STRATEGIES FOR SUSTAINABILITY

GUIDANCE FOR SMALL AND MEDIUM HERITAGE ORGANISATIONS

Guide 03.

Growing up:

a guide to growing your Heritage Organisation's income

Heritage Compass

Contents

Foreword

Welcome to the third in our series of guides published to help you run a successful and sustainable heritage organisation. This guide builds upon our first two publications, *Shops and cafés: pathways to profit?* and *Grants and grantmakers: insight for Heritage Compass participants*.

This time, we are looking at how your organisation can grow its turnover. This guide highlights routes to consider for teams that want to see their heritage organisation expand its reach. For those not yet ready to grow their organisation, the benchmarks in this report can help you compare your income streams to similar-sized organisations.

The benchmarking data in this report is drawn from Heritage Compass participants so that the learnings are as directly relevant to you as possible. We have sliced most of the data into small, medium and large organisations so that you can pick the size that most directly compares to your own. The guide is based on our analysis of publicly available financial data provided to regulators in England.

The data in this guide offers valuable guidance if you ask yourselves questions such as

'Do we want to grow our organisation's income?' or

'What would a larger organisation look like financially?'.

We have pointed to advice on how to get there. As with our previous guides, you'll need to use this as a starting point, supplementing our data with your own knowledge and experience and that of your peers or advisors.

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Introduction

Many heritage organisations undertake fantastic work at a relatively small scale and are sustainable at this level. For others, reaching a wider audience – and growing the scale of their operation – may be critical to achieving the level of income needed to ensure that their building or activities are financially sustainable.

Financial stability is a pre-requisite for organisations that want to continue to deliver their mission over the long term. Growing the scale of your operations and overall annual revenue is a strategic choice that can improve your financial stability and the effectiveness with which you deliver your mission. In some cases, this might be about increasing your earned income so that any surplus covers core costs, whilst contributing towards a better experience for visitors. Alternatively, increasing your voluntary income from grants and donations may be critical to renovation programmes or trying out new activities. And while cost efficiency improvements may be a means to financial sustainability, it's likely that many heritage organisations may already not be spending enough on core infrastructure – the so-called 'non-profit starvation cycle'.[1] A well thought through revenue building strategy is essential for everyone, regardless of size!

Growth might mean a different business model – and different infrastructure

If you want to see your heritage organisation grow, you will need to consider your business model and infrastructure and how it might need to change if you want to scale up.[2]
For many, this is likely to begin with the shift away from the volunteer-only model and taking on paid employees for the first time. It might mean a website that can cope with an increased volume of traffic or the ability to sell digital tickets. With that comes new 'core costs' that might be harder to fundraise for – and limited opportunities in terms of grant funding and other sources of income such as individual donors due to Covid-19 and the Cost of Living Crisis.[3]

In which case, there may well be a need to shift towards a trading or earned income model that relies upon a blend of earned and voluntary income. This might be a model where earned income from activities such as events or festivals generate a surplus towards the core mission. In others, an increased level of projects or activities can contribute to core costs. In growing organisations, grant funding still plays an essential role in the funding model as a source of project funding, enabling expansion or innovation around new activities.

As organisations increase in size, it may be the case that diversifying income generation activities can contribute to sustainability. There will be limits as to how many different income-generating activities any organisation can undertake successfully. We suggest you think in terms of primary income types versus secondary ones. Typically, any organisation is unlikely to have more than two to four primary income types, and when they work well, the secondary income types are complementary to these primary sources.

For example, a museum might develop a strong schools' education programme as a primary income stream and build a client base of local schools where the content of visits matches the curriculum. A related secondary income stream could be the development of holiday programmes for students so that the relationship developed in school can be translated into children bringing parents as museum visitors and buying places in holiday activities.

Limits to scaling-up

It's worth repeating that running a successful and sustainable heritage organisation does not always include revenue growth – indeed, growing income comes with risks. A small, unsustainable business model could turn into a large unsustainable business model with bigger losses. Equally, growing into a medium-size organisation might be risky. The so-called 'squeezed middle' can be identified by high operating costs without an equivalent increase in the scale of donations, or the ability to achieve new sources of earned income or grants. Furthermore, some organisations might be located in an area where the potential market of supporters doesn't warrant further growth. And finally, don't forget people and skills – in the current environment, organisations are reporting that getting the right people, or developing an organisation's leadership skills and culture, are all barriers to growth.[4]

Leaders in the non-profit sector have debated whether running more activities equates to achieving more impact. It has been argued that knowing when not to pursue growth is just as important as identifying a new source of income.

Going for growth?

So, understanding whether or not growth suits you is a good starting point for you and your trustees. Then, if income growth is the right path to sustainability, the question of what that might look like follows. In this guide, we've identified the differences between small, medium and large heritage organisations in terms of their income streams, to illustrate the different business models that operate at varying levels of scale. These benchmarks can help you consider what changes might be needed to your business model if you want to grow. Finally, there is lots of advice about 'scaling up' as a strategy for sustainability. We've listed some additional resources at the end of this guide.

What's the purpose of profit?

As non-profit organisations grow, the timing of how you manage the ebb and flow of income and costs becomes more important. It is not always possible to match when you need to spend with when money flows into your organisation. It is also relatively uncommon for smaller organisations to want to run or to have the money to cover the costs of running an overdraft. Therefore, the goal is to accrue a surplus and build reserves – that part of your organisation's unrestricted funds that are freely available to spend on any aspect of your purpose. Reserves offer both a cash cushion in the short term and build a rainy day fund for unforeseen events.

In the non-profit world, operating a surplus has several benefits:

- You build a contingency against rising costs
- You have money in the bank to pay suppliers
- You have cash to fund your next idea or to cover unexpected costs
- You can subsidise costs in another area of the organisation, which may be critical to achieving your purpose

It is not always possible to predict your income mix in a given year: however good your business planning, events shape reality. The larger the organisation, the greater the impact of a 10% increase in budgeted costs than income being 5 –10% less than anticipated. Building contingency funds is critical and planning to make a surplus is a good way to do this.

It is better to have more money available and find ways to use it, than to be forever short of funds and need to make savings. This is better for team morale, better for your impact, and better for the long-term sustainability of your organisation.

The data

We've looked at data from all participants in the Heritage Compass programme. Where available, we have collected data on income, expenditure and assets as published in annual reports and accounts.[5] This approach means that we can use reliable, audited data in a common format. We have used data for 2019, i.e. pre-Covid.

There are 170 organisations in the Heritage Compass programme for which we have profit & loss information in 2019, with a total income of £294m. Participants include small organisations with a turnover of less than £100k, heritage functions within local authorities, and some of the largest charities in the UK. The analysis in this guide is based on 123 organisations with a combined income of £105m, split into three groups based on annual revenue:

- **Small organisations** (£100k annual income or less)
- **Medium organisations** (£100k – £400k yearly income)
- **Larger organisations** (£400k or more).

We have excluded several very large organisations where the department or venue participating in Heritage Compass cannot be reported on separately.

Chart 1:
Number of organisations and total income, by income band

Donated income: starting up and getting established

Starting small: the importance of donated income to small-scale Heritage Compass participants

For many smaller organisations, donations – gifts from individuals for which nothing is expected – are essential to the income mix. If we look at the combined income of the 48 small organisations (Table 1), donations account for almost one-quarter of group's total income (24.6%).

Based on the data here, and our other work on non-profit business models, we see the greatest variety of business models amongst small organisations. There is often a strong correlation between a founder's background and the types of income that they build at the start of an organisation's life. This point about the heterogeneity of business models in small organisations matters because, at this scale, it is more important to get going by picking a focus for your income-generating work that is in your skill set or comfort zone, than it is to get it 'right' in terms of what you might need later as you grow.

If we look only at small organisations with income from donations, the benchmark median income from donations is 27.5% of revenue (Table 2). A typical small organisation in this group generates almost £4.8k in donated income each year (Table 3).

Donated income can help small organisations to become medium-sized

In medium-size Heritage Compass organisations with an income between £100k – £400k, the typical amount generated from donations has quadrupled to over £21k (Table 3). However, for most medium-sized organisations, donated income is a smaller share of their income: our benchmark is 11.7% of revenue (Table 2). Donations have helped these organisations to grow medium-sized, but other income streams are more important for this group.

In many large organisations, donated income growth has not kept pace with total revenue growth For all but a handful of large Heritage Compass participants, donations do not grow at the same rate as total income. Median income from donations, at £24k, is little more than in medium-size organisations (Table 3). A handful of organisations grow donated income as they scale up – but a very large gap between the median income from donations (£24k) and the average (£476k) suggests this is uncommon.

For the organisations that generate donated income, the benchmark shows that this is 4.3% of their total income – less than in small and medium organisations (Table 2). Donated income helps most organisations when they are small or medium, but as they scale up, other sources of revenue are more significant.

Small changes can generate additional income

Ecclesiastical's analysis of income generation for heritage organisations argues that small changes can generate new or additional income.[6]

Examples tried by heritage organisations include extended or unusual opening hours, experience days or participating in local events or festivals. Although unlikely to be transformational, new initiatives may be the starting point for a more enterprising approach to income generation.

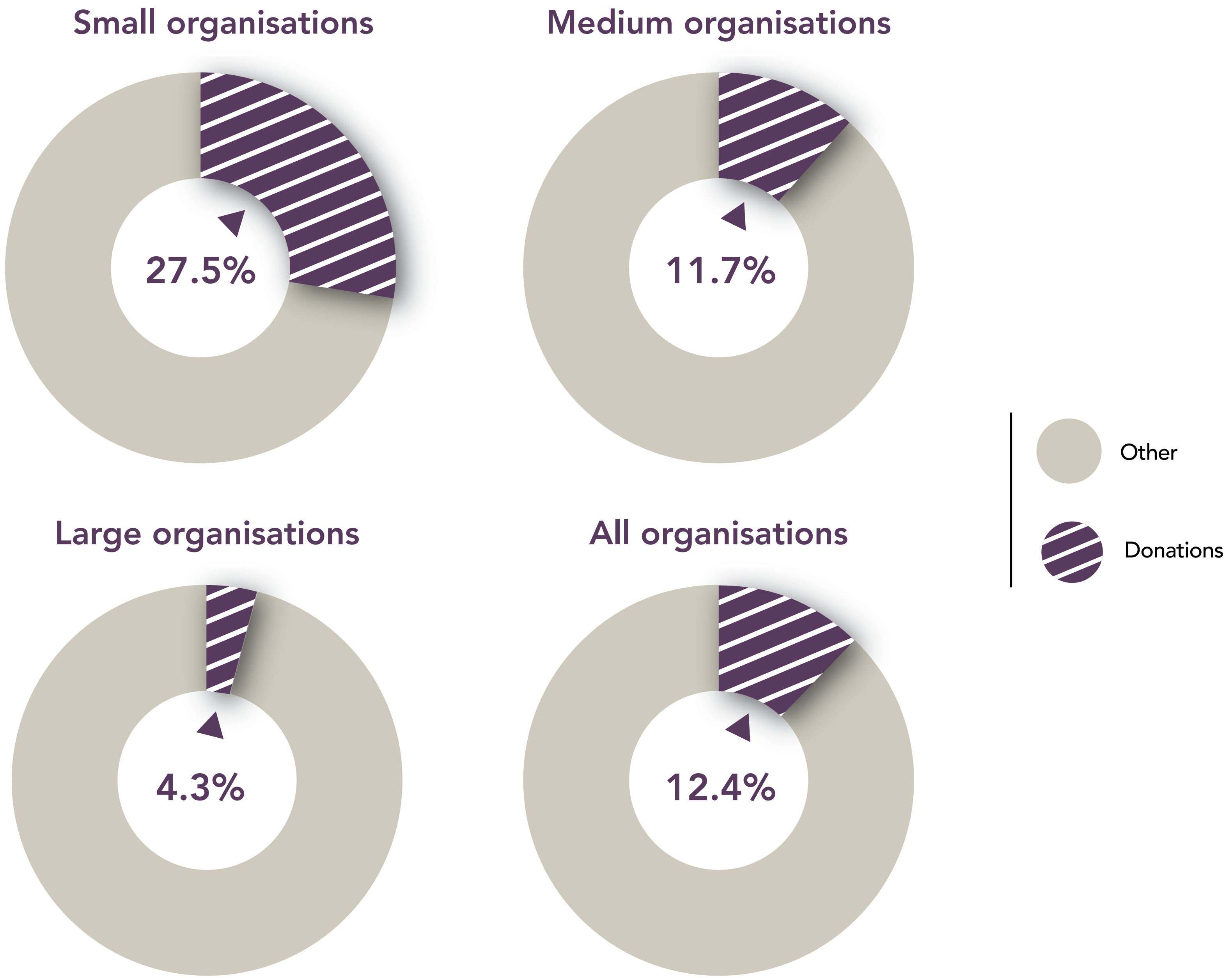
Table 1: **Income streams: share of aggregate total income (%)**

% SHARE OF AGGREGATE TOTAL INCOME	SMALL	MEDIUM	LARGE	ALL
Commercial and Trading	34.5%	39%	61.7%	58.5%
Grants	40.9%	34.9%	23.1%	24.8%
Donations	24.6%	26.1%	15.2%	16.6%

Table 2: **Income streams: benchmark median share of organisation total income (%)**

BENCHMARK MEDIAN – RECIPIENTS ONLY	SMALL	MEDIUM	LARGE	ALL
Commercial and Trading	32.8%	37.8%	38.3%	35.9%
Grants	53.7%	36.7%	41.2%	45.7%
Donations	27.5%	11.7%	4.3%	12.4%

Chart 2:
Organisations that receive income from donations: benchmark median share of income (%)



Growing with grants

Grant income – a critical success factor

In the second *Sustainability Guide*, we highlighted that grants are a critical success factor for Heritage Compass organisations across the income spectrum. Almost one-quarter of the cohort's total revenue – £24m – is from grant income.

For the cohort of small organisations, grant income is 40.9% of the total income of the entire group (Table 1). In many small organisations, grant income is the largest share of income. The benchmark for recipients of grant income shows that the typical small organisation generates over half of their income from grants – 53.7% (Table 2). The typical income from grants is almost £20k (Table 3).

Grants in medium-size organisations – bigger amounts, smaller role

When we compare small to medium-sized organisations, we see that grants continue to play a critical role. Grant income is typically £75k for the organisations in this group, much higher than the £20k benchmark in small organisations (Table 3). But as a share of total revenue, grants play a smaller role – the benchmark shows that 36.7% of income is from grants in the typical medium-sized organisation (Chart 3). So, although grant income is increasing, as organisations grow to become medium-sized, trading and commercial income is growing more quickly than grants.

Larger organisations – grants remain an essential part of the sustainable income mix

Over eight out of ten large organisations receive income from grants. For large organisations, on first appearance, it looks like grants are less critical than in smaller organisations: grant income is less than a quarter of the group's total revenue (23.1%, table 1). But when we look only at the larger organisations that achieve income from grants, the benchmark shows that, on average, grants are equivalent to 41.2% of total income (Chart 3). This is more than in medium-sized organisations (Chart 3).

This is almost certainly because, amongst the largest organisations, some are winning large grants. Median income from grants is now nearly £381k – a substantial increase from that seen in medium-size organisations (Table 3). A wide difference between the median (£381k) and average (£812k) grant confirms that a handful of large organisations have grown due to large grants.

So, if you are thinking about how you grow from a medium-sized organisation to a large one, it would be worth looking at the annual accounts for organisations you aspire to be like and considering whether their business model is grant-focused or not. As competition for large grants is likely to be intense and increasing, it is also important to ensure your organisation has the capability to write effective applications. You can read more about this in our second *Sustainability Guide*.

Scaling up is likely to require grant income

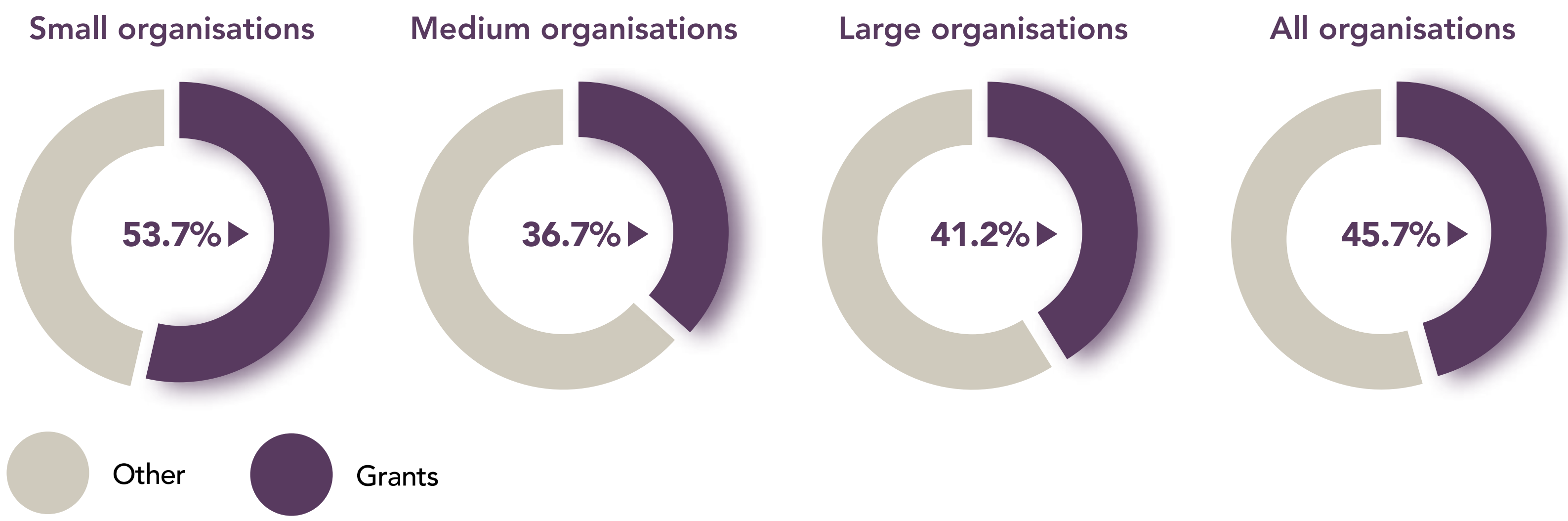
Trading and commercial activity is likely to be the critical driver in scaling up your heritage organisation's income.
Our data shows that growing a sustainable organisation needs a mix of grant, trading and commercial revenue. For all but a handful of organisations, donated income plateaus.

Trading is clearly playing a more significant role as organisations get bigger. Alongside increases in earned income – or perhaps enabling these increases – grant funding appears to act as an accelerant, creating the conditions for trading and commercial activity to flourish. Grants might provide the working capital that supports and enables growth. Project grants may help boost your organisation's offer of activities. Capital grants often enable investment in or refurbishment of a building. In this sense, grants de-risk processes of innovation and investment.

Table 3:
Income streams: benchmark median share of organisation total income (£)

MEDIAN	SMALL	MEDIUM	LARGE	ALL
Commercial and Trading	£9,889	£62,137	£357,455	£40,797
Grants	£19,756	£74,813	£380,680	£68,200
Donations	£4,767	£21,432	£23,957	£13,45

Chart 3:
Organisations that receive income from grants: benchmark median share of income (%)



Trading up:
earned income as a driver of growth

Commercial and trading activities – ticket sales, retail and catering, service delivery and contract revenue – generated £60m in 2019, over half of the group's aggregate income (Table 1). Much of this is generated by the largest heritage organisations, but trading and commercial activities are the main driver of growth in many small and medium organisations.

Looking at Chart 4, the steepness of the line for commercial & trading income between medium and larger organisations indicates how fast this income type increases in the phase of growth that takes organisations from medium to large-scale. It is the biggest single change in the ratios between the income types anywhere on the graph.

Commercial and trading income starts from a low base – but increases quickly

Across the three income groups, the typical income from commercial and trading is less than grant income, but more than from donations. In small heritage organisations, commercial and trading income is typically less than £10k – but in medium-sized organisations, it is typically £62k (Table 3) – almost three times the amount generated from donations, though still less than benchmark grant income (£75k). Still, it is much closer in value – suggesting that an expansion of trading has driven growth in medium-sized organisations.

Trading is a widespread activity

For large organisations, commercial and trading income is typically £357k (Table 3), or 15 times the level of donated income. This is still lower than the benchmark income from grants (£381k). We expect large organisations undertaking commercial and trading activities to generate 38.3% of their revenue (Chart 5).

Almost 60% of the aggregate income of the large organisations in the group is from trading. This isn't because a handful of large organisations have been successful: trading is a central component of many large organisations' sustainability and growth strategy.

Grants are still worth a higher proportion of turnover in large organisations. But the income-generating work that leads to the biggest change in how an organisation operates is commercial and trading activities. This will translate into the importance of particular types of role both in the senior team and the employees as a whole, as well as in the metrics used to define and measure success.

Chart 4:
Indexed income streams, by size of organisation (Small organisations = 100)

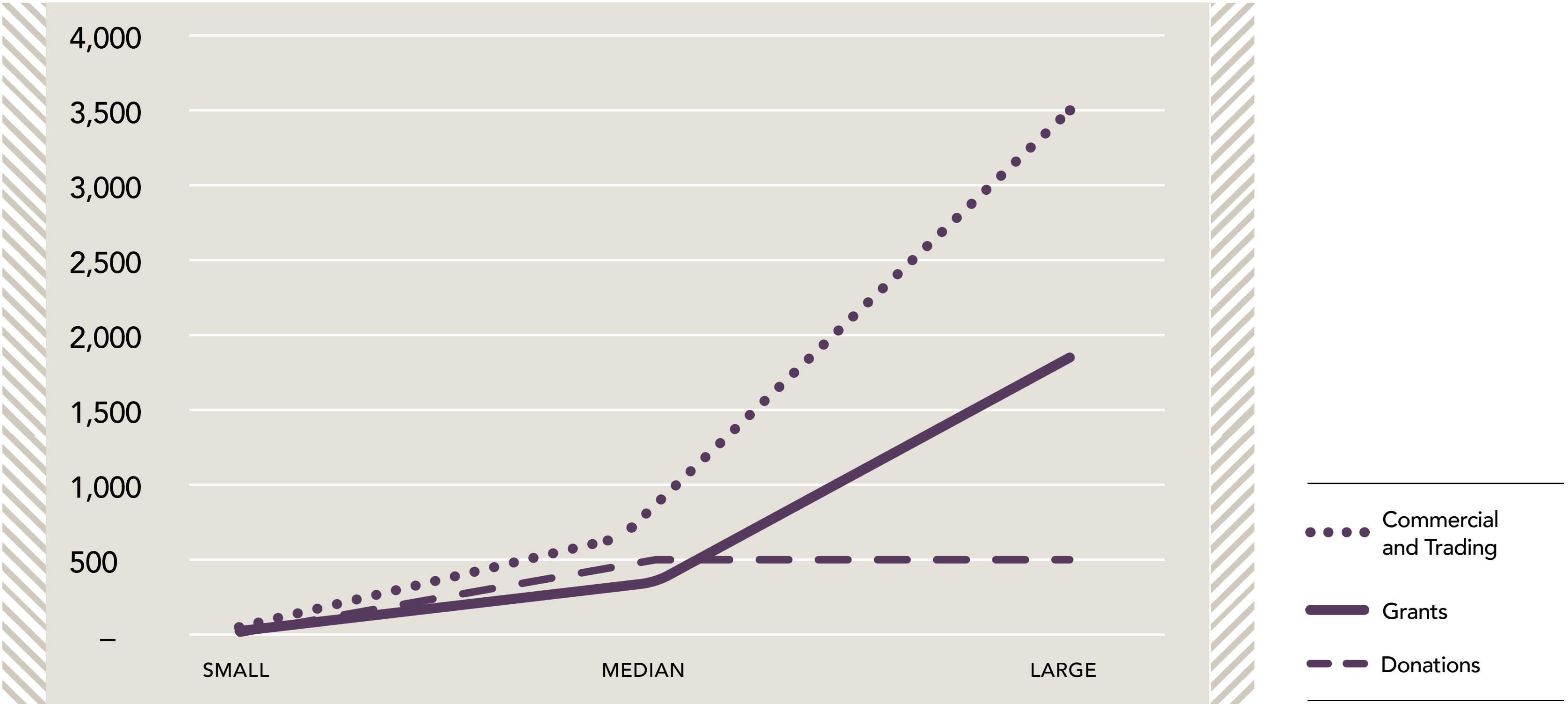
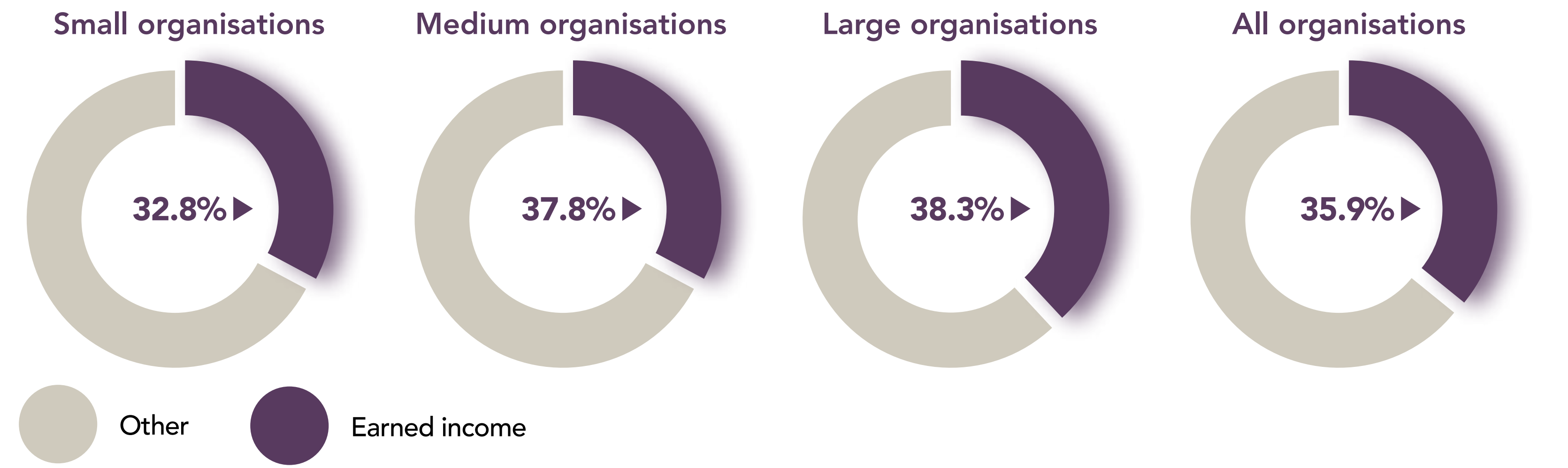


Chart 5:
Organisations that generate commercial and trading income: benchmark median share of income (%)



Trading and commercial income

Trading and commercial income can be broken down into four main categories:

- Ticket sales (which includes education activities)
- Retail and catering (the subject of the first *Sustainability Guide*[7])
- Space and asset hire (the subject of the fourth *Sustainability Guide*)
- Services and contracts

When we talk about services and contracts, we mean several things, but most commonly, we mean that either organisations have worked out how to structure their offer so that they can win public sector contracts, or they have worked out how to sell their services to other organisations.

Additionally, services sold as consultancy work undertaken by the CEO, or the senior team, can be useful income generators if day rates more than cover the cost of the time being 'bought out' from the organisation. One example is an organisation with a specialism in diversifying the workforce. It sells these skills via consultancy to organisations that have identified a need to improve in this area.

Trading in small Heritage Compass organisations

For the small organisations' group, earned income from trading and commercial activity represents one-third of aggregate total revenue (32.9%). Ticket sales generate the largest share of earned income. The typical small organisation generates almost £10k from commercial and trading activities each year (Table 3) – or one-third of their revenue (32.8%).

No single type of trading activity drives income in this group: each of the four main activities generates between £5 – £6k. This is in line with what we've seen elsewhere: small organisations' revenue models are usually the most diverse.

Ticket sales are relatively significant: organisations selling tickets typically generate 16% of their income from this activity (Table 5).

Trading up: earning in medium-size Heritage Compass organisations

An analysis of earned income shows that medium-size organisations are especially likely to grow revenue from ticket sales, building on the firm base seen in smaller organisations. Medium-size organisations typically generate £35k from selling tickets, almost six times that of small organisations (Table 6). For these organisations, ticket sales are typically 15.1% of total income (Table 5).

Other sources of income are also more prominent in medium-sized organisations – they just haven't increased as much as income from tickets. Space and asset hire is a more important source of income for this group (£22k/year, Table 6), reflecting the broader prevalence of organisations owning buildings in this group. Revenue from services and contracts is higher, too, at almost £18k (Table 6), though this is a modest share of total income for those engaging in the activity (5.5%, Table 5).

Retail and catering typically generate £17k each year for those medium-sized organisations with cafés and shops, or 11.2% of their turnover – a lower share than in smaller organisations. Scaling up these activities can be challenging.[8]

Large Heritage Compass organisations: shifting to a social enterprise model

Trading and commercial activity drives income generation across larger Heritage Compass organisations. Almost 60% of the aggregate income of this group is from trading. A typical organisation generates 38.3% of revenue from trading (Table 5).

In larger organisations, increased ticket sales (which include educational activity) have contributed to growth: £48k is the typical annual income from ticket sales (Table 6). However, ticket income is no longer the primary driver of earned income in many organisations.

The benchmark shows that the typical contribution to total income for organisations that sell tickets has fallen to 9.3% (Table 5). Other commercial income sources are more important for larger organisations.

Delivering services and contracts differentiates large organisations from others

One fundamental change in commercial and trading activity differentiates larger organisations from small and medium Heritage Compass peers. This is increased income from services and contracts. Services and contracts generated £14.3m across the entire group: in comparison, retail and catering yielded £1.2m, whilst space and asset hire generated £3.5m.

Consider non-monetary benefits of providing additional services, for example, where they improve your overall visitor experience; generate new customers; or specifically deliver part of your mission. But you need to be clear how such services will be sustainable in the long term."

THE NATIONAL ARCHIVES – INCOME GENERATION GUIDE

For larger organisations engaged in service delivery and contracting, the data shows that the typical income was £232k, equivalent to 27.3% of revenue.

These substantial differences from small and medium organisations suggest that organisations are making some substantial changes in order to achieve growth. We have seen two main approaches being taken.

The first strategy is income diversification, resulting from undertaking a broader range of commercial activities and investment in fundraising and income generation. Organisations may need to consider investing in new income generating opportunities, including by using reserves.

The second is capacity building to enable organisations to become investment and contract-ready. It is often the case that a different range and level of skills are required to be successful in this area. The skills and business processes associated with accruing grants and donations are especially different to those needed for trading or winning and delivering contracts. To grow from medium to large scale, you should expect to need to bring in new trustees and staff, and with them additional management processes and skills. Funders, including government, continue to support the sector in this area via contract readiness programmes[9] and income generation support, including Heritage Compass.

Table 4:
Earned income streams as a % share of aggregate total income

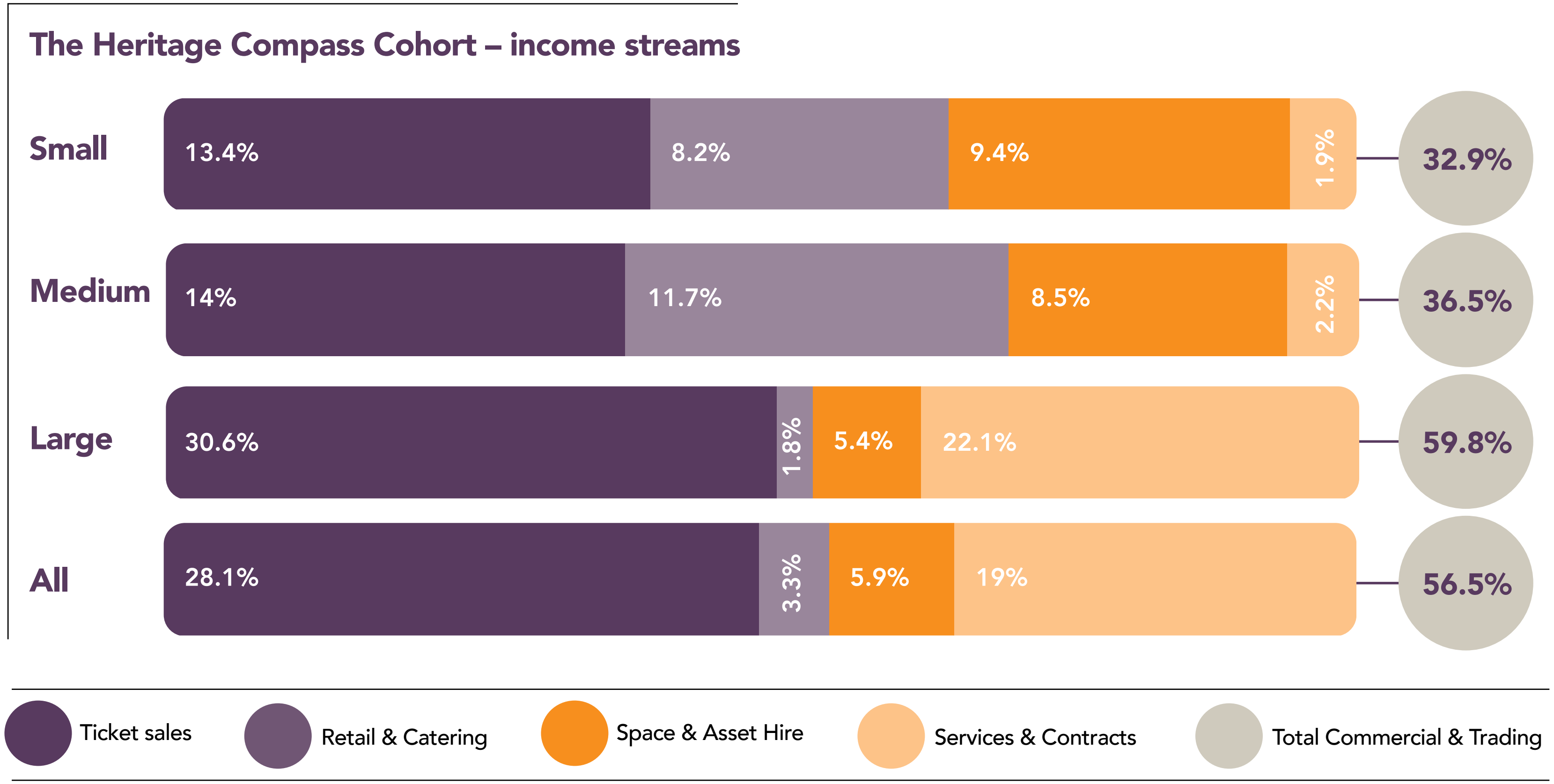


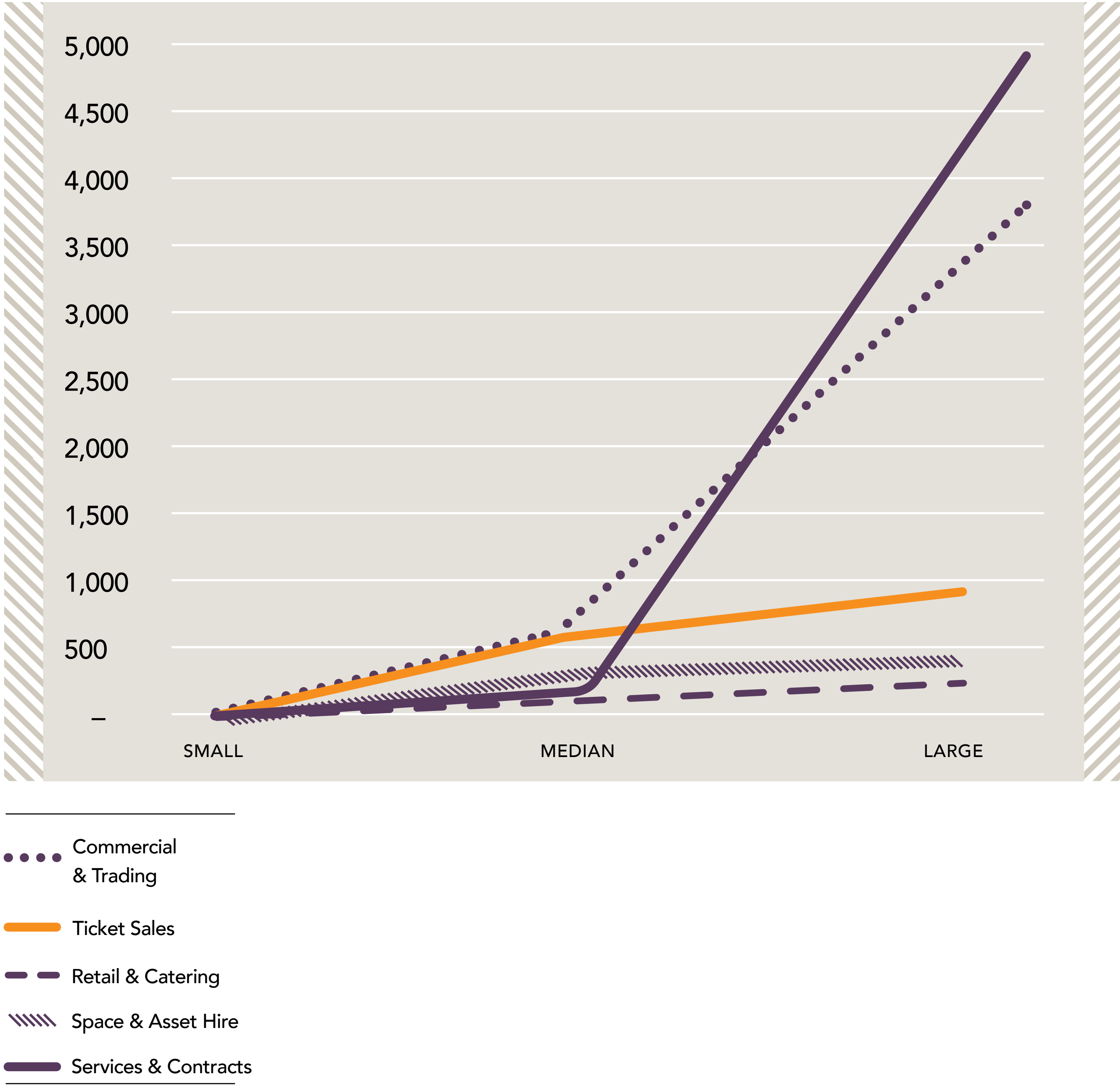
Table 5:
Commercial & trading income: benchmark median share of organisation total income (%)

BENCHMARK MEDIAN RECIPIENTS ONLY %	SMALL	MEDIUM	LARGE	ALL
Commercial and Trading	32.8%	37.8%	38.3%	35.9%
Ticket Sales	16%	15.1%	9.3%	14.5%
Retail & Catering	12.9%	11.2%	2.4%	6.7%
Space & Asset Hire	7.9%	13%	3.2%	6.8%
Services & Contracts	6%	5.5%	27.3%	6.4%

Table 6:
Commercial & trading income: benchmark median share of organisation total income (£)

MEDIAN INCOME	SMALL	MEDIUM	LARGE	ALL
Ticket Sales	£5,450	£34,631	£48,081	£16,597
Retail & Catering	£5,877	£16,832	£20,664	£11,351
Space & Asset Hire	£5,156	£22,144	£26,451	£13,791
Services & Contracts	£4,902	£17,584	£232,364	£15,000
Other Commercial & Trading	£2,597	£6,764	£167,609	£6,452
All Commercial & Trading	£9,889	£62,137	£357,455	£40,797

Chart 6:
Indexed commercial and trading income streams, by size of organisation (Small organisations = 100



Discussion: getting the most out of growth

The Heritage Compass group covers a wide range of organisations that inevitably include different approaches to income generation and impact. Whilst we can't definitively conclude that changes in income streams have driven the differences between small, medium and large organisations, they provide a good guide to growth.

Business models: the importance of being earners

It is clear from the data for Heritage Compass participants that commercial and trading income accounts for a greater share in larger organisations than in their small and medium-sized peers. When we look at this earned income in more detail, there is a diversification of income-generating activities, with contract and service income playing a more prominent role. Income diversification is a tried and tested approach in the heritage sector.[10]

Becoming contract-ready requires specific focus and development. It involves the development of specialist contract management processes. These income streams tend to be the preserve of larger organisations that have the capacity to bid for and manage contacts and demonstrate outcomes or impact. Capacity-building programmes across the broader non-profit sector aim to improve the capability of organisations in this area and are worth investigating.[11]

Grants are a major source of income for Heritage Compass organisations at all scales

Despite the increasing importance of earned income as organisations grow in size, it is still the case that grant income – from government, arm's length bodies, and trusts and foundations – is critical to success in most, if not all, business models. We've already focused on grants in our second *Success Guide*, so we'll just repeat here the importance of a long-term grant-seeking strategy – and that success in generating trading and commercial income isn't necessarily an exit from seeking grants.

Growing income increases surpluses – but the effect is limited for many

Developing a strategy for growth, including the potential deployment of a different business model, requires significant investment and an appetite for increased risk. So a reasonable question for senior managers and trustees is, does scaling up income make organisations more sustainable?

The simple answer is yes – but not much. Table 7 shows the typical surpluses reported by different sizes of organisation. The typical Heritage Compass organisation produces a surplus regardless of scale, but the additional surplus that results from growth is small in cash terms. This is particularly so given the effort involved in shifting from an income below £100k to over £400k.

The level of surplus as a percentage of income is lowest for medium sized organisations, highlighting the challenge of growing your organisation through a phase called "the squeezed middle".

This is where costs rise as you seek to grow, but income growth lags. This is another example of the challenge of 'keeping pace'. In this case, income growth is not keeping pace with the growth in costs for medium sized organisations – and it is therefore a likely point in the growth journey where investment from reserves will be needed.

The typical large organisation makes a surplus, but this is relatively small – a margin of less than 2%. The point here is that financial growth is only worth pursuing if it helps you achieve your purpose or to increase your impact.

Table 7:

Surplus/Deficit levels

Size of Organisation	Median £	Median %
Small	£1,006	4.4%
Medium	£1,394	0.4%
Large	£1,615	1.8%
All	£1,213	2.3%

Conclusion:
five valuable questions to ask your heritage organisation

If you are a manager or trustee thinking about the future sustainability of your heritage organisation, going for income growth is an inevitable topic of discussion. Hopefully, it's a conversation that starts with the question, 'Is growth right for us?' If it is, then the conversation should move to the how – 'What critical success factors need to be in place for you to grow successfully?' To aid your discussion, we propose five questions to ask when you are considering income growth as a strategy:

Do we want to grow our income?

Is growth right for our organisation? Will more income mean more impact, or will it change how we deliver our mission? Have we thought about what comes with growth, which will almost always include an increase in the volume or breadth of our activities? It's worth testing these questions with stakeholders, including your board, staff and volunteers – not everyone might want to transition to a larger organisation, and current ways of working or governance arrangements might not scale up. Alignment behind the strategy to scale up is critical, so a good starting point is an analysis of where your organisation is currently at and benchmarking against other organisations is a helpful tool.

01

What are the income streams that are going to drive growth?

For many organisations, the income streams that worked for a small sustainable organisation might not work at a larger scale. In particular, donated income might not scale up to cover the increased core costs of a larger organisation. The café or shop in a small heritage organisation might not scale due to your location or seasonality. Business planning is critical, as a starting point to being clear about which income streams are in scope for growth. Tools such as the *Sustainable Sun*, *Income Spectrum* or Ansoff's matrix can also help. Additionally, the National Archives' *Income Generation Guide* is a comprehensive walk-through, from initial ideas about earning income to delivery.

02

Have you got the people and skills to grow your income?

Scaling up might require different skills and a 'growth mindset' within your organisation, particularly if you aim to grow by diversifying your income streams. Growth might require your organisation to develop specialist skills in grant fundraising or contracting. Many organisations will find this a catch-22 moment, where employing people with a broader range of skills might be unrealistic until more funding can be achieved. Therefore, have you got access to these skills on your board? If not, can you bring in new trustees?

03

Do you need investment to grow?

Growing the level of activities that generate income requires investment, particularly during the 'squeezed middle' phase associated with medium size organisations. That might be capital investment in the facilities needed for a more extensive hospitality offer or spending on business development as you seek to engage with new and different customers.

New income streams inevitably generate new, upfront costs, hopefully providing a financial return over a longer period. So, have you got the money to invest in new income-generation ideas? If not, are you ready to explore the options available, typically grant funding, social investment or a blend of the two?

04

Return on investment – is bigger better?

The decision to go for growth might ultimately be a question of return on investment – either financial or social, such as developing an enhanced visitor experience. With the increasing risks and costs that come with growth, such as safeguarding and licencing, being clear about whether the benefits or returns increase similarly in scale is worth asking at each stage of the journey. It's especially helpful if you understand your cost base – and whether delivering additional services or opening longer hours will generate income that covers these costs.

05

Resources

Ecclesiastical
Heritage Sector Insights

Charity Commission for England & Wales:
Charities and Trading

Devon Voluntary Action
Income Generation and Managing your Money

Good Finance
https://www.goodfinance.org.uk

Heritage Funding Directory
https://www.heritagefundingdirectoryuk.org

Heritage Help
Funding advice

Locality
Income Generation for Public Libraries

Locality
Generating Income for Parks and Green Spaces

The Management Centre
The Ansoff Matrix and fundraising

The National Archives
Income Generation: Support in making decisions about generating income from commercial activities

NCVO
Funding and income

NCVO
Income spectrum: helping you find the right income mix

NCVO
The sustainable sun tool: steps to sustainability

Rebuilding Heritage
Needs-Led Fundraising for Sustainability

Stanford Social Innovation Review:
Four Mindsets That Accelerate Nonprofit Growth

Glossary

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

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

Benchmark median: the middle number in a list of numbers sorted by their value. We use the median to describe a typical organisation for variables such as income. For example, if the benchmark donated median income is £5,000, half of the organisations in the group report a lower figure, while the other half report a higher figure.

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

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

References

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2. Forbes – *How To Successfully And Sustainably Scale Your Nonprofit*
3. CAF (2022) *UK Giving Report 2022*
4. Scaleup Institute – *Creative Scaleup Index*
5. Our data does not include heritage sites owned by local authorities
6. Ecclesiastical – *Heritage Sector Insights*
7. Heritage Compass (2022) *Shops and cafés: pathways to profit?*
8. Heritage Compass (2022) *Shops and cafés: pathways to profit?*
9. For example DCMS' *VCSE Contract Readiness Fund 22/23 – 24/25*
10. Ecclesiastical – *Heritage Sector Insights*. 37% of heritage organisations have diversified income, with 75% finding the approach useful.
11. For example DCMS' *VCSE Contract Readiness Fund 22/23 – 24/25*

Join the conversation about data, benchmarking and grant fundraising.

Contact us at
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