



Cultural Enterprise Factsheet

Financing your Creative Business

A lack of funds can be the biggest stumbling bloc for a new idea. There are a number of funding streams and financial packages open to businesses in Wales and which one you pick will depend upon the nature of your practice / business and how you intend to use the money. This factsheet is an overview of the types of financial help available to creative practitioners and businesses in Wales. It is important to remember, however, that funding requirements can change on a regular basis and you will need to check with the relevant organisation as to the most up to date information.

Research and Planning

Before you start looking for funding, you will have to do a certain amount of planning and research in advanced. Most potential funders or organisations offering financial help have strict guidelines governing who they can and can't help; these restrictions can be based on sector, geography, age, amount required, etc. One of the most common restrictions is business identity, with many refusing to fund individuals and Sole Traders, whilst others focus on not-for-profit or voluntary organisations. An overview of the pros and cons of each business identity can be found in the *No Nonsense Guide to Starting a Business* (http://www.businesslink.gov.uk/bdotg/action/detail?type=INT_PUBLICATION&itmId=1073793551)

Once you have identified the right kind of financial help, you will need to be able to communicate which areas you are looking for financial help with, how much you need and possibly, who will benefit from the services or project you are supplying.

Types of Financial Assistance

Financial help broadly falls into two categories; loans, overdrafts, etc and grants. The latter often appears more attractive as it can seem like "money for nothing" but this is rarely the case. People who have secured large amounts of funding have often invested large amounts (sometimes years) of their free time approaching funding bodies, finding support, working on applications and completion reports, with the risk that they might never find the financial support required. It is also important to remember that most grants do not cover 100% of costs.

- **Personal and Private Investment**

There are obvious risks associated with investing your own money, but even if you can only raise a fraction of the start-up costs, banks and funders can take you more seriously if you are willing to invest in the idea yourself – why would someone else risk their time and money if you are not willing to do it yourself?

Personal investment within the arts can mean self-funding through the use of savings, loans, overdrafts, credit cards, etc, or through “help in kind”, the provision of materials or services rather than money; the most effective form of personal investment will depend on who you are trying to source additional funds from.

If you do not have the capital required to start your business, are there others that can help? Friends and family may be willing to loan you the money, or you may want to look into finding a partner for your business.

- **Loans**

Most high street banks offer small business loans, so it is important to investigate terms and conditions to find the best package for your business. If you are unable to secure a bank loan, there are a number of bodies who will make loans to businesses banks consider to be too risky to invest in. Finance Wales (<http://www.financewales.co.uk>), Menter a Busnes (<http://www.menterabusnes.com>), Small Firms Loan Guarantee Scheme (http://www.dti.gov.uk/sflg/pdfs/sflg_booklet.pdf) and the Arts Council of Wales (<http://www.artswales.org.uk>) all run loan schemes aimed at helping small businesses with their start-up costs.

If you are considering the option of funding a business through loans, credit cards, overdrafts, etc, is vital that debts are kept at level that you will be able to repay.

- **Investment Finance**

Equity Investment, capital invested for the medium to long term in return for a share of the ownership of the business, Mezzanine finance, a package containing both elements of equity and debt, and venture capital, capital supplied at an early stage of development for innovative businesses where risks and potential returns are high, are all examples of investment finance. In return for injecting finance into a developing business, you may have to relinquish some control over the running and direction of your business. For further information on investment, contact Finance Wales (<http://www.financewales.co.uk>).

- **Sponsorship**

Sponsorship is payment by a business to an arts organisation for the purpose of promoting the sponsor’s business name, product, or services. This means that to be able to secure sponsorship, you must be selling an opportunity that fits in with

their branding or company image. For example, many multi-national companies like to be seen to be “acting local”; will your project/business help them achieve this? Will you be helping them to access new clients, strengthen their image, or raise awareness of their services? Are you asking for cash or in kind support?

Obtaining and maintaining sponsorship requires time and effort. It can help you to broaden your financial base and enhance your image, but is not a quick fix to financial problems. Again, companies will have to be carefully researched and sponsorship packages developed. It could also take up to 12 months before a deal is reached. Arts and Business (<http://www.aandb.org.uk>) can help you to develop contacts with potential sponsors.

- **Funding Bodies**

Funding is often a short-term measure. The majority of funding bodies will only award grants for new work or projects and will rarely for running or capital costs or retrospective costs (i.e. they will not provide funding for money that has already been spent). It is also unusual for grants to cover 100% of a project's costs, remaining costs being met by help in kind or from other sources. As with other forms of funding, before you approach a funding body, you will need to know how much funding you need and be able to identify what it will be used for.

Unlike other sources of financial help, funding bodies, such as the Arts Council of Wales, or trusts tend to have specific funding priorities. Their remit can be as broad as funding the arts in Wales or as specific as funding the promotion of drawing in Wales. As application processes tend to be lengthy, researching funding guidelines (which are often published on the funding body's website) can save a lot of time and effort for all parties. Finally, allow at least six months between the application deadline and the start of the project - an application will be rejected if there is not enough time for the grant to be released and the proposed business/project to be developed, marketed, and realised.

If you are looking for help with business start-up costs, you may be able to access funding from your Local Authority, although this funding tends to be aimed at small industries and businesses that will lead to job creation; Business Eye (<http://www.busesseye.org.uk>) will be able to provide information on the individual schemes.

If you are not eligible for assistance with general start-up costs, there are other schemes that could help with some specific start-up costs such as Go Wales (www.gowales.co.uk) (financial assistance for the training of graduates), Opportunity Wales (<http://www.opportunitywales.co.uk>) (provides e-commerce support to small and medium-sized businesses based in the Objective One and Objective Two Core & Transitional areas of Wales) or IP Wales (<http://www.ipwales.com>) (reimbursement of legal costs).

Business Plans

Regardless of whether you are setting up a creative business or applying for a project grant as a practitioner, you will need to develop a business plan. A business plan is a living document used to help manage the day-to-day running of a business/project and to help inform others of your ideas and intentions. In simple terms, a business plan should;

- set out your objectives
- show how these objectives will be realised
- enable you to plot your progress in achieving these objectives

A comprehensive business plan shows if your business/project has the potential to make a profit/remain in budget and requires a realistic look at every stage of development, showing that you have addressed problems and fully investigated your ideas. As a management tool, your business plan can help you to monitor progress, set and achieve deadlines and move onto the next stage. For examples of business plans visit <http://www.business-plans.co.uk/>

Filling in an Application Form

An application form is your opportunity to inform people about your idea and project.

A potential funder wants to know that your ideas fit their guidelines and that it is fully developed and achievable; it is the first time they will be hearing about your plans, so it is important to be as descriptive as possible.

Before you start to fill in an application form, make sure you keep spare copies to practice on, either by photocopying or saving a separate electronic version. Answer all the questions and include all requested supporting material. Allow yourself plenty of time to meet the deadline, proof read and keep a copies of everything you send. Provide a clear point of contact and inform the funder if your circumstances change.

Final Tips

- Develop an idea of your short, mid and long-term financial needs; what is the best way to achieve these needs?
- Research all your funding options; who is best suited to helping your ideas develop?
- Always read the guidelines and make sure you meet funding requirements
- Leave plenty of time to research and apply before the start of a project
- How will you proceed if funding does not materialise?

Further sources of information;

<http://www.business-plans.co.uk/> - advice on how to write a business plan and links to templates

<http://businessplanhelp.co.uk> - advice on how to write a business plan and links to templates

<http://www.artswales.org.uk> – Arts Council of Wales

<http://www.cywaithcymru.org> – community arts funding for Wales

<http://www.sgrin.co.uk> – media agency for Wales

<http://www.academi.org> - the Welsh National Literature Promotion Agency and Society of Writers

http://www.musictank.co.uk/funding_res.htm - information on start-up funding for the music industry

<http://www.j4b.co.uk/> - a searchable database of grants

<http://www.artquest.org.uk/funding/> - information and advice on how to secure funding

<http://www.britishcouncil.org/arts-creative-business-funding.htm> - advice and links for funding creative businesses

<http://www.wcva.org.uk> – advice and information on funding for the voluntary sector

© Cultural Enterprise 2005

Cultural Enterprise / Menter Diwylliannol

Chapter, Market House / Ty Farchnad, Cardiff / Caerdydd CF5 1QE

Tel/Ffon: 029 2034 3205

Fax/Ffacs: 029 2034 5436

Website/Gwefan: www.cultural-enterprise.com

Email/ Eboost: mail@cultural-enterprise.com