Financial Sustainability: Setting the Right Direction

Spring 2024

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Preface

We are living through a period of widespread social, economic and technological change. Moreover, external shocks such as the Covid-19 pandemic are argued to have hastened trends, such as the shift to digital. Managers and leaders must understand the environment within which they operate, prioritising resources accordingly.

This report aims to use data to help us reflect upon the financial sustainability of heritage organisations. It provides a snapshot of organisations at the start of their Heritage Compass journey, prior to the onset of Covid-19. It sets a benchmark against which we can compare future years, particularly as the sector emerges from the challenges of the pandemic. In a period of change, it is also helpful to understand what might be considered 'normal' and how your organisation compares.

The Heritage Compass programme aims to strengthen the heritage sector's resilience, building participants' capability, knowledge and confidence. Our aim is that the learning from this report can contribute to your organisation's resilience, and help you make strategic decisions around financial sustainability. The report's benchmarking data and analysis can inform decision-making across the heritage sector, not just for Heritage Compass participants.

We hope that this report will inform your conversations and deliberations as you navigate turbulent, changing times. We are committed to supporting heritage organisations as you set a direction for the future, and we look forward to discussing with you the insights from this report.

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The heritage sector in England

The heritage sector in England was estimated to contribute almost £15 billion to UK GDP in 2019[1], or nearly 1% of GDP. 206,000 people are estimated to work in the heritage sector, or nearly 1% of the workforce.

About Heritage Compass participants

Heritage Organisations participating in Heritage Compass are mostly small in scale. A typical organisation has a yearly income of approximately £130,000. A quarter of the participants have an annual income of less than £45,000 (2018/19). All Heritage Compass participants are based in England and meet the National Lottery Heritage Fund's definition of a heritage organisation.

There are differences between heritage sub-sectors in the size of a typical organisation. We have analysed the Heritage Compass group using categories developed by the National Lottery Heritage Fund[2]. Organisations in the Culture and Memories and Historic Buildings sub-sectors report typical incomes above the median for the entire group. Organisations in the Collections, Industrial, Maritime and Transport, and Community Heritage and Land categories all report incomes below the median for the group.

The data is pre-Covid. This report provides a baseline financial assessment of the Heritage Compass participants in 2018/19. This period is before the onset of the Covid-19 pandemic and associated concerns about heritage organisations' financial health and survival. This was also before the organisations in this group became involved in the Heritage Compass programme.

Income sources

We report three broad categories of income: grants, donations and sponsorship, and commercial and trading income. These three categories summarise individual income lines, such as ticket sales.

Commercial and trading activity is widely reported. Almost nine out of ten organisations earn income from commercial activity and trading. The typical median commercial and trading income is 36% of total revenue. Even the smallest Heritage Compass organisations trade – 70% of organisations with a total revenue below £50k per year, report earned income from commercial and trading activities, such as running a café, shop, or room hire.

Ticket sales are both widespread and valuable. Commercial and trading income includes ticket sales. This type of revenue is included in lists of the ten most valuable and widespread income lines.

[1] CEBR (2020) The heritage sector in England and its impact on the economy
[2] www.heritagefund.org.uk/our-work

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Ticket sales are valuable, typically worth 18% of total revenue to an organisation. 41% of Heritage Compass organisations report revenue from ticket sales.

Donations and sponsorship are the second most common category of income. Donations and sponsorship from the public are the second most widely reported income category (82% of organisations). This income category is typically worth 13% of total revenue.

Organisations are more likely to report receiving income from donations and sponsorship as they grow.

Private donations are reported more often than any other income line. Private donations are a component of the donations and sponsorship category. They are the most widely reported individual income line in any category: 71% of organisations report that they have received private donations. The median value of private donations to recipient organisations is equivalent to 6% of total revenue – not enough to be included in the ten most valuable income lines.

Grants are the least reported but most valuable income category. Almost three-quarters of organisations (74%) are grant recipients. For organisations that receive grants, it is typically worth nearly half their total revenue (44%). The smallest organisations (those with an income below £50k) are least likely to report grant income. For these recipients, grant income is typically worth over half of their total revenue (53%).

Regular grant funding from an Arms' Length Body is the most valuable single income line. Fewer than ten organisations are Regularly Funded Organisations receiving annual grants from Arms' Length Bodies such as Arts Council England and Sport England. However, the typical amounts reported are more significant than any other income stream. Regular funding is typically £115,000 per year. The next most valuable line is funding from National Lottery distributors, worth almost £56,000 per year. In comparison, the median grant income from private trusts and foundations is £25,000.

Expenditure

Employers typically spend at least one-third of their income on staff costs in all but the smallest organisations. Only a handful of the smallest organisations (incomes below £50k) report spending on staff costs. For the remainder, at least two-thirds of organisations employ staff. Median staff costs range between 35% and 46% of total revenue. Benchmarking shows that Heritage Compass organisations reporting a deficit, spend more than half of their revenue on staff costs.

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Staff costs vary significantly between sub-sectors. Over two-thirds of organisations in the Collections group are employers. They typically spend almost half their income (49%) on staff. The same proportion of organisations in the Culture and Memories group are employers, but in contrast, the median expenditure on staff is 30%.

Few Heritage Compass participants report expenditure on fundraising. Only 26% of Heritage Compass organisations report any fundraising expenditure. For organisations that report fundraising expenditure as a line in their profit and loss sheet, the median spend is 2% of total income. We suspect that there are organisations that have fundraising expenditure but simply do not report it as a separate line in their expenditure accounts.

Surplus, deficit and break-even

49% of the Heritage Compass group reported a surplus in 2019. 11% reported a break-even position, while 40% reported a deficit. Organisations most likely to report a surplus were in the £50k-200k income band and the Community Heritage, Land & Nature sub-sectors. Industrial, Maritime and Transport is the group most likely to report a loss in cash terms. A majority of organisations in this group made a loss.

Surpluses are usually small. The typical Heritage Compass organisation made a surplus equivalent to 3% of overall income in 2019.

There is wide variation in levels of surplus and deficit. Almost one-quarter (24%) of the Heritage Compass group reported a surplus of 25% or more of total revenue. A similar proportion (23%) reported a deficit of 25% or more of their total revenue. Some of this can be explained by the small scale of some organisations, where a small cash surplus or deficit can appear large in percentage terms.

Future sustainability

The Heritage Compass group as a whole is well capitalised. Going into the period covered by Covid-19, the group held levels of working capital that might suggest they are resilient. Working capital – a narrower definition than reserves – was equivalent to 49% of income in the typical organisation. This is enough to cover a total loss of revenue for six months. 84% of organisations hold over 10% of total revenue as working capital. We think that working capital equivalent to 20% of total revenue is a helpful minimum benchmark – 69% of organisations hold working capital at this level.

Some sub-sectors are less well capitalised. If there is a concern regarding working capital levels, it is the wide variance by sub-sector. Collections typically hold 66% of income as working capital, but for historic buildings and monuments, this falls to 34%.

Section 02

How to use this report

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02. How to use this report

Introduction

The introduction sets the context for the data and analysis in this report. All data is for the financial year of 2018/19.

We begin by setting out the context for the heritage sector. An overview of the Heritage Compass participants follows this. This uses data on the entire group that is intended to provide context for the analysis in the main body of the report.

Our report segments the Heritage Compass group so that you can compare your organisation with others with similar characteristics. We have used the National Lottery Heritage Fund's typology[3] :

Collections:
museums, libraries and archives

Community Heritage, Land & Nature:
including parks and green spaces, and activities that encourage pride inlocal places[4]

Culture & Memories:
including museums, libraries and archives

Historic Buildings & Monuments:
including archaeology

Industrial, Maritime, Transport:
buildings, transport and technology that helped shape the modern world

02. How to use this report

The main body of the report comprises **benchmarking data**. Benchmarks are intended to show what a typical organisation's income and assets are and aims to answer questions such as:

- What do 'good' and 'best' look like regarding financially sustainable and resilient business models?
- How do your financials compare to these sector norms?
- Where are the opportunities for growth and improvement etc?

Introducing benchmarking

Benchmarking is a helpful tool to help improve standards, or to support decision-making. It is an approach we have already used in the **Sustainability Guides** that accompany this report.[5] We believe that the data from these organisations offers helpful insight into growth, sustainability and success. Data does not provide the complete picture. It can, however, provide a practical starting point for any discussion of financial sustainability in your organisation.

The report provides benchmark data for organisations across four different total revenue bands. These reflect the different business models that characterise the Heritage Compass organisations. We then report our benchmarks for five sub-sectors, recognising that heritage organisations operate across various activities.

We have also included benchmark data on key expenditure items, including fundraising costs and paid staff. Finally, we have included an analysis of financial health for this report. We have used balance sheet data to report working capital levels, and we have developed a measure to indicate the sector's financial resilience.

The Heritage Compass participants

Heritage Compass organisations include companies limited by guarantee, Community Interest Companies (CICs), co-operatives and unincorporated trusts and community organisations. There are also several local authorities in the programme. Over 80% of the participants have charitable status. Participants include museums, libraries, theatres, religious bodies and organisations related to historic buildings or green spaces. Some of the participants are housed within larger organisations such as universities or local authorities but are eligible based on the total revenue of their service area.

There are now over 300 organisations in the Heritage Compass programme across 15 cohorts. Participants typically have a total revenue of up to £1m and are based in England.

[3] www.heritagefund.org.uk/our-work
[4] This combines two separate NLHF categories - Community Heritage and Land & Nature - that are too small to report separately.
[5] Jisc (2012) What is benchmarking?

02. How to use this report

For the 2018/19 year, we hold data on 170 organisations with a total revenue of £294m. Our analysis is, however, based on a smaller sample of 140 organisations with a total revenue income of £37.3m. We have excluded a number of participants from our analysis.

These include:

- Six organisations that are part of larger entities with a much larger total revenue (£2m+) and a broader scope than heritage;
- 12 local authorities have been excluded from our analysis for the same reason as above;
- 24 organisations have not supplied any income or expenditure data for 2018/19.

What you can do next

Find your organisation's peer group
The report starts with an overview of the Heritage Compass participants that we have included in our analysis. The group is diverse, so we have 'sliced' the portfolio into different groups of organisations based on either annual income or sub-sector. One of the first things you might want to do is look for the 'slice' that corresponds with your organisation.

Compare against the most relevant benchmark data
We report financial benchmarks for slices related to size and sub-sector so that individual organisations can compare themselves against their most relevant peer groups. There are two main types of benchmark:

- the **proportion of organisations** that generate income or spend money. For example, 74% of organisations in the group generate income from grants; and
- the **median percentage of income** for that type of income or expenditure for the recipients only. For example, for organisations that generate income from grants, the median value of that income is 44% of total revenue.

02. How to use this report

How we have used medians in the report
We refer to the median when discussing the 'typical' organisation, or what an organisation typically receives or spends. We think that the median is a more reliable guide than the mean to the average. The mean is often skewed by a small number of organisations whose business models are outliers compared to the rest of the programme participants.

The median income from grants is £37,500 – a figure based on the 103 Heritage Compass participants with grant income. The median calculation excludes 37 organisations that, in effect, report zero income from grants.

When looking at medians, it is also helpful to consider the proportion of organisations with that type of income or expenditure. For example, only 10% of the 40 organisations with a total income below £50k report salary costs, so the median figure has been calculated from data from only four participants. This is a small number of organisations and care should be taken when considering how representative this might be of wider behaviour.

Explore in more detail using our online dashboard
The data in our report is available online via the **Heritage Compass Dashboard**. The dashboard enables you to 'slice' the Heritage Compass data to suit your needs.

The Benchmark Dashboard can be found at artsfundraising.org.uk/benchmarking

Read our accompanying Sustainability Guides
This report is accompanied by four guides that closely examine Heritage Compass participants and aspects of their finance and operations: Cafés and Retail, Grantmaking, Growing Your Income, and Lettings and Room Hire. Each of the **Sustainability Guides** combines benchmark data with advice from various sources to explore how heritage organisations can strengthen their organisations and build for the future.

Section 03

The Heritage sector in 2019

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03. The Heritage sector in 2019

Introduction

This section sets out the context for the organisations and benchmarks we report.

As the heritage sector emerged from the Covid-19 pandemic, further challenges in the wider environment emerged.[6] Rising costs, labour shortages and broader global tensions highlight the need to build resilient organisations that can withstand structural forces and one-off events. Although these challenges relate to all aspects of heritage management, our report focuses on financial resilience and sustainability[7]. We aim to support leaders and managers, whether trustees, non-executives, or paid staff, with the best quality information to make better decisions.

The heritage sector in England

In a report for the National Lottery Heritage Fund, the heritage sector in England was estimated to contribute almost £15 billion to UK GDP in 2019.[8] Although less than 1% of GDP, this was argued to be growing at 9% per annum. This was attributed to the growth in libraries, archives, museums and other cultural services. Much of this value was attributed to London and the South East of England. DCMS has now commissioned work to develop more comprehensive approaches to measure the value and impact of the heritage sector.[9]

03. The Heritage sector in 2019

The same report estimated that the heritage sector employed 206,000 people in 2019, 24% more than in 2011. This equated to 0.74% of the workforce. Recent survey data suggests that heritage organisations (and the wider nonprofit sector) are finding volunteer recruitment more difficult.[10]

Long-term changes in the financial environment for heritage organisations

Broad structural changes in the economic environment have been evident in the heritage and broader non-profit sectors over several decades. A general transition from voluntary income sources (grants and donations) to earned income (open market trading, contracted fees for services) is one of the most striking shifts.[11] Many non-profit organisations, including heritage organisations, have sought to develop innovative or new income streams as other sources have declined or remained static.

Government funding has played an important role, too, particularly during the Covid-19 pandemic. However, amid concerns around ever-tightening public spending settlements, particularly for local government, an equally significant change has been the shift from grants to contracts.[12] Trading and commercial income from all sources is one of the three main categories of income covered in this report.

[6] Morrison, R (2022) Inflation is about to plunge the arts world into a fresh crisis. The Times, 12/08/2022
[7] For a broader analysis of opportunities and threats, see historicengland.org.uk/research/current/threats/
[8] CEBR (2020) The heritage sector in England and its impact on the economy
[9] DCMS (2021) Rapid Evidence Assessment: Culture and Heritage Valuation Studies
[10] Heritage Fund (2023) UK Heritage Pulse. Spotlight on: Volunteering
[11] NCVO (2021) UK Civil Society Almanac 2021
[12] Historic England (2017) Local Authority Budgetary Cuts: The Changing Shape of Local Government

03. The Heritage sector in 2019

Private giving and philanthropy have also seen a significant change, with surveys pointing to an increasing reliance upon a smaller pool of wealthier donors.[13] There is a long-term decline in the proportion of households supporting good causes via traditional mechanisms. This trend has to some extent been counteracted by the shift to supporting organisations through purchases (such as tickets) or sponsorship. This report also benchmarks donations and sponsorship as one of the primary sources of income for the sector.

Grant funding – from trusts, foundations, and statutory bodies – is the third income category benchmarked in this report. Grantmaking from trusts and foundations has an essential role in the heritage sector.[14] Leading funders consist of National Lottery distributors like the National Lottery Heritage Fund. Grant funding distributed via these organisations, including funds from national government, was especially prominent during the height of the Covid-19 crisis. The National Lottery Heritage Fund has subsequently announced a new strategic direction, with a clear focus on long-term impact.[15]

Financial resilience: challenges and opportunities

One survey of heritage organisations from 2018/19 highlighted several concerns:[16]

- rising costs of maintenance and repairs;
- security of funding; and
- reduction in financial support.

The foremost opportunity identified was innovation around income generation and diversification.

03. The Heritage sector in 2019

The impact of Covid-19 on financial sustainability

Covid-19 – which followed the period covered by our analysis – is estimated to have had a substantial impact on the heritage sector, with sharp declines in revenue.[17] Visits to historic sites are estimated to have fallen by 57% in 2020.[18] The UK Government's Culture Recovery Fund, worth £1.57 billion, plus additional emergency funding from grant-makers, including the National Lottery Heritage Fund and Historic England, were critical to the survival of many heritage organisations. Emergency support for the broader economy, including the UK Government's furlough scheme, also provided the sector with much-needed support.[19]

As Covid-related emergency funding has receded and other financial pressures emerge – particularly the rise in inflation – the sector faces a different set of financial sustainability challenges.[20] We believe that the benchmarks and analysis in this report will likely be helpful and relevant to the post-Covid period, particularly as emergency grant funding is no longer part of the financial mix for most heritage organisations.

[13] Law Family Commission on Civil Society Mind the Giving Gap
[14] ACF (2021) Foundation Giving Trends 2021
[15] Thurley, S (2023) Shake-up announced for the UK's £300m National Lottery Heritage Fund. The Art Newspaper.
[16] Ecclesiastical Heritage Sector Insights
[17] Heritage Counts (2020) Heritage and the economy 2020
[18] Heritage Counts (2021) Heritage Indicators
[19] DCMS (2021) DCMS Coronavirus Impact Business Survey - Round 2 - Report
[20] Harwood, L. (2022) After the Storm: A consolidation of data, insights and predictions for the post-pandemic charity sector.

Section 04

Heritage Compass participants: an overview

04. Heritage Compass participants: an overview

Introduction

This section shows the spread of Heritage Compass participants across a set of income bands and heritage subsectors. This provides a reference point for the rest of the report as there is considerable heterogeneity across the cohort.

The group comprises organisations of different sizes

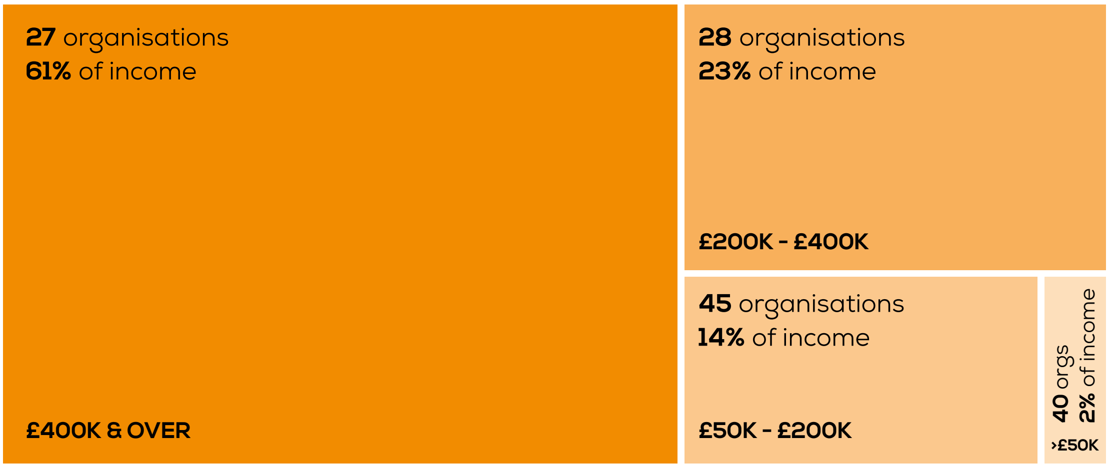
We have analysed these in the main body of the report using four groups based on their annual total revenue (Table 1). Where organisations have reported large one-off capital receipts, we have removed these from our figures. This enables us to represent a more accurate picture of their actual operating revenue.

Although there are fewer larger organisations, these account for a relatively large share of the group's total revenue. (Figure 1). Almost two-thirds of the group (61%) have an income of £200k or less.

TABLE 1 Total revenue and number of organisations, by income band (Heritage Compass)

Income band	Upto £50k	£50k-£200k	£200k-£400k	£400 & over	All
Organisations	40	45	28	27	140
Total income	£905,304	£5,069,625	£8,525,273	£22,777,599	£37,277,801

FIGURE 1 Share of total revenue by income band



04. Heritage Compass participants: an overview

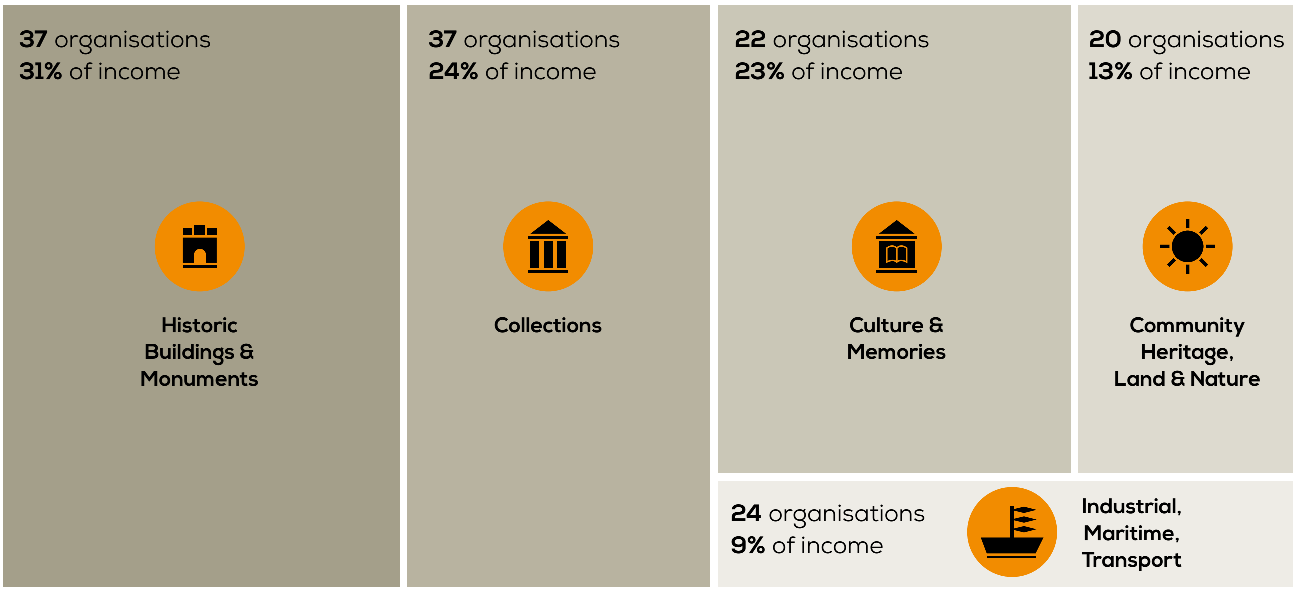
The group comprises organisations covering different heritage types

We can explore the Heritage Compass participants according to their purpose (Figure 2). Collections and Historic Buildings & Monuments are the most populous subsectors for the Heritage Compass programme. These categories also have the largest share of total revenue. The Industrial, Maritime and Transport category has the smallest share of total revenue (Figure 2). Table 2 shows the total income for each of these categories.

TABLE 2 Total revenue and number of organisations by sub-sector

Income band	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	All
Organisations	37	20	22	37	24	140
Total income	£8,907,244	£5,022,580	£8,393,033	£11,587,377	£3,367,567	£37,277,801

FIGURE 2 Share of total revenue by sub-sector



04. Heritage Compass participants: an overview

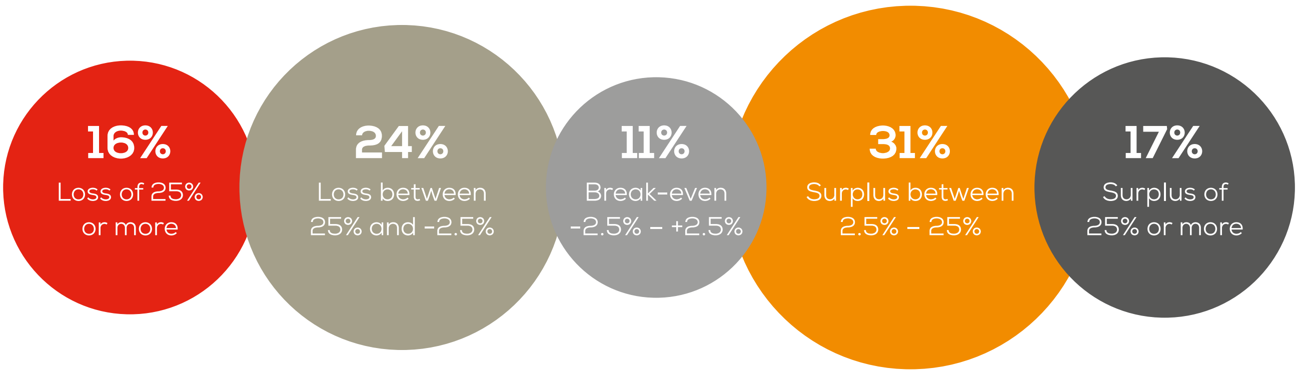
The Heritage Compass group collectively makes an aggregate surplus

Programme participants made an aggregate net surplus of £5.2 million. Over half of this was generated by two organisations. This figure is the net surplus for the group. The net figure is calculated after subtracting the losses made by 61 organisations totalling £2.1m in 2019, from the aggregate surplus produced by 79 organisations totalling £7.3 million. One-quarter of organisations made losses equivalent to more than 11% of total revenue. Another quarter made a surplus of more than 20% of total revenue. So, although the group as a whole is in good financial health, it is important to look more closely at the financial resilience of organisations. This is explored later on in the report in the sections on surplus.

Almost half of Heritage Compass organisations made a surplus in 2019

49% of the Heritage Compass participants made a surplus in 2019. A further 11% of organisations reported a break-even position, while 40% recorded a deficit. We have defined a break-even position as between a surplus of 2.5% of turnover and a deficit of minus 2.5% of turnover. A surplus is where income exceeds expenditure by more than 2.5% of turnover. A deficit is a loss of more than 2.5% of turnover. Figure 3 shows a further breakdown of organisations into bands showing the size of their surplus or deficit.

FIGURE 3 **Proportions of programme participants and their surplus, break-even or loss** [21]



[21] Please note that categories do not sum to 100% due to rounding.

04. Heritage Compass participants: an overview

There isn't a clear relationship between income band and surplus or deficit

19 of the 39 organisations with incomes below £50k made a loss. Organisations in the £50-£200k group are most likely to report a surplus (59% of organisations). Those in the £200-£400k group are most likely to report a deficit (45%) or a break-even position (17%).

There is variation between the different sub-sectors

Most organisations in the Collections, Community Heritage, Land and Nature categories made a surplus. The Industrial, Maritime and Transport had the largest proportion of organisations (50%) reporting a deficit.

FIGURE 4 **Proportion of organisations in surplus by income band and %**

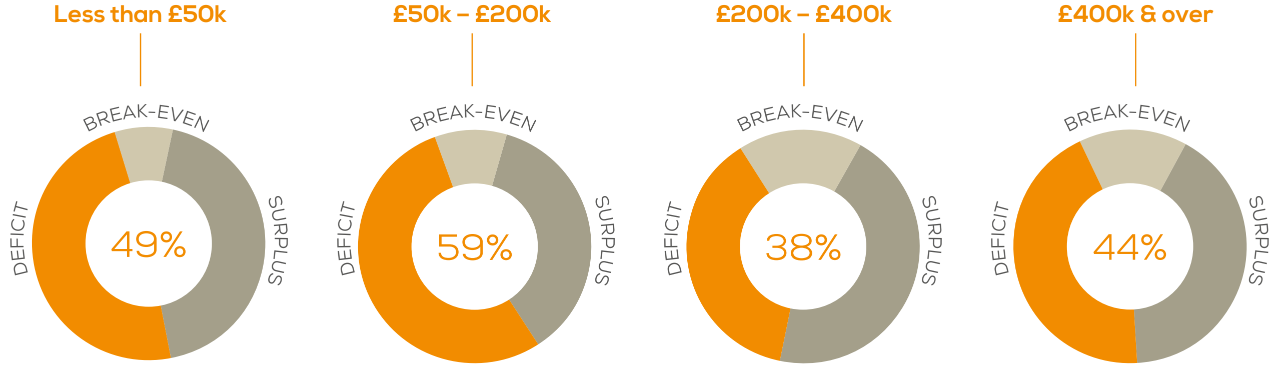


TABLE 3 **Proportion of organisations in surplus, deficit and break-even by income band**

Income band	Up to £50k	£50k - £200k	£200k - £400k	£400k & over	All
SURPLUS	49%	59%	38%	44%	49%
BREAK-EVEN	8%	9%	17%	15%	11%
DEFICIT	44%	33%	45%	41%	40%
Total	100%	100%	100%	100%	100%

04. Heritage Compass participants: an overview

FIGURE 5 Proportion of organisations reporting a surplus/deficit, by sub-sector

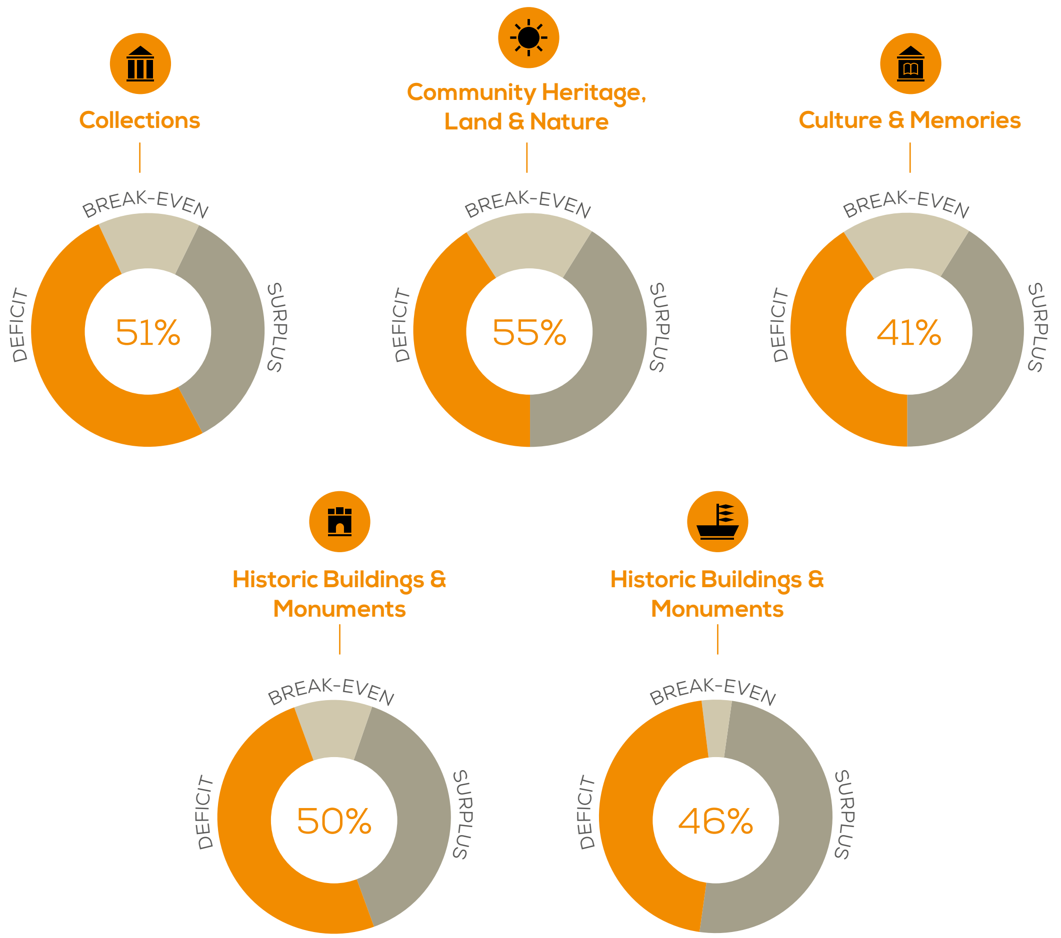


TABLE 4 Proportion of organisations in surplus, deficit and break-even by sub-sector

Income band	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	All
SURPLUS	51%	55%	41%	50%	46%	49%
BREAK-EVEN	14%	10%	18%	11%	4%	11%
DEFICIT	35%	35%	41%	39%	50%	40%
Total	100%	100%	100%	100%	100%	100%

Section 05

Summary income benchmarks

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05. Summary income benchmarks

Introduction

This section demonstrates the spread from minimum to maximum within each of the income and sector bands so that you can identify where your organisation fits within these ranges.

What is the typical income & expenditure of a Heritage Compass participant?

The tables below show variations in income for each income band. The median average is the best guide to the income or expenditure of the 'typical' organisation. The typical Heritage Compass organisation has an annual revenue of almost £132,000.

There is a wide variation in the size of organisations. Some organisations have no paid staff and few formal resources – the lowest reported total revenue is £500. The largest reported total revenue for 2019 is £1.9m. It is worth remembering that we have excluded organisations with total revenues of more than £2m. Therefore, benchmarking your organisation using the income bands is particularly helpful.

TABLE 5 Total income, by income band

Income band	Upto £50k	£50k-£200k	£200k-£400k	£400 & over	All
Median	£22,958	£104,609	£276,796	£637,050	£131,596
Minimum	£500	£52,757	£204,044	£401,266	£500
Maximum	£49,419	£194,430	£396,844	£1,872,974	£1,872,974

05. Summary income benchmarks

What is the typical income & expenditure of an organisation in each sub-sector?

Benchmarking your organisation against others in the same sub-sector is also useful. Table 6 shows the median income across the five sub-sectors. The community heritage, land and nature category has the lowest typical income (£67k), though the group still includes relatively large organisations, as illustrated by the maximum value. Conversely, the historic buildings and monuments category has the highest median income, at almost £205k per year.

TABLE 6 Total income, by sub-sector

Income band	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	All
Median	£115,943	£67,343	£193,127	£204,984	£89,512	£131,596
Minimum	£2,050	£1,021	£500	£695	£4,720	£500
Maximum	£1,360,235	£1,716,744	£1,872,974	£1,583,176	£517,031	£1,872,974

Section 06

Detailed income benchmarks

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06. Detailed income benchmarks

Introduction

This section focusses on the balance of three key income types of commercial & trading, donations and grants. We look at how the balance between these elements varies by income band and by heritage sub sector. The analysis looks at both how commonly organisations report an income type and also what a typical level of income from each type is for each of the data slices.

Heritage organisations generate income from a wide range of sources and activities. These include voluntary income, typically grants or donations and sponsorship, and earned income from activities, including trading on the open market and service provision. These three categories summarise more detailed income lines, such as ticket sales or grants from trusts and foundations. Figure 6 shows some examples.

There are three broad types of income

Heritage Compass organisations have three broad categories of income.

These are:

- Grants – from sources including trusts and foundations, local authorities etc
- Donations and sponsorship – from sources including the public or businesses
- Commercial and trading income – income earned from selling goods or services, including delivering services under contract and ticket sales

06. Detailed income benchmarks

How widespread are the different income categories?

The most widely reported category of income is from commercial or trading activities[22]. 85% of organisations report that they are earning revenue. Donations and sponsorship are the second most widely reported income category, with 82% of heritage organisations receiving donations and sponsorship. Finally, 74% of Heritage Compass organisations report receiving grants. (Figure 6).

Organisations with less than £50k income will likely utilise only one of the three income categories. The largest organisations will most likely report all income categories (Table 7). Organisations can be financially resilient at any scale. However, if you wish to grow from a small to a medium or large organisation, this data suggests that income diversification will be required.

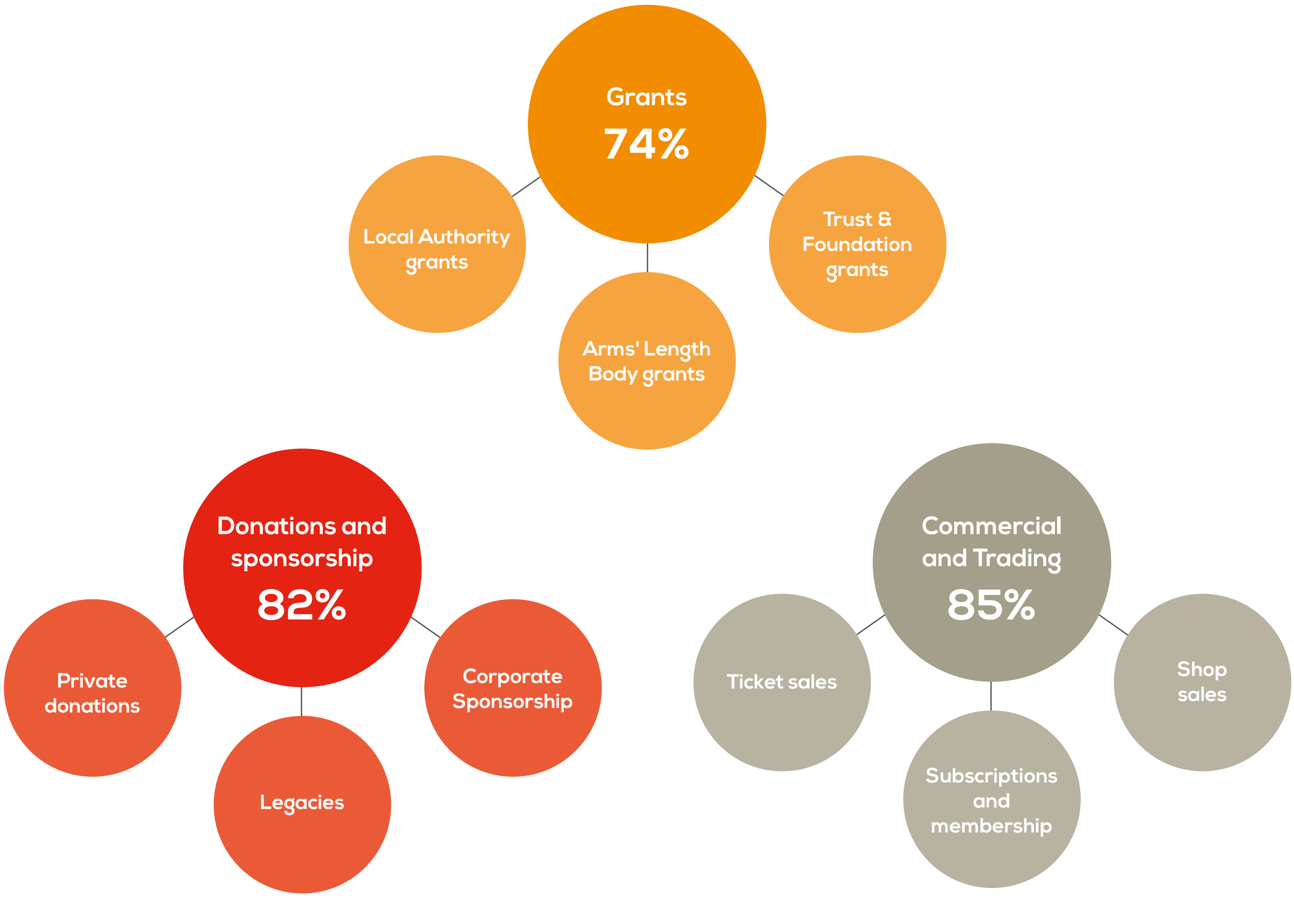
TABLE 7 **Proportion of organisations with each income category**

% of organisations with this income stream	Less than £50k	£50k - £200k	£200k - £400k	£400k & over	All
Grants	45%	84%	83%	89%	74%
Donations and Sponsorship	65%	84%	90%	96%	82%
Commercial and Trading	70%	87%	90%	100%	85%

[22] The accompanying Sustainability Guide on cafés and retail focuses on commercial and trading activities among Heritage Compass organisations. See www.artsfundraising.org.uk/heritage-compass/blog/new-report-shops-and-cafes-pathways-profit

06. Detailed income benchmarks

FIGURE 6 **Proportion of organisations reporting each income category, with example, income lines**



How important are the different income categories to organisations?

Three-quarters of Heritage Compass organisations receive grants. For grant recipients, the benchmark shows that almost half of their income (44%) is typically from this source (Table 8).[23]

85% of organisations generate commercial and trading income, typically worth 36% of income. The median revenue from donations and sponsorship is 13% of total revenue for those with this income stream.

[23] For a more detailed analysis of the role of grants in the Heritage Compass recipients, the accompanying Sustainability Guide on grantmaking, see [to be inserted]

06. Detailed income benchmarks

TABLE 8 Benchmark median income, by income stream

Benchmark median - recipients only	Less than £50k	£50k - £200k	£200k - £400k	£400k & over	All
Grants	53%	50%	23%	39%	44%
Donations and Sponsorship	28%	17%	9%	3%	13%
Commercial and Trading	30%	35%	50%	33%	36%

Fewer than half of the smallest organisations – those with an annual income of £50k or less – report grant income. Of those that do, they typically expect over half of their income (53%) to come from grants. The same organisations are more likely to rely on donations and sponsorship (28% of income). More detailed versions of these tables are in the appendix.

FIGURE 7 Ten most widely reported income lines (% of organisations)

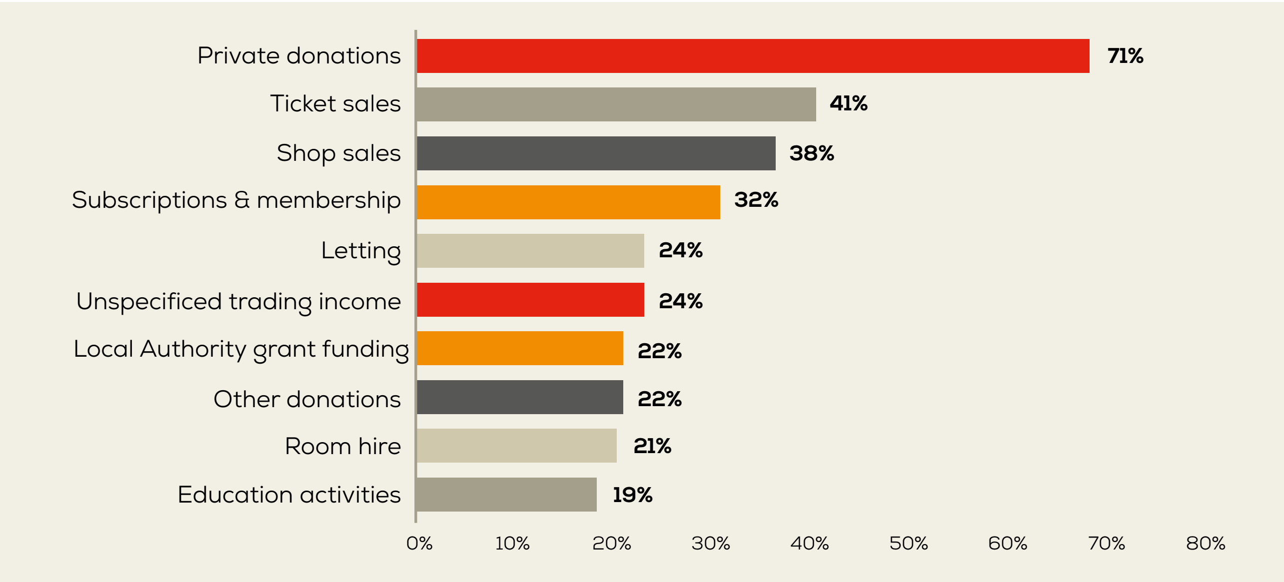


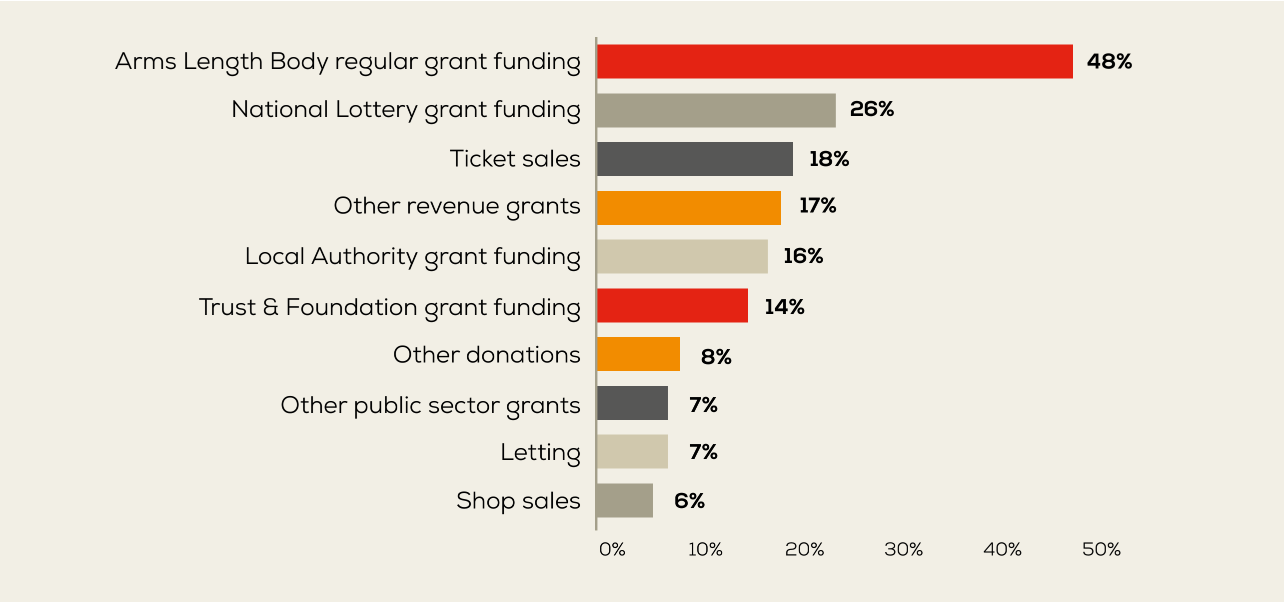
Figure 7 looks at the most widely reported individual income lines. 71% of organisations report receiving income from private donations, the most commonly reported income line. This is typically worth £5,177 to the recipient organisations.

06. Detailed income benchmarks

Figure 8 shows the ten most significant individual income lines. The single income line with the largest typical value is regular grant funding from two Arm's Length Bodies (ALB), Arts Council England and Sport England. This is typically worth 48% of total revenue to Heritage Compass recipients, although fewer than ten organisations are regularly funded.

This is followed by National Lottery funding via the National Lottery Community Fund and National Lottery Heritage Fund, typically worth 26% of total revenue. This is reported by a relatively small proportion of organisations (17%). These grant income lines are worth more than earned income lines, such as ticket sales, but they are likely to be distributed to a small number of organisations in any one year.

FIGURE 8 Ten most significant benchmark median income lines, by size of contribution (%) [24]



[24] Arm's Length Bodies' regular funding is from Sport England and Arts Council England.

06. Detailed income benchmarks

Five income lines appear in the top 10 for both median value and being widely reported. These are ticket sales, shop sales, lettings, local authority grant funding and other donations. For example, ticket sales are widely reported as an income line (41% of organisations) while also being in the ten most valuable income lines (18% of total revenue). Shop sales are also widespread (38% of organisations) and appear in the top ten median income sources (6% of total revenue). However, our analysis suggests that these are likely to generate relatively small profits. In summary, these income lines are worth investigating for any organisation in the group seeking to diversify their income, but they are not a guaranteed path to sustainability.

How does income vary between heritage categories?

Table 9 and Table 10 show the extent and contribution of each income category across the five sub-sectors. 70% of the Community Heritage, Land and Nature organisations report receiving grants. For the recipients, it typically accounts for more than half of their income.

A relatively small proportion of Culture and Memories group organisations report grant income. However, for those that do receive grants, it typically accounts for over four-fifths of total revenue (82%). This is much higher than in any other category. This group's income from trading and commercial activity is relatively low compared to others (15%).

TABLE 9 Proportion of organisations with each income stream

% of organisations with this	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	All
Grants	76%	70%	64%	82%	71%	74%
Donations and Sponsorship	81%	75%	86%	87%	79%	82%
Commercial and Trading	84%	95%	73%	87%	88%	85%

06. Detailed income benchmarks

TABLE 10 Benchmark median income by sub-sector

% of organisations with this	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	All
Grants	44%	54%	82%	27%	42%	44%
Donations and Sponsorship	19%	19%	5%	5%	26%	13%
Commercial and Trading	40%	29%	15%	29%	47%	36%
Other income	2%	1%	2%	1%	0%	1%

Almost nine out of ten Industrial, Maritime and Transport Organisations report income from commercial and trading activities. Commercial and trading income is typically 47% of these organisations' income. Organisations in the collections category also report relatively high levels of commercial and trading income (40%), suggesting that organisations in these two categories have a more balanced portfolio of income sources.

Section 07

Expenditure benchmarks

07

07. Expenditure benchmarks

Introduction

Our analysis of spending by Heritage organisations focuses on three main categories: building costs, direct costs and salary costs. A final category covering other expenditure includes donations to other organisations, fundraising costs, and miscellaneous expenses such as marketing or administration.

There are three broad types of expenditure

Heritage Compass organisations have three broad types of expenditure. These are:

- Building costs – expenditure relating to buildings, such as rent, rates, buildings maintenance, utilities, security and cleaning
- Direct costs – the costs of running programmes, events and additional direct costs such as shop stock and café materials
- Salary costs – staff costs, including pensions and National Insurance Contributions
- Other costs – non-building overheads costs, fundraising expenditure, marketing & governance

Who reports the different types of expenditure?

The proportion of organisations reporting different types of expenditure is summarised in Table 11. The table inevitably reflects the quality of reporting – with smaller organisations least likely to report spending in detail. This caveat aside, larger organisations are more likely to report salary costs as they grow. Four organisations report salary costs in the under £50k income band.

07. Expenditure benchmarks

TABLE 11 Proportion of organisations reporting expenditure

% of organisations with this Expenditure	Less than £50k	£50k - £200k	£200k - £400k	£400k & over	All
Building costs	43%	73%	72%	89%	67%
Direct costs	70%	84%	76%	96%	81%
Salary costs	10%	69%	83%	89%	59%
Other costs	98%	98%	100%	100%	99%

TABLE 12 Benchmark median expenditure categories

Benchmark median - recipiants only	Less than £50k	£50k - £200k	£200k - £400k	£400k & over	All
Building costs	25%	7%	12%	5%	9%
Direct costs	35%	24%	15%	14%	22%
Salary costs	17%	46%	38%	35%	39%
Other costs	45%	22%	29%	19%	28%

Two-thirds of the group report building costs, including maintenance, rent and utilities. These are also more likely to be reported by larger organisations. Four out of five organisations report direct costs relating to production, education and stock. Other costs include fundraising, marketing, administration, governance and re-granting funds to other organisations.

How significant are the different categories of expenditure?

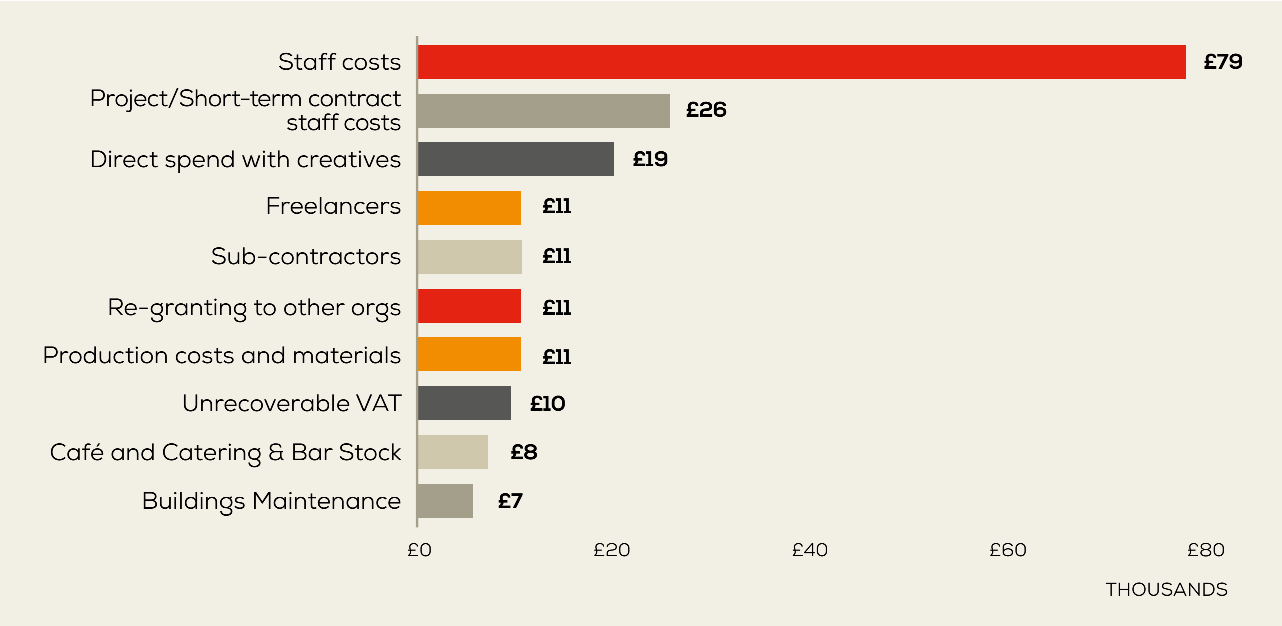
Table 12 shows that the median expenditure for the Heritage Compass organisations reporting salary costs is 39% of total revenue, or £83,000 annually. As noted, few of the smallest organisations (£50k or less income) are employers. Only one in ten report employment costs. For those that do, a low proportion of their total revenue typically is spent on salaries (17%).

07. Expenditure benchmarks

Almost all organisations report other costs, typically 28% of total revenue. For the smallest organisations, expenditure is less detailed; therefore, more has been allocated to the other category. Direct costs are typically 22% of total revenue.

Figure 9 looks at some of the individual expenditure lines that are aggregated in the categories in Table 12. The expenditure line with the largest median value is staff salaries, typically £79k for Heritage Compass organisations. Other employment or people costs are the most significant median spending. People costs including project staff costs, and fees for creatives, freelancers and sub-contractors are the five largest expenditure lines.

FIGURE 9 **Benchmark median expenditure lines, by size (£000s)**



07. Expenditure benchmarks

It is worth noting that this chart does not capture individual 'core cost' expenditure lines such as utility costs. Although these are a small proportion of total expenditure – utility costs, for example, are 3% of expenditure – at the time of writing, these were rising rapidly. Published studies suggest that insufficient expenditure on infrastructure is a key barrier to organisational effectiveness.[25]

How does expenditure vary between heritage sub-sectors?

Table 13 and Table 14 illustrate expenditure for each sub-sector, showing the proportion of organisations reporting each type of spending and, for those organisations, what proportion of their total revenue is typically spent on that category.

Building costs are consistently reported across the different categories. Industrial, Maritime and Transport organisations with building costs report a relatively large share of their expenditure in this category. Their median expenditure of 18% of total revenue is twice the figure for the group. The Historic Buildings and Monuments category has the second highest median building costs. For both categories, this is related to the nature of heritage activity – i.e., preserving and maintaining buildings.

For organisations with salary costs, these account for a relatively high proportion of their total revenue. Organisations in the collections sub-sector spend almost half their income on staff costs, more than in any other sub-sector. This group is also the most likely to report on salary costs.

[25] Mitchell, G (2022) Charities that don't embrace common financial norms tend to outperform their peers. In The Conversation.

07. Expenditure benchmarks

TABLE 13 Proportion of organisations reporting expenditure by sub-sector

Types of income	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	All
Grants	68%	70%	68%	66%	67%	67%
Donations and Sponsorship	84%	85%	82%	76%	79%	81%
Commercial and Trading	68%	50%	68%	61%	42%	59%
Other income	97%	100%	95%	100%	100%	99%

TABLE 14 Benchmark median expenditure, by sub-sector

Types of income	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	All
Building costs	8%	7%	5%	9%	18%	9%
Direct costs	14%	14%	30%	26%	26%	22%
Salary costs	49%	45%	30%	41%	33%	39%
Other costs	21%	37%	28%	25%	32%	28%

07. Expenditure benchmarks

Expenditure on fundraising

Expenditure on fundraising is part of the 'other costs' category. Table 15 shows that one-quarter of the Heritage Compass participants (26%) report fundraising expenditure. Heritage Compass organisations that spend on fundraising, typically report that 2% of their income (£3.5k) is spent on fundraising (Table 16).

These proportions are significantly lower than the proportion of organisations generating income from grants or donations. On this basis, we think that the data under-represents organisations' fundraising expenditure.

TABLE 15 Proportion of organisations reporting voluntary income or fundraising expenditure

Fundraising	Less than £50k	£50k - £200k	£200k - £400k	£400k & over	All
% reporting grants income	45%	84%	83%	89%	74%
% reporting donations income	63%	64%	79%	81%	70%
% reporting fundraising expenditure	15%	29%	28%	37%	26%

TABLE 16 Median voluntary income and fundraising expenditure

Fundraising	Less than £50k	£50k - £200k	£200k - £400k	£400k & over	All
Median grants income	53%	50%	23%	39%	44%
Median donations income	28%	17%	9%	3%	13%
Median fundraising expenditure	3%	3%	1%	2%	2%

07. Expenditure benchmarks

Expenditure on staff costs

The previous tables have highlighted the extent to which staff costs account for a substantial proportion of expenditure for employers. Table 17 illustrates how this expenditure relates to the number of staff that organisations employ.

When national insurance contributions (NICs) are considered, organisations typically spend £17,234 to employ a member of staff.[26] The median generally increases with the size of an organisation.

TABLE 17 Expenditure on staff costs per employee, including NICs

Income bands	Less than £50k	£50k - £200k	£200k - £400k	£400k& over	All
Median	£14,307	£16,885	£14,459	£21,561	£17,324
Lower Quartile	£14,307	£13,038	£8,185	£16,898	£12,682
Upper Quartile	£14,307	£24,884	£25,348	£29,753	£28,824

TABLE 18 Expenditure on staff costs per employee, including NICs

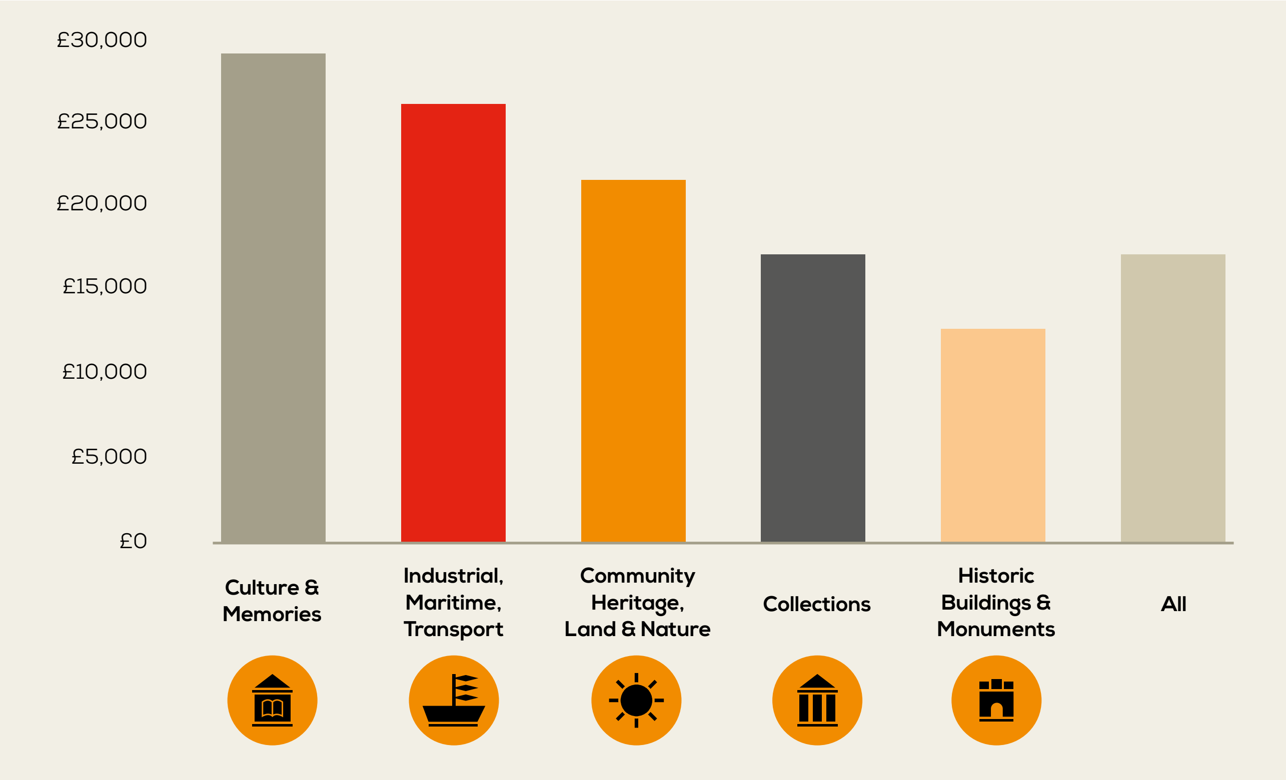
Staff costs	Culture & Memories	Industrial, Maritime, Transport	Community Heritage, Land & Nature	Collections	Historic Buildings & Monuments	All
Median	£29,308	£26,213	£21,779	£17,324	£12,963	£17,324
Lower Quartile	£19,712	£16,898	£19,222	£13,977	£9,764	£12,682
Upper Quartile	£36,064	£29,753	£29,529	£23,648	£16,997	£28,824

[26] Accounting standards stipulate that organisations should report staff numbers as Full-Time Equivalents. However, it is likely that some organisations report headcounts – so these benchmarks are a useful relative indicator.

07. Expenditure benchmarks

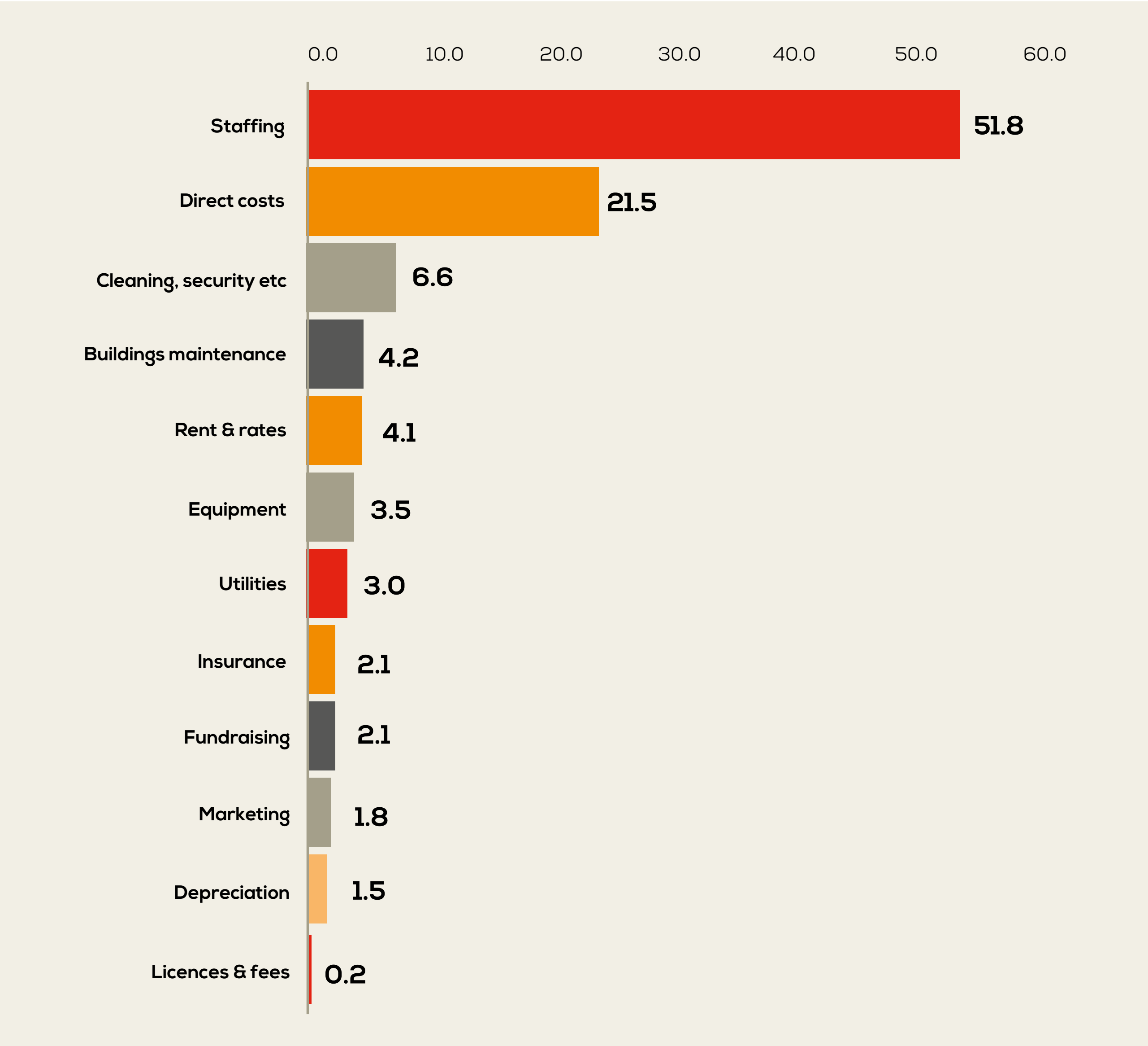
Expenditure on staff costs per employee can also be compared by sub-sector (Table 18 & Figure 10). Organisations in the culture and memories category typically spend £29,308 per employee, the highest of any sub-sector. This may partly explain why this group's median expenditure on staff is relatively high. Organisations in the Historic Buildings category spend the least per head, typically £12,963.

FIGURE 10 **Median expenditure on staff costs, per employee (£)**



07. Expenditure benchmarks

FIGURE 11 **Expenditure as a % share of total revenue, loss-making organisations only**



Finally, for organisations where expenditure exceeded income, staff costs are likely a factor (Figure 11). Staff costs are typically 52% of total revenue for this subset of organisations – higher than the benchmark median of 39%.

Section 08

Surplus/Deficit benchmarks

08

08. Surplus/Deficit benchmarks

Introduction

This section uses data on income and expenditure to provide benchmarks for the typical surplus, deficit or break-even position for organisations. Benchmarks for each income band and sub-sector follow benchmarks for the entire group.

The typical surplus is 3% of income

The typical surplus made by a Heritage Compass participant in 2019 was 3% of income – just above the break-even threshold of 2.5%. When organisations are grouped by their total income, there is no substantial difference in the typical year-end position (Table 19). This was between -2% and 4% of total revenue. In the £200k-400k turnover range more organisations make a loss than make a profit. The median loss is -2% i.e. expenditure is 102% of turnover.

These proportions translate into quite different amounts in cash terms. An organisation in the £400k and over group, typically expects a surplus of over £11,600. In contrast, a typical organisation in the £200-£400k band makes a deficit of almost -£4,800.

TABLE 19 Surplus/Deficit (£ and %), by income band

Income bands	Up to £50k	£50k - £200k	£200k - £400k	£400k & over	All
Median (£)	£103	£4,834	£4,798	£11,647	£1,575
Median (%)	4%	4%	-2%	2%	3 %

08. Surplus/Deficit benchmarks

FIGURE 12 **Median Surplus/Deficit as a % of income, by income band**

Which categories of heritage organisations are making a surplus or deficit?

We can also benchmark organisations in each sub-sector. Industrial, Maritime and Transport is the only category where the typical organisation reports a negative figure (Table 20). Once again, this figure of -2% falls within our definition of break-even. However, over half of the organisations in this category (54%) are making a loss – the only category where a majority are loss-making.

Organisations in the culture and memories category make the largest typical annual surplus in cash terms (£4,430). The Industrial, Maritime & Transport sub-sector median loss is small (£-343).

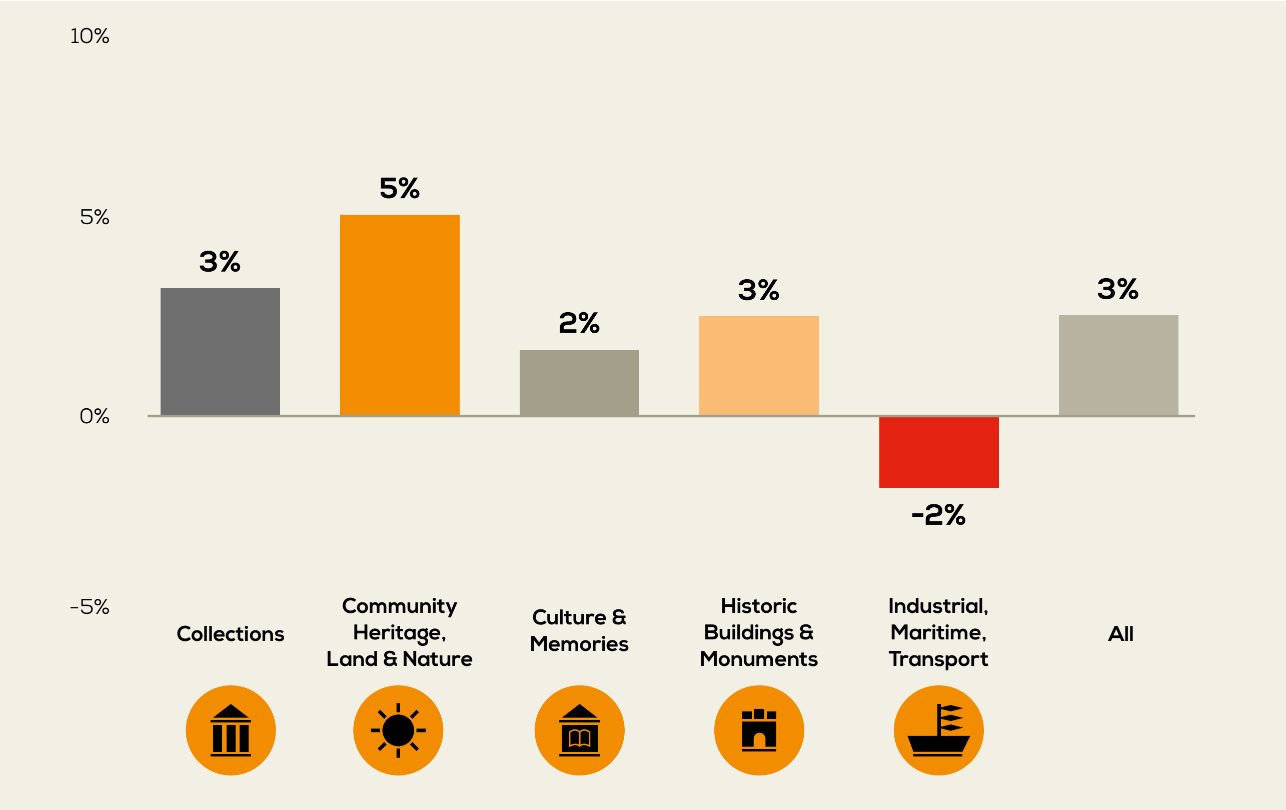
08. Surplus/Deficit benchmarks

TABLE 20 Surplus/Deficit statistics, by sub-sector

Income band	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	All
Median	£1,850	£2,129	£4,420	£1,464	-£343	£1,575
Median	3%	5%	2%	3%	-2%	3%

Median surplus and deficit positions are expressed as a percentage of total revenue in Figure 13.

FIGURE 13 Median Surplus/Deficit as a % of income by sub-sector



The Community Heritage, Land and Nature category has the highest percentage median surplus, despite organisations in this category also having the lowest median income. 60% of the organisations in this category are making a surplus – higher than any other sub-sector.

Section 09

Financial health benchmarks

09

09. Financial health benchmarks

Introduction

We have highlighted that over half of the Heritage Compass group (56%) are loss-making, but overall, the group is making an aggregate surplus. Other indicators of financial health can be used to assess sustainability, and in this report we have looked at levels of working capital.

Working capital

Organisations hold working capital to cover day-to-day expenditure or insurance against future loss of income. Working capital is a widely used measure of liquidity defined as net current assets as a percentage of total revenue. We think this is a narrower, more reliable, measure of liquidity than reserves because it only measures cash and cash equivalents.

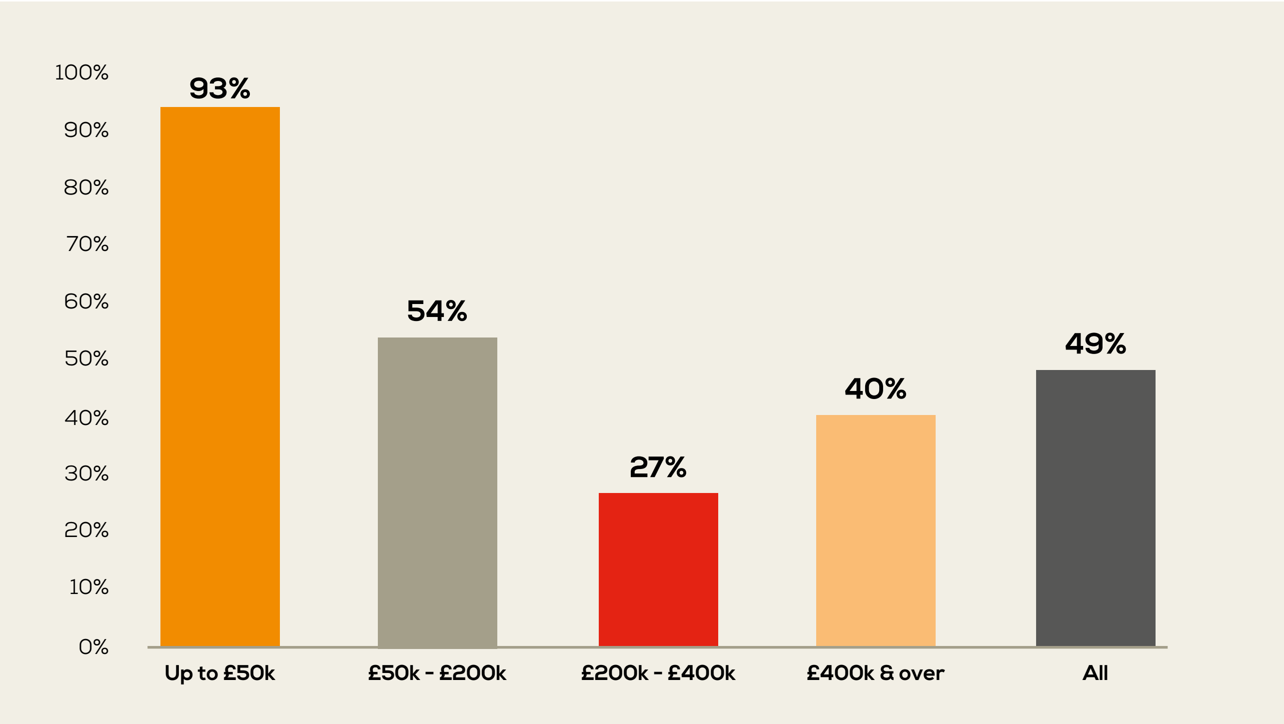
As a proportion of total revenue, the median working capital level for the group is 49% (Table 21). Larger organisations have lower working capital levels in percentage terms, while there is more variation among smaller organisations. Organisations in the £200k-£400k income band appear to have relatively low working capital levels (Figure 14).

TABLE 21 **Working capital by income band**

Working Capital as a % of turnover	Less than £50k	£50k - £200k	£200k - £400k	£400l & over	All
Median %	93%	54%	27%	40%	49%
Median £	£15,892	£60,101	£74,158	£199,438	£56,264

09. Financial health benchmarks

FIGURE 14 **Median working capital as a percentage of total revenue by income band, 2019**

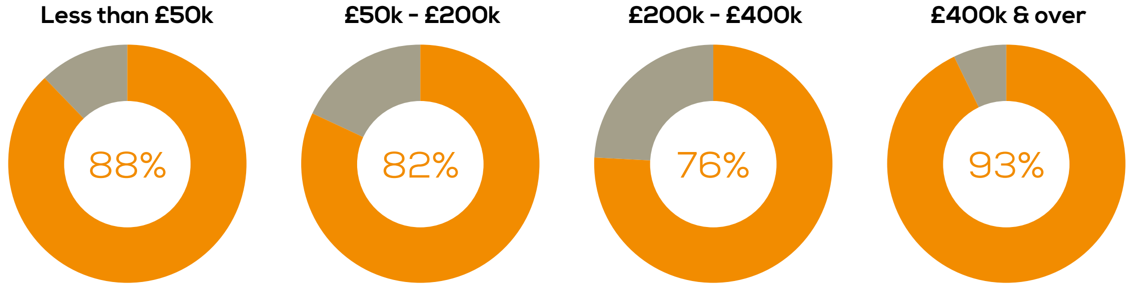


When we rank organisations by their working capital percentage, some organisations report negative working capital percentages – that is, their current liabilities exceed the cash or cash equivalents they hold. While they may have other assets, organisations with negative working capital risk trading insolvently.

More positively, 84% of organisations hold more than the equivalent of 10% of their total revenue as working capital. Organisations in the middle two income bands are less likely to meet the 10% threshold (Figure 15). We think that working capital equivalent to 20% of total revenue is a helpful minimum. A more conservative benchmark is 20% of total revenue as working capital. 69% of organisations hold working capital at this level.

09. Financial health benchmarks

FIGURE 15 **Proportion of organisations with working capital more than 10% of total revenue**



Working capital across sub-sectors

Working capital levels across the different sub-sectors vary significantly (Table 22). The culture and memories group typically hold £29k in working capital, the lowest across the different groups. Organisations in the collections category have the highest levels of working capital. The median for this group is almost £67k, well above the median for all organisations.

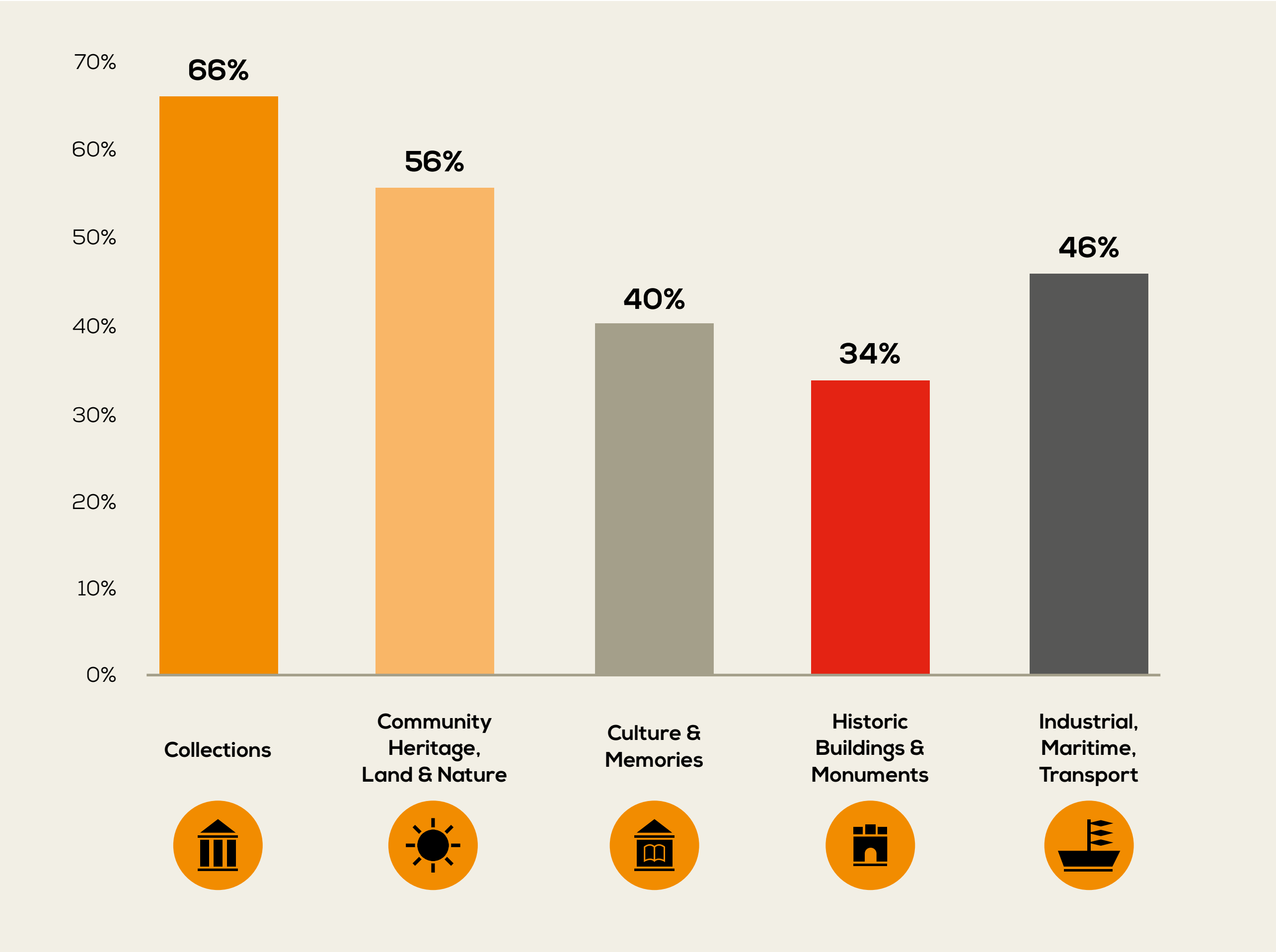
TABLE 22 **Working capital by sub-sector**

Working Capital as a % of turnover	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	Grand Total
Median (£)	66%	56%	40%	34%	46%	49%
Median (%)	£66,592	£32,162	£29,218	£57,086	£52,301	£49,817

09. Financial health benchmarks

Figure 16 illustrates working capital levels as a percentage of income for each sub-sector. The collections category appears financially healthy, with working capital equivalent to 66% of income. The culture and memories and historic buildings and monuments categories appear less healthy.

FIGURE 16 **Median working capital as a percentage of total revenue by sub-sector, 2019**



Section 10

Conclusion

10

10. Conclusion

Establishing a benchmark

This report on the Heritage Compass programme aims to establish benchmarks for the financial health for organisations to compare their performance. It also forms the basis for comparing change over time for the typical organisation. This report is complemented by the online benchmark, a series of short sustainability guides, a series of webinars and access to 1:1 'power hour' sessions with MyCake founder Sarah Thelwall. The purpose of all of these resources is to help Heritage Compass participants work out how to start benchmarking their organisation and how to embed this practice so that it becomes a regular activity over the coming years.

The heritage sector, post-pandemic

Many Heritage Compass participants were in good financial health before the pandemic. Subsequent data will inform areas such as how challenges such as the downturn in earned income impacted the group, particularly given the widespread reliance upon trading income. We also anticipate a more significant role for grant income following large-scale government intervention during the pandemic.

Next steps for your organisation

The benchmarks in this report are a helpful starting point for any discussion about the sustainability and performance of your organisation. The online dashboards accompanying this analysis enable you to go further – for example, exploring what the best performers achieve with trading or grant income. Comparing your organisation against similar organisations is a helpful next step.

Acting upon this report

If you are a participant in Heritage Compass and would like to discuss this approach to benchmarking, how to relate the findings to your own needs and how to address the challenges and questions raised, please do sign up for a 1:1, webinar or access to the online benchmark.
For those organisations running a heritage organisation but not participating in Heritage Compass, the next step to relating the findings of this report to your needs and challenges is to gather your own data on your income and expenditure so that you can benchmark your business model against the data in this report. From here, you can then identify opportunities for growth and improvement.

Section 11

Appendix 1:
detailed tables, by income band

11. Appendix 1: detailed tables, by income band

This appendix contains detailed benchmarks for income and expenditure for each income band. You can use these tables to benchmark your organisation – and continue using the online dashboards.

TABLE A1 Proportion of organisations with each income source: heatmap

Income breakdown (have income type yes/no)	less than £50k	£50k - £200k	£200k - £400k	over £400k	Grand Total
COMMERCIAL & TRADING	**70.0%**	**86.7%**	**89.7%**	**100.0%**	**85.1%**
Events	42.5%	51.1%	69.0%	70.4%	56.0%
Retail & Catering	25.0%	42.2%	55.2%	55.6%	42.6%
Space & Asset Hire	25.0%	37.8%	48.3%	63.0%	41.1%
Services & Contracts	7.5%	8.9%	17.2%	18.5%	12.1%
Other Commercial & Trading	50.0%	64.4%	69.0%	63.0%	58.2%
GRANTS	**45.0%**	**84.4%**	**82.8%**	**88.9%**	**73.8%**
Private Trusts & Foundations	5.0%	22.2%	13.8%	25.9%	16.3%
Lottery	7.5%	20.0%	17.2%	25.9%	17.0%
Local Authorities	15.0%	26.7%	20.7%	25.9%	22.0%
Other Revenue Grants	32.5%	66.7%	75.9%	77.8%	61.0%
DONATIONS	**65.0%**	**84.4%**	**89.7%**	**96.3%**	**82.3%**
Private Donations	62.5%	64.4%	79.3%	81.5%	70.2%
Crowd Funding	2.5%	0.0%	0.0%	0.0%	0.7%
Gift Aid	20.0%	15.6%	20.7%	18.5%	18.4%
Other Donations	30.0%	37.8%	37.9%	29.6%	34.0%

11. Appendix 1: detailed tables, by income band

TABLE A2 Benchmark income medians: heatmap (%)

Median income %	less than £50k	£50k - £200k	£200k - £400k	over £400k	Grand Total
COMMERCIAL & TRADING	**30.0%**	**34.9%**	**49.8%**	**32.9%**	**35.9%**
Events	14.5%	19.0%	16.3%	10.9%	15.1%
Retail & Catering	13.1%	12.4%	12.1%	2.6%	10.0%
Space & Asset Hire	23.6%	7.9%	15.3%	3.2%	7.1%
Services & Contracts			5.2%	27.3%	5.7%
Other Commercial & Trading	8.3%	4.0%	2.5%	15.2%	5.3%
GRANTS	**52.6%**	**50.1%**	**23.0%**	**38.8%**	**43.7%**
Private Trusts & Foundations		12.8%		13.1%	12.9%
Lottery		27.0%	11.0%	21.9%	26.4%
Local Authorities	54.3%	19.6%	4.5%	15.2%	16.5%
Other Revenue Grants	17.5%	21.2%	14.1%	30.7%	19.3%
DONATIONS	**27.9%**	**16.8%**	**9.2%**	**3.1%**	**13.3%**
Private Donations	10.2%	10.9%	2.4%	1.9%	6.0%
Crowd Funding					
Gift Aid	4.8%	2.6%	3.4%	1.7%	2.8%
Other Donations	6.0%	18.2%	3.2%	4.5%	8.0%

11. Appendix 1: detailed tables, by income band

Table A3 Dominant income lines by income band (% of organisations)

	less than £50k	£50k - £200k	£200k - £400k	over £400k	Grand Total
COMMERCIAL & TRADING					
Events	13%	13%	10%	15%	13%
Retail & Catering	0%	7%	14%	4%	6%
Space & Asset Hire	8%	2%	7%	4%	5%
Services & Contracts	0%	0%	0%	4%	1%
Other Commercial & Trading	5%	4%	3%	15%	6%
GRANTS					
Private Trusts & Foundations	0%	7%	0%	4%	3%
Lottery	5%	7%	7%	11%	7%
Local Authorities	10%	7%	7%	0%	6%
Other Revenue Grants	10%	27%	24%	30%	22%
DONATIONS					
Private Donations	20%	16%	10%	7%	14%
Crowd Funding	3%	0%	0%	0%	1%
Gift Aid	0%	0%	3%	0%	1%
Other Donations	5%	9%	10%	4%	7%
OTHER INCOME	23%	2%	3%	4%	9%
TOTAL ORGANISATIONS	100%	100%	100%	100%	100%

11. Appendix 1: detailed tables, by income band

Table A4 Proportion of organisations with each expenditure type: heatmap

	less than £50k	£50k - £200k	£200k - £400k	over £400k	Grand Total
BUILDING COSTS	**42.5%**	**73.3%**	**72.4%**	**88.9%**	**67.4%**
Buildings Maintenance	22.5%	26.7%	31.0%	55.6%	31.9%
Cleaning, Security & Building services	12.5%	22.2%	37.9%	37.0%	25.5%
Rent & Rates	22.5%	60.0%	41.4%	59.3%	45.4%
Utilities	15.0%	40.0%	31.0%	44.4%	31.9%
DIRECT COSTS	**70.0%**	**84.4%**	**75.9%**	**96.3%**	**80.9%**
Production Costs & Materials	50.0%	53.3%	51.7%	66.7%	54.6%
Education & Participation	12.5%	28.9%	31.0%	25.9%	24.1%
Stock	17.5%	31.1%	34.5%	40.7%	29.8%
Other Direct Costs	40.0%	57.8%	37.9%	63.0%	49.6%
SALARY COSTS	**10.0%**	**68.9%**	**82.8%**	**88.9%**	**58.9%**
Management Salaries	0.0%	4.4%	0.0%	0.0%	1.4%
Other staff salaries	10.0%	68.9%	82.8%	88.9%	58.9%
NIC	0.0%	24.4%	37.9%	66.7%	28.4%
Pensions	0.0%	33.3%	48.3%	63.0%	32.6%
OTHER COSTS	**97.5%**	**97.8%**	**100.0%**	**100.0%**	**98.6%**
Re-granting to other organisations	7.5%	6.7%	6.9%	11.1%	7.8%
Fundraising	15.0%	28.9%	27.6%	37.0%	26.2%
Equipment Maintenance	22.5%	24.4%	24.1%	37.0%	26.2%
Professional Fees	32.5%	77.8%	65.5%	88.9%	64.5%
Other Costs / Misc	95.0%	97.8%	100.0%	100.0%	97.9%

11. Appendix 1: detailed tables, by income band

Table A5 Benchmark expenditure medians: heatmap (%)

	less than £50k	£50k - £200k	£200k - £400k	over £400k	Grand Total
BUILDING COSTS	**24.9%**	**6.7%**	**11.7%**	**5.5%**	**9.0%**
Buildings Maintenance	23.1%	4.1%	4.3%	3.6%	4.2%
Cleaning, Security & Building services	3.4%	2.4%	9.3%	1.0%	2.5%
Rent & Rates	5.0%	3.8%	2.1%	1.2%	2.6%
Utilities	14.8%	3.8%	4.1%	2.4%	3.4%
DIRECT COSTS	**35.2%**	**24.2%**	**15.2%**	**13.7%**	**21.9%**
Production Costs & Materials	13.7%	9.9%	7.9%	7.9%	9.6%
Education & Participation	2.4%	4.2%	1.8%	3.3%	3.1%
Stock	3.7%	6.0%	4.6%	3.7%	4.4%
Other Direct Costs	21.5%	9.4%	11.0%	6.9%	10.8%
SALARY COSTS		**46.2%**	**38.4%**	**35.1%**	**39.0%**
Management Salaries					
Other staff salaries		40.8%	37.4%	33.0%	36.0%
NIC		2.1%	1.2%	1.9%	1.6%
Pensions		0.9%	0.6%	1.0%	0.7%
OTHER COSTS	**45.2%**	**22.0%**	**28.8%**	**19.5%**	**27.5%**
Re-granting to other organisations					5.1%
Fundraising	2.7%	2.6%	0.7%	1.5%	2.0%
Equipment Maintenance	19.1%	3.8%	0.8%	1.1%	2.5%
Professional Fees	5.1%	1.7%	2.9%	1.1%	1.8%
Other Costs / Misc	24.8%	14.6%	22.3%	14.2%	18.3%

Section 12

Appendix 2:
detailed tables, by sub-sector

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12. Appendix 2: detailed tables, by sub-sector

This appendix contains detailed benchmarks for income and expenditure for each sub-sector. You can use these tables to benchmark your organisation – and continue using the online dashboards.

TABLE A6 **Proportion of organisations with each income source: heatmap**

	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	Grand Total
COMMERCIAL & TRADING	83.8%	95.0%	72.7%	86.8%	87.5%	85.1%
Events	54.1%	60.0%	31.8%	60.5%	70.8%	56.0%
Retail & Catering	51.4%	25.0%	22.7%	50.0%	50.0%	42.6%
Space & Asset Hire	40.5%	40.0%	18.2%	57.9%	37.5%	41.1%
Services & Contracts	2.7%	15.0%	22.7%	15.8%	8.3%	12.1%
Other Commercial & Trading	64.9%	75.0%	40.9%	57.9%	70.8%	58.2%
GRANTS	75.7%	70.0%	63.6%	81.6%	70.8%	73.8%
Private Trusts & Foundations	13.5%	15.0%	31.8%	13.2%	12.5%	16.3%
Lottery	10.8%	10.0%	31.8%	23.7%	8.3%	17.0%
Local Authorities	24.3%	20.0%	27.3%	21.1%	16.7%	22.0%
Other Revenue Grants	62.2%	60.0%	59.1%	63.2%	58.3%	61.0%
DONATIONS	81.1%	75.0%	86.4%	86.8%	79.2%	82.3%
Private Donations	67.6%	75.0%	68.2%	78.9%	58.3%	70.2%
Crowd Funding	0.0%	0.0%	0.0%	2.6%	0.0%	0.7%
Gift Aid	21.6%	15.0%	9.1%	18.4%	25.0%	18.4%
Other Donations	43.2%	30.0%	27.3%	26.3%	41.7%	34.0%

12. Appendix 2: detailed tables, by sub-sector

TABLE A7 Benchmark income medians: heatmap (%)

	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	Grand Total
COMMERCIAL & TRADING	**40.5%**	**29.2%**	**14.8%**	**29.3%**	**47.4%**	**35.9%**
Events	28.0%	12.4%	1.8%	10.8%	17.5%	15.1%
Retail & Catering	12.4%	4.7%	1.1%	4.3%	18.3%	10.0%
Space & Asset Hire	6.0%	2.7%		9.9%	12.6%	7.1%
Services & Contracts			3.8%	5.8%		5.7%
Other Commercial & Trading	3.6%	8.2%	8.1%	5.4%	4.8%	5.3%
GRANTS	**43.5%**	**53.7%**	**82.4%**	**27.0%**	**42.0%**	**43.7%**
Private Trusts & Foundations	15.1%		12.6%	13.1%		12.9%
Lottery			12.8%	56.0%		56.0%
Local Authorities	37.3%		6.6%	15.7%		16.5%
Other Revenue Grants	19.8%	40.2%	52.5%	8.6%	20.9%	19.3%
DONATIONS	**18.5%**	**19.0%**	**4.9%**	**5.1%**	**25.8%**	**13.3%**
Private Donations	9.5%	9.9%	2.2%	3.2%	7.9%	6.0%
Crowd Funding						
Gift Aid	2.4%			2.7%	2.5%	2.8%
Other Donations	15.1%	11.5%	3.4%	5.2%	21.4%	8.0%

12. Appendix 2: detailed tables, by sub-sector

TABLE A8 Dominant income lines by sub-sector (% of organisations)

	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	Grand Total
COMMERCIAL & TRADING						
Events	19%	15%	9%	5%	17%	13%
Retail & Catering	5%	0%	0%	8%	13%	6%
Space & Asset Hire	0%	10%	0%	13%	0%	5%
Services & Contracts	0%	5%	0%	0%	0%	1%
Other Commercial & Trading	5%	5%	9%	11%	0%	6%
GRANTS						
Private Trusts & Foundations	5%	5%	5%	0%	0%	3%
Lottery	5%	0%	9%	16%	0%	7%
Local Authorities	14%	5%	0%	3%	8%	6%
Other Revenue Grants	19%	25%	36%	13%	25%	22%
DONATIONS						
Private Donations	11%	10%	14%	18%	17%	14%
Crowd Funding	0%	0%	0%	3%	0%	1%
Gift Aid	0%	0%	5%	0%	0%	1%
Other Donations	8%	10%	5%	0%	17%	7%
OTHER INCOME	8%	10%	9%	11%	4%	9%
TOTAL REVENUE	100%	100%	100%	100%	100%	100%

12. Appendix 2: detailed tables, by sub-sector

TABLE A9 **Proportion of organisations with each expenditure type: heatmap**

	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	Grand Total
BUILDING COSTS	**67.6%**	**70.0%**	**68.2%**	**64.1%**	**66.7%**	**66.9%**
Buildings Maintenance	32.4%	30.0%	22.7%	35.9%	33.3%	31.7%
Cleaning, Security & Building services	24.3%	40.0%	9.1%	28.2%	25.0%	25.4%
Rent & Rates	37.8%	45.0%	59.1%	43.6%	45.8%	45.1%
Utilities	32.4%	45.0%	27.3%	23.1%	37.5%	31.7%
DIRECT COSTS	**83.8%**	**85.0%**	**81.8%**	**74.4%**	**79.2%**	**80.3%**
Production Costs & Materials	56.8%	45.0%	77.3%	43.6%	54.2%	54.2%
Education & Participation	29.7%	20.0%	18.2%	23.1%	25.0%	23.9%
Stock	40.5%	25.0%	9.1%	25.6%	41.7%	29.6%
Other Direct Costs	51.4%	55.0%	59.1%	41.0%	45.8%	49.3%
SALARY COSTS	**67.6%**	**50.0%**	**68.2%**	**59.0%**	**41.7%**	**58.5%**
Management Salaries	2.7%	0.0%	0.0%	0.0%	4.2%	1.4%
Other staff salaries	67.6%	50.0%	68.2%	59.0%	41.7%	58.5%
NIC	37.8%	20.0%	40.9%	30.8%	4.2%	28.2%
Pensions	37.8%	30.0%	50.0%	33.3%	8.3%	32.4%
OTHER COSTS	**97.3%**	**100.0%**	**95.5%**	**100.0%**	**100.0%**	**98.6%**
Donations to Community Projects	8.1%	10.0%	9.1%	7.7%	4.2%	7.7%
Fundraising	21.6%	25.0%	18.2%	28.2%	37.5%	26.1%
Equipment Maintenance	8.1%	35.0%	31.8%	30.8%	33.3%	26.1%
Professional Fees	64.9%	55.0%	72.7%	61.5%	66.7%	64.1%
Other Costs / Misc	94.6%	100.0%	95.5%	100.0%	100.0%	97.9%

12. Appendix 2: detailed tables, by sub-sector

TABLE A10 Benchmark expenditure medians: heatmap (%)

	Collections	Community Heritage, Land & Nature	Culture & Memories	Historic Buildings & Monuments	Industrial, Maritime, Transport	Grand Total
BUILDING COSTS	**8.4%**	**7.0%**	**5.4%**	**9.3%**	**18.2%**	**9.0%**
Buildings Maintenance	2.9%	3.3%	2.2%	6.1%	10.7%	4.2%
Cleaning, Security & Building services	2.3%	3.0%		2.0%	3.6%	2.5%
Rent & Rates	2.1%	3.6%	3.4%	1.8%	4.2%	2.6%
Utilities	4.0%	2.5%	2.9%	4.9%	3.4%	3.4%
DIRECT COSTS	**14.1%**	**14.0%**	**29.6%**	**25.8%**	**26.2%**	**21.9%**
Production Costs & Materials	10.7%	13.6%	9.2%	10.7%	7.9%	9.6%
Education & Participation	3.3%			2.6%	1.4%	3.1%
Stock	5.0%	0.3%		3.7%	9.5%	4.4%
Other Direct Costs	4.7%	9.7%	20.2%	13.2%	5.1%	10.8%
SALARY COSTS	**49.1%**	**44.8%**	**29.9%**	**40.8%**	**33.4%**	**39.0%**
Management Salaries						
Other staff salaries	45.2%	40.4%	26.8%	39.2%	31.5%	36.0%
NIC	1.6%		1.4%	1.6%		1.6%
Pensions	0.8%	1.1%	0.8%	0.5%		0.7%
OTHER COSTS	**21.4%**	**37.2%**	**28.3%**	**24.9%**	**31.9%**	**27.5%**
Donations to Community Projects						5.1%
Fundraising	1.0%	1.1%		2.0%	3.0%	2.0%
Equipment Maintenance		2.1%	2.1%	2.6%	10.8%	2.5%
Professional Fees	1.6%	4.2%	1.3%	3.2%	3.5%	1.8%
Other Costs / Misc	19.3%	17.4%	20.8%	17.0%	18.0%	18.3%

Section 13

Glossary

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13. Glossary

Aggregate total revenue: the sum total of income for all organisations in the group. Tables showing the contribution of each income stream to this aggregate total revenue all sum to 100%.

Arms' Length Body project funding: Arms' Length Bodies are government agencies that, amongst other responsibilities, make grants to third parties. This includes one-off, project funding.

Arms' Length Body regular funding: for Heritage Compass organisations, multi-year funding from Sport England or Arts Council England.

National Lottery grant funding: grant funding from one of the National Lottery distributors, such as The National Lottery Community Fund.

Benchmarking: the practice of comparing practices or performance data to industry-wide standards, often high performers.

Benchmark median: the middle value for a variable such as income that we use to describe a typical organisation. For example, if the benchmark median is £50 or 50%, half of the organisations in the group report a lower figure or percentage, while the other half report a higher value.

Median: the 'middle' of a list of sorted values. The median is sometimes a better guide to the middle than the average, which might be skewed by a small number of high or low values.

Working capital: a measure of liquidity defined as net current assets as a percentage of total revenue.

Turnover band: in this report, we define small organisations as those with an income below £100k; medium-size organisations as those with an income between £100k and £400k; and large organisations as those with an income of £400k or more.

Upper Quartile: the 75th percentile in a range of values. Values above the upper quartile are in the top quarter of the range.

Section 14

References

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14. References

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