NON-GRANT FINANCE IN THE HERITAGE SECTOR

Research findings for the Heritage Lottery Fund

Abigail Rotheroe, Lindsay Hodgson, Rob Abercrombie, Catherine Glew . London. July 2014

SECTION

CONCLUSIONS

Demand

Larger heritage organisations are already involved in non-grant finance*.

The survey of 955 respondents from the heritage sector did not find high levels of interest in non-grant finance—except for crowdfunding.

This lack of interest may be down to a lack of understanding and awareness of non-grant finance, inherent conservatism of borrowing from trustees boards and management and continued reliance on grant funding.

Crowdfunding may seem an attractive way of increasing donations but there are very few examples of heritage organisations using this model at scale.

Sector

There is a reasonable level of earned income within the heritage sector which is significant when evaluating repayable finance business models.

The majority of organisations own assets, but heritage assets are often unrealisable.

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*Non-grant finance includes debt, equity and newer funding models such as crowdfunding

CONCLUSIONS

Supply

Social investors* can see an opportunity in the heritage sector but have reservations surrounding:

- Mission—heritage organisations must clearly identify and meet a community need in common with the funder.
- Impact—heritage organisations have to develop their articulation of social impact. The majority of heritage organisations think they are very good at measuring outcomes but have also identified a need for impact measurement skills.
- Business models—heritage assets are expensive and difficult to renovate and may not be realisable if required. Trading revenues are present but may not be large enough to make projects viable without grant finance.

Opportunity

Heritage organisations want HLF help with capacity building through training, information and support for networking.

*Social investors seek a financial and a social return from their investments. Non-grant finance includes social investment alternative finance such as crowdfunding.

RESEARCH BRIEF

*The full effects of the cuts in public funding are still unfolding, but must mean a fundamental re-design of some heritage services and activities…We expect organisations of all kinds will need time to adapt to these new financial realities.**

As the largest funder of the UK's heritage HLF is keen to provide heritage organisations with more support to understand and evaluate new business models and alternative finance. The sector is forecast to have lost £500m per annum of funding since 2010. The research questions that HLF posed were:

- To what extent are heritage organisations engaging with social investment? How does this compare with voluntary organisations operating in other fields?
- What are heritage organisations' attitudes to social investment?
- What are the opportunities, risks and challenges of social investment for the heritage sector?
- What needs to happen to enable the sector to have access to social investment opportunities and to take advantage of them fully?
- What are social investors' views of organisations operating in heritage as potential investees?

*Dame Jenny Abramsky Heritage Lottery Fund Strategic framework 2013–2018

NON-GRANT FINANCE

NPC

When we refer to non-grant finance, it includes three types of products: debt, equity and alternative finance.

Debt finance

- Secured loan
- Unsecured loan
- Guarantee finance
- Bonds

Equity finance

- Equity (inc. community shares)
- Quasi-equity

Alternative finance

- Crowdfunding
- Social Impact Bonds
- Payments for eco-system services (and biodiversity offsets)

TWO PHASES OF RESEARCH

Phase 1
Literature review and interviews with heritage organisations and social investors.

Phase 2
Survey and follow up with selected respondents for case studies.

PHASE 1: KEY MESSAGES

Social investment is receiving a lot of publicity.

The real market is growing more slowly than we are led to believe and is concentrated in secured lending.

There are other forms of non-grant funding to consider, including community shares.

Social investors can see an opportunity within the heritage sector but have some reservations.

The heritage sector is at an early stage and is gearing up for social investment but the data is limited.

Larger heritage organisations are actively considering social investment.

Heritage organisations need to:

- Clearly identify and meet a community need.
- Develop their articulation of their social impact.
- Improve their financial skills.
- Develop their measurement of social outcomes.
- Increase their knowledge of and engagement with social investment.
- Start to work with funders to develop mixed funding models—for example using grants, loans and community shares.

PHASE 1: KEY MESSAGES

Heritage insights 1

The main focus of social investment is on asset transfer, purchase or renovation.

Opportunities

There are high levels of interest in social investment from larger organisations and umbrella bodies, some of whom are interested in or starting to set up their own impact funds—AHF, Princes Regeneration Trust.

There is recognition that social investment is likely to be part of a package of different funding types, rather than replacing grant funding entirely.

Secured lending is well established and understood in some sectors—such as building preservation trusts. Independent museums are less engaged.

Organisations are aware of the need to better measure impact in order to access social finance.

There are opportunities to finance scaling up of trading businesses through loans, which will support mission and recognise the need to maximise revenue opportunities from assets.

PHASE 1: KEY MESSAGES

Heritage insights 2

Challenges

Levels of knowledge about social investment vary across the sector, with smaller organisations likely to require additional skills and capacity.

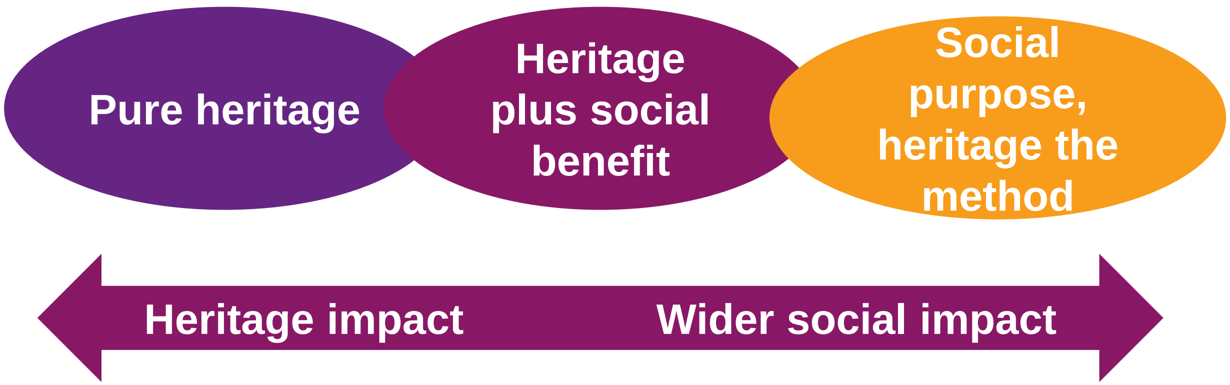
Grant funding is increasingly hard to find, which is impacting project viability and hence ability to source loans.

There is some tension in balancing pure heritage goals with demands to demonstrate social outcomes. Some organisations view heritage aims as primary and social outcomes as a secondary, ‘access to finance’ issue.

PHASE 1: KEY MESSAGES

Heritage insights 3

Organisations needs to be explicit about their purpose and the social impact targeted. Measurement of social impact not well established in heritage. Demonstrating social impact is essential for many social investors, but may put pressure on 'pure heritage' goals for some organisations.



Many heritage organisations are likely to have implicit social impacts—preserving local heritage helping community cohesion, for example—but need to conceive and express them better. There need not necessarily be a trade-off between social and heritage outcomes.

PHASE 1: KEY MESSAGES

Investor insights 1

Opportunities

A social investment opportunity exists if someone is willing to pay a premium for the creation of social value.

Social investors can see opportunities for heritage organisations in social investment, although in practice not many have emerged to date. These could include:

- Maximising the utility of heritage assets through renovation and change of use schemes.
- Financing initial work on community asset transfers and community shares.
- Providing working capital to scale up trading revenues—such as fitting out cafes and shops.
- Investing in heritage activities that create opportunities for volunteering, skills development and learning.

PHASE 1: KEY MESSAGES

Investor insights 2

Challenges

The sector is some way away from accessing the opportunities. Both financial first and impact first investors noted:

- Heritage outcomes have to match funder's mission.
- Identification and measurement of social impact is lacking.
- Heritage projects are inherently high risk and are often undertaken as one off projects by organisations lacking a track record.
- The ability of heritage organisations to generate sufficient revenue to be able to repay investors is highly variable and often untested.

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Social mission+
Demonstrable Impact+
Earned income+
Acceptable level of risk

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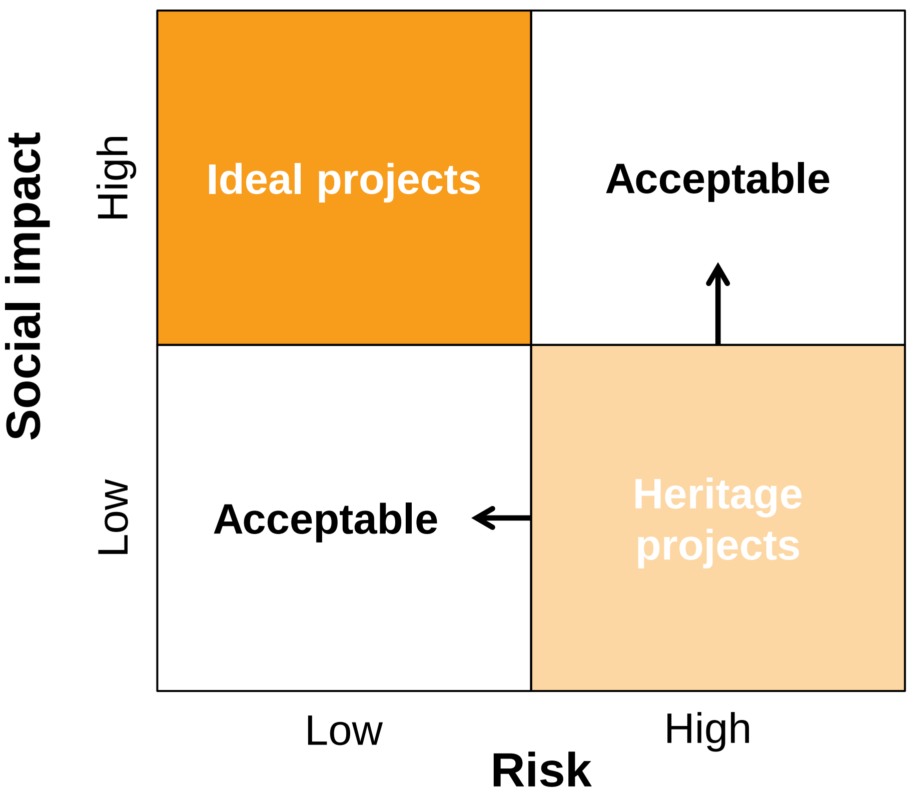
Attractive investment

PHASE 1: KEY MESSAGES

Investor insights 3

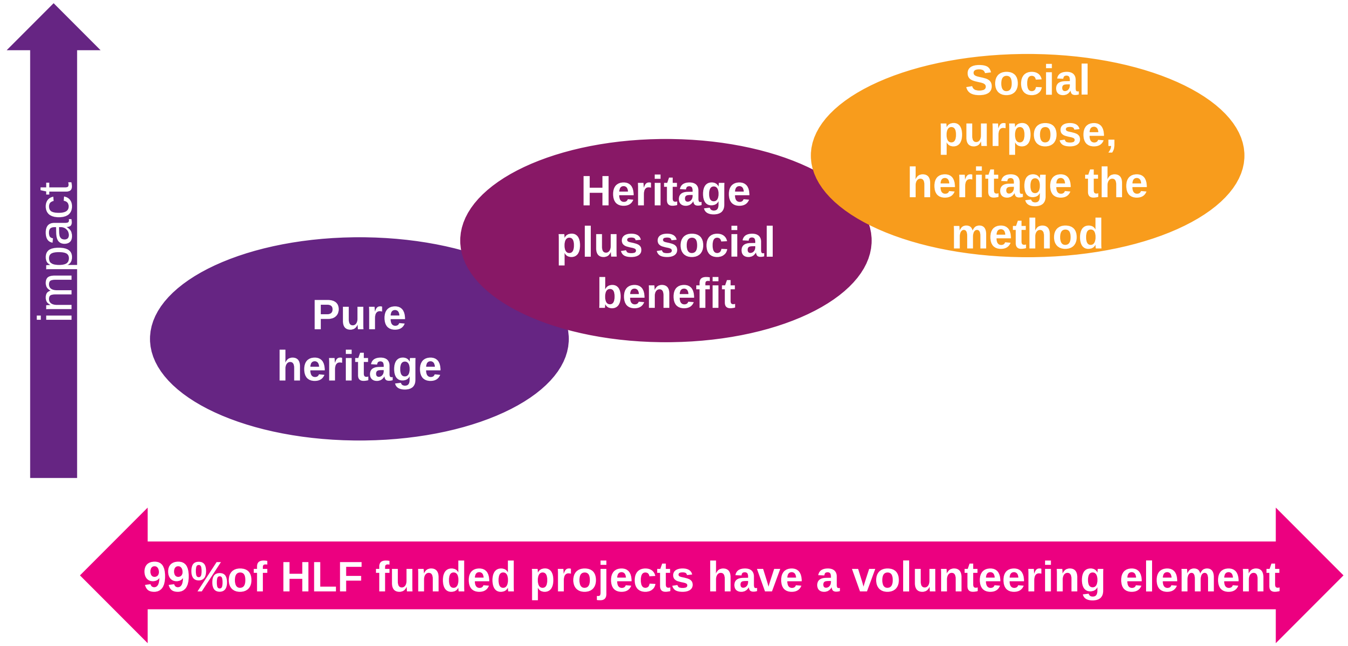
There is insufficient measurement of the social impact of heritage projects.



- Heritage projects perceived as low impact and high risk.
- Heritage organisations are not regarded as good at measuring their social impact.
- Clearer link with investor's mission required.
- For many social investors, heritage assets must be the means to the end not the end itself.
- Is the aim preservation of heritage asset or social impact?

HERITAGE AND INVESTOR PERCEPTION MISMATCH?

There may be a mismatch in perception between social investor and heritage organisations surrounding impact



- Heritage organisations may not be communicating and measuring their impact in the same language as social investors.
- Volunteering has a positive relationship with impact. Heritage organisations may not be capturing and communicating the volunteering benefits of their work.

PHASE 2

The Survey

The survey was sent to 2658 recent grantees of the Heritage Lottery Fund.

Organisations were given 4 weeks to respond.

The survey had 30 questions.

1170 organisations began responding and 955 completed the entire survey.

Post survey

After the survey was closed organisations were identified for case studies.

The case studies focussed on organisations that said they were using or thinking of using non-grant finance.

PHASE 2: RESEARCH FOCUS

Characteristics of sector	• How do heritage organisations differ from the wider voluntary sector? • How large are they? • Do they own assets/ Do they use volunteers?
Funding trends	• What are the largest sources of funding? • How have these changed over time? • How do grant funded versus revenue non-grant funded (including earned income) differ?
Demand for non-grant finance	• What is the demand/appetite for non-grant finance? • What types of non-grant finance are organisations most interested in? • Why are organisations not interested in using non-grant finance?
Use of non-grant finance	• What types of organisations are using non-grant finance? • What are they using it for? • Who provides the finance?
Skills and impact	• What skills do organisations have? • Is impact measurement important to organisations? • How is impact measured? • What are the barriers to impact measurement?
Opportunity for HLF	• What kind of support can HLF give organisations preparing to use non-grant finance?

PHASE 2: KEY MESSAGES

Heritage organisations have weathered the difficult funding environment well:

- 73% of organisations report that over the last three years, their income has stayed the same or increased.
- A larger proportion of organisations classed as large or major (income over £1m) reported a decrease in overall income (45%) compared to medium (22%), small/micro (14%).
- Earned income is the largest source of income for 17% of organisations. Organisations with earned income are more likely to be able to access non-grant finance.
- There remains a heavy reliance on grants in the heritage sector; 60% of heritage organisations report that grants are their largest source of income but there has been a significant drop in government grants.

PHASE 2: KEY MESSAGES

The majority of heritage organisations are not interested in taking on debt or equity but are interested in crowdfunding.

- This may be because crowdfunding models are not well understood and it is seen as an attractive way to increase donations.
- Debt remains controversial for some charities but is already well established for others.
- There is some interest in mixed funding (grants + loans) and payments for ecosystem services.
- Innovative approaches are starting to emerge but are not common yet.
- Reasons for not using non-grant finance* centre on mission, relevance and eligibility.

Amongst survey respondents there is a low use of non-grant finance, with loan finance the most popular (12%).

- Non-grant finance is being accessed by the sector. Debt ratios are similar to the voluntary sector as a whole.
- Organisations that are using debt finance tend to be larger and with a higher % of earned income.
- Organisations accessing alternative finance have more grants and tend to be smaller.
- Asset ownership does not necessarily lend itself to debt because assets may be unrealisable and/or difficult to renovate.

*Non-grant finance includes debt finance, equity finance and alternative finance

PHASE 2: KEY MESSAGES

- Heritage organisations think it is very important to measure outcomes. The outcomes they rate most highly are heritage and social outcomes.
- The majority of organisations rate themselves as good/very good at measuring outcomes.
- Organisations generally think that their knowledge and skills around finance, management and governance are good. Knowledge and skills around social investment and social impact are more likely to be rated poor.
- Organisations may need additional skills to access alternative sources of finance.
- Not having the time or resources were the most cited barriers to measuring outcomes (600 responses) followed by not having the right skills (300 responses).
- Organisations are interested in accessing finance through HLF, however, they are most interested in receiving help with capacity building through training, information and networking.

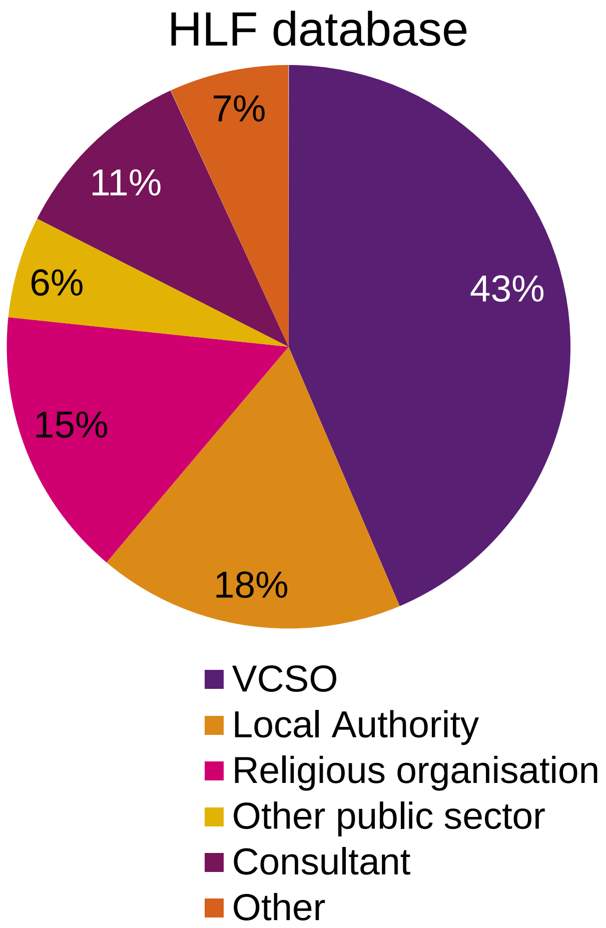
1. CHARACTERISTICS OF HERITAGE ORGANISATIONS

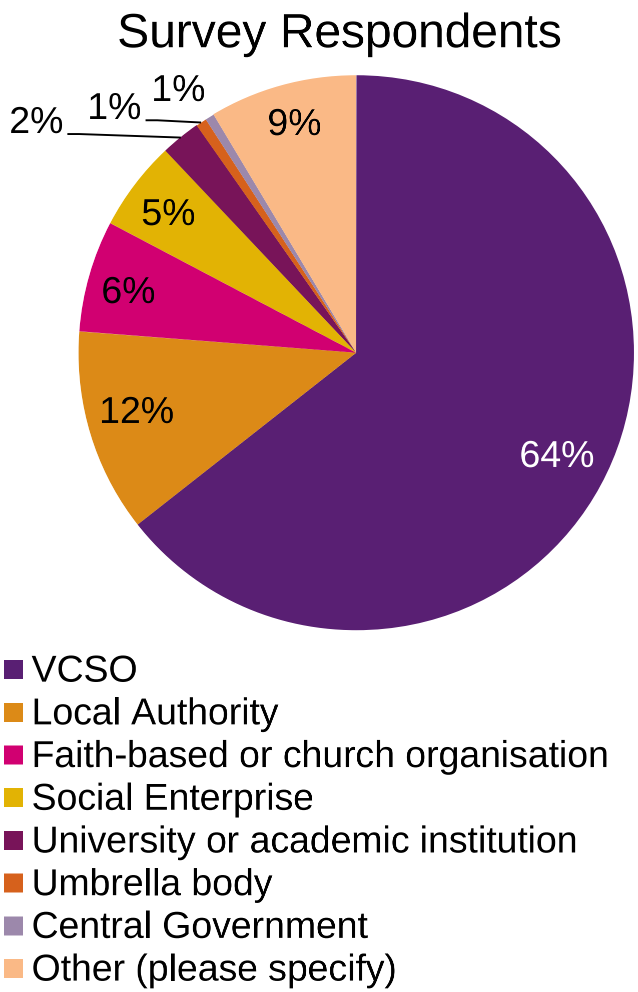
This section looks at the characteristics of heritage organisations with regards to type, size, subsector, skills, funding and assets.

KEY MESSAGES: CHARACTERISTICS OF HERITAGE ORGANISATIONS

- 64% of survey respondents identified themselves as VCSOs (as compared to 43% VCSOs in all grantees on the HLF database).
- Almost half of the organisations are registered as a company, (many of these are likely to also be registered charities).
- The income profile of respondents is larger than that of the voluntary sector because it includes universities, local authorities and umbrella bodies.
- Larger charities may have capacity to adapt business models for new funding sources.
- Largest group of respondents classified themselves as community/local history organisations followed by museums/galleries.
- Around 60% of organisations own a physical heritage asset.
- Buildings and collections are the most commonly owned asset (351 respondents and 347 respondents respectively). Respondents (total 955) could select as many assets as applicable.
- There is a strong reliance on volunteers in the sector with almost 30% of organisations operating without paid staff.

ORGANISATION TYPES IN THE HERITAGE SECTOR

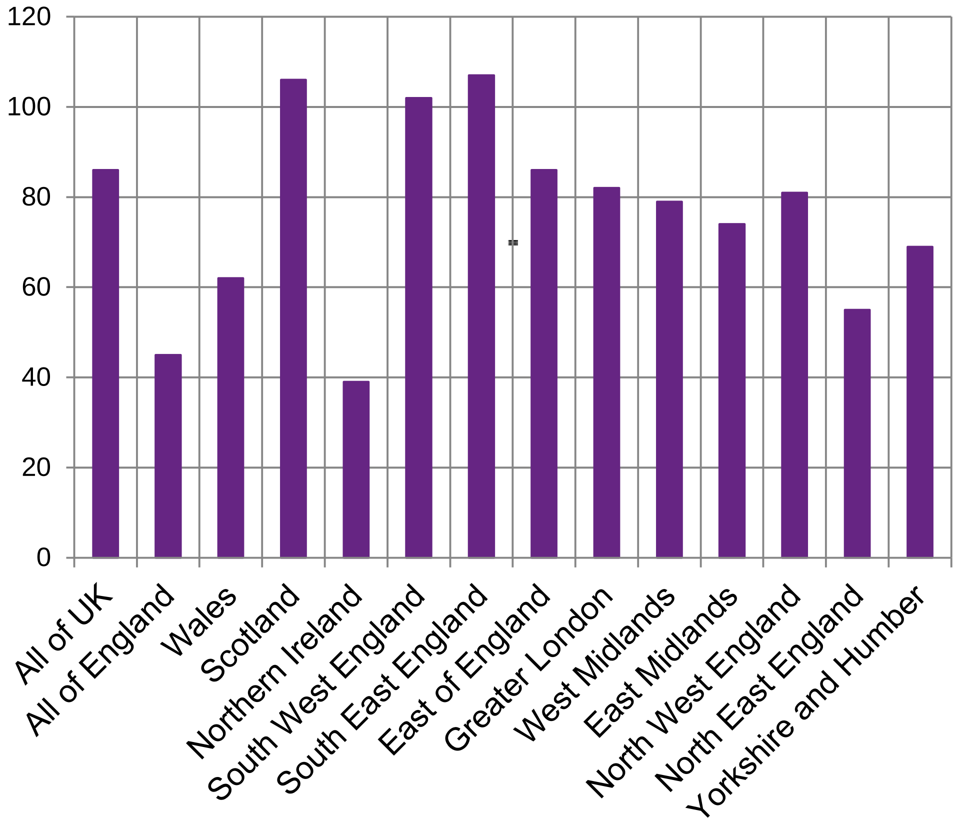




Other = groups, associations, independents, partnerships, companies.

Sample: 955

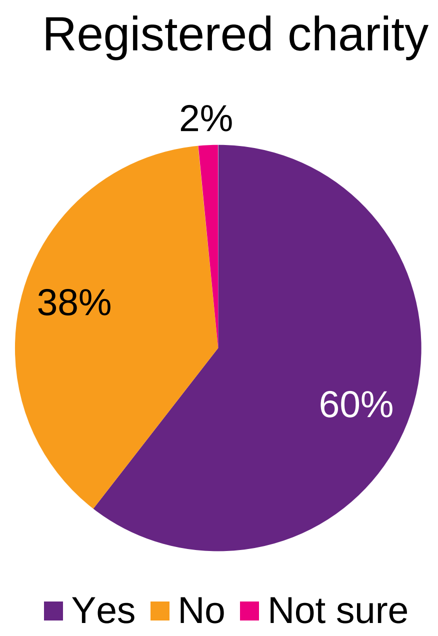
SURVEY: GEOGRAPHIC LOCATION OF ORGANISATIONS



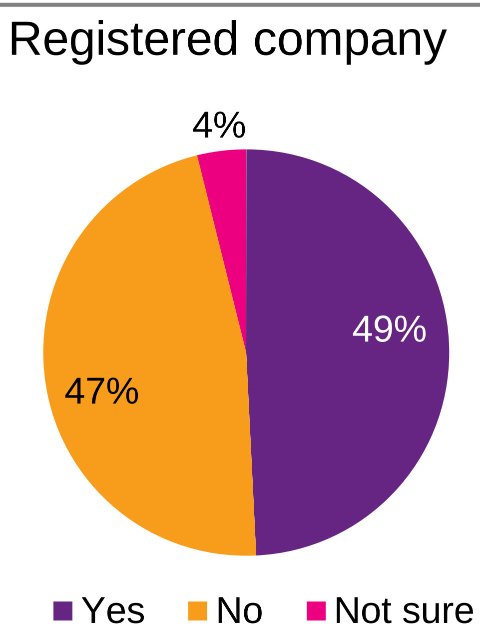
- Survey respondents were spread evenly across the UK providing a good geographical representation of organisations.
- There was a lower response from Northern Ireland (less than 40 orgs).
- However, many organisations operating in the countries may be captured by 'all of UK' response.

Sample: 955

SURVEY: REGISTERED CHARITY / COMPANY



- 60% of organisations are registered as a charity (consistent with 64% of organisations classing themselves as a VCSO).

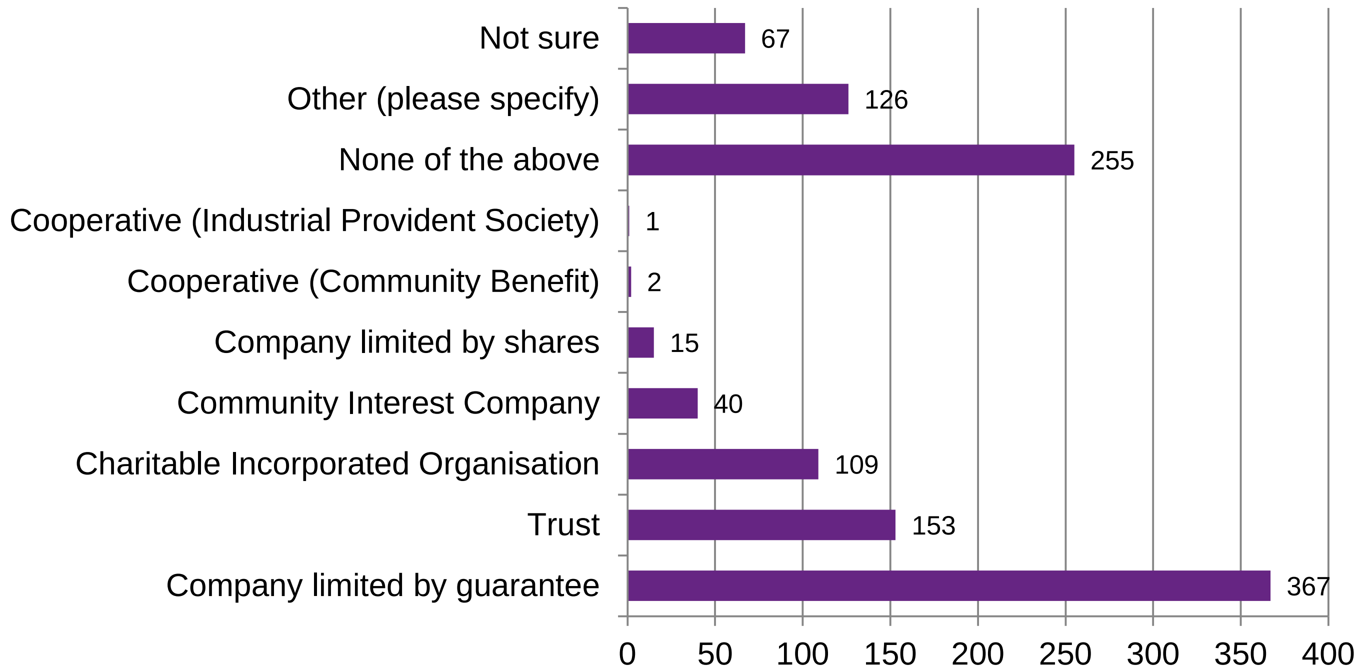


- Almost half (49%) of the organisations surveyed are registered as a company.
- This is likely to be as well as being a registered charity.

Sample: 955

SURVEY: LEGAL STRUCTURE OF ORGANISATION

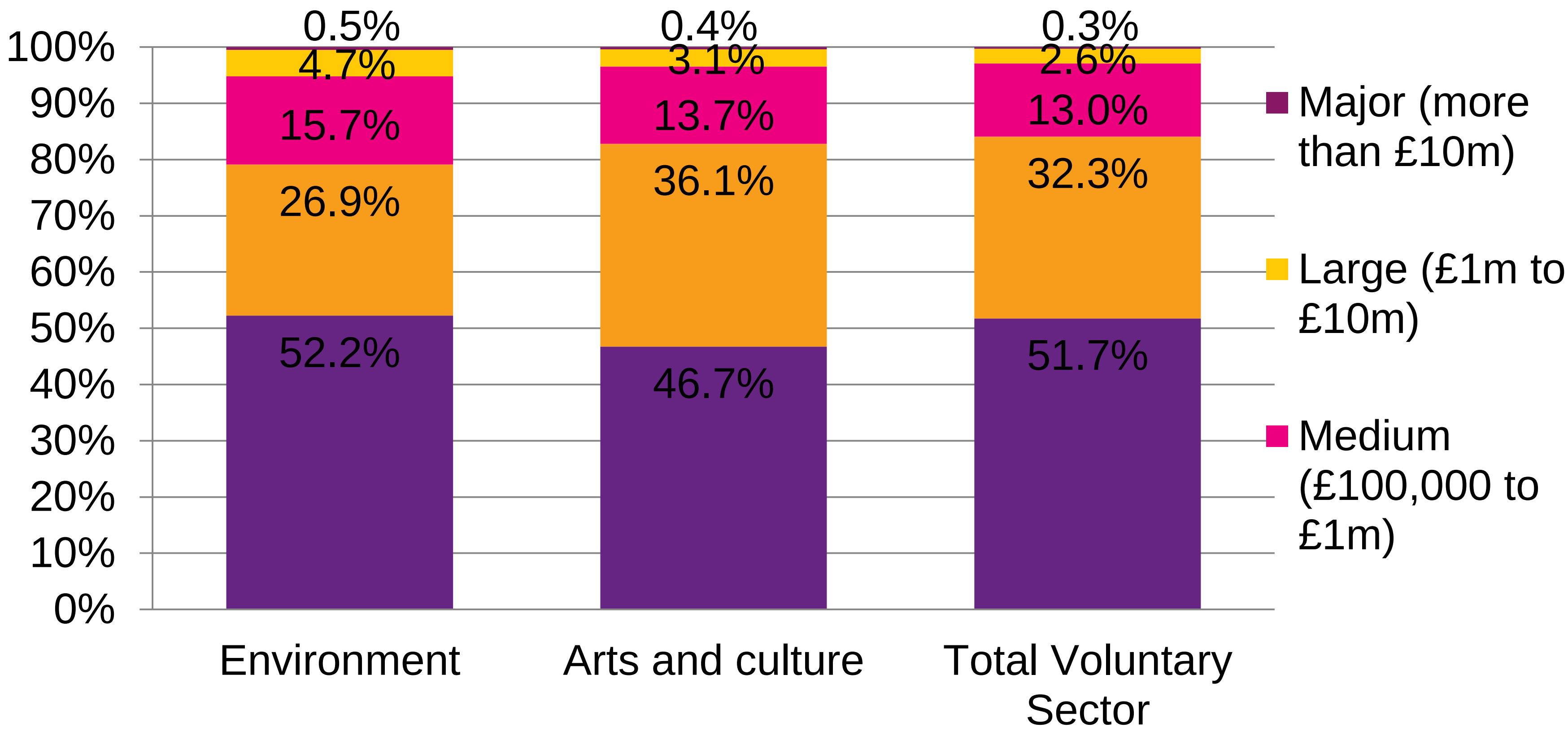
Sample: 955



- Legal structure of organisations is a factor when considering non-grant finance.
- TSRC found Companies Limited by Guarantee (CLG) and Community Interest Companies (CICs) exhibit above average proportions of social enterprises seeking debt finance in the previous 12 months.
- 71% of charities who are aware of social investment think that it is more appropriate for charities with social enterprises than for other charities.

CAF 'In Demand' https://www.cafonline.org/pdf/In_Demand 314.pdf:; C Lyon, F and Baldock, R (2014) Financing social ventures and the demand for social investment . TSRC

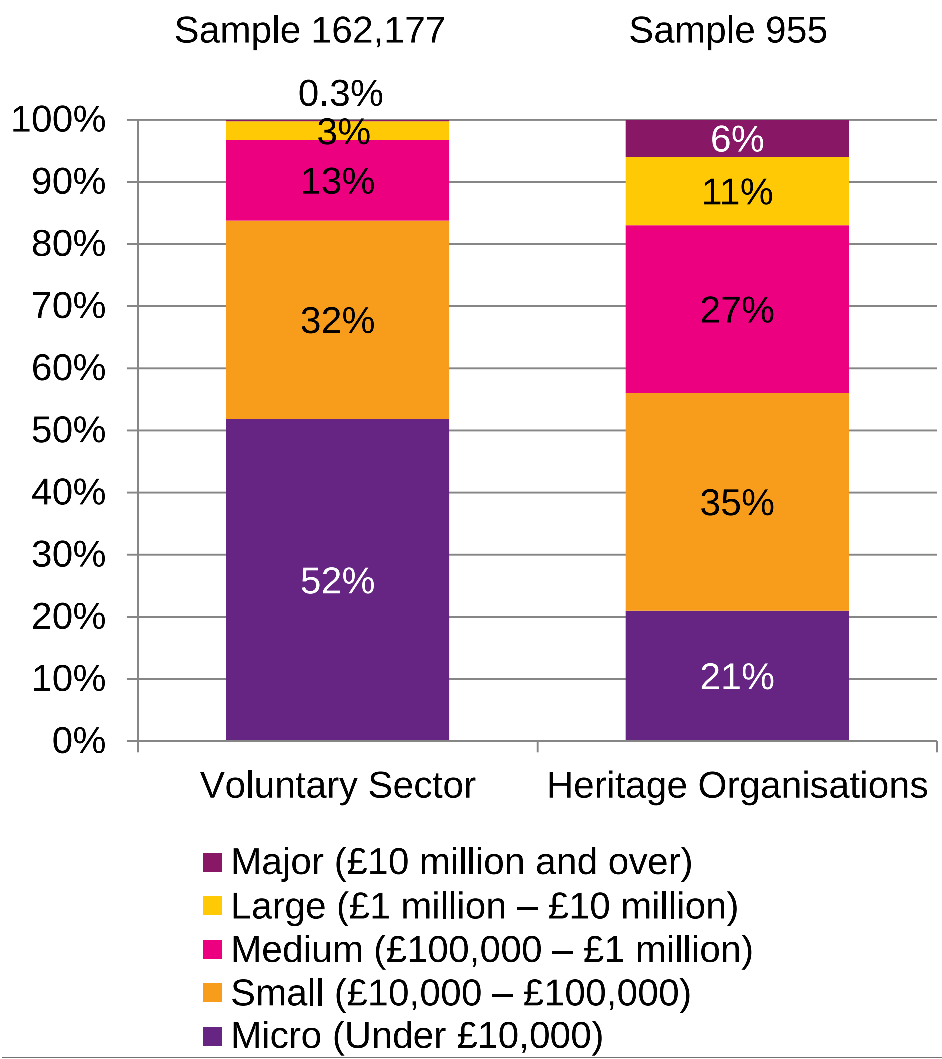
PHASE 1: CHARITY SIZE BY INCOME



There is a slightly lower proportion of micro and small charities in the relevant sub-sectors than in the voluntary sector as a whole, and a slightly higher proportion of large and major organisations.

Source: NCVO

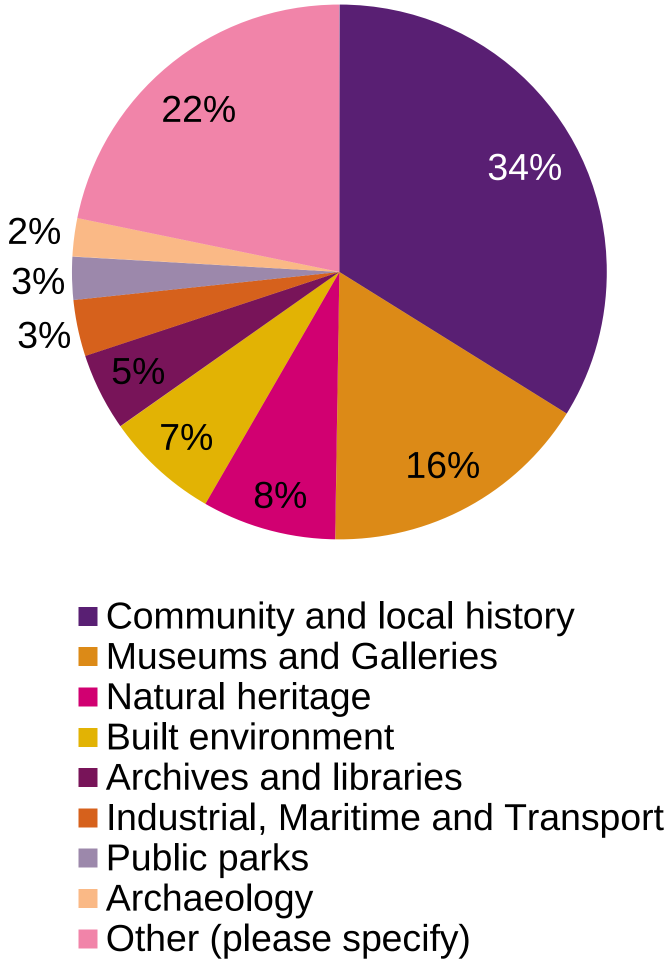
SURVEY: INCOME SIZE COMPARED TO VOLUNTARY SECTOR



- There is a smaller proportion of micro organisations in the heritage sector survey (21%) than in the voluntary sector as a whole (52%).
- This is likely to be a result of the heritage dataset containing larger organisations such as local authorities, academic institutions and umbrella bodies.
- It is interesting to note that around half the survey respondents have the minimum level of turnover required in a charity for a social investor such as CAF Venturesome to consider providing financial support (£60k or more).
  [NB, not all respondents were charities]

Voluntary sector data from NCVO Almanac 2013

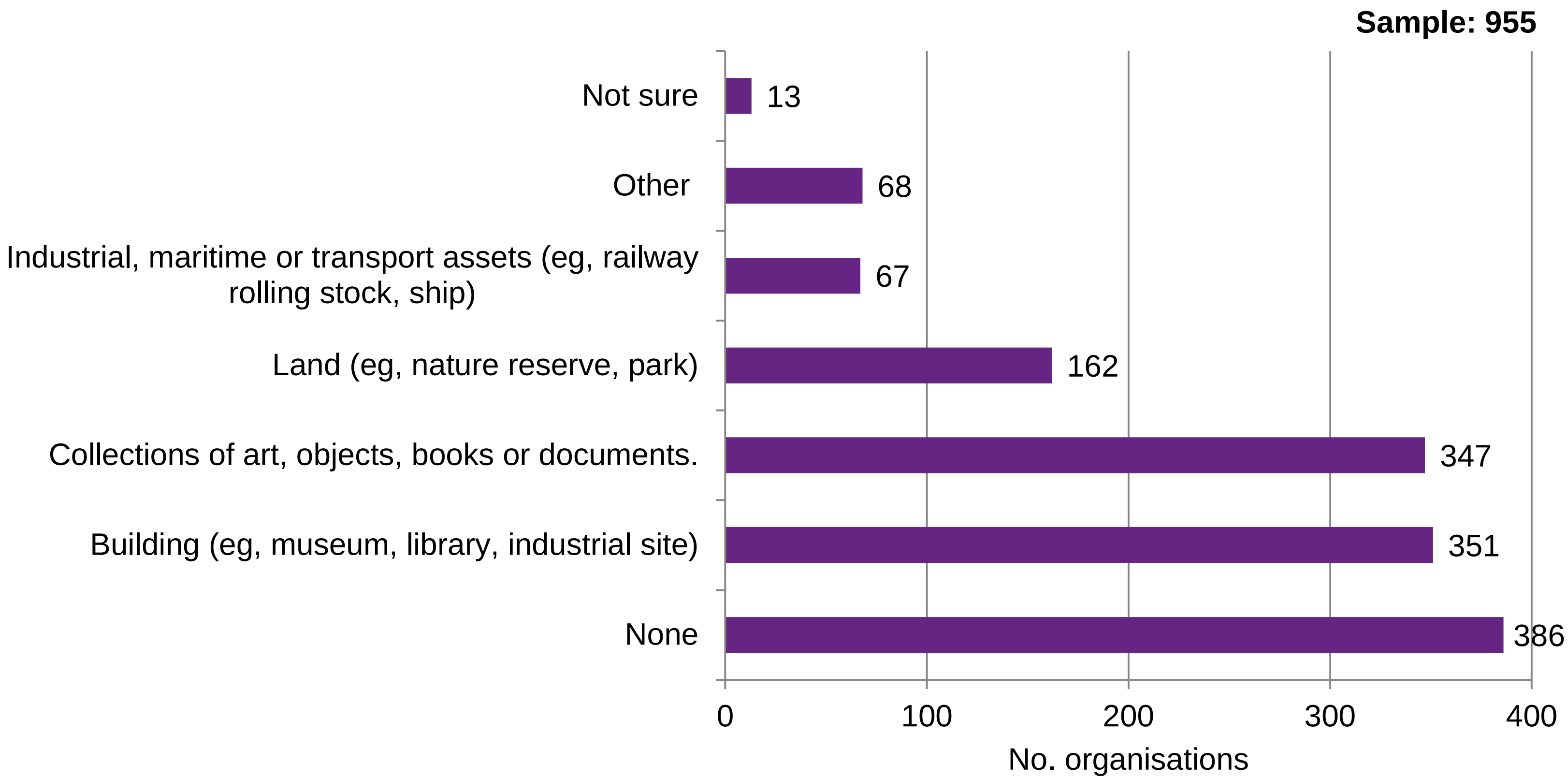
SURVEY: SUBSECTOR BREAKDOWN OF HERITAGE ORGANISATIONS



- Using HLF classifications, most organisations classify themselves as community & local history (34%) or museums & galleries (16%).
- The second largest group selected ‘other’ as their organisation type. This question required respondents to select one category that most reflected their primary activities. Many ‘other’ responses were in fact combinations of categories rather than new distinct categories.
- Frequent ‘other’ answers were education, religion and art.

Sample: 955

SURVEY: ASSET OWNERSHIP



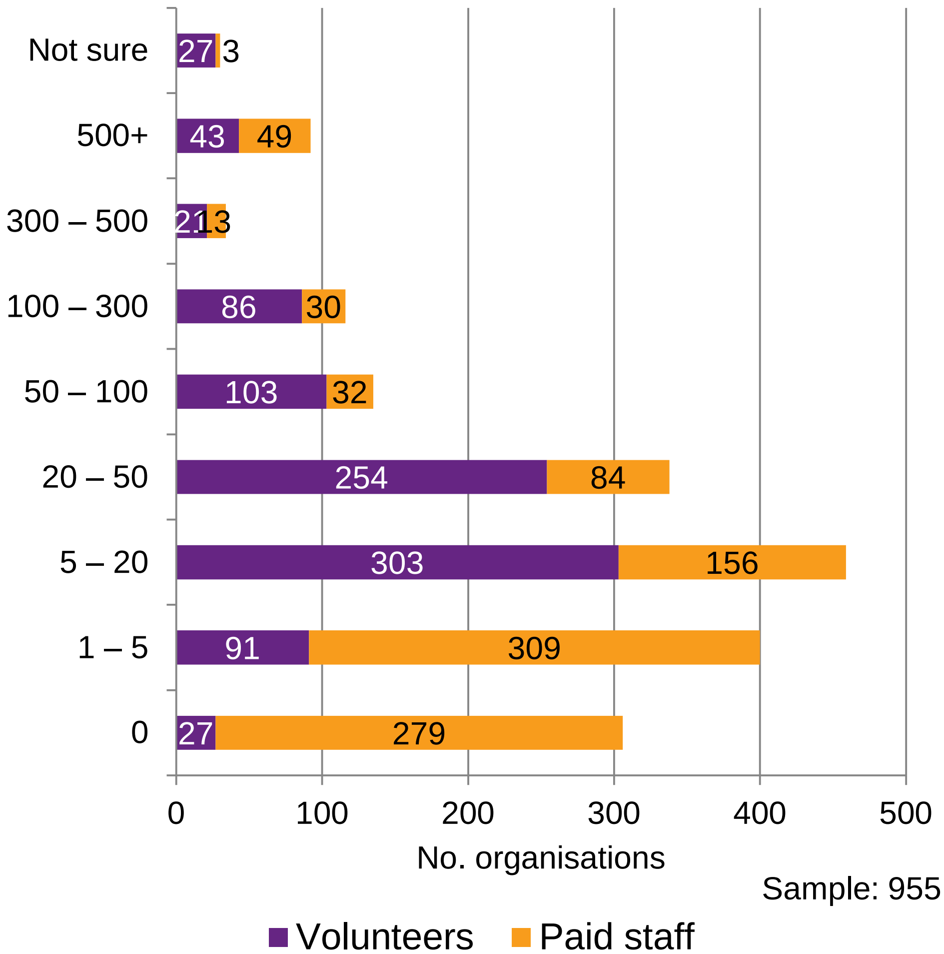
- Around 60% of organisations own a physical heritage asset.
- Buildings and collections are the most common asset with around one third of organisations owning one or both of these.

ASSET OWNERSHIP

- **Assets** are one way to access non-grant finance through secured lending.
- Research commissioned by CASE suggests that 69% of museums and 80% of libraries directly own their own building.
- NCVO say that their valuation of the sector's fixed assets is probably an under-estimate. Organisations' holdings of historic and inalienable assets such as art collections—which are often difficult to value—are unlikely to be included and the assets of small charities that submit receipts and payments accounts are likely to be undervalued.
- However, heritage assets may be largely unrealisable.

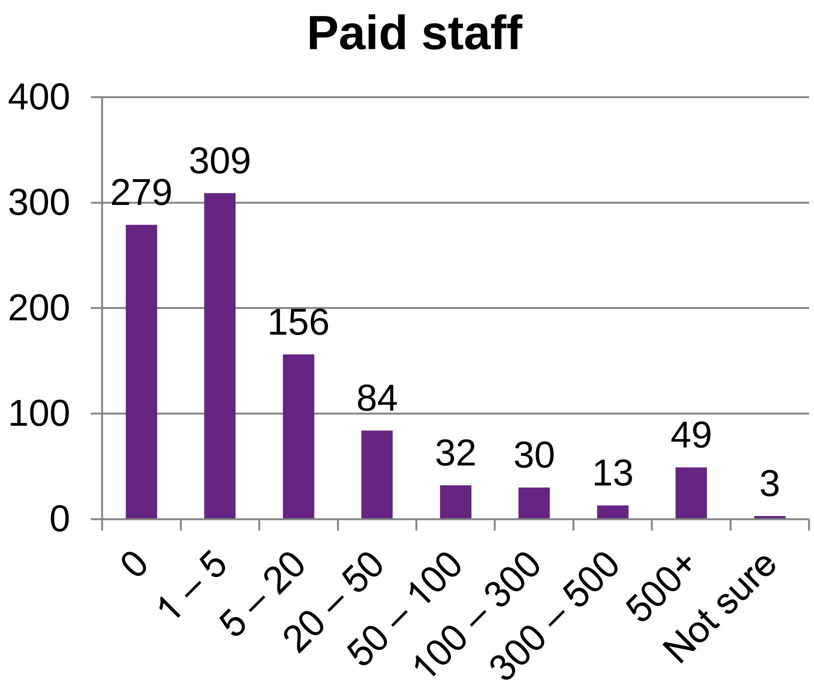
Sources: Arts Council England (2013) Social Investment and non-grant finance; the role of the Arts Council in the mixed economy

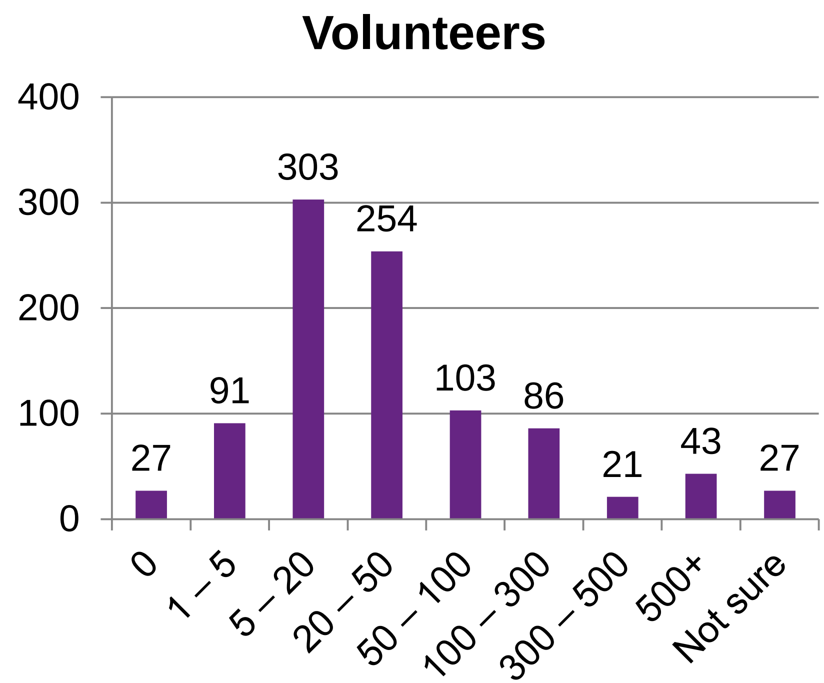
SURVEY: ORGANISATION SIZE BY VOLUNTEERS AND PAID STAFF



- Most organisations have a workforce of fewer than 50 paid staff and fewer than 50 volunteers.
- Around one third (29%) of organisations function with no paid staff (279 of 955).
- A further one third (32%) of organisations have only 1-5 paid staff (309 of 955).
- Heritage organisations have a strong workforce of volunteers in comparison to paid staff.
- In 2008, The Heritage Alliance found that 24% of 'national' heritage bodies operated without paid staff. 'Local' organisations are said to rarely employ paid staff.

WHO MAKES UP THE WORKFORCE?





- Around one third (29%) of organisations function with no paid staff (279 of 955).
- A further one third (32%) of organisations have only 1-5 paid staff (309 of 955).

- Only 3% of organisations have no volunteers (27 of 955).
- Strong workforce of volunteers:
  - 28% of orgs have 5-100 paid staff;
  - 69% of orgs have 5-100 volunteers.

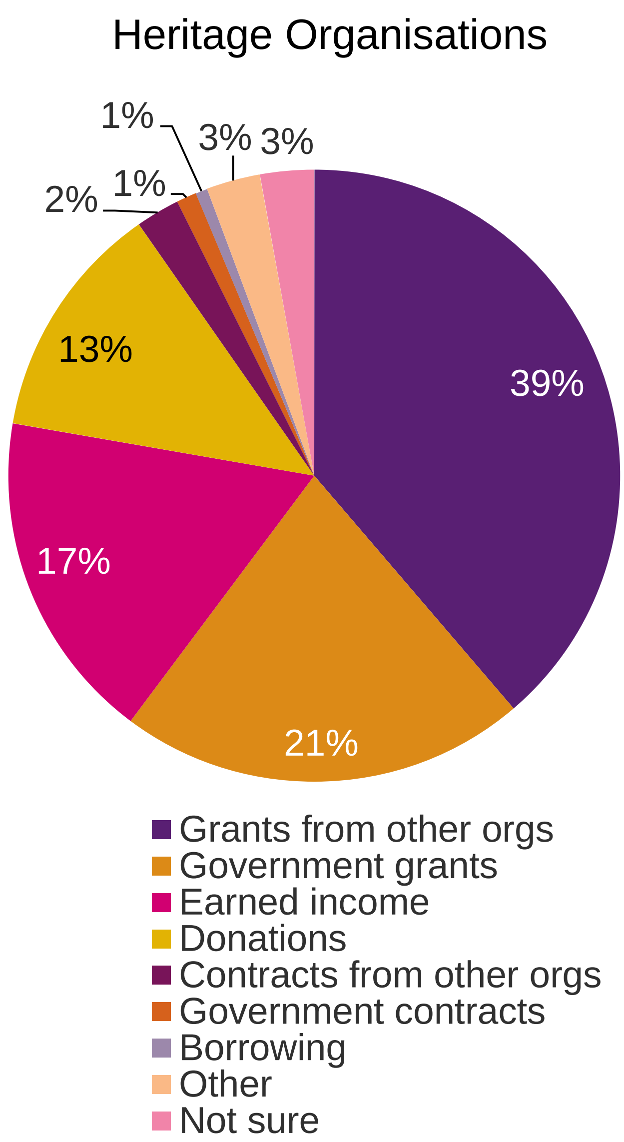
2. FUNDING TRENDS IN THE SECTOR

This section looks at how heritage organisations are currently funded and how this has changed over the last three years.

KEY MESSAGES: FUNDING

- There is a heavy reliance on grants in the heritage sector; 60% of organisations report that this is their largest source of income.
- Earned income is the largest source of income for 17% of organisations. Earned income streams are important for repayable financing models.
- Heritage organisations have weathered the difficult funding environment well. 73% of organisations report that over the last three years, their income has stayed the same or increased.
- 45% of large or major (income over £1m) organisations reported a decrease in overall income, compared to 22% of medium and 14% of small or micro organisations.
- More organisations that rely on government grants as their largest source of income report a decrease in their overall income.

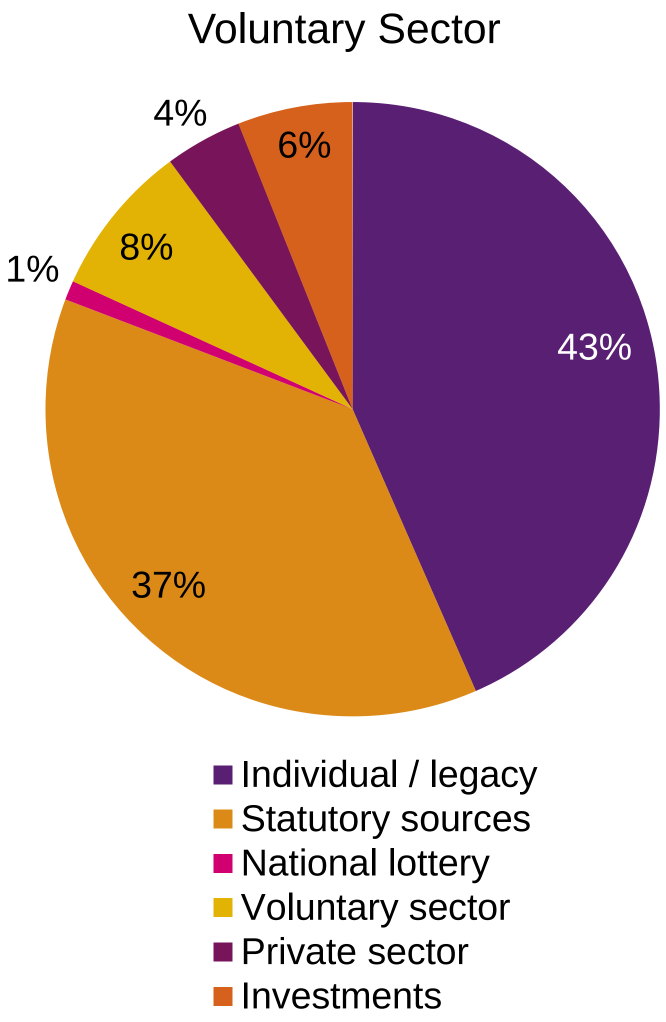
SURVEY: LARGEST SOURCES OF INCOME



- This graph shows the proportion of organisations against their largest sources of income.
- There is a heavy reliance on grants; 60% of heritage organisations report that grants are their largest source of income (21% government grants; 39% grants from other organisations).
- 17% of organisations state that earned income is their largest source of income.
- The largest source on income in the VCS is from individuals and legacies, but only 13% organisations stated that earned income is their largest source of income—suggesting there is room for growth in this in the heritage sector.

Sample: 955

INCOME IN THE VOLUNTARY SECTOR

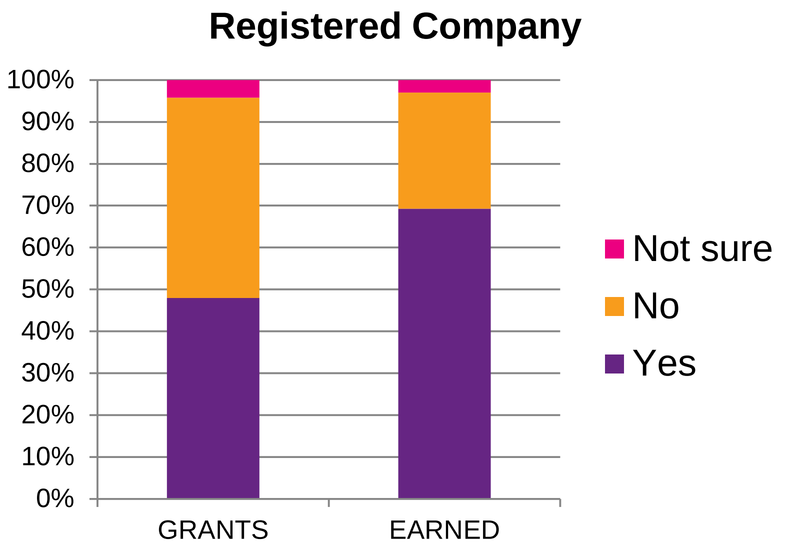


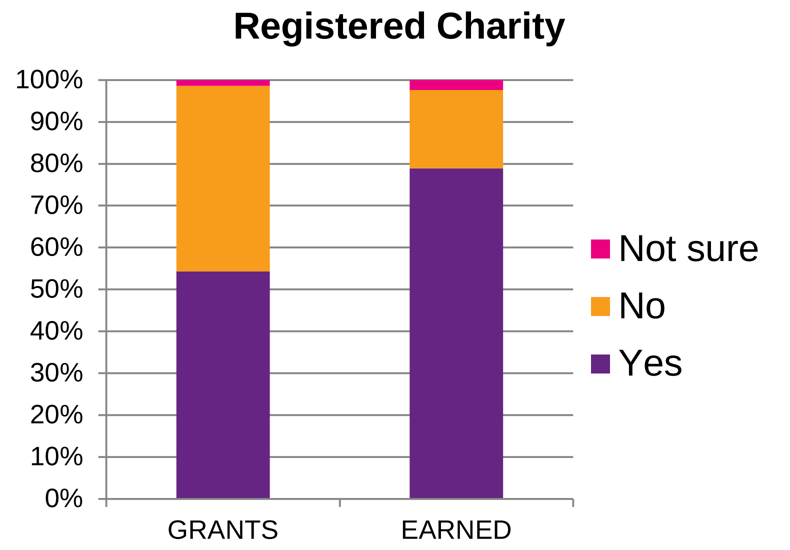
- This graph shows the income sources for the whole of the voluntary sector and is not comparable to the previous graph.
- 43% of income in the voluntary sector comes from individuals / legacies.
- Statutory contributions to the sector comprise 37% of the total income.

Sample 162,177

Voluntary sector data from NCVO Almanac 2013

SURVEY: COMPARING ORGANISATIONS WITH GRANT INCOME AND EARNED INCOME

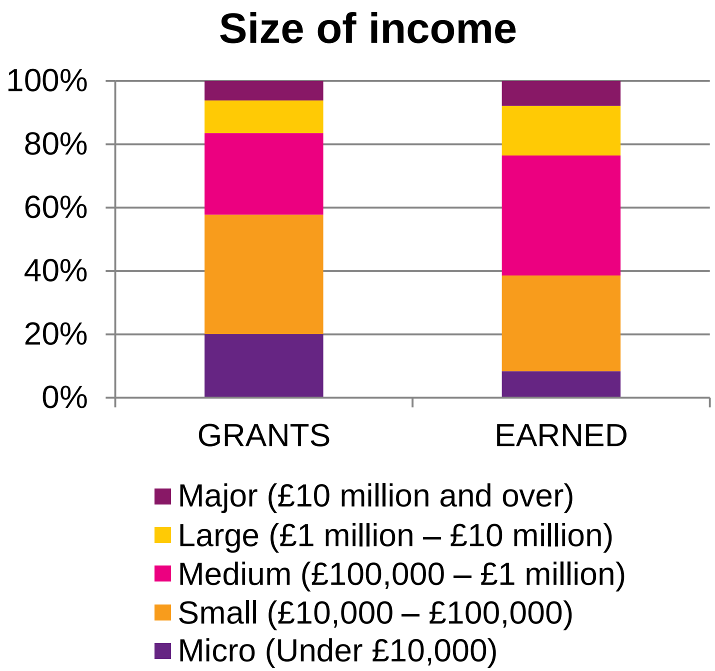




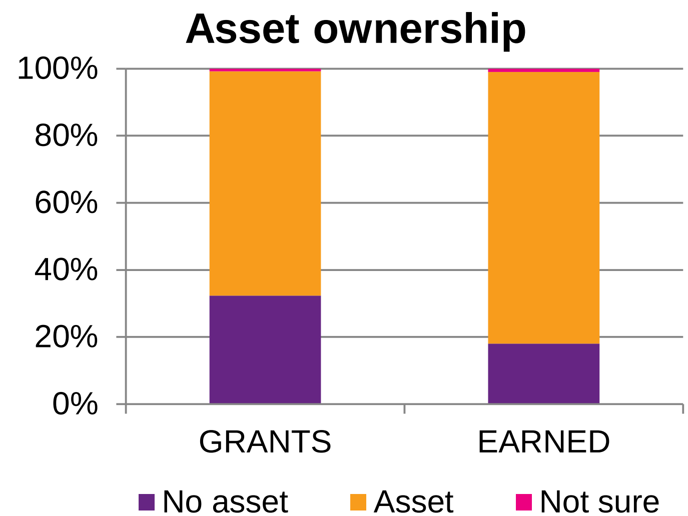
- Organisations that report their largest income source as earned income are more likely to be a registered company than those receiving the largest part of their income from grants.

- Those organisations with earned income are also more likely to be a registered charity. This may be because the organisations receiving grants are public sector or VCSOs below the income threshold to register with the Charity Commission (£5,000).

SURVEY: COMPARING ORGANISATIONS WITH GRANT INCOME AND EARNED INCOME

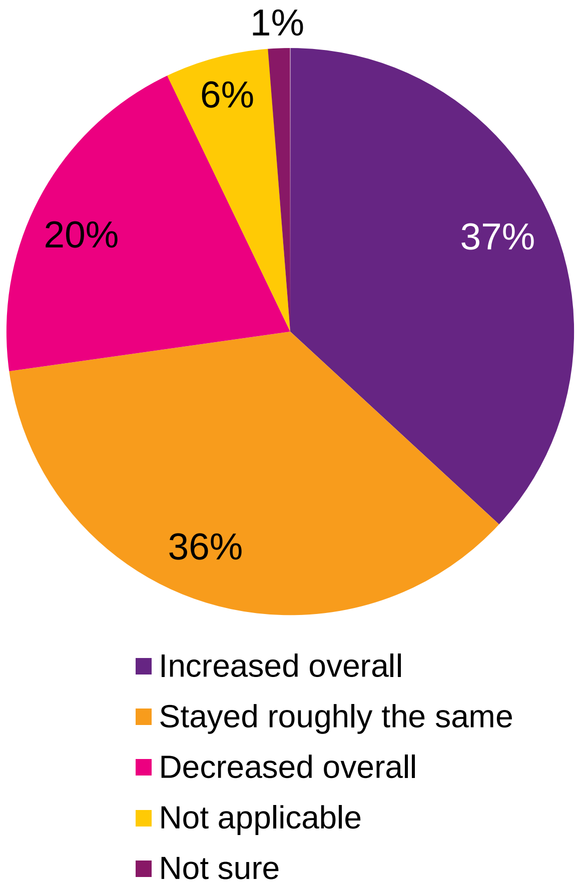


- Organisations relying on grants are more likely to be small–micro (approx. 60%).
- Comparatively, organisations relying on earned income are more likely to be medium–major (approx. 60%).



- Organisations relying on grant income are less likely to own a physical asset (65%) than those relying on earned income (87%).

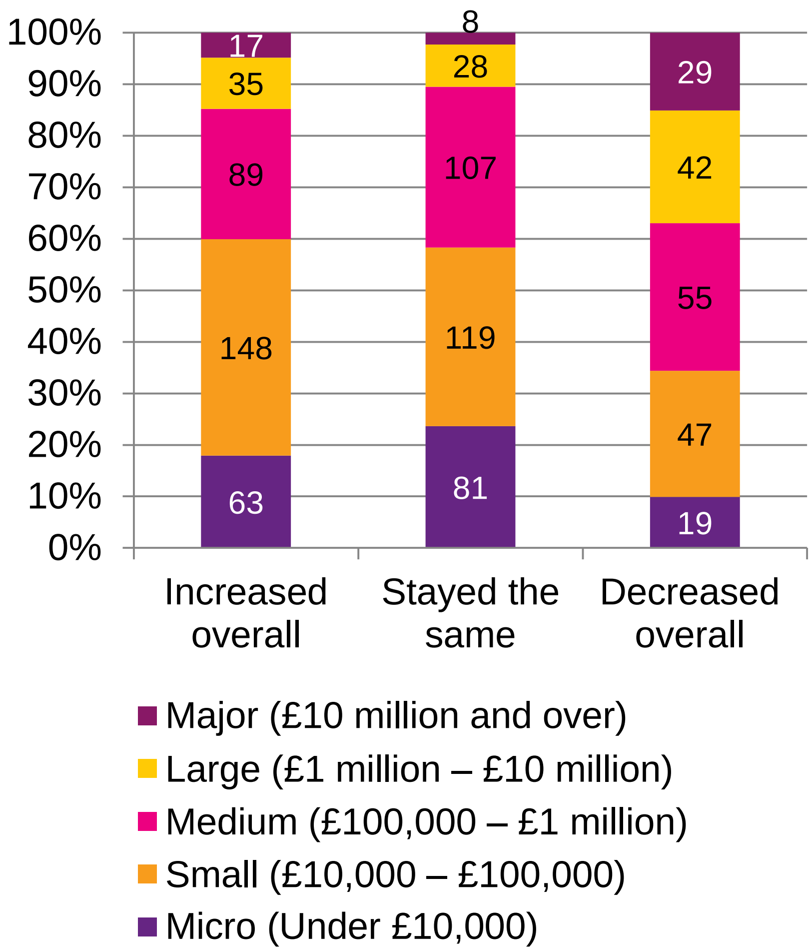
SURVEY: CHANGE IN INCOME OVER THE LAST THREE YEARS



- 73% of organisations report that over the last three years, their income has stayed the same or increased.
- Only 20% of organisations report an overall decrease in their income.

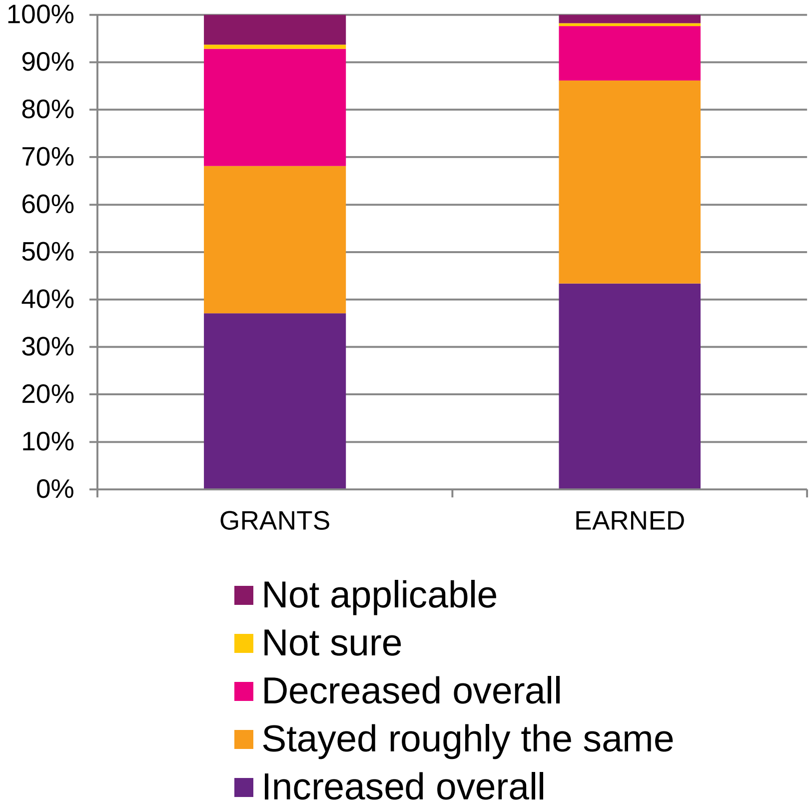
Sample: 955

SURVEY: CHANGES IN INCOME BY ORGANISATION SIZE



- 45% of large/major organisations (income over £1m) reported a decrease in overall income, compared to 22% of medium and 14% of small/micro organisations.
- This may be due to large organisations' reliance on large government grants which have suffered the greatest cut backs.
- A greater proportion of small / micro organisations reported that their income had stayed the same or increased than had decreased.

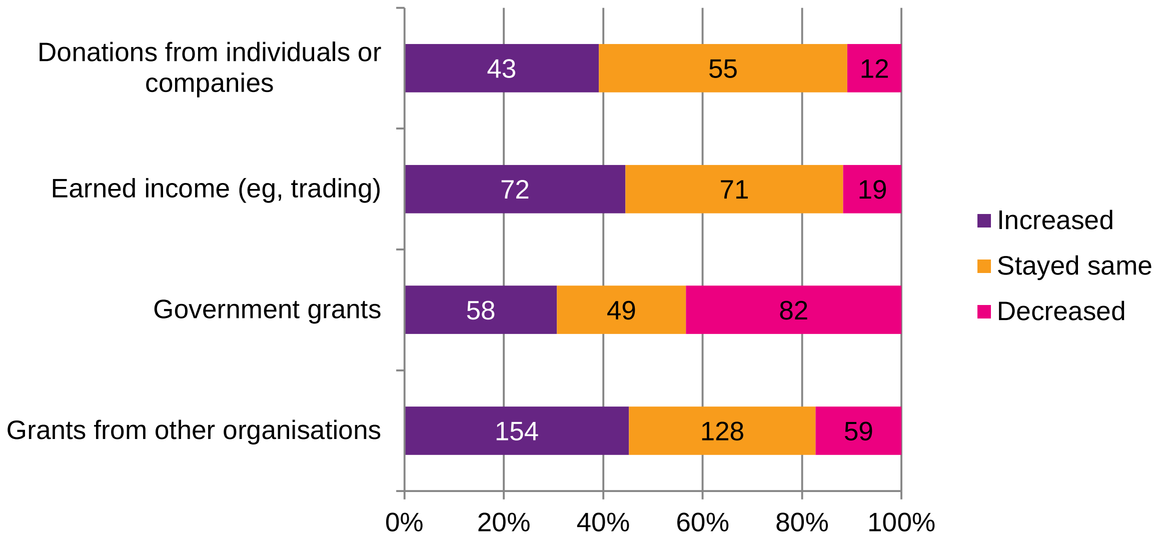
SURVEY: CHANGES FOR ORGANISATIONS WITH GRANT VS EARNED INCOME



- Organisations relying on grants as their main source of income report a greater overall decrease in income (25%) than those relying on earned income (11%).
- 37% of organisations relying on grants say their income has increased (this is the same figure as all organisations surveyed).
- For those relying on earned income, the proportion of organisations reporting an increase in income is even higher at 43%.

Sample size grants 571, earned 166

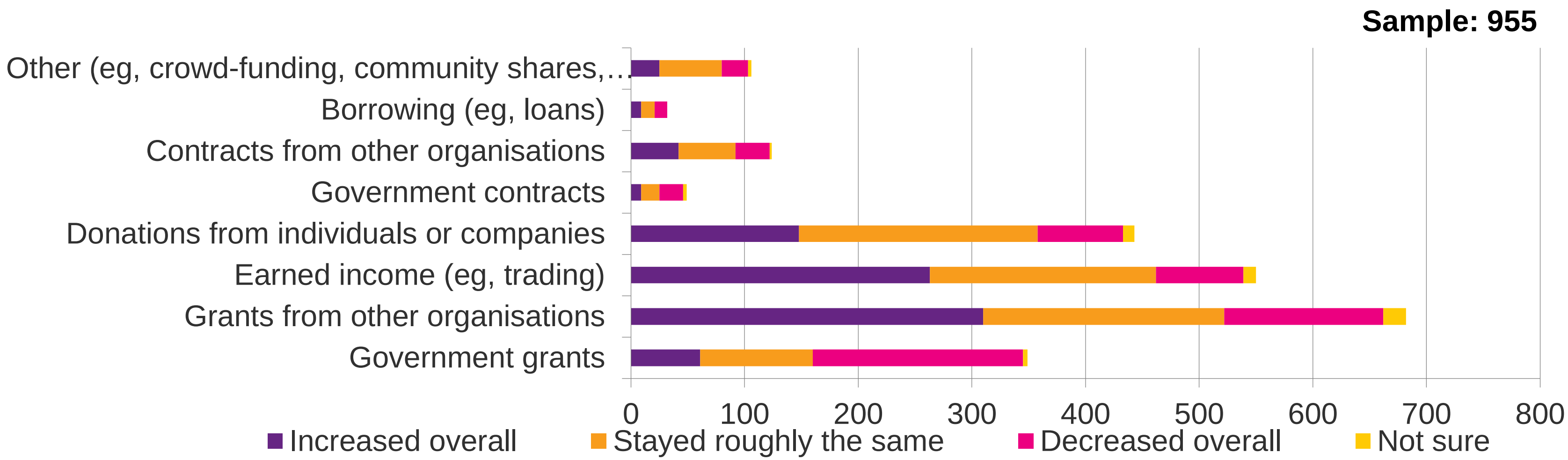
SURVEY: CHANGES IN LARGEST SOURCE OF INCOME OVER THE LAST THREE YEARS



More organisations that rely on government grants as their largest source of income report a decrease in their overall income. This is in comparison to organisations that rely on any of the other three most common income sources.

Sample: 955

SURVEY: CHANGES IN LARGEST SOURCE OF INCOME OVER THE LAST THREE YEARS



- More organisations that rely on government grants as their largest source of income report a decrease in their overall income. This is in comparison to organisations that rely on any of the other three most common income sources.
- CAF asked charities how they expect their largest funding source to change over next five years. Agreed government funding will decrease.
- Grants from other organisations and earned income has increased. AC&B research found that trust and foundations giving to arts and culture rose 16% 2011/12.
- This may indicate that organisations are turning to other sources of finance as statutory sources dry up.
- At present only 1% of organisations report that borrowing is their largest source of income so changes in this area are difficult to establish.

Sources: CAF (2014) In demand. The changing need for repayable finance in the charity sector. Arts & Business (2013). Private Investment in Culture Survey 2011/12. A&B.

3. APPETITE FOR NON-GRANT FINANCE

This section looks at the types of non-grant finance available and whether heritage organisations know about these, are interested in using them or have experience of using them.

KEY MESSAGES: APPETITE FOR NON-GRANT FINANCE

The majority of heritage organisations are not interested in taking on debt (66%) or equity (48%) but there is a high degree of interest in crowdfunding.

This may be because crowdfunding models are not well understood and it is seen as a way of increasing donations.

Debt remains controversial for some charities but is being accessed already by 12% of survey.

There is some interest in mixed funding (grants + loans) and payments for ecosystem services. CAF also found emerging demand for mixed funding models.

Reasons for not using non-grant finance centre on mission, relevance and eligibility. It is possible that this is a stems from a lack of understanding of non-grant finance options that might suit them.

Recent research for CAF shows the underdeveloped nature of the market that 61% of charities do not have experience of taking on finance or are unlikely to do so in the future*.

Source: CAF (2014) In demand. The changing need for repayable finance in the charity sector.

NON-GRANT FINANCE

We asked heritage organisations about their views and experience of non-grant finance. Specifically, we looked at three types of products: debt, equity and alternative finance.

Debt finance

- Secured loan
- Unsecured loan
- Guarantee finance
- Bonds

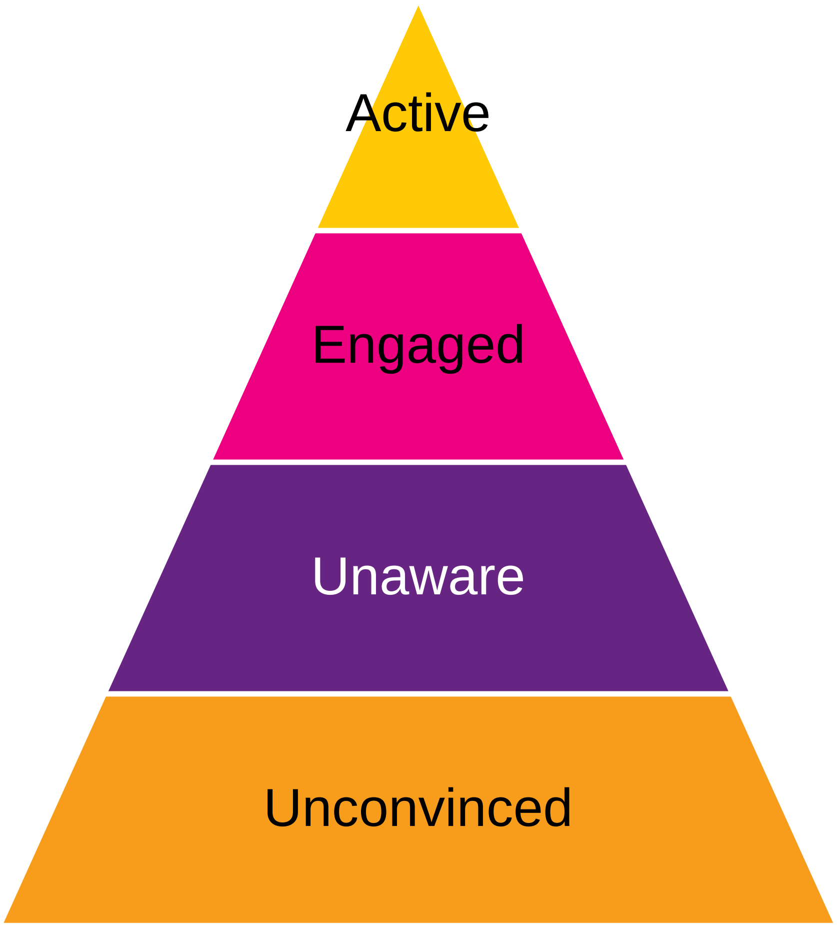
Equity finance

- Equity (inc. community shares)
- Quasi-equity

Alternative finance

- Crowdfunding
- Social Impact Bonds
- Payments for eco-system services (and biodiversity offsets)

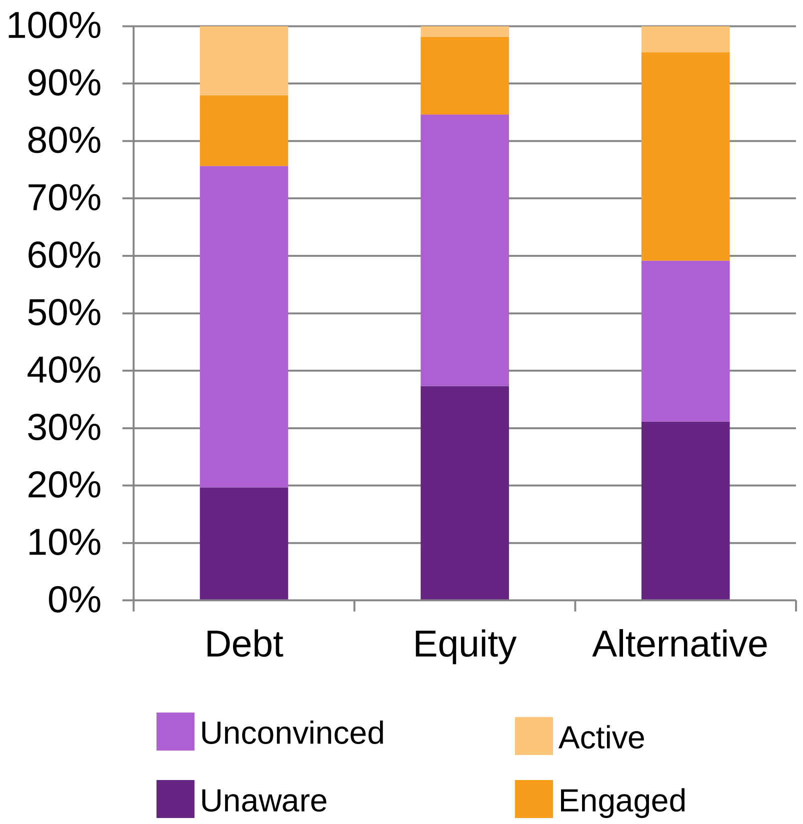
HOW HERITAGE SECTOR ORGANISATIONS HAVE ENGAGED WITH NON-GRANT FINANCE



The survey identifies four main groups of people:

- **Active:** few people are using or have used non-grant finance.
- **Engaged:** some people are showing interest in using non-grant finance—this tends to be focussed on specific products such as crowdfunding and payments for eco-system services.
- **Unaware:** a large number of people have never heard of many products such as guarantee finance, quasi equity and social impact bonds.
- **Unconvinced:** the majority of people are not interested in using non-grant finance—especially debt finance such as loans.

SURVEY: APPETITE, KNOWLEDGE AND EXPERIENCE OF NON-GRANT FINANCE



Sample: 955

Active users of non-grant finance product(s):
12% debt finance
2% equity finance
5% alternative finance

TSRC found repayable debt finance was sought by 15% of social enterprises, relating mainly to loans (10%) and overdrafts (6%).

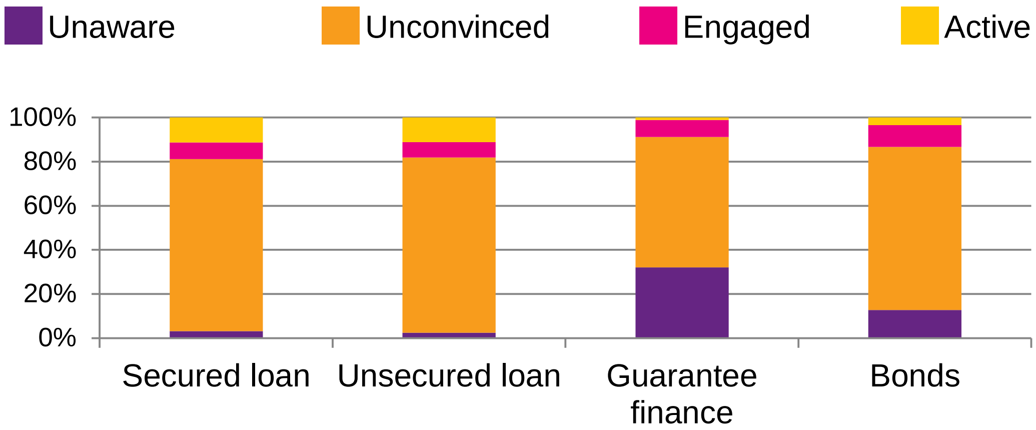
Unaware / unconvinced of non-grant finance product(s):
76% debt finance
84% equity finance
59% alternative finance

61% of charities with an annual income of over £60,000 have no experience of taking out repayable finance and no expectation of doing so in the future (CAF).

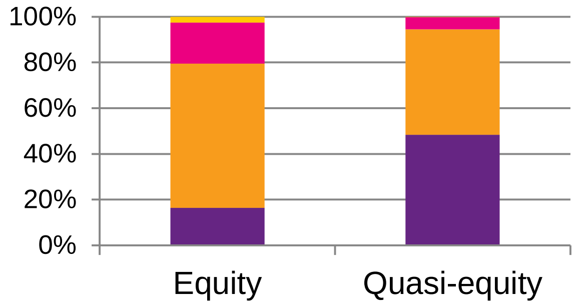
CAF found that future demand for borrowing is in non long term products—unsecured loans and overdrafts.

Source: CAF (2014) In demand. The changing need for repayable finance in the charity sector.

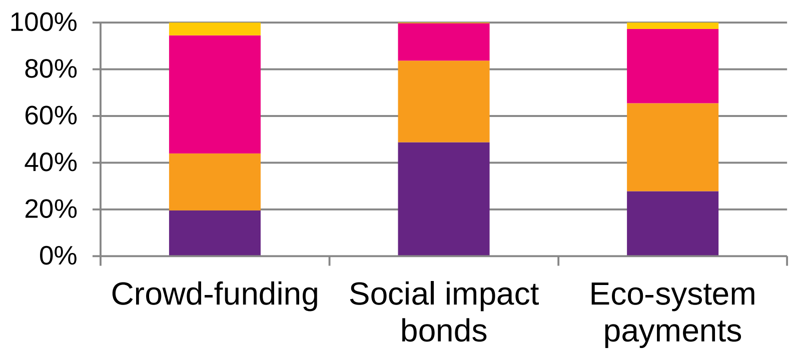
SURVEY: NON-GRANT FINANCE PRODUCTS



Debt finance
There is a general reluctance to use debt finance in the heritage sector.



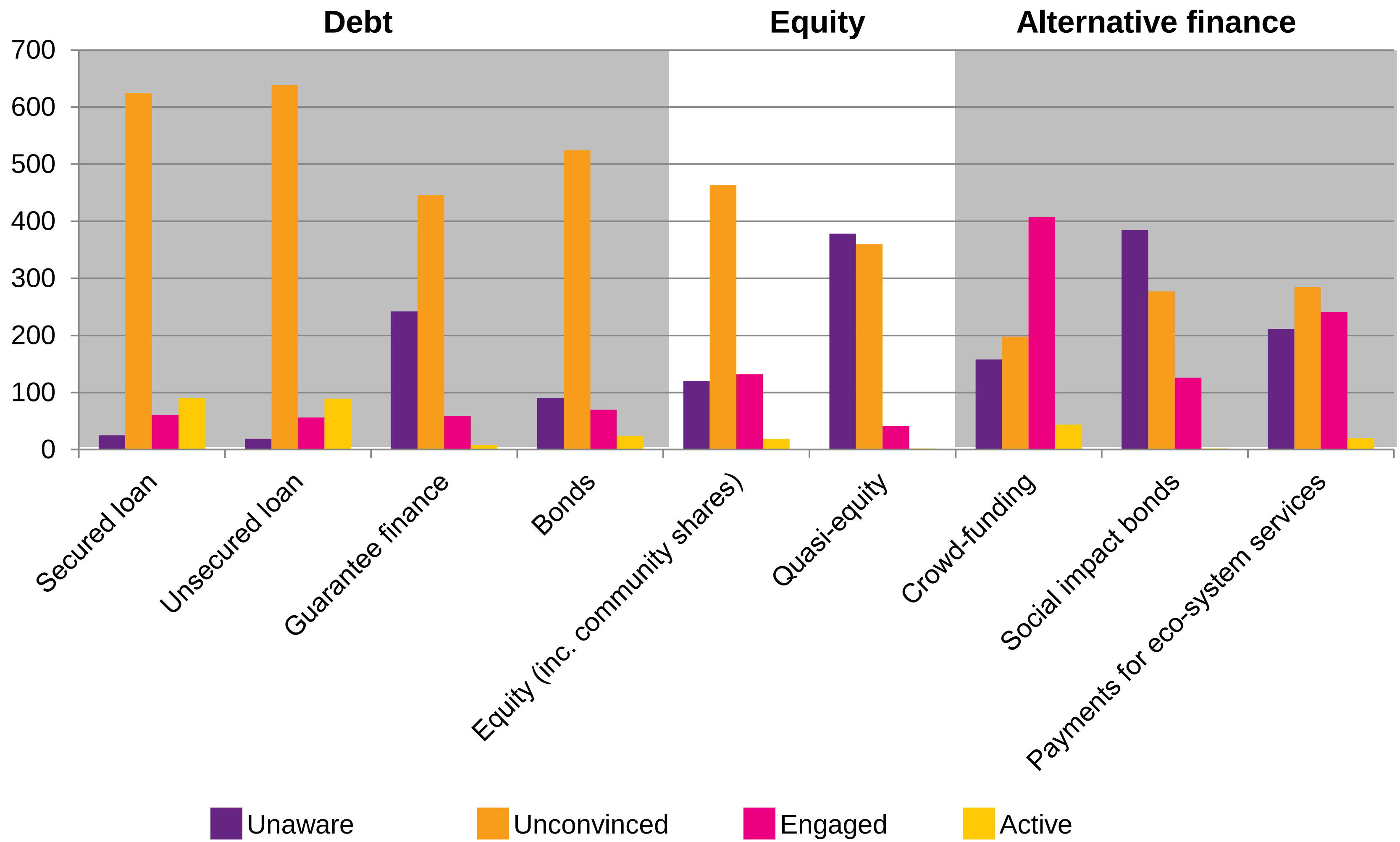
Equity finance
Most people are not interested in sourcing equity. Knowledge needs to be built around quasi-equity products.



Sample: 955

Alternative finance
There is more interest in using alternative finance such as crowdfunding. But many people have never heard of these products.

SURVEY: NON-GRANT FINANCE PRODUCTS

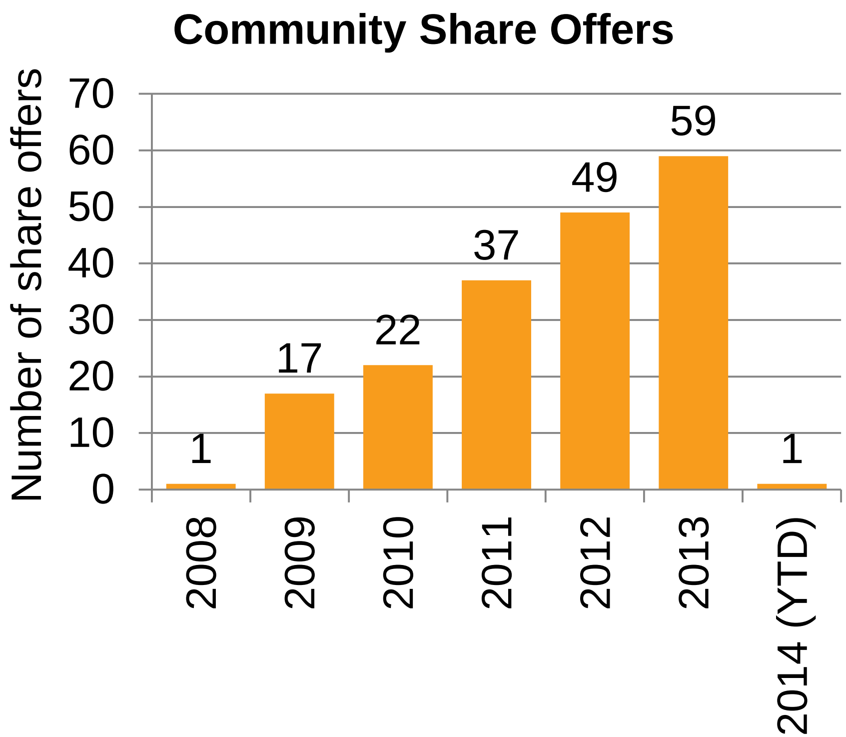


Sample: 955

EMERGENCE OF OTHER NON-GRANT FINANCE APART FROM SECURED LOANS

Community shares

- Community share issues have grown rapidly.
- Issues are usually conducted through a type of industrial and provident society known as a community benefit society, which is an exempt charity regulated by the Financial Services.
- Community shares provide leverage to raise funds from elsewhere through providing long term risk capital and demonstrating community support for projects.
- To date most in shops, pubs and energy but some heritage also Hastings Pier, Unity Hall Wakefield.



71% of community share issues made by community benefit societies; 27% by cooperatives and 2% by other organisations.

Source: Locality

HASTINGS PIER

Hastings Pier and White Rock Trust, set up by a local residents, has put together plans to restore the fabric of the pier and create new facilities. A community shares issue has raised £500k+

Size of organisation	• 9 FT staff, 60+ volunteers
Type of organisation	• Legal structure changed several times • Now an IPS BenCom with exempt charity status
Size of project	• £13.9m for redevelopment; £300k on top as 'working capital' for ongoing commercial operation of the pier on completion
Community shares	• Important for getting local people behind the project • 40% of total so far from Hastings, 75% from Kent and Sussex
Sources of finance	•Bulk of funding from HLF: £11.4m grant •Rest a combination of other grants, loans and CS
Lessons learned / advice:	• You have to understand the motivations of funders—they were successful with funders who were happy with a commercial element • Consider political landscape and capitalise

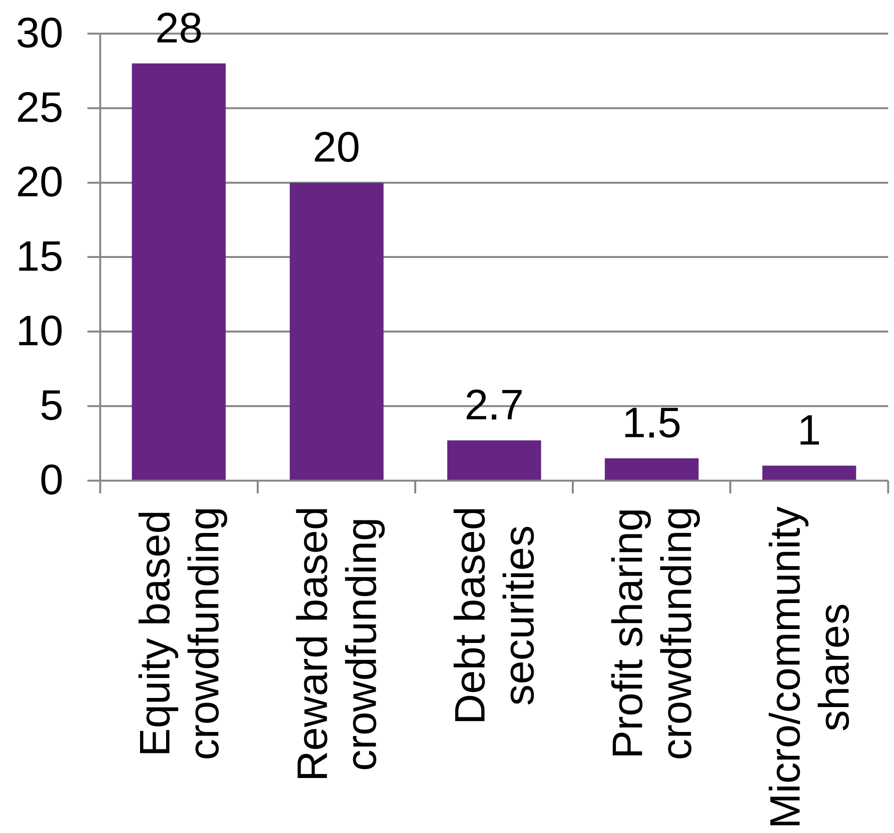
"If the pier is to survive another 140 years it will be because it gets used, and that's where community ownership is vital'

EMERGENCE OF OTHER NON-GRANT FINANCE APART FROM SECURED LOANS

Lots of potential in alternative finance

- Majority of alternative finance is donation based crowdfunding and peer-to-peer online fundraising (£310m).
- For local and community fundraising there isn't much evidence for how well any method outside donations works.
- Loan and equity crowdfunding platforms for social ventures have been launched in past 2 yrs.
- Very small amounts being raised.
- Unclear how engaged heritage organisations are.

Transaction volumes (£m) 2013



Source: Collins, Swart, Zhang (2013) The Rise of Future Finance: The UK Alternative Finance Benchmarking Report. Nesta. http://www.nesta.org.uk/sites/default/files/the_rise_of_future_finance.pdf

DIGVENTURES

Dig Ventures runs archaeological digs, and is one of the first organisations of its kind to use **crowdfunding** for significant portions of its income

Size of organisation	• 4 FT members of staff
Type of organisation	• Social enterprise. Set up as CLG, working towards becoming a CIC
Size of project	• Projects scalable depending on amount raised • £18k+ raised this year through **crowdfunding**
Sources of finance	1. Small business loan 2. Consultancy 3. Crowdfunding 4. Projects in schools
Lessons learned / advice	• Attitudes need to change around commercially oriented activities. It is the way for the sector to move forward sustainably, away from grant dependency • Crowdfunding has to give something back to people. It is not charitable giving.

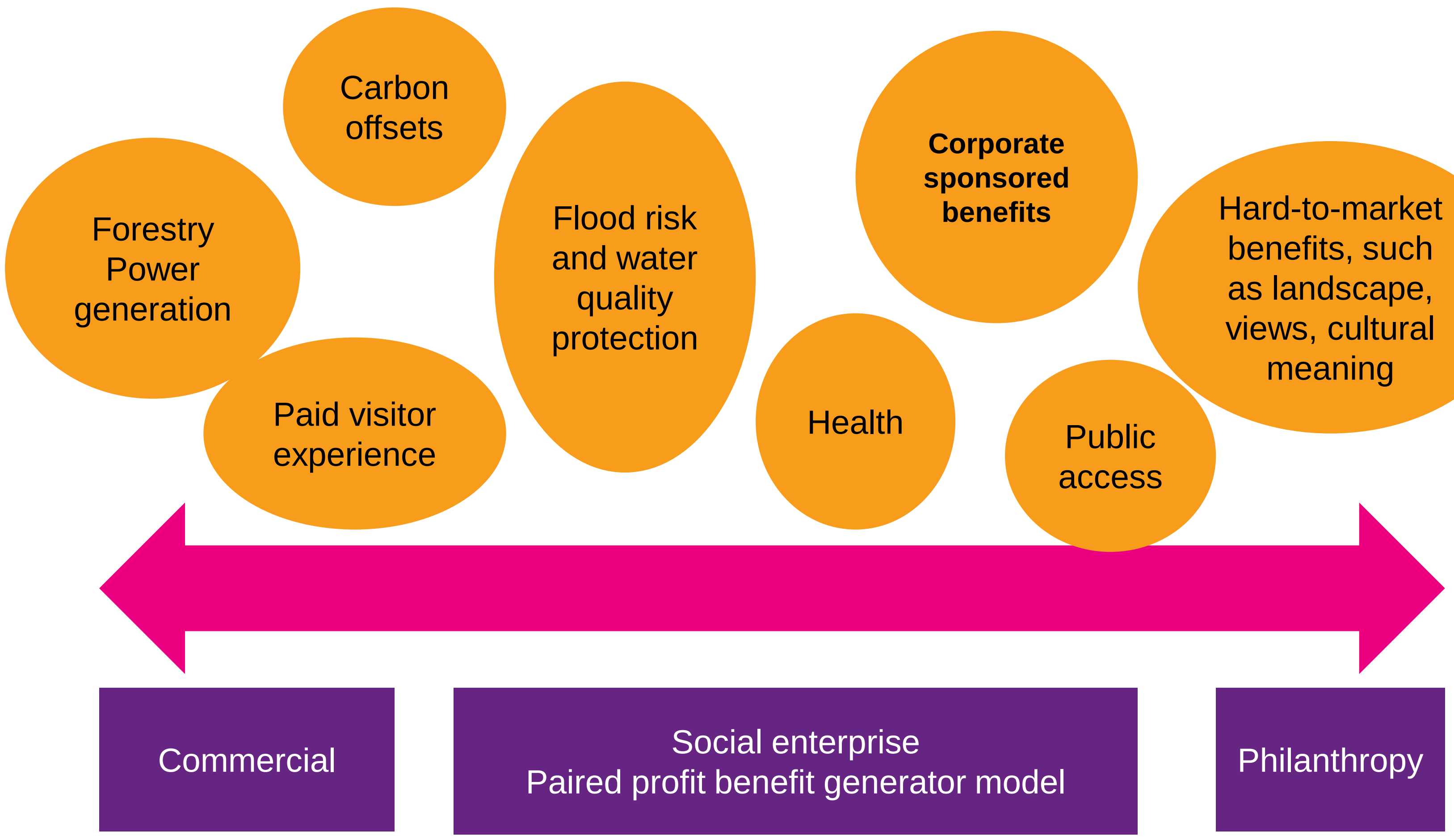
"We spend a lot of time telling people crowdfunding isn't right for them. It has to be built around a community, not seen as an easy way to attract funding."`

PAYMENTS FOR ECOSYSTEM SERVICES AND BIODIVERSITY OFFSETTING

- Payments for ecosystem services are mechanisms in which suppliers of ecosystem services are paid by beneficiaries to manage the ecosystems in a way to enhance or continue the ecosystem service (eg changing land within a water catchment to reduce the chance of flooding).
- Biodiversity offsets require a development that causes damage to biodiversity to compensate fully for that damage (eg habitat banking).
- Commentators suggest that this approach is transitioning from theory to practice and has some way to go.
- Key to move is to generate a sustainable business model rather than fund capital investment.
- Energy production through hydro and wind is established.
- PES potential is greatest in the water sector where investment in upland river catchments can help flood risk and water quality.
- Additional initiatives taking place in the forestry sector using social enterprise models.
- Paired profit benefit models combining commercial viability and social benefit (local benefit and local governance).

Source: Ecosystem Services and the Heritage Lottery Fund (2013) eftec

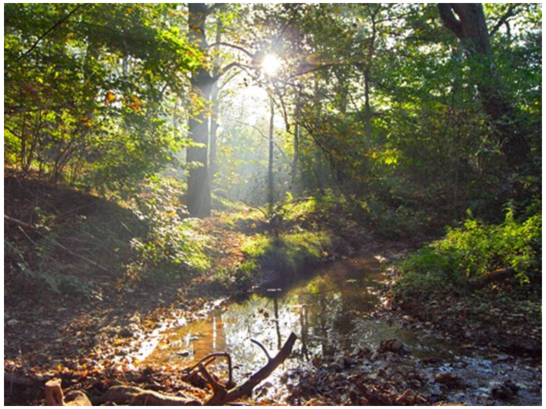
SPECTRUM OF ECOSYSTEM SERVICES



Help from 3keel

THE WOODLAND TRUST

The Woodland Trust has plans to acquire a new site where they can pilot various methods of payment for ecosystem services (PES).



Size of organisation	• 2013 turnover £33m
Type of organisation	• CLG with charitable status • Also have trading arm
Size of project	• New site will cost £3m to purchase • Aiming to purchase site by the end of 2014
PES options	• Have been awarded £25k from Defra to conduct a feasibility study. Options include using woodland / peatland as a resource (natural capital / carbon schemes), hydroelectric power
Lessons learned/advice	• PES is a long process! They are moving in the right direction, but not sure where they will end up

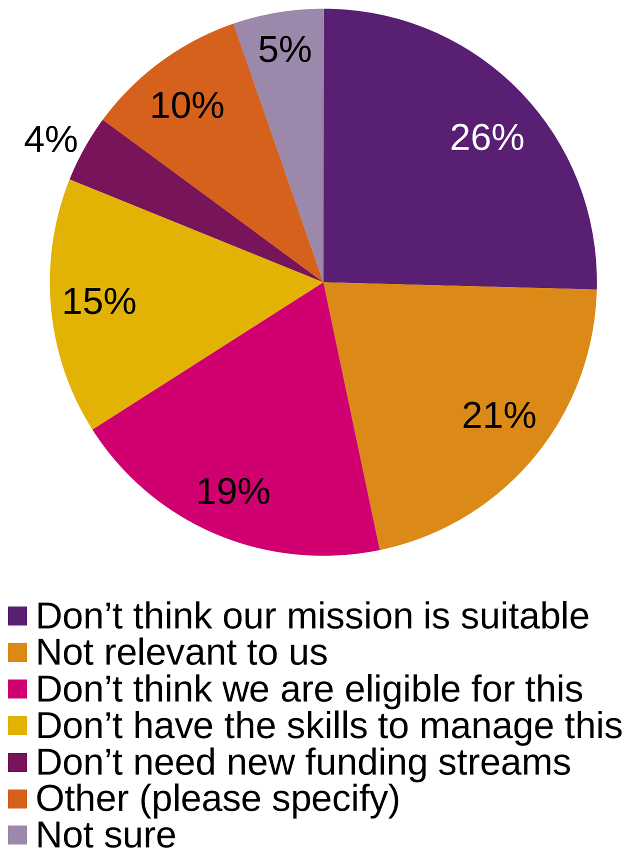
"There's a lot of talk about PES, and studies and papers. But doing things on site, trying to work out the market value of these products…you have to take one step at a time."

MOORS FOR THE FUTURE

Moors for the Future is a partnership organisation set up to restore degraded areas of peatland. It is currently exploring options for PES.

Size of organisation	• 25 staff (2014/15 budget £4.9m)
Type of organisation	• Sits with the Peak District National Park authority • Considering setting up additional separate charity
PES options	• Well-placed to engage in PES for peatland –potential via carbon storage • However have yet to develop a system that is clear enough / appealing to farmers. Currently too complicated.
Sources of finance	• Partners contribute to core costs • Lots of grant applications (UK / EU) • Park Authority essential for cashflow, but legal basis prevents some fundraising opportunities (Local Gov. Act forbids 'profiteering') • Attract funds via assignment of HLS capital works from Landowners
Lessons learned	• PES set-ups require high quality data—have to be able to present a case that is backed up by evidence

SURVEY: REASONS FOR LACK OF INTEREST IN NON-GRANT FINANCE



- Of those heritage organisations that say they are not interested in (some form of) repayable finance, the main reasons are mission suitability, relevance and eligibility.
- Clear need for knowledge building around products and accessibility.
- CAF research shows that 71% of charities surveyed think that social investment is appropriate for charities.
- In organisations that have used repayable finance, knowledge still needs improving as only 48% of these say they are ‘clear about which repayable finance options would suit our charity’ (CAF)

Source: CAF (2014) In demand. The changing need for repayable finance in the charity sector.

WHY IS THERE A LACK OF INTEREST IN NON-GRANT FINANCE?

What the survey tells us:

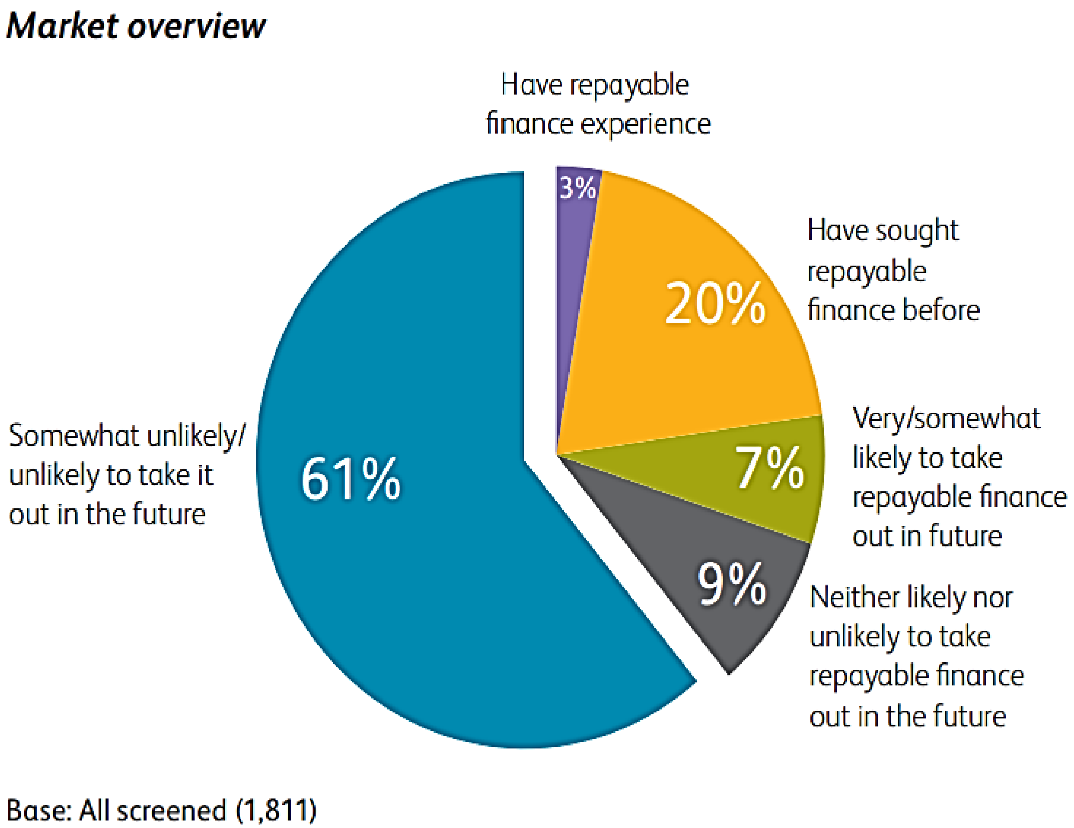
- Lack of specific skills in a sector which relies heavily on volunteers.
- Lack of knowledge around different financial products.
- Misconceptions about risk, repayment and eligibility.
- Dislike of borrowing.
- Interest may be niche—appealing to a certain type of organisation.

Other factors to consider:

- Social investment is still an emerging market.
- Lack of common language with which to engage.
- Lack of investor to investee networks.
- Difficulty in generating income to repay loans.
- Difficulty in valuing and realising physical heritage assets.

APPETITE IN THE VOLUNTARY AND COMMUNITY SECTOR FOR NON-GRANT FINANCE

Recent research for CAF shows the underdeveloped nature of the market that 61% of charities do not have experience of taking on finance or are unlikely to do so in the future[1]



[1] https://www.cafonline.org/pdf/In_Demand_0314.pdf

4. PROFILES OF ORGANISATIONS THAT HAVE USED NON-GRANT FINANCE

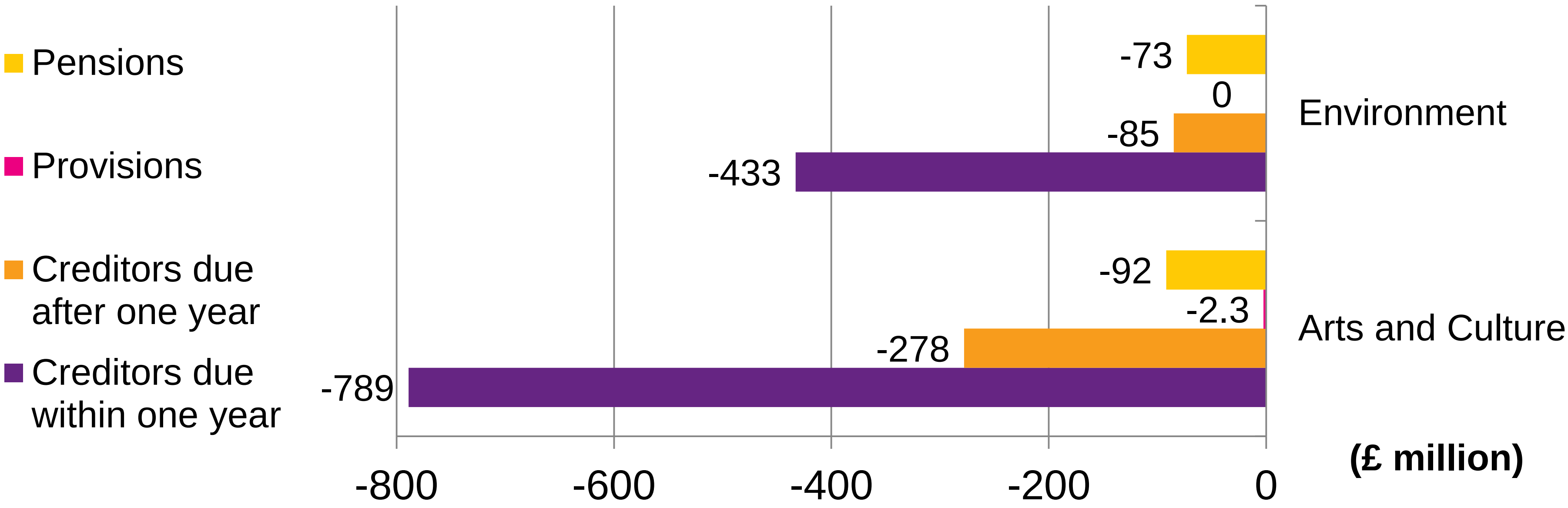
This section looks at the profile of those organisations that have used different types of non-grant finance.

SURVEY: TYPES OF NON-GRANT FINANCE USED

Debt finance	Equity finance	Alternative finance
• 157 organisations have used one or more of this type of product. • 90% say this is the only type of non-grant finance they have used.	• Only 19 organisations report using equity finance.	• 62 organisations have used one or more of this type of product. • 76% say this is the only type of non-grant finance they have used.

Sample:955

PHASE 1: SUB-SECTOR LIABILITIES

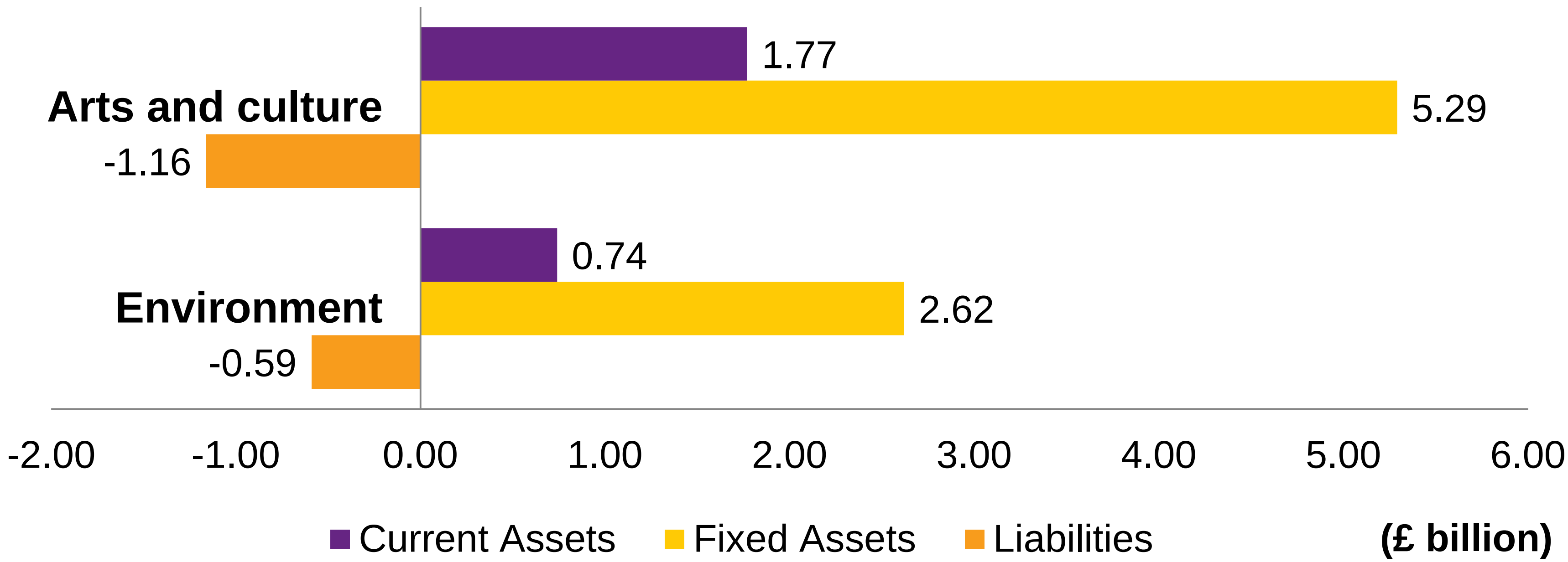


- **Liabilities** give an indication of the subsectors' existing access to non-grant finance through loans—usually in the form of bank debt.
- Breakdowns of liabilities indicate that relevant subsectors are already accessing non-grant finance, but through short-term options such as overdrafts rather than much longer term mortgage lending.

Source: NCVO

PHASE 1: ASSETS AND LIABILITIES

Assets and liabilities in arts, culture and the environment



Debt ratios	
Arts and culture	17.6%
Environment	16.4%
Total voluntary sector	15.5%

The debt ratio for relevant subsectors is very similar to that of the sector overall, indicating that borrowing is occurring at similar levels elsewhere in the voluntary sector.

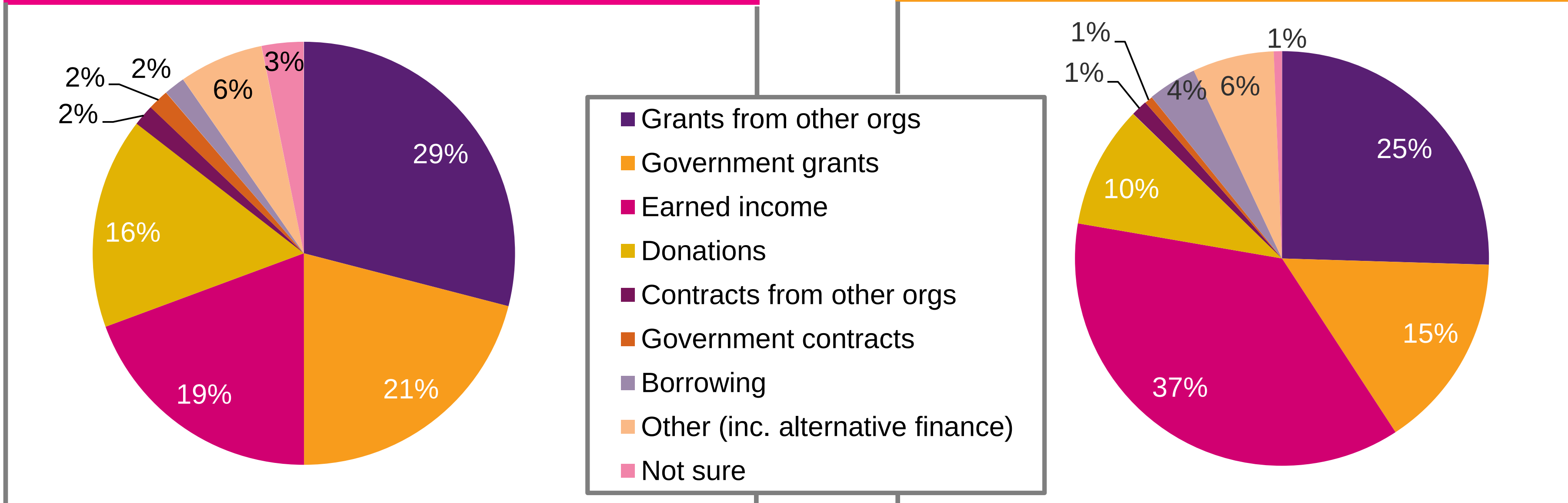
Source: NCVO

SURVEY: INCOME STREAMS OF ORGANISATIONS USING NON-GRANT FINANCE

NPC

Organisations that have used **alternative finance**

Organisations that have used **debt finance**



Organisations that have used alternative finance have a higher proportion of grant income (50%) than those who have used debt finance (40%). This is a lower proportion of grant income than the sector as a whole (60%).

Organisations that have used debt finance have a higher proportion of earned income (37%) than those who have used alternative finance (19%) and the heritage sector as a whole (17%).

"51% agree that social investment is more appropriate for organisations with trading activities" CAF

Due to small sample size (19), comparisons have not been made with organisations that have used equity finance.

TYNE AND WEAR BUILDING PRESERVATION TRUST

The Trust has a history of regenerating old buildings. It is beginning a project to restore a former Jesmondene banqueting hall

Size of organisation	• 1 FT, 2 PT staff
Type of organisation	• CLG. Considering setting up a separate CLS to make community shares easier to administer
Size of project	• Initial 'tester' phase of project will be £300k; total will be c. £3m
Phases of project	• Small portion of site will be developed to test community enthusiasm • Remainder of site then developed for commercial / community use
Sources of finance	Several possible combinations including • Some grant funding • Community shares • Loan finance
Lessons learned / advice	• Community shares may deter private developers • Easy to underestimate management time needed

"It's a slow process. Two years ago I thought it would take 10 years. I think it's still another 10 years until we're finished."

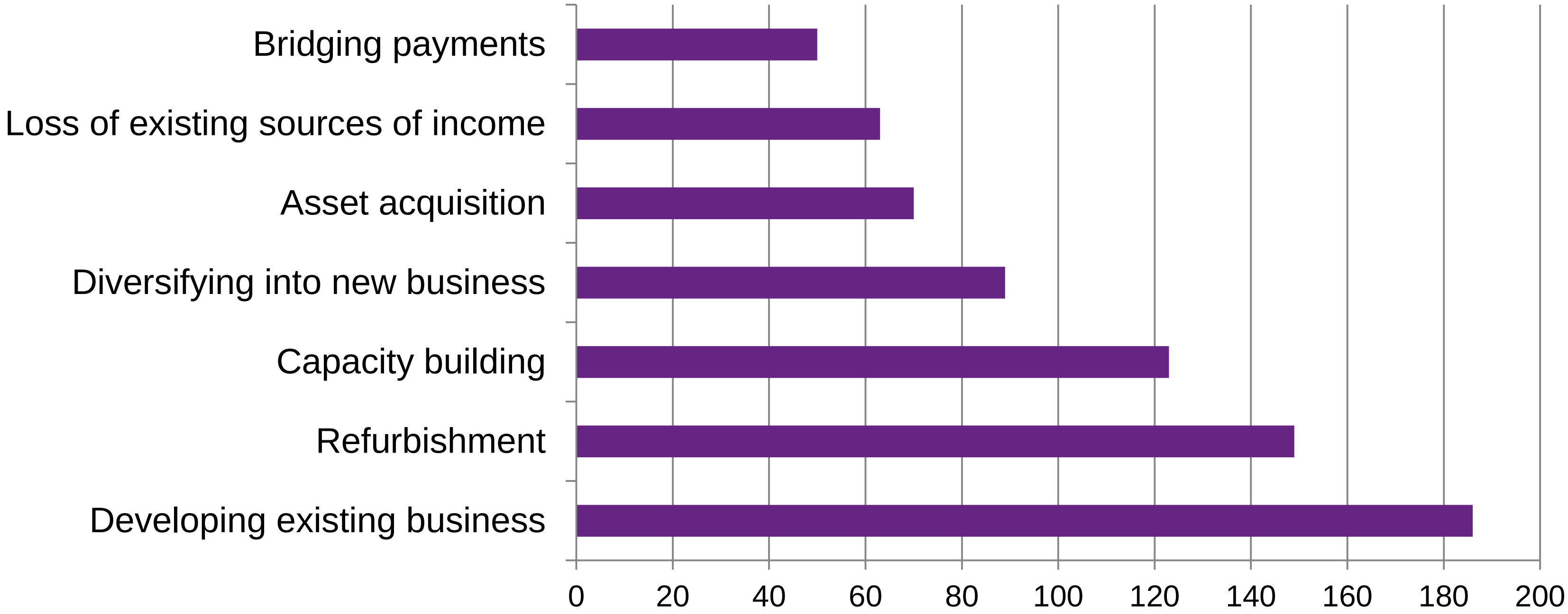
SURVEY: INCOME AND ASSETS OF ORGANISATIONS USING NON-GRANT FINANCE

		Alternative finance users	Debt finance users
Asset ownership		56%	81%
Size	£0 - £100k	43% (<£10k = 16%)	28% (<£10k = 3%)
	£100k - £1m	36%	44%
	£1m - £10m	21%	28%

- Alternative finance users are less likely to own assets and are smaller organisations.
- Debt finance users are more likely to own assets and be larger organisations.
- Bigger charities are more receptive to the prospect of taking on finance (CAF).
- Demand for debt finance is significantly greater amongst the largest social enterprises with annual income of over £1m (TSRC).

Source: CAF (2014) In demand. The changing need for repayable finance in the charity sector. C Lyon, F and Baldock, R (2014) Financing social ventures and the demand for social investment . TSRC

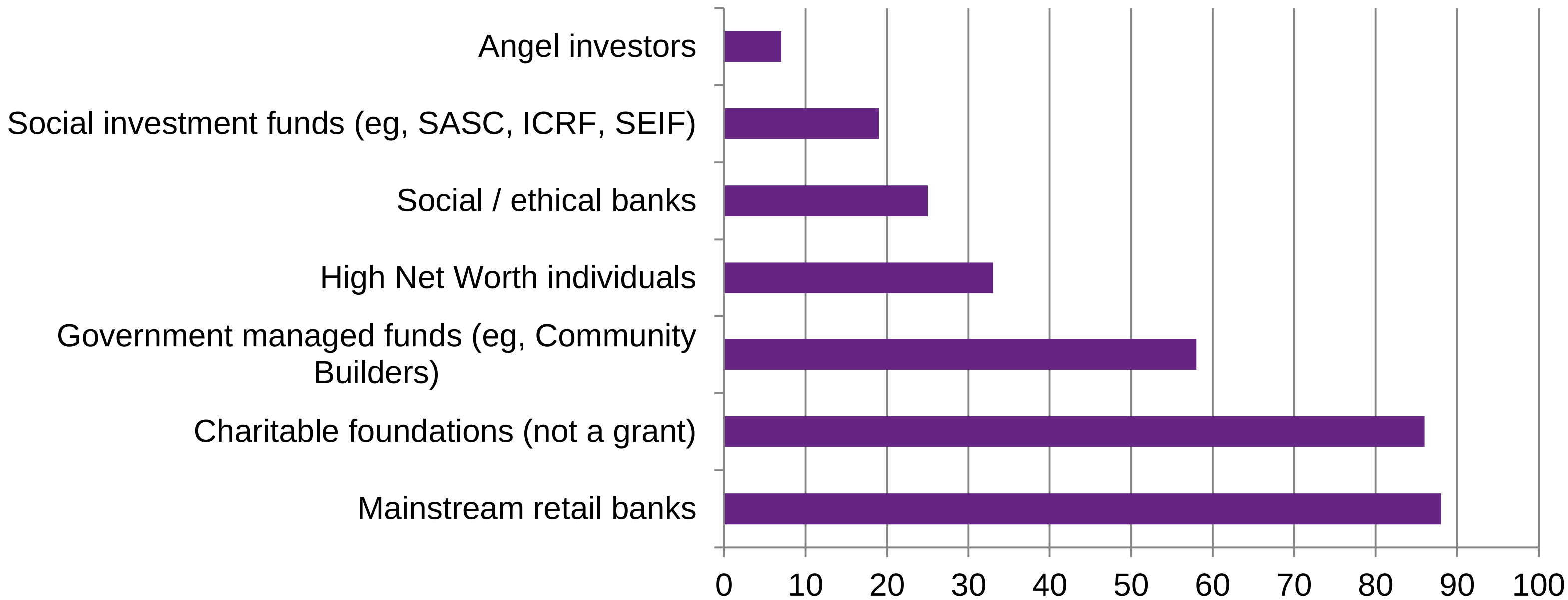
SURVEY: REASONS FOR ACCESSING NON-GRANT FINANCE



- Of the organisations that said they used some kind of non-grant finance, the main reasons for doing so were to develop existing business, refurbishment and capacity building.
- CAF found 60% of finance historically for asset acquisition (majority property), with working capital second.

Source: CAF (2014) In demand. The changing need for repayable finance in the charity sector.

SURVEY: WHERE DID THE NON-GRANT FINANCE COME FROM?



- Of the organisations that have used some form of non-grant finance, they reported receiving it mainly from mainstream banks and charitable foundations.
- CAF found larger charities more likely to access high street lenders.
- TSRC also found banks remain the main source of finance, with 64% of respondents having this as their main source. One in five of those looking for debt finance were found to be approaching social investors.

Source: CAF (2014) In demand. The changing need for repayable finance in the charity sector. C Lyon, F and Baldock, R (2014) Financing social ventures and the demand for social investment . TSRC

GLASS MUSEUM, STOURBRIDGE

Complex Development Projects (CDP), a regeneration company specialising in heritage projects, has plans to develop a former glassworks into a mixed use site in partnership with a local charity and the council.

Type of organisation

- CDP is a private development company
- A new local community charity will run the on-site museum after development.
- The council are the key facilitator

Use of site

- The regeneration of the derelict former Stuart Crystal glassworks. A new museum is planned for one of the world's finest glassware collections
- The site will also have offices and apartments. Rent from the offices will fund the ongoing operation of the museum. Flats will be sold on the open market

Finance overall

- Private company funds site acquisition and development
- Funding from Council, ERDF and Local Enterprise Partnership provide gap financing and charity ownership
- Sale of apartments provides capital boost

Lessons learned / advice

- Private expertise and drive can make difficult projects happen and can be sympathetic
- Don't fear complex funding packages—multiple outputs, some commercial, opens more doors

"Private companies can be just as much a part of the heritage sector as charities and trusts. The sector needs to recognise that reasonable commercial returns can be compatible with heritage objectives."

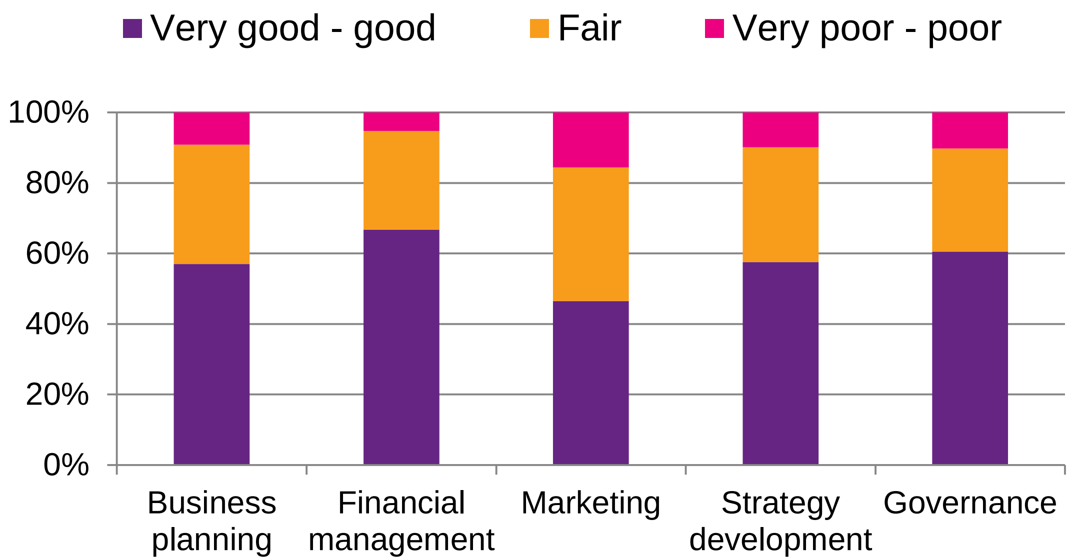
5. SKILLS AND IMPACT

This section looks at the skills needed to access and manage non-grant finance.

KEY MESSAGES: SKILLS AND IMPACT

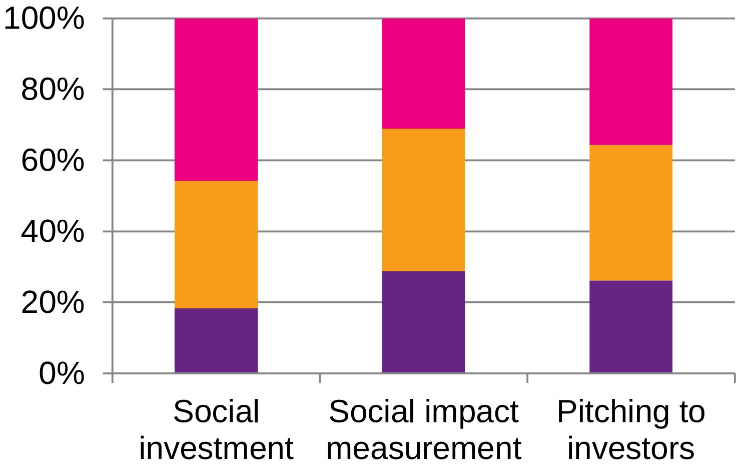
- The majority of organisations rate themselves as having very good/good business planning, financial management, governance and strategy skills.
- Organisations may need additional skills to access alternative sources of finance. The majority or organisations rate themselves as having fair/poor social investment knowledge, social impact measurement skills and pitching to investor skills.
- Over 90% of organisations believe it is very important/important to measure heritage and social outcomes and over 60% rate themselves as very good/good at measuring outcomes that are important to them.
- Surveys and questionnaires and counting outputs are the main methods used for measuring outcomes.

SURVEY: AREAS FOR SKILLS / KNOWLEDGE DEVELOPMENT



Organisations generally think that their knowledge and skills around finance, management and governance are good.

(eg, 67% of organisations rate their financial management skills as good–very good.



Knowledge and skills around social investment, impact and pitching to investors are more likely to be rated poor.

(eg, only 18% of organisations rate their social investment skills/ knowledge as good–very good.)

SKILLS IN THE SECTOR

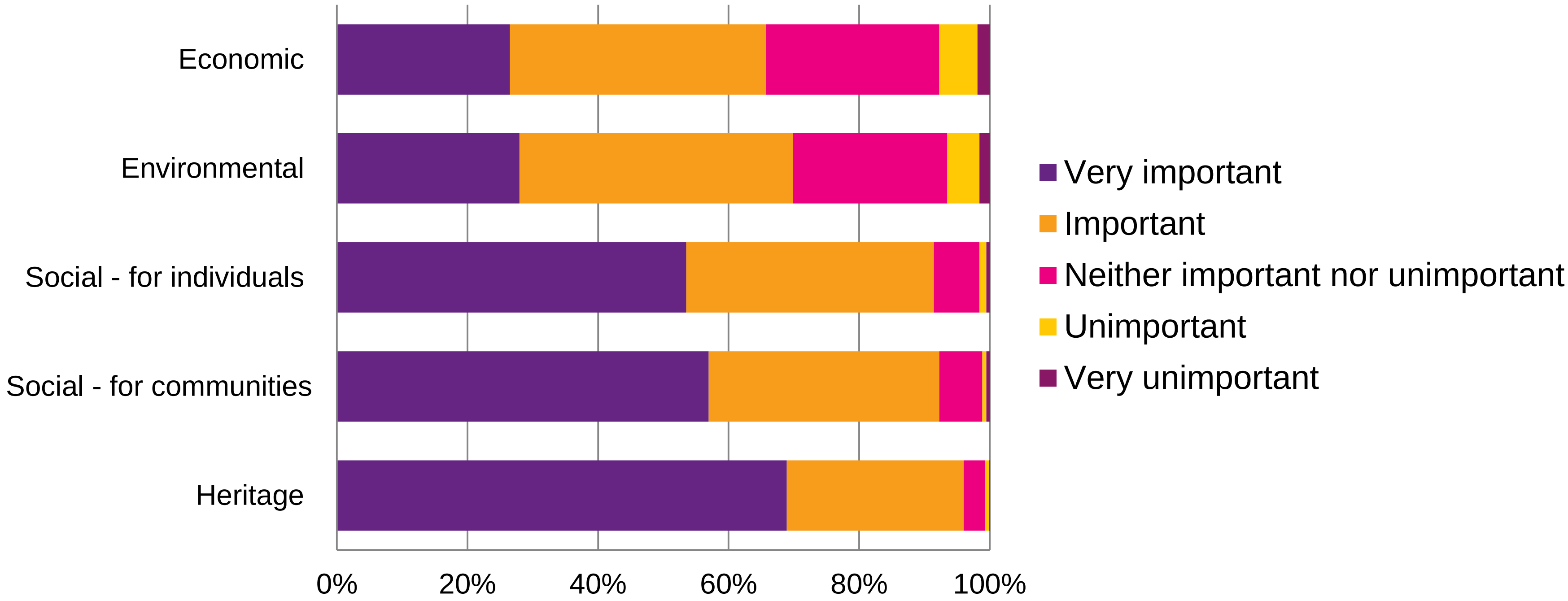
Adapting to new funding sources may require changes to business models and processes, for example in impact monitoring and evaluation. Research commissioned by Big Society Capital noted that financial and entrepreneurial skills are likely to be increasingly valued. Some research suggests a shortage of skills and capacity in heritage:

- In 2008, The Heritage Alliance found that **24%** of national heritage bodies operated **without paid staff**. Local organisations are said to rarely employ paid staff.[1]
- In 2013, English Heritage found that half (**53%**) of heritage organisations felt they had **the skills to manage changes** in public funding provision, or largely had them.
- Conservation and archaeology organisations were the most likely to agree. Libraries and archives and historic sites were least likely.
- Of those who did not agree, change management (22%), financial planning (19%), strategic planning (15%) and sourcing income (10%) were the most commonly cited additional skills needed.

Sources: Heritage Alliance;Creative & Cultural Skills/English Heritage (2013) The Historic Environment and Cultural Skills Survey http://creative-blueprint.co.uk/library/item/the-cultural-heritage-and-historic-environment-skills-survey;B

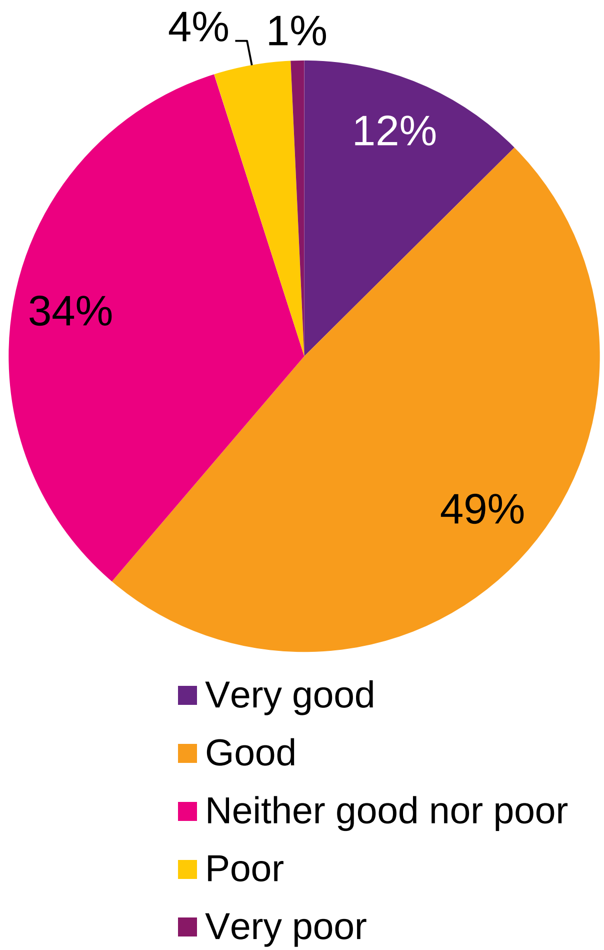
Brown and Norman (2011) Lighting the Touchpaper: Growing the Market for Social Investment in England. BCG, The Young Foundation http://youngfoundation.org/wp-content/uploads/2012/10/owing_the_market_for_social_investment_FINAL.pdf

SURVEY: IMPORTANCE OF MEASURING OUTCOMES



Over 90% of organisations believe it is very important/important to measure heritage and social outcomes.

SURVEY: ABILITY TO MEASURE OUTCOMES



- 61% of organisations rate themselves as good/very good at measuring outcomes.
- Only 5% of organisations rate themselves as poor–very poor at measuring outcomes.
- This is encouraging, however, only 29% of organisations reported having good–very good social impact measurement knowledge and skills.

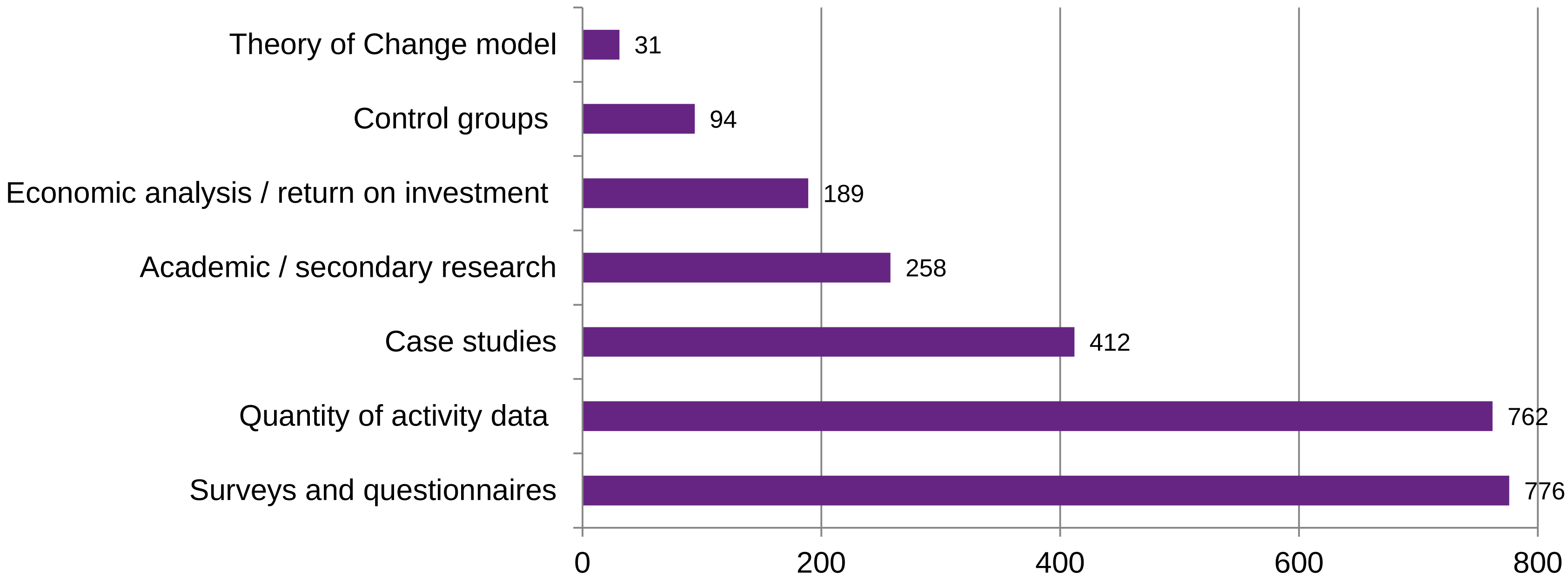
PROJECT OUTCOMES

Identified by HLF and used in the assessment framework

Heritage outcomes	Outcomes for individuals	Outcomes for communities/society
With our investment, heritage will be: • better managed; • in better condition; • better interpreted and explained; • identified/recorded.	With our investment, people will have: • learnt about heritage • developed skills • changed their attitudes and/or behaviour; • had an enjoyable experience; and • volunteered time.	With our investment: • environmental impacts will be reduced; • more people and a wider range of people will have engaged with heritage; • organisations will be more resilient; • local economies will be boosted; and • local areas/ communities will be a better place to live, work or visit.

SURVEY: HOW ARE OUTCOMES MEASURED

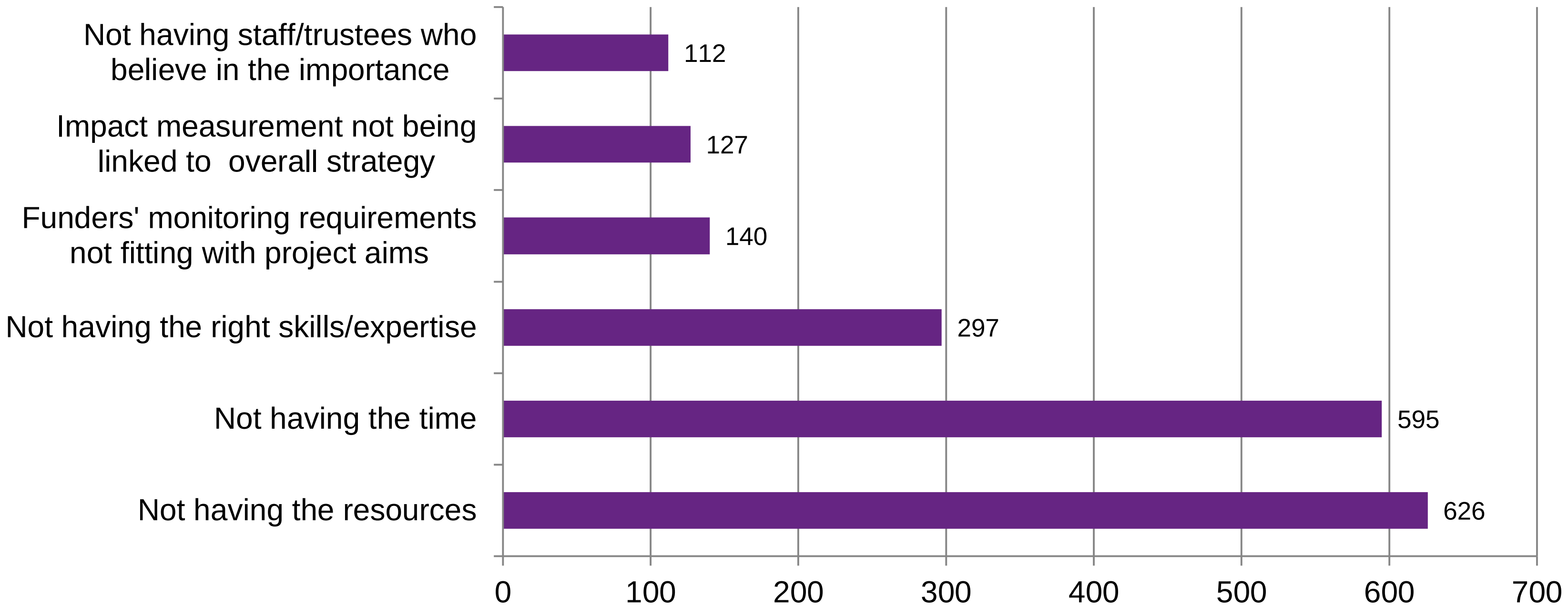
Sample: 955



- Around 80% of organisations use surveys/questionnaires and collect data on the quantity of activity they deliver.
- Slightly less than half of the organisations surveyed use case studies to demonstrate their outcomes.
- Fewer organisations are using more rigorous measurement tools.

SURVEY: WHAT ARE THE BARRIERS TO MEASURING OUTCOMES?

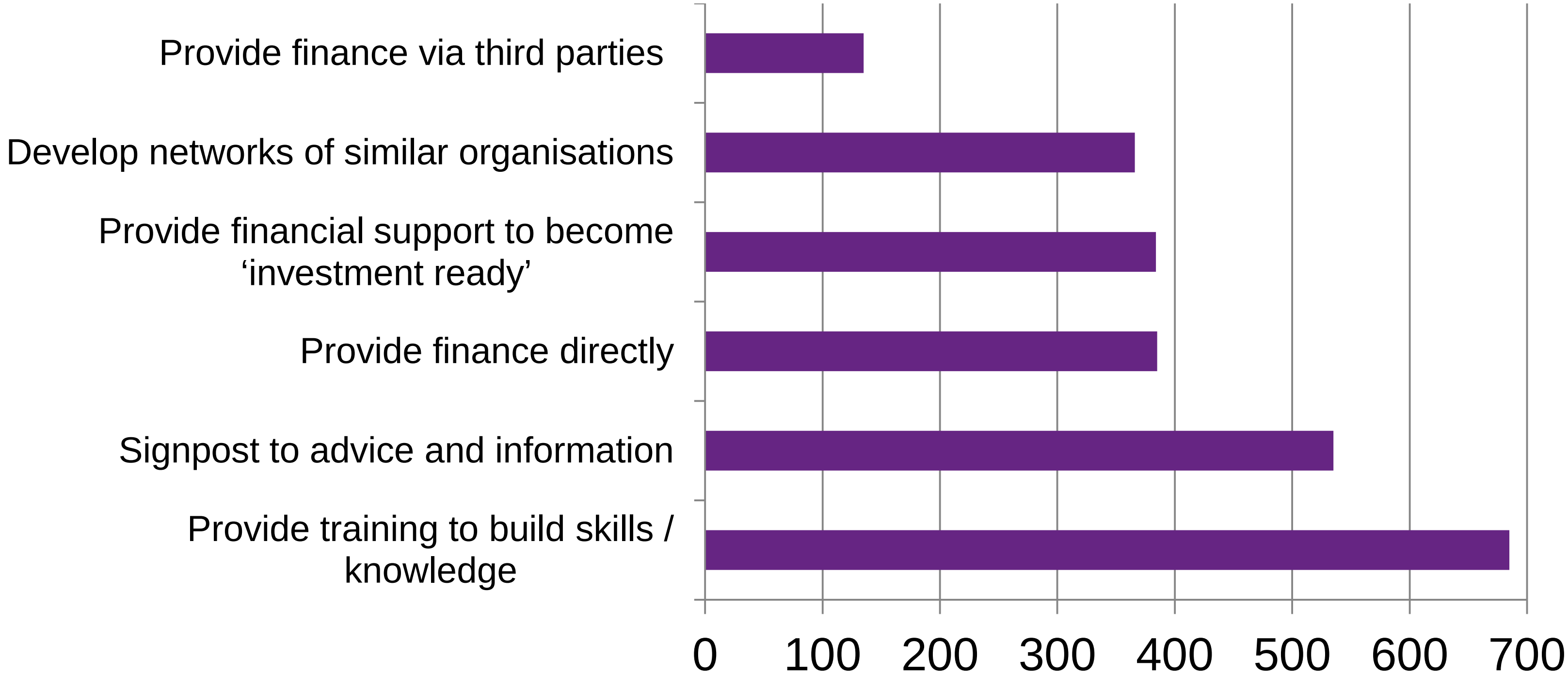
Sample: 955



- Around two thirds of organisations say that the two biggest barriers they face when trying to measure outcomes is lack of time and resources.
- Resources may refer to workforce, finance and information. We asked survey respondents what role they felt HLF could play to best support organisations.

6. OPPORTUNITIES FOR HLF

SURVEY: HOW CAN HLF SUPPORT THE SECTOR TO ACCESS NON-GRANT FINANCE?



- Organisations are interested in accessing finance through HLF, however, they are most interested in receiving help with capacity building through training, information and networking.
- CAF found that the biggest support would be a guide to accessing repayable finance, followed by information on individual financial products.

Source: CAF (2014) In demand. The changing need for repayable finance in the charity sector.

ARE ORGANISATIONS REALLY THAT DISINTERESTED?

Larger heritage organisations are already involved in non-grant finance and social investors can see an opportunity in the heritage sector.

This seeming lack of demand from heritage organisations might be reflective of:

- A general lack of understanding and basic awareness of non-grant finance.
- A deficit in skills required for non-grant finance and insufficient time available to build the knowledge.
- A lack of knowledge of where to go to get help on how to do it.
- Insufficient trading income to repay borrowing amongst smaller organisations.

The sector may be moving through a transition period where knowledge and diversification into non-grant finance is just emerging.

The survey found organisations are most interested in receiving help with capacity building through training, information and networking.

This suggests that there may be more latent demand for non-grant finance once skills and knowledge is improved.

There are some clear opportunities for HLF that should increase demand.

APPENDIX

Case studies

DIGVENTURES

Lisa Westcott Wilkins

Brief description	DigVentures set themselves up in a way that avoided the problems of grant-dependency experienced by much of the heritage sector. They have since developed a reputation for their very successful crowdfunding campaigns. They decided to build their own online crowdfunding platform to avoid fees to a third party. 'DigStarter' is exclusively for heritage projects. Their model of crowdfunding is not asking for charitable donation. People get something back for their money. Up to £145 they get a t-shirt, access to data, videos of what's happening on site. £145 and above they get to go and dig with the team on site, receive training (this tends to be university students who need more skills or amateur enthusiasts). Their training is accredited. It is a variable time on site, sold as a packaged experience, and gives people access to a community of people on the dig and within the wider digital constituency.
Status / timing	They are now in the middle of their third project, which is 90% funded. For the CF digs, they normally raise the money then do the dig a month or 6 weeks after. But this year HLF grant has changed things, and they will keep the crowdfund open until the end of the dig. In general DV crowdfunding is restricted to a specific excavation.
Expected impact	Lisa had experience in evaluation and embedded it from the beginning - "Without evaluation you really don't exist." They have done visitor evaluations, perception studies, and a study of their wider economic impact. Some people in the heritage sector say that social impact is the primary goal of heritage work - any 'heritage outcomes' are a by-product. She disagrees - heritage outcomes are the most important aspect of their work, and it also happens to lead to various social outcomes, which are great. It undermines/devalues the importance of science / archaeology aspect to say it's primarily about social impact.
Experience / lessons learned	Crowdfunding works when it is integrated in the activities of an organisation. The primary concern has to be building a community, not raising funds. It does not work if you see it as a way to make extra money. 'Fundamentally the biggest problem we have as a sector is that the attitude is to shy away from commercially oriented activities. People only do it under duress and it is often unsophisticated or not joined up to rest of organisation’s offer. We need a paradigm shift on this." DigVentures looks outside the heritage sector for inspiration. The creative industries can teach then a lot, as they have no qualms about adopting commercial methods to being sustainable."

TYNE AND WEAR BUILDING PRESERVATION TRUST Martin Hulse

Brief description	"The trust regenerates old buildings, and has existed for 30 years. Usually the buildings have been transferred on a long lease by the council, which removes the need for a purchase price. ""There's always a building going for free!"" Success in doing so depends on the appetite of the council for solving the problem. They are in the early development stage of the next project, testing various options. The site is a former Jesmondene banqueting hall, which is partially a controlled ruin. Part of the space is habitable. They are currently doing a viability appraisal which is being funded by HLF. Possibilities include holiday accom, wedding venue, arts centre. They are considering a new build element to make the space more practical to use."
Status / timing	They are in the planning stages. As well as the viability appraisal they have a grant from the Homes and Communities Agency to prepare a planning application. They are aiming to put in an application to Heritage Enterprise.
Funding info	"On previous projects they have used standard mortgages from the bank. For this project they are looking to combine several sources of funding. Possibilities:--Some grant funding--Loan finance - but they are looking for interest below 5%, so will probably have to avoid commercial banks.--Thinking seriously about community shares. --Crowdfunding. They did a small crowdfunding (fundraising) project, (raising £1800) but this was more to test out local interest than to raise serious amounts of money. More detail on crowdfunding: They are starting off by working on a small section of the building as a separate project. The community share offer, if they go ahead, will be to just restore that part of the building. This gives a foothold into the property, and test the waters in terms of local enthusiasm. For this part they will need around £300k. Previously they would have had all the funding secured before a project started. This time they are being more cautious - taking on a smaller chunk first and trying out new funding configurations. If this is successful (and they can demonstrate support from the local community, as demanded by Heritage Lottery), then they will go on to the next phase."
Expected impact	Social impact is not the main concern of this project. The building is in a relatively affluent area and there is some wariness among local residents about creating lots of activity. "They've got used to an empty building". One of the options on the table is developing the building for commercial use. There may be some opposition to this is it will potentially cause traffic problems.
Experience / lessons learned	"Firstly, the decision to use community shares has implications for private sector involvement. Community shares give more control to the local community and this has the potential to put private sector bodies off, as it could involve a lot of negotiations. Secondly, it's very easy to underestimate the management time demanded by a project like this."

HASTINGS PIER

Simon Opie

Brief description	"Hastings Pier was destroyed by fire in 2010. The bulk of the funding needed for regeneration has been found, but the last portion is being brought in through community shares. C community shares chosen because:-It gives the pier a more robust economic profile because they added £300k on top of what was strictly needed to fund the project to fund its commercial operation. £300k of working capital. --the other element - equally important as money - establish a broad base of shareholder members. Give us a very clear ownership structure for the pier. And so give degree of resilience going forward. Shares - ownership is qualified by the rules of the society - the way the asset is held for a charitable purpose. Exercise the duties of membership of the society. Charity is an IPS bencom - that society holds the title to the pier and is effectively the owner. Shares are not transferrable, but withdrawable under certain circumstances. Intention is that they would pay a modest level of interest - targeted around 3% that would be paid after 3 years of operation. Level of interest capped and defined within rules of society. Community got involved in project development through community consultation events."
Status / timing	They have exceeded their target for community shares. They took ownership of the pier last year and construction began in December. They expect it to be finished by the middle of next year.
Expected impact	They think about social objectives linked to various funding streams. Apprenticeships, work placements, work experience etc. Coastal communities fund - economic targets linked to uplifting tourist in Hastings. 'Owing to the nature of the project there is no over-riding, explicit social impact measure. The true impact measure will be whether the Pier can survive into the foreseeable future.
Experience / lessons learned	"1) They had to spread the net wide to pull in all the bit of funding to get to the total2) they have had to be very flexible with the nature / structure of the organisation. It has changed several times.3) tap into the large amounts of support and advice that are out there - both through sector bodies like Locality and Co-ops UK, but also peers who are doing the same things4) be aware of the political profile of the area. Hastings is a marginal constituency so they were able to build a coalition of cross-party support. 5) Do what you can to understand who your project will appeal to and who it will not. They discovered that they were successful where funders were interested in economic regeneration, and were welcome to commercial elements of the programme. More tradition grant-giving bodies found the Pier project was further from their remit."

THE WOODLAND TRUST Ann Rooney

Brief description	“Decisions on how we manage the site will be informed by the results of the feasibility study, which is exploring the potential markets for PES options. These options include:--Using woodland as a resource (either selling sustainably grown wood as fuel or as a material for eg, local carpentry businesses)--Using peatland as a resource, using it as carbon storage --Hydroelectric power. The study is exploring multiple markets, as it would be a mixture of public sector / private sector customers. One source of activity WT already have in place is with energy companies in Scotland setting up windfarms which involved felling trees. Woodland Trust is paid by them to plant new native trees. In addition, they already generate income via a number of schemes involving corporate partners--Selling carbon products (very similar to carbon offsetting, where they plant trees to balance out carbon emissions)--Corporates particularly like to fund their work with children: work with schools - woodland discovery days, kids in touch with nature. Straightforward sponsorship.--corporates also fund work restoring ancient woodlands that have been damaged by conifer planting. "
Status / timing	Roughly, they are aiming to buy the new site this year and then start the PES project at the beginning of next year. The corporate activity described above is ongoing.
Expected impact	"They do think about and measure environmental and social impact. The first stage will be baseline monitoring of environmental outcomes – eg, how degraded are the peat bogs; amount of woodland cover. Not yet in a position to state expected improvements. Social impact - they know their work has an impact on local communities, and they are keen for the site to be used by social enterprises. But still very early stage on this."
Experience / lessons learned	PES is a long process! They are piloting new approaches, and it is a pilot for Defra as well. They are taking first steps - they know it's in the right direction, but they don't know where they're going to end up.

MOORS FOR THE FUTURE Chris Dean

Brief description	"Moors for the Future started as a partnership organisation operating under the umbrella organisation of the Peak District National Park. Set up in 2003 to restore an environmental catastrophe of degraded moorland - has grown from there. They run a range of different Conservation, science and awareness raising projects in the uplands of the Peak District and South Pennines. They would like to make PES a viable model, and to get a scheme off the ground. They would be very well placed to develop solutions around moorland / peatland, as they have extensive expertise in this area. However, the difficulty is establishing a clear, unambiguous process that is robust. The subject has been worked on by academics for a long time, but as yet nothing has come out the other side that they can offer to a moorland owner - they just switch off if because it is just so complicated. PES is held up as a way forward but the process is not there yet. Practically, it doesn't exist for peatland, though it does for trees."
Status / timing	Constant cycle of applications and projects ongoing.
Legal structure	"This is a question for them. Currently they are public sector, under the national park authority. This allows them to operate on a bigger scale than would otherwise be the case, and improves cash flow. This makes a big difference because they would not be able to afford commercial interest rates. However, it also restricts other options, they cannot generate trading income (the Local Authorities Act forbids profiteering), or accumulate reserves. It might be possible for somebody separate to set up a charitable trust and then allocate them the money - this is a possible next step. Or they could become a separate charity themselves. This experience could chime in with other public sector bodies. No reason why authorities couldn't offer cash flow for small organisations - bridging facility"
Experience / lessons learned	PES requires getting the data right. You have to be able to present a case that's backed up with evidence.

CHARTERHOUSE PRESERVATION TRUST

The Trust began by acquiring an at risk building and has expanded plans to a 70 acre heritage park and a support portfolio of revenue generating heritage properties.

Size of organisation	• 0 employees, 4 trustees,120 volunteers
Type of organisation	Trust, now the owner of the 1381 Carthusian priory after asset transfer from a local college
Plans for project	• Charterhouse is catalyst for boosting city image and economic regeneration • Adjacent landscape will be restored as part of a community, visitor and conference/events destination • Emphasis that boosting heritage profile boosts economic success of area
Sources of finance	• Asset transfer and grants cover costs of development • Further transfers for ongoing revenue once complete • Ecology funding a real option. Participating in BDO pilot—converting land to wildflower meadows
Lessons learned / advice	• Concentrate on long term revenue from day one. Be ambitious—solutions may be off site or expansion. • Invest effort in developing partnerships with everybody in the city. This will open doors.

"Heritage places are more likely to have strong economic activity attracting businesses and jobs. Quality of life and initial appearance of a place are key issues for investment. Remember a new investor is initially a 'visitor'!"

CHARTERHOUSE PRESERVATION TRUST

Ian Harrabin

Brief description	“ Following a transfer from the local FE college in 2012, the Trust are now applying for funds for restoration of the Charterhouse. Public access has generated considerable local history interest in this forgotten place. The project has grown in ambition to now comprise a major edge of city centre Heritage Park of some 70 acres with the aim of changing the city’s image, boosting other regeneration efforts and strengthening the visitor economy. The trust is working in close partnership with the council and intends to take ownership of the large area of parkland adjacent to the Charterhouse to create the park. The vision for the Trust is as perpetual custodian of the city’s heritage with the transfer of a portfolio of other heritage properties planned. The aim is to restore and use these off site assets as part of the city’s visitor offer, but also importantly to generate revenue to support the park – in effect an endowment. The self – sustaining charity will then become the delivery body for saving future city buildings at risk"
Status / timing	The Trust owns the Charterhouse and plans over the next year to acquire the additional properties/land.
Expected impact	"The project has the potential to have significant economic impact. It is believed that developing the heritage 'offer' of Coventry will change the image of the city and encourage major business investment and jobs as well as boost the visitor economy. It will also provide a ‘countryside resource’ in a deprived inner urban community, encouraging volunteer activity and outdoor natural environment pursuits and appreciation.” There is also wider long term impact of saving other historic buildings at risk.
Experience / lessons learned	"1) at the planning stage, the first thing you have to consider is what the ongoing use of the regenerated building is going to be. There has to be a sustainable model for revenue, not reliant on grants. Then you can think about capital needs to achieve this. 2) the thing you should spend most time on is getting everybody in the city to understand the project. Can't stress more - it's about partnership. When partners get excited doors start to open. The local authority is the key partner – both officers and members. But businesses are also important as well as major players such as Universities and also faith groups. But the core is grass roots community support – without this don’t even start!"

GLASS MUSEUM, STOURBRIDGE

Ian Harrabin

Brief description	“the Stuart Crystal complex was one of the areas’ first glass factories and produced glassware for the Titanic. Now closed and derelict on a key gateway site to the Glass Quarter, it is a symbol of industrial decline. The project will restore the buildings for a new museum, offices and apartments. A new local community charity was set up to preserve and display the fine glass collection currently in local authority ownership. The development company provided the project leadership and expertise in regeneration and funding, applying for grants from ERDF and the Local Enterprise Partnership (LEP). Local authority funding, in part from the sale of an existing museum (not fit for purpose), will allow the charity to own the new museum and LEP funding will allow them to own the offices providing a core revenue stream to cover museum operating costs. The inclusion of commercial job creating outputs and new residential units has enabled the accessing of funding streams not normally available to heritage attractions."
Expected impact	The project will have a major impact on the visitor economy of the Glass Quarter forming a gateway and combined attraction with an existing visitor centre opposite. New jobs will be created in the office units and strengthen the location for business use. New housing will boost the local market. Removes an eyesore and major detractor.
Status / timing	Awaiting final grant approvals/documentation. Due to start on site in September with completion by the end of 2015.
Finance	The company made the initial investment, acquiring the property and will fund the development with gap financing from the grant bodies. The charity will acquire the completed museum and offices with funding from the Council and LEP. The company will sell the apartments on the open market to recover its outlay and make a reasonable profit if all goes to plan.
Experience / lessons learned	"1) Mixed use can attract different funding sources and harness private expertise and capital. 2) Don't go to potential funders and ask for money for your project - understand first where a funder is coming from and morph the project to fit their objectives. 3) Be open and inclusive with all partners and put aside sector prejudices."

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TRANSFORMING THE CHARITY SECTOR