
Key Findings of the Cause4 Arts and Culture Fundraising Benchmark

(2021 release of 2019 data)



CAUSE4



Report for: *Cause4* by
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Contents

1	EXECUTIVE SUMMARY	4
1.1	The National Portfolio	5
1.2	The National Portfolio, by slice	7
<hr/>		
2	HOW TO USE THIS REPORT AND DASHBOARD	11
<hr/>		
3	NATIONAL FINANCIAL HIGHLIGHTS	16
3.1	The National portfolio: summary	17
3.2	National Income Data	18
3.3	National Expenditure Data	28
3.4	National data on fundraising	31
3.5	National data on financial resilience	32
3.6	National data on volunteering	34
3.7	Balance Sheet	35
<hr/>		
4	FINDING THE MOST USEFUL COMPARISON GROUP FOR YOUR ORGANISATION	38
4.1	The ACE five regions	39
4.2	The Artform slice	43
4.3	Operation of a Publicly Accessible Building	51
4.4	The turnover band slice	55
<hr/>		
5	CONCLUSION	62

Section 01

Executive Summary

01

01. Executive Summary

Introduction

The purpose of the *Cause4* Arts and Culture Fundraising Benchmark is to support the leaders and trustees of organisations to compare and contrast their current performance to that of their peers. This report, combined with a web-based dashboard, provides insights, data and tools to undertake this analysis.

This version of the benchmark includes the **latest data for 2018/19**, covering 801 organisations in the Arts Council England (ACE) National Portfolio. Where possible, we have included **trend data** for a more extended four-year period. Data on volunteering and assets complement data covering income, expenditure, fundraising and financial resilience. In addition to **national data**, this year's report explores several 'slices' in more depth.

Covid-19 has subsequently changed the operating environment for arts and culture organisations. It has also changed the fundraising and income generation landscape. Nevertheless, the benchmark data here remains **a relevant starting point** for performance analysis and strategy development, whether it is understanding how your organisation compares to leaders in any given field of income generating activity, or reviewing the cost-effectiveness of your expenditure by comparison to your peers.

01. Executive Summary

1.1 The National Portfolio

The National Portfolio: income

- In 2018/19 **average turnover** increased to £2.58m per annum, from £2.46m in 2017/18.
- **Funding from Arts Council England** was the largest single funding source across all four years, accounting for almost £4 in every £10 of income generated in 2018/19. This was a lower share than in previous years.
- **Earned income** was similarly important to National Portfolio Organisations, accounting for £3.50 of every £10 generated.
- All **portfolio organisations** received Arts Council funding. Nearly all generated earned income.
- Nearly all organisations reported that they received '**contributed income**', a category which includes donations, sponsorship and grants from trusts and foundations. Almost three quarters of organisations (71%) reported that they received one-off donations in 2018/19. Regular, planned giving to organisations was less widespread: fewer than half (46%) reported that they received income from regular donations.
- **A majority** (585 organisations) reported that their work was supported by **public subsidy**. The 'Other subsidy' category income is from public sector sources, such as local authority grants.
- Contributed income and other subsidy account for a much **smaller share** of turnover than either Arts Council funding or earned income.

The National Portfolio: expenditure

- **Average total expenditure** was equivalent to 102% of turnover in 2018/19 – indicating that many organisations were running a deficit.
- Over the last two years for which we have data, **average expenditure exceeded income**, suggesting that **NPOs** are, on average, reporting **deficits**. This represents a worrying trend in terms of sustainability.
- Artistic/Main activity continued to account for over half of turnover, on average. Spending on overheads accounted for one-quarter of turnover in 2018/19.

The National Portfolio: fundraising

- **Average spend** per organisation on fundraising **fell** by £50,000 per year over four years.
- With both spending and income from fundraising **lower** than in previous years, the cost of generating funds remained **static** as a proportion of turnover.
- The result was that in **2018/19** the average net amount fundraised by National Portfolio Organisations was **over £1.2m**.
- Every **£1 spent** on fundraising returned both the £1 risked and an additional £6.90 of fundraised income in 2018/19. This was **higher** than in previous years.

01. Executive Summary

1.1 The National Portfolio (cont/...)

The National Portfolio: financial resilience

- Although organisations should set **reserves** to match the **risks** they face¹, a typical rule of thumb in the charity sector is to hold the equivalent of a minimum of 26 weeks' worth of expenditure in the form of **unrestricted, undesignated** funds. The national average was 41 weeks in 2018/19.
- Organisations reported that **median net current assets** were equivalent to 23% of turnover – which a rule of thumb might suggest equated to 13 weeks of operating expenditure. However, this figure includes both **restricted** and **designated** funds.
- A more accurate picture of the situation in a typical portfolio organisation is eight weeks, the median level of funds. This is **significantly below** the recommended level.

The National Portfolio: volunteering

- There was an **increase of 10%** in the proportion of organisations reporting data on volunteering in 2018/19, which is encouraging. However, this may reflect better reporting, rather than solely representing increased levels of volunteer engagement.
- Organisations reported an average of 2.5 full-time equivalent **volunteers**, a figure which may be lower than in practice due to the challenges of collecting data on volunteer contributions.

01. Executive Summary

1.2 The National Portfolio by slice

The regional slice

- The number of NPOs varied from 95 organisations in the **South East** to 255 in **London**. Average turnover varied between £1.7m (South West) and £3.1m (London). No region saw a reduction in average turnover in 2018/19.
- Except for London, all regions saw a **decrease** in **earned income** as a proportion of turnover. The smallest fall was 1.6 percentage points (North), the most significant 3.8 percentage points (South West).
- Total expenditure **decreased** in **all regions**. The South East was the only region with an average expenditure of less than 100% of income.
- **The Midlands** and **South West** had the **highest expenditure** on fundraising and the lowest fundraising ROI in 2018/19. Conversely, London (8.5:1) and the South East (8.7:1) had the highest ROI averages that year.
- For organisations based in the **South West**, net current assets values were, on average, **negative**. This indicates that their current liabilities (such as amounts owed to suppliers) were higher than current assets (such as cash in the bank). The median level of net current assets is a better guide than the average: in 2018/19 this was £114k for organisations in the South West.

The artform slice

- Setting aside the largest sectors (**Libraries, Music and Museums**), artforms' average income **varied** between £744k (Literature) and £3m (Theatre).
- The **Music** (41–39%) and **Theatre** (41–43%) artforms are distinguished by **high proportions** of earned income. Visual Arts organisations (28–30%) report **low proportions** of earned income.
- **Dance** and **Not artform Specific** organisations reported that almost half of their income came from ACE funding in 2018/19. **Libraries** (20% in 2018/19), **Museums** (25% in 2018/19) and **Music** (35% in 2018/19) organisations recorded the lowest proportions of ACE funding.
- Three sectors reported expenditures lower than income in 2018/19: **Dance** (96.5%), **Not artform Specific** (90.9%) and **Visual Arts** (98.6%). Other sectors reported that average expenditure exceeded income. These included **Theatre** (100.2%) and **Museums** (110.9%).
- **Fundraising ROI** and the amount of unrestricted, undesignated funds varied significantly between the different art forms.
- **Volunteer engagement** can be expressed as the average number of Full Time Equivalent (FTE) volunteers per £1m of expenditure.² Museums and Music (4.5 FTEs/£1m expenditure) engaged over five times as many volunteers on average as Dance (0.9) organisations. The Museums sector also contained the highest proportion of organisations reporting on volunteering (84%).

01. Executive Summary

1.2 The National Portfolio by slice (cont/...)

The public building slice

- Almost half of the organisations in the National Portfolio run **publicly accessible buildings** (47%). These organisations had a significantly larger average turnover than those not running these buildings.
- Those with publicly accessible buildings generate a **higher percentage** of turnover from earned income than ACE funding. Organisations without these buildings are **more dependent** on ACE funding.
- Levels of **contributed income**, particularly sponsorship, were slightly higher in organisations without publicly accessible buildings. Other subsidy income and local authority grants are more significant in organisations with publicly accessible buildings.
- In 2018/19, **expenditure as a proportion of income** was on average **higher** in organisations running publicly accessible buildings. This group also spent a more significant proportion of their income on **overheads**.
- The **Fundraising ROI** for organisations without publicly accessible buildings was more than **double** that of organisations with these buildings.
- The **engagement of volunteers** appears to be **greater** in organisations with publicly accessible **buildings**. When estimates are adjusted to account for an organisation's size, our data suggest that organisations without public buildings engage volunteers more extensively.

The turnover slice

- More than half of the organisations in the National Portfolio had a **turnover** below £750k. Fewer organisations populate the bands from £2m turnover onwards.
- Organisations with a **smaller** annual **turnover** are far more likely to generate a higher percentage of turnover from grants than from earned income. Total earned income as a proportion of turnover was greatest in the >£10m band. This was 2.5 times larger than for the <£200k group.
- The **smallest organisations** by turnover achieved the **highest fundraising ratios**, generating an ROI of 17:1 in both years. This ratio diminished as turnover increased.
- **Total expenditure** as a proportion of income was **higher** among the lowest income bands, and for the smallest organisations, average expenditure exceeded average income.
- The **average** number of **volunteer** full-time equivalent (FTE) posts **increased** with annual income, from below 1 FTE in the lowest band (<£200k) to almost 11 in the £5m–£10m band.
- There is no clear relationship between the size of organisations, as measured by turnover, and financial stability, as measured by net current assets. It is positive to note that organisations with a turnover below £200k had net current assets equivalent to 32% of turnover.

01. Executive Summary

1.2 The National Portfolio by slice (cont/...)

Next steps: benchmarking your organisation in the post-pandemic world

Covid-19 has fundamentally changed the operating environment for many organisations in the National Portfolio. Subsequent changes – trading capability and viability, fundraising, grant making – mean that any sense of ‘business as usual’ ended in early 2020, after these figures were published. As the country emerges from the pandemic, further changes to the funding and operations of portfolio members are inevitable as public bodies, including local government, deal with a new environment and a new financial settlement. As such, these income benchmarks may change substantially in future years.

We are conscious of three particular risks:

- organisations with a large proportion of earned income from trading activities;
- organisations with a large proportion of expenditure on staff costs
- organisations with relatively low levels of free, unrestricted funds held as reserves.³

We have reported on two of these risks in this analysis. The NPO data does not contain a breakdown of staffing spend. We therefore cannot analyse this measure.

The benchmarking data in this report remains a valuable guide to understanding the pre-pandemic norm – a check against where your organisation could, or should, return to. Combined with more recent insights from other published sources, the benchmarks offer a sound basis for formulating strategy and practice. It is also a place to sense check against organisations with a different business model to what has previously been used e.g. if your turnover has dropped substantially in the last eighteen months, are you comparing yourself to your new normal?

Section 02

How to use this report and dashboard

02

02. How to use this report and dashboard



Think about your strategy



Identify key areas of your fundraising you want to benchmark



Use the online dashboard to create the best slice of data to compare yourself to



Utilise the report to look at headlines of the data



Work with your senior team and board to think about how this benchmark can inform your strategy development

02. How to use this report and dashboard



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

02. How to use this report and dashboard

Using the dashboard

This report and the accompanying dashboard make use of the publicly available 2019 ACE annual data set. However, there are notable differences between the aggregate data and benchmarks in this report/dashboard and the data in the ACE annual dataset which are explained below.

How we calculate the benchmarks

ACE reports on the portfolio as a whole. This means that proportions of income or expenditure are reported as a percentage of the total for the portfolio. If an organisation generates 10% of its turnover from trusts and wishes to compare this, ACE reports a figure for the portfolio as a whole. Inevitably this includes organisations that do not generate any income from trusts. It also might include several recipients of **substantial grants** from trusts. It is helpful to know what the portfolio as a whole generates from trusts. Still, the inclusion of organisations with no income or very high income means that any resultant averages are inaccurate. Therefore, the **national dataset** is **less useful** as a benchmark against which individual organisations can compare their fundraising.

Our approach is different. The *Cause4 Arts and Culture Fundraising Benchmark* reports the percentage of income or expenditure only for the organisations that generate that type of income or expenditure. Moreover, our approach calculates **benchmark figures** for individual categories of income or expenditure in isolation. This combined approach means that individual categories don't sum to 100% of total income or expenditure. To return to trusts as an example, our benchmark calculations for trust income ignore those who don't report grants from this source.

We also discount the absolute size of the grant so that a few big grants – usually to the largest organisations – don't skew our benchmarks.⁴

Finally, a small number of **anomalous organisations** do, at times, have an impact on the benchmark. These are typically very large organisations with unusual financial details, such as net current liabilities in the **tens of millions**. We have not removed these from our calculations. Where they have an impact on the benchmarks we have mentioned them in the text accompanying tables. The benchmarks we are reporting should therefore be a **closer match** to the day to day experience and business models of an individual organisation.

How you can compare your organisation

In addition to an **accurate benchmark**, we also 'slice' the portfolio into different groups of organisations. Slices range from the **national overview** to **smaller** and more **relevant** slices based on region, artform and turnover. We then report benchmarks for each slice so that individual organisations can compare themselves against their most relevant peer groups.

The report slices the portfolio using a **single filter** at a time. The dashboard accompanying this report makes it possible to select several filters simultaneously, such as region and income band. This produces more relevant but smaller slices for comparison.

Organisations operate in different **social/geographic** contexts that might influence their business model. Those operating in a relatively deprived area – which in the dashboard you can slice using the **Index of Multiple Deprivation** – may find that they can access different grant funding sources to those located in less disadvantaged areas.

02. How to use this report and dashboard

Using the dashboard (cont/...)

Price points for tickets or cappuccinos may also vary. Therefore, we recommend **comparing** your organisation with the most **relevant** slice.

The web-based dashboard includes your individual organisation's results. We recommend building one or more of the following slices using the dashboard so that you can compare and contrast your organisation more precisely:

- **Income slice:** The income data shows that business models change between different turnover brackets more than between different artforms or regions of England. We therefore encourage you to ask yourself questions about the potential to access different types of income for your own business model.
- **Public building vs no public building slice:** The data shows significant differences in income and expenditure patterns. There is value in comparing your organisation with this defining factor in mind.
- **Multi-factor slices:** We suggest that users of the benchmark explore a slice that combines a single artform with either a single region or a single turnover band. This level of granularity is likely to produce a set of benchmarks that are much more recognisable as being 'like us'.
- **Target slices:** If your organisation aspires to own a building or wishes to move up to a different income level, create a target slice. By comparing your organisation with a different cluster of organisations, you can identify development opportunities, including those you may have previously discounted.

Whichever slice you choose, the web-based dashboard also allows you to remove any outliers from the analysis by trimming the top and bottom 5% of values – 10% of the portfolio in total – or the top and bottom 10%.

In addition, the *Cause4* and MyCake teams can build **bespoke slices** using a handpicked cluster of organisations, as well as work with you to identify what is the most appropriate segmentation to support meaningful analysis. Finally, we have included reflective statements and questions in the national data analysis where benchmarks merit exploration for individual, organisational development plans.

Section 03

National Financial Highlights

03

03. National Financial Highlights

Introduction

In this first section, we're going to establish a reference point for more detailed comparisons later. Think of this as the foundation layer. In this section, we are looking for broad trends and data points that do not fit with the trend. These might suggest something unusual or interesting to learn from, such as best practice or challenging circumstances! The national findings are intended only to illustrate the bigger picture and direction of travel.

The 2021 release of the **annual data set** collected by ACE contains information on 801 members of the **National Portfolio**. It covers 2017/18 and 2018/19. The average turnover of organisations included is £2.58m per annum.

Throughout this report, we refer to 2015/16 and 2016/17 only if there is a clear **three or four-year trend**. This is because benchmarks for these years are based on organisations in the 2016 and 2017 datasets. These datasets report on a slightly different group of organisations from those covered in the 2018 and 2019 datasets, but we think some comparisons are **valid**.

This is the **first report** in the series to include four years' worth of data. To do this, we have used the 2020 release of 2019 data to analyse 2017/18 (using certified data) and 2018/19 (using actual data). The benchmarks for 2015/16 and 2016/17 are based on **certified data**.

The **2021 release** contains data representing **801 organisations**. Of these, 664 organisations were also in the 2016 and 2017 certified data – but a new funding cycle resulted in a changed portfolio, incorporating different organisations.

03. National Financial Highlights

3.1 The National Portfolio: summary

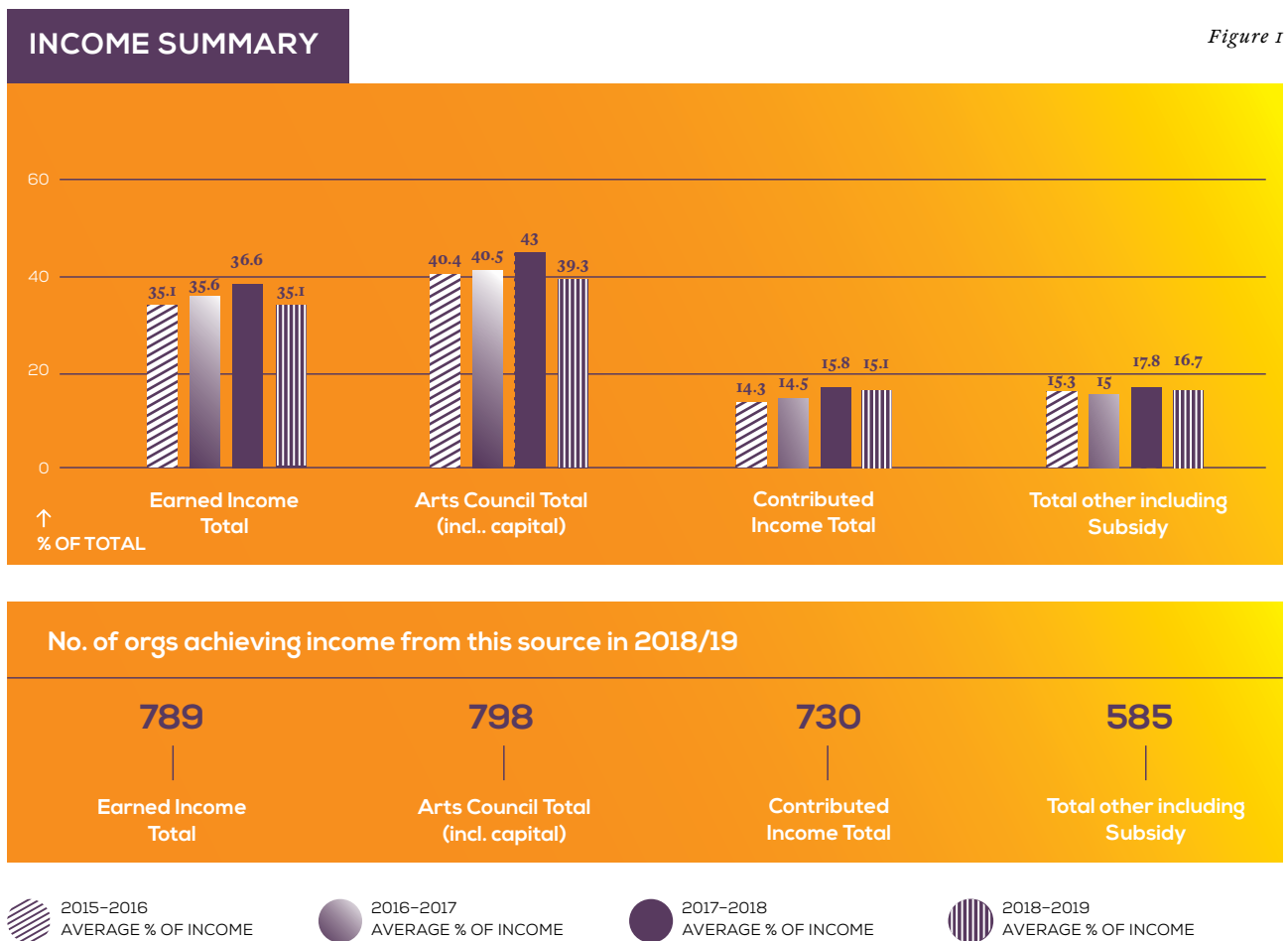
- In 2018/19 average turnover **increased** to £2.58m per annum, from £2.46m in 2017/18. This was **lower** than in 2015/16 (£2.88m) and 2016/17 (£2.94m).
- The **National Portfolio Organisations** (NPO) reported total ACE income in 2018/19 of £447m.
- **Average ACE funding** as a proportion of total income was **lower** in 2018/19 than in any of the preceding three years.
- ACE funding **excluding** NPO income was 28% of turnover in 2017/18. This fell to below 10% of turnover in 2018/19.
- A rising number of organisations received **one-off donations**. 67% of organisations in 2015/16 received one-off donations. This rose to 71% in the last two years.
- There was a **decline** in the proportion of organisations in receipt of **local authority grants**. The proportion fell from 61% in 2015/16 to 57% in 2017/18 and 2018/19).
- The portfolio may be **less sustainable** overall. In 2015/16, the average expenditure was 96% of total income. In 2018/19, this was 102%.
- Fundraising **return on investment** improved. In 2018/19, for every £1 spent by portfolio organisations on fundraising, they generated both the £1 risked and an additional £6.90. This was the highest fundraising ROI in the last four years. The lowest return on investment was in 2016/17, when £1 returned the £1 risked plus £4.60.
- The number of organisations engaging **volunteers** also increased, from 59% to 70% in 2018/19.
- The **average unrestricted, undesignated funds** as weeks of expenditure substantially **increased** in the last year, from 28 weeks in 2017/18 to 41 weeks in 2018/19.
- For the **balance sheet** in particular, averages are skewed **upwards** by a small number of **strong organisations**. The **median** is a more representative **benchmark**. The median of unrestricted, undesignated funds as weeks of expenditure is unchanged over time. Organisations have not experienced a substantial increase in their liquid reserves.
- Similarly, significant changes in the **averages** for **fixed assets** and **net current assets** were not reflected by the medians. Most organisations did not experience a change in their financial stability or efficiency of the use of their resources.

03. National Financial Highlights

3.2 National income data

This year's report represents the portfolio in the pre-pandemic period and, as such, illustrates the pre-pandemic 'normal'. Portfolio members' subsequent trajectory

and financial make-up are likely to have changed – possibly significantly – following the onset of Covid-19 and the lockdown periods that began in March 2020.



03. National Financial Highlights

3.2 National income data (cont/...)



Trends

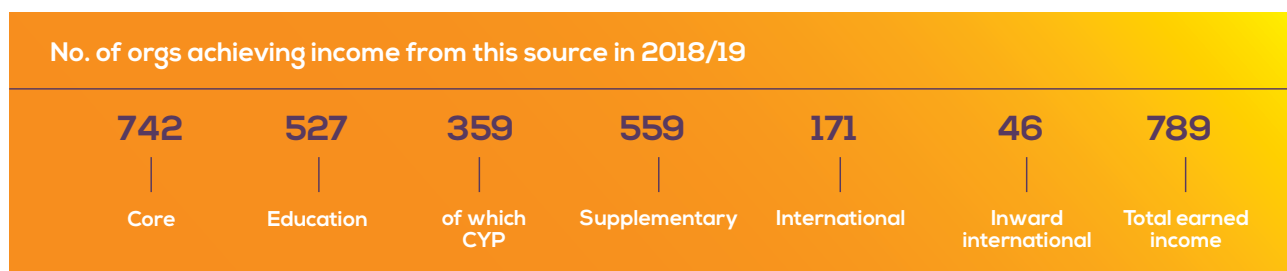
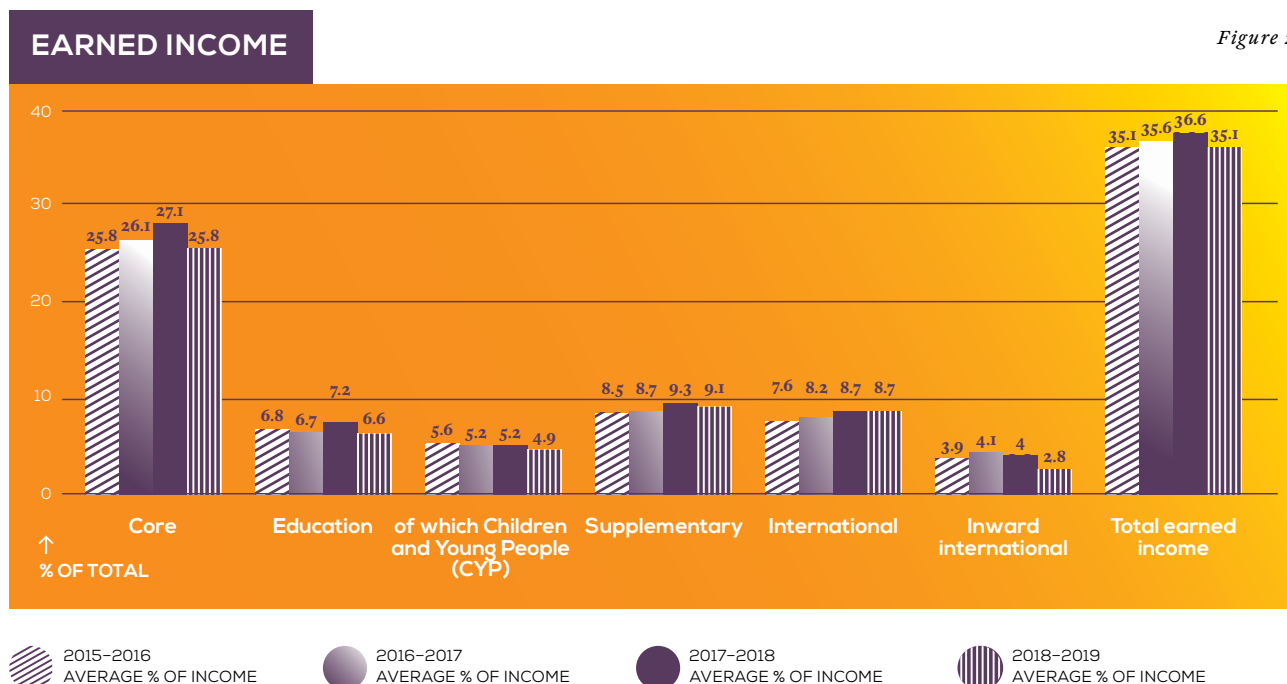
- Funding from **Arts Council England (ACE)**, including capital funding, was the largest single funding source across all four years.
- **ACE funding** was 39.3% of turnover in 2018/19 after peaking at 43% in 2017/18. The 2018/19 average was slightly **lower** than in any other year: as the total amount of **ACE funding** awarded to the NPO group **increased**, this reflects better performance of other income streams.
- This **fall** of 3.7 percentage points was the **largest recorded** in the last four years of the national income summary.
- **Earned income** was the second most important source. This constituted between 35–37% of turnover over the four years.
- **Earned income peaked** at 36.6% of turnover in 2017/18. It subsequently dropped to the 2015/16 level of 35.1% of turnover.
- In 2017/18, the **gap** between **earned income** and **ACE funding** was at its **widest**. However, the gap has again narrowed from 6.4 percentage points in 2016/17 to 4.2 percentage points in 2018/19. The Covid-19 pandemic will likely increase ACE funding as an average share of income, narrowing the gap further.
- **Contributed income** and **total other income** (including subsidy) accounted for **similar** shares of turnover. On average, they accounted for between 14–18% of turnover. Contributed income changed by less than one percentage point over the last four years. Other income, including subsidy income, increased by 1.4 percentage points over four years as a share of turnover.
- Other income, including subsidy income, may include **capital funds**.
- For 2018/19, ACE did not report its **capital funding** separately. It is now **included** in Arts Council England income. This inevitably means that there is likely to be more variance in the data and a greater number of outliers in the ACE specific data.

03. National Financial Highlights

3.2 National income data (cont/...)



National Income Data: earned income in detail



Trends

- More than **90%** of the organisations reported **earned income** in all years.
- **No category** of earned income **increased** as a share of turnover in 2018/19 compared with 2017/18.
- Earned income from **core activities** was the **largest** source of earned income, equivalent to 26% of turnover. Core earned income increased in 2015/16 and 2017/18 when it peaked at 27.1% of turnover. It has now returned to the 2015/16 level.

03. National Financial Highlights

3.2 National income data (cont/...)



Trends

- Over four years, **core earned income** was three times **larger** than any other earned income stream.
- Organisations in the **top quartile** for **core earned income** generated 39% of turnover from this source in 2018/19. For this group, core income increased over time. It peaked at 42% of turnover in 2017/18.
- **Supplementary income** averaged between 8–9% of turnover over this period. It is the **second-largest** source of earned income. However, the number of organisations that receive supplementary income decreased from 76% (2015/16) to 70% in 2018/19.
- **Education income** generated a **stable share** of turnover over the period. It ranged between 6.6% (2018/19) and 7.2% (2017/18) of turnover. Two-thirds of organisations (65%) generated income from education.
- **Education income** from **Children and Young People** (CYP) varied between 4.9% (2018/19) and 5.6% (2015/16) of turnover. There was a slight but continuous **decline** over the period. After peaking at 49% in 2017/18, the proportion of organisations generating education income from CYP decreased to 45% in 2018/19.
- One in five organisations (21%) generated **international revenue**. For those organisations, it was the **third-largest** earned income source in all years. It is now at almost the same level as supplementary income.
- Only 6% of organisations reported **inward international revenue** in 2018/19. This was typically generated from **international touring companies** and **exhibitions**. The proportion of organisations earning this type of income peaked at 8% in 2016/17 and 2017/18. For all years, inward international revenue was 3–4% of turnover for organisations with this income stream.
- Organisations in the **upper quartile** for **earned income** are the 25% of the portfolio organisations with **largest average** earned incomes. In all years, this group generated at least half of their turnover from total earned income. For example, this was 52.2% in 2018/19.

03. National Financial Highlights

3.2 National income data (cont/...)



National Income Data: ACE funding in detail

For 2018/19, ACE reported its funding in less detail. Previously, different sources of ACE funding, such as **Lottery development** or **Lottery projects**, were shown separately. For 2018/19, ACE funding is reported as National Portfolio Organisation/Major Partner Museum (NPO/MPM), and ACE excluding NPO. We have retained more **detailed breakdowns** for previous years, but have only included the number of organisations receiving this income for the latest year where we have data.

As noted, a further change in this year’s report is the **inclusion** of **capital income** in ACE funding. There is no **separate analysis** of capital receipts this year. We are aware that relatively few organisations received capital funding from ACE, but that for those organisations, the sums were significant.

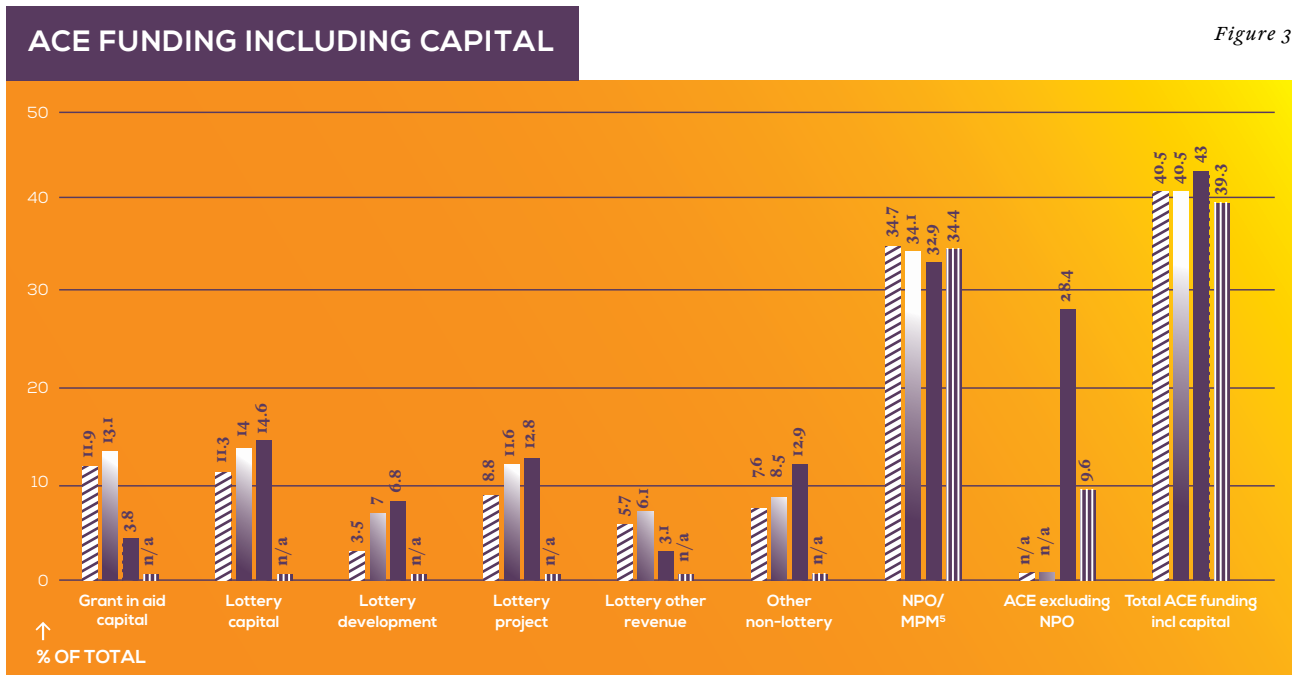
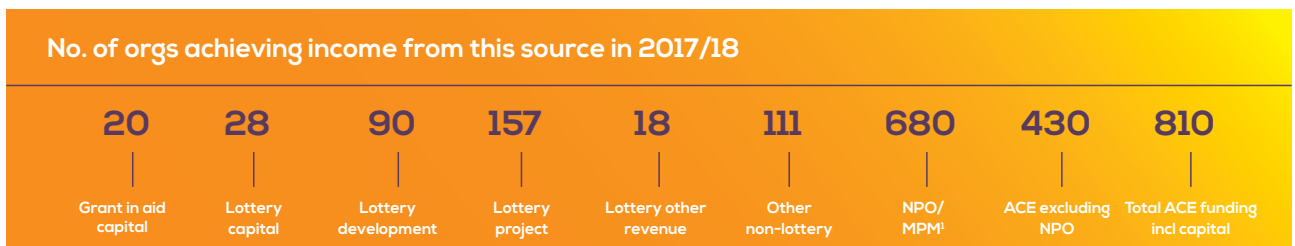
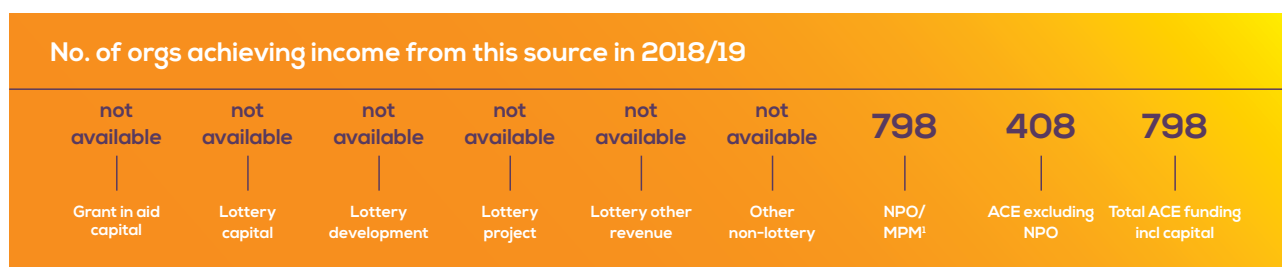


Figure 3



03. National Financial Highlights

3.2 National income data (cont/...)



Trends

- All organisations in the dataset received **NPO/MPM funding**. In all years, National Portfolio Organisation/Major Partner Museum (NPO/MPM) was the largest source of ACE funding including capital. This ranged from 33% (2017/18) to 35% (2015/16). In the most recent year, this equated to 34% of turnover.
- Organisations in the upper quartile for **NPO/MPM funding** are the 25% of the portfolio organisations with largest average income from this source. They generated at least 49.9% of their turnover from NPO/NPM funding in 2018/19.
- **ACE funding** excluding **NPO** is the only other type of income reported in the current dataset. It is only available for the last two years.
- In both years, 51% of organisations reported this type of income. For these organisations, it equated to almost 10% of turnover in 2018/19 – a much **lower proportion** than in 2017/18, when it was 28%. This may reflect the changes to reporting outlined above.

For earlier years, where a more detailed breakdown of income is available, we observe:

- **Lottery project grant income** was the third most common ACE funding source. Between 23% (2016/17) and 19% (2017/18) of organisations received this type of income. Recipient organisations generated between 9%–13% of turnover from Lottery project grants over this period, when this type of income increased.
- The fourth most common **ACE income source** was other non-Lottery funding excluding NPO. The proportion of organisations receiving this income fell from 19% in 2015/16 to 13% in 2017/18.
- Although fewer organisations reported this income stream, to those that continued to receive it, its **importance increased**. It grew from 8% of turnover in 2015/16 to 13% in 2017/18.
- One in five organisations (18%) received **Lottery development funding** in 2015/16. By 2017/18, this had fallen to 11% of organisations. Recipient organisations generated up to 7% of their turnover from Lottery development funding.

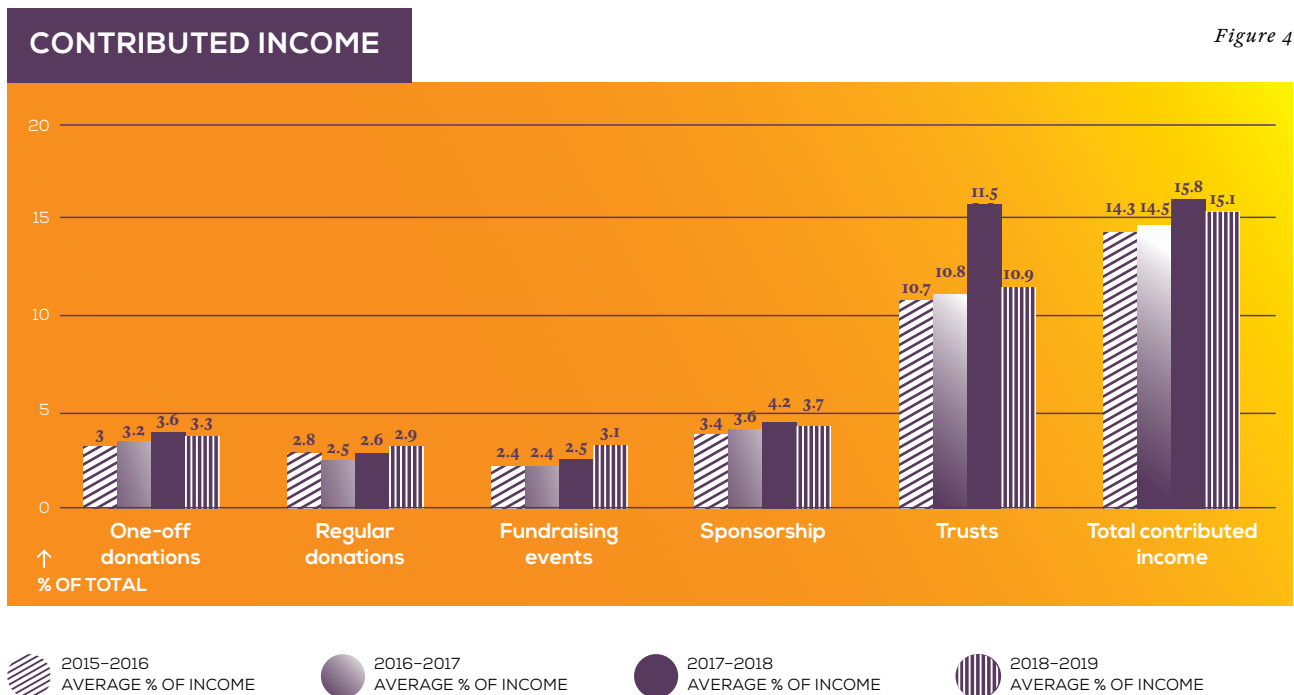
03. National Financial Highlights

3.2 National income data (cont/...)

- Between 2–4% of organisations received grant in aid capital, Lottery capital (3–9% of organisations) and Lottery other revenue (2–4% of organisations).
- Because a relatively small number of organisations received these funding streams, the benchmark averages for **share of turnover** were relatively **volatile** over time. Grant in aid capital moved from 13% to 4%
- **Total ACE funding including capital** hovered around 40% of turnover for three of the four years. In 2017/18, it **increased** to 43% of turnover.



National Income Data: contributed income in detail



03. National Financial Highlights

3.2 National income data (cont/...)



Trends

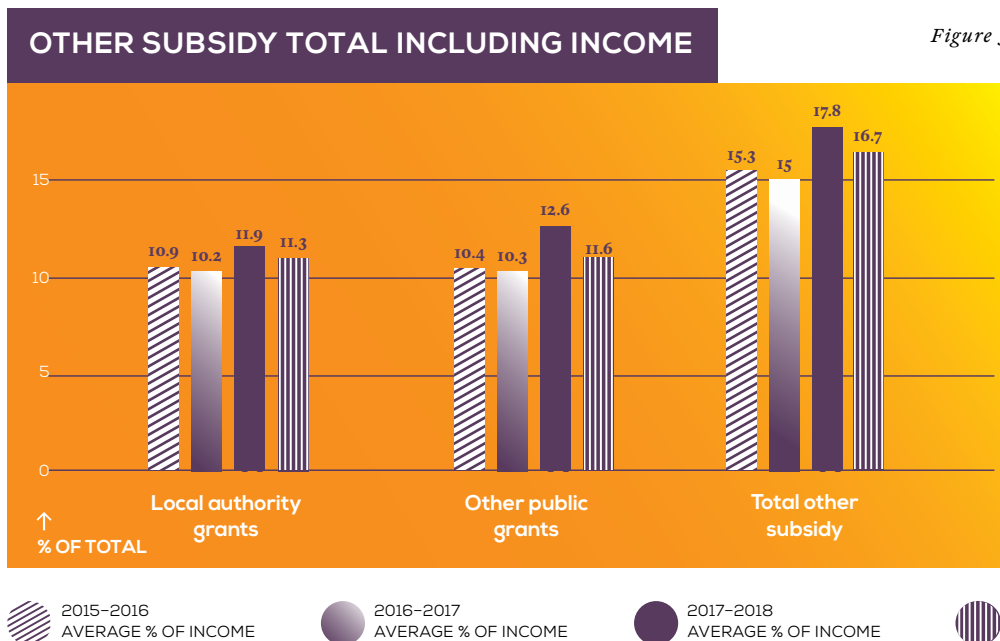
- **Income from trusts, foundations and legacy bequests** was the largest source of contributed income over the four years. For recipients, it was worth approximately 11% of their turnover. Three-quarters of organisations (73%) generated this type of income, a proportion that did **not change** over four years.
- Organisations in the **upper quartile** of the group that received income from trusts, generated between 14–16% of turnover from this source each year.
- For recipients of **one-off donations, regular donations, fundraising events** and **sponsorship**, this source generated between 2–4% of turnover in all years.
- Donations are classified as monies received from the **general public** or **friends** for which no benefit is received. 71% of organisations received income from one-off donations. In the most recent two years, the proportion of organisations accepting one-off donations increased from 67% in 2015/16 to 69% in 2016/17.
- 46% of organisations generated income from **regular donations** such as **friend** and **member schemes** in 2018/19. This ranged between 44% in 2015/16 and 49% in 2017/18.
- **Income from sponsorship** was generated by 42% of organisations in 2018/19, a lower proportion than the peak of 44% in 2015/16.
- **Fundraising events** were the **least common** source of contributed income. 22% of organisations generated income from fundraising events in 2018/19, compared to 19% in 2015/16.
- **Contributed income** as a proportion of turnover remained between 14–16% over the four year period.

03. National Financial Highlights

3.2 National income data (cont/...)



National Income Data: other subsidy total including capital, in detail



Trends

- For recipient organisations, **local authority grants** were worth between 11–12% of their turnover.
- The proportion of organisations receiving local authority grants **peaked** at 61% in 2015/16. It fell to 57% by 2017/18 and remains at that level.
- Combined with data on the **value of grants to recipients**, this may indicate fewer grants of higher value.
- **Public grants** contributed 11.6% of turnover to recipients in 2018/19, a proportion that peaked in the previous year. Half of all organisations received public grants 2018/19, a proportion which **increased** gradually from 43% in 2015/16.

03. National Financial Highlights

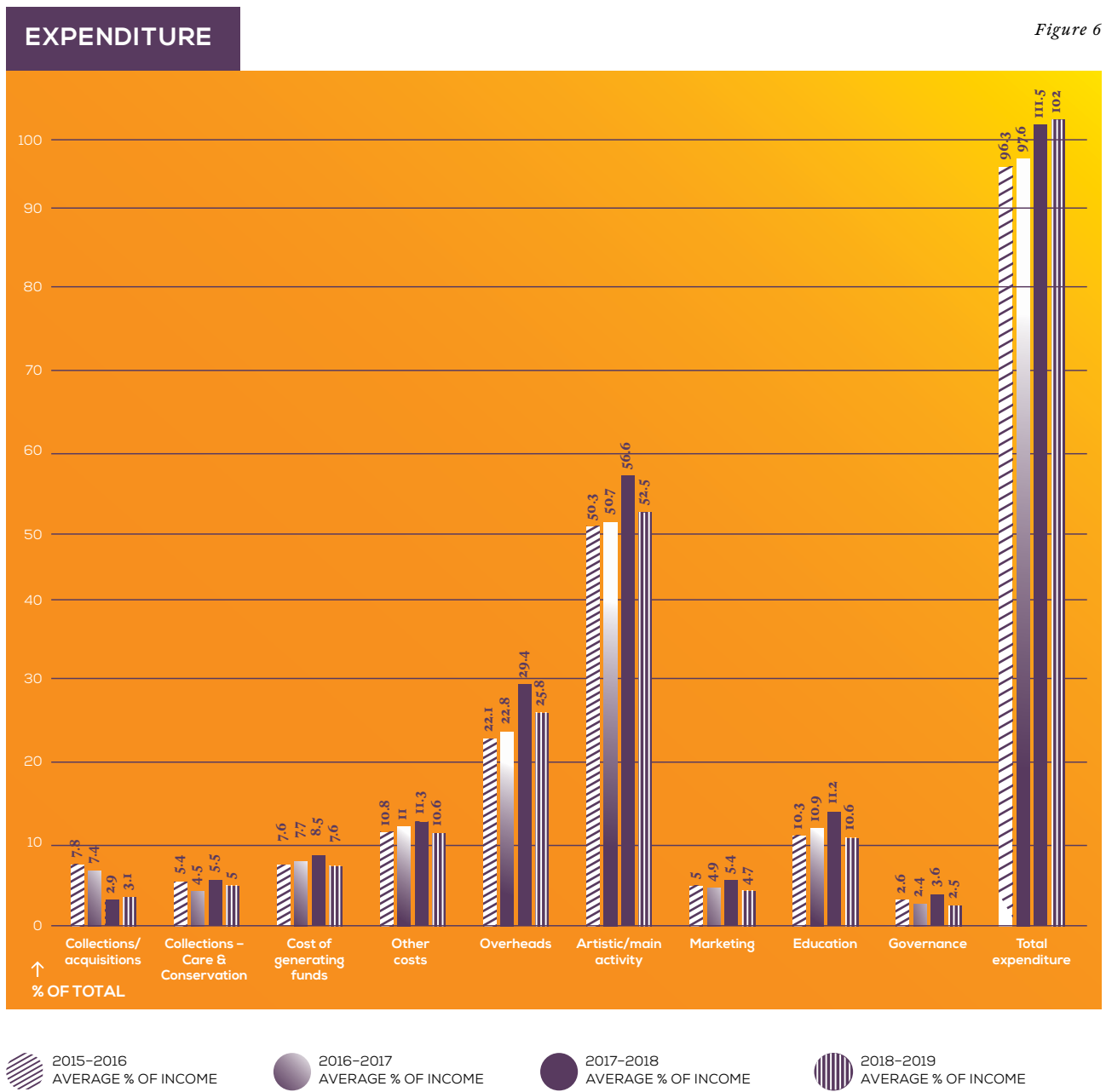
3.2 National income data (cont/...)

- Organisations in the top quartile of recipients for **local authority grants** and **other public grants** did not differ significantly from the national average. In 2018/19, local authority grants were worth 12.9% of turnover to top-quartile recipients. Other public grants were worth 15.9% of turnover to the top quartile.
- Around three-quarters of organisations received **total other subsidy** over the four years. This ranged between 72% (2015–2017) and 75% (2017/18).
- **Total other subsidy** was worth 15% of turnover to recipients in 2015/16, **peaking** at 18% in 2017/18. In 2018/19, this fell to 16.7% of turnover.

03. National Financial Highlights

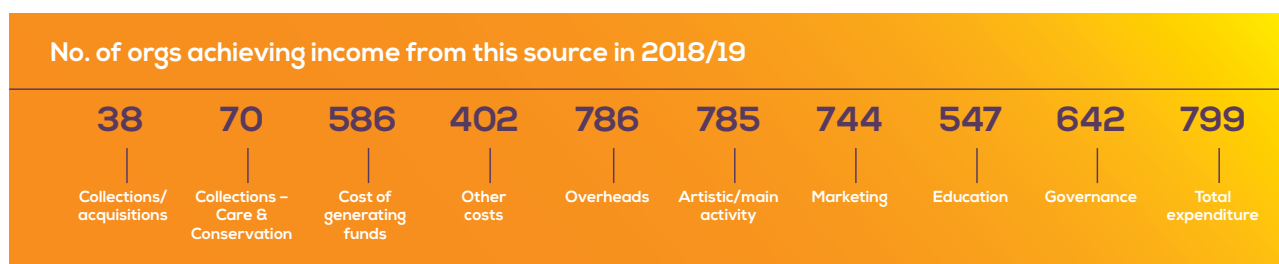
3.3 National expenditure data

To maintain consistency of reporting and ease of understanding, we report expenditure results as a percentage of turnover.



03. National Financial Highlights

3.3 National expenditure data (cont/...)



Trends

- **Total expenditure** was equivalent to 102% of turnover in 2018/19.
- Total expenditure as a **proportion of turnover** peaked at 111.5% in 2017/18. Despite falling this year, the last two years saw average total expenditure exceed average turnover. This contrasts to 2015/16 and 2016/17, when turnover exceeded expenditure.
- **Median total expenditure** varied less than average total expenditure. This median was between 98–100% of turnover in each year.
- Organisations in the **bottom quartile** had the **lowest average total expenditure** as a proportion of turnover. For this slice, total spending ranged between 91% (2015/16, 2018/19) and 93.4% (2017/18) of turnover over the last four years.
- **Artistic/Main** activity accounted for the **largest** average share of expenditure across all years. Our analysis confirms that this was **constant** across all art forms, regions and turnover bands.
- **Average expenditure** peaked at 56.6% of turnover in 2017/18 before **falling** to 52.5% in 2018/19. These were higher averages than for the first two years.
- The proportion of organisations reporting **Artistic/Main** expenditure **increased** from 95% in 2015/16 to 98% in 2018/19.
- **Overheads** were the second largest area of spending in all four years. This category of spending is explored later in the report in the section on ownership of publicly accessible buildings. Our assumption is that building owners face **higher overheads costs** as a proportion of turnover.
- **Average overhead expenditure** peaked in 2017/18 at 29.4% of turnover. It subsequently fell to 25.8%. However, these figures were higher than for either of the first two years for which we have data, including the low point of 22.1% in 2015/16.
- Organisations in the **bottom quartile** had the lowest expenditure on overheads as a proportion of turnover. Total spending on overheads remained between 9.5–10% of turnover across all years for this slice.
- Spending on **education** and **other costs** was the third-largest category of average expenditure in 2018/19. This expenditure accounted for between 10–11% of turnover in all years.

03. National Financial Highlights

3.3 National expenditure data (cont/...)

- Average expenditure on **education** as a proportion of income (10–11%) was higher than average income from education (6.5–7%). This may suggest that portfolio organisations were cross-subsidising education activities.
- The average proportion of turnover spent on **generating funds** was relatively constant over time. For three of the four years, average fundraising costs equated to 7.5% of turnover. This peaked at 8.5% in 2017/18.
- Average spend on **marketing** equated to 5% of turnover over the last four years.
- The average annual spend on the two categories of collection (**acquisitions and collections; care and conservation**) relates mainly to the museums in the data set. The average cost of **Care & Conservation** remained at 5% of income.
- In contrast, **expenditure on acquisitions decreased** from 7.8% of turnover in 2015/16 to 3.1% in 2018/19. This fluctuation may be explained by the small size of this slice, with only 17 organisations in 2015/16 and 15 organisations in 2017/18. In the case of such small slices, decisions in one organisation may influence the average for the slice.
- **Governance costs** were also **stable** at around 2.5% of turnover. There was, however, a slight increase, to 3.5% of turnover, in 2017/18.

03. National Financial Highlights

3.4 National data on fundraising

This section looks at the funds raised by National Portfolio organisations and the cost of raising funds. Funds raised describes non-earned income sources such as public and private sector grant making and individual and

corporate giving. The table shows average values (in £thousands) and the Fundraising Return on Investment as a ratio of the average net raised to the cost of fundraising.

FUNDRAISING

Figure 7

ACE Subsidy Total	£639k	£647k	£5441k	£560k
Contributed Income	£357k	£377k	£361k	£372k
Other Subsidy	£386k	£370k	£431k	£463k
Total Funds Raised	£1,256k	£1,261k	£1,182k	£1,238k
Cost of Funds Raised	£265k	£294k	£250k	£214k
Net Raised	£1,216k	£1,214k	£1,197k	£1,277k
Fundraising ROI (net raised/cost of fundraising as a ratio)	5.1:1	4.6:1	5.2:1	6.9:1

2015-2016

2016-2017

2017-2018

2018-2019



Trends

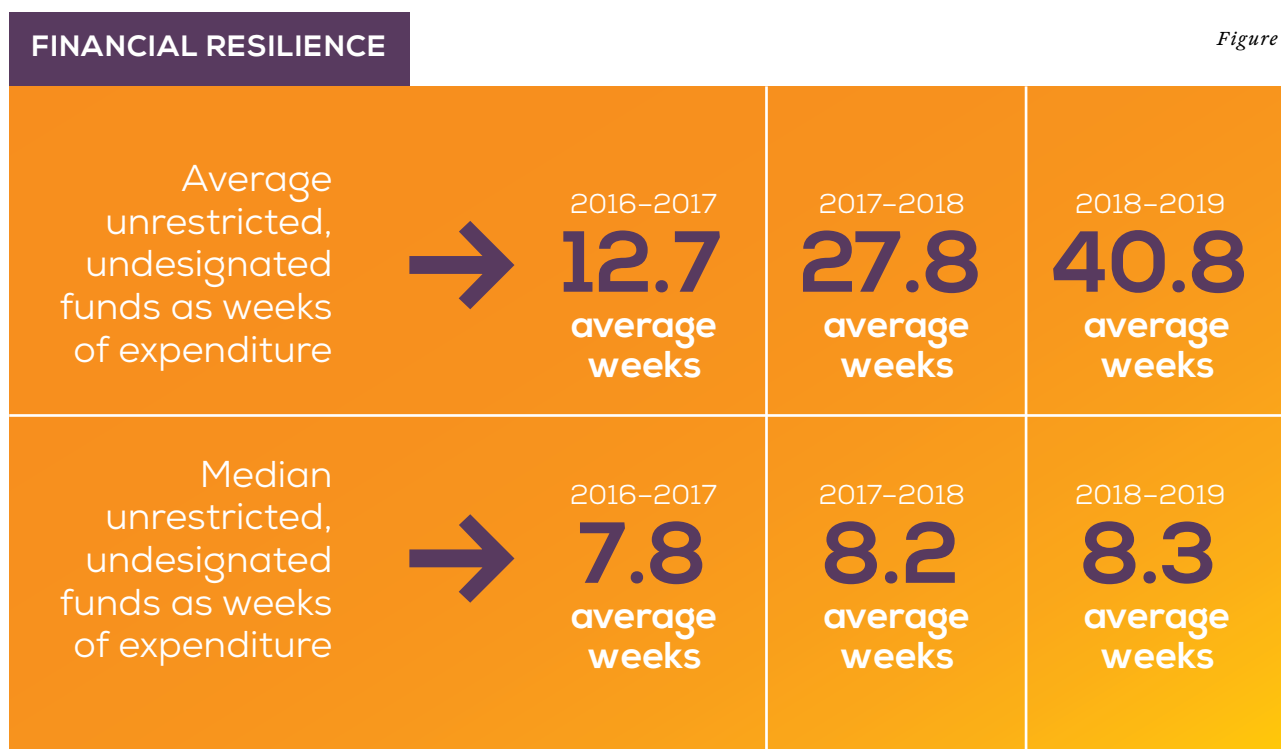
- As a **national average**, every £1 spent on fundraising returned both the £1 risked and an additional £6.90 of fundraised income in 2018/19. This was **higher** than any comparison years.
- The national average fundraising **Return on Investment (ROI)** ratio was 6.9:1 in 2018/19. This is a **useful benchmark** against which to compare the ratios for individual slices later in this report.
- The levels of **funds raised varied** considerably across artform, region and turnover band. The most **useful reference point** in this set of results is the fundraising **ROI ratio** rather than any of the cash figures shown above.

03. National Financial Highlights

3.5 National data on financial resilience

Expressing unrestricted, undesignated funds as weeks of expenditure, illustrates the financial resilience of an organisation. Ideally, non-profit organisations will carry liquid reserves equivalent to around six months of spend⁶.
Data for National Portfolio organisations

suggests that the national average significantly exceeded the 26 weeks benchmark in 2017/18 and 2018/19. However, the average is likely to be skewed upwards by a small number of organisations. The median is a better guide to the reality most organisations face.



Trends

- In 2016/17, **unrestricted, undesignated funds** were equivalent to 13 weeks’ worth of expenditure. This **increased** to 28 weeks in 2017/18 and 41 weeks in 2018/19. When we exclude the top and bottom 5% as outliers, the number of average weeks in the last three years are 9.8 (2016/17), 10.6 (2017/18) and 11.2 (2018/19). Thus, although there was

an increase in the last year, still the national average is below the charity sector ‘rule of thumb’ benchmark of 26 weeks.

- The **median figure** paints a very different picture. Positively, this figure increased to 8.3 weeks by 2018/19. But it remained **significantly below** the suggested benchmark of 26 weeks.

03. National Financial Highlights

3.5 National data on financial resilience (cont/...)

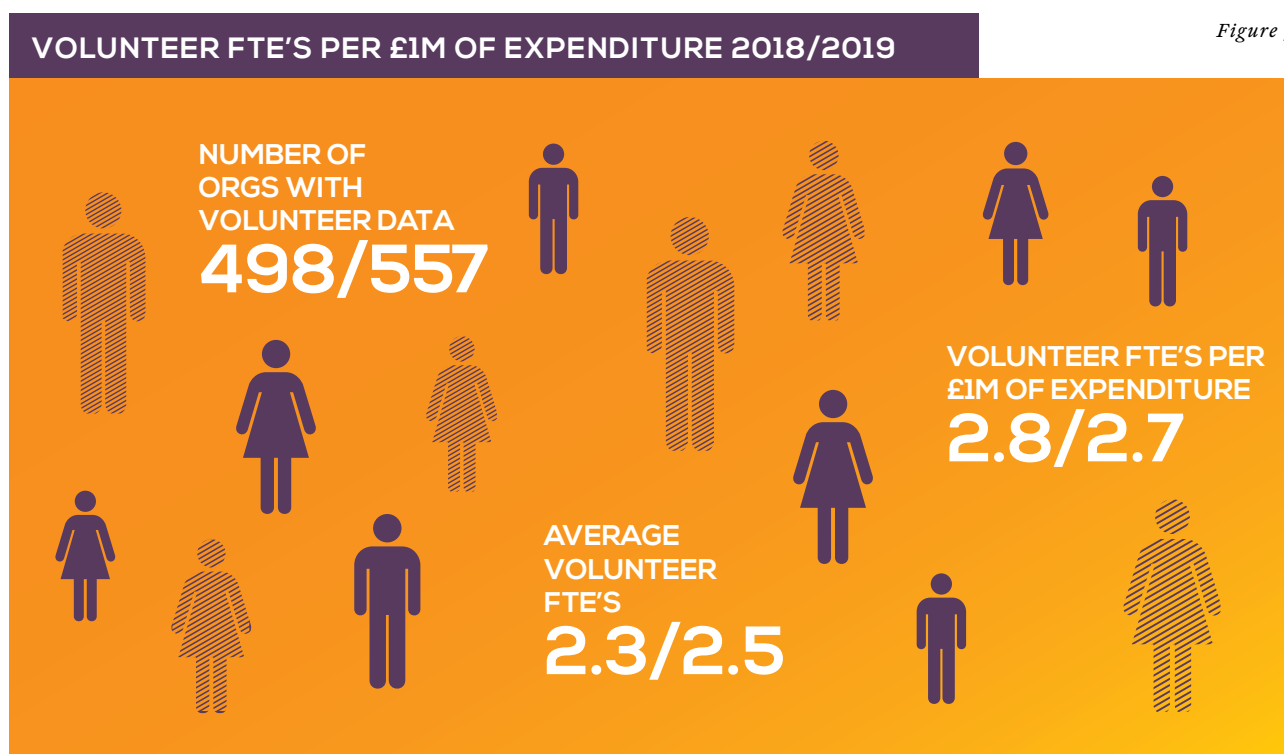
- Digging deeper, we can look at organisations in the **upper quartile** for **unrestricted, undesignated funds** as weeks of expenditure. This group's organisations held between 14 (in 2016/17) and 17 (2018/19) weeks' worth of funds. Even the most successful 25% of organisations held only three months' worth of unrestricted, undesignated funds in 2018/19.
- This suggests the average is a **poor indicator of resilience**, even for the top quartile of organisations. The **median** is a **better** indicator.
- The median suggests that organisations held **insufficient free reserves** to cover expenditure in a **crisis** – such as a pandemic.

03. National Financial Highlights

3.6 National data on volunteering

This section looks at volunteering within National Portfolio organisations. Definitions of volunteering are wide-ranging, with most volunteers engaged on a casual or part-time basis. We therefore take into account the hours contributed by volunteers by aggregating

them together and expressing the total contribution as the number of Full-Time Equivalents (FTEs).⁷ We also describe the number of FTE volunteers per £1m of expenditure to control for the size of different organisations.



Trends

- The average number of **volunteer FTE's** per £1m of expenditure in 2019 was 2.7. This was similar to the estimate for 2018.
- The proportion of organisations reporting that they engage **volunteers** increased from 59% in 2017/18 to 70% in 2018/19.
- On average, organisations report that they engaged **two volunteer** FTEs for every £1m of expenditure.
- Changes in **volunteering levels** may reflect more accurate reporting. There appears to be an increase in the engagement of volunteers. Our data suggests that volunteering levels **increased** from the equivalent of 2.3 FTEs to 2.7 FTEs in the last two years.
- An **increased** proportion of organisations also reported **engaging volunteers** in 2019.

03. National Financial Highlights

3.7 Balance sheet

Balance sheet analysis helps us to understand how financially stable organisations in the portfolio are. It also allows us to know how efficiently organisations are using their assets to earn income. Higher total current assets to turnover and net current assets to turnover point to greater financial stability and sustainability. A lower fixed assets to turnover

ratio indicates more efficient exploitation of existing resources. There is substantial variation in balance sheet strength among the different art disciplines, regions, ownership of buildings and turnover bands. Filtering results in the dashboard will produce more immediately useable results.

BALANCE SHEET METRICS AVERAGES			
	2016/17	2017/18	2019/19
Fixed Assets as a % of Turnover ⁸	1,263%	2,729%	1,767%
Median Fixed Assets as a % of Turnover	7%	6%	7%
Total current assets as a % of turnover	189%	294%	233%
Average Net current assets (liquidity or working capital ratio) as % of turnover	39%	73%	70%
Median Net current assets (liquidity or working capital ratio) as % of turnover	22%	22%	23%
Average of Total Net Assets £ ⁹	7.2m	10.5m	10.1m

Figure 10

03. National Financial Highlights

3.7 Balance sheet (cont/...)



Trends

- **Fixed Assets** includes **intangible assets**, land and buildings, and other tangible assets and investments.
- The number of organisations with **fixed assets** fell from 84% in 2016/17 to 77% in 2018/19.
- When **fixed assets** are expressed as a **percentage of turnover** over time, no clear pattern emerged. In 2018/19, fixed assets on average represented 1,767% of turnover. This was an **increase** compared with 2016/17.
- Once again, the **median** may be a more **reliable** indicator of the typical experience. Median fixed assets as a percentage of turnover varied between 6–7% over the three years. This may indicate there has been **little change** in organisations' efficiency using fixed assets.
- Current assets include stocks and **work-in-progress, debtors, investments** and **cash** at bank and in hand.
- **Average current assets** as a percentage of turnover **increased** from 189% in 2016/17 to 233% in 2018/19. This proportion peaked at 294% in 2017/18.
- The **median value of current assets** again told a different story. In the last three years, median current assets as a proportion of turnover was between 37% (2018/19) and 39% (2017/18). This suggests that for most of the portfolio, there has been **little change**.
- **Net current assets** are another indicator of **financial sustainability**. This is sometimes known as the **liquidity ratio**, or working capital. It is expressed as a percentage of turnover. Net current assets are calculated by subtracting liabilities from total current assets. The net current assets to income value gives us an idea about the extent of liquidity in an organisation. Higher net current assets to income value can show that an organisation is **potentially more financially stable**.
- Between 2016/17 and 2017/18, there was a significant increase in the average proportion of **net current assets to turnover**, from 39% to 73%. Although this dipped in 2018/19, this suggests a **medium-term increase**.
- Once again, the **median** may be a more **reliable indicator** than the average. Median net current assets were 22% of turnover for the first two years, increasing by one percentage point in 2018/19. Median net current assets suggest that there was **little change** in **liquidity** and **financial stability** over the three year period.
- **Average total net assets** increased from £7.2m in 2016/17 to £10.1m in 2018/19, after peaking at £10.5m in 2017/18. The average was once again skewed by a small number of large organisations with substantial assets.
- **Median total net assets fluctuated** between £235k in 2017/18 and £272k in 2018/19. The median figure for total net assets is substantially **lower** than the average.

Section 04

Finding the most useful comparison group for your organisation

04

04. Finding the most useful comparison group for your organisation

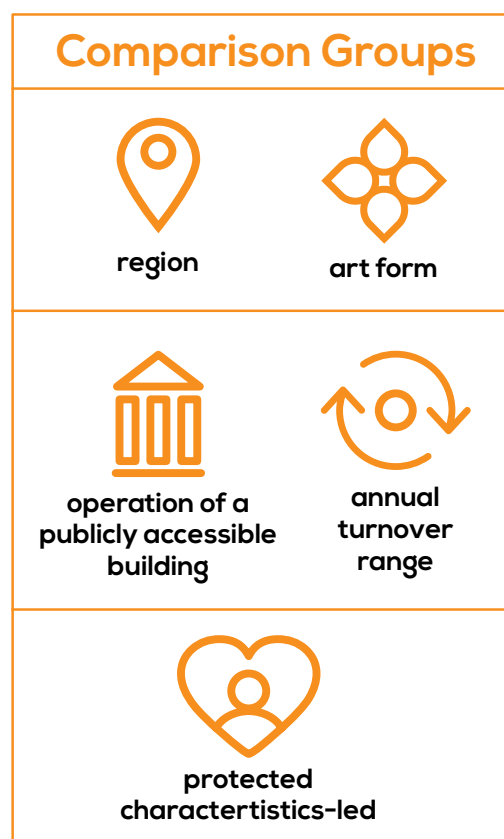
Introduction

The remainder of this report focuses on five slices of data: region, art form, operation of a publicly accessible building, annual turnover range, and whether organisations are protected characteristics-led. As well as bringing your knowledge of artform and geographic knowledge to our analysis, we encourage you to consider the potential for learning from other organisations, regions and artforms. The purpose of all these slices is to help organisations identify one or more peer groups to compare themselves to. It is possible to create more nuanced slices against which to benchmark your organisation: you need to use the full dashboard to do this.

The **full dashboard** enables the comparison of an individual organisation's results and the creation of bespoke slices against which to benchmark, using several filters at once. The comparison groups are created using filters to slice the data. Slicing by region, art form, operation of a publicly accessible building, and turnover band are four options for creating a **bespoke comparison group**. Other slices include:

- Your membership groups
- Net current assets – assets and liabilities
- ACE band
- Minority led
- Index of Multiple Deprivation (IMD decile)
- Registered charity

Finally, it is worth noting that **smaller slices** contain **fewer organisations**. This can result in individual organisations disproportionately **skewing** the benchmark averages, particularly if their funding changes from year to year. We report these where necessary.



04. Finding the most useful comparison group for your organisation

4.1 The five ACE regions



- The number of **NPOs** varied from 95 organisations in the South East to 255 in London. Average turnover varied between £1.7m (South West) and £3.1m (London). No region saw a reduction in average turnover in 2018/19.
- **Regional disparities in earned income** as a proportion of total income narrowed from 5.1 percentage points in 2017/18 (40.2% South West vs 35.1% North) to 3.8 percentage points in 2018/19 (36.6% Midlands to 32.8% South East).
- Except for London, all regions saw a **decrease in earned income** as a proportion of turnover. The smallest fall was 1.6 percentage points (North), the largest, 3.8 percentage points (South West).
- The most **significant regional difference** in income streams was in **London**, where contributed income was 5–10% higher than other regions. Conversely, London received the **lowest proportion** of its turnover from other subsidies.
- In 2018/19, **NPO/MPM income increased** in all regions.
- **Total expenditure decreased** in all regions. The South East was the only region with an average expenditure of less than 100% of income.
- The Midlands and South West had the **highest expenditure** on fundraising and the lowest fundraising ROI in 2018/19. Conversely, London (8.5:1) and the South East (8.7:1) had the highest ROI averages that year. Nevertheless, there was **no direct correlation** between lower spending on fundraising and higher ROI, as demonstrated by the North.
- In most regions, approximately three-quarters of organisations (73–78%) reported on **volunteering**. The exception was London, where only 57% of organisations reported that they engaged volunteers.
- **London-based organisations** also reported **lower levels of volunteer engagement**, with average volunteer FTE's of 1.4 per £m expenditure. The South East had the largest Volunteer FTE at 3.4.
- The **North** region had the **highest** net current assets in the last two years. Compared to other regions, the average organisation in the North appears relatively financially stable. Conversely, organisations based in the **South West** on average recorded **negative** net current assets values.

04. Finding the most useful comparison group for your organisation

4.1 The ACE five regions (cont/...)



The ACE five regions: income

There are important differences in business models when viewed from the five ACE regions. Some regions fare better than others when it comes to the different types of income. This slice is a valuable reference point if you want to understand the factors influencing your business model and income potential based on the region in which you are based.

Few organisations choose to change the region in which they are based. Nevertheless, for organisations based in a region that generates less income from trusts or sponsorship, then you might consider amending your strategy accordingly or working with a specialist who has networks based outside your region.

AVERAGE INCOME PER ORGANISATION BY ACE REGION

Figure 11



1. NORTH

No. of orgs: **222**
 Average income 2017: **£1,786,400**
 Average income 2018: **£1,701,622**
 Average income 2019: **£1,843,244**

2. MIDLANDS

No. of orgs: **125**
 Turnover 2016: **£ 5,640,526**
 Turnover 2017: **£2,866,273**
 Turnover 2018: **£2,949,649**

3. LONDON

No. of orgs 2019: **255**
 Average income 2017: **£3,173,360**
 Average income 2018: **£3,063,121**
 Average income 2019: **£3,194,253**

4. SOUTH EAST

No. of orgs: **95**
 Turnover 2016: **£2,856,217**
 Turnover 2017: **£2,549,029**
 Turnover 2018: **£2,688,072**

5. SOUTH WEST

No. of orgs: **98**
 Turnover 2016: **£ 1,738,576**
 Turnover 2017: **£1,696,229**
 Turnover 2018: **£1,740,655**

04. Finding the most useful comparison group for your organisation

4.1 The ACE five regions (cont/...)

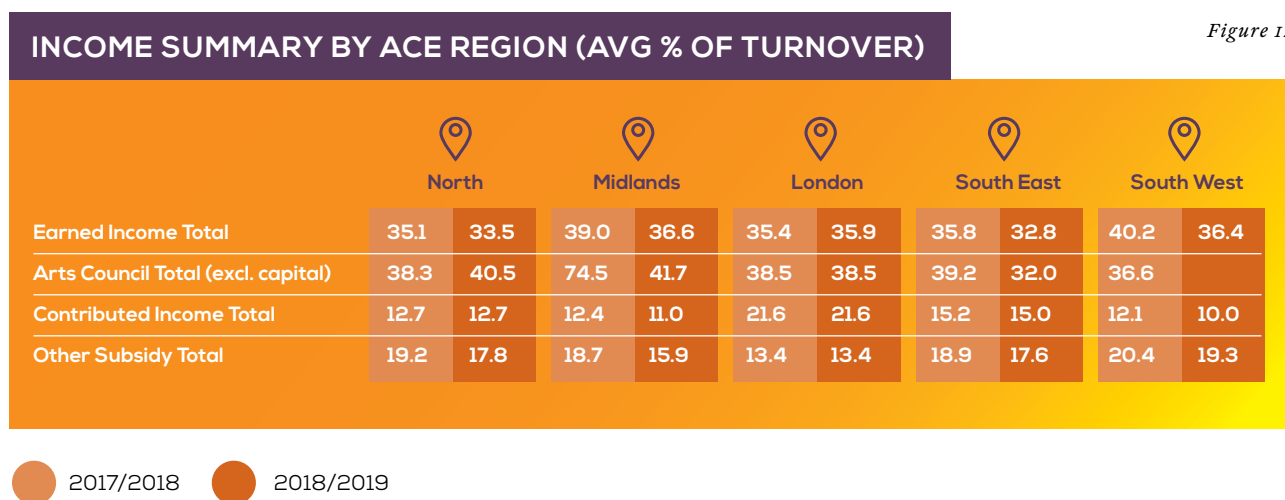


Trends

- There was a **significant variation** in the number of **NPOs** in each region. The South East (95), South West (98), and Midlands (125) regions had fewer NPOs than the North (222) or London (255) regions.
- There was also a **significant difference** between the average turnover levels of the organisations in each region. This partly reflects a change in the cohort for the most recent year. In 2016/17, the Midlands region had the highest average turnover at £5.6m. The London region had the highest average turnover in the last two years, rising to £3.1m in 2018/19. The South West has the lowest average turnover in all years (£1.7m).
- Compared to 2016/17, the Midlands reported the most **significant fall in average turnover**, from £5.6m to £2.9m. Higher turnover in 2016/17 reflected the particular finances of one organisation in that year.
- Between 2017/18 and 2018/19, no region saw a reduction in average turnover. The South West had the **smallest increase** at around £44k. The North's average turnover increased by £141k. Again, we should bear in mind the cohort changed and that this may account for some of the difference.



The ACE five regions: income in detail



- The average level of **Arts Council England income** (incl. capital) was **higher** than the average for earned income in the last two years for the London, the Midlands, North and South East regions. In the South West region, in 2017/18 organisations generated a larger portion of their turnover from **earned income**. In 2018/19, this region's earned income and Arts Council England total income both contributed 36% to turnover.

04. Finding the most useful comparison group for your organisation

4.1 The ACE five regions (cont/...)



- There was **more variation** in **contributed income**. London generated significantly higher levels than any other region at 21.6% in both years. Other regions' contributed income was approximately 10–15% of their turnover. Midlands, North and South West earned 10–12% of their income from contributed income. The South East earned 15% in both years.
- **All regions** except London generated, on average, more than 13% of **turnover** from the other subsidy sources in the last two years.

CONTRIBUTED INCOME BY ACE REGION (AVG % OF TURNOVER)

Figure 13

	North		Midlands		London		South East		South West	
One-off donations	2.6	2.4	2.2	1.7	4.7	4.5	5.0	4.5	3.2	2.6
Regular donations	1.8	2.2	1.8	1.6	4.0	4.6	2.1	2.7	1.3	1.0
Fundraising events	0.8	1.1	1.5	0.9	3.4	4.7	3.9	4.4	2.4	3.0
Sponsorship	3.7	4.1	5.3	2.2	5.7	5.5	2.5	2.3	2.6	1.8
Trusts	10.5	10.1	10.6	9.9	13.9	13.5	9.7	9.4	9.7	8.3
Total contributed income	12.7	12.7	12.4	11.0	12.7	12.7	15.2	15.0	12.1	10.0

● 2017/2018 ● 2018/2019

- As highlighted in the income summary, **contributed income** was proportionately worth **twice as much** to London organisations (with averages of 21.6% in the last two years) compared to organisations in most other regions. Organisations in the South East generated 15% of turnover from this source. This region's top quartile in terms of total contributed income earned at least 32.2% of their turnover from contributed income in 2018.
- **Income from trusts, foundations and legacy bequests** continued to be the **single largest** source of income for organisations in the last two years. In 2018/19, it was worth an average of 8%–10% of turnover, except in London (13.5%).
- The **proportion of income from trusts** was stable. The South West saw the most **significant change**, with a 1.4 percentage point decrease.

04. Finding the most useful comparison group for your organisation

4.2 The artform slice



Summary: Artform

- There was substantial variation in the size of **artform clusters** from 5–184 organisations.
- There was also a **wide variation** in the **average turnover** in each sector. Setting aside the largest sectors (**Libraries, Music and Museums**), art forms' average income varied between £744k (**Literature**) and £3m (**Theatre**).
- The **business models** of different **artforms** are evident from the different levels of revenue from different income types, including ACE funding. **Libraries** and **Not artform Specific** should be **analysed separately** because their income and expenditure profiles, including fundraising costs, are notably different. The Museums sector was distinct from other art forms.
- Therefore, we **strongly recommend** using **artform** as an essential way to slice the data when you **compare** your organisation to others.
- The **Music** (41–39%) and Theatre (43–41%) sectors are distinguished by higher proportions of earned income. **Visual Arts** organisations (30–28%) report low proportions of earned income.
- **Dance** and **Not artform Specific** organisations reported that almost half of their income came from **ACE funding** in 2018/19. Libraries (20% in 2018/19), Museums (25% in 2018/19), and Music (35% in 2018/19) organisations recorded the lowest amounts of ACE funding as a proportion of their income.
- **Contributed income** also varied substantially. **Literature** and **Music** averaged between 20–25% of turnover from contributed income. **Dance** and **Museum** organisations recorded less than half this proportion.
- There was also substantial variation in levels of **other subsidy**. The **Libraries** (41%) and **Museums** (34%) sectors contrasted with the **Dance, Literature, Music** and **Theatre** sectors where other subsidies were worth an average of 10–12% of turnover.
- **Three sectors** reported **expenditures lower** than income in 2018/19: **Dance** (96.5%), **Not artform Specific** (90.9%) and **Visual Arts** (98.6%). Other sectors reported that average expenditure exceeded income. These included **Theatre** (100.2%) and **Museums** (110.9%).
- **Fundraising ROI** and the amount of **unrestricted, undesignated funds** **varied significantly** between the different art forms.
- **Volunteer engagement** can be expressed as the average number of FTE volunteers per £1m of expenditure. **Museums** and **Music** (4.5 FTEs/£1m expenditure) engaged over five times as many volunteers on average as **Dance** (0.9) organisations. The Museums sector also contained the **highest** proportion of organisations reporting on **volunteering** (84%).

04. Finding the most useful comparison group for your organisation

4.2 The artform slice (cont/...)



- The **Balance sheet analysis** indicated **variance** between the sectors for Net current assets as a proportion of income. In 2018/19, this ranged between 4.5% (**Combined Arts**) to 400% (**Museums**). Combined Arts was the only sector with negative average net current assets. The **Museums** and **Visual Arts** sectors saw the average total net current assets fall in 2018/19. Still, these two sectors were the only artforms with average total net current assets above 100% of income.
- Organisations did not experience a change in their **financial stability** or **efficiency of resource utilisation**.

04. Finding the most useful comparison group for your organisation

4.2 The artform slice (cont/...)



Artform: income

There are some **critical differences** in the business models when the data is viewed on an **artform basis**. This is important when setting goals for development, growth and change. National averages alone do not show these significant sectoral variations, which, as with region, are usually fixed factors in an organisation’s **business model**.

The general rule that we would apply here is that if there is a factor fundamentally

affecting your business model and which is **unchangeable**, then, at a minimum, you need to fully understand both the **limitations** and **opportunities** that go with it. This also means that, where appropriate, you should expect to **communicate** these differences to funders and other stakeholders – especially if you expect these stakeholders to be making comparisons between your organisation and others who may not be working from the same baseline of opportunity or challenge as yours.

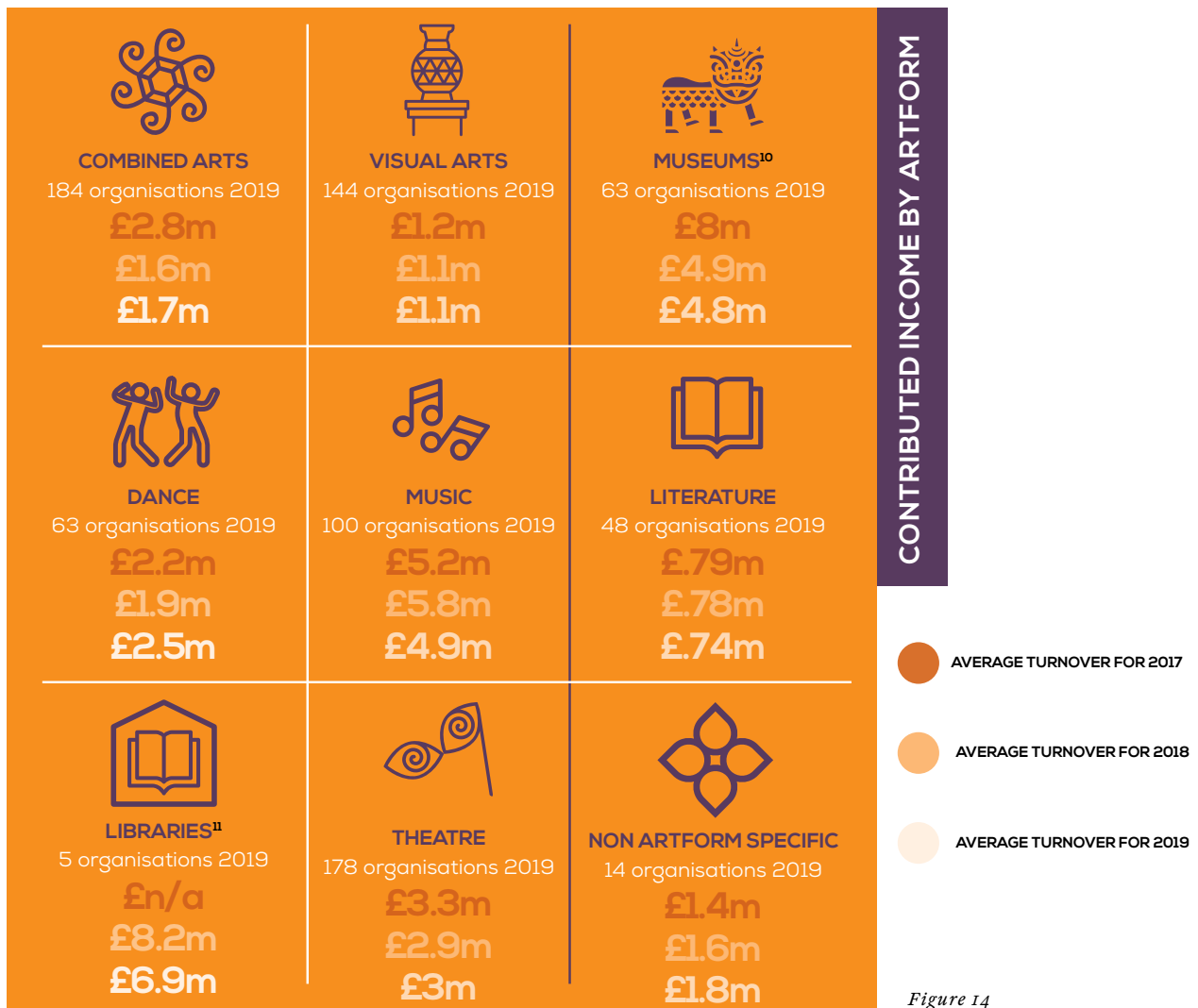


Figure 14

04. Finding the most useful comparison group for your organisation










4.2 The artform slice (cont/...)



- **Libraries** joined the portfolio in 2018. The Libraries sector had the most **significant average turnover** (£6.9m) in 2018/19. In 2016/17, Museums had the largest average income. Both these sectors encompass a number of very large organisations, as measured by turnover and staffing levels.
- Organisations in the **Music sector** are also relatively large, averaging £4–5 m in turnover over the last three years.
- The **Theatre sector** had an average income of over £3m per annum. Given that the Theatre sector was the **second largest** in terms of organisations, they are the most **extensive** art form sector in the portfolio.
- The **Combined Arts, Dance, Not art form specific** and **Visual Arts** groups sectors comprised **smaller** organisations. In 2018/19, their average total income ranged from £1.1m (Visual Arts) to £2.5m (Dance).
- The **Literature** sector had the **smallest average organisational average income**, at £744k in 2018/19. 75% of the organisations in this sector have a turnover of less than £750k.
- **Combined Arts** was the most **significant** art form sector in terms of the number of organisations in the cluster (184). The Libraries cluster was the smallest in terms of the number of organisations (5).
- More than half of the organisations in **Libraries, Museums, and Not artform specific** groups were **medium** and **large**.
- At least 55% of the organisations in the **Combined Arts, Dance, Music, Theatre** and **Visual Arts** sectors were classified as small.

PROPORTIONS % BY ARTFORM

Figure 15










	 Combined Arts	 Dance	 Libraries	 Literature	 Museums
Small (< £750k turnover)	110%	35%	2%	36%	14%
Medium (£750k – £5m turnover)	61%	22%	n/a	11%	25%
Large (> £5m turnover)	12%	6%	3%	1%	24%
	 Music	 Non-specific	 Theatre	 Visual Arts	
Small (< £750k turnover)	56%	5%	102%	93%	
Medium (£750k – £5m turnover)	26%	7%	55%	47%	
Large (> £5m turnover)	18%	2%	21%	4%	

04. Finding the most useful comparison group for your organisation

4.2 The artform slice (cont/...)



Artform: income in detail

INCOME SUMMARY BY ARTFORM						
	 Combined Arts		 Dance		 Libraries	
Earned Income Total	34.9	33.3	34.4	35	56.2	39.1
Arts Council Total (incl. capital)	60.4	39.3	47	48.5	2.6	19.8
Contributed Income Total	13.4	12.8	11.2	10.3	0.6	0.6
Other Subsidy Total (incl. capital)	20.1	18.3	12.1	10.2	41.4	40.8
	 Literature		 Museums		 Music	
Earned Income Total	31.5	32.1	39.9	35.7	40.8	39.0
Arts Council Total (incl. capital)	40.6	42.0	20.3	26.3	33.7	35.1
Contributed Income Total	24.7	23.2	12.4	9.8	20.6	21.6
Other Subsidy Total (incl. capital)	11.0	12.6	36.7	33.6	11.5	11.0
	 Non-specific		 Theatre		 Visual Arts	
Earned Income Total	25.5	33.0	42.7	41.2	29.9	27.9
Arts Council Total (incl. capital)	57.9	47.3	36.7	39.3	40.7	43
Contributed Income Total	14.3	16.9	14.6	13.7	18.0	17.3
Other Subsidy Total (incl. capital)	30.4	23.6	10.9	9.7	19.8	18.0



 2017/18
% OF INCOME
 2018/19
% OF INCOME

Figure 16

04. Finding the most useful comparison group for your organisation

4.2 The artform slice (cont/...)












- The **Music** and **Theatre** sectors had the **highest average levels** of **earned income** (41–39% for the Music sector and 43–41% for the Theatre sector). Their level of earned income as a share of turnover was largely unchanged. **Visual Arts** organisations recorded the **lowest** proportion of earned income (28–30% of turnover).
- The average percentage of income from **ACE funding** fluctuated between sectors. The **Combined Arts** received almost 60% of their **income from ACE** in 2017/18, but this fell to 40% in 2018/19. We suspect that this is due to changes in the cohort between funding rounds. **Dance** and **Not artform Specific** organisations received almost half of their income from ACE funding in 2018/19. Conversely, for **Libraries** (20% in 2018/19), **Museums** (25% in 2018/19) and **Music** (35% in 2018/19), organisations ACE accounted for a relatively low share of their income.
- **Contributed income** varied substantially between sectors. **Literature** and **Music** organisations generated on average 20–25% of turnover from **contributed income**. For organisations in the **Libraries** sector, on average less than 1% of turnover was from **contributed income**. **Dance** and **Museum** organisations received less than half the proportion received by Literature and Music Organisations.
- The **level of other subsidy** also varied substantially. Organisations in the **Libraries** (41%) and **Museums** sector (34–37%) depended upon a high proportion of other subsidy for their income. Those in the **Dance, Literature, Music** and **Theatre** sectors relied upon an average of 10–12% of turnover. If we can better understand what factors are affecting this **substantial difference**, we can know whether we should expect this area to generate **more income** going forward.

04. Finding the most useful comparison group for your organisation

4.2 The artform slice (cont/...)



CONTRIBUTED INCOME BY ARTFORM

	 Combined Arts		 Dance		 Libraries	
One-off donations	2.1	1.8	2.6	1.8	0.5	0.5
Regular donations	1.5	1.6	0.9	1.0	0.2	0.3
Fundraising events	3.9	3.6	1.0	0.7	0.1	0.1
Sponsorship	6.5	4.0	1.6	1.9	0	0
Trusts	11.5	10.9	10.0	8.9	0	?
Total contributing income	13.4	12.8	11.2	10.3	0.6	0.6
	 Literature		 Museums		 Music	
One-off donations	4.6	3.9	5.4	4.5	5.5	5.8
Regular donations	4.5	2.9	1.0	0.9	3.7	4.0
Fundraising events	2.5	2.7	1.2	1.0	3.0	4.4
Sponsorship	8.0	7.9	0.8	0.8	4.4	4.2
Trusts	16.2	15.6	9.1	7.0	12.4	12.9
Total contributing income	24.7	23.2	12.4	9.8	20.6	21.6
	 Non-specific		 Theatre		 Visual Arts	
One-off donations	16.8	7.1	2.4	2.5	4.6	4.1
Regular donations	17.8	49.1	2.4	2.8	3.4	4.4
Fundraising events	0.2	0.1	1.8	1.6	3.4	6.6
Sponsorship	2.0	6.9	2.7	2.8	4.1	4.1
Trusts	12.0	17.5	10.6	9.7	11.9	11.5
Total contributing income	14.3	16.9	14.6	13.7	18.0	17.3



 2017/18
 % OF INCOME
 2018/19
 % OF INCOME

Figure 17

04. Finding the most useful comparison group for your organisation

4.2 The artform slice (cont/...)



- **Sponsorship** was relatively important to the **Literature** sector, where it accounted for on average 8% of turnover.
- For most art forms, **one-off donations** were worth an average of between 2% (Combined Arts, Dance) and 6% (Music) of turnover. Libraries (less than 1 %) and Not artform Specific (17% in 2017/18 and 7% in 2018/19) sit outside this range.
- **Regular donations** were worth an average of between 1–4% of turnover in 2018/19 for all sectors except Libraries and Not artform Specific groups.

04. Finding the most useful comparison group for your organisation

4.3 Operation of a Publicly Accessible Building



Summary of Public Building slice

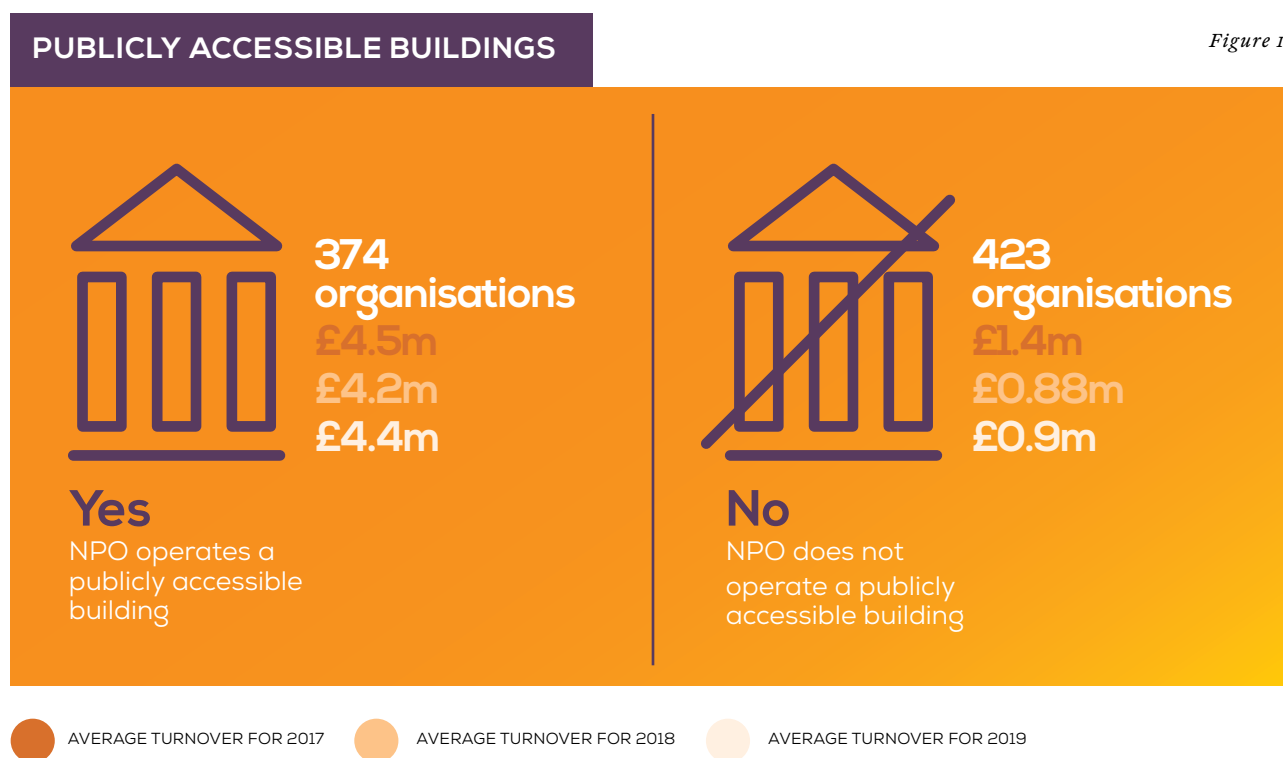
- Almost half of the organisations in the National Portfolio run **publicly accessible buildings** (47%). The organisations with publicly accessible buildings had a significantly larger average turnover than those not running these buildings.
- Operating a publicly accessible building shapes the **business model** of organisations. Those with **publicly accessible buildings** generate a **higher percentage** of turnover from earned income than ACE funding. Organisations without these buildings are more **dependent** on **ACE funding**.
- Levels of **contributed income**, particularly sponsorship, are slightly higher in organisations without publicly accessible buildings. Other subsidy income and local authority grants are larger in organisations with publicly accessible buildings. Other public grants are larger in the organisations without publicly accessible buildings.
- In 2018/19, **expenditure as a proportion of income** was on average higher in organisations running publicly accessible buildings. This group also spent a **larger proportion** of their income on **overheads** than in organisations without this type of building.
- The fundraising **ROI** for organisations without publicly accessible buildings was **double** that of organisations with these buildings, suggesting that their **fundraising** was more **efficient**. Organisations without buildings are often smaller – and raising smaller amounts. The typical or median organisation with a building spent £82k on fundraising to generate £722k; the typical organisation without a building spent £19k to generate £263k.
- A greater proportion of organisations with **publicly accessible buildings** engage **volunteers** than those organisations without buildings. When we take account of an organisation's size by expressing the number of volunteers per £1m of expenditure, our data suggests that organisations without public buildings engage volunteers more extensively.
- In the absence of formal resources such as income or buildings, smaller organisations are **more likely** to engage **volunteers** to deliver their mission. Scale, rather than ownership of a building, is likely to explain the difference between the two groups in the level of volunteer engagement.

04. Finding the most useful comparison group for your organisation

4.3 Operation of a Publicly Accessible Building cont/...



There are some distinct differences in the business models operated by these two slices.



374
organisations
£4.5m
£4.2m
£4.4m

Yes

NPO operates a publicly accessible building



423
organisations
£1.4m
£0.88m
£0.9m

No

NPO does not operate a publicly accessible building



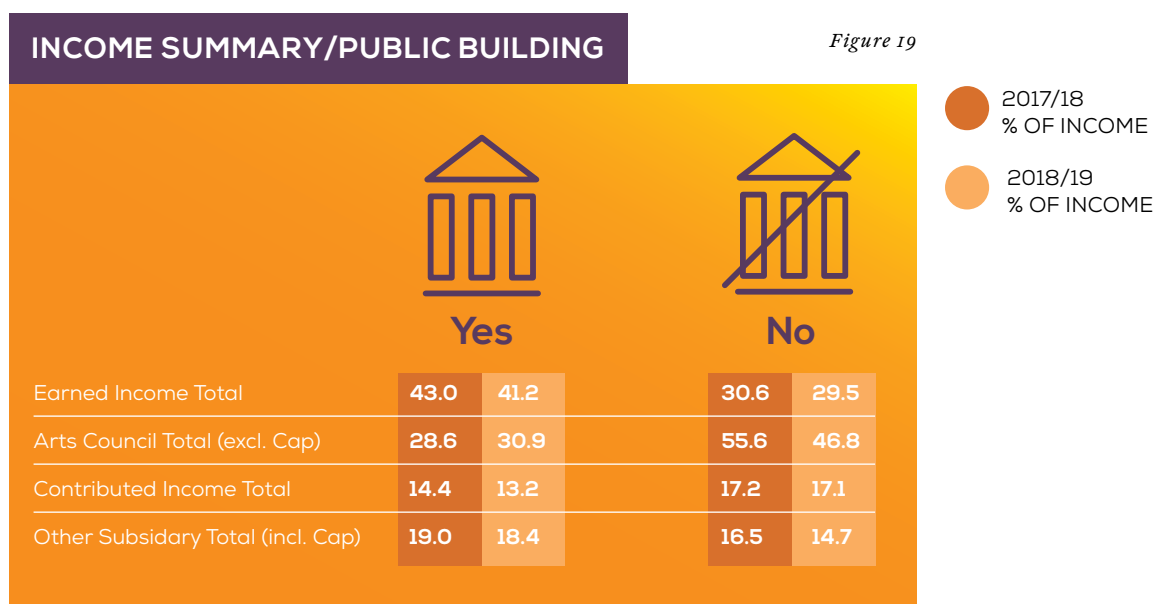
- In 2018/19, the average turnover of an NPO operating a **publicly accessible building** was five times larger than for those that did not. This is **larger** than any previous year.
- The average income for organisations with a publicly accessible building in 2018/19 was **similar** to 2016/17. There was a **significant decrease** for organisations without a building, from £1.4m in 2016/17 to £910k in 2018/19.

04. Finding the most useful comparison group for your organisation

4.3 Operation of a Publicly Accessible Building cont/...



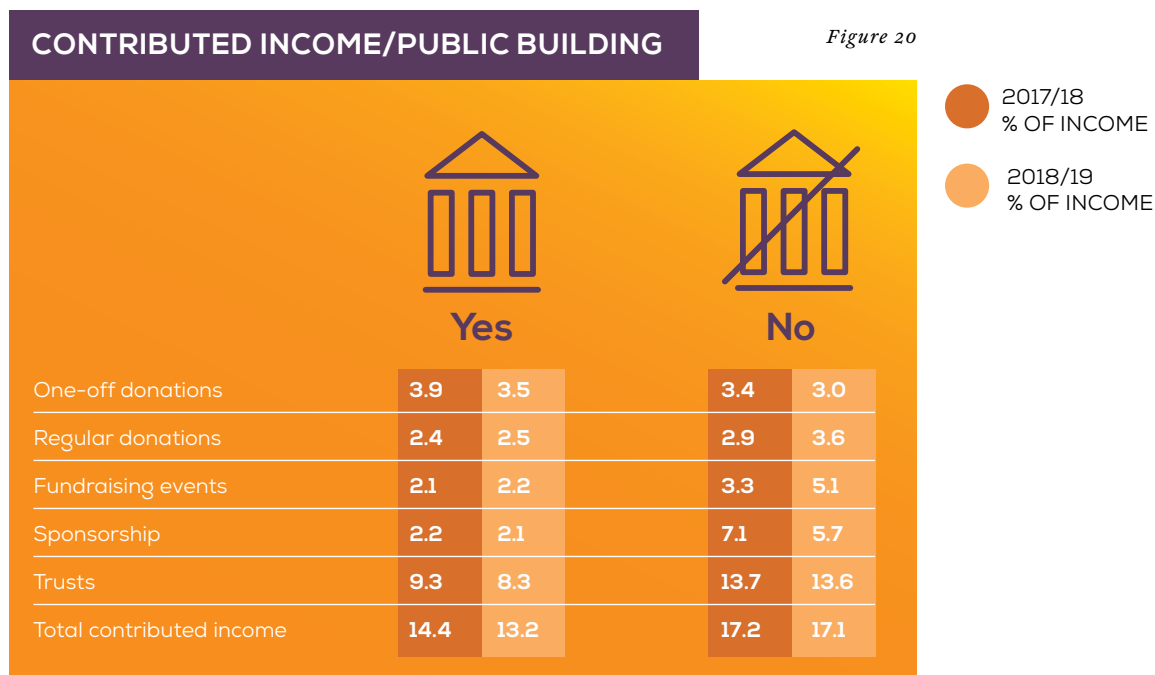
Building type: income in detail



- The average **earned income** for a **NPO** with a publicly accessible building (approximately 41–43%) was significantly larger than organisations without a building (31–30%) over the last two years. Both types of organisation saw a **decrease** in their **average earned income**. The reduction was more significant for the organisations with **buildings** (from 43% in 2017/18 to 41.2% in 2018/19). For organisations without this type of building, the fall was 1% (30.6% in 2017/18 to 29.5% in 2018/19).
- NPOs without publicly accessible buildings were more **dependent** on **ACE income**. On average, almost half of the turnover of organisations without buildings came from ACE. For organisations with this type of building, ACE was roughly one-third of their turnover.
- In 2018/19 organisations with a publicly accessible building saw funding from **ACE** as a **proportion** of their total income **increase** from 29% to 31%. Organisations without a publicly accessible building reported an average decrease, from 56% to 47% of income.

04. Finding the most useful comparison group for your organisation

4.3 Operation of a Publicly Accessible Building cont/...



- **Contributed income** has been **stable** for both groups.
- **Trusts** are the largest source of **contributed income** for both organisations with (8.3% in 2018/19) and without (13.6% in 2018/19) publicly accessible buildings. Organisations without these buildings depend more upon income from trusts as a share of their income.
- **Sponsorship** was worth 5.5–6.5% of the turnover for organisations without publicly accessible buildings. For organisations with buildings, sponsorship was worth an average of 2% of turnover.
- Although organisations without publicly accessible buildings obtain a higher percentage-to-turnover for their sponsorship income, in cash terms organisations with public buildings generate larger sums.
- In 2018/19, a typical or median organisation with buildings generated **sponsorship** income of £23k. An organisation without buildings generated £19k in sponsorship income.

04. Finding the most useful comparison group for your organisation

4.4 The turnover band slice

Summary: turnover band

- More than half of the organisations in the **National Portfolio** had a turnover below £750k. Fewer organisations populate the bands from £2m turnover onwards.
- There was a **direct link** between turnover level, business model and the balance of income streams. Organisations with a **smaller annual turnover** are far more likely to generate a higher percentage of turnover from grants than from earned income, for example.
- **Total earned income** as a proportion of turnover was greatest in the >£10m band. This was 2.5 times larger than for the <£200k group.
- Levels of **contributed income** are similar across the income bands and only fluctuate by a few percentage points. The components of the contributed income vary considerably across the turnover bands. For organisations in the £200k–£750k income band, **trusts** constitute a **large share** of contributed income, peaking at an average of 14% of turnover in 2018/19.
- The **smallest organisations** achieved the highest fundraising ratios, generating an ROI of 17:1 in both years. This **ratio diminished** as turnover increased.
- Total expenditure as a proportion of income was higher among the lowest income bands, and for the smallest organisations, average expenditure exceeded average income.
- The average number of **volunteer** FTEs increased with annual income, from 0.76 FTEs (<£200k) to 10.79 FTEs (£5m–£10m), before falling to 6.05 FTEs in the very largest organisations (>£10m). When volunteer numbers are expressed in relation to expenditure, larger organisations generally engage fewer volunteers than the smallest organisations. This measure nevertheless suggested that organisations in the £5m–£10m income band were most likely to engage volunteers.
- Our analysis of **balance sheet data** suggests no direct correlation between **income bands** and **financial stability**. The £200k–£750k turnover band has the highest average net and total current assets as a percentage of turnover in the last year.
- Average total **net assets** as a proportion of turnover generally increased for larger organisations. The exception was the £750k –£2m turnover group, the only group to show **negative net current** assets.

04. Finding the most useful comparison group for your organisation

4.4 The turnover band slice (cont/...)

Income: turnover band

The **turnover bands** below are intended to separate the significant differences in **growth stages, assets** and **liabilities** and staffing levels that are crucial factors influencing the scale of turnover of an organisation. Anecdotal evidence based on many conversations with CEOs, consultants, sector organisations and other professionals indicates that these bands are useful and broadly correct. In areas of high or **multiple deprivation**, it is worth reducing

the turnover bands so that <£200k becomes <£150k, £200k–£750k becomes £150k–£600k, and so on. This is currently an **inexact science!** As the work on charity sector business models develops to use a greater volume of data and looks in more depth at correlations between **turnover** and **IMD**, we expect to refine this analysis.

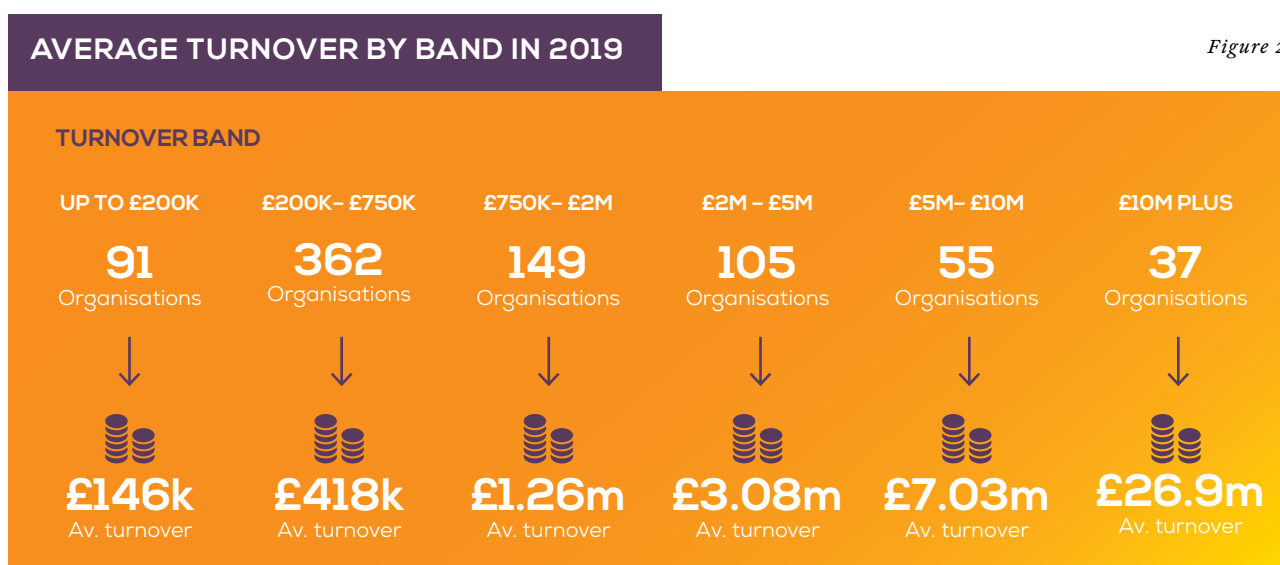


Figure 21



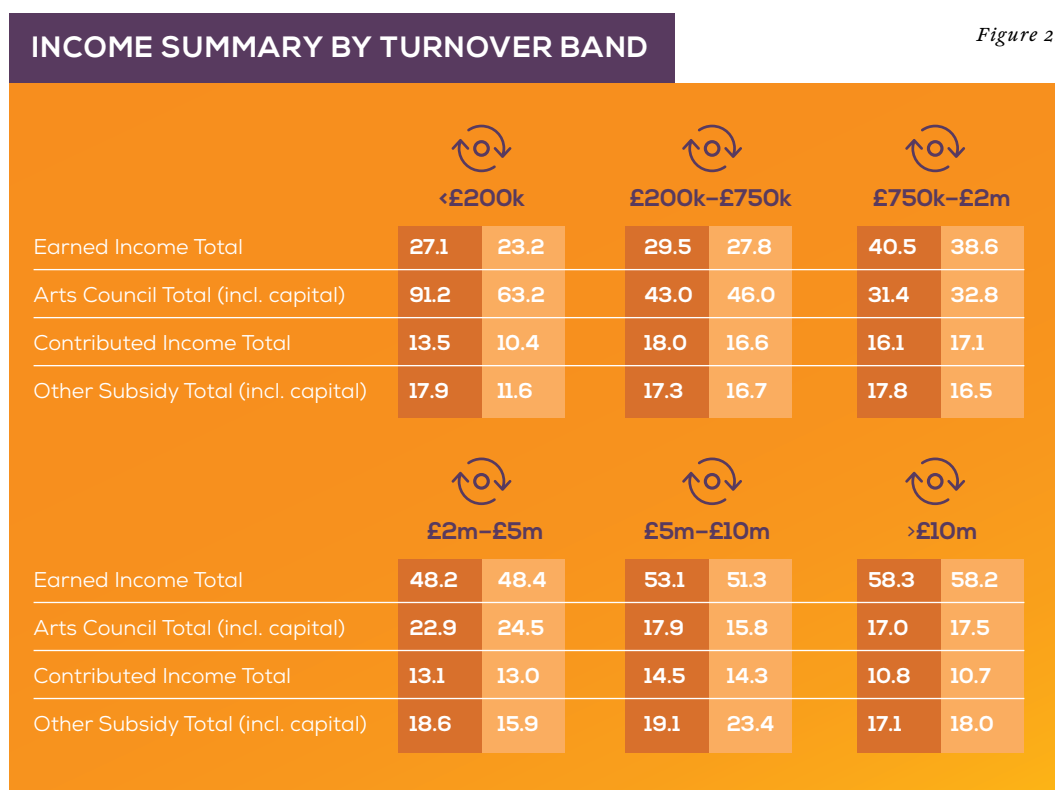
- The £200k–£750k slice contains 362 organisations, almost half of the **total cohort** of 801 in 2018/19.
- The £750k–£2m band was the **second largest** group, with 149 organisations.
- Organisations in the £200k–£2m turnover range are two-thirds of all organisations in the portfolio.
- In all bands, we have at least 30 organisations. This aids the **statistical reliability** of the results.

04. Finding the most useful comparison group for your organisation

4.4 The turnover band slice (cont/...)



Turnover band: detailed income breakdown



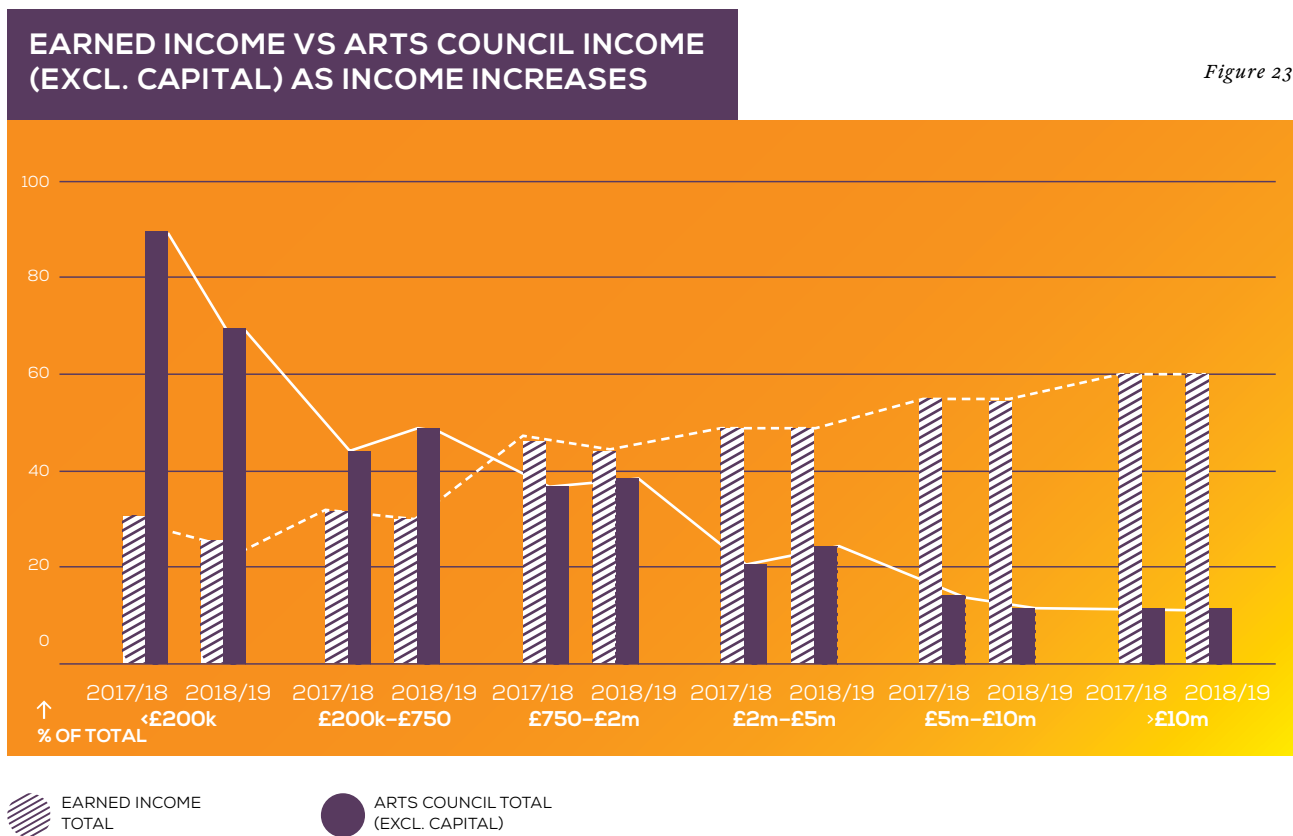
- There was a **positive correlation** between the organisation’s size and levels of earned income. As organisations grow in terms of income, earned income accounts for a more significant percentage of turnover – from 23.2% in the <£200k band up to a maximum of 58.2% in the >£10m band in 2018/19.
- There was a **negative correlation** between size and **Arts Council Income**. Organisations in the larger turnover bands recorded that ACE income represents a lower proportion of income. The largest organisations received the lowest proportion of income from ACE (17.5% for >£10m and 15.8% for £5m–£10m in 2018/19). Organisations with an annual turnover below £200k were much more dependent on ACE funding. It accounted for 91.2% of income in 2017/18 and 63.2% in 2018/19.

04. Finding the most useful comparison group for your organisation

4.4 The turnover band slice (cont/...)

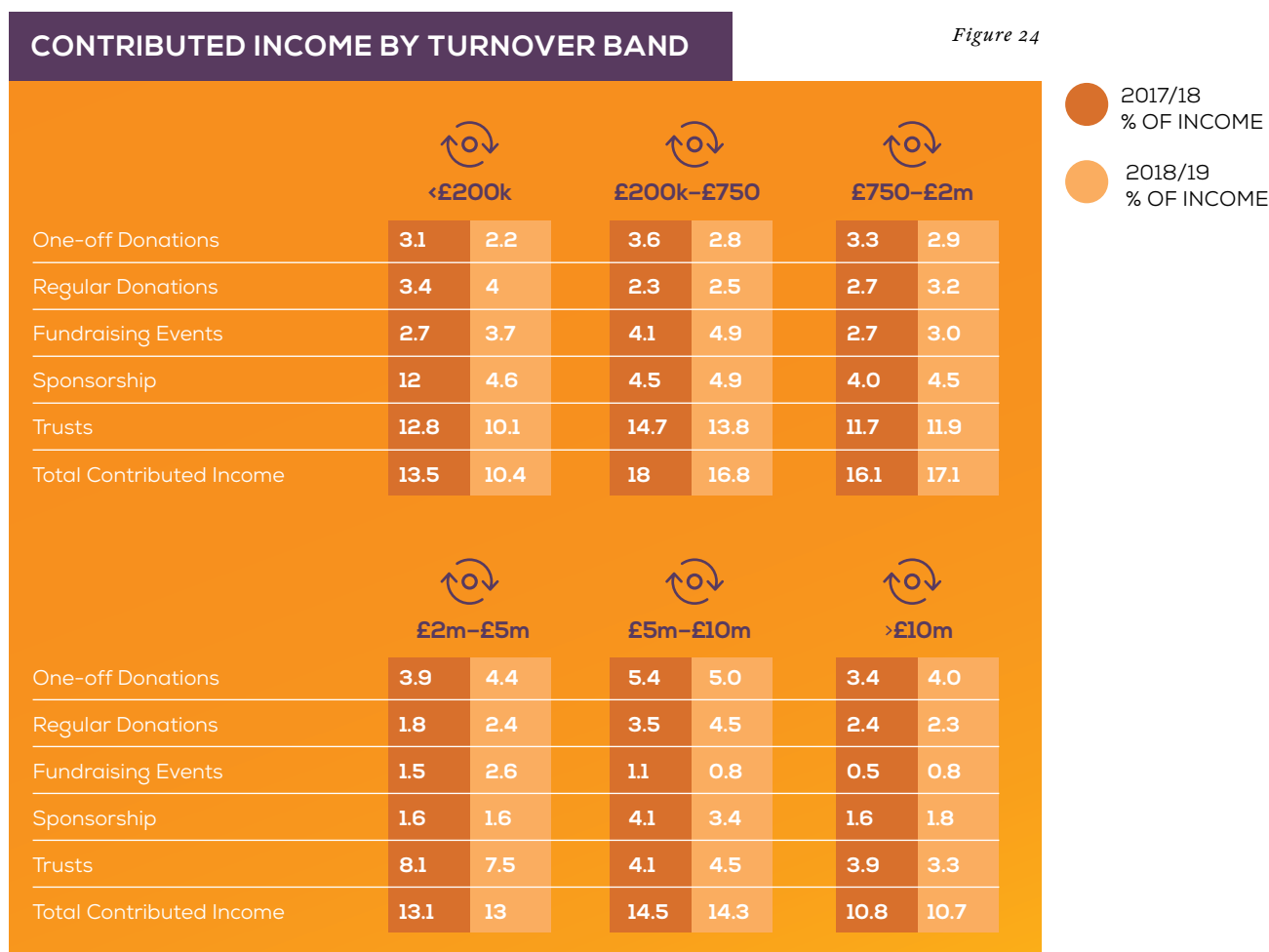
● The most **significant change** in **ACE income** was observed in organisations whose turnover was under £200k in 2018/19. There was almost a 30% **decrease** in average ACE income. A single organisation mainly caused the high score in 2017/18. Moreover, in 2018/19, both ACE income's median and

the upper quartile for this income group increased in 2018/19. Thus, although it seems like there was a **significant decrease** in ACE income for organisations with under £200k turnover, on average, ACE income increased.



04. Finding the most useful comparison group for your organisation

4.4 The turnover band slice (cont/...)



- For organisations <£2m, **trusts** comprise most of contributed income, peaking at an average of 13.8% of turnover in 2018/19 for organisations in the £200k-£750k range. Trusts account for a **lower proportion** of total income in larger organisations. In 2018/19, >£10m income band gained 3.3% of their turnover from trusts.
- **Smaller organisations** generated higher proportions of **sponsorship income** compared to the higher income bands, except for the £5m-£10m income band. For organisations with less than £2m turnover, sponsorship income was worth approximately 5% of turnover. The £2m-£5m and >£10m turnover bands generated around 2% of their turnover from sponsorship. The £5m-£10m income band generated an average of 3-4% of turnover from sponsorship income.

04. Finding the most useful comparison group for your organisation

4.4 The turnover band slice (cont/...)

- In 2018/19, organisations in three bands generated more than 3% of income from fundraising events. These were the <£200k (3.7%), £200k–£750k (4.9%) and £750k–£2m (3%) groups. For the remaining groups, fundraising events generated between 0.8% (£5m–£10m and >£10m) and 2.6% (£2m–£5m) of income.

Section 05

Conclusion

05

05. Conclusion

5.0 Conclusion

This concluding section of the report highlights several issues or areas that those seeking to benchmark their organisation may consider. It offers as many questions as answers – our aim is to prompt discussion or thinking about your organisation.

Keep in mind the big picture

The *Cause4 Arts and Culture Benchmark* now covers four years. For the National Portfolio as a whole, this is sufficient to show medium-term trends. For NPOs, the benchmark suggests some aspects of their work are changing: in particular, a worrying move from average surplus to average deficit. Other elements were relatively unchanged, such as the importance of ACE funding in the overall turnover mix.

These medium-term trends provide a good sense of the big picture. Although they precede the Covid-19 pandemic, they give an understanding of the direction the portfolio as a whole was heading in – and that might be helpful insight, particularly if you subscribe to the theory that crises in general, and Covid-19 particularly, accelerate existing trends as much as they disrupt them.

Find your tribe

Effective benchmarking is about finding your tribe – a group of organisations with similar functions, operating models, or environments. The benchmark shows that there are similarities and substantial differences between sizes and types of organisation. For example, organisations in the South West had an average turnover of £1.7m in 2018/19, equivalent to 60% of the average turnover for the West Midlands. Turnover in Dance organisations was double that in Visual Arts organisations. Finding the right comparator group matters.

The importance of being earners

The benchmark reports the importance of earned income to the portfolio. Nine out of ten organisations generated earned income in 2018/19. On average, earned income accounted for over one-third of turnover for those organisations, a proportion that remained largely static over the medium term. However, the national average marks wide variations across the portfolio, both within and between regions, art forms and turnover band. Whether an organisation is protected characteristics-led was also a distinguishing factor.

05. Conclusion

5.0 Conclusion (cont/...)

We know that earned income took a substantial hit in many organisations during the pandemic as venues closed and people stayed at home. But with pressure on public spending as the country recovers, it is likely that the skills, knowledge, and entrepreneurial talent needed to generate earned income will become more necessary.

Fundraising: more efficient, bigger returns?

The benchmark suggests that the average spend per organisation on fundraising was falling – by around £50,000 per year less over four years. Over the same period, the average amount also raised fell – but by a much lower £18,000. The result was that 2018/19 was the first year for which we have data where the average net amount fundraised by organisations was over £1m.

The fundraising ratio was higher in 2018/19 than in any previous year. Amounts or ratios for individual years should be viewed with caution: campaigns run over multiple years, with returns over even longer periods. It is also possible that by reducing fundraising spending in the current year, returns in future years may fall, particularly given the multi-year funding available from some trusts and foundations. This is a crucial decision to make, particularly as evidence around large volumes of household savings suggests that there may be opportunities for organisations that invest in fundraising.¹²

Size matters

Some of these differences between art forms or regions reflect the composition of those slices, particularly the turnover of organisations in that slice. The analysis of turnover band shows substantial differences in the importance of different income streams between different organisation sizes. For example, earned income contributed less than a quarter of turnover to organisations in the <£200k group, but for organisations that had reached a turnover of £2m or more, earned income contributed around one-half of turnover. This suggests that it is worth looking at turnover and other filters, such as art form, when benchmarking.

Rising expenditure: time to focus more on benchmarking costs?

The focus of this benchmark is income and fundraising. It is nevertheless important to highlight the importance of benchmarking expenditure and costs, including fundraising costs. Over the four years, we observe a switch. Following two years where average expenditure was below

05. Conclusion

5.0 Conclusion (cont/...)

turnover, the second two years saw average spending exceed turnover. This suggests that the average organisation in the portfolio was running a deficit.

Whether this was the start of a longer trend – with apparent consequences for sustainability – is unclear. Nevertheless, when inflation is rising and the economy is characterised by shortages in several areas, including paid staff, benchmarking costs may be more critical. Pressure to invest in digital infrastructure and services, and Covid-resilient buildings, may add to these pressures.

Organisations led-by and for groups with protected characteristics: no longer the minority

This year's benchmark data contains important data on Protected characteristics-led organisations. We think this is an important starting point in understanding the experience of protected characteristics-led groups, but it is only a starting point.

For one-third of the Protected characteristics-led portfolio, the average turnover is just over half of that in 'Mainstream' organisations. Earned income and contributed income are also a lower share of turnover. Conversely, ACE income and other subsidy income account for a more significant share. The average income for protected characteristics-led organisations is growing, suggesting that funders may be supporting this group to build their capacity.

Financial resilience: not for the many

The benchmark for financial resilience is the amount of free, unrestricted funds held, expressed as the number of weeks' worth of expenditure this would cover. Our analysis suggests that the picture is healthy for a small number of organisations, with reserve levels significantly above the 26 week charity sector 'rule of thumb' recommended level.

For the majority of the portfolio, the situation is somewhat different. Using the median as an indicator, portfolio organisations typically held eight weeks' worth of expenditure – a worryingly low level given the length of lockdown periods that we know subsequently occurred, though not all income streams were affected.

05. Conclusion

5.0 Conclusion (cont/...)

The average net current assets (which include restricted funds), expressed as a proportion of turnover, tell a similar story. The average organisation held net current assets equivalent to 70% of turnover, a picture that suggests the portfolio as a whole was well placed to withstand financial shocks. The median picture suggested net current assets were 22% of turnover, a more sobering picture. The median level of funds is a better guide to the financial resilience of the typical portfolio members than the average.

Volunteering: a hidden resource?

Volunteer managers will often refer to volunteers as a hidden resource, and it may be the case that our benchmark of volunteering is still evolving so that the picture of volunteering is more visible. Over 60 organisations in the portfolio reported volunteering data for the first time, which is more likely to reflect better reporting than a more comprehensive engagement with volunteers, who are likely to be critical to the operation of many. Organisations also report an average of 2.5 full-time equivalent volunteers. While this was an increase on previous years, this is perhaps lower than expected and may reflect the challenge of collecting accurate data on volunteering.

Next steps: benchmarking your organisation in the post-pandemic world

Covid-19 has fundamentally changed the operating environment for many organisations in the National Portfolio. We are conscious of three particular risks: organisations with a large proportion of earned income from trading activities; organisations with a large proportion of expenditure on staff costs; and organisations with relatively low levels of free, unrestricted funds held as reserves.¹³ We have reported on two of these risks in this analysis.

The benchmarking data in this report remain a valuable guide to understanding the pre-pandemic norm – a check against where your organisation could, or should, return to. Combined with more recent insights from other published sources, the benchmarks offer a sound basis for formulating strategy and practice.

References

1. Charity reserves: building resilience <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves>
2. Using this formula, two volunteers each engaged for 17.5 hours a week would be calculated as one full time equivalent volunteer contribution.
3. How Covid-19 is changing the financial risk and resilience of your arts organisation: <https://www.mycake.org/news/fundraising-at-times-of-crisis>
4. Appendix 2 contains a full explanation of approach how and how our benchmarks are calculated.
5. NPO/MPM: National Portfolio Organisation/ Major Partner Museum
6. For more detail on this topic see the report 'What is Resilience Anyway' by Golant Media Ventures & The Audience Agency and specifically p35
7. Using this formula, two volunteers each engaged for 17.5 hours a week would be calculated as one full time equivalent volunteer contribution.
8. Includes both Land & Buildings and Equipment & Fittings
9. Calculated as Fixed Assets + Current Assets – Current Liabilities – Long Term Liabilities
10. Libraries were not included in the benchmark for 2016/17
11. The number of museums in the benchmark increased from 20 in the first cohort to 63 in the second cohort. Many of the new cohort were relatively small, which explains the marked change in turnover.
12. Higher household savings could unlock £1bn for charities, says Andy Haldane: <https://www.civilsociety.co.uk/news/higher-household-savings-could-unlock-1bn-for-charities-says-andy-haldane.html>
13. How Covid-19 is changing the financial risk and resilience of your arts organisation: <https://www.mycake.org/news/fundraising-at-times-of-crisis>

We'd really like your feedback on whether you have found this report useful so that we can continue to improve it. To chat to us about this or about how you can work with *Cause4* to develop more bespoke comparisons for your organisation contact Michelle Wright, CEO, *Cause4*

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If you have specific questions about the data or the calculations contact Sarah Thelwall, CEO, MyCake on

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Email: sarah@mycake.org

The *Cause4* Arts and Culture Fundraising Benchmark is a partnership between MyCake and the Arts Fundraising & Philanthropy Programme

