Arts & Social Finance and Cultural Resilience: Evidence from the United Kingdom

Background

As recent historic increases in public funding fail to alleviate growing precarity in Canada's cultural sector, there is a growing recognition that other tools are needed to complement the granting system, e.g. social finance. **Arts & Social Finance** is a $100 million fund proposed by the **Metcalf Foundation** and **Rally Assets**, and is based on Arts and Culture Finance, a $60 million United Kingdom (UK) pilot that demonstrated the impacts of repayable capital and investment readiness on organizational resilience long-term.

Evidence from Arts and Culture Finance in the UK

Arts and Culture Finance (ACF) consisted of three separate funds. The first, the Arts Impact Fund (AIF), launched in 2015 and deployed over £7 million ($13 million) to 25 organizations through low-interest loans paired with investment readiness and capacity-building supports. In 2022, economist Rachel Green evaluated the fund using nine indicators of financial resilience: gross income, earned income, percentage earned income, number of income sources, surplus/deficit, fixed assets, net current assets, net assets, and cash reserves. The study compared average performance before and after receipt of a loan and supplemented financial analysis with interviews from participating organizations.

The results are encouraging. Across the portfolio, **76% of organizations increased gross income after investment, 83% increased fixed assets, and 67% increased net assets.** The investment process contributed positively to financial resilience, with over half of portfolio interviews assigning the highest possible rating to the loan's importance in strengthening their organization.

In 2026, ACF's intermediary **Figurative** revisited the portfolio using additional years of post-investment data. The updated analysis suggests that the resilience gains identified in the original study were largely sustained and, in several cases, strengthened over time. The strongest performance remained in fixed assets, where 83% of organizations showed improvement. Indicators associated with revenue diversification and financial independence also improved over time, with earned income increasing from 57% to 71% of organizations and net current assets increasing from 54% to 67%.

The only indicator to weaken was cash reserves, which declined from 55% to 46%. The authors attribute this primarily to post-pandemic operating conditions, including inflation, rising costs, and slower-than-expected audience recovery. Despite these pressures, most indicators of resilience either remained stable or improved.

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Financial Resilience Indicators

Indicator	2021 Study	2026 Study
Gross income	76%	76%
Earned income	57%	71%
% Earned income	43%	58%
Number of income sources	55%	58%
Surplus/deficit	50%	50%
Fixed assets	83%	83%
Net current assets	54%	67%
Net assets	67%	71%
Cash reserves	55%	46%

Note: Percentages indicate the proportion of portfolio organizations whose average post-loan performance exceeded their average pre-loan performance for each indicator. They do not represent the magnitude of change, but the % of portfolio organizations that experienced improvement post-investment.

Implications for Canada

The UK evidence suggests that social finance can contribute to improved organizational resilience when deployed through patient, flexible capital combined with readiness support. Importantly, the strongest effects were not limited to revenue growth, but observed in balance-sheet strength, asset accumulation, income diversification, and broader organizational capacity. The evidence also suggests that the value of social finance extends beyond capital itself. Participating organizations consistently identified the investment process — including due diligence, financial planning, governance development, reporting, and risk management — as an important contributor to resilience. This finding aligns closely with the design of Arts & Social Finance in Canada, which combines low-interest repayable capital with ASF Build, a national investment-readiness initiative.

Taken together, over a decade of empirical evidence from the UK suggests that appropriately structured social finance can strengthen the financial foundations of cultural organizations over time. While not a replacement for grants, data shows its capacity to increase resilience, reduce vulnerability, and improve the long-term capacity of organizations to adapt and thrive.