Museum – a double-matching pot was set up very early in the grant period so that donations could be doubled internally before then being matched again by HLF, effectively quadrupling the initial donation so that a £100 gift becomes £400, which proved a very attractive offer to make to new endowment donors. An anonymous trust gifted £250k to help enable this pre-matching of donations:

> *"The double-matching was made possible due to several significant grants and without this we would not have achieved a successful outcome".*

Lincoln Cathedral – the cathedral was finding fundraising for the endowment hard due to the economic climate, and so it was decided to assign some unrestricted gifts, largely legacies to the endowment. There were a lot of competing fundraising needs during the grant period, and so getting the money channelled into the endowment was not always easy. A lot of work had to be done to convince colleagues internally of the sense of locking money away for a period:

> *"Now that the endowment is firmly on the radar of the Clerk and Finance Manager growing the fund is more likely to happen, as if a legacy or donation to the general fund comes in, then it can be allocated to Catalyst".*

The Tank Museum – fairly early on in the grant period the museum realised that fundraising from their target donors was going to be difficult as an endowment did not prove tangible enough to capture their imagination. The museum decided to adapt their approach and instead of actively fundraising they channelled all their trading income into the endowment, leaving them free to fundraise for the other projects that donors were more interested in. In addition, the Friends organisation was very impressed with the matching scheme and made a steady stream of donations to the endowment:

> *"Actually it was impossible to fundraise for the endowment, so we pulled in money from other sources instead".*

The Wiener Library for the Study of the Holocaust and Genocide – one of the learnings for the library was that the Director would need to be doing most of the asking for donations, and that this would be from major donors rather than from trusts and foundations. As a result of one such approach, an existing donor said that if the library could find three other donors to give £10k three times then he would do the same. Donors willing to do this, or close to this were identified and they then all made their pledges which together with the matched funding raised £240,000:

> *"We should do our core fundraising this way – go out and meet people, ask those interested for any donation initially then build up to ask for a series of bigger donations".*

Summary

There are several recurring themes which appear in the learning stories. Raising awareness of the organisation and what it does externally as well as improving understanding of the importance of the endowment internally were key for several organisations early on. Adapting the approach during the grant period was very important, particularly in terms of ensuring there is a clear message for donors and in learning to communicate this effectively. As a way to lay the ground for donations, early preparation by securing lead gifts and a double-matching pot was a useful plan for some. Other planned approaches include using the deadline to attract donations and deciding to take money from existing incoming resources rather than by fundraising.

6. Conclusions

The *Catalyst: Endowment* scheme is aptly named as it has literally had a catalytic effect on grantees, who describe the programme as having had a 'galvanising' and 'transformational' effect on their organisations, including 'cultural shifts' in terms of attitudes to fundraising.

6.1 Meeting the aims of the programme

Catalyst: Endowment offered matched funding that would enable grantee organisations to either create or grow an endowment in order to establish long-term sources of income. The overall aims of the programme were to deliver the following two outcomes and one additional achievement:

- Outcome for heritage: Heritage will be better managed
- Outcome for communities: Organisations will be more resilient
- To bring additional private money into the heritage sector

The extent to which each of these has been achieved is examined below.

Heritage will be better managed
Heritage being better managed meant different things to different organisations: for some, they were able to pay for a salaried post from the endowment so could manage heritage through that post, for others the endowment would pay for restoration of buildings, and for others a new building could house heritage objects. The outcome that heritage will be better managed was overwhelmingly accepted by grantee organisations as a positive outcome of Catalyst: Endowment. Obviously the 20 successful completer organisations will have the anticipated resources in their endowment to spend on managing heritage in the future, and others may have to find other means to meet their targets. The Catalyst: Endowment grant programme has therefore almost entirely met its aim that heritage will be better managed:

> *"Catalyst had had a galvanising effect and has developed us as a heritage attraction"*. (Arnos Vale Cemetery Trust)

> *"Our bank is happy with us now: they keep offering to lend us money as we are now more robust!"* (The Holocaust Centre)

> *"The endowment has secured our heritage and that's what an endowment is all about"* (The Mary Rose Trust)

> *"It has not helped with this because we have not raised enough. It would have done so if we had".* (Strawberry Hill Trust)

Organisations will be more resilient
All organisations that raised some money for their Catalyst endowment are by definition more resilient than they were before they started fundraising, as the endowment fund will grow over time, allowing interest to be drawn down. For the two-thirds of grantee organisations which intend to keep fundraising for the endowment, or those that are not using the endowment fund yet, letting interest accumulate then even more money will be built up, boosting resilience further. Obviously those nine organisations that did not reach their fundraising target will be less resilient financially than they had planned; and those using the endowment as part of a wider fundraising project or which will be growing the endowment in the future will have more resilience.

The outcome for communities, that organisations will be more resilient as a result of having the endowment was entirely agreed with by the grantee organisations as being applicable to them. All of the organisations when asked whether Catalyst: Endowment had helped to make their organisation more resilient said that it had either already done do, or would do so in the future. The Catalyst: Endowment grant programme has therefore entirely met its aim that organisations will be more resilient:

> *"Changing an organisation's mind-set is very significant…CCT is now able to step outside of the funding cycle to look at how best to plan for the next 5-10 years"* (Churches Conservation Trust)

> *"As government Grant In Aid funding will keep decreasing we are very aware that the philanthropic income has to grow, supplemented by opportunities for investment and commercial income"* (Greenwich Foundation for the Old Royal Naval College)

> *"Yes, an endowment is a resilience tool, and fundraising for it has given us the ability to identify income streams, and to speak to donors and prospects about how to give to us".* (The National Portrait Gallery)

> *"The endowment will stop us from putting off work and will keep the building up to date, safe and secure".* (St Martin-in-the-Fields PCC)

Bringing additional private money into the heritage sector
All but one of the 31 grantee organisations did raise money for their endowment, and did so from private sources, raising a total of £53m before the addition of matching funds. Most of the organisations ran the endowment appeal alongside other projects and found that legacies, trusts and foundations, legacies and latterly donation boxes and trustee donations were the main sources of private money for the endowment. Whilst some donations did come from existing donors, undoubtedly the vast majority of grantee organisations aimed to attract new donors, sometimes from entirely new donor groups, but also from existing target groups. This is an extremely significant sum that was raised for endowments, which are widely viewed as a difficult fundraising ask, and at a time just after the economic crisis when historically low interest rates made endowments especially unappealing. The Catalyst: Endowment grant programme has therefore absolutely met its aim of bringing additional private money into the heritage sector:

> *"One of the reasons we are so keen to attract new donors is so that we are not simply diverting their gifts from one pot (revenue or shorter-term projects or activities) to another (endowment)".* (The Ashmolean Museum of Art and Archaeology)

> *"In a way our core funding was hit as some people who gave annually for exhibitions gave to Catalyst instead; although they did give a higher amount and we have got them to stay at that level".* (Pallant House Gallery)

6.2 Matching

The key characteristic of the Catalyst: Endowment grant was the introduction of the matching offer, which was universally acknowledged by the grantee organisations as being a very positive tool which helped with their fundraising, both in terms of the match itself and in terms of the deadline which helped to prompt donors to make a decision. Organisations had to fundraise money towards their target before applying to draw down a matched amount from HLF, the size of which depended upon the size of the grant, as shown in table 1. Where

donors could claim Gift Aid this was also matched. The vast majority of grantee organisations reported that the matching offer was instrumental in convincing donors to give to the endowment appeal.

As the grant period coincided with a time of economic difficulties, the matching offer often, but not always, helped to over-ride legitimate concerns about low interest rates, which were a particular barrier for major individual donors and trusts and foundations. The matching offer was also very appealing to those giving smaller amounts such as supporters, members and visitors who enjoyed knowing that their contribution would grow in size at someone else's expense, such donors could participate in the scheme without necessarily appreciating what an endowment is:

> *"During the fundraising the matching was the first hook to use"* (Dulwich Picture Gallery)

> *"Particularly to those who think that the endowment return is too meagre to justify giving to it, the matching has made the difference to them psychologically"* (The Bowes Museum)

> *"We were able to send out a call to arms for the matching deadline as it approached and this worked to our advantage"* (The Mary Rose Trust)

6.3 The impacts of Catalyst: Endowment upon organisations

Recruitment
The vast majority of organisations did not bring in new staff specifically to work on fundraising for the endowment. Instead the skills that they needed for the project were generally already available in-house, or could be learned by existing staff through the course of the project. These skills will be used again in future fundraising appeals.

New donors
The majority of organisations said that they had indeed attracted new donors during the course of the grant period, which is what the original fundraising plans tended to aim for. Having engaged with these new donors, and provided exemplary donor care, there is every expectation that the donors will continue to support the organisation in the future, even without the matching offer.

Diversification of income
Diversification of income was agreed overall to be a priority by the grantee organisations, and the majority of organisations agreed that 'Catalyst makes diversification of our income possible', however more organisations said that they had not diversified their income than had. This is likely because the majority of organisations regarded themselves as already being very diversified in terms of their income sources. For those that did achieve a greater diversification of their income sources during the grant period, this is something that was instigated by the Catalyst: Endowment scheme and will be carried forward into future fundraising work

Cultural shift
Several organisations spoke about experiencing a cultural shift as a result of the Catalyst: Endowment grant. Internally they deliberately began to behave in a different way in order to improve their fundraising, and this is a change which they feel is going to have a lasting impact upon their organisations.

6.4 Contribution of the programme

The Catalyst: Endowment grant scheme was innovative, with the aim of improving the financial sustainability and resilience of heritage organisations by creating and growing their endowments. The scheme resulted in £83.1m (including HLF grant funding) being raised by 31 grantee organisations, 20 of which reached their fundraising target within the grant period. All of the organisations that raised money received some benefits, both financially through the matching and having new endowment capital to draw on in the future, and by improving their financial resilience to some extent and by improving their capacity to better manage their own heritage.

Moreover, the internal changes and learnings and the new plans for the future that were prompted by having the Catalyst: Endowment grant have changed organisations and their fundraising approaches permanently. These changes are added benefits for the organisations which are unlikely to have happened without the need to fundraise for an endowment as part of a grant. Indeed, among the 43 control group organisations which did not have a Catalyst: Endowment grant, just five went on to start a new endowment.

By helping organisations to become more independent and less reliant upon public funding, Catalyst: Endowment has helped the heritage sector to become better prepared for the future.

6.5 The future for the grantee organisations

The grantee organisations all have the option of continuing to fundraise for their endowment after the end of the grant period. For some, the Catalyst: Endowment grant was part of a larger endowment appeal which is continuing on beyond the lifetime of the matching grant. For others, their Catalyst: Endowment grant appeal was a discrete project which can either be continued, shelved or closed depending on their ongoing priorities. Two-thirds of grantees plan to keep fundraising or will resume shortly: only three had no plans to continue fundraising for the endowment. In the majority of cases therefore, the Catalyst: Endowment will have a lasting effect on organisations, as they strive to increase their resilience and independence.

Even those organisations which did not meet their fundraising target, and therefore are not as financially resilient as they had hoped at the outset, still regard taking part in the Catalyst: Endowment programme as having been a very positive and worthwhile exercise. This is the true legacy of Catalyst: Endowment.

7. Recommendations for HLF

The Catalyst: Endowment grant programme is an innovative scheme designed to encourage heritage organisations to become more resilient and to increase their financial sustainability. The evidence from the evaluation project is that for the majority of organisations this aim has been successful. Towards the end of the grant period, the HLF launched the new Heritage Endowment grant programme which builds upon the Catalyst: Endowment scheme and has been adapted following feedback from grantee organisations. The three key adaptations have already been adopted, and are for all organisations to have a flat rate fundraising ratio of 1:1, for the option of 10% of the grant award to be used on fundraising resource and to allow smaller grant awards. Some of the recommendations that this report would have made therefore have already been implemented by HLF.

For grantee organisations, the matching offer was of particular use when fundraising, the deadline was useful when speaking to prospects and donors about giving towards the end of the grant period, and the networking and learning opportunities were particularly helpful for the key contacts within organisations to help with their fundraising. The 16 identified success factors may be useful for organisations in deciding whether or not they have sufficient institutional readiness to launch an endowment fundraising appeal. Using the radar chart (Figure 2) in Appendix 8.5, charities can map their readiness against these 15 factors, to inform their decision as to whether or not they are likely to succeed in what many consider a particularly difficult fundraising 'ask'.

Recommendations are made by the evaluation team for HLF, and it is hoped that these will be taken into account when developing future policy. There are a number of top-level and detailed recommendations for HLF about working with the heritage sector and grantee organisations which come from the learnings of the evaluation team and the grantee organisations themselves. Recommendations for heritage organisations considering fundraising for an endowment are also offered.

Top-level recommendations:

For working with grantee organisations:

- Future matched funding should be accompanied by a budget for fundraising training and skills development in order to ensure that grantees are well-placed to maximise the opportunity of being able to offer a match.

- The HLF could help share learning with grantee organisations, perhaps as part of the networking and learning sessions or as training sessions or self-help guides on a range of topics.

- HLF could offer more support to grantee organisations, especially when they are aware that an organisation is struggling to reach its fundraising target. (At present grantees can access funding through the Resilient Heritage programme to review their organisational strategies and plans more broadly, and some grantees have taken advantage of this).

- Encouragement to write long-term strategies and business plans beyond the grant period. This could be part of a future grant programme.

- Offer more advice to applicants before awarding grants on what an organisation needs to be aware of and have in place before starting fundraising, such as having senior-management buy-in and coping with multiple priorities when the endowment exists alongside other fundraising projects.

- Encourage organisations to set-up a legacy scheme so that legacies can be channelled into their endowment during the grant period, and then can be used for either topping-up the endowment or for other projects in the future.

For all heritage organisations:

- The HLF should share findings from Catalyst: Endowments as widely as possible so that any organisation thinking of starting an endowment, not just to grantee organisations, can benefit from the learning
- HLF could also share learning on the value of a matching scheme for organisations starting an endowment without being part of a HLF programme. For example, organisations may wish to engage other donors who understand the purpose of leveraging their contribution in this way as match funders.

Further considerations for working with grantee organisations:

- A longer grant period could be offered, especially for those struggling to meet their fundraising target, or those without an established fundraising function.

- The HLF could share learning with grantee organisations on a range of topics such as:
    - A trustee session: what is an endowment, how to make the 'ask', how to lead by example
    - Donor care and stewardship
    - How to explain endowments to potential donors and how the Catalyst: Endowment scheme works. An education and communication piece.
    - How to fundraise alongside a capital appeal
    - Fundraising for small charities
    - Tax benefits and breaks, legal issues when investing an endowment
    - How to uplift Friends organisation donors and Patrons
    - Advice on investments – how to get the best rate of return
    - Coaching from organisations with endowments such as other grantee organisations, universities and American organisations on raising large sums

Further considerations for heritage organisations thinking of fundraising for an endowment:

- Make certain there is total senior management and trustee support for the endowment to ensure that there is internal prioritisation of the appeal, set a realistic fundraising target and start planning as early as possible.

- Set a realistic fundraising target for the organisation.

- Start planning as early as possible.

- Ensure that your messaging is clear and that you focus on the project and longevity to capture donor interest. Endowment fundraising can be a hard sell compared with

more immediate and tangible projects, so be prepared with a good argument to secure donations.

- Encourage trustees to make lead gifts and teach them to make 'the ask' themselves; and work closely with your Friends organisation

- Stay flexible and open to opportunities while fundraising.

- Work with your Friends organisation to access their donor database, and/or ask the organisation to make a donation to the endowment.

8. Appendix

8.1 Full methodology

The evaluation methodology included both qualitative and quantitative elements and used available HLF data, and drew findings from both the grantee organisations and from organisations without a Catalyst: Endowment grant (the control group).

Overview of the methodology

The methodology included:

- **Creation of a control group:** a database of unsuccessful applicants was created to monitor their finances in order to compare trends over time, and to make comparisons with the grantee organisations.
- **Literature review:** of private giving and philanthropy.
- **Case studies:** interviews with grantee organisations and the beginning and end of their grant period, culminating in case study documents.
- **Annual monitoring of drawdown data:** analysis of HLF documentation, including grant applications, and draw-down data.
- **Annual web survey:** to track grantee experiences, progress and plans.
- **Annual workshops:** for the grantee organisations and key HLF staff to attend, for networking and learning.

Overview of evaluation project outputs

The outputs delivered for the evaluation project were:

- Annual reviews of the progress of grantee organisations and of the control group (2013-17)
- Annual reports which summarised all the key developments of the year (2013-17)
- 60 case studies - one per grantee organisation, one focusing on the beginning of the fundraising, and one looking back over the whole project (2013-17)
- 10 workshop reports - two reports per annual workshop, one for attendees and one for HLF to use internally (2013-17)
- Draft final evaluation report (2017)
- Final evaluation report (2018)
- Data provided in Excel (2018)
- Final presentation to stakeholders (2018)

Creation of a control group
Making a comparison between grantees and similar organisations that do *not* receive Catalyst: Endowment grant funding is essential for any meaningful conclusions to be drawn about the impact of HLF's investment, and to monitor whether these organisations went on to create an endowment without the grant. A database containing a control group of 43 unsuccessful applicants to the Catalyst: Endowment scheme was created, and their finances were tracked annually by looking at their annual accounts on a range of agreed financial indicators, designed to allow conclusions on the organisations' general financial health:

- Total incoming resources
- Total expenditure
- Total voluntary income
- Investment income

- Grant income
- Net assets
- Endowment value
- Restricted funds

The findings were presented in the Annual Review documents. More on the composition of the control group can be found in section 8.3.

Literature review

A comprehensive review of literature on the topic of charitable giving in relation to the heritage sector and in particular private giving was undertaken on three occasions. The aim was to reflect on ongoing areas of debate, in order to create a comprehensive and useful resource for both HLF and its key audiences. A comprehensive review was provided in 2013, an update in 2015, and then the final literature review focusing on private giving in section 2 of this report.

Case study research

30 of the grantee organisations were invited to be part of the case study process. The National Museum of the Royal Navy was not involved in this process because they completed their fundraising very quickly, and so would have not been able to provide insight into their plans for fundraising for the endowment or look back retrospectively at their successes and challenges.

There were two stages to the case study process:

1. Initial case studies - where the organisation was visited and a digitally audio recorded semi-structured interview conducted to cover topics such as how they want to use the endowment money, fundraising plans, thoughts on the Catalyst: Endowment scheme, early successes and learnings.
2. Follow-up case studies – where a digitally audio recorded semi-structured telephone interview was conducted to cover what their experiences had been since the last interview, the successes and challenges that they encountered, and their plans for the future both for the endowment and for the whole organisation.

The initial case studies were conducted between March 2013 and December 2014, and the follow-up case studies between March 2016 and January 2018 as organisations neared or completed their fundraising. The discussion guides were agreed with HLF in advance. The whole process was described to the grantee organisations at the annual workshops, by email when they were invited to make an appointment for the interview, and again at the beginning of the interview.

Both sets of interviews culminated in a four-page case study document which was shared with the HLF and with all of the grantee organisations at the annual workshops, and also on the understanding that HLF would reserve the right to share the document publicly. A summary of the themes arising from the interviews was also provided in the Annual Report documents.

Annual monitoring of drawdown data

The progress of grantee organisations was monitored by first looking at their grant applications to form a baseline; their drawdown data was then reviewed annually in November to see whether they were on track in terms of dates and targets. The findings were presented in the Annual Review documents.

Annual web survey

In each year of the evaluation project, an annual web survey was conducted using SurveyMonkey. The questions were agreed with HLF prior to launch, and were altered in each year to capture new data, but these changes were kept to a minimum to ensure comparability between survey years.

The aim of the survey was to reveal trends in income streams, fundraising expenditure and fundraising resources, with additional questions added in later years about whether organisations would continue to give to the endowment in the future, and the anticipated rate of return on the investment.

Initially the survey was launched in August 2013, but in order to maximise response rates, the launch date was moved to October of each year. 2017 was the final survey year, and in this year the survey was launched in July to allow for the results to be included in the analysis needed for the final evaluation report.

The survey was launched by an email sent out by the Catalyst: Endowment project manager. Each annual survey was live for one month, with chasing made by HLF after a fortnight and again at the end of the month, with additional chases also made by the evaluation project team where necessary.

Annual workshops

Part of the evaluation process was to provide a learning and networking space for the grantee organisations to come together and discuss their experiences and learn from expert speakers. These sessions were arranged and facilitated by the University of Kent. The networking allowed the organisations to share and borrow ideas for fundraising for the endowment, and provided ideas for ways to help the grantees in future workshops. The final programme for each workshop was agreed with HLF before sharing it with invited attendees. The annual speakers covered topics such as legacy giving, the financial practicalities around endowments, fundraising in America, and examples from organisations with an endowment.

After each of the five workshops, HLF was provided with two reports of the session, one for delegates and a more detailed version for HLF's internal use.

8.2 List of grantee organisations

31 organisations were awarded a *Catalyst: Endowment* grant and all are included in the evaluation project. There were 18 organisations in the first round of grant awards and 13 in the second. They are listed here according to which grant round they were awarded their grant in, with their grant award:

Table 20: First round organisations

Organisation	Grant award
The Abbotsford Trust	£1m
Arnos Vale Cemetery Trust	£500k
The Bowes Museum	£1m
The British Library	£2m
Dulwich Picture Gallery	£2m
The Governors of the Belfast Library & Society for Promoting Knowledge	£1m
The Greenwich Foundation for the Old Royal Naval College	£1m
The Holburne Museum of Art	£1m
Lakeland Arts Trust	£500k
Lincoln Cathedral	£1m
The Mary Rose Trust	£1m
National Museum of the Royal Navy	£5m
National Portrait Gallery	£1m
Pallant House Gallery	£1m
Sir John Soane's Museum	£2m
St Martin-in-the-Fields PCC	£1m
Strawberry Hill Trust	£500k
Victoria & Albert Museum	£5m
Total	**£27.5m**

Table 21: Second round organisations:

Organisation	Grant award
The Ashmolean Museum of Art and Archaeology	£1m
Churches Conservation Trust	£500k
The Holocaust Centre	£500k
The John Clare Trust Ltd	£500k
London Wildlife Trust	£500k
National Horseracing Museum	£1m
Peterborough Cathedral	£500k
Severn Valley Railway	£500k
South Tynedale Railway Preservation Society	£1m
SS Great Britain Trust	£500k
The Tank Museum	£500k
The Watts Gallery Trust	£500k
The Wiener Library Institute of Contemporary History	£1m
Total	**£8.5m**

8.3 The control group

The control group was created in order to track whether those organisations that were unsuccessful in their application for Catalyst: Endowment grant funding went on to create their own endowments, which helps to form an understanding of the impact of the grant scheme.

An Excel database of the 43 organisations was created, and their finances were tracked annually through their annual accounts over each year of the grant period (2011/12 to 2015/16).

8.3.1 The control group organisations

The organisations were recorded according to whether their application had been to the first or second round of grant applications.

Round one
Avoncroft Museum of Historic Buildings
Bath Preservation Trust
The Ben Uri Gallery and Museum Limited
The British Museum Trust
Co-operative Heritage Trust
Cowdray Heritage Trust
The Dean and Chapter of The Cathedral Church of St Peter in Exeter
The Elgar Foundation
Fitzwilliam Museum, University of Cambridge
Foundling Museum
Friends of Benjamin Franklin House
The Geffrye Museum Trust
Haslemere Educational Museum
Heritage Trust for the North West
Heritage Trust of Lincolnshire
The Horniman Public Museum and Public Park Trust
Jewish Museum London
Nottinghamshire Wildlife Trust
The Orleans House Trust
The Palace Trust
The Royal Albert Hall Trust
Royal Engineers Museum
Science Museum
Scottish Canals
The Scottish Wildlife Trust
University College London
Wedgwood Museum Trading Ltd
Whitworth Art Gallery
Wiltshire Wildlife Trust
York Minster Fund

Round two
American Museum in Britain
Ditchling Museum of Art + Craft
Fulham Palace Trust
HMS Trincomalee Trust
The Mills Archive Trust
Museum of London

National Maritime Museum Cornwall Trust
North of England Civic Trust
RBG Kew
Royal Institution
Shakespeare Birthplace Trust
Thackray Medical Museum
78 Derngate Northampton


8.3.2 Trends during the grant period

The full analysis of the control group can be found in the Annual Review 2016 (report available on request). An overview of the results is provided here, and where possible a comparison with the finances of the grantee organisations is provided.

Number of endowments
In the application forms just 12 organisations declared an existing endowment, seven in the first round and five in the second round of applications. However, in the 2011/12 accounts it is clear that more organisations had an endowment in place than were declared in the application forms: 23 organisations had an endowment in place when they applied for the grant, although the purposes and restrictions of these endowments are not usually published. In 2015/16, all of the endowments are still running although one of these has consistently had an endowment value of £0.

Between 2011/12 and 2013/14 no new endowments were recorded by the control group organisations in their annual report and accounts. However in 2014/15, two were recorded and three more in 2015/16. Just 12% of the control group therefore created a new endowment during the grant period.

Figure 2: New endowments by year
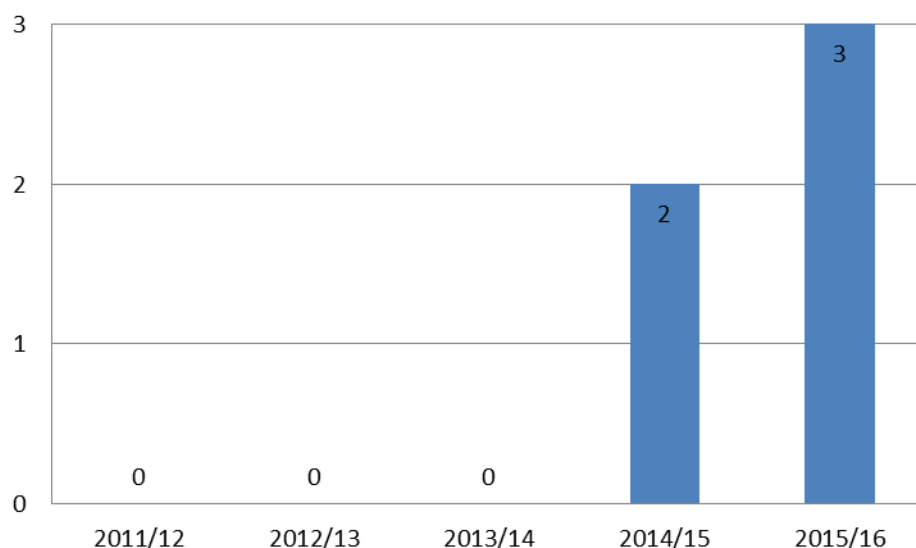
Examining the average numbers for the key financial indicators, and comparing them against the figures produced by the Charity Commission for England and Wales, it is clear that total expenditure as a proportion of total incoming resources is at 95% nationally which is very similar to the control group (97%).

However total voluntary income as a proportion of total incoming resources is at 30% nationally, which is far higher than for the control group at 4%. For the control group

therefore, there continues to be far less reliance on voluntary income than in the wider charity sector or than among the grantee organisations, with more focus on statutory funding, investment income and commercial activities.

Figure 3: Voluntary income as a percentage of total income
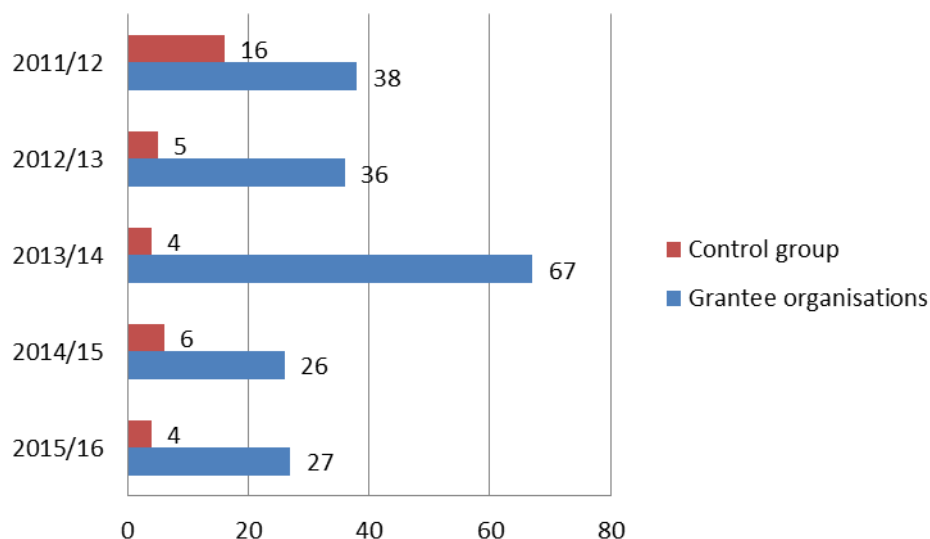
Incoming Resources

In charity accounts, incoming resources and charitable expenditure are generally expected to mirror each other, as no profits are taken by charities. In the control group this expenditure exceeds incoming resources in some years, and vice versa; this is perfectly normal behaviour. In years where expenditure is less than income it could be due to money being invested or saved somehow for future development projects, or being put into reserves. In 2015/16, expenditure was at 97% of income, compared with the very unusual picture in 2014/15 of there being notably more expenditure than incoming resources, by nearly £1b.

Incoming resources more than doubled between 2011/12 and 2012/13 from £1.2b to £3.2b, increased more slowly in 2013/14, and then the total dropped in 2014/15 to pre-2012/13 levels to £2.6b. Growth was seen again in 2015/16, bringing the growth pattern back on track, increasing by £1.5bn to £4b. The average value of total incoming resources has risen in 2015/16 to £112m, the highest level during the grant period by nearly £33m.

Among the grantee organisations, total income followed a different pattern, dropping from £1.7b in 2011/12 down to £1.5b then plateaued at £1.8b for two years before reaching a high of £2.3b in 2015/16.

Resources Expended

Similar to incoming resources, resources expended more than doubled between 2011/12 and 2012/13. In 2013/14, 2014/15 and 2015/16 they increased again but far more slightly, growing by £365m in the last financial year. The average value of total resources expended has nearly reached £100m in 2015/16.

Voluntary Income

Total voluntary income has for the first time during the grant period gone up, although not to the level seen in 2011/12 of £187m: it increased by £32m in one year to £159m in 2015/16. As a proportion of incoming resources, it has dropped from 16% in 2011/12 to 4%: the proportion has hardly changed since the previous year because of the huge growth also seen in total voluntary income. This drop in total voluntary income as a proportion of total incoming resources suggests that the control group is becoming less independent over time,

looking to other income such as contracts and commercial activities rather than being able to rely on donations.

As discussed in last year's report, what cannot be determined by these figures is whether the decrease in total voluntary income is due to fewer grants and donations being available so that charities are proactively chasing other income, or whether other income has grown by itself, relaxing reliance on voluntary income. It must be noted though that the grant period has coincided with the reduction in Grant In Aid from central government to heritage organisations which began in 2010/11[2], and also with the budget cuts experienced by the Department of Culture, Media and Sport and Arts Council England[3]; these cuts will have affected the figures quite significantly and are set to continue over the next few years.

Among the grantee organisations, voluntary income was both more stable over the grant period and at a higher level than for the control group. The grantee organisations held at around the 30% of total income level. In 2011/12, the proportion was at 38%, it reached a high in 2013/14 of 67%, then dipped back down to the lower levels of 26% and 27% in 2014/14 and 2015/16 respectively.

The average value of voluntary income for the control group has again risen slightly to £4m in 2015/16, continuing the slow but steady growth seen over the past two financial years, bringing the average nearly back up to the level seen in 2011/12. Whilst in the majority of organisations there was a drop in voluntary income, there were a few sizeable organisations which stated an increase (most notably The Science Museum which went up by £33m), which has skewed the average to show an overall growth in the last year.

Investment/Interest Income
Rather surprisingly, considering the low interest rates of recent years, investment income has increased for all five years of the grant period for the control group, growing from £17m to £60m. The control group therefore very much bucks the trend experienced by most charitable organisations. This must mean that the organisations are gathering interest on larger pots of money and are perhaps benefitting from trustee experience at placing investments wisely. As a proportion of incoming resources, investment income/interest has remained steady and is now at 1.5% which suggests that investment income is not an income stream that the control group are relying upon, both because of this long period of sustained low interest rates and because many charities have little or no investments or cash in the bank. The average value of investment income has risen to £1.5m in 2015/16. Over time, with possible increases in endowment funds and potential new endowments being established, plus a predicted economic recovery it may be possible to track a growth in investment income as a proportion of incoming resources over the coming years.

For the grantee organisations however, there were huge fluctuations in investment income ranging from £8m in 2013/14 and 2014/15 up to £124m in 2015/16. For this group, there were good levels of investment income at the beginning of the grant period at £105m in 2011/12 which then dropped to £71m the following year, then again to £8m before rallying to a peak of £124m in 2015/16. It seems that the control group has indeed bucked all trends with their investment income levels during the grant period.

Grant Income
Grant income saw a small dip in grant income in 2014/15 after two years of growth. However there was again an increase again in 2015/16, taking the total to its highest point in the grant period of £1.4b. Grant income has also remained fairly consistent as a percentage of

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[2] In 2010/11 DCMS gave £1,077m in Grant In Aid, and this has reduced year-on-year down to £974m in 2013/14, 'Charitable Giving Indicators publication', DCMS
[3] 'Cuts timeline', accessed 18/06/15

incoming resources, dropping from 42% to 34%. The average value of grants received by organisations was £34m in 2015/16, an increase of £1.6m in the last year. Grant income remains a very important in terms of bringing in an income to the control group organisations, far more so than investment income or voluntary income.

Among the grantee organisations, grant income was also generally consistent at around the £300m level. In 2011/12, it stood at £303m, dipped in the following year to £281m then rallied to £305m in 2013/14, and rose steadily the next two years to £398m and then a high of £470m in 2015/16.

Net Assets
Total net assets have also increased steadily over the full five years from £4.5b to £6.4b, an increase of £605m in the last financial year. The average value of net assets per organisation has also grown each year and has now reached £160m in 2015/16.

Endowment Value
The value of endowments has increased steadily over the five years of monitoring from £1.2b to £1.8b, an increase of £591m. After a drop in the average value of endowments in 2014/15, there has been a small growth in 2015/16 to £45m. The reason for the growth is not entirely clear but is probably due to wise investments and organisations adding to the endowment pot, plus three organisations starting a new endowment as well as the two last year. In 2011/12 there were 23 endowments already in place, and it is understood from the accounts that all of these are still in place.

Restricted Funds
The value of restricted funds grew from £474m in 2011/12 to £523m and then £524m in 2013/14, but dropped significantly down to £389m in 2014/15, which is the lowest it has been during the control group analysis. In 2015/16 however there was growth again, up to £463m but still short of the 2011/12 level. The average value of restricted funds per organisation has increased accordingly to £11.6m in 2015/16.

8.3.3 The future for the control group

Had all of the 43 control group organisations been successful in their grant application then they would all have gone on to start fundraising for an endowment, and hopefully all would have reached or nearly reached their fundraising target. However, in not winning a Catalyst: Endowment grant, just five went on to start a new endowment.

There may be many reasons behind why so few began an endowment, and it is not possible to know what these are just from looking at their annual reports and accounts. Perhaps not many of the 43 organisations had a long-standing plan to fundraise for an endowment and applied opportunistically, and did not feel motivated to begin an endowment without the matching offer from HLF. Another possibility is that some delayed starting fundraising as other priorities took over. Perhaps the five that did start an endowment had planned an endowment before the Catalyst: Endowment grant programme was launched, and went ahead even without the matching offer. It seems likely that for most, without the support of HLF and the matching element of the grant, they may have felt that an endowment would be just too difficult to fundraise for.

In the future, it is hoped that with publicity surrounding the success of the Catalyst: Endowment scheme in improving financial resilience, organisations such as those in the control group will feel motivated to go ahead and start their own endowment, or add to an existing endowment. Two of the control group have already gone on to win HLF funding for other initiatives, which may free-up some of their fundraising capacity for working on an endowment appeal.

8.4 Capacity to launch an endowment appeal

Using the radar chart provided on the next page, charities can map their readiness against these 15 factors to inform their decision as to whether or not they are likely to succeed in what many consider a particularly difficult fundraising 'ask'. For more information on the 15 factors, see section 4.

For each of the 15 factors, award your organisation a mark out of 10, where 10 indicates fully meeting the identified 'success factor', a lower score indicates meeting it to a lesser degree, with a zero score where it is not met at all.

By joining the dots of your marks you can get an overall impression of your readiness to embark on an endowment appeal, and identify any areas that may need strengthening before any such effort begins.

Figure 4: Fundraising readiness