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# Key Findings of the Cause4 Arts and Culture Fundraising Benchmark

(2022 release of 2020 data)

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Report for: *Cause4*  
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## Section 01

# Executive Summary

# 01

# 01. Executive Summary

## Executive Summary



**The Cause4 Arts and Culture Fundraising Benchmark aims to support leaders and managers to assess their organisation's performance and compare it to their peers. The insights from this report and a web-based dashboard enable this analysis.**

**This latest benchmark includes the latest data for 2019/20, covering 747 organisations in the Arts Council England national portfolio.**

Whilst this time period is before the first lockdown was enacted in late March 2020, it is likely that business models were being affected both in terms of their income and their expenditure. It is not possible however to mark a hard line before which there is no pandemic effect and after which we know the pandemic was affecting business. We suggest that this data be seen largely as reflecting pre-pandemic business models and the last year of data before reporting of pandemic-affected business from 2020/21 onwards. Only as the data emerges on 2020/21 and is contextualised by the trajectory in the 2021/22 data will we be able to reflect on when business models are no longer impacted by the pandemic. In terms of when the Cost of Living (CoL) changes start to impact the data we expect to see this in the 2022/23 data but not any earlier.

Covid has changed the arts and culture sectors' fundraising and income generation landscape. The data in this report is of use in that it reflects a broadly stable and sustainable set of business models prior to a period of substantial and varied changes. It can be used to assess just how much the changes your organisation has had to make in response to Covid and the subsequent increases in operating costs mean that you need to shift your reference points, whilst remaining within the range of already understood models and norms versus needing to establish entirely new points of reference. Whilst we have all been

# 01. Executive Summary

## Executive Summary (continued)



operating outside of 'business as usual' for the last two years, there will at some point be a 'new normal' which can be expected to carry with it a workable level of sustainability and resilience. Data such as that contained in future versions of this report will track that progress towards a new normal.

In 2019/20 average turnover was £2.53m per annum, similar to the 2018/19 average £2.56m. Funding from Arts Council England was the largest single funding source every year. It accounted for almost £4 in every £10 of income. National Portfolio Organisation/Major Partner Museum (NPO/MPM) funding has formed the largest part of Arts Council England funding in most categories in the last two years. Earned income accounted for £3.50 of every £10 of income. The average proportion of revenue from earned income also fell slightly to 34.5%.

The average total expenditure was 102% of turnover in 2019/20. 44% of the portfolio had expenditure levels which exceeded their income. For those that reported a deficit, average spending was 117% of turnover in 2019/20. Organisations with a surplus on average spent 89% of their turnover. There are some specifics in the way a small cohort of organisations report data that is having an effect on the averages. The detail of this is set out in the appendix.

Portfolio organisations spent an average of 7.8% of turnover in 2019/20 on fundraising. This includes spend on fundraising staff costs as well as fundraising activities. Fundraising return on investment improved. In 2019/20, for every £1 spent by portfolio organisations on fundraising, they generated both the £1 risked and an additional £7.20. This was the highest fundraising ROI in the last five years.

Three regions saw a decrease in earned income as a proportion of turnover. London saw the largest fall (2.5% points lower). The South East was the only region to see a gain (2.9%). The most significant regional difference in income streams was for contributed income. In London, contributed income was 22.7% of revenue - much higher than in other regions. The North had the next highest proportion (14.5%). The North region had the highest average expenditure relative to income: 106% in 2019/20.

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## Arts Council England Funding accounted for £4 in every £10 of income

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# 01. Executive Summary

## Executive Summary (continued)



Art forms' average income varied between £610k (Literature) and £4.6m (Music). Organisations with a higher level of turnover tended to earn a larger proportion of their income. The Theatre (39%), Dance (37%) and Music (37%) artforms had relatively high proportions of earned income. Museums (31% in 2019/20) recorded the lowest amounts of Arts Council England funding as a proportion of their income. Arts Council England core NPO/MPM funding remained static for most sectors over the last two years. Museums were the exception: NPO/MPM funding increased by five percentage points to 29.5% of turnover.

47% of portfolio organisations run publicly accessible buildings (47%). This group had an average turnover four times greater than those not running these buildings. Organisations running publicly accessible buildings generated more turnover from earned income than from Arts Council England Funding. Organisations without these buildings are more dependent on Arts Council England grants. In 2018/19, expenditure as a proportion of income was, on average higher in organisations running publicly accessible buildings. This group also spent a relatively larger proportion of their income on overheads.

The income data slices shows that organisations with a smaller annual turnover are more likely to generate income from grants than earned income. Total earned income as a proportion of turnover was greatest in the >£10m band.

Organisations with an annual turnover below £200k received two-thirds of their income from Arts Council England funding in 2019/20. Organisations in the £200-£750k band are relatively dependent on income from trusts and foundations. These medium-size organisations typically received 15% of their income from this source. Overhead expenditure is a higher share of turnover in the lower income bands – approximately 30%. Organisations with more than £5m turnover spent an average of 20% on overheads.

These key findings both at a national level and in the perspectives by sector, geography, turnover band and building usage are designed to enable the reader to think about which are the most useful in describing what normal looks like and then go on to compare your organisations' result to these norms. In the current climate of significant change and uncertainty, this data can be used to assess just how far away from known workable models we are at present. Whilst this might not offer any direct route back, we suggest it is worth understanding just how far out of the known and its relative comfort we are indeed operating!

## 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



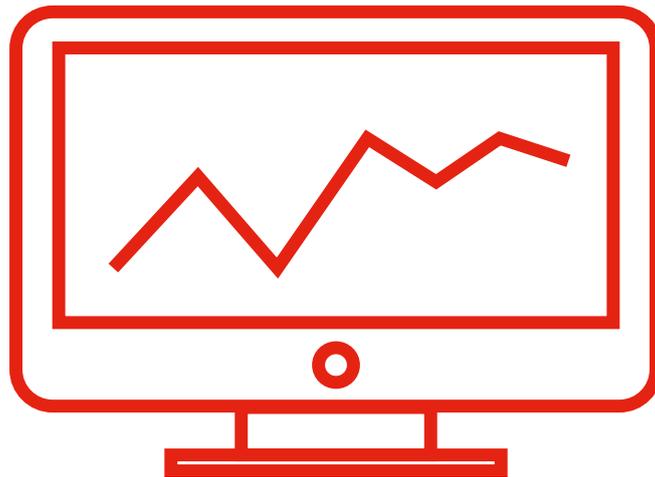
Utilise the report to look at headlines of the data



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

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The Benchmark Dashboard  
can be found at

[artsfundraising.org.uk/benchmarking](https://artsfundraising.org.uk/benchmarking)

## 02. How to use this report and dashboard

### Using the dashboard



**This report and the accompanying dashboard use the publicly available 2020 Arts Council England annual data set.**

#### **How we calculate the benchmarks**

Arts Council England 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, Arts Council England 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 generates from trusts, but including 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 themselves.

Our approach is different. The *Cause4* Arts and Culture Fundraising Benchmark reports the percentage of income expenditure only for the organisations that generate that income or expenditure. We have removed the most anomalous organisations before calculating the benchmark, though some of those included (particularly museums) continue to impact disproportionately on the benchmark in some areas, such as assets.

Our approach calculates benchmark figures for individual categories of income or expenditure in isolation. This combined approach means individual categories don't equal 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<sup>1</sup>. The benchmarks we are reporting should reflect an individual organisation's day-to-day experience and business models.

#### **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.

<sup>1</sup> Appendix 2 contains a full explanation of approach how and how our benchmarks are calculated.

## 02. How to use this report and dashboard

### Using the dashboard (continued)



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 they can access different grant funding sources than those in less disadvantaged areas. Price points for items such as 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 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. You can identify development opportunities by comparing your organisation with a different cluster of organisations, including those you may have previously discounted.

**Section 03**

**National Financial Highlights**

**03**

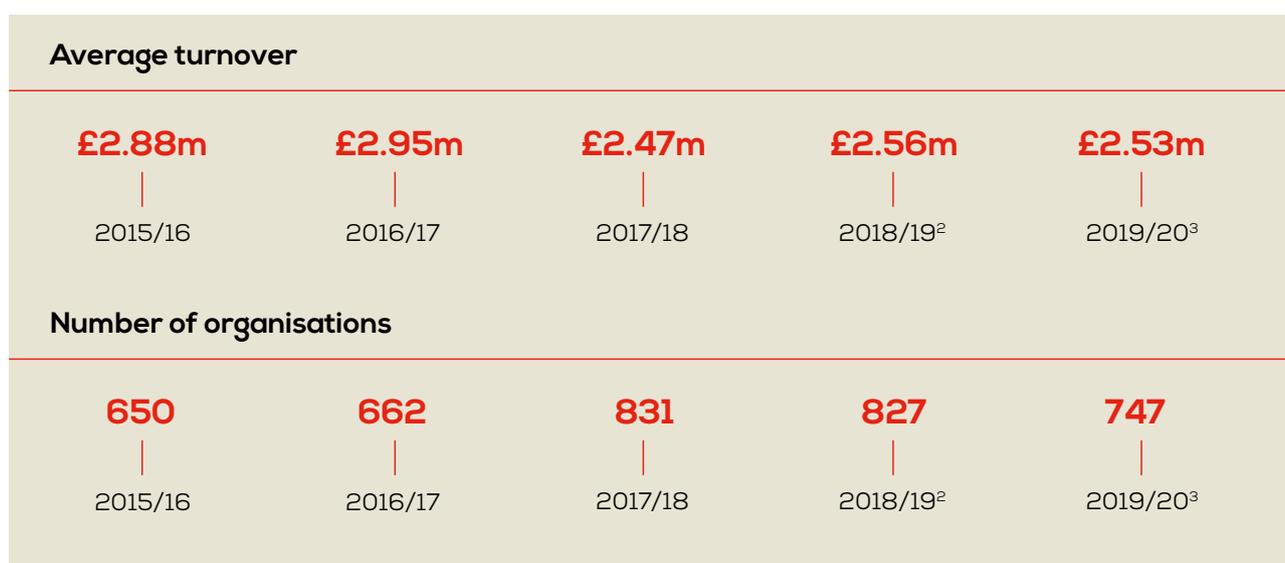
## 03. National Financial Highlights

### Introduction



This first section will establish a reference point for more detailed comparisons later. Think of this as the foundation layer. This section looks for broad trends and data points that do not fit 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.

Figure 1



The 2022 release of the annual data set collected by Arts Council England contains detailed financial information for 747 members of the National Portfolio. Of these, 664 organisations were also members of the national portfolio for the 2015-18 round. The remainder joined the portfolio in 2018.

This report focuses on 2018/19 and 2019/20. We have also referred to earlier years, but changes in the organisations that comprise the portfolio account for some of the differences.

<sup>2</sup> This is the first year of the new funding round of 2018-2022 and thus there are changes in the make-up of organisations which have contributed data.

<sup>3</sup> There may be some Covid impact on this year of activity in that it covers the months of Jan-Mar 2023. It is also worth noting that the Culture Recovery Fund will not be in the data for 2019/20 and we consider it unlikely that other emergency Covid funding is part of the picture of the 2019/20 data.

## 03. National Financial Highlights



### 3.1 The National Portfolio: summary

- In 2019/20 average turnover was £2.53m per annum. This was similar to the 2018/19 average (£2.56m) but lower than previous years when the national portfolio comprised a different mix organisations.
- Arts Council England income as a proportion of turnover was unchanged (39%), but Arts Council England income, excluding NPO funding, fell from 28.4% in 2017/18 to 8.7% in 2019/20.
- The proportion of organisations that generated earned income fell from 95% to 92%. The average proportion of revenue from earned income also fell to 34.5%.
- There is a shift from average surpluses in the first two years of the benchmark to average deficits in the latest three years. In 2015/16, the average expenditure was 96% of total income. In 2019/20, this remained at 102%. This is likely to reflect a change in the portfolio's composition.
- For the 44% of organisations that reported a deficit in 2019/20, average spending was 117% of turnover. The 56% of organisations reporting a surplus, on average, spent 89% of their turnover in 2019/20.
- There is a shift from average surpluses in the first two years of the benchmark to average deficits in the latest three years.
- Portfolio organisations spent, on average, £217k on fundraising in 2019/20, or 7.8% of turnover.
- Average spending per organisation on fundraising increased by £9,000 in the last year, back to spending levels seen in 2016/17. In the last year, the average amount raised also increased, but by a much larger £32,000.
- Fundraising return on investment continues to improve. In 2019/20, for every £1 spent by portfolio organisations on fundraising, they generated both the £1 risked and an additional £7.20. This was the highest fundraising ROI in the last five years.
- The average unrestricted, undesignated funds, as weeks of expenditure fell in 2019/20. The portfolio had the highest average funds in 2017/18 when organisations typically held 28 weeks' expenditure. This had almost halved by 2019/20 to 14.7 weeks.<sup>4</sup>

<sup>4</sup>Readers may note that, based on provisional data, we reported that this had actually increased in last year's report to an average of 41 weeks. Subsequent revision of this data when it was reported as 'certified data' has given a new figure of 16.1 weeks for 2018/19.

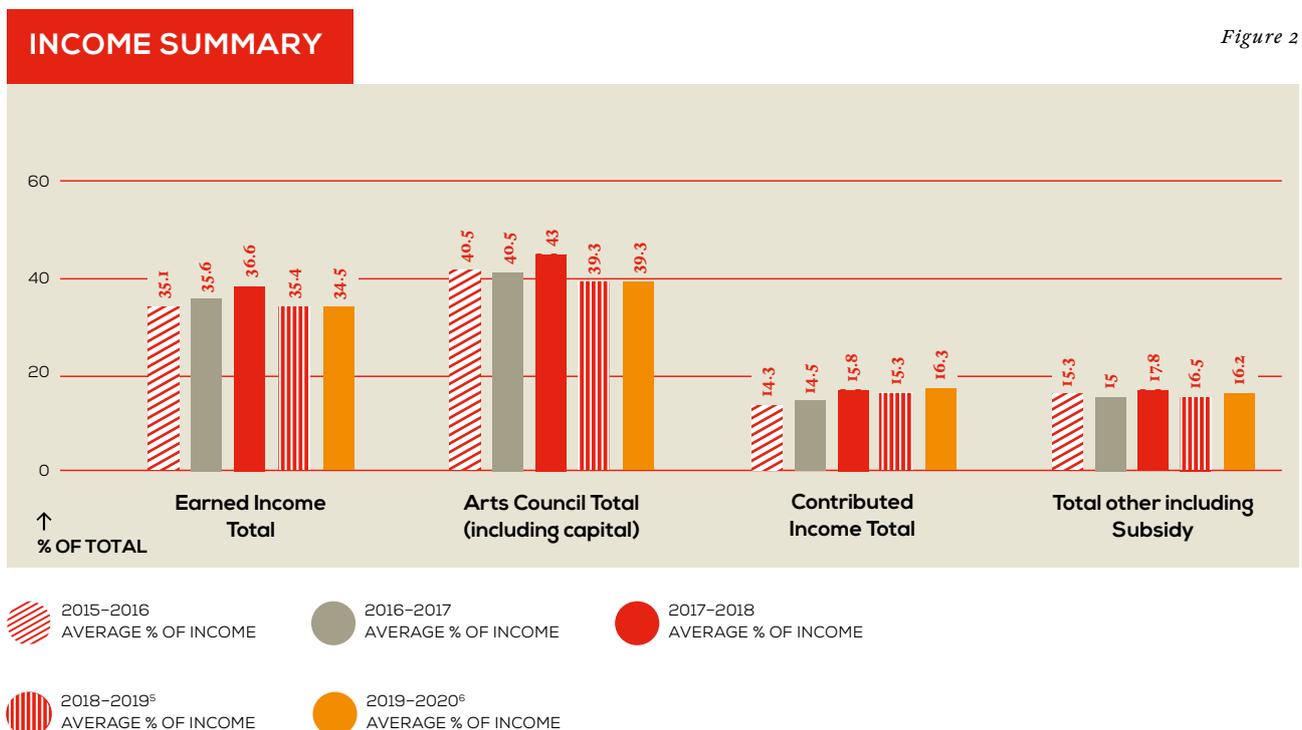
# 03. National Financial Highlights

## 3.2 National income data



Our latest year covers April 2019 – March 2020. The Covid pandemic emerged during this period, with the first national lockdown in March 2020. Covid may have begun to affect sales and revenues when interpreting the figures.

- Funding from Arts Council England (Arts Council England), including capital funding, was the largest single funding source across all five years. Arts Council England funding was 39.3% of turnover in 2019/20 after peaking at 43% in 2017/18.
- The average share of turnover accounted for by contributed income has increased by two per cent over the last five years from 14.3% to 16.3%. Between 88% and 91% of organisations reported contributed income across the five years.
- Earned income was the second most important income source. This constituted between 34–37% of turnover over the five years.
- Other income, including subsidy income, was typically worth 16.2% of revenue in 2019/20. This may include capital funds.
- Earned income as a proportion of turnover peaked in 2017/18 at 36.6%. In 2019/20, it was 34.5% of turnover, the lowest we have recorded.



## 03. National Financial Highlights

### 3.2 National income data (continued)



#### No. of orgs generating income from this source in 2019/20

<b>736</b>	<b>747</b>	<b>674</b>	<b>548</b>
Earned income total	Arts Council total (incl capital)	Contributed income total	Total other including subsidy



#### National Income Data: earned income in detail

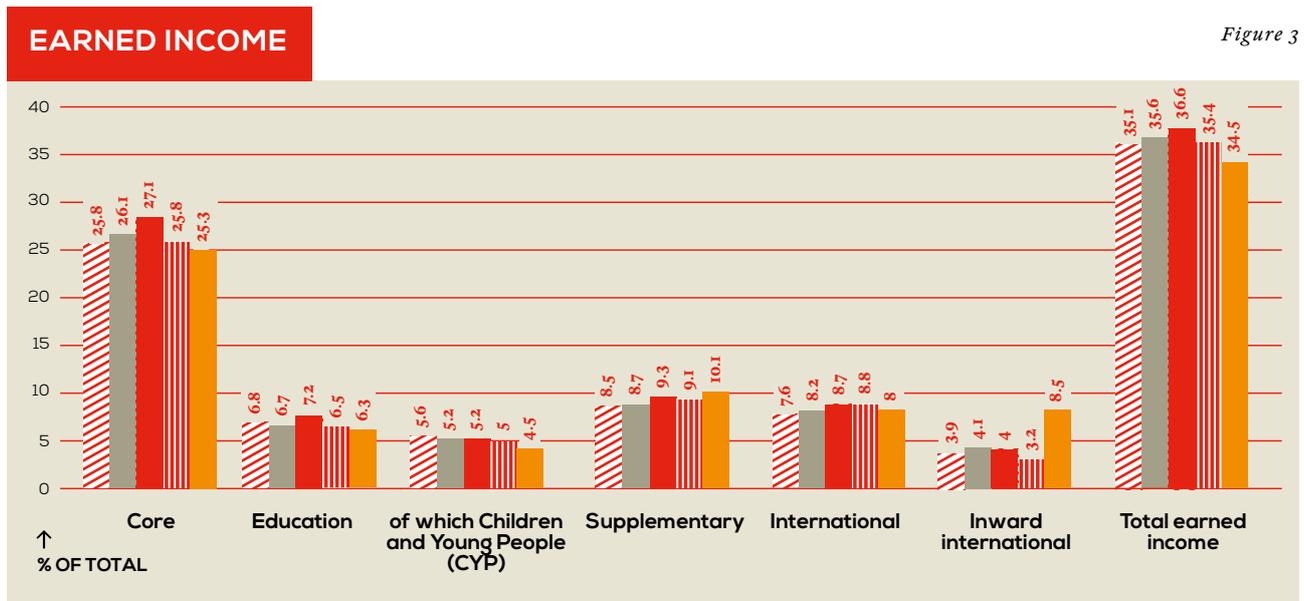
- The proportion of organisations that generated earned income fell from 95% to 92%. The average proportion of revenue from earned income also fell to 34.5%.
- Earned income from core activities was the largest source of earned income, equivalent to 25-27% of turnover in the last five years. After peaking at 27.1% in 2017/18, the value of core income was 25.3% in 2019/20.
- Core earned income was 2.5 times larger than any other earned income stream in a typical year. Between 89-92% of the organisations reported income from core activity in the last five years.
- Supplementary income was 10.1% of turnover, the second-largest source of earned income. Conversely, the proportion of organisations generating supplementary income decreased from 74% (2016/17) to 66% in 2019/20.
- Education income generated between 6.3% and 7.2% of turnover in the last five years. Two-thirds of organisations (64%) generated income from education.
- Education income from Children and Young People (CYP) varied between 4.5% (2019/20) and 5.6% (2015/16) of turnover. There was a slight but continuous decline over the period. The proportion of organisations generating education income from CYP decreased from 48% in 2017/18 to 43% in 2019/20.
- One in five organisations (19%) generated international revenue in 2019/20. For those organisations, international revenue was between 8-9% of their turnover.

<sup>5</sup> This is the first year of the new funding round of 2018-2022 and thus there are changes in the make-up of organisations which have contributed data.

<sup>6</sup> There may be some Covid impact on this year of activity in that it covers the months of Jan-Mar 2023. It is also worth noting that the Culture Recovery Fund will not be in the data for 2019/20 and we consider it unlikely that other emergency Covid funding is part of the picture of the 2019/20 data.

# 03. National Financial Highlights

## 3.2 National income data (continued)



# 03. National Financial Highlights

## 3.2 National income data (continued)



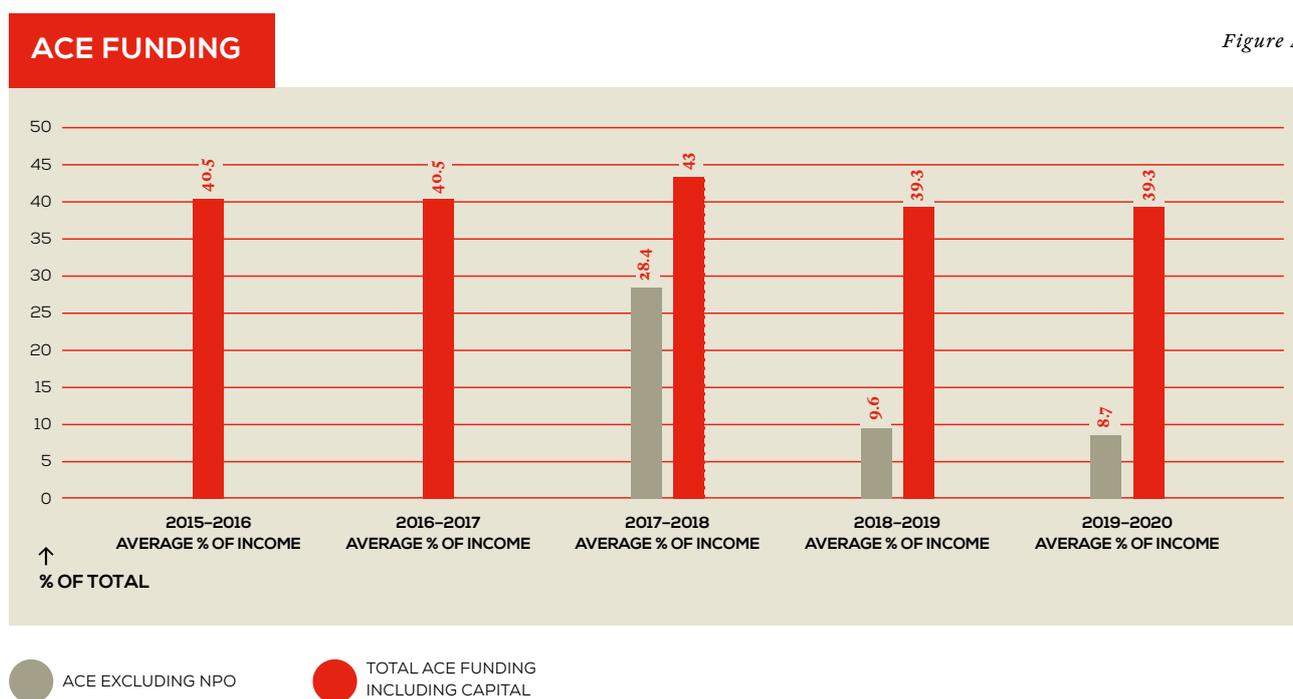
### National Income Data: Arts Council England funding in detail

Arts Council England now reports funding in two parts: National Portfolio Organisation/Major Partner Museum (NPO/MPM), and Arts Council England funding excluding NPO. We have retained more detailed breakdowns from previous years<sup>7</sup>.

- The National Portfolio Organisation/Major Partner Museum (NPO/MPM) stream was the largest source of Arts Council England funding including capital. This ranged from 32.9% (2017/18) to 35.3% (2019/20).
- NPO/MPM funding formed the largest part of Arts Council England funding in

most categories in the last two years. Museums and organisations that operate publicly accessible buildings were the exceptions. Here, earned income was the largest income stream.

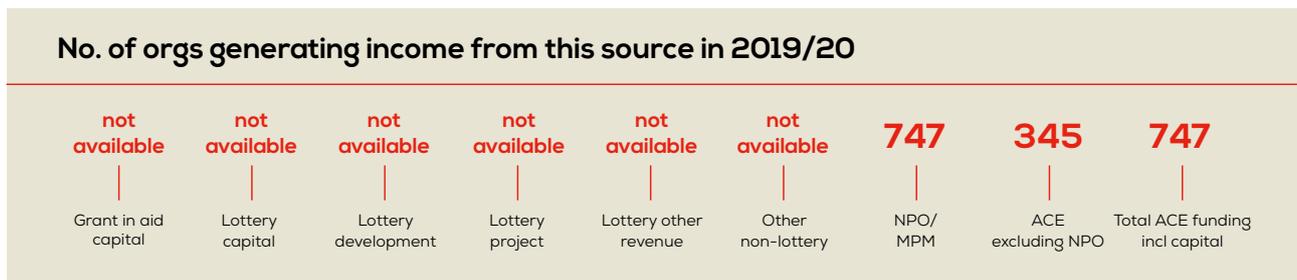
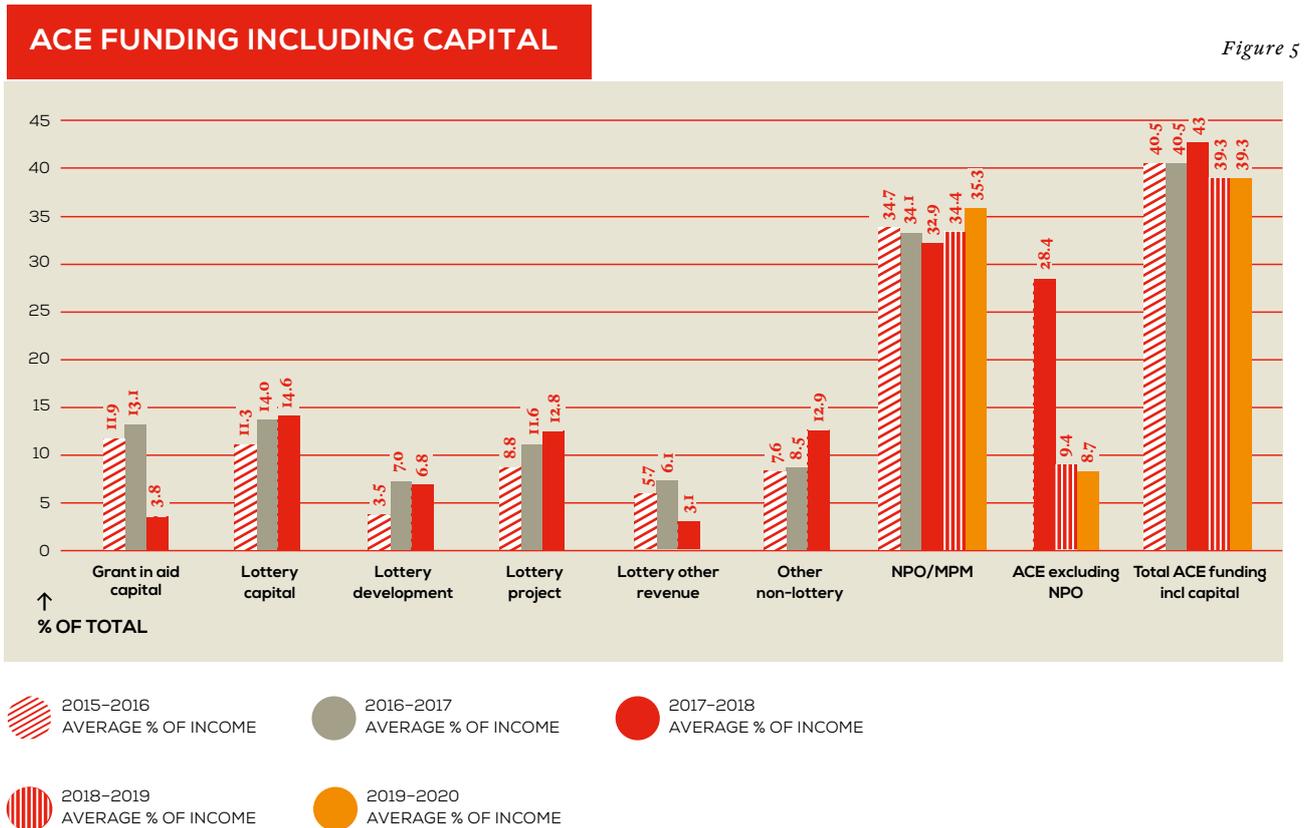
- In these last two years, less than half (45-46%) of organisations reported Arts Council England funding, excluding NPO. For these organisations, it equated to almost 9% of turnover in 2019/20 – a much lower proportion than in 2017/18, when it was 28%. This may reflect the changes to reporting and the composition of the portfolio in the new funding round, and restrictions on the eligibility of portfolio organisations to access other Arts Council England funding streams.



<sup>7</sup> It is also worth noting that amounts for the latest two years now includes capital funding, which is no longer reported separately. We are aware that relatively few organisations received capital funding from Arts Council England, but that for those organisations, the sums were significant.

# 03. National Financial Highlights

## 3.2 National income data (continued)



## 03. National Financial Highlights

### 3.2 National income data (continued)



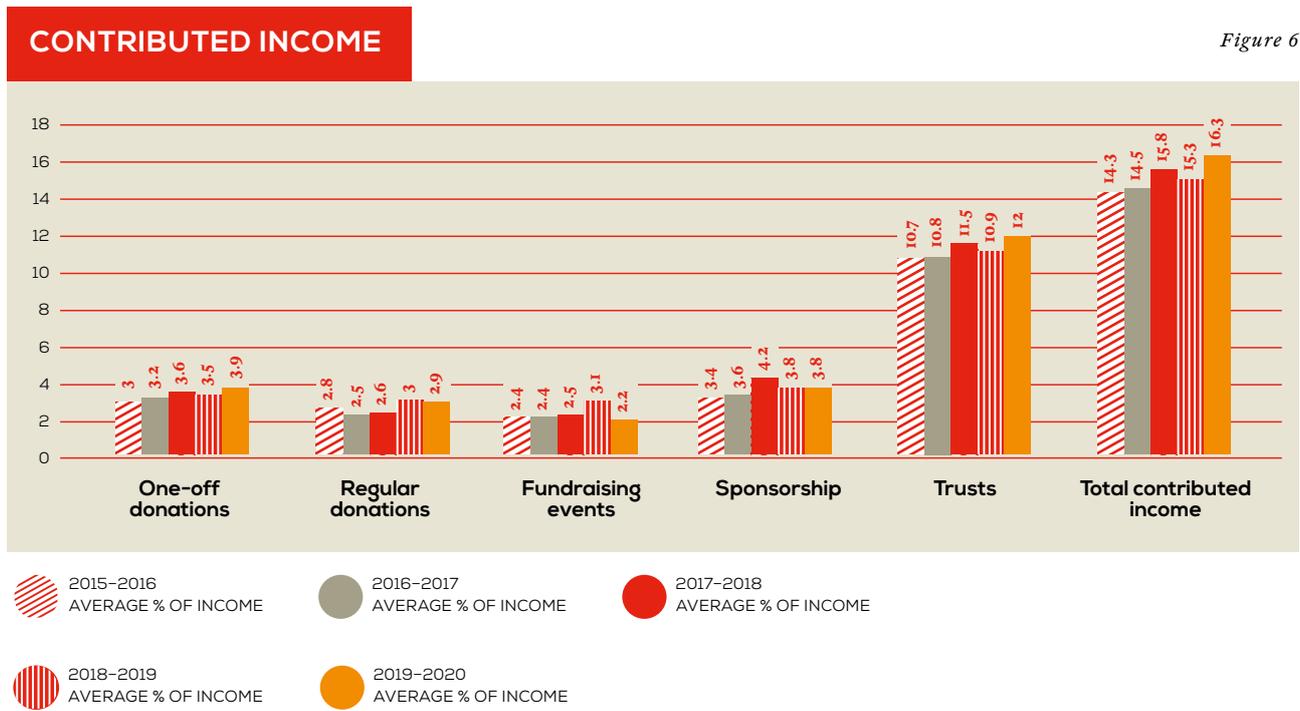
#### **National Income Data: contributed income in detail**

- Contributed income as a proportion of turnover remained between 14-16% over the five years.
- Income from trusts, foundations and legacy bequests was the largest source of contributed income over the five years. For recipients, it was worth approximately 11-12% of their turnover. Between 69-72% of organisations generated this type of income over the five years.
- For recipients of one-off donations, regular donations, fundraising events and sponsorship, this source generated 2-4% of turnover in all years.
- 68% (2019/20) of organisations received income from one-off donations, a small decrease from 70% in 2018/19<sup>8</sup>.
- 46% of organisations generated income from regular donations such as friend and member schemes in 2019/20.
- Income from sponsorships was generated by 40% of organisations in 2019/20, the lowest proportion over the five years. Down from 43% in 2017/18.
- Fundraising events were the least common source of contributed income: 19% of organisations generated income from fundraising events in 2019/20.

<sup>8</sup> Donations are classified as monies received from the general public or friends for which no benefit is received.

# 03. National Financial Highlights

## 3.2 National income data (continued)

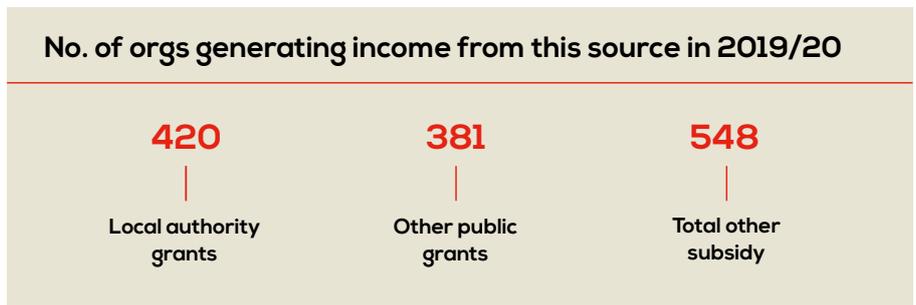
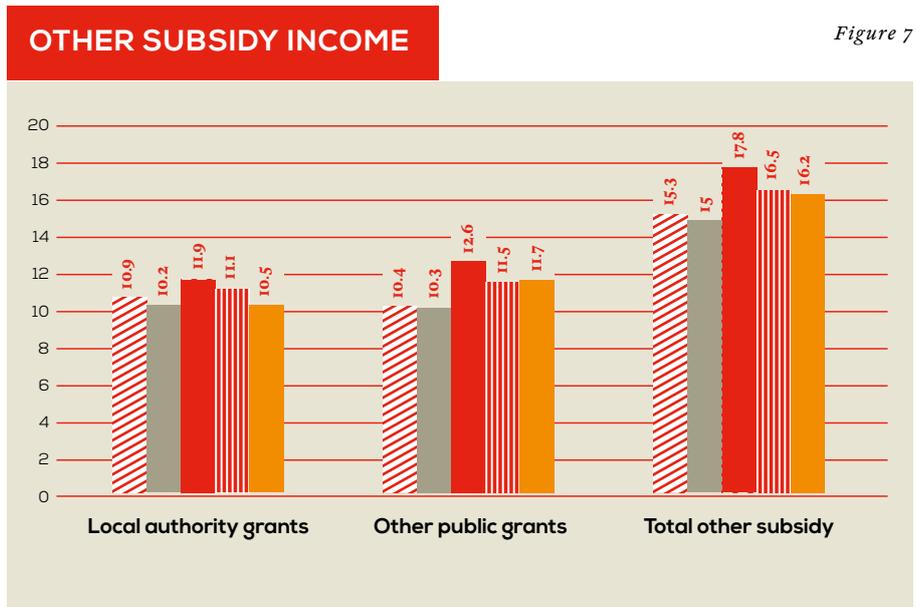


### National Income Data: other subsidy total, including capital, in detail

- For recipients, local authority grants were worth 10-12% of turnover.
- The proportion of organisations receiving local authority grants fell from 56% in 2018/19 to 53% in 2019/20. However, average grant income from local authorities increased by £13k to £376k.
- Public grants contributed 11.7% of turnover to recipients in 2019/20. Over half of all organisations received public grants in 2019/20, a proportion which increased from 41% in 2015/16.
- Between 68% and 73% of organisations received some other type of subsidy income over the five years.

# 03. National Financial Highlights

## 3.2 National income data (continued)

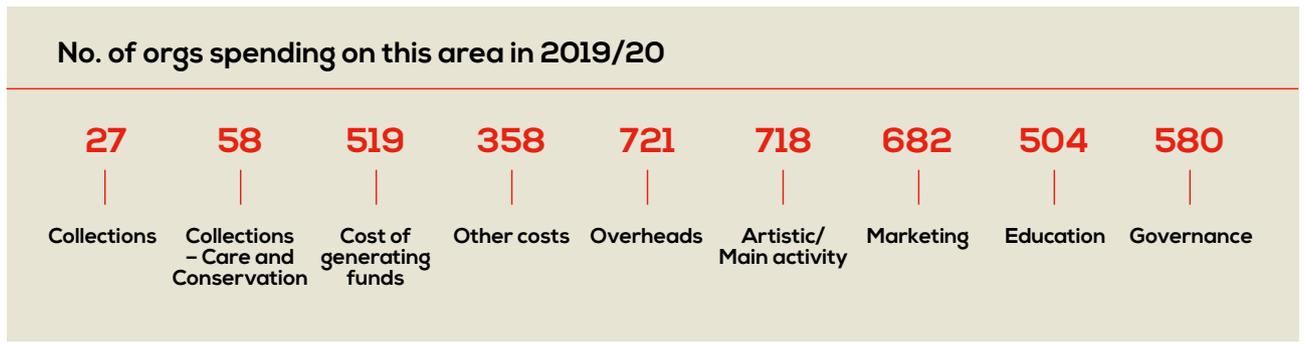
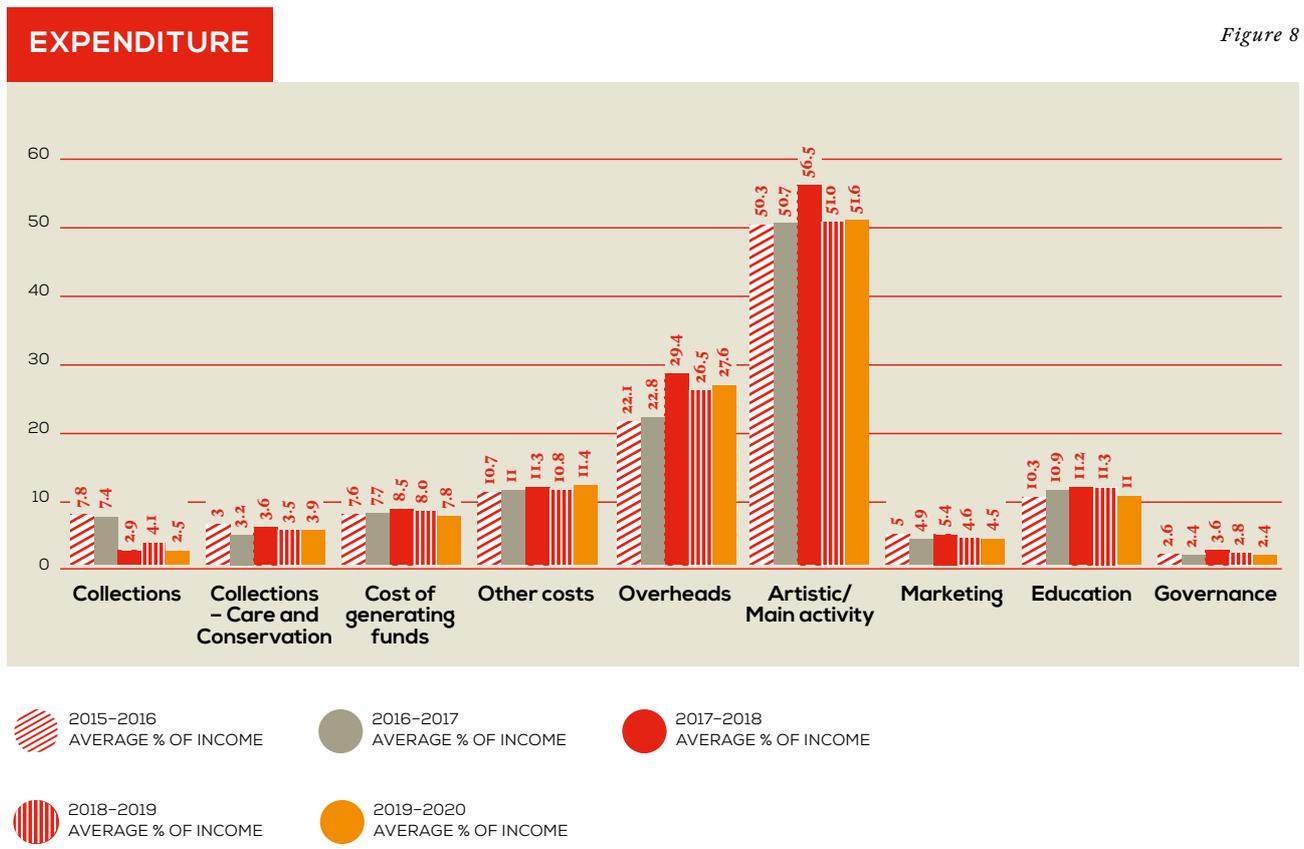


# 03. National Financial Highlights

## 3.3 National Expenditure Data



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

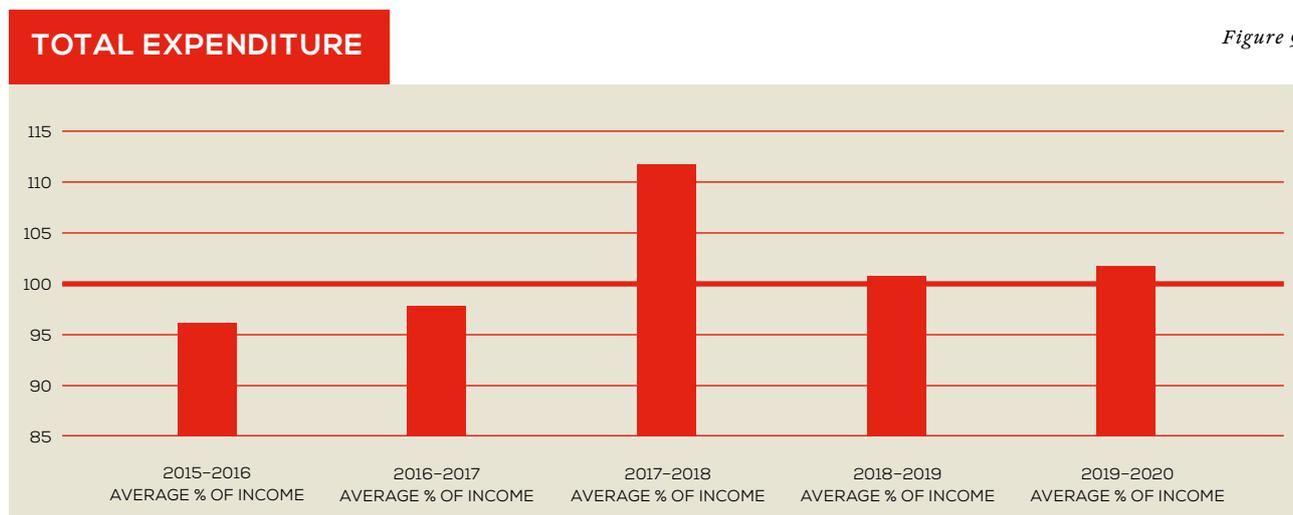


# 03. National Financial Highlights

## 3.3 National Expenditure Data



- On average, expenditure exceeds income for each of the last three years. There are some particular data reporting issues regarding the way Local Authority run libraries and museums do not consistently include the Local Authority subsidy in their reporting of income. This leads to a position where expenditure may be as high as 948% of income. This skews the average. The libraries are a new addition to the portfolio and appear in the data for the first time in 2018/19.
- Artistic/Main activity accounted for the largest average share of expenditure across all years (51-52%). Our analysis shows, however, that this spending falls below 50% for some art forms, regions, and turnover bands.
- Overheads were the second largest area of spending in all five years. Average overheads expenditure peaked in 2017/18 at 29.4% of turnover. It subsequently fell to 27-28% in the following years.
- Education (11.0%) was the third-largest category of average expenditure in the last five years. Spending on education as a proportion of income was higher than the average income from education (6-7%) in all years. We expect that portfolio organisations were cross-subsidising education activities.
- The average proportion of turnover spent on generating funds ranged between 8-9%. The average spend on marketing was 5% of turnover in all years.
- The average annual spend on the two categories of collection (acquisitions and collections; care and conservation) related mainly to the museums in the data set. The average cost of Care & Conservation remained at 5% of income.



## 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 grantmaking and individual and corporate giving.

Figures are not expressed as % of turnover, unlike in other sections. The first six lines show average £000 values and the last line shows the Fundraising Return on Investment (ROI). This is calculated as the average net raised to cost of fundraising ratio.

**FUNDRAISING**

*Figure 10*

ACE Subsidy Total	£637	£647	£543	£557	£566
Contributed income	£357	£377	£361	£366	£380
Other Subsidy	£387	£370	£431	£447	£473
Total funds raised	£1,254	£1,261	£1,182	£1,229	£1,261
Cost of funds raised	£265	£294	£250	£208	£217
Net Raised	£1,214	£1,214	£1,197	£1,249	£1,113
Fundraising ROI (net raised/ cost of fundraising ratio)	5.1:1	4.6:1	5.2:1	6.8:1	7.2:1

2015-2016
  2016-2017
  2017-2018
  2018-2019
  2019-2020



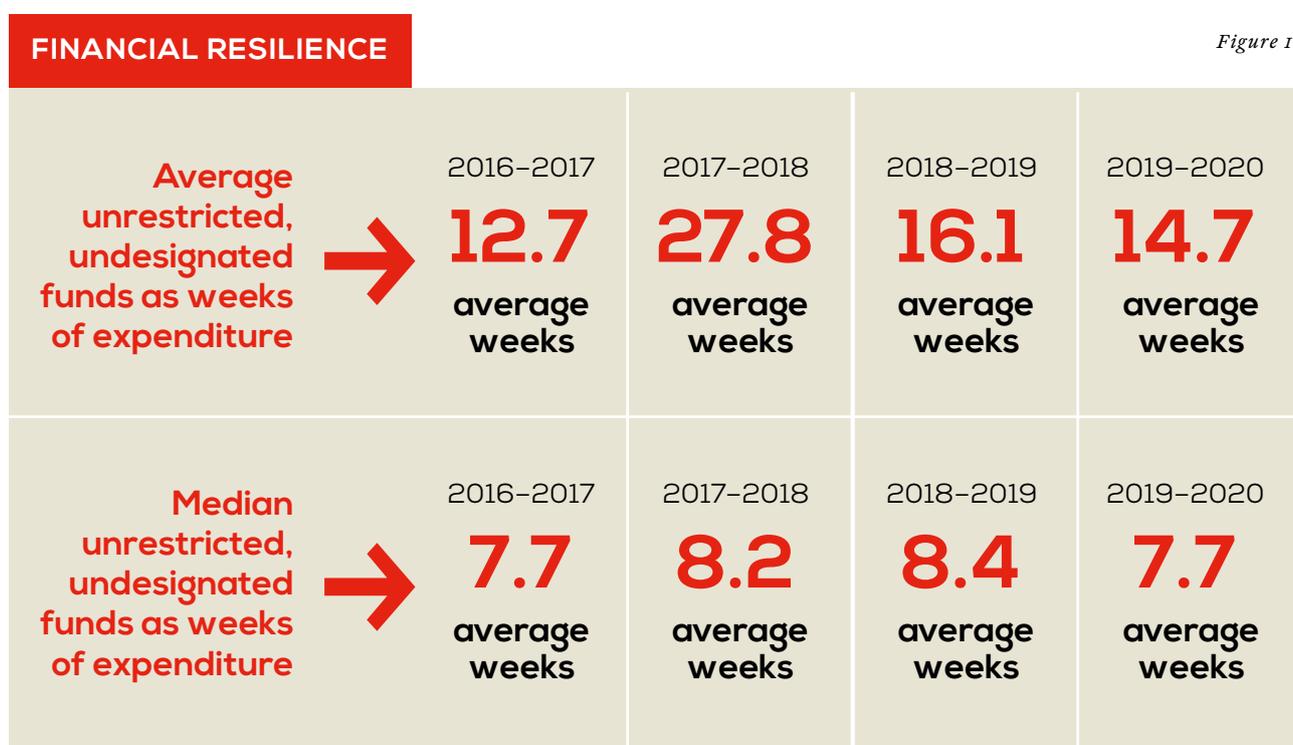
- As a national average, every £1 spent on fundraising returned the £1 risked and an additional £7.20 of fundraised income in 2019/20. This was higher than the previous comparison years.
- 2019/20 had the lowest average net raised across the last five years at £1.1m. Some of this change reflects differences in the composition of the portfolio.
- Although the effectiveness of fundraising improved – as measured by ROI – lower spending in the last two years may be generating lower amounts.
- The 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

The amount of unrestricted, undesignated funds, expressed as weeks of expenditure, illustrates the financial resilience of an organisation. Ideally, non-profit organisations would carry liquid reserves equivalent to around six months of spend<sup>9</sup>.



- In 2018/19, unrestricted, undesignated funds were equivalent to almost 16 weeks’ expenditure. This average subsequently decreased to 14.7 weeks.
- The median figure for unrestricted, undesignated funds will likely be a more reliable guide to what is typical. This measure is not influenced by organisations with strong balance sheets.
- The median figure for available funds in 2019/20 was 7.7 weeks. Like the average, this also fell compared to last year.

<sup>9</sup> For more detail on this topic see the report ‘What is Resilience Anyway’ by Golant Media Ventures & The Audience Agency’ and specifically p45

## Section 04

Finding the most useful  
comparison group for  
your organisation

04

## 04. Finding the most useful comparison group for your organisation

### 4.1 The ACE five regions



#### Summary: the ACE five regions

- The number of portfolio organisations in each region varied between 85 (South West) and 229 (London). Average turnover varied between £1.7m (North, South West) and £3.4m (London).
- Three regions saw decreased earned income as a proportion of turnover: London saw the largest reduction (2.5 percentage points). The South East experienced a gain (2.9 percentage points).

#### AVERAGE INCOME PER ORGANISATION BY ACE REGION

Figure 12



##### 1. NORTH

No. of orgs: **211**  
 Income 2017: **£1,786,400**  
 Income 2018: **£1,701,622**  
 Income 2019: **£1,844,674**  
 Turnover 2020: **£1,741,225**

##### 2. MIDLANDS

No. of orgs: **123**  
 Income 2017: **£5,523,620**  
 Income 2018: **£2,827,345**  
 Income 2019: **£2,892,203**  
 Turnover 2020: **£2,686,483**

##### 3. LONDON

No. of orgs: **229**  
 Income 2017: **£3,327,115**  
 Income 2018: **£3,229,046**  
 Income 2019: **£3,313,857**  
 Turnover 2020: **£3,430,317**

##### 4. SOUTH EAST

No. of orgs: **97**  
 Income 2017: **£2,851,597**  
 Income 2018: **£2,545,569**  
 Income 2019: **£2,623,498**  
 Turnover 2020: **£2,625,569**

##### 5. SOUTH WEST

No. of orgs: **85**  
 Income 2017: **£1,738,576**  
 Income 2018: **£1,696,229**  
 Income 2019: **£1,727,384**  
 Turnover 2020: **£1,749,031**

## 04. Finding the most useful comparison group for your organisation

### 4.1 The ACE five regions (continued)



- The most significant regional difference in income streams was contributed income. In London, contributed income was 22.7% of revenue - much higher than in other regions.
- London received the lowest proportion of its turnover from other subsidies. The South West received the highest proportion from other subsidies.
- The North region had the highest average expenditure relative to income in both years. Expenditure was 106% of income in 2019/20.
- The Midlands had the highest expenditure on fundraising in both most recent years and the lowest fundraising ROI (4.6:1 and 5.2:1). London (8.9:1) and the South East (7.6:1) had the highest ROIs.

#### Introduction: the ACE five regions

**There are important regional differences in the funding and finance of portfolio organisations. 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 located.**

- There is a significant variation in the number of portfolio organisations in each region. The South West (85), South East (97), and Midlands (123) regions had fewer organisations in the national portfolio than the North (211) or London (229) regions.
- In the last two years, the average turnover ranged between £2.9m (2018/19) and £2.7m (2019/20).
- The London region had the highest average turnover in the last three years, rising to £3.4m in 2019/20. The South West and the North had the lowest average turnovers, ranging between £1.7m and £1.8m.

#### Comparison Groups



region



art form



operation of a  
publicly accessible  
building



annual  
turnover  
range

## 04. Finding the most useful comparison group for your organisation

### 4.1 The ACE five regions (continued)



#### The ACE five regions: income in detail

##### INCOME SUMMARY BY ACE REGION (AVG % OF TURNOVER)

Figure 13

	London		Midlands		North		South East		South West	
Earned income total	36.4	33.9	36.4	34.6	33.5	32.7	33.9	36.8	36.5	36.5
Arts Council total (including capital)	38.3	38.6	42.0	40.8	40.2	39.8	40.4	40.0	36.3	38.6
Contributed income total	21.5	22.7	10.9	12.2	12.9	14.5	14.8	14.3	10.8	11.4
Other subsidy total (including capital)	12.3	12.9	16.6	16.4	18.3	17.7	16.7	17.1	19.8	18.5



2018-2019  
% OF INCOME



2019-2020  
% OF INCOME



- In 2019/20, the North region had the smallest earned income average at 32.7%, while the South East had the largest at 36.8%.
- The South East was the only region that experienced an increase in average earned income, from 34% to 37% of revenue. Other regions saw earned income in the last two years decrease between 1% (North) and 2.5% (London).
- The Midlands had the highest Arts Council England income in both years: 42% in 2018/19 and 40.8% in 2019/20.
- Arts Council England income as a proportion of total revenue varied between 38.6% (South West and London) to 40.8% (Midlands) in 2019/20.
- There was substantial variation in contributed income, which is explored below.
- All regions except London generated, on average, more than 16% of turnover from the other subsidy sources in the last two years. London region organisations generated, on average, 13% of their turnover from other subsidies.

# 04. Finding the most useful comparison group for your organisation

## 4.1 The ACE five regions (continued)



**CONTRIBUTED INCOME SUMMARY BY ACE REGION (AVG % OF TURNOVER)**

Figure 14

	London		Midlands		North		South East		South West	
One-off donations	4.6	5.4	1.9	2.3	2.6	2.8	4.3	5.2	3.5	2.7
Regular donations	4.7	4.5	1.5	1.4	1.9	2.1	3.1	2.7	1.4	1.3
Fundraising events	4.8	3.3	1.4	1.8	1.2	1.1	4.0	1.1	2.8	2.2
Sponsorship	5.6	5.8	2.5	2.5	3.7	3.8	2.5	2.3	2.4	2.7
Trusts	13.4	14.0	9.0	11.2	10.3	12.8	10.3	9.2	8.3	9.5
Total contributed income	21.5	22.7	10.9	12.2	12.9	14.5	14.8	14.3	10.8	11.4

2018-2019 % OF INCOME
  2019-2020 % OF INCOME



- Contributed income was proportionately worth twice as much to London organisations (with averages of 21.5% and 22.7% in the last two years) compared to other regions, where the highest average was 14.8% (South East 2018/19).
- Income from trusts, foundations and legacy bequests was the single largest source of contributed income for organisations in the last two years. In 2019/20, it was worth an average of 9-11% of turnover, except in London (14%) and North (12.8%).
- Sponsorship income ranged from 2.3% of turnover in the South East (2019/20) to 5.8% in London (2019/20). Organisations in London (6%) and the North (4%) had the highest proportions of sponsorship income in the last two years. For organisations in other regions, this was around 2-3%.
- For all regions except London, regular donations were worth 1-3% in both years. The average income from regular donations was worth 5% of turnover in London.
- One-off donations were worth 2-3% in both years in the Midlands, North and South West in 2019/20. London and South East organisations generated 5% of income from one-off donations.
- Fundraising events income was worth less than 2% in the South East, North and Midlands regions in 2019/20. In London and the South West, the average was between 2-3% in the last year.

## 04. Finding the most useful comparison group for your organisation

### 4.2 The Artform slice



#### Summary: Artform

- There was a wide variation in the average turnover in each sector. Art forms' average income varied between £610k (Literature) and £4.6m (Music).
- Organisations with more significant turnover tended to earn more of their income.
- The Theatre (41.0–38.5%), Dance (35.7–37%) and Music (39.9– 36.6%) artforms had relatively high proportions of earned income. Visual Arts organisations (30.0–28.0%) report low proportions of earned income.
- Museums (31% in 2019/20) recorded the lowest amounts of Arts Council England Funding as a proportion of their income. Museum NPO/MPM funding increased by five percentage points to 29.5% of turnover.
- Contributed income varied substantially. Literature generated 26% of turnover from contributed income, while Dance organisations recorded only 10% of income from contributed income sources.
- Other subsidy income also varied substantially. The Museums (30%) artform received the most other subsidy income – reflecting the strong historical ties between museums and local government. Literature, Dance, Music and Theatre received subsidies worth 10–13% of turnover.
- Two sectors report that average expenditure was larger than 100% of income in 2019/20. Museums (118.6%<sup>10</sup>) were substantial outliers, while the visual arts (101.1%) artform also recorded losses. Museums' average expenditure was driven by a small number of organisations with substantially higher expenditure than turnover. Museums' median expenditure (100%) was equivalent to total revenue – and this may be a better guide to the 'typical' organisation.
- Three artforms reported expenditures that fell as a proportion of income: Combined Arts, Music and Theatre, all of which reported expenditures lower than income in 2019/20.
- Fundraising ROI and the amount of unrestricted, undesignated funds varied significantly between the different art forms.

<sup>10</sup> If we look at the detail of the data on museums run by Local Authorities, we note that the subsidy from the Local Authorities is not necessarily stated as income which leads to the data showing a large excess of expenditure over income (over 400% in some cases). This is having a substantial influence on the average expenditure figure.

# 04. Finding the most useful comparison group for your organisation

## 4.2 The Artform slice (continued)



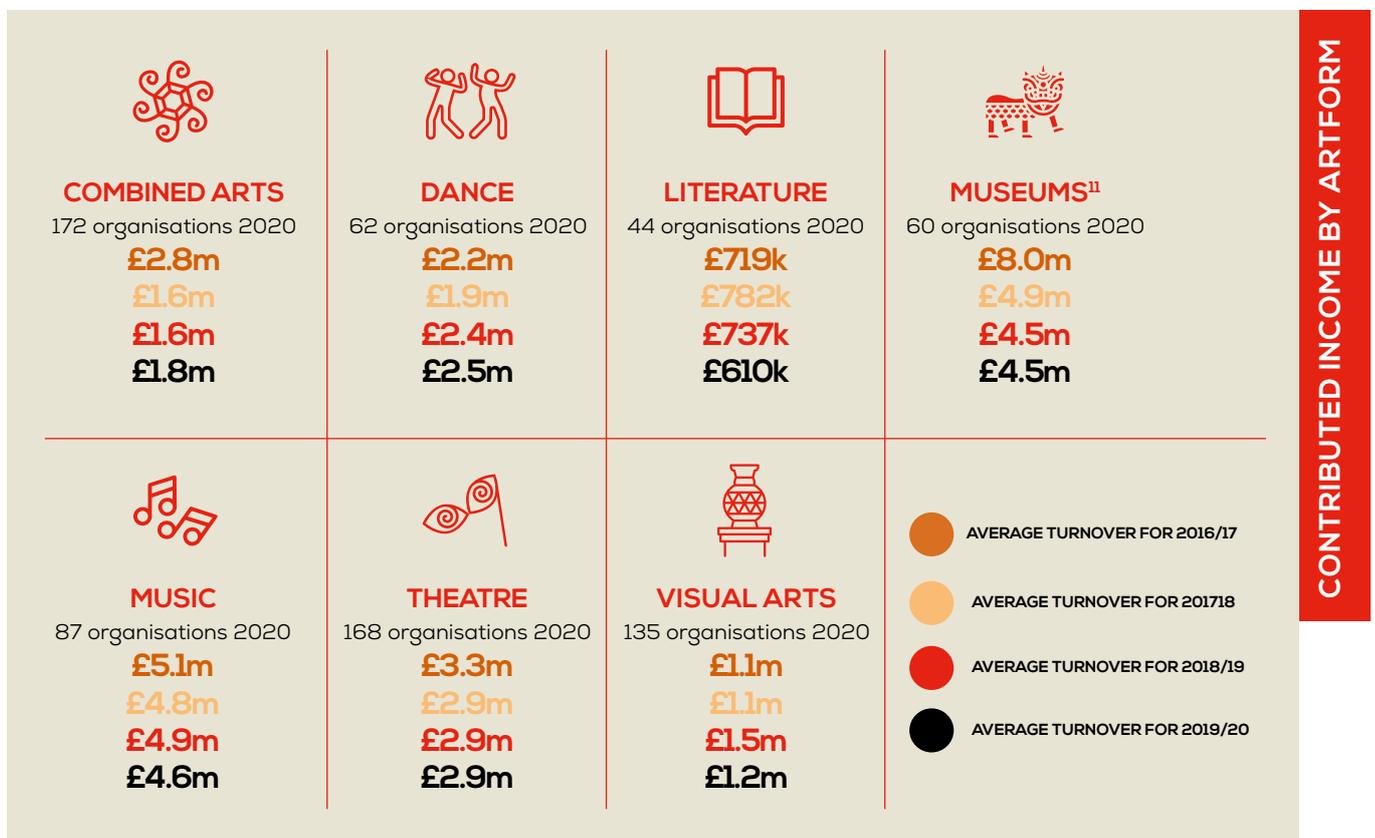
### Introduction: artform

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 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 comparing your organisation and others who may not be working from the same baseline of opportunity or challenge as yours.

Figure 15



<sup>11</sup> The number of museums in the benchmark increased from 20 in the first cohort to 63 in the second cohort, which appears in our data from 2017/18 onwards. Many of the new cohort were relatively small, which explains the marked change in turnover.

## 04. Finding the most useful comparison group for your organisation

### 4.2 The Artform slice (continued)



- The average turnover of museums (£4.5–£4.6m) and Music (£4.5–5m) was larger than in other artforms.
- The Combined Arts artform had the largest number of organisations (172).
- The Theatre artform had the second largest number of organisations, which in turn had an average income of £3m per annum.
- The Combined Arts, Dance and Visual Arts artforms comprised smaller organisations. In 2019/20, their average total income ranged from £1.2m (Visual Arts) to £2.5m (Dance).
- Dance was the only artform with an increase in average turnover in the last four years, increasing to £2.5m in 2019/20.
- The Literature artform had the smallest average income, at £610k in 2019/20. 75% of the organisations in this sector have a turnover of less than £766k. Organisations in this artform experienced a decrease in their average turnover over the last two years, from £737k to £610k.
- Over half of the Dance and Museums artform were medium and large.
- At least 59% of the organisations in the Combined Arts, Literature, Theatre and Visual Arts artforms were classified as small.

#### PROPORTIONS % BY ARTFORM

Figure 16

	 <b>Combined Arts</b>	 <b>Dance</b>	 <b>Literature</b>	 <b>Museums</b>
Small (< £750k turnover)	60	48	75	28
Medium (£750k–£5m turnover)	33	42	25	45
Large (>= £5m turnover)	7	10	0	27
Total	100	100	100	100

	 <b>Music</b>	 <b>Theatre</b>	 <b>Visual Arts</b>
Small (< £750k turnover)	53	59	64
Medium (£750k–£5m turnover)	28	30	32
Large (>= £5m turnover)	20	11	4
Total	100	100	100

## 04. Finding the most useful comparison group for your organisation

### 4.2 The Artform slice (continued)

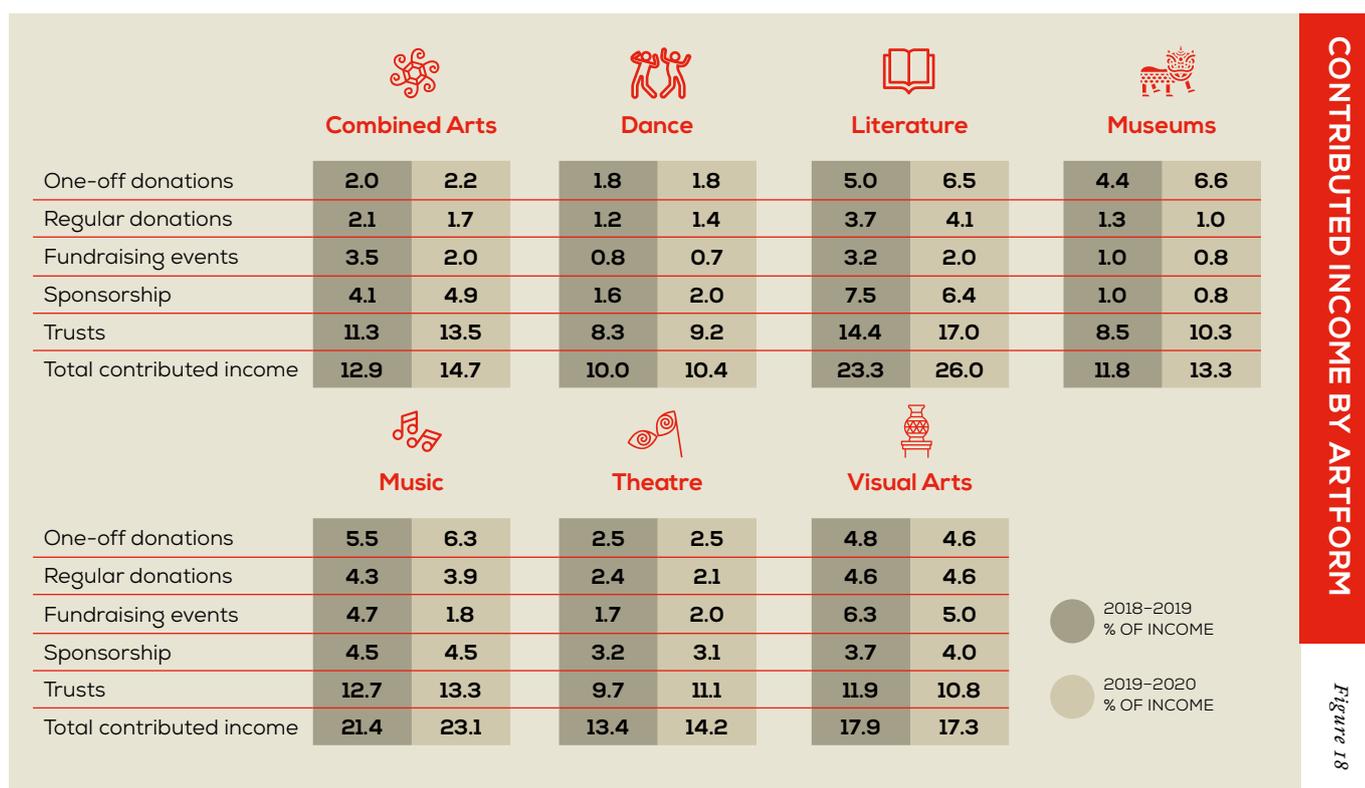
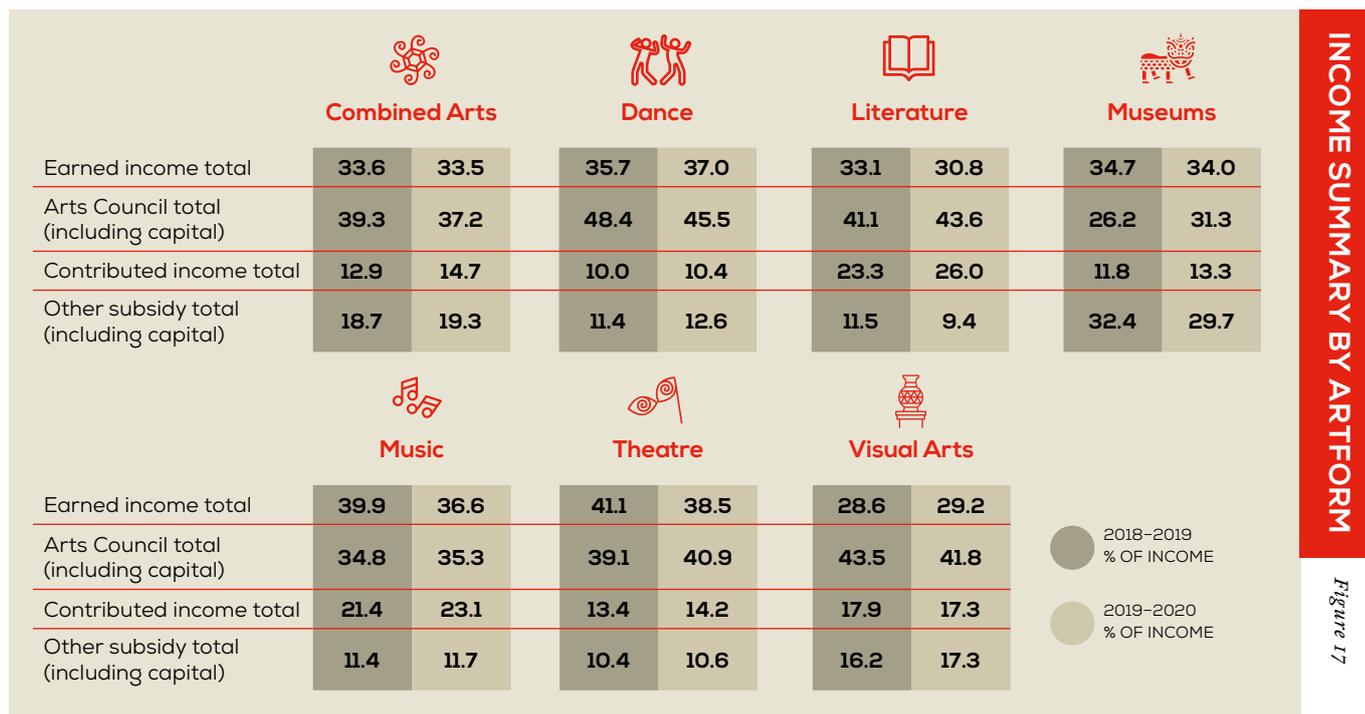


#### **Artform: income in detail**

- The Theatre (41-38.5%), Dance (35.7-37%) and Music (39.9-36.6%) artforms had the highest average levels of earned income. Organisations with more significant turnover tended to earn more of their income.
- Literature (30.8%) and Visual Arts (29.2%) organisations recorded the lowest proportion of earned income in 2019/20.
- Dance organisations received almost half of their income from Arts Council England funding. Arts Council England income accounted for a relatively low share of Museums (31.3%) and Music (35.3%) artform's 2019/20 turnover.
- On average, Literature and Music organisations generated 21-26% of turnover from contributed income. The average contributed income for organisations in the Dance artform was 10%.
- The level of other subsidy also varied substantially. Museums (29.7% in 2019/20) depended upon a high proportion of other subsidy for their income. Those in the Dance, Literature, Music, and Theatre artforms relied upon subsidy for an average of 9-13% of turnover.
- Trust income was the most significant element of contributed income across all art forms. In 2019/20, Combined Arts, Literature and Music generated 13-17% of their turnover from trusts. Dance organisations managed 8-9%.
- Sponsorship was relatively important to the Literature sector, accounting for, on average, 6-8% of turnover. Dance and Museums in the last two years received 1-2% income from Sponsorships.
- For Combined Arts, Dance and Theatre, one-off donations were worth an average of 1.8% (Dance) and 2.5% (Theatre). For Literature, Museums, Music and Visual Arts, this type of donation was worth 4.6% (Visual Arts) and 6.6% (2019/20 Museums) of turnover.
- The Visual Arts were more successful in generating a larger proportion of their income from fundraising events, with an average of 6.3% and 5% of turnover in the last two years.

# 04. Finding the most useful comparison group for your organisation

## 4.2 The Artform slice (continued)



## 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%). Organisations with publicly accessible buildings had an average turnover four times greater than those not running publicly accessible buildings.
- Operating a publicly accessible building shapes the business model of organisations. Those with publicly accessible buildings generated more turnover from earned income than Arts Council England Funding. Organisations without these buildings are more dependent on Arts Council England grants.
- Levels of contributed income, particularly sponsorship, were slightly higher in organisations without publicly accessible buildings. This could be a function of the smaller average turnover of this group.
- Other subsidy income and local authority grants were larger in organisations with publicly accessible buildings. Other public grants were larger in organisations without publicly accessible buildings.
- In 2019/20, expenditure as a proportion of income was, on average higher in organisations running publicly accessible buildings (106% vs 98%).

This group also spent more of their income on overheads (30.8%) than in organisations without this type of building (24.7%).

- The Fundraising ROI for organisations without publicly accessible buildings was almost double that of organisations with these buildings.

#### Introduction: publicly accessible buildings

- The decision to operate a publicly accessible building may not be a choice available to many organisations because of the funding needed to buy or renovate any such building. Running a publicly accessible building fundamentally impacts the structure of income and costs. It matters that you benchmark yourself against the right slice, e.g. touring theatre producers versus organisations running a performing arts building, as these are important subsets within the Theatre slice.
- In 2019/20, the average turnover of a portfolio organisation operating a publicly accessible building was 4.5 times larger than for those that did not.

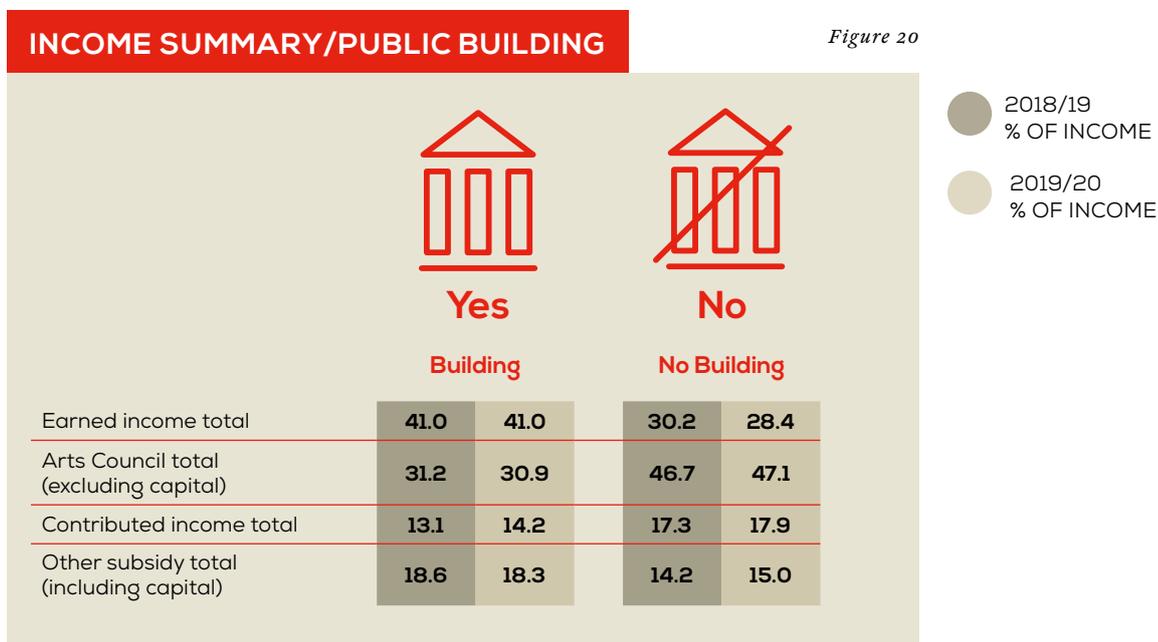
# 04. Finding the most useful comparison group for your organisation

## 4.3 Operation of a Publicly Accessible Building (cont/)



● AVERAGE TURNOVER FOR 2017  
 ● AVERAGE TURNOVER FOR 2018  
 ● AVERAGE TURNOVER FOR 2019  
 ● AVERAGE TURNOVER FOR 2020

### Building type: income in detail



# 04. Finding the most useful comparison group for your organisation

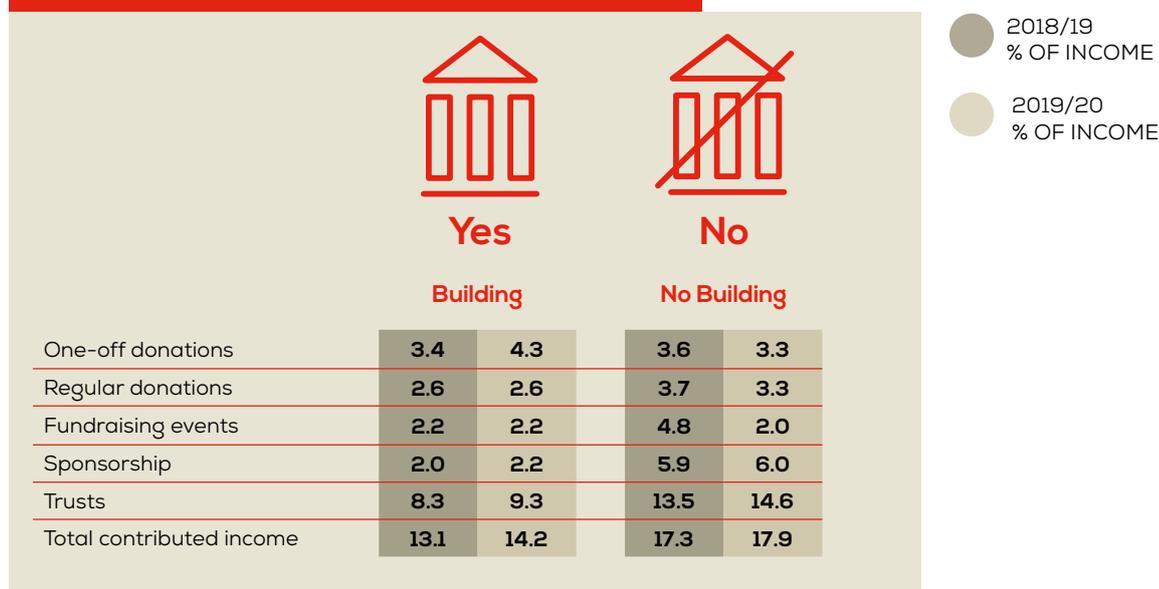
## 4.3 Operation of a Publicly Accessible Building (cont/)



- The average earned income for an organisation with a publicly accessible building (41%) was significantly larger than organisations without a building (28-30%) over the last two years.
- Organisations without publicly accessible buildings saw a 2% decrease in their average earned income in the last year. Organisations with buildings had stable earned income in the last two years.
- Organisations without publicly accessible buildings were more dependent on Arts Council England income. On average, almost half of the turnover of organisations without buildings came from Arts Council England. Arts Council England income was roughly one-third of their turnover for organisations with this type of building.
- In the last two years, organisations with publicly accessible buildings had funding from Arts Council England equivalent to 30% of their income. Organisations without a publicly accessible building also had stable levels of Arts Council England income at 47% in the comparison period.
- On average, portfolio organisations with publicly accessible buildings receive 13-14% of their income from contributed income. Organisations without publicly accessible buildings earn 17-18% of their turnover from this income source.
- Portfolio organisations with publicly accessible buildings earn 18-19% of their turnover from other subsidy. This is higher than organisations without publicly accessible buildings, where the average is 14-15% over the two years.

### CONTRIBUTED INCOME/PUBLIC BUILDING

Figure 21



## 04. Finding the most useful comparison group for your organisation

### 4.3 Operation of a Publicly Accessible Building (cont/)



- Trusts were the largest source of contributed income for both organisations, with (9.3% in 2019/20) and without (14.6% in 2019/20) publicly accessible buildings. Organisations without these buildings depend more upon income from trusts as a share of their income.
- Sponsorship was worth 6% of the turnover for organisations without publicly accessible buildings. For organisations with buildings, sponsorship was worth an average of 2% of turnover.
- For organisations with publicly accessible buildings, fundraising events were stable at 2% turnover in the last two years. Organisations without buildings saw income from fundraising events decrease from 5% of turnover to 2%.

## 04. Finding the most useful comparison group for your organisation

### 4.4 The turnover band slice



#### **Summary: turnover band**

- Over half of the organisations in the national portfolio (422) had a turnover below £750k. Fewer large organisations are in the portfolio: the £5m–£10m band has 41 organisations, and the >£10m has 38 organisations.
- 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 more than 2.5 times larger than for the <£200k group and double the proportion in the £200–£750k group.
- Organisations with an annual turnover below £200k were heavily dependent on Arts Council England funding, which accounted for almost two-thirds of income in 2019/20.
- Medium-sized organisations in the £200–£750k band are relatively dependent on trusts and foundations (15% of income).
- Overheads expenditure was a higher share of turnover in the lower income bands – approximately 30%. Organisations with more than £5m turnover spent an average of 20% on overheads.
- Total expenditure as a proportion of income was higher among the middle-income bands. For organisations in the bands covering the £200k–£5m range, average expenditure exceeded average income.
- The smallest organisations achieved fundraising ratios that were substantially higher than larger organisations. The lowest two income bands saw their fundraising ROI improve in 2019/20: the £>200k group saw ROI more than double to 33.6:1, while the £200k–£750k ROI increased from 12.6:1 to 14.3:1.
- Our analysis of balance sheet data suggests no direct correlation between income bands and financial stability. The £2m–£5m turnover band has the highest average net and total current assets as a percentage of turnover in the last year.

## 04. Finding the most useful comparison group for your organisation

### 4.4 The turnover band slice (continued)

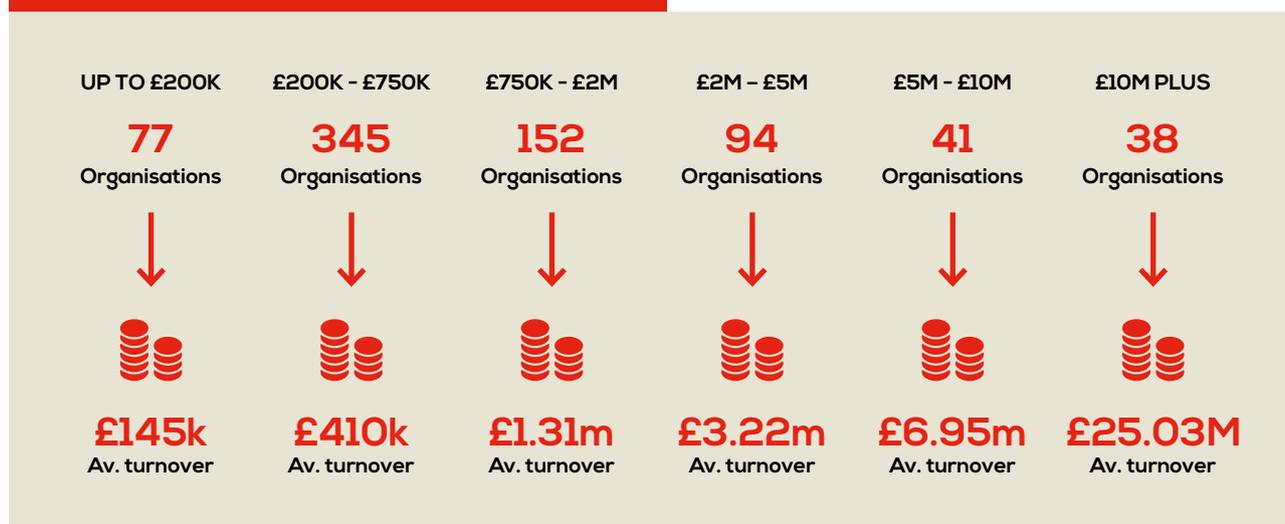


#### Introduction: turnover band

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.

#### AVERAGE TURNOVER BY BAND IN 2020

Figure 22



- The £200k - £750k slice contains 345 organisations, almost half of the total cohort in 2019/20. The £750k-£2m band was the second largest group, with 152 organisations. Together, these two bands are three-quarters of all organisations in the portfolio.
- There was a positive correlation between an organisation's size – as indicated by the turnover band – and the proportion of earned income.
- As organisations grow in income, earned income accounts for a more significant percentage of turnover – from 20.4% in the <£200k band up to a maximum of 54.5% in the >£10m band in 2019/20.
- Between 2018/19 and 2019/20, average earned income for the <£200k and >£10m income bands decreased by four percentage points.
- There was a negative correlation between size and Arts Council England Income. The largest organisations received the lowest proportion of income from Arts Council England (17.8% for >£10m and 18.7% for £5m - £10m in 2019/20). Organisations with an annual turnover below £200k were much more dependent on Arts Council England funding. It accounted for 62.7% of income in 2018/19 and 64% in 2019/20.

# 04. Finding the most useful comparison group for your organisation

## 4.4 The turnover band slice (continued)



### Turnover band: detailed income breakdown



2018-2019 % OF INCOME
  2019-2020 % OF INCOME

## 04. Finding the most useful comparison group for your organisation

### 4.4 The turnover band slice (continued)



#### CONTRIBUTED INCOME BY TURNOVER BAND

Figure 24

	 <£200k		 £200-£750k		 £750-£2M	
One-off donations	2.8	2.3	2.8	3.0	4.0	4.6
Regular donations	4.1	2.7	3.1	3.1	2.6	2.5
Fundraising events	3.2	2.5	4.5	2.9	2.7	2.0
Sponsorship	4.2	3.5	5.3	5.1	4.3	5.0
Trusts	10.5	11.2	13.2	14.8	13.3	13.4
Total contributed income	10.8	11.1	16.4	17.7	18.3	18.6
	 £2M - £5M		 £5M - £10M		 >£10M	
One-off donations	4.4	5.5	4.4	3.7	4.0	5.6
Regular donations	2.4	2.5	4.5	2.7	2.3	4.4
Fundraising events	3.0	2.0	0.8	1.0	1.1	1.2
Sponsorship	1.5	1.3	3.3	2.6	1.8	2.7
Trusts	7.4	7.7	4.4	5.5	3.2	3.3
Total contributed income	13.9	13.3	13.0	12.1	10.7	14.9

2018-2019  
% OF INCOME

2019-2020  
% OF INCOME

# 04. Finding the most useful comparison group for your organisation

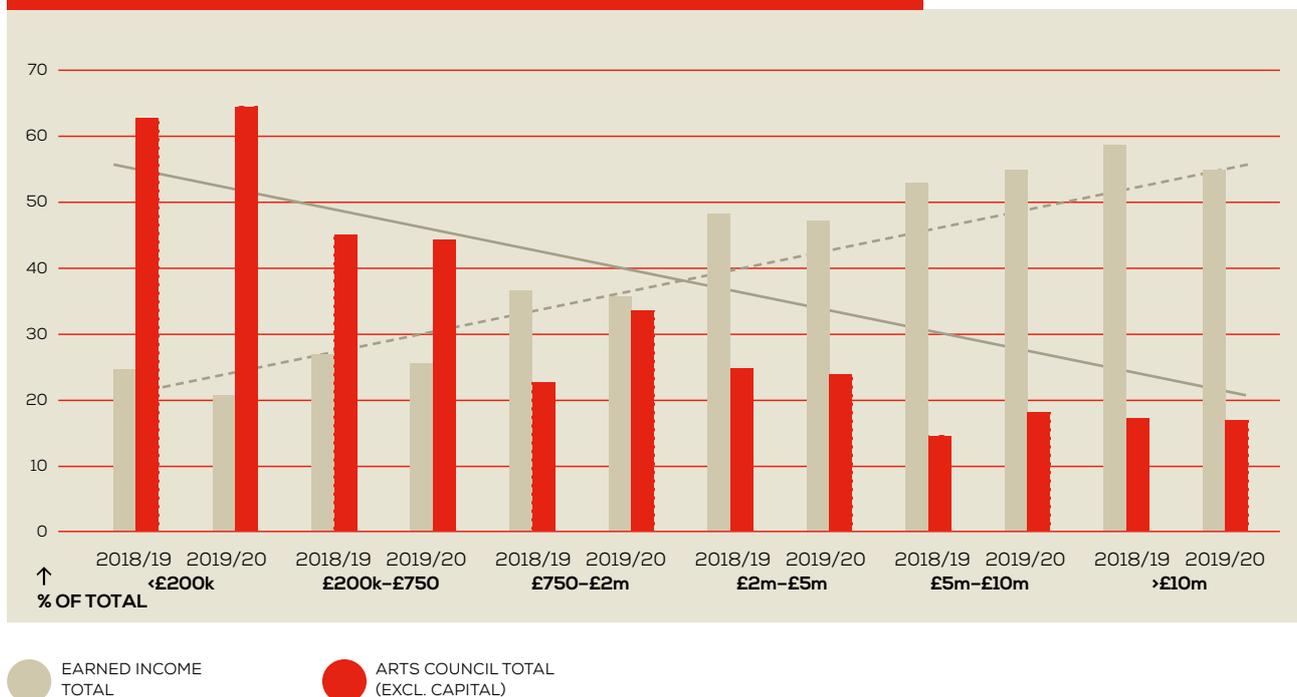
## 4.4 The turnover band slice (continued)



- For organisations <£2m, the largest proportion of contributed income is from trusts and foundations. This peaks at an average 14.8% of turnover in 2019/20 for organisations in the £200k-£750k range.
- Trusts account for a lower proportion of income in larger organisations. In 2019/20, the >£10m income band gained 3.3% of their turnover from trusts.
- For organisations with an income greater than £10m, one-off and regular donations were the largest sources of contributed income and generated between 5.6% and 4.4% of income in 2019/20, respectively.
- Smaller organisations generated relatively higher proportions of sponsorship income. For organisations with less than £2m income, this was worth 4-5% of turnover in 2019/20. The £2m - £5m turnover band generated 1% of their turnover from sponsorship. The organisations with turnover higher than £5m generated 3% of their turnover from sponsorship in the last year.
- In 2019/20, organisations with a turnover below £750k generated 2-3% of income from one-off donations. Larger organisations generated 4-6% of income from these donations.

**EARNED INCOME VS ARTS COUNCIL INCOME (INCLUDING CAPITAL), BY INCOME BAND, 2018/19 AND 2019/20**

Figure 25



● EARNED INCOME TOTAL

● ARTS COUNCIL TOTAL (EXCL. CAPITAL)

**Section 05**

**Conclusion**

**05**

## 05. Conclusion

### 5.0 Conclusion



**This concluding section highlights several topics that those seeking to benchmark their organisation may wish to consider. It aims to prompt discussion about your organisation and its business model.**

#### **Keep in mind the big picture**

The *Cause4* Arts and Culture Fundraising Benchmark now covers five years. For the national portfolio as a whole, this suggests some medium-term trends. However, we are conscious that a changing portfolio of organisations is in and of itself a message from our analysis.

Nevertheless some ratios in the income mix were relatively unchanged, such as the importance of Arts Council England funding in the overall turnover mix and the difference that owning a building makes to your organisation's business model and benchmarks.

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 portfolio's direction. That is potentially helpful, particularly if you think Covid-19 accelerated existing trends rather than simply disrupting 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 both similarities and substantial differences between sizes and types of organisation.

For example, South West organisations turnover averaged £1.7m in 2019/20, equivalent to 66% of the figure for the South East. Turnover in Dance organisations was more than double that in Visual Arts organisations in 2019/20. Arts Council England funding was almost two-thirds of income in the <£200k income band but less than half in the £200k–£750k band – so if your turnover has changed in the last year, the relevant benchmark may differ. Finding the right comparator group matters.

## 05. Conclusion

### 5.0 Conclusion (continued)



#### **Has earned income peaked?**

The benchmark reports the importance of earned income to the portfolio. More than nine in ten organisations generated earned income in 2019/20, on average, producing over one-third of their turnover. For museums, or those operating publicly accessible buildings, earned income exceeded Arts Council England funding as a proportion of income.

However, as a proportion of total revenue, average earned income is a smaller proportion for the portfolio in the two most recent years. This reduction in the national average is relatively small. And while a peak in 2017/18 may reflect a different group of organisations, it may also be the case that this marked the beginning of a trend that the pandemic accelerated.

The benchmark slices show wide variations in earned income across the portfolio, both within and between regions, art forms and turnover band. Organisations in London, smaller organisations – most likely those not operating a public building – and the largest organisations saw the largest reductions in earned income as a proportion of their overall income.

We know that trading activities took a substantial hit in many organisations during the pandemic as venues closed and people stayed home. Whether this also reflects pressures on earned income that existed before the pandemic is a question that needs further attention. 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: the improvement in ROI continued**

The benchmark suggests that the average spend per organisation on fundraising increased by almost £10,000 compared to 2018/19. For the two-year period for which we have a relatively constant

## 05. Conclusion

### 5.0 Conclusion (continued)



cohort of organisations, the average gross fundraised income increased, but the net raised fell as organisations invested in fundraising. Over the longer term, the portfolio's average net amount raised by organisations is lower.

The fundraising ratio was higher in 2019/20 than in any previous year. Amounts or ratios for individual years should be viewed cautiously: campaigns run over multiple years, with returns over even longer periods. Increasing fundraising spending in the current year is not guaranteed to generate increased returns in future years, a picture likely to be complicated by the pandemic.

#### **Size matters**

Some of these differences between artforms or regions reflect the composition of those slices, particularly the turnover of organisations. 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. However, earned income contributed around one-half of turnover for organisations that had reached a turnover of £2m or more. This suggests that it is worth looking at turnover in combination with other filters, such as artform, when benchmarking.

#### **Rising expenditure: were rising overhead costs a problem?**

The focus of this benchmark is income and fundraising. It is nevertheless important to highlight the importance of benchmarking expenditure and costs, particularly as concerns regarding the cost of living have dominated post-pandemic. Understanding baseline expenditure is important.

Over the five years for which we have data, we observe a difference between the cohorts. The cohort covered by the first two years of data had an average expenditure below turnover. The new cohort in the subsequent period reported average spending that exceeded turnover, suggesting that the average organisation in the

## 05. Conclusion

### 5.0 Conclusion (continued)



new portfolio was running a deficit. If this is a trend – rather than a change in the type of organisation in the portfolio – then the drivers of this increase are not easily identified, particularly as this data does not identify spending on staff costs which is often the single largest area of expenditure for an organisation. For the latest years, we can point to small increases in the share of fundraising costs and, more significantly, increases in average overhead costs.

We are aware that rising inflation across several cost areas is causing substantial problems for portfolio organisations and the wider economy. But it may be the case that some of these challenges were emerging pre-pandemic – and that these cost pressures are now accelerating.

#### **Financial resilience: not as much in reserve?**

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 relatively healthy, with average reserve levels of almost 15 weeks significantly above the 26-week recommended level. We note, however, that this is a reduction compared to the previous year.

For the majority of the portfolio, the situation is somewhat different. Using the median as an indicator, portfolio organisations typically held just short of eight weeks' worth of expenditure. This is lower than the 26-week recommended level, particularly given the length of lockdown periods that we know subsequently occurred, even if not all income streams were affected.

#### **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. 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.

## 06. Appendix: methodology

### 6.0 Appendix: methodology



#### **Source data**

The data is sourced from the Arts Council England provisional annual data release 2019–20. This dataset draws on the annual survey completed by all the national portfolio organisations (NPO). All the years up to and including 2019 use ‘certified data’. Analysis for 2020 uses ‘provisional data’. This, in effect, means that in next year’s report, the 2020 values are subject to change.

#### **The changing composition of the National Portfolio**

The portfolio of organisations we are benchmarking has changed over time. In particular, the 2018–2022 funding saw changes in the portfolio, meaning that differences in benchmarks were likely to reflect a different group of organisations – and not just organic change. Throughout this report, we refer to 2015/16, 2016/17 and 2017/18 only if there is a clear five-year trend. We think that changes between 2018/19 and 2019/20 are more reliable – though it is still the case that our most recent year is provisional data.

#### **Exclusions**

We have excluded several categories of organisation from our analysis. The libraries artform has been excluded because they are within the control of local authorities. As such, their finances are difficult to disaggregate from those of their

parent body. Secondly, we have excluded non-artform specific organisations as these are infrastructure organisations rather than ‘front line’ organisations.

#### **Outliers**

The portfolio includes several large organisations, including museums and the larger national arts organisations, which can have an undue influence on our benchmark averages. Using median values instead of mean averages is one way to address the influence of these outliers; another is to use a ‘trimmed mean’ that excludes the top and bottom 0.5% of values – 1% of the portfolio in total – or the top and bottom 2.5%. Our web dashboard displays median and mean values and enables you to trim the means.

#### **Financial reporting by portfolio organisations and Arts Council England**

Several challenges relate to the financial reporting by portfolio organisations and, in turn, Arts Council England. Organisations controlled by local authorities, specifically museums, in some cases are not reporting ‘core’ income despite reporting costs, which suggests that they are running large deficits. We have attempted to address this in our reporting.

## 06. Appendix: methodology

### 6.0 Appendix: methodology (continued)



A second challenge is the treatment of capital funding. Arts Council England no longer disaggregates capital funding, and as such, some organisations' income appears much higher than expenditure. Accounting rules require reporting such funding in the year received, even though it is spent over multiple years. This inevitably means there is likely to be more variance in the data and a greater number of outliers in the Arts Council England-specific data.

#### **Lossmaking organisations**

We continue to benchmark the proportion of organisations that make a surplus or deficit as a key indicator for the portfolio. The inevitable critiques of such a binary indicator are that a loss of £1 is as bad as a loss of £1m; and that aggregating small losses (common in small portfolio organisations) might create a misleading impression. We will address this in future reports by introducing a breakeven category equivalent to zero +/- x%.

We currently report that 44% of organisations had a deficit in 2019/20, and 56% had a surplus. By way of illustration, around 25% of portfolio organisations fall within +/- 2.5% of breakeven position. If this third breakeven category was applied, the proportion with a deficit would be similar (40%), while the proportion with a surplus would be much lower, at 34%.

#### **Benchmarking and slicing**

MyCake has developed a benchmarking approach that turns individual answers on topics such as how much an organisation raised from contributed income into a set of percentages, making it easier to compare organisations of different sizes. This includes the development of slices based on size and other criteria.

The *Cause4* and MyCake teams can build bespoke slices using a handpicked cluster of organisations and work with you to identify the most appropriate segmentation to support meaningful analysis.

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

