power to change | business in community hands

Follow the Money

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SUPPORTED BY:

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About this report

Power to Change is an independent trust, whose funding is used to strengthen community businesses across England. At a time when many parts of the UK face cuts, neglect and social problems, we are helping local people come together to take control, and make sure their local areas survive and stay vibrant.

A note on the PtC Research Institute:

Power to Change has a vision of better places created through community business. The Research Institute seeks to support this vision by commissioning high-quality research, promoting rigorous analysis and stimulating critical scrutiny and debate.

MyCake Ltd is a small and very specialised company based in the UK which focuses on developing and delivering business information tools and services to meet the needs of small to medium sized organisations in the Creative Industries, Cultural Industries and Third Sector.

Our core products are based around harnessing the power of the financial information all businesses and non-profit organisations produce in the course of their day to day activities. We do this through partnerships with book-keeping service providers such as Kashflow and through in-house development of online benchmarking tools.

We've been running benchmarking systems since the early 1980s and took them online in order to increase data security and enhanced customer service in 1998. Working under the Primenumbers brand this grew into a suite of tools in the Agricultural and Agrifood industry which set the gold standard for mass participation benchmarking systems. In 2011 we launched the Culture Benchmark to meet the growing needs of the non-profit Culture Sector as it went through radical changes in business models in response to grant funding cuts. Clients include national sector bodies, local and national government departments as well as individual companies and organisations. Throughout all of this we've set a code of practice which ensures that the individual raw data provided by participating organisations remains owned by the companies that provide it.

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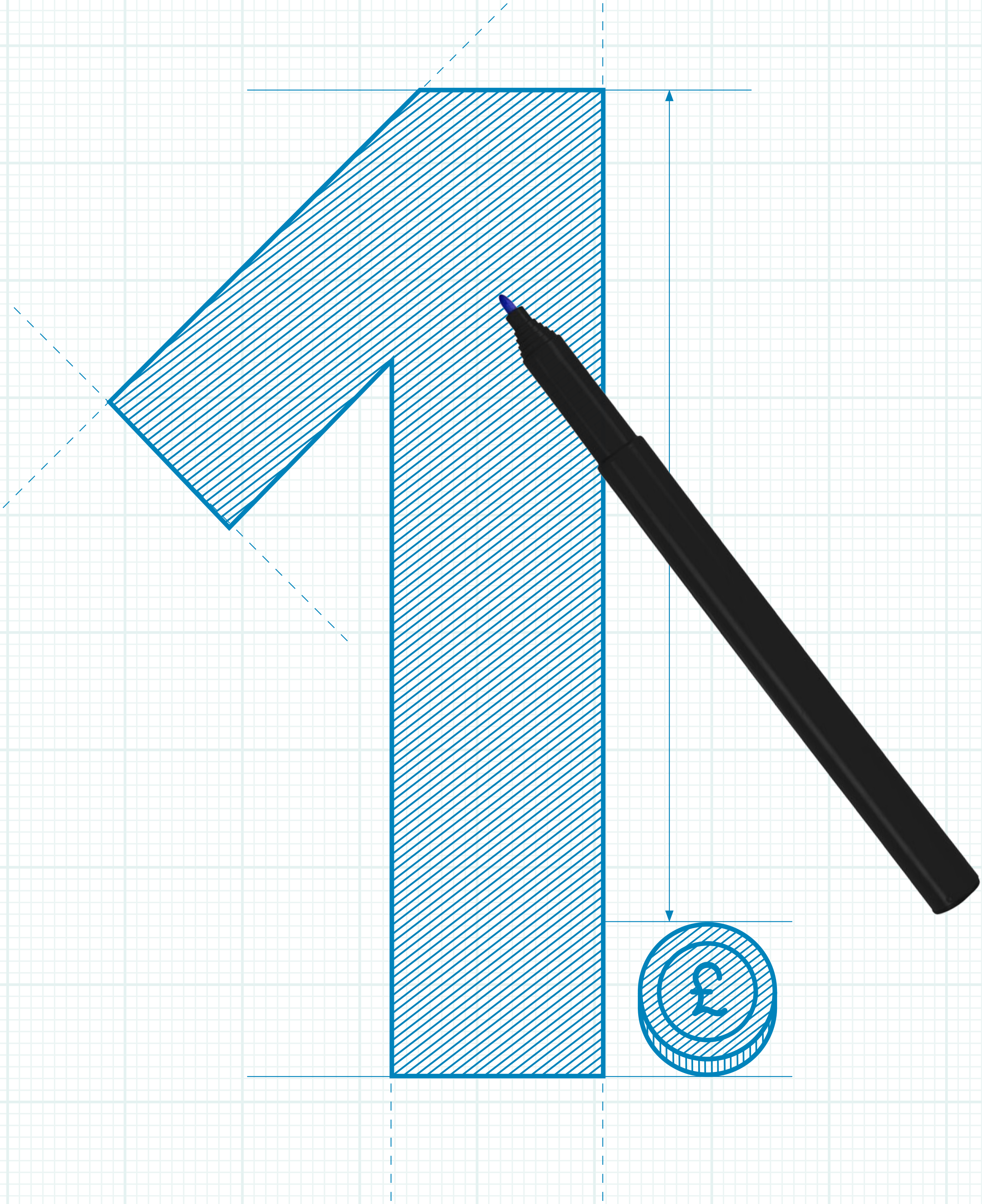
1. Introduction



Power to Change has commissioned MyCake to undertake a benchmark analysis of the business models of the non-profit community businesses it seeks to support.

This report provides an introduction to the approaches we have used and the types of results this work is delivering. This in turn is intended to feed into discussions about what good, better and best is in terms of financial models and sustainability so that we can continue to develop the mechanisms by which Power to Change supports the sector.

The scope of the benchmarking study is the years of 2012-13, 2013-14 and 2014-15. This report covers a brief comparison of the high level annual data for all three years and then focuses on a set of slices of data which allow us to look at a series of factors which we think will have an influence on the business models being operated – sector, turnover, geographic region and the legal structure. A second report will be published covering the 2013 and 2014 years in more detail once the data entry and analysis has been completed for these years.

1.1 What is benchmarking and comparative data analysis?

Benchmarking and other forms of comparative analysis are simply means of measuring the relative performance of an organisation. This usually entails using an agreed set of definitions or criteria across the comparison set. The league table of countries and their tally of Olympic medals is a simple form of benchmark where the agreed definitions are the gold, silver and bronze medals. The importance of the agreed definitions is that it means that you know you are comparing apples to apples – vital if the comparison is to be meaningful!

Indeed any time when discussions about 'best practice' move from the use of prose to convey qualitative information to the use of figures then we are essentially shifting the debate into a benchmarking discussion.

As benchmarking requires the existence of robust data it tends to follow on from work undertaken to establish common measurement criteria and processes of regular measurement & reporting. The three key areas in which Power to Change is establishing common measurement criteria with a plan to benchmark against these going forward are:

- Analysis of customer satisfaction
- Benchmarking of business models, income diversification and cost management
- Analysis of key social indicators with regional and national comparator datasets, including trust

All of these will be delivered by Twine: www.twine-together.com.

1.2 Why is benchmarking useful?

Simply put benchmarking helps you define what 'good' and 'best' mean in a particular field of activity. You can then work out how you stack up against 'best in class' and make informed decisions about what improvements are needed.

Without a benchmark it is likely that when planning the next year's budget or estimating the audience figures when building your forward plan that you will work on the basis of 'like last year but plus/minus a bit'.

However if you are planning to establish a new set of income generating activities for which you have no previous years' data how do you set your first goals? How do you know if these are realistic? For example – if you were wanting to establish a community café in your building you'd probably go and have a look at a few other organisations and their cafés. With luck you'd have a chat with the folks who run them and talk about the pros and cons. These folks might also share some of their key learnings about what makes for a profitable and sustainable café which contributes both footfall and profit to the organisation as a whole. However with the best will in the world such conversations aren't really enough, not least because people tend to talk about their successes, not their painful mistakes and because it is hard to see whether the risk profile of the individuals and organisations you are talking to is similar to or different from your own – perhaps these organisations have more of a financial cushion than you do so can afford to take longer about achieving profitability, perhaps they have more specialist skills on their board e.g. people with hospitality experience, perhaps their location is better etc. So what you really need in this case is a set of comparisons to many community cafés so that we can work out what the average looks like as well as the best in class and the minimum for it to work financially. You just can't get this from visiting a handful of community cafés. So this is why benchmarking is useful when considering new activities – it helps you work out whether if you hit the 'average' you'll be achieving a suitable return on the investment or whether it really only works for you if you become best in class at it? This helps you decide if the risk is worth it and whether it is a sensible route to pursue by comparison to your other options for income development.

Benchmarking data is therefore useful to all organisations to inform strategic decision making, to underscore their achievements when reporting to funders and other stakeholders and to identify areas where improvement is required. It has value in setting targets for improvement in current activities as well as making plans for new income strands.

1.3 Internal benchmarking for management purposes

Just how different would your senior management team and board meetings be if instead of saying ‘we need to win more grant applications’ or ‘we need to do something about raising donations and sponsorship’ you could start with something like ‘the average percentage of income achieved from Trusts and Foundations for an organization of our size, sector and profile is 15% of turnover. We are currently achieving 5% from these sources – can we discuss how we get from 5% to 15% in the next 1-2 years?’ Or alternatively ‘We are already in the top quartile for income achieved from donations so whilst we will aim to grow it we can now focus our attention on our earned income approaches.’

The latter feels far more confident, more focused and more in control of the factors that are affecting the success or failure of the organisation. This is the crux of the matter. Benchmarking your organisation helps you to become clearer not just about what your strengths and weaknesses are (you probably have a good intuitive knowledge about these) but the scale of these strengths and weaknesses and thus the size of the mountain to be climbed. This helps you prioritise your activities better as you have a quantitative understanding of the difference between make or break activities versus nice to haves. In summary, the internal uses of benchmarking and comparative data are:

– A quantitative understanding of your strengths and weaknesses (versus your peers)

– Identifying areas where improvement is needed and clearly defining the scale of the change you wish to make

– Informing plans to diversify income, manage costs and develop audiences

– Helping to set goals that are more than ‘plus a bit, minus a bit’ and instead are based on progress towards best in class

1.4 External benchmarking for messaging to stakeholders

One way to think of the role of benchmarking when talking to people outside your organisation is to think of it as a way to underline your key messages. In the main, data is not a substitute for fine prose but it does help drive a message home. How much stronger would your message be if instead of saying that you've been growing the income you achieve from royalties, you could say that whilst the national average for community businesses when it comes to income from intellectual property is 1% of turnover you are already achieving 2% and it is set to continue to grow.

This sort of message that communicates your successes is great for talking with funders both public and private. Such soundbites can be reproduced by funders in their own reports and are very memorable when communicated verbally in presentations.

If you rely heavily on a cohort of volunteers then using comparative data to focus their attention on something like, raising income from the café, or increasing the number of people who buy the ticket that includes the gift aid donation, is a useful approach. It works because you can show a before and after and therefore the volunteers can see the impact of their actions and can measure the successes more easily.

For some individuals data is the preferred way to receive information e.g. individuals located in finance departments with less direct knowledge of community businesses or those based in the Treasury at a national level through to the finance departments of Local Authorities. These are individuals who are used to interpreting figures to reach their conclusions and find this easier than reading prose explanations. It is therefore very useful to be able to communicate both in prose and in figures – treat it as if you are speaking two different languages and choosing your language depending on who the other party is.

In summary, benchmarking can be used with stakeholders in the following ways:

– Communicating your achievements

– Making stronger funding applications

– Galvanizing volunteers and members around key issues/challenges

1.5 The importance of benchmarking against a peer group

It matters who you compare yourself to. If you are running a community business that doesn't have a public space it is unlikely to be wildly useful to compare yourself to a Community Hub, as the differences will vastly outweigh the similarities. Having said that whilst you might be interested primarily in a comparison against your immediate peers, there may also be times when you are in an aspirational mood and you decide that a comparison against a group of organisations who are already doing something that you aspire to will tell you more than just a comparison against the usual suspects. So how do you choose who to compare yourself to?

It is worth thinking about who you consider your peers to be. You are aiming for a list of 10-20 organisations who are roughly similar to you in what they do, how big they are, whether they are located in an urban or rural setting and whether they are in London or not. Think of this as your 'home group'. You can then keep an eye on how your 'home group' varies by comparison to the national average. You'll find that this report explores several possible definitions of what your home group might be – geographic region, turnover levels, legal status and sector – and finds that some of these are more useful than others (geographic region for example doesn't seem very useful, but sector does).

1.6 Who is using benchmarking now and what are the trends in using benchmark data going forward?

Benchmark data is a core element of many Business Information services provided to the commercial sector. NCVO analyses financial data on a sample of its members annually to inform its policy making work and to report back to membership on key sector trends. MyCake established the Culture Benchmark in 2011 which now holds financial profit and loss data on some 1500 organisations (mostly in the UK but with small clusters in Scandinavia, France, Australia and MENA) and in 2013 the Arts Council England started releasing its annual data set so that the sector could start to develop its own data-based decision making approaches.

Whilst any organisation can source a few pieces of data for comparative purposes the level of work required to establish a sector benchmark is, quite understandably, beyond the capabilities of any one organisation. It is this sector overview and development remit that Power to Change is so well positioned to provide. Better business information and benchmarking tools serve not only the organisations delivering benefit on the ground but also helps organisations such as Power to Change improve their due diligence methods when reviewing grant applications. Benchmark data is a common part of many investors due diligence approaches whether we are looking at for-profit or social investing.

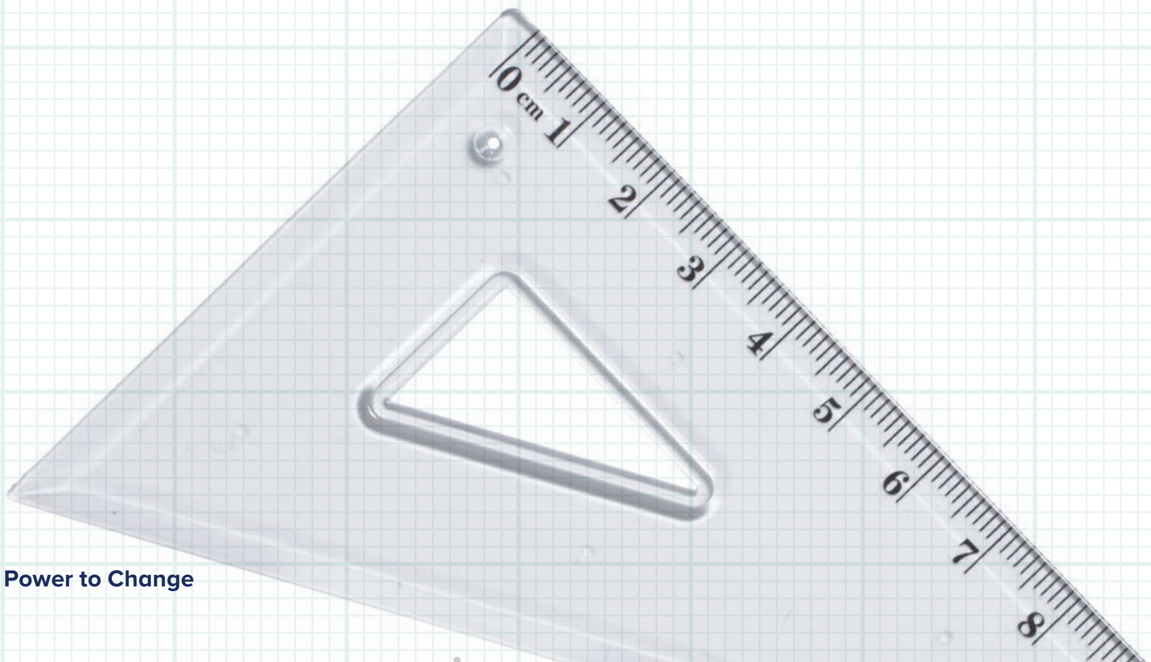
1.7 How can you start benchmarking now?

In order to start benchmarking you need to answer three key questions:

– What comparisons would be the most useful to your organisation now?

– What data do you have to hand?

– What data can you get hold of to compare yourself against?



1.8 What should you consider benchmarking?

You do need to know how your business model stacks up vs. your peers, you also need to know how you compare when it comes to your largest sources of income and customers. On that basis we recommend benchmarking your business model first in order to set a baseline for a more detailed comparison of your key income sources, and your on and offline customers.

If you have specific plans for either a cost cutting exercise or a new income stream add this to your benchmarking shopping list.

1.9 What are the key ratios to look at?

This is where the devil is in the detail. Rather than give long explanations on the pros and cons of different ratios where the answers would need to be nuanced to cover variations in sector, size and geography, lets just pick a top 7 to be getting on with:

– Equity ratio – this is the reserves as a percentage of total revenue income and thus an indicator of the resilience of the organisation as a whole

– Revenue concentration – how dependent are you on one or two core funders? What is the highest percentage of income from a single source?

– Administrative cost ratio – this is the overheads as a percentage of total revenue and it reflects the flexibility of your cost base

– Profit margin – this is the surplus or profit as a percentage of total revenue income

– Robust revenue model – the percentage of total income that is classified as ‘earned income’ i.e. non-grant income

– Intangible assets – is there anything for this line in your balance sheet? What percentage of your net assets or net current assets is it?

– Asset utilisation – the ratio of fixed assets to total income

1.10 What data of your own do you need to get going?

Now you need to locate your organisation’s data. There is a fair chance that you will have one or more of the following types of data in your organisation:

– End of year report and accounts

– Data you’ve submitted to grant funding organisations

– Audience and or box office data

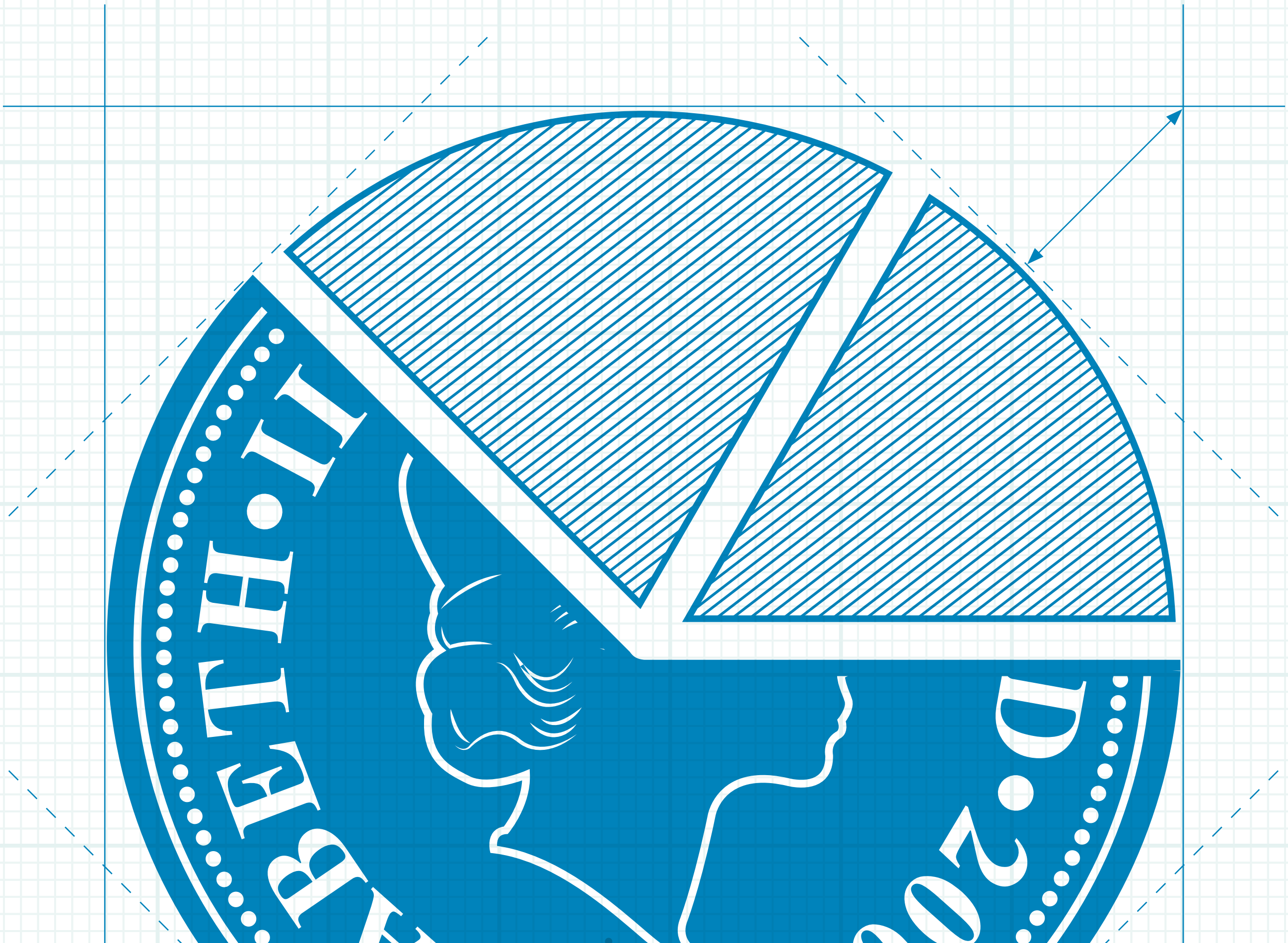
– Online and social media data

It is worth working out what period to look at. For accounts information annual data is the place to start but you might want to look at monthly or quarterly data for customers.

1.11 What benefits are accruing to those who do benchmark?

Looking at the organisations and clusters who are already benchmarking there are a number of benefits that are accruing to them as a result of their work:

- Goal setting (e.g. income development, cost cutting) becomes more pragmatic and realistic as it is informed by better data. This is particularly valuable in areas like donations and sponsorship where there is a prevailing opinion that this is a growth area but the real benefits are much more variable and are only substantial in certain circumstances
- Greater clarity within the organisation on how business models in the arts tend to change as the turnover increases or decreases
- More detailed understanding of how the 'best in class' achieve their successes
- Access to a succinct, fact-based summary of the organisation's greatest strengths and weaknesses
- Greater familiarity within the senior management team of the key ratios and comparison points for the organisation and more regular checking of progress
- Greater visibility with and respect from funders
- Greater visibility as leaders who are using all the resources available to them to continue to develop their organisation in a tough economic climate e.g. the Common Practice cluster



2. Data approaches & Methods

The data is sourced from the annual accounts of organisations who have either received a grant from Power to Change or who applied to one of their grant programmes. These are obtained either directly from the organisation or from the Charity Commission website. As the annual accounts of the smallest non-profit organisations are not necessarily submitted in the same level of detail to the Charity Commission and may or may not be published by them it is generally a little harder to obtain there is likely to be a certain skewing in the data. We will be working to balance this out in reports going forward.

This report therefore is a first pass at a process of looking for patterns in the data both as high level comparisons between years and more detailed comparisons within the 2015 data set.

Once the 2013 and 2014 applicant data has been added we will revisit this report and add in reporting on the filtered data slices.

In the main the numbers quoted will be the average percentage of income for a line of income or cost data. Where appropriate we may contextualise this with max, min or top quartile data as additional reference points.

2.1 Use of Denominators

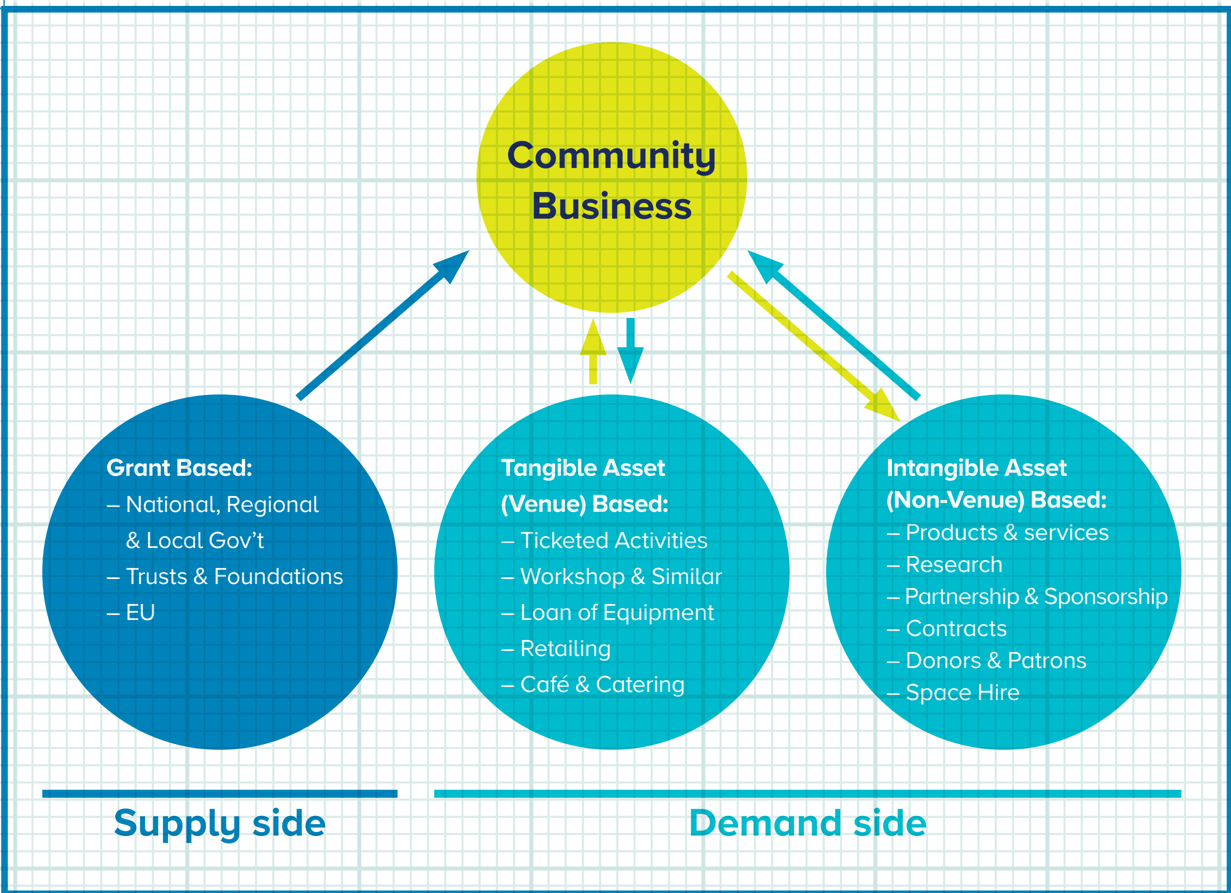
When there is a great variation in the turnover of the largest and smallest organisations in a data set it becomes necessary to find a way to enable comparison more easily than simply showing the data in its raw state as £. Simply showing £ becomes meaningless if some organisations are turning over £10,000,000 and others £100,000 – for example saying that organisation A has a turnover of £200,000 and receives £90,000 in grants but organisation B has a turnover of £10m and receives £3m in grants leaves the reader to work out which one achieves a higher percentage of their total income from grants.

So to make comparison easier we need to find a suitable denominator. Our preference is to show all Profit and Loss data as a percentage of total turnover. On the example above that means we'd show organisation A as having 45% of turnover accruing from grants and organisation B as 30%. As you can see it becomes much easier to answer the question of which organisation achieves more of its income from grants than if we have to do the maths in our heads!

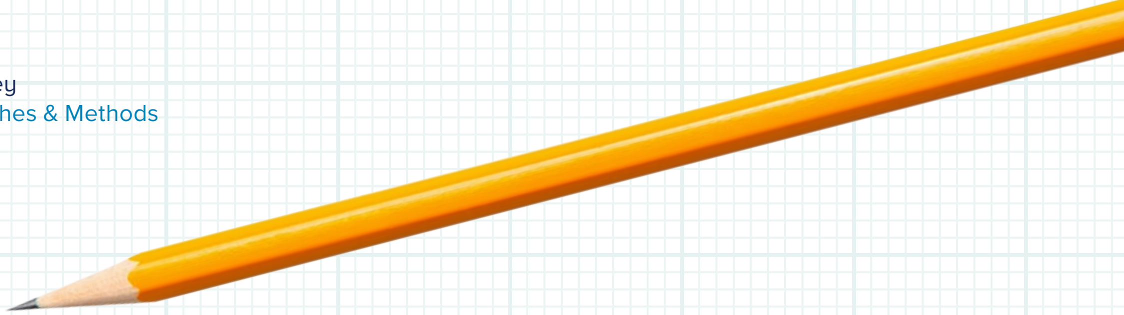
2.2 Structuring of the Income types

Fundamentally the types of income you can develop depend on the assets that the organisation owns or has access to – if you don't have a building you will struggle to run a shop or café; if you don't own any intellectual property you'll struggle to develop royalties.

For that reason we have structured our Chart of Accounts into three sections within the income data – grant based, venue based and non-venue based income streams. Not only does this help us explore the extent to which the different assets are being monetised in terms of different activities but it allows us to get an overall sense of which types of assets are the most important to a given sectoral business model.



If we consider each of these types of tangible and intangible assets and the income streams or businesses they can support we suggest the headlines are as follows:



Tangible Assets (Venue based activities):

Buildings

– Café & catering
– Shop & B2C retailing generally
– Ticketed activities
– Workshops and other events including education & participation
– Hire of Space including both long term letting and short term room hire

Equipment

– Loan of a museum collection
– Hire of equipment
– Use of IP in a collection to commission and sell new ranges of products
– Lending fees for collection objects

Intangible Assets (not linked to a Venue)

Staff sector knowledge

– Consultancy
– Contracts with public & private sector for the delivery of services
– Products e.g. publications, workshop materials etc
– Research – both academic and private

Intellectual Property

– Licensing the use of the IP
– Sale of the IP
– Spin out of commercial products & services
– Royalties

Research

– Subcontractor fees from universities and other higher education institutions
– Share of IP generated by the research

Customers

– A unique selling point in terms of access to a particular segment of society that research bodies value
– Donors & members

Education reputation & resource

– Public sector contracts
– Sales of products & services

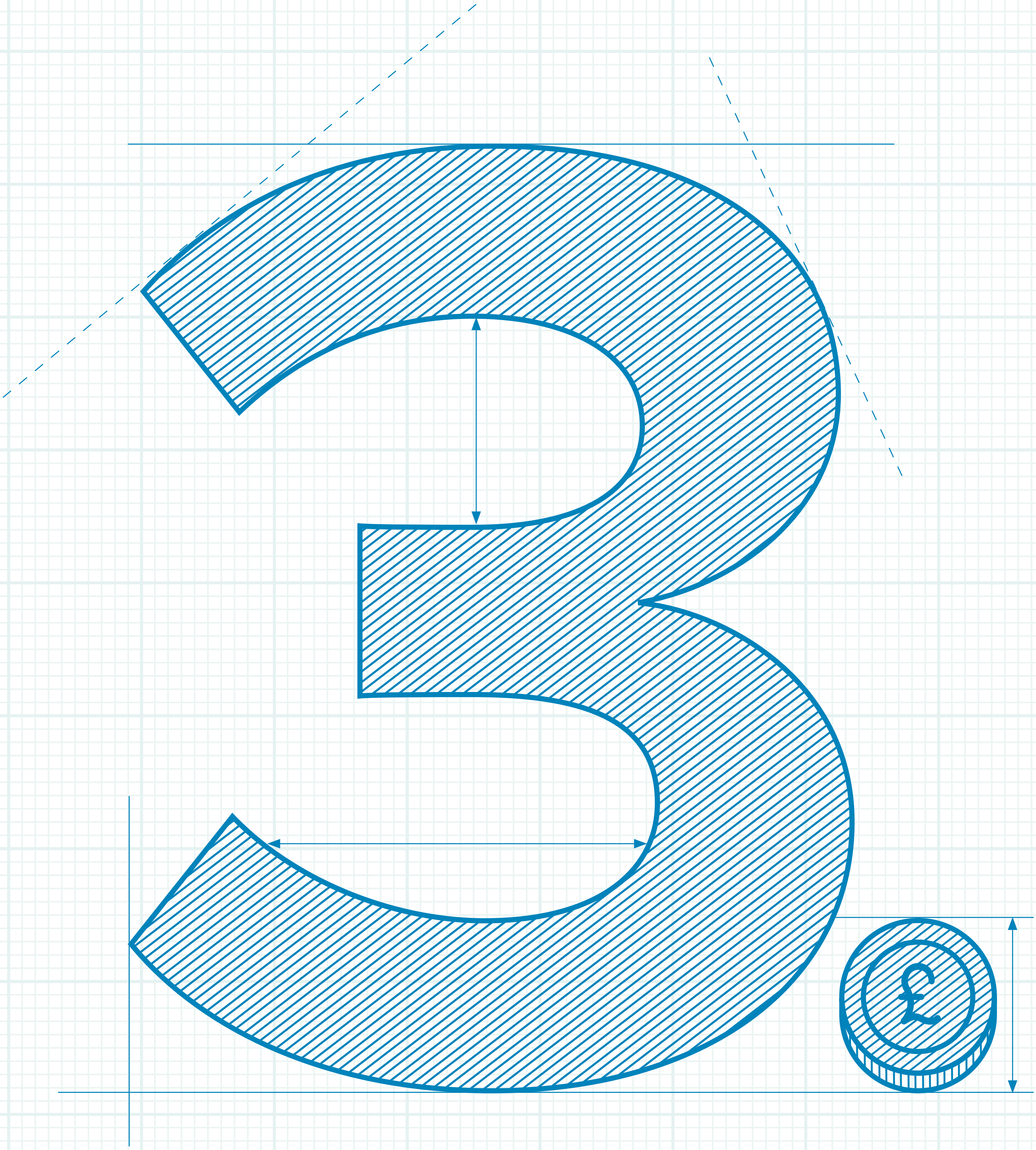
Brand

– Sponsorship & partnership

2.3 Why don't the numbers add up to 100% vertically?

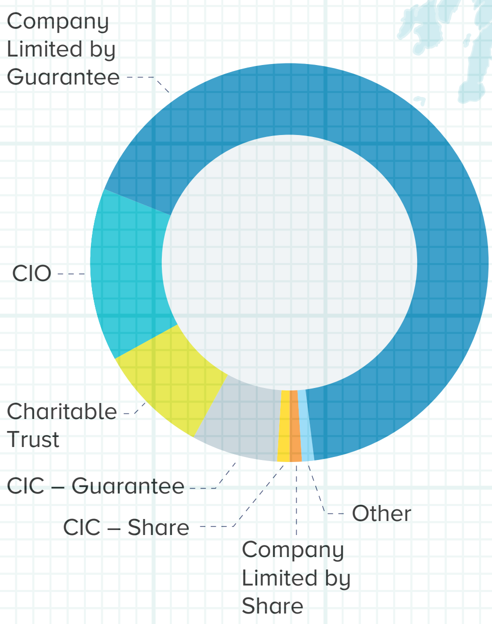
Most of the numbers set out in the tables of this report are averages. Once we've created an average for a single line of data the relationship between the raw data (which does add up to 100%) is broken and the averages will no longer add up to 100%. This is because we have excluded any zeros (nulls) so the averages are averages of all the non-zero data points. If you are comparing your own organisation's income and costs to the average then your individual data will add up to 100% and you can compare it line by line to the average for the total data set or a slice which you think more closely fits the points of comparison you want to make.

3. Overview of the Profile of Organisations

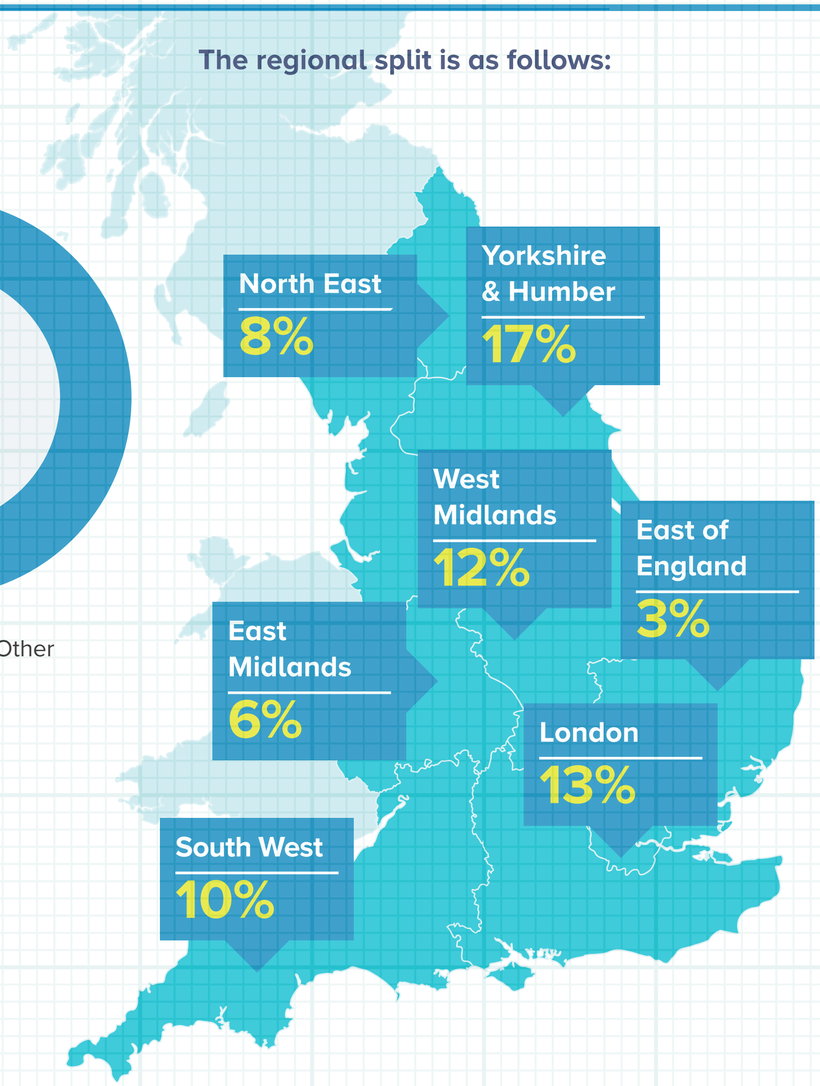


In order to help the reader contextualise the profit and loss data which follows, we thought it might be useful to briefly summarise the make-up of the organisations in terms of their legal status, geographic region and primary sector of operation. This is drawn from the 2015 data set but will also serve as a passable proxy for the earlier and later years until we've finished the data entry for 2013 and 2014.

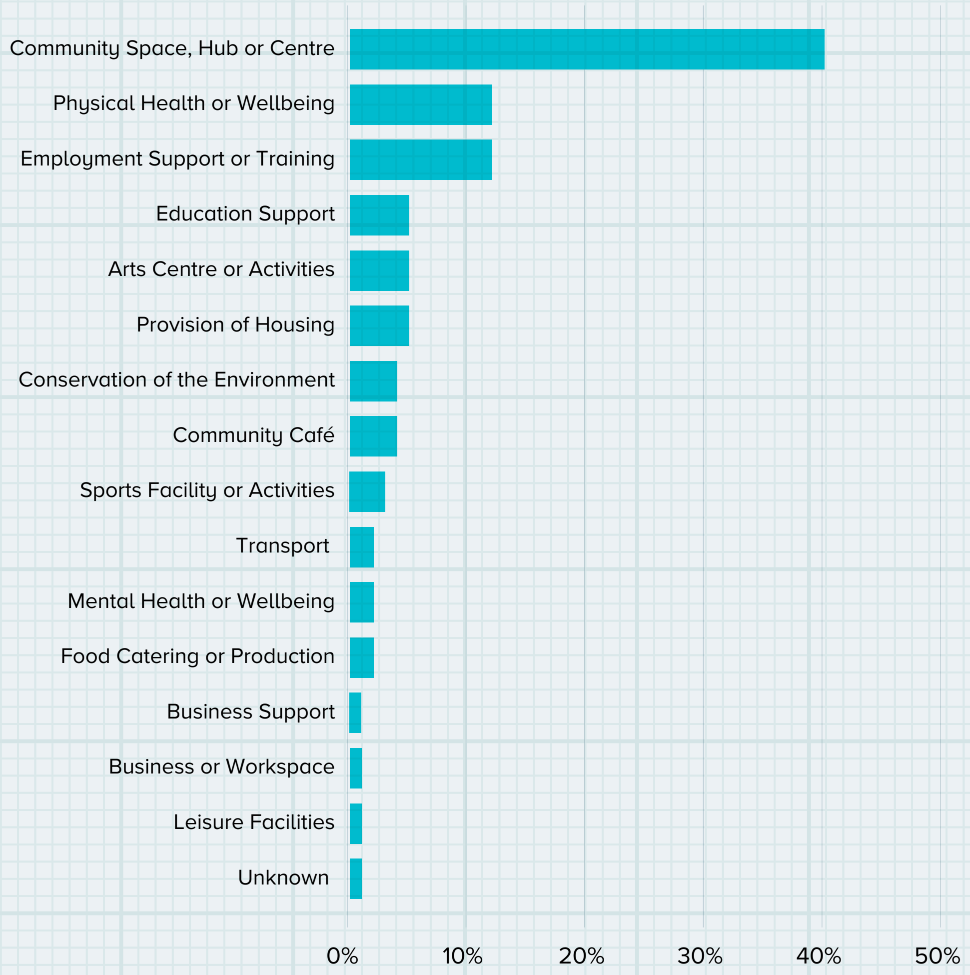
Legal status



The regional split is as follows:



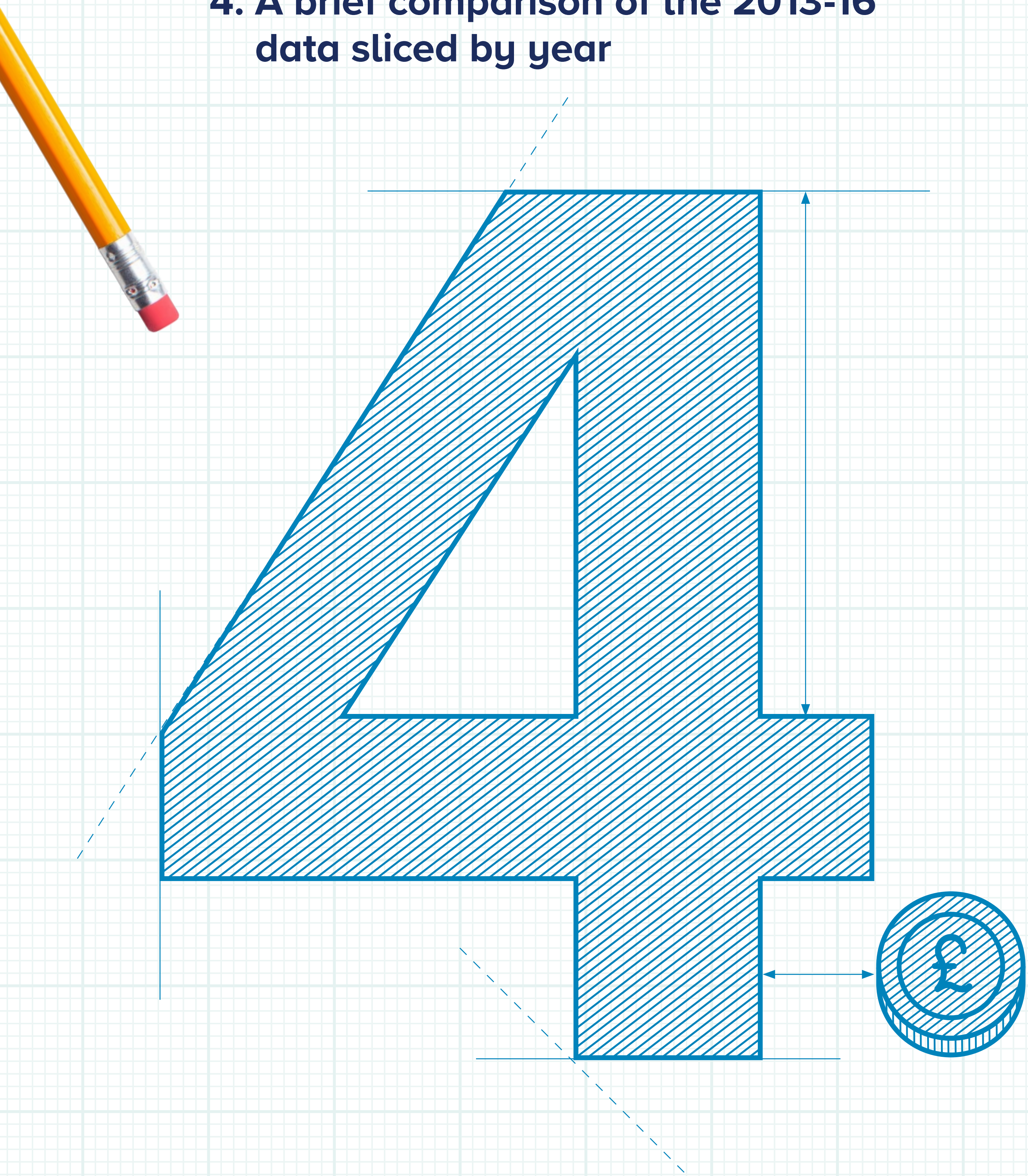
The main sector the organisation operates in is:



The key points of note therefore are that the data set is dominated by organisations which run a Company Limited by Guarantee (65%) and which work in one of four key sectors – a Community Hub (23%), Physical Health or Wellbeing (10%), Employment Support or Training (9%) or Education Support (5%).

The geographic spread is largely comparable between regions but it is worth noting the under-representation in the East Midlands (6%) and the East of England (4%) and the over-representation in the North West (16%), South East (15%) or Yorkshire & Humber (15%).

4. A brief comparison of the 2013-16 data sliced by year



This first set of results is the most high level in that there are no filters on each year of data and we are simply comparing the annual data sets.

It is worth noting that this is a fairly rough comparison as there is two to five times as much data in 2015 than in the other years. Our second report will redress this balance for 2013 and 2014 but only time (and the ongoing submission of data to us or to the Charity Commission) will redress the data deficit for 2016.

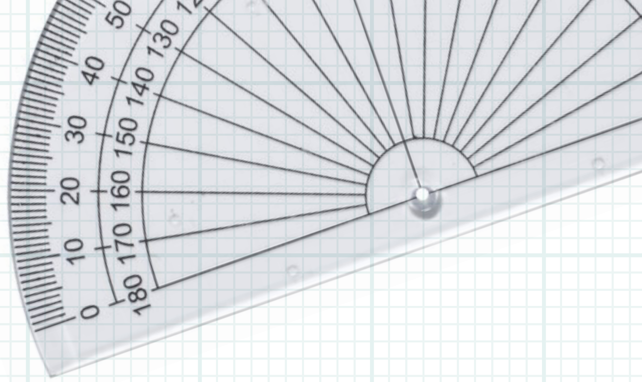
Please note that the figures highlighted in yellow represent averages based on a low number of data points and we therefore consider them to be less reliable averages than the rest of the data.

Sample Details:	2013	2014	2015	2016
Sample size	82	86	186	39
Average turnover	£718k	£784k	£1.3m	£1.1m
Income by type as a % of turnover				
Grant Income:	**2013**	**2014**	**2015**	**2016**
Core gov't sectoral funder[1]	28.6	24.8	13.2	21.3
Other govt sector specific[2]	14.9	5.9	7.2	1.6
Trusts & Foundations	33.0	31.4	35.0	19.7
Local Authorities	15.4	21.1	20.7	23.8
Lottery Funds	16.2	17.0	23.5	22.2
Grant in Aid	52.0	49.7	23.5	17.4
Other Gov't grants	11.5	7.8	10.6	9.3
Other revenue grants	19.6	22.5	23.2	26.1
Total grant funding	**47.4**	**50.7**	**50.5**	**45.8**

[1] If a sector has a specific source of public money which funds revenue costs e.g. Arts Council England or DCMS then this core funding is indicated here.

[2] This is sector specific funding allocated on a project basis rather than long term core funding.

Venue based income:	2013	2014	2015	2016
Ticket Sales	15.2	23.4	24.2	30.5
Education & Participation	28.5	29.8	31.2	22.1
Shop & Retail	23.8	21.8	25.2	15.1
Café	11.9	15.5	13.3	9.2
Space hire	23.9	25.7	20.6	16.7
Other asset hire	0.6	1.6	2.7	0.3
Total Venue based income	**39.3**	**40.7**	**40.9**	**29.8**
Non-Venue Based Income:	**2013**	**2014**	**2015**	**2016**
Total Donations & Sponsorship	8.9	8.6	13.7	15.7
Corporate Sponsorship	5.5	3.6	5.4	8.6
Private Donations	6.0	4.8	12.6	10.2
Gift Aid	0.8	3.6	2.3	0.5
Legacies	7.0	12.9	9.6	2.1
Other sponsorship & donations	12.4	13.0	10.4	25.2
Research Councils				
Other research funding			6.0	
Royalties				
Franchise, Licensing & other IP income				
Product sales	18.9	12.9	9.2	7.6
Services & consultancy	30.0	34.8	33.5	29.9
Events	8.9	8.7	6.4	6.5
Subscriptions & membership	1.3	2.0	6.9	11.3
Delivery Contracts	28.6	24.1	21.5	46.8
Investment Interest	1.0	1.1	1.3	0.4
Total non-Venue based income	**22.9**	**24.1**	**28.2**	**38.6**



Costs:	2013	2014	2015	2016
Production Costs & Materials	14.2	13.6	10.3	8.3
Education & Participation	12.4	12.2	18.2	8.6
Project Staff Costs	13.6	13.6	8.5	0
Freelancers	3.0	11.3	7.1	8.9
Café, shop & similar	8.6	7.2	5.6	3.9
Total Direct Costs	**24.5**	**20.9**	**23.1**	**16.8**
Total Salaries Costs (ex NIC & Pensions)	47.5	47.3	47.3	45.5
Pensions (ex NIC)	1.3	1.4	1.4	2.0
Rent & Rates	7.1	5.7	6.5	4.9
Insurance	2.5	1.9	1.7	1.8
Utilities	5.5	6.7	4.7	6.1
Telephone	1.3	1.0	1.2	1.0
Internet & IT	2.0	1.3	1.5	1.4
Stationery & Office costs	2.7	2.4	2.0	2.6
Travel & accommodation	3.1	2.5	1.7	2.2
Entertaining	1.5	1.6	1.0	0.5
Training & Recruitment	1.5	1.6	1.3	1.3
Marketing	2.1	1.8	1.7	1.9
Professional fees	4.8	4.3	3.4	2.9
Governance	1.3	1.1	1.7	1.5
Bank charges	0.6	0.5	0.6	1.1
Depreciation	4.0	6.3	5.1	4.7
R&D costs	0.9	0.9	1.7	0.4
Buildings maintenance	5.8	5.2	5.8	7.4
Equipment costs	2.1	2.9	2.2	2.6
Fundraising	1.8	1.7	2.2	0.8
Irrecoverable VAT	2.6	1.8	1.0	
Total Revenue Expenditure	**96.6**	**99.6**	**94.4**	**92.1**
Annual Surplus/ Contribution to Reserves	3.3	0.3	6.0	7.8

As all figures are averages they will not add up to 100% vertically. The averages presented provide a baseline for more detailed and individual comparison and are only intended to be a guide for further investigations.

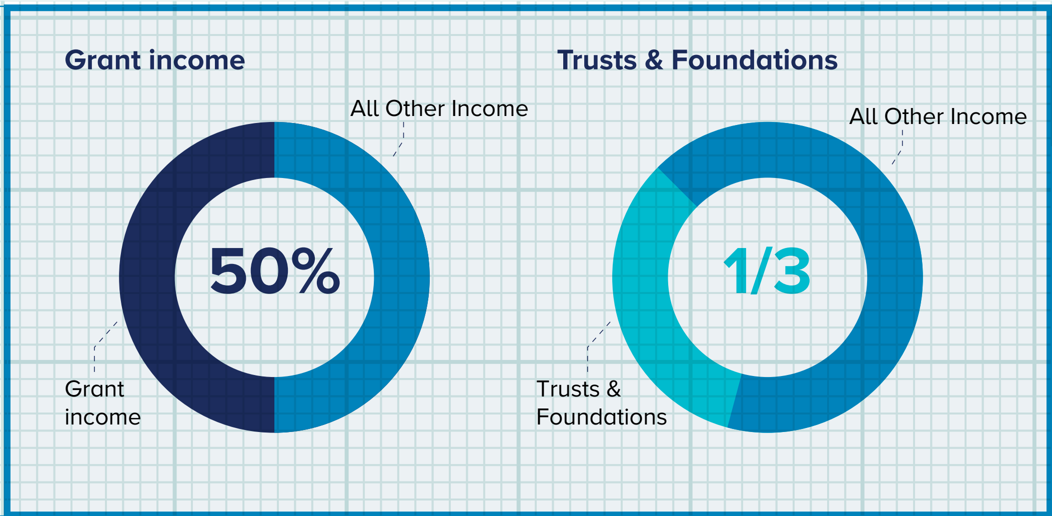
The data above contains as many of the grantees to Power to Change's Initial Grants Programme and Community Business Fund as possible (about 80 data sets in each year) and the remainder is made up of data from organisations who applied for funding, met basic eligibility criteria but were not successful in winning funds. The analysis which follows will focus on the first three years as the 2016 data set is too small to report on.

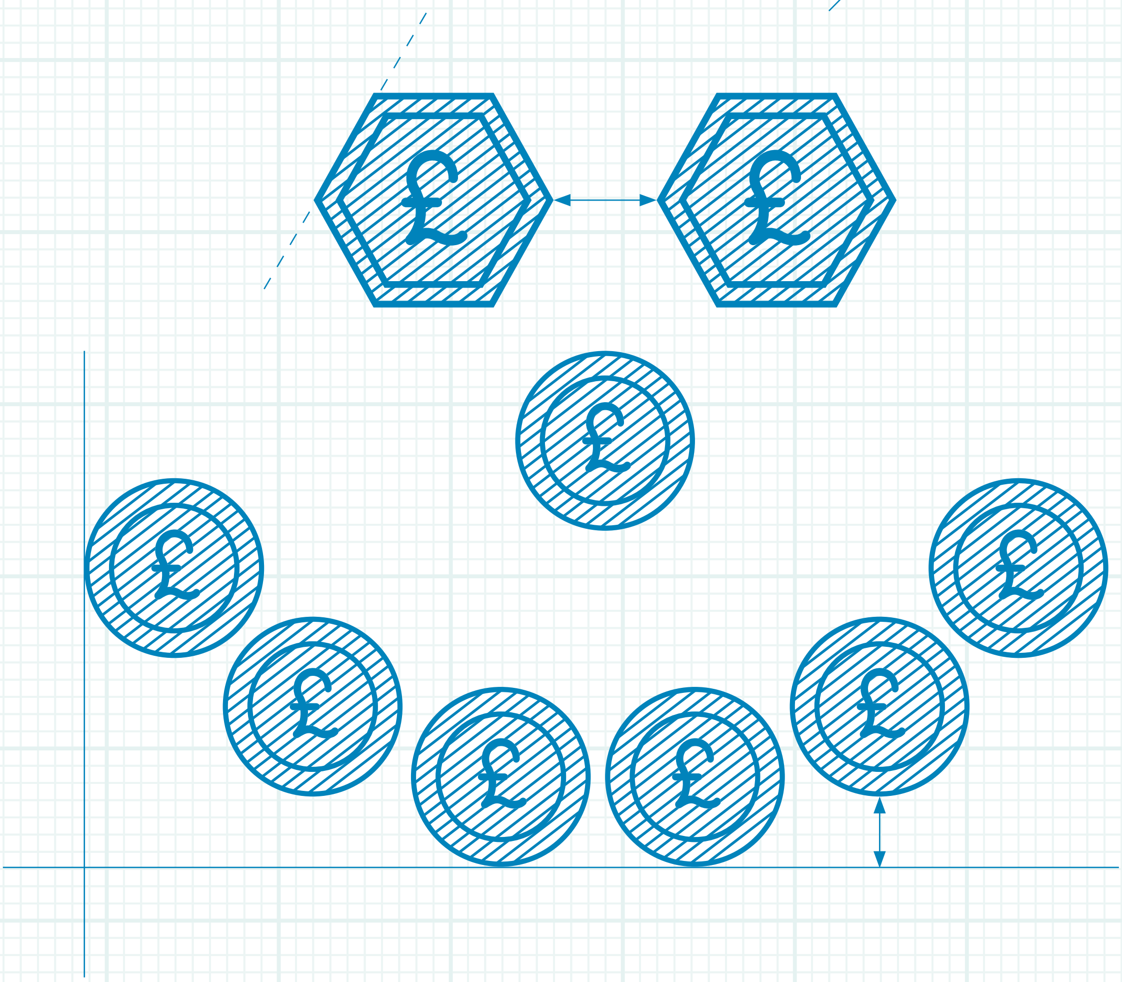
4.1 Key findings in the annual data

We suggest that this high level data is most useful as a reference point against which to compare the more detailed data slices. On that basis we are providing only limited analysis of what we think this data means and focussing on drawing your attention to the key data points or trends. We are not looking for trends across the years as the 2013 and 2014 data sets are not yet comparable in their make up to the data 2015 (ie applicant data hasn't been added yet).

4.1.1 Grant Income:

As a type of income for the cohort, grants are the single largest source by comparison to income earned from tangible or intangible assets. Grant income is responsible for approximately 50% of turnover in each of the years studied (47.4%, 50.7%, 50.5%).





The single largest source of grant funding is from Trusts & Foundations – approximately one third of total turnover in all the years we have looked at (33.0%, 31.4% and 35.0% respectively).

Local Authorities and National Lottery programmes are each worth an average of around 15-20% of turnover and the data varies from one year to another as to which source is worth more. We would expect that when we start slicing the data by sector and possibly by turnover band we will start to see some patterns that are currently being obscured by the aggregation into these gross averages.

As it stands we do not have granularity over the sources of 'other Government grants' and given that PTC is focussing on the development of trading and earned income we suggest that it is not worth digging any deeper into where these monies come from or any policy trends which might shift the availability of funds going forward.

As with any line marked 'other' this line in the grants section is used as a catch all for data that cannot be disaggregated into the lines above. The results of it are therefore not useful for analysis except to say that on an individual data set basis we would expect there to be less 'other' once we have automated data flowing in from book-keeping or from other parts of the relationships with grantees.

36 organisations in the 2015 data set rely on grant funding for more than 80% of turnover.

4.1.2 Venue-based income

One of the limitations of the current chart of accounts is that the typology we are using for the venue based income types is rather limited and won't bring out the differences between sectors. That said we are using the 'retail and shop' category to register B2C sales activities and the 'Product' and 'Services & Consultancy' lines in the non-venue based section to cover B2B or wholesale activities.

We might in future want to separate out different types of hire of space, products which are bought in from products which are made in house and different types of food-related activities.

We are also using the 'ticket sales' line to cover all types of ticketed activity with the exception of any activity which is clearly 'education' of some form. We might again want more detail on this to reflect the variation in activity type between sectors. We will get a better idea of how much more detail we need in the sector splits.

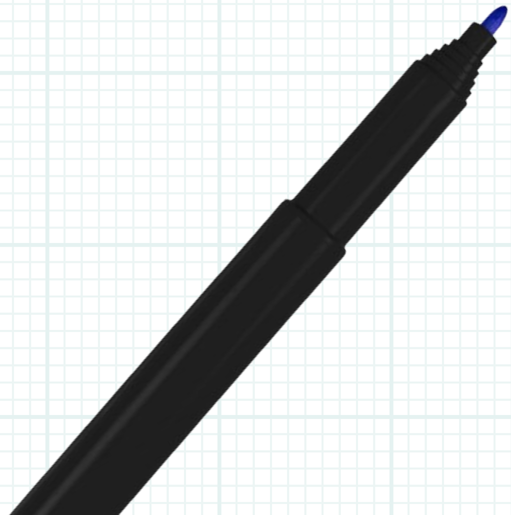
Income earned from Tangible Assets (a building and related spaces such as a café or shop, a collection of physical objects e.g. sports equipment) exceed income from Intangible Assets – around 40% for tangible and 20-30% from intangible.

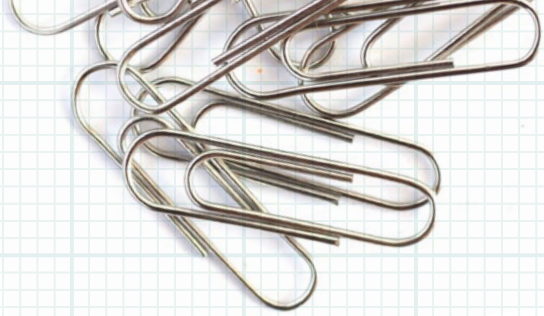
Within the tangible asset driven income activities which can broadly be described as Education or Participation (workshops, lectures, training etc) are the single largest source of income at around 30% of turnover (28.5%, 29.8%, 31.2%).

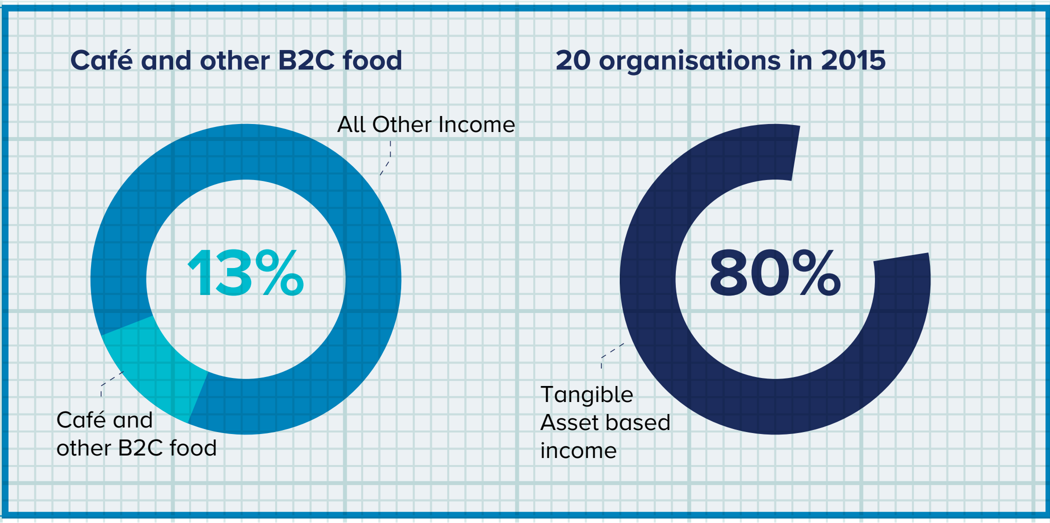
Income from ticketed events, B2C (business to consumer) retailing and hire of space (both long term and short term) are each worth in the region of 20-25%. Once we start filtering by sector we should start to see the granularity in the data which should help understand whether a single organisation does all of these or tends to prioritise on one or two.

Café and other B2C food retailing activities are consistently worth less in terms of gross turnover than any of the other tangible asset based income streams at around 13% of turnover (11.9%, 15.5%, 13.3%).

20 organisations in the 2015 data set rely on Tangible Asset based income for more than 80% of their turnover.







4.1.3 Non-Venue based income

Broadly speaking all of these income types are based on an organisation's intangible assets. In particular the value of the brand as seen in Sponsorship, Donations and Subscriptions & membership and the value of the staff and volunteers seen in Services, consultancy and delivery contracts are the largest two intangible assets being leveraged into income.

Earned income from intangible assets is worth around 23-28% of turnover annually. (22.9%, 24.1% and 28.2%).

Within this the delivery of B2B services and consultancy and the servicing of contracts (based on the information in the annual accounts we are fairly confident that this is usually public sector) are the largest two types of income.

B2B services & consultancy are worth around 30-35% of turnover annually (30.0%, 34.8% and 33.5%) and Delivery Contracts around 21-28% (28.6%, 24.1% and 21.5%).

The high variation between years makes it tricky to identify which of Donations & Sponsorship (in total) and B2B product sales comes next in the pecking order but if we simply rely on the 2015 data the answer is Donations & Sponsorship (13.7%) followed by B2B product sales (9.2%).

The granularity of the report and accounts submitted to the Charity Commission doesn't give us as much detail as we'd like when it comes to Donations and Sponsorship – this is why we see a rather large figure in 'Other sponsorship and donations). This limits the overall usefulness of this section but we would hazard a guess that private donations are indeed worth more than corporate sponsorship.

The challenge of the data around Gift Aid and Legacies data is that the count is low for both of these (4 and 7 respectively in 2015). Reporting Gift Aid as a separate line in sets of accounts is not yet common practice. We would expect that only the larger organisations would receive Legacies income as it tends to require either a set of specific historic circumstances surrounding the set up of the organisation or that the charity is large and has a specialist team focussing on setting up legacies.

There is almost no income being generated from intellectual property across any of the organisations or any years. From this data we cannot tell whether this is because the organisations simply do not have an intellectual property which could be monetised or because whilst they have the assets they have not developed the skills or the routes to market, or because the income levels are so small that they are not reported as a separate line of data in the accounts. If this area was worth exploring further we would suggest that an audit of this type of assets would be required as we wouldn't expect the financial data to be an indicator of potential future revenues.

The two largest sources of income derived from the Intangible Assets of the organisations are from the sales of Consultancy and Services (30-33%) and from the fulfilling of Delivery Contracts (24-28%). The Consultancy & Services are activities which do not use a venue e.g. the difference between running a transport service and offering yoga classes. These services may be sold on a B2B or a B2C basis. Both are covered in this line of data. The difference between these activities and the Delivery Contracts is that the contracts are entirely B2B and we would expect that most are contracts with public sector bodies, organisations or departments e.g. a Local Authority contract to provide transport services to those with physical disabilities. The key difference between income from Delivery Contracts and Grants is that the former will have a Service Level Agreement and thus an expected minimum and maximum delivery level. It is also expected that the organisations delivering these contracts will have won them in an open and competitive tender. The impact upon the sustainability of the organisation is that the company is expected to be meeting a clear demand in market conditions i.e. working with demand side economics rather than awaiting an allocation of resources and supply side economics.

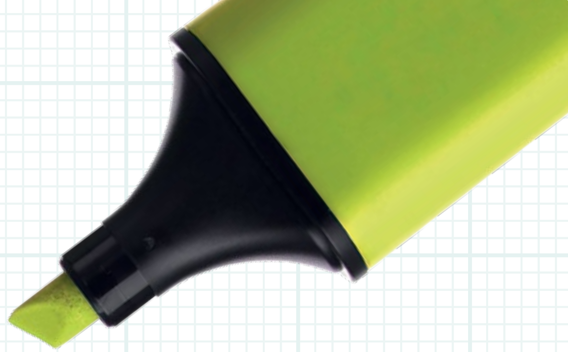
We have separated out income from Events on the basis that the difference between this and Donations & Sponsorship is that the individuals buying the tickets or participating in the events are engaging in a specific transaction where they receive benefit in return for their funds. Such activities would therefore not constitute a donation. These activities are worth an average of 6-9% of turnover for the organisations that engage in them. What is harder to determine is what the profit margin is on these activities. It has already become clear that we need to develop a Chart of Accounts with more detail in the Direct Costs.

The data for the subscriptions and membership data is too variable between the years to tell whether this is caused by the fact that the 2013 and 2014 data doesn't yet contain the applicants or whether there has been a sea-change in the role of this income type in the cohort. Once the applicant data has been added for these two years it will be useful to see not only what the average income levels are but also how this compares to the expectations of the importance of this income generating activity across the organisations. We would expect that the sector would attribute more importance than the finances suggest is appropriate. It would also be useful to understand what level of cost the organisations who run subscriptions and membership schemes are incurring in order to develop and maintain this membership base.

4.1.4 Direct and Indirect Costs

At the point at which we started this historic data entry we were only running a fairly short list of Direct Costs on the basis that those organisations (in the arts and culture sector) who run sophisticated and substantial retail and catering activities would still only report on the headlines in their annual accounts and that the activities were fairly easily comparable as we were only operating in a single sector.

The use of this part of the Chart of Accounts is therefore in need of review and improvement as we do need to create greater separation between sectors so that we can offer a set of sector specific as well as income type specific Charts of Accounts.



As a work around in the meantime we can identify the individual organisations and data sets where retail or café/catering activities are being undertaken (these are separated out in the income side) and run a sub set of the reporting just on these organisations. This will disaggregate retail costs from catering costs.

The other point to note here is that we have put all the salaries costs into Indirect Costs. In our opinion the ability to separate out the labour bill for retail and catering activities (for example) from the full labour bill is unlikely to be sufficiently robust.

We do run several lines of staffing information as a means to separate out management from operational staff but this data is only available in detail if we have access to more than annually reported data – we need access either to management accounts, or book-keeping data.

The purpose of the Direct Costs section is to separate out the variable costs associated with the delivery of the core set of products and services. This set is therefore split into materials required for core product, those required for education/participation activities, variable labour cost, input costs for retailing and food trading activities, box office and similar direct costs of selling venue based ticketed activity and any costs associated with running a volunteer labour force.

The challenge at this level is that the data set runs across multiple sectors so it is difficult to disaggregate this high level summary to give actionable insight for individual organisations. The sector splits should prove more useful.

The input costs for retailing and food service are useful as a simple check to see if there is a gross profit being made in these areas.

If we compare these direct costs to those we are familiar with from the non-profit arts and culture sector we see that the direct costs are generally lower (in the arts we'd expect to see a total direct cost which is roughly equivalent to the total labour cost).

What we see here is that the total labour cost is approximately twice the total direct costs – 20-25% on direct costs, 47% on labour.

In the total direct costs of 20-25% the main areas of spend are the production materials, education and project staff costs – each of these as an individual line is around the 10-12% mark on average. Its perhaps worth restating that each average is for a single line so they can't be added up vertically plus of course no one organisation undertakes activity in all lines. There seem to be some quite substantial differences between 2015 and the earlier years so we'd suggest waiting to set any guiding benchmarks for organisations until we have three comparable years of data.

Broadly speaking with a cost base of 5-7% the retailing and food trading activities do look to be making a gross profit. We have limited data on the cost of volunteers so have not included it here.

The spend on labour is the single largest cost across all years of the data at a fairly steady 47%. On this basis it would perhaps be useful to look at it in the context of the GVA per head of staff and make some external comparisons to see how this part of the non-profit sector compares to the wider 3rd sector. Naturally there will be differences between organisations which are primarily dealing in material products versus those whose core offering is service based. Working out an estimate of the balance of activity between product and service activity per organisation might be another way of comparing these organisations to external cohorts.

Pension costs are sitting at a steady average of about 1.4% of turnover. Again this really needs an external comparison to see if this is high or low by comparison to the 3rd sector, public sector and commercial world. When we split out the data into a set of turnover ranges we would expect to start seeing some differences in pension contribution levels. There is also likely to be a difference in pension costs and (balance sheet) liabilities for organisations who have TUPE'd over staff from the public sector.

Spend on rent & rates for premises sits around 5-7% which is slightly lower than the levels spent in the non-profit arts sector (8-10%). This might be explained by an expectation that arts organisations will be fairly centrally located in a town or city in areas of higher property cost. We are however simply guessing on this one! The percentage spent on this line in small organisations tends to be higher – not in £ cost but in % of total income. Space is often inefficient when rented as a small square footage and large organisations benefit from efficiencies of scale.

Insurance, telephone, internet & IT, entertaining and training & recruitment are each taking up 1-2% of turnover as a total spend. Insurance costs vary quite widely and we suspect there are areas of over spend here.

Stationery & office costs and travel & accommodation are each sitting at 2-3%. The question we would ask with all of these invisible costs is whether they are sitting at the right level for the organisation – not so low that they make for an unpleasant or unproductive working environment but not so high that they waste resources from which the customer sees little real benefit.

We are surprised at just how low the marketing budget is – some 1.5-2%. Even by comparison to arts & culture non profits this is low. In the cultural sector spend is more like 3-5% of turnover. This merits further investigation. Whilst it is not a goal to explore this in the pilot (a bookkeeping pilot for subscribers to Twine www.twine-together.com) we suspect that we can use the pilot to look into this.

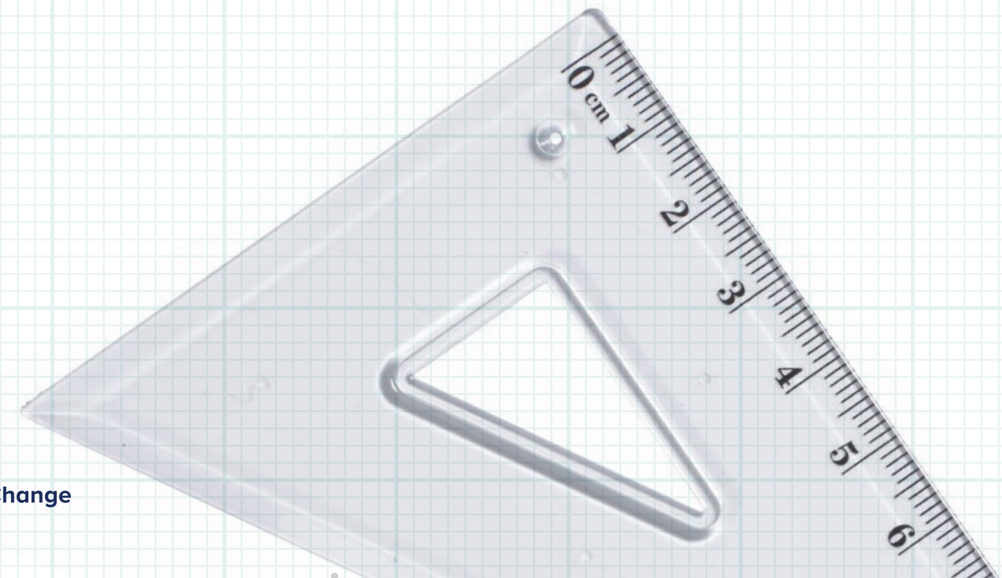
The spend on utilities looks high at 4-7%. The comparison in the Arts is about 4%. We suggest that this is worth looking into – a couple of percent saving won't dig an organisation out of trouble but it might fund some internal R&D. There might be a very good reason for this higher level of spend particularly in the organisations delivering sports facilities (e.g. heating a pool) or those who have made a decision to buy their utilities on higher environmental tariffs. Equally there might be savings to be made through more efficient buying approaches.

Governance, Fundraising and Equipment costs are all sitting around 1.5-2.2% of turnover. The level of spend on accountants does vary quite widely and we wonder if guidance could be given about what the expected level of spend should be for a given package of services appropriate to different sizes of organisation?

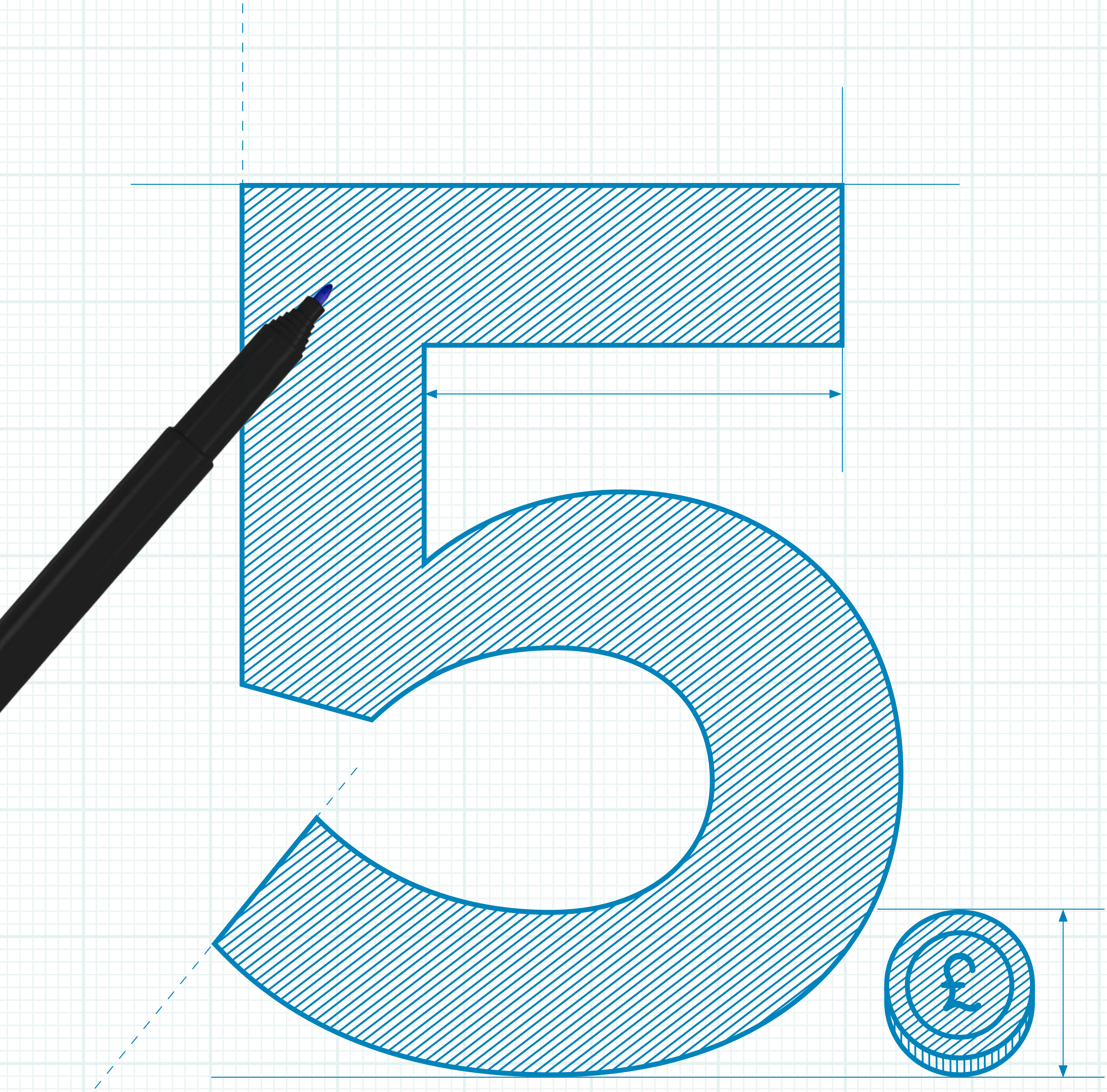
Relatively few organisations show their Research and Development spend on the accounts they submit to the Charity Commission. We think this is an area worth encouraging as we expect to see a connection between spend here and improvements in overall sustainability of business models and pace of growth on the basis that if you can self-fund your new and risky activities you have less need to find external sources of money to cover it. On this basis a spend of around 1% is low but good to see it being tracked.

Buildings maintenance is sitting fairly steadily at around 6% of turnover. This is broadly comparable with our experience of non-profit arts organisations.

Total Revenue Cost is sitting steadily at around 96-97% of turnover. Interestingly for the same period non-profit arts organisations were, on a national level, spending higher and fairly regularly dipping into reserves. Our working hypothesis at this point is that trading is a sufficiently important part of this set of organisations that they have, as a cohort, set prices that deliver a profit so when difficult years hit (especially cuts in grant funding) there is more breathing room and less need to utilise reserves. During the process of the data entry we have seen no shortage of examples of organisations with a net profit margin of over 10%. Searching for examples of this in the arts would, by contrast, be a unicorn hunt.



5. Sliced by Turnover Ranges



Now that we have over 180 organisations in the 2015 data set we can start to slice the data. The first of these slices is by a set of turnover ranges. As ever we are looking for:

– patterns in the data

– indications as to what might explain these patterns

– ideas on whether these patterns indicate success or areas where improvement might be made

– thoughts on how the patterns in this data set might compare to experiences in other sectors (non-profit arts and culture being the area where we have the greatest volume of comparison data)

2015

Sample Details	<£100k	£100-250k	£250-500k	£500-750k	£750k-£1m	£1-5m	£5-10m	>£10m
Sample size	36	52	32	15	12	31	6	1
Average turnover	£59k	£165k	£382k	£596k	£845k	£2.1m	£7.9m	

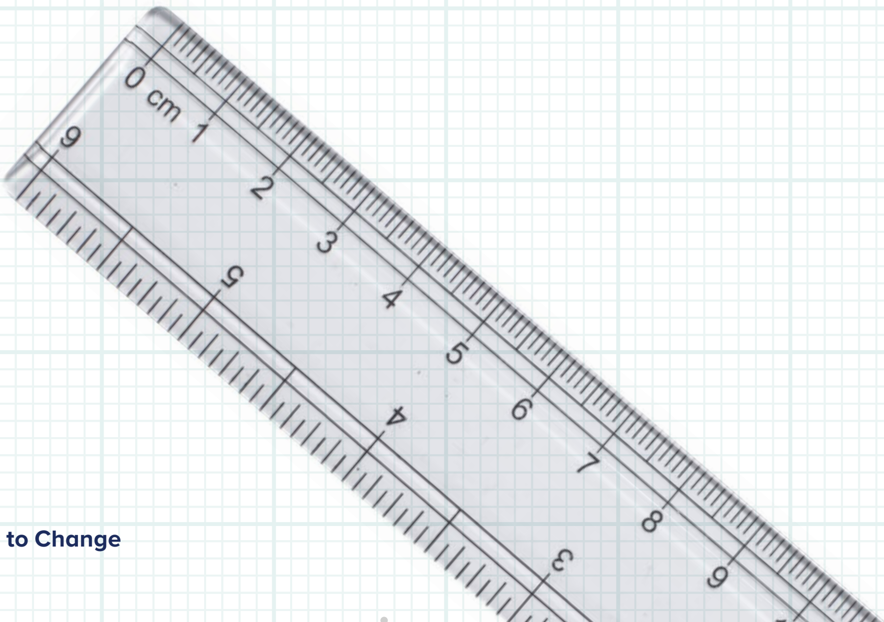
Income by type as a % of turnover

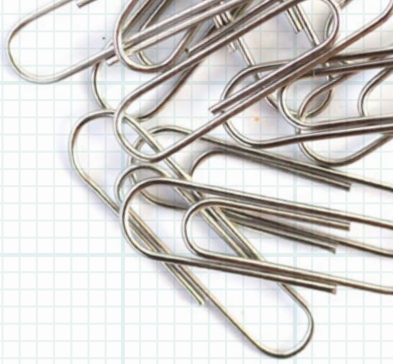
Grant Income:

	<£100k	£100-250k	£250-500k	£500-750k	£750k-£1m	£1-5m	£5-10m	>£10m
Core gov't sectoral funder			*					No Data Available
Other gov't sector specific			*			12.7	*	
Trusts & Foundations	58.9	38.7	31.2	49.4	19.8	20.3	*	
Local Authorities	25.4	15.6	16.8	32.5	32.9	22.5	*	
Lottery Funds	49.6	25.0	27.2	1.6	8.0	13.4		
Grant in Aid			*	11.0		48.7		
Other Gov't grants	9.5	3.4	4.5	14.5	0.8	24.0	*	
Other revenue grants	23.8	37.3	22.5	20.3	15.2	12.9		
Total grant funding	**55.2**	**57.6**	**50.5**	**58.5**	**37.8**	**42.7**	*	

Venue based income:

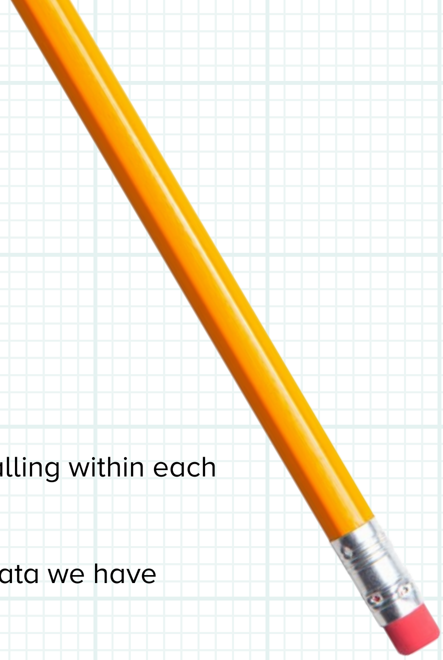
	<£100k	£100-250k	£250-500k	£500-750k	£750k-£1m	£1-5m	£5-10m
Ticket Sales	25.3	6.6	45.7	14.7		30.1	
Education & Participation	34.8	24.8	27.2	42.7	23.1	27.8	55.3
Shop & Retail (B2C)	35.4	18.8	36.0	5.1	28.8	28.1	12.4
Café	11.2	16.4	9.2		*	*	
Space hire	33.1	20.9	16.0	5.7	17.3	18.1	16.9
Total Venue based income	**45.9**	**35.3**	**37.6**	**33.3**	**37.7**	**46.1**	**60.9**
Total Donations & Sponsorship	17.9	18.3	14.8	4.4	6.5	8.1	14.1
Corporate Sponsorship	*	*	*	*	*	*	*
Private Donations	18.6	17.9	11.1	3.3	2.8	6.9	13.9
Legacies		*		*		1.8	*
Other sponsorship & donations	18.6	12.0	11.1	*	*	6.8	*
Product sales (B2B)	*	9.9	8.0	*	*	15.0	
Services & consultancy (B2B)	34.4	25.9	37.5	45.3	31.2	26.5	*
Events	*	4.2	*	*	*	*	*
Subscriptions & membership	8.2	6.3	4.2	*	*	0.7	
Delivery Contracts		26.0	22.3	*	8.6	22.3	
Investment Interest	2.4	1.2	0.3	2.1	*	1.2	0.8
Total non-Venue based income	23.9	26.0	40.3	21.3	42.1	19.8	46.4





Costs:

	<£100k	£100-250k	£250-500k	£500-750k	£750k-£1m	£1-5m	£5-10m
Production Costs & Materials	13.1	12.1	8.1	12.5	9.2	8.7	*
Education & Participation	18.0	17.1	14.6	20.0	17.5	22.4	17.2
Project Staff Costs	5.5	22.5	2.7	5.4	7.2	9.2	
Freelancers		9.2	8.6	*	2.3	6.5	*
Café, shop & similar	1.7	8.3	5.8	7.4	2.6	5.4	1.3
Total Direct Costs	23.1	24.9	19.7	22.8	21.4	25.2	20.5
Total Salaries Costs (ex NIC & Pensions)	47.2	46.7	47.7	49.4	43.6	49.1	39.0
Pensions (ex NIC)	2.1	2.0	0.7	1.1	1.4	1.3	1.9
Rent & Rates	10.4	6.8	4.8	4.2	4.1	5.3	*
Insurance	2.3	2.2	1.3	0.9	0.8	0.5	2.2
Utilities	8.0	4.9	4.3	3.0	2.2	2.7	4.8
Telephone	2.2	1.2	0.9	1.4	0.5	1.1	*
Internet & IT	2.6	1.5	0.9	1.3	0.7	1.5	1.9
Stationery & Office costs	1.9	1.8	2.5	2.5	1.5	1.7	1.8
Travel & accommodation	2.3	2.2	1.1	2.3	1.3	0.8	*
Entertaining	1.9	1.0	0.6	0.8	0.2	0.7	
Training & Recruitment	1.5	1.8	1.0	0.7	1.8	0.8	*
Marketing	4.9	0.8	1.6	1.0	1.3	0.4	2.2
Professional fees	5.2	4.9	2.8	2.7	1.7	1.1	1.5
Governance	1.8	2.6	1.9	2.2	0.6	0.9	0.6
Bank charges	0.8	0.4	0.7	0.9	0.3	0.8	0.6
Depreciation	8.7	5.2	6.2	4.2	2.9	2.3	*
R&D costs	*	0.7	*		*	*	
Buildings maintenance	9.6	6.4	5.8	3.0	3.0	2.5	*
Equipment costs	6.0	3.7	3.5	3.0	3.8	1.2	4.6
Fundraising	5.2	1.8	3.1	*	*	2.7	
Irrecoverable VAT		*	*	*	8.4	*	*
Total Revenue Expenditure	**93.3**	**95.8**	**92.9**	**101.0**	**92.2**	**93.4**	**87.6**
Annual Surplus before tax	9.2	4.0	7.2	-1.0	8.0	6.2	12.4



The first point to note is that the number of organisations falling within each turnover range varies from 1-52.

If there are less than three data points for a single line of data we have withheld the results. This is indicated by a *.

There is no data for the one range with only 1 data set in it.

Depending on how useful it is to the organisations to see the £500-750k range separate from the £750k-£1m range it might be better at this stage to amalgamate these two. Alternatively if we expect to see a fairly rapid growth in the number of data sets in each year then we could leave them as they are on the basis that the number of organisations in each range will soon grow to a level where the results are likely to remain more stable.

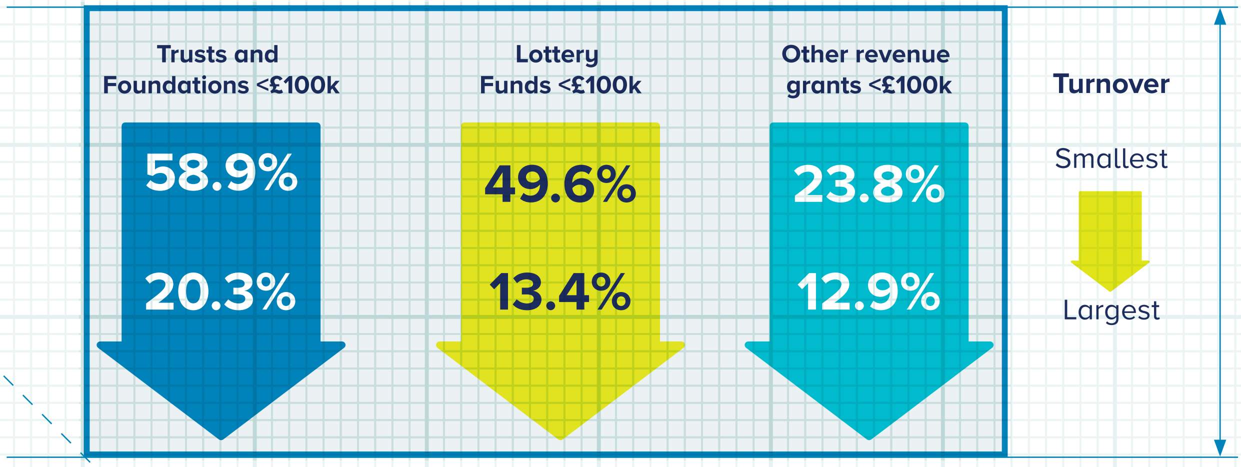
5.1 Grant Income

We see a number of patterns in the grant funding data. Overall we see the highest levels of grant funding in the smallest organisations and the lowest levels in the largest organisations. This can be seen most easily in the monies received from:

– Trusts and Foundations – 58.9% in <£100k dropping to 20.3% in organisations of £1m-5m turnover (with an anomaly in the £500-750k band)

– Lottery Funds – 49.6% in <£100k dropping to 13.4% in the £1m-5m band (with anomalies in the £500-750k and £750k-£1m)

– Other revenue grants – 23.8% in <£100k dropping to 12.9% in £1m-5m band



This is however not an entirely clean line in the data with anomalies in the £500-750k and £750k-1m ranges. This could be explained by the lower numbers of data sets in these two ranges. An alternative explanation which connects this data set to the data we hold on non-profit arts and culture organisations is a hypothesis we have that organisations go through a change in operational model at around this point in their growth. At lower turnover levels organisations run under the radar a little, get by on good will, don't necessarily implement all the organisational structures that large organisations do. As they grow and at around the £500k to £750k level this has to change and funders start to insist that they play more strictly by the rules. This leads to changes in their income and cost models but is a precarious moment as this turnover level doesn't actually pay for many senior staff with specialist administrative knowledge and the CEO tends to be leading on most funding applications, financial management etc. By comparison larger organisations have several senior staff each with separate oversight of key elements of the organisational model.

Overall however this reduction in dependency on grant monies does fit with our experience in other non-profit sectors.

It is interesting to note that the levels of funding from the Local Authorities are more steady across all turnover bands as all are within a range of around 15-30%. Could this suggest that organisations in the cohort are delivering a set of services that Local Authorities value relatively highly and that the organisations are competitive on price at all levels of delivery?

If we look at total grant funding this too seems to be fairly stable across all turnover bands up to £5m and it is hard to see any clear pattern of reduction of dependence upon this income source as organisations increase in turnover.

5.2 Venue-based Income

With the exception of the hiring of space there are no clear patterns in the data for venue based income. We suggest that this is because the full data cohort covers such a wide range of sectors that this element of the Chart of Accounts doesn't allow us to see the different types of earned income activity ie the definitions don't work across such a heterogeneous set of organisations.

What we can say is that whilst grant funding is the largest source of income up to the £1m-5m turnover range, venue based income is consistently the second highest source of income up to the £1m-5m range – typically around 33-46% of turnover.

Whilst there might be a pattern in the venue hire line which could show high dependence on this in small organisations and a drop as they get larger it might simply be that the smallest organisations are an anomaly by comparison to a fairly steady percentage across the rest of the turnover bands. We need to look at the 2013 and 2014 results to get a better indication of which way this is going.

Of all the venue based activities being undertaken those that we have described as 'education & participation' are responsible for the largest percentage of venue based income across most of the turnover bands. Ticketed activity is much more patchy – explainable on the basis of the great heterogeneity of activities and sectors.

The hire of space would seem to be the second source of steady income for most turnover bands with B2C retail activities coming in third. Café and catering activities are again patchy and this too is likely to be a reflection of the heterogeneity of sectors and activities. We would expect to see clearer patterns when we slice the data by sector for both café and ticket lines.

There would appear to be a sea change in business models in the £5m-10m turnover band as this is the first time that venue-based income sources outweigh grant based income (there is very little grant income for the 6 organisations we've looked at). However we do not have enough data to see if is steady or will change as the cohort increases in size nor whether this holds true for the >£10m sized organisations (though we would expect that it will).

5.3 Non-venue based income

The two key types of non-venue based income are the provision of Services & Consultancy (we're using this line for a catch all for all B2B non-venue based activity that doesn't look like its public sector contracts) and the fulfilling of Delivery Contracts (again this line is a bit of a catchall but this time for all activities that look like the delivery of public sector contracts or SLAs).

The levels of these types of income seem to be fairly steady across all turnover bands with the average income being approximately 30% +/- 10%.

We cannot yet see any clear patterns in the Donations and Sponsorship based on this split by turnover ranges. We suspect that slices by sector, region and legal status may be more informative.

What we can say is that corporate sponsorship seems to be pretty thin on the ground and that the vast majority of this type of income is private donations.

Gift Aid and Legacies are both patchy. We would suggest that the first of these is something that is worth exploring further to see if it can be maximised across all turnover bands (even if not across all sectors).

Income from Events (defined separately from donations as the client gains a benefit) are patchy as is income from Subscriptions and Membership and it would be rare for the average to exceed 6% for any turnover band. We suspect that slicing the data by sector will be more informative for these lines of data.

5.4 Direct & Indirect Costs

The total direct costs would seem to be fairly stable across all turnover ranges at around 20-25% of turnover.

Within this, the spend on education & participation takes the largest chunk (14-20% on average) which is in line with the sources of (venue based) income.

The spend on raw materials and stock for retail and/or café activities suggests that those organisations who undertake these types of activities are making a gross profit as the cost base is around 3-8% (income being anywhere from 9% to 35% on average).

With the exception of the £5-10m income band spend on salaries is fairly consistent across all ranges at 45-49% of turnover. For the £5-10m band it drops to 39% but we need to look at 2013 and 2014 to see if this is consistent or an anomaly. We would, however,expect there to be a drop in the percentage of turnover spent on labour as organisations increase in scale even if they are largely running a service-based model.

The spend on Rent & Rates could show one of two patterns depending on whether the 10.4% for <£100k is an anomaly or not. Either:

– The spend on rent/rates drops as organisations get larger: from 10.4% to around 4 to 5%

Or

– The spend on rent/rates is a steady 4-6% and the <£100k figure is an anomaly

We will get a better idea once we have the 2013 and 2014 data to compare to.

The spend on stationery & office costs (1.5-2.5%), telephone (1-2%), internet & IT (1.5-2.5%), travel & accommodation (1-2%) and training & recruitment (1-2%) costs seems fairly consistent across all turnover bands. This is also consistent with the annual data sets for all years of 2013 to 2015.

In most cost areas however there is a decrease in percentage of income spent on each line as organisations increase in size. This is indicative of efficiencies of scale. This pattern can be seen in the following spend areas:

– Utilities – 8.0% at <£100k down to around 3% at £1-5m (insufficient data to know if the 4.8% for £5-10m is an anomaly or indicative of other changes)

– Entertaining – 1.9% at <£100k down to around 0.7% in larger organisations

– Professional fees – 5.2% in <£100k down to around 1.5% in larger organisations

– Governance – down from 2.5% in smaller orgs to under 1% in larger orgs

– Depreciation – down from 8.7% to 2.3%

– Building maintenance – 9.6% down to 2.5%

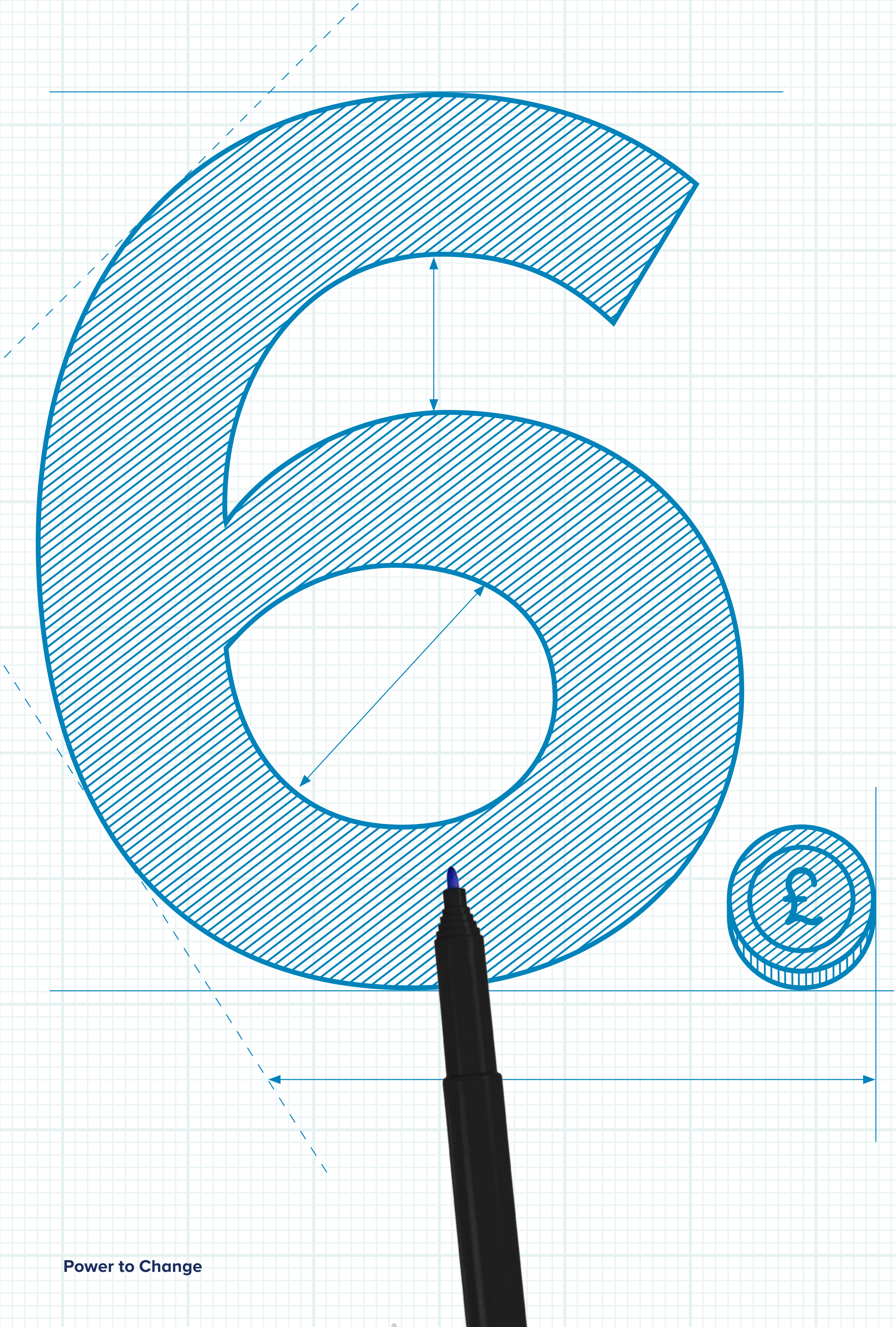
– Equipment costs – 6.0% down to 1.2% (£5-10m may be an anomaly at 4.6%)

The spend on Marketing seems to be perilously low across most turnover bands at 0.4-1.6% of turnover. The exceptions to this in 2015 are <£100k at an average of 4.9% and £5-10m at an average of 2.2%. We suggest this matters because we want to find out what the connection is (if any) between marketing spend and earned income generation.

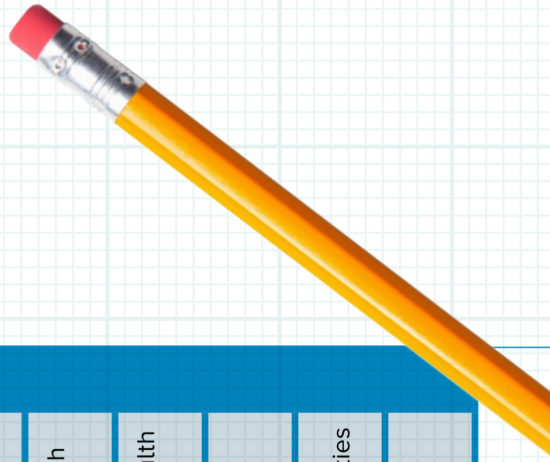
There isn't enough data on the spend on Fundraising to see any trends yet. This is in part because not enough organisations split out this line in their accounts.

On the whole all turnover bands are achieving a net profit or surplus in 2015 and this is around the 6-8% level. The exceptions to this are the £500-750k (total costs are 101% of turnover) and the £5-10m (87.6%). Again we really need to see multiple years to see whether this is a steady figure.

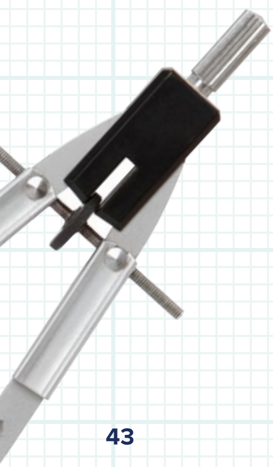
6. Sliced by Sector



2015											
Sample Details:	Arts Centre or Activities	Community Hub	Environment	Education Support	Employment Support	Food Production & Catering	Mental Health or Wellbeing	Physical Health or Wellbeing	Provision of Housing	Sports Facilities	Transport
Sample size (132/171)	9	77	8	10	23	3	4	24	9	6	4
Average turnover	£887k	£657k	411k	£1.07m	£1.02m	£1.05m	£275k	£4.3m	£1.7m	£2.3m	£598k
Grant Revenue											
Core gov't sectoral funder	13.2										
Other govt sector specific	12.8	3.2	*							*	
Trusts & Foundations	7.9	33.4	52.0	31.2	35.2	11.6	*	33.9	83.9	*	15.6
Local Authorities	6.7	21.8	*	16.8	15.6	*		33.4	*	*	11.8
Lottery Funds	21.9	22.2	60.6	13.3	16.7	*		*		*	
Grant in Aid		11.8		*	*			*	*		
Other Gov't grants	2.7	6.1	*	*	37.9	*		12.4	*		2.1
Other revenue grants	31.6	31.9	4.1	14.3	16.2	*		20.0	45.3	*	8.7
Total grant funding	**44.7**	**52.0**	**82.4**	**50.5**	**43.9**	**42.3**	*	**46.6**	**69.3**	**26.7**	**28.7**
Venue Based Income											
Ticket Sales	25.0	23.0	*	*	24.5	0		12.9	0	53.9	
Education & Participation	13.8	26.5	*	40.7	43.4	*		42.6	36.1	*	
Shop & Retail (B2C)	9.5	27.5	4.5	*	35.9			18.5	*		
Café	6.1	12.9			1.5	*		10.7			
Space hire	23.9	18.6	*	*	9.8	*	*	28.3	27.1	28.9	*
Total Venue based income	**43.2**	**38.6**	**8.4**	**53.4**	**48.7**	*	*	**38.2**	**45.5**	**56.6**	*



2015	Arts Centre or Activities	Community Hub	Environment	Education Support	Employment Support	Food Production & Catering	Mental Health or Wellbeing	Physical Health or Wellbeing	Provision of Housing	Sports Facilities	Transport
Non-Venue Based Income											
Total Donations & Sponsorship	11.4	13.1	19.7	1.0	23.7	4.7	33.1	17.6	18.0	11.2	1.4
Corporate Sponsorship	1.7	1.8	*	*	0.2	*					
Private Donations	10.7	12.7	13.7	1.0	23.6	3.3	*	13.7	17.8	*	
Gift Aid		0.4					*				
Legacies		*	*					*			*
Other sponsorship & donations	2.5	8.4	*	1.2	14.5	*	*	20.5	*	*	
Product sales (B2B)	16.3	8.4	*	*	*	*	*	8.6	*		*
Services & consultancy (B2B)	4.3	23.5	*	*	41.2	*	*	60.2		*	50.2
Events		5.0				*		*		*	
Subscriptions & membership	1.6	2.9	21.7		*	0		*			*
Delivery Contracts		22.5		*	*	*	*	41.3	*	*	*
Investment Interest	0.3	1.8	*	*	0.3	*		2.0	*	0.2	*
Total non-Venue based income	**17.8**	**23.5**	**31.2**	**25.3**	**30.6**	**17.8**	**44.8**	**36.7**	**22.3**	**35.9**	**67.3**



[3] One organisation spends over 75% of turnover on rental of space which they then sub-let to other creatives. This is skewing this average but is correct.

2015	Arts Centre or Activities	Community Hub	Environment	Education Support	Employment Support	Food Production & Catering	Mental Health or Wellbeing	Physical Health or Wellbeing	Provision of Housing	Sports Facilities	Transport
Costs											
Production Costs & Materials	11.1	13.6	5.5	5.6	8.3	*	*	3.7	30.6	*	33.6
Education & Participation	20.8	17.8	*	4.9	28.2		*	16.7	28.6	14.4	
Project Staff Costs	1.1	14.5	*	*	6.9		*	2.9			
Freelancers	11.9	2.2	*	*	*		*	7.0		*	
Café, shop & similar	0.9	7.6		*	4.8	*		4.4		*	
Total Direct Costs	31.8	21.5	32.2	16.0	24.6	*	*	18.8	40.3	36.3	33.6
Total Salaries Costs (ex NIC & Pensions)	26.9	45.8	42.6	65.8	48.5	64.1	*	53.1	39.8	40.5	50.2
Pensions (ex NIC)	1.1	1.3	*	1.6	0.9	*		2.0	1.2	*	*
Rent & Rates	18.7[3]	5.8	3.1	2.9	6.3	*	13.2	5.3	4.1	11.9	*
Insurance	2.8	1.4	1.1	0.9	1.4	*	0.8	2.9	1.1	2.9	0.3
Utilities	5.3	5.3	*	2.5	2.7	*	2.1	5.0	1.6	*	*
Telephone	0.6	1.2	*	1.0	1.2	0	*	1.4	1.3	*	*
Internet & IT	2.2	1.4	*	0.9	0.9	*	*	2.1	*	1.4	
Stationery & Office costs	1.5	1.9	2.8	1.7	3.0	*	*	1.7	1.8	1.3	1.2
Travel & accommodation	0.8	2.0	2.3	1.1	1.3	*	*	1.9	*	*	3.1
Entertaining		1.0	*	1.2	0.4			0.8	*	*	
Training & Recruitment	1.1	1.2	3.2	1.0	0.8	*		1.7	*	*	0.2
Marketing	2.9	1.4	3.5	1.0	1.9	*	*	2.1	0.7	*	*
Professional fees	4.4	4.2	2.1	1.3	2.3	*	4.2	2.1	1.7	*	*

	Arts Centre or Activities	Community Hub	Environment	Education Support	Employment Support	Food Production & Catering	Mental Health or Wellbeing	Physical Health or Wellbeing	Provision of Housing	Sports Facilities	Transport
Governance	0.7	2.3	*	0.8	1.7	3.0	*	1.5	1.7	1.6	1.3
Bank charges	0.4	0.8	*	0.9	0.4	*	*	0.9	0.2	0.5	0.1
Depreciation	2.0	8.1	3.9	3.7	4.9	*	*	3.1	3.6	*	5.1
R&D costs	*	1.0			*						
Buildings maintenance	7.8	5.7		4.3	3.5		*	3.1	*	15.1	*
Equipment costs	0.6	2.9	*	0.6	2.1	*	*	3.1	10.0	11.2	*
Fundraising	3.1	3.0	*		*	*		2.4	*	*	
Irrecoverable VAT	4.2	0.8		*				1.4			*
Total Revenue Expenditure	**89.9**	**96.1**	**87.8**	**103.9**	**98.1**	**106.6**	**60.4**	**94.6**	**87.8**	**88.8**	**93.1**
Annual Surplus before tax	10.1	3.7	12.1	0.4	1.9	-6.6	54.7	5.1	12.0	11.2	6.1

The first point of note here is that we do not have data on the sector that all organisations belong to so this data slice is incomplete.

The data is also not evenly spread across all sectors and some have so little that the results are not indicative (marked in red). We will therefore focus on the following sectors:

– Community Hubs (77 organisations, average turnover of £657k)

– Employment Support (23, £1.02m)

– Physical health or Wellbeing (24, £4.3m)

There is also probably enough data to make some comment upon:

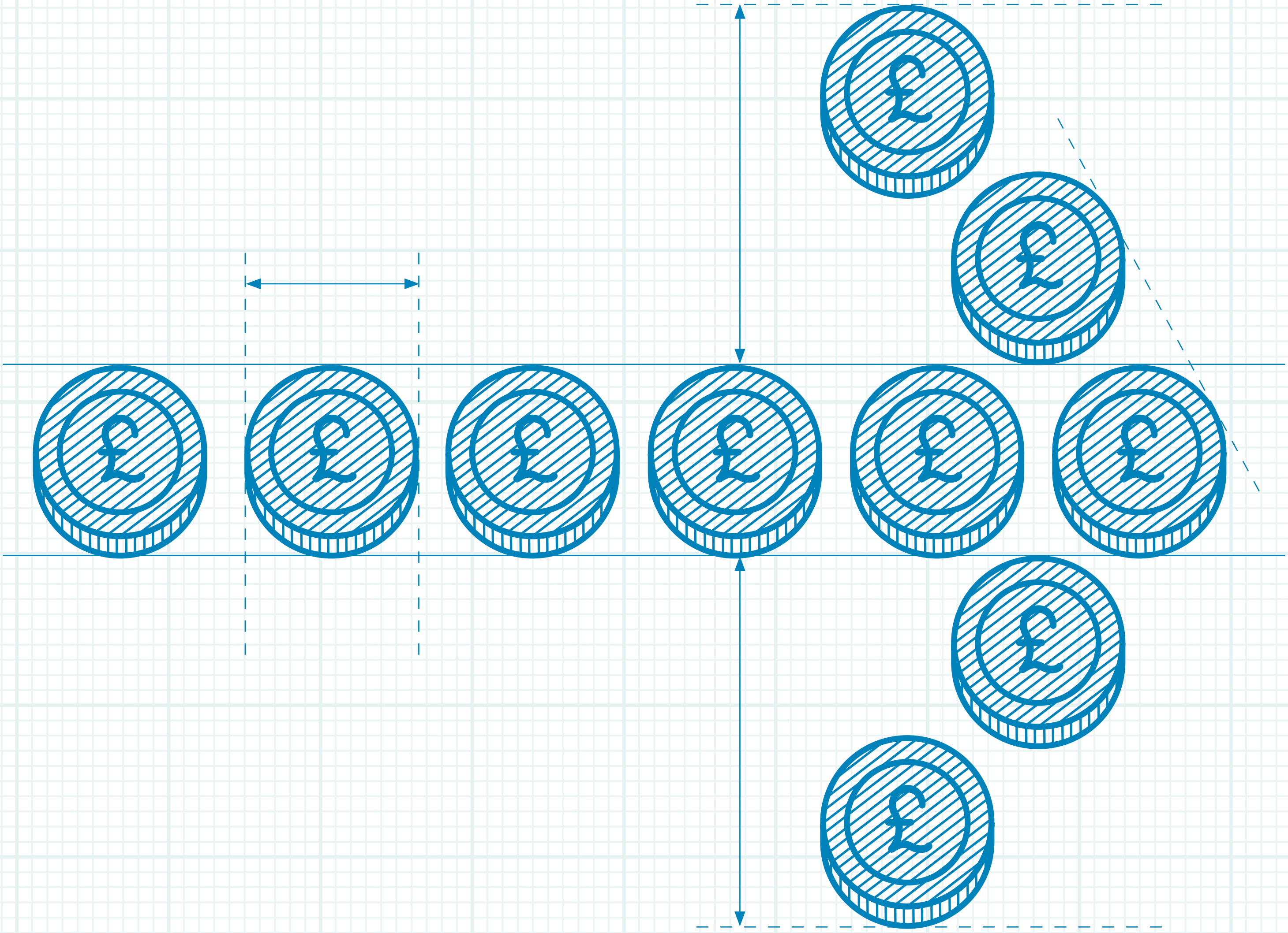
– Arts Centres or Activities (9, £887k)

– Environment (8, £411k)

– Education Support (10, £1.07m)

– Provision of Housing (9, £1.7m)

One point of note is just how varied the average turnover is within each of these sectors. We are not yet clear on the implications or importance of this.



6.1 Grant Income

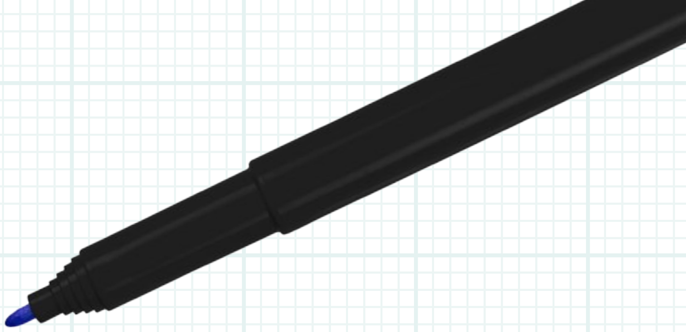
With the exception of the Environment (82.4%) and Provision of Housing (69.3%) sectors all others derive approximately 45-50% of total turnover from grants. As the number of organisations in these two exceptions to the rule is still low we cannot tell whether this is representative of the sector or simply anomalous due to the small data slice.

In the three sectors with the largest cohort of organisations (Community Hub, Education support, Physical health) it is interesting to note that the level of grant funding from Trusts & Foundations is roughly the same – around 33-35% of turnover. This is despite very different average levels of turnover in these three sector slices.

For these same three sectors the levels of funding from Local Authorities are however very different and show no particular pattern.

The levels of Trust & Foundation and Local Authority funding for Arts Centres/ Activities look a little low by comparison to the national averages we hold in the Culture Benchmark data set.

There is no particular pattern that we can spot in the Lottery Funding by sector.



6.2 Venue Based Income

Venue based income is the second largest source of income after grants for Arts Centres (43.2%), Community Hubs (38.6%), Education Support (53.4%), Employment Support (48.7%) and Physical Health (45.5%).

We would expect that the organisations in the Employment Support and Physical Health sectors are delivering the majority of their B2C activities to repeat clients which would explain why the Education & Participation percentages (around 43% in both cases) exceed those for one off ticketed events (24.5% and 12.9% respectively). By contrast the Community Hub's venue based income is more evenly split between these two income types with each worth an average of around 24%.

For all three of these sectors B2C retailing is considerably more important than café and catering. That said income from food and drink is important to both Community Hubs (12.9%) and organisations delivering in the area of Physical health (10.7%).

The hiring of space is important to Arts Centres (23.9%), Community Hubs (18.6%), Physical Health (38.2%), Provision of Housing (45.5%) and Sports Facilities (56.6%) sectors.

Organisations in the Environment sector see very little in the way of venue based income (8.4%). This sector also has the highest dependence on grants (82.4%) but again we only have 8 data sets in this slice so this data may not have stabilised yet.

6.3 Non-Venue based Income

The sectors which have developed the greatest levels of income from their intangible assets are Physical Health (36.7%), Employment Support (34.3%) and Environment (31.2%). For the first two this means that they have the most even balance between grants, venue-based and non-venue-based income of all the sectors we are able to report on. For Environment organisations we cannot yet tell whether the results are stable and thus indicative of the sector or not.

For Community Hubs and Physical Health sector organisations the delivery of Services & Consultancy and/or Delivery Contracts provide the lion's share of their non-venue based income. Indeed as we work our way through the sector slices these two sectors seem to have quite similar income models generally.

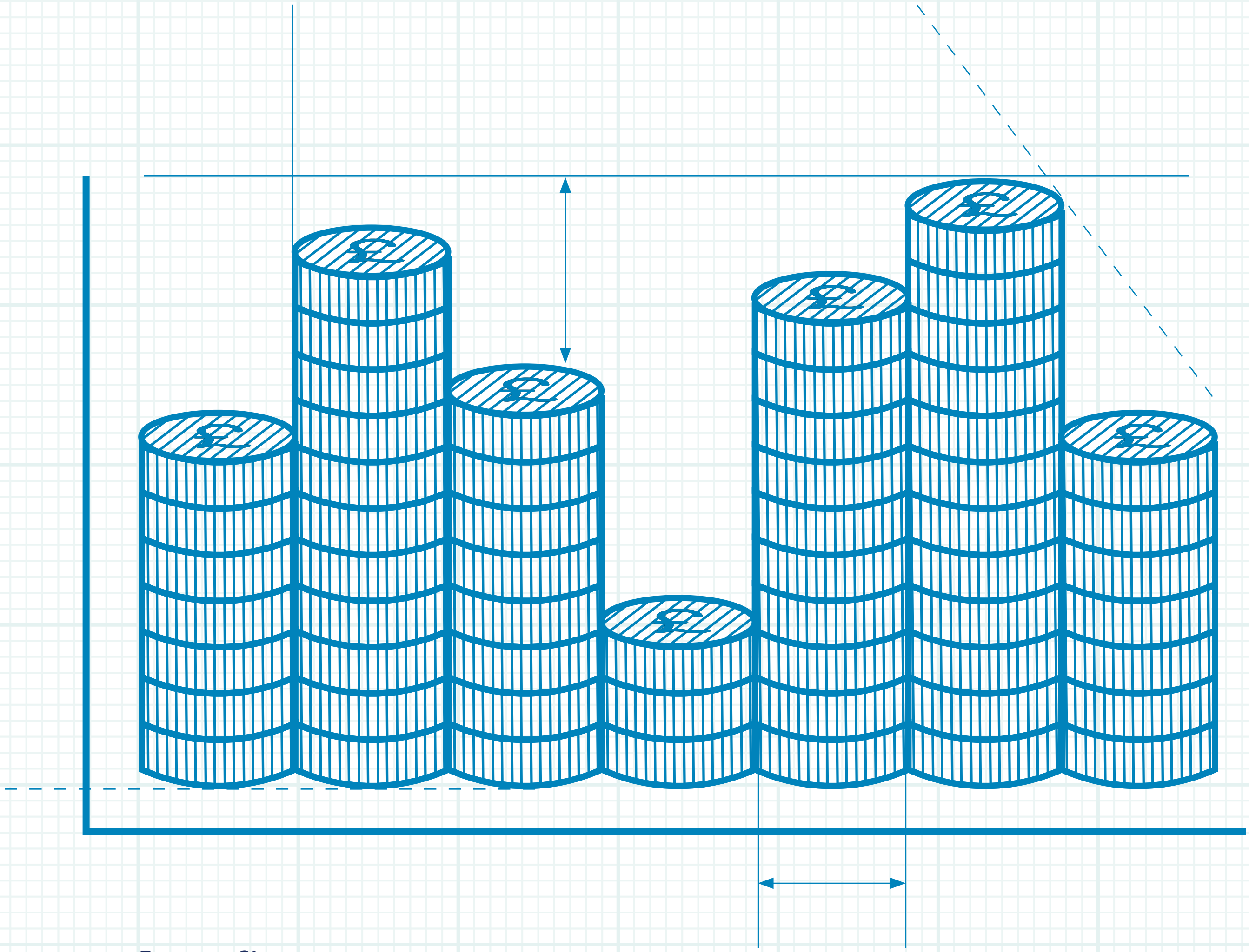
By contrast the Employment Support, Environment and Provision of Housing sectors are the sources of success stories when it comes to Donations and Sponsorship (sponsorship is a very minor player, it is really all donations) – 23.7%, 19.7% and 18.0% respectively.

Only Environment organisations see much traction when it comes to Subscriptions and Membership (21.7%) but this figure may not yet be stable as there are only 8 organisations in this slice.

None of the organisations in the data set are leveraging their intangible assets into income from Research or Intellectual Property.

6.4 Direct & Indirect Costs

There is quite a high degree of variation between sectors on the total level of Direct Costs. This is quite easily attributable to the differences in sector models in terms. In the case of Arts Centres and Provision of Housing there is a high spend on production materials. For Employment Support, Provision of Housing and Arts Centres there is a relatively high spend on Education & Participation i.e. the support of participation in the activity rather than the physical raw materials. We had thought we'd see a high cost of Education & Participation in the Education Support sector but instead (its only 8.3%) the cost of delivery is focussed on the staffing cost (65.8%).



The raw materials and stock for café & retailing activities are generally low which indicates that these income types probably are making a reasonable gross profit.

In Arts Centres and Provision of Housing there is an approximately 1:1 ratio between Total Salaries and Total Direct Costs. In other sectors such as Community Hubs, Employment Support and Physical Health this shifts to a 2:1 or even 3:1 ratio in favour of higher spend on salary costs.

The spend on Rent & Rates is a difficult to interpret given that we don't know which organisations own their spaces and which rent them. We are therefore reluctant to interpret this data in this slice. We do not see a clear link between spend on Rent & Rates and Venue-based Income.

It is interesting to note that the cost of insurance in the Physical Health sector is higher than in any other at 2.9%. With the exceptions of Arts Centres at 2.8% this is 1-2 times higher than all other sectors.

The three sectors of Arts Centres, Community Hubs and Provision of Housing have the highest spend on Utilities. In the case of the former we wonder if this is the cost of heating inefficient buildings or perhaps long opening hours (and thus electricity costs)? For the Provision of Housing we wonder if this is the cost of electricity on building sites and similar?

The Environment sector spends about twice as much on Training & Recruitment at 3.2% which leads us to wonder what this is driven by?

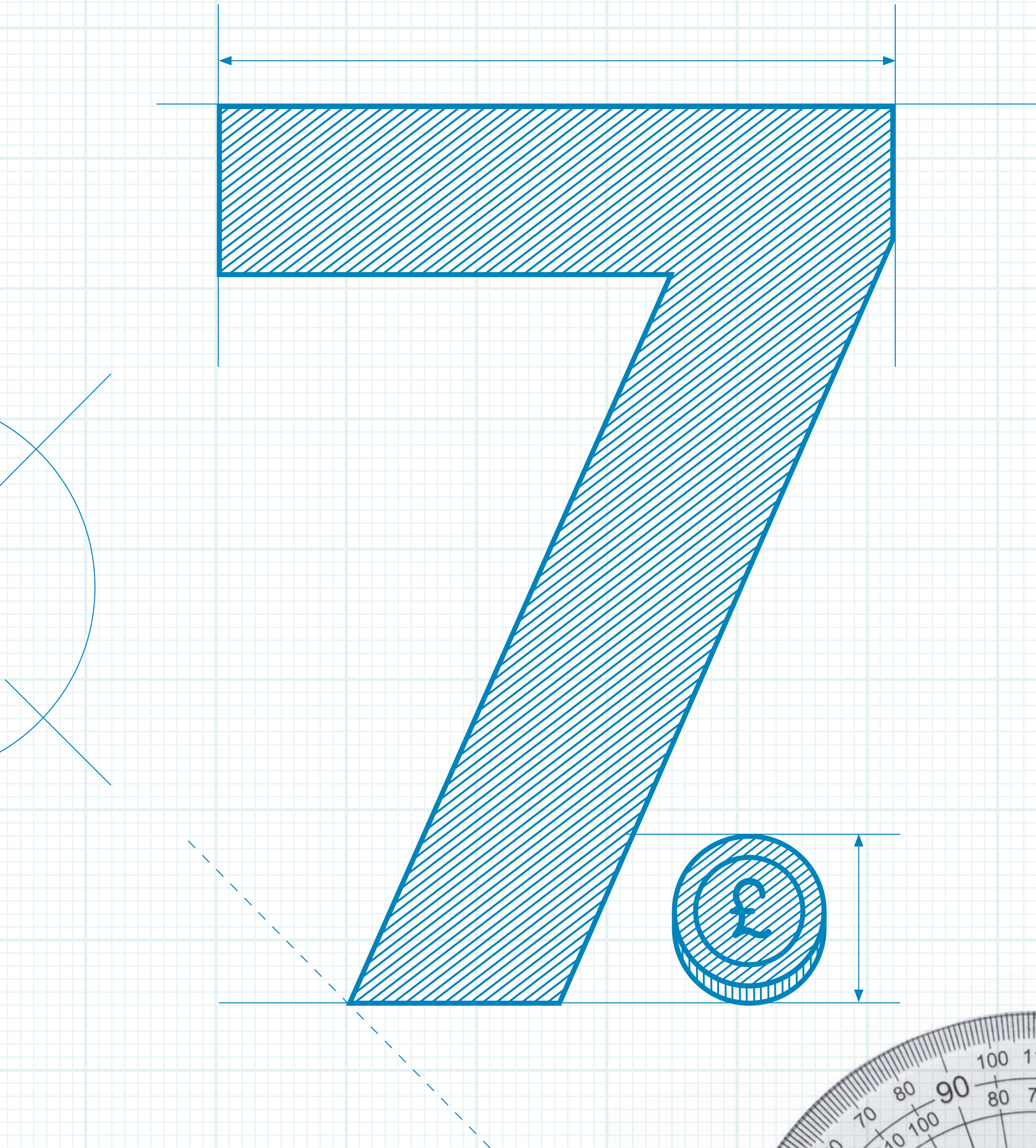
Environment and Arts Centres have a slightly higher spend on Marketing (3.5% and 2.9% respectively) but we need more information on what channels this is spent on to understand whether the extra spend is working or not.

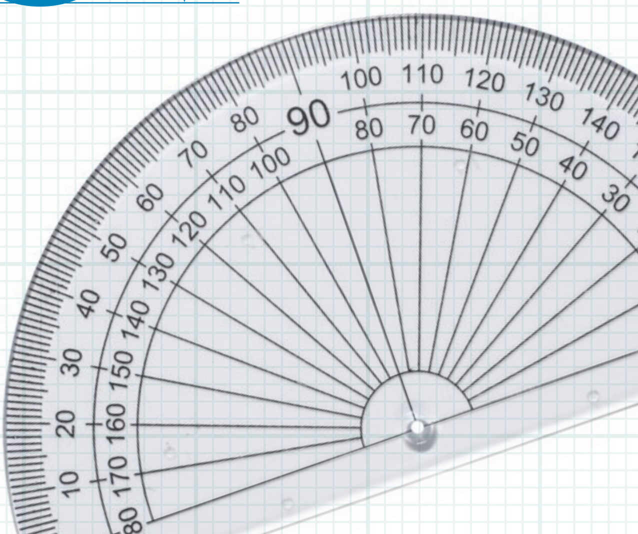
Interestingly Arts Centres (in common with Community Hubs) have the highest spend on fundraising (3.1% and 3.0% respectively) and we wonder if this has any connection either to Marketing spend or any of their income routes (there is nothing that stands out in their income models).

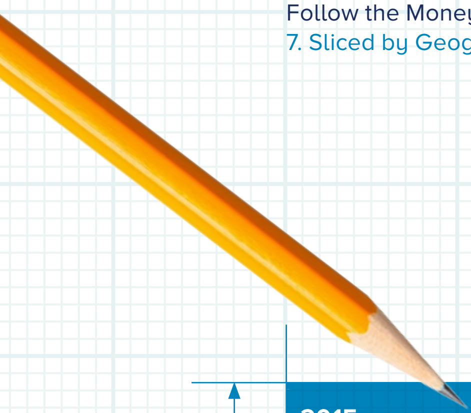
As well as high Utilities costs Arts Centres and Community Hubs also have a high spend on Buildings Maintenance (7.8% and 5.7% respectively).

The sectors with greatest profit/surplus/contribution to reserves are Arts Centres (10.1%), Environment (12.1%) and Provision of Housing (12.0%). It would be interesting see if this holds true across multiple years. It is not the norm for the set of arts non-profits we hold data on in the Culture Benchmark.

7. Sliced by Geographic Region

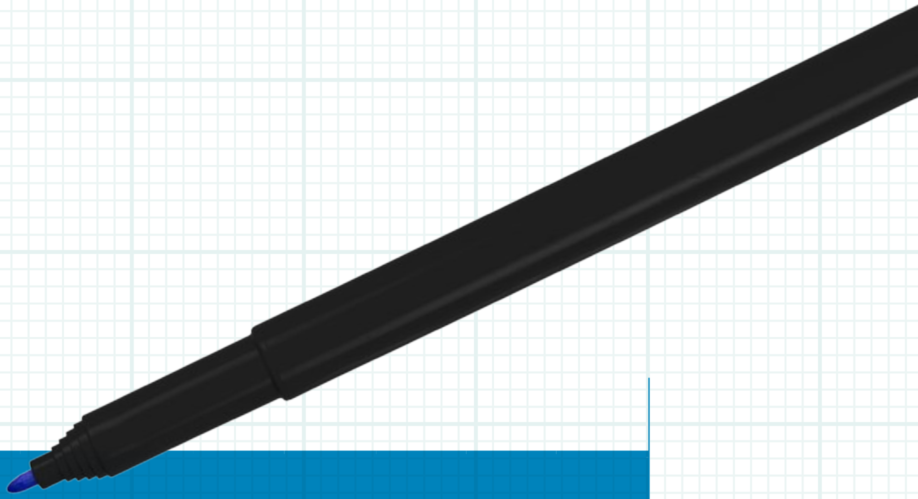






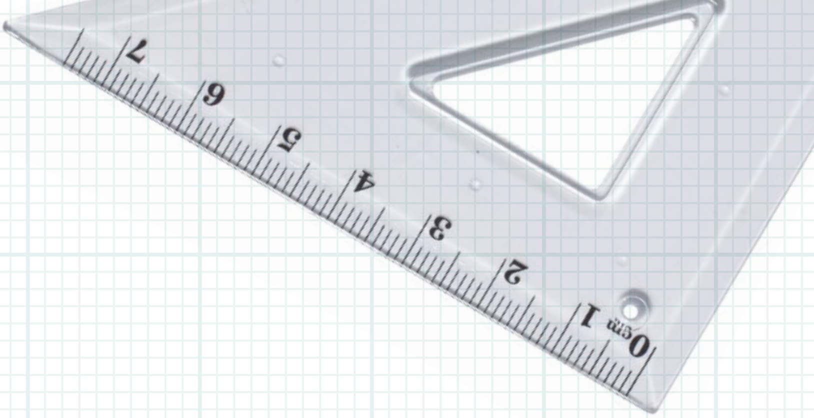
2015

Sample Details:	East Mid	East England	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber
Sample size (132/171)	11	6	24	15	30	27	18	23	32
Average turnover	£8.1m	£614k	£1.4m	£968k	£497k	1.4m	£871k	£795k	£437k
Income by type as a % of turnover									
Grant Income:									
Core gov't sectoral funder									13.2
Other govt sector specific			1.7	1.4				36.0	1.2
Trusts & Foundations	23.7	46.0	29.3	42.2	49.1	37.6	20.2	44.7	23.7
Local Authorities	8.2		22.3	18.0	13.2	27.0	31.9	37.5	14.5
Lottery Funds	11.8	62.6	19.3	35.1	37.3	18.3	6.6	8.9	22.2
Grant in Aid	1.0		25.4	5.6	13.8	*	*	*	
Other Gov't grants	3.5		3.3	4.1	19.0	6.3	6.4	2.7	18.9
Other revenue grants	16.7	10.6	22.5	9.8	20.8	32.7	38.8	21.1	24.3
Total grant funding	**38.0**	**46.4**	**49.7**	**55.8**	**60.7**	**48.7**	**39.1**	**55.1**	**49.1**
Venue based income:									
Ticket Sales	33.0		37.7	14.2	27.3	29.5	2.9	17.3	13.1
Education & Participation	42.3	64.2	8.8	29.4	21.6	28.0	32.8	40.3	31.1
Shop & Retail (B2C)	37.8		27.3	2.4	32.2	27.2	20.8	43.2	22.0
Café			20.6	4.5	25.6	6.3	13.5		11.7
Space hire	27.1	14.2	35.9	29.0	19.7	18.7	16.9	12.5	14.8
Total Venue based income	**53.0**	**46.3**	**45.4**	**39.2**	**31.2**	**44.6**	**44.4**	**39.5**	**36.4**



2015	East Mid	East England	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber
Non-Venue Based Income:									
Total Donations & Sponsorship	10.8	17.1	18.5	14.3	14.9	25.5	7.0	7.9	6.8
Corporate Sponsorship			2.4	14.3		3.2	0.2	17.1	1.9
Private Donations	13.2	16.8	18.2		11.8	20.4	4.8	5.7	9.2
Gift Aid			0.3			7.7			0.8
Legacies	2.6			*	0.8		0.1	5.3	
Other sponsorship & donations	1.5	0.6	8.0		18.8	18.0	6.8	4.2	8.7
Other research funding				6.0					
Product sales (B2B)		4.9	7.3	26.3	18.1	4.5	0.1	12.0	6.1
Services & consultancy (B2B)	15.9	2.9	25.3	43.9	0.3	31.5	36.2	35.4	41.6
Events			5.8	2.3	26.1	11.2	3.5		3.9
Subscriptions & membership	8.9		1.1	1.3	7.9	7.5	1.0	44.8	8.1
Delivery Contracts	39.0	4.2	20.4		29.1	18.2	29.2	20.9	15.0
Commissions			2.1					1.7	
Investment Interest	0.1		0.5	0.4	1.9	0.6	2.4	2.5	0.2
Total non-Venue based income	**24.0**	**20.7**	**30.5**	**32.2**	**25.4**	**35.0**	**17.3**	**30.6**	**28.9**
Costs									
Production Costs & Materials	9.8	3.7	17.7	4.0	16.9	5.1	7.6	10.3	7.1
Education & Participation	4.3	0.1	27.7	5.9	16.6	19.6	34.1	11.6	28.1
Project Staff Costs	0.3	10.3	6.1	1.9	10.6	5.1	2.7	7.7	17.2
Freelancers		0.9	7.7	5.2	7.8	14.5	2.5		3.2

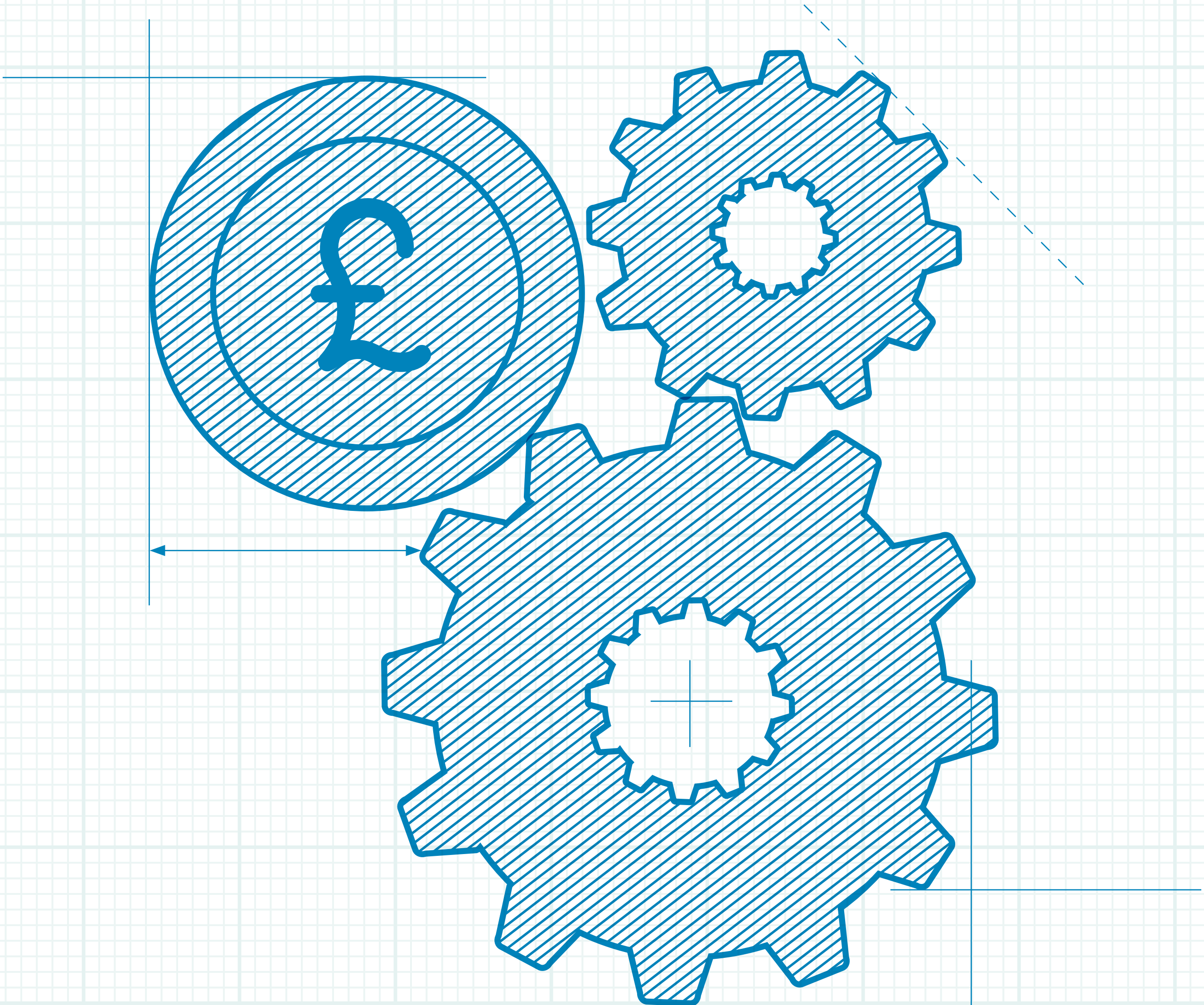
	East Mid	East England	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber
Café, shop & similar	0.9	8.7	6.6	3.7	9.9	5.7	6.0		4.0
Total Direct Costs	16.4	11.8	32.2	10.9	29.1	24.1	21.0	16.7	24.9
Total Salaries Costs (ex NIC & Pensions)	57.0	61.4	44.0	42.4	44.2	48.3	47.3	52.4	45.0
Pensions (ex NIC)	1.7	0.6	1.3	1.3	1.3	1.6	0.7	2.0	1.3
Rent & Rates	8.7	6.4	7.7	8.0	10.4	5.2	5.9	3.6	3.3
Insurance	1.5	1.1	1.5	1.5	1.3	2.8	2.1	1.0	1.6
Utilities	5.9	1.7	3.9	6.2	4.6	2.6	4.9	5.7	5.7
Telephone	1.2	1.0	0.9	1.6	1.6	1.0	1.2	1.8	0.9
Internet & IT	0.9	1.9	1.5	1.7	1.8	1.4	0.6	2.9	1.4
Stationery & Office costs	1.4	1.7	1.2	1.7	3.5	2.2	1.8	2.4	1.5
Travel & accommodation	1.6	0.7	1.9	1.1	1.3	1.9	0.5	1.9	2.7
Entertaining	0.7		0.4	1.8	1.6	0.8	0.2	0.7	0.5
Training & Recruitment	1.1	**1.6**	1.1	1.3	1.2	2.3	1.0	1.5	0.8
Marketing	0.8	0.3	3.4	0.9	1.7	2.0	2.8	2.2	0.8
Professional fees	4.3	0.9	1.9	1.6	4.4	1.6	3.5	2.6	6.9
Governance	1.2	2.7	1.3	1.5	3.0	1.3	1.7	1.9	1.1
Bank charges	1.0	0.2	0.5	1.1	0.5	0.7	1.1	0.8	0.2
Depreciation	4.6	3.2	2.5	4.8	6.8	5.4	3.1	6.2	5.5
R&D costs	0.2		0.1		*		0.4		0.6
Buildings maintenance	5.7	**2.5**	6.8	**6.6**	7.4	**5.5**	6.9	**3.7**	4.5
Equipment costs	8.1	1.8	4.3	6.0	4.3	3.0	2.8	3.8	0.7
Fundraising	5.5	1.4	1.4	4.7	2.3	4.6	0.8	0.2	1.0
Irrecoverable VAT	*		2.8	4.2		0.3			0.6
Total Revenue Expenditure	96.4	**87.4**	91.1	86.3	**102.6**	92.3	**91.2**	**98.4**	94.4
Annual Surplus before tax	3.0	12.6	8.9	14.6	-2.9	7.8	8.7	5.8	1.2



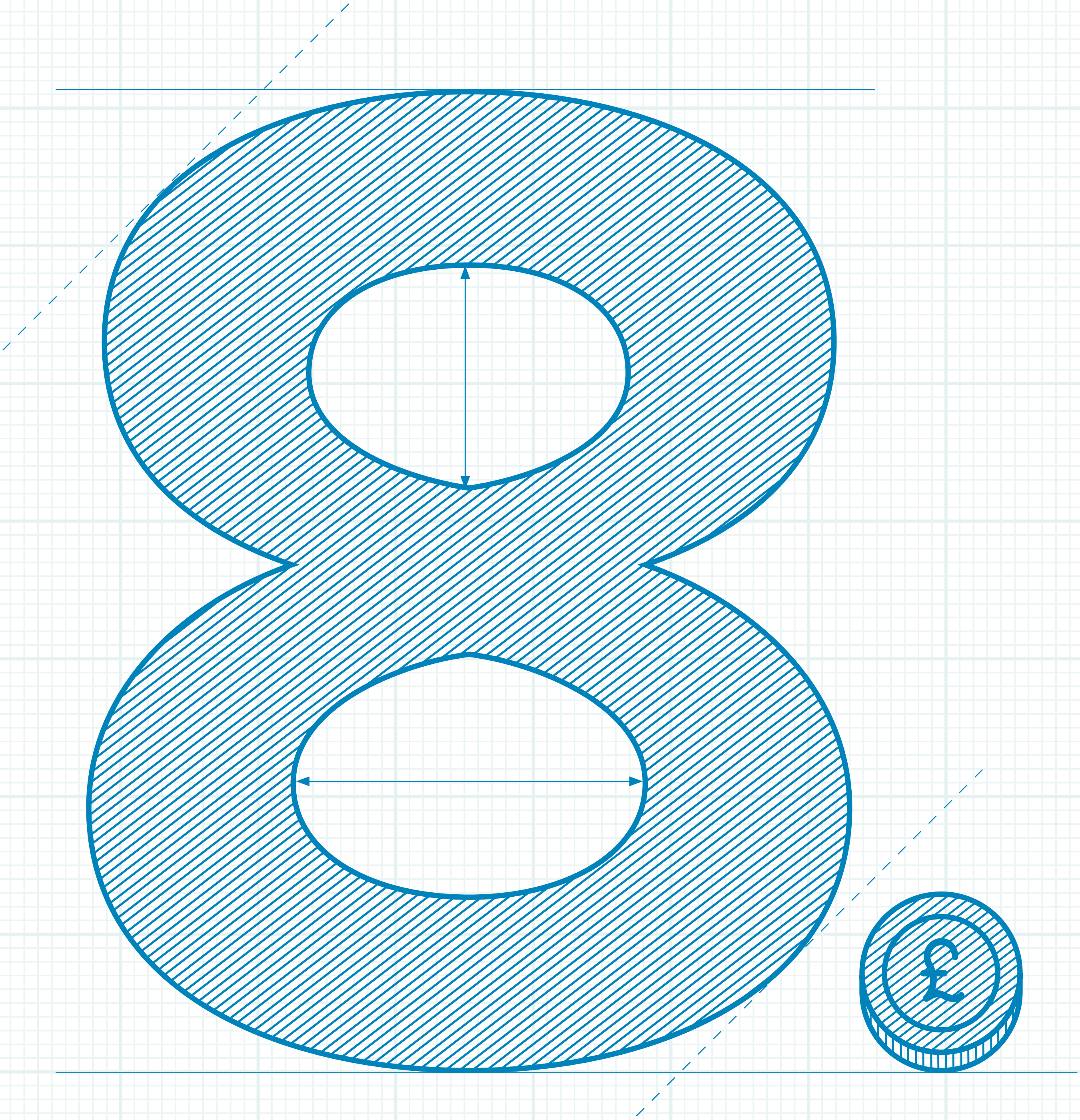
The first point of note is that the cohort of organisations we hold data on is not evenly spread across the 9 regions of England. The mix of applicants and grantees is particularly sparse in the East of England (6) and fairly low in the East Midlands (11), North East (15) and South West (18). All other areas have
23-32 data sets in each.

The average turnover in each regional slice shows no particular trend or pattern. The averages in Yorkshire & Humber and the North West seem low but in truth a set of pivot tables is needed here if we are to explore the relationships between average turnover and other factors.

Indeed we've looked at this set of slices from various angles and we cannot see any clear patterns in the data and would suggest that the heterogeneity by turnover and by sector is so high as to make it unlikely that there will be any patterns. Our only remaining suggestion is to look at GVA levels by region to see if this shows any pattern.



8. Sliced by Legal Structure



2015						
Sample Details:	CIO	Charitable Trust	CIC – Guarantee	CIC – Share	Co ltd by Guarantee	Co ltd by Share
Sample size (132/171)	25	16	15	1	126	1
Average turnover	£685k	£382k	£1.8m		£1.4m	
Income by type as a % of turnover						
Grant Income:						
Core gov't sectoral funder				No Data Available	13.2	No Data Available
Other gov't sector specific			*		10.5	
Trusts & Foundations	31.6	68.6	54.7		30.3	
Local Authorities	25.8	43.1	8.0		20.1	
Lottery Funds	20.1	38.1	*		24.6	
Grant in Aid	*		*		21.2	
Other Gov't grants	4.7		21.5		9.1	
Other revenue grants	20.4	41.2	46.1		20.9	
Total grant funding	**52.9**	**62.2**	**58.0**		**48.2**	
Venue based income:						
Ticket Sales	28.6	41.2	*		20.2	
Education & Participation	32.9	27.5	24.0		32.7	
Shop & Retail (B2C)	25.3	*	39.0		26.3	
Café	18.2	*			11.1	
Space hire	22.7	9.4	12.6		21.5	
Total Venue based income	**44.7**	**34.5**	**43.0**		**40.1**	
Non-Venue Based Income:						
Total Donations & Sponsorship	21.8	20.6	7.6		12.3	
Corporate Sponsorship	3.5		*		6.9	
Private Donations	19.3	26.7	4.3		10.6	
Gift Aid					2.9	
Legacies	*		*		3.8	

Sample Details:	CIO	Charitable Trust	CIC – Guarantee	CIC – Share	Co ltd by Guarantee	Co ltd by Share
Other sponsorship & donations	13.6	13.8	11.5		9.3	
Product sales (B2B)	2.9	*	*		10.4	
Services & consultancy (B2B)	25.4	*	*		35.9	
Events	5.4	*	*		5.3	
Subscriptions & membership	1.4	6.4			2.7	
Delivery Contracts	14.8				22.7	
Investment Interest	0.5	0.5	0.2		1.7	
Total non-Venue based income	**33.9**	**23.7**	**22.3**		**28.7**	
Costs						
Production Costs & Materials	13.6	13.5	15.5		9.5	
Education & Participation	8.6	13.5	21.5		20.2	
Project Staff Costs	*	*	*		9.7	
Freelancers	7.9	*	*		7.1	
Café, shop & similar	7.1	2.9	0.8		6.1	
Total Direct Costs	18.3	21.8	31.8		23.2	
Total Salaries Costs (ex NIC & Pensions)	42.7	43.9	59.0		47.9	
Pensions (ex NIC)	1.5	1.8	1.8		1.3	
Rent & Rates	9.0	7.0	6.8		6.0	
Insurance	1.0	1.7	1.2		1.8	
Utilities	5.3	6.9	2.6		4.4	
Telephone	0.9	1.6	1.3		1.2	
Internet & IT	1.7	1.2	1.6		1.5	
Stationery & Office costs	1.3	1.0	2.3		2.3	
Travel & accommodation	0.7	1.7	6.9		1.4	
Entertaining	*	*	0.6		0.9	
Training & Recruitment	1.4	2.1	0.7		1.3	
Marketing	3.7	0.8	1.4		1.4	

Sample Details:	CIO	Charitable Trust	CIC – Guarantee	CIC – Share	Co ltd by Guarantee	Co ltd by Share
Professional fees	6.9	3.8	1.1		2.9	
Governance	1.6	1.3	1.7		1.8	
Bank charges	0.4	*	1.1		0.6	
Depreciation	7.0	3.9	4.0		5.1	
R&D costs	0.4				2.4	
Buildings maintenance	5.7	9.0	*		4.6	
Equipment costs	2.2	13.2	2.2		3.9	
Fundraising	*	1.4	4.3		2.1	
Irrecoverable VAT	*		*		0.5	
Total Revenue Expenditure	**89.1**	**83.6**	**101.5**		**96.8**	
Annual Surplus before tax	10.9	16.4	-1.5		3.58	

Rather like the splits by Government Region we think that this set of slices is of limited value because of the high level of heterogeneity by size and sector in each slice. However there is greater internal similarity in this set of slices than in the Region slices so some interpretation is possible albeit at a fairly gross level.

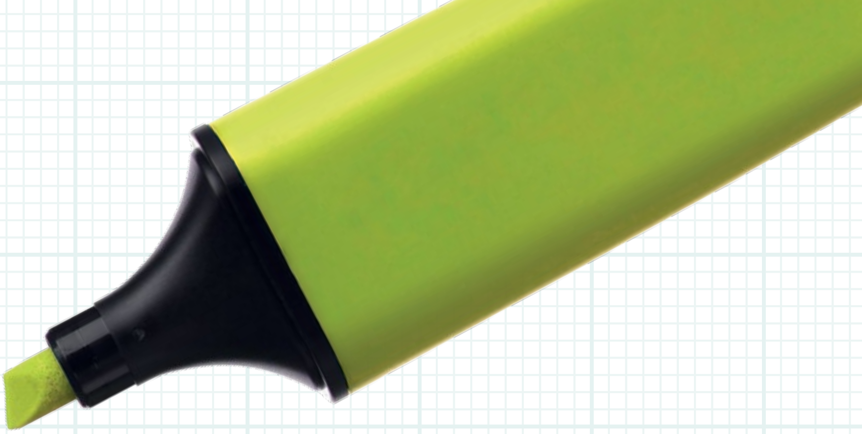
What we don't know is when the organisations were set up and whether there is any bias towards old organisations being Charitable Trusts and younger ones using newer organisational structures such as CIOs or CICs. This may or may not have a bearing on the ability to succeed in some income areas e.g. older and/or larger organisations may be better at stabilising certain income types.

8.1 Grant Income

Charitable Trusts are the most successful at acquiring grants and on average across 16 organisations the Total Grant Funding is worth 62.2%. Both CICs limited by Guarantee (58.0%) and CIOs (52.9%) do better than Companies Limited by Guarantee (CLG) (48.2%).

In all of the legal status slices Trusts & Foundations come top out of the grant sources.

For all but CLGs Local Authorities are sources of more income than Lottery Funds.



9.2 Venue Based Income

By contrast Charitable Trusts are least good at leveraging tangible assets into income (34.5%). The winner in this section are the CIOs at 44.7% which are marginally ahead of CICs (Guarantee) at 43.0%. Whilst all are fairly close together CLGs lag slightly behind at 40.1%.

Charitable Trusts are however the most successful when it comes to income from ticketed events – 41.2% which is quite a way ahead of both CICs and CLGs (28.6% and 20.2% respectively).

Retail activities are important to CICs, CIOs and CLGs (39%, 25.3% and 26.3% respectively).

Only CIOs and CLGs seem to be used for café and catering activities. These two types also lead the way when it comes to Space Hire (22.7% and 21.5% respectively).

All types of legal status seem to be pretty effective when it comes to Education & Participation income – 30% give or take 5%.

These results clearly suggest that CIOs and CLGs are preferred by those operating secondary income sources (café, retailing, space hire) in parallel to their primary non-profit or charitable activities.

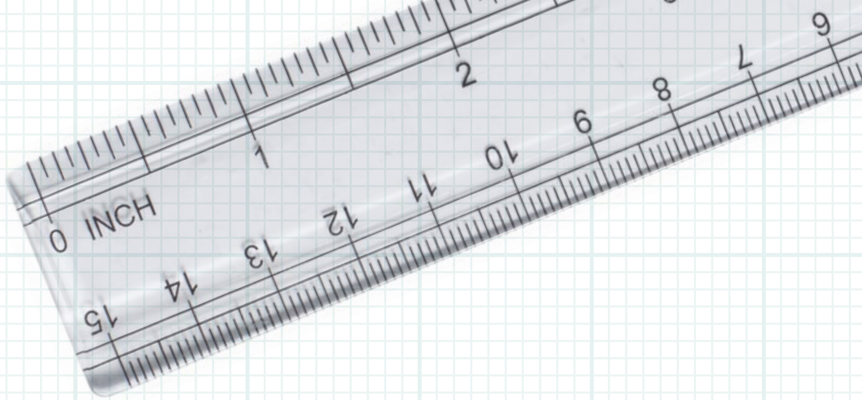
9.3 Non-Venue based Income

CIOs and CLGs are also the leaders when it comes to leveraging intangible assets (33.9% and 28.7% respectively). Their models are dominated by the role of Services & Consultancy and Delivery Contracts.

Surprisingly CIOs also beat Charitable Trusts when it comes to Sponsorship and Donations (21.8% vs. 20.6%). The CIOs pip the Charities to the post due to their successes with sponsorship though the Charitable Trusts can take some consolation from the fact that they are still the leaders when it comes to Donations (26.7%).

In this data set only CLGs are making any headway with Gift Aid or Legacies but it is worth remembering that we have 126 CLGs in the data set and only 15-30 of any other type.

CIOs and CLGs run fundraising events which deliver around 5.3% of turnover. The equivalent for Charitable Trusts is their Subscriptions & Membership income at 6.4%.



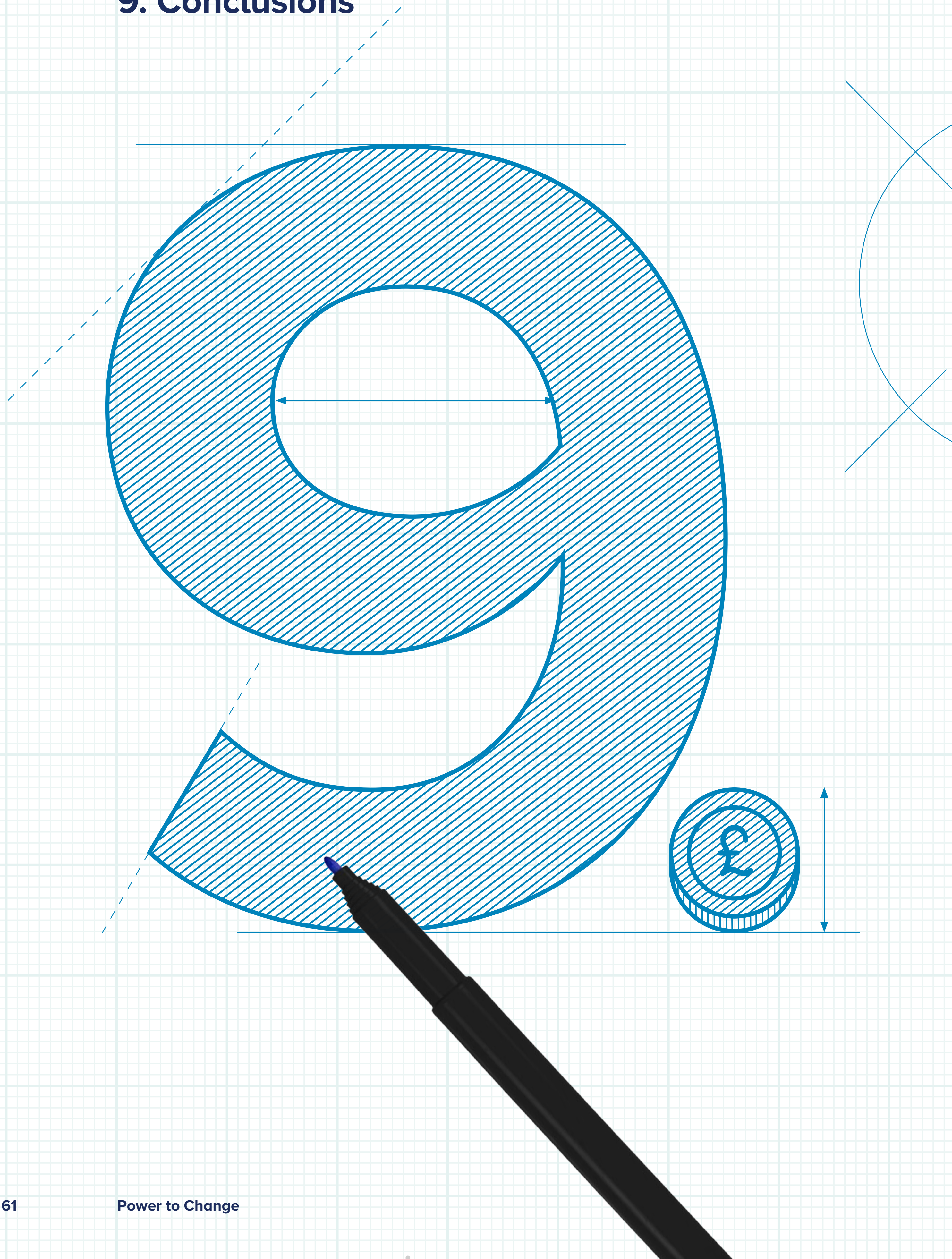
9.4 Direct & Indirect Costs

The 2:1 ratio of spend on total salaries : total direct costs holds true across all segments even though the percentages spent on direct costs vary quite considerably from 18.3% in CIOs to 31.8% in CICs (Guarantee).

CIOs seem to be spending more on Marketing at 3.7% than the other types (0.8% to 1.4%) but at the moment we don't know enough about these organisations to see how this connects to either income or customer growth i.e. we can't see if it delivers a return on the investment.

We wonder if there is any reason why the CICs as a group are spending more than they are earning but we suggest looking at 2013 and 2014 before coming to any conclusions about this.

9. Conclusions



This first report on the historic data added into the benchmark engine for Power to Change starts to indicate where value might be found in this comparative data.

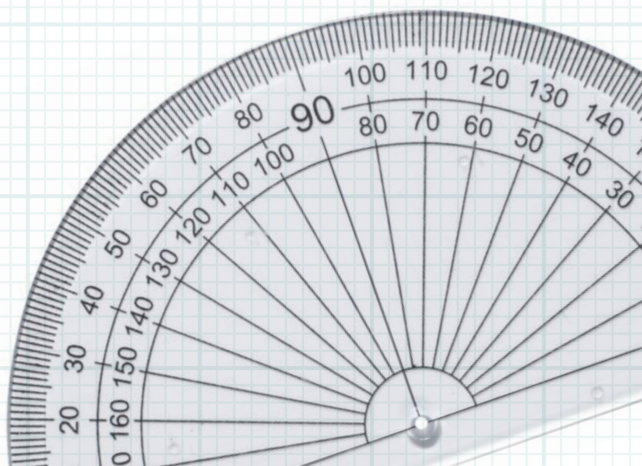
It is very early days! Some of the results are distinctly more obvious in the value they offer than others and by the time we complete the data entry for 2013 and 2014 we may well decide that some data slices offer such little value (slicing by Region for example) that they are not really worth the effort of reporting on.

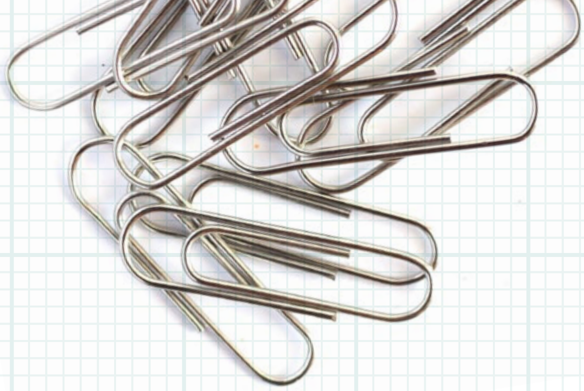
Some slices work well for their high level indicators but are less useful in the detail – the simple annual slice and the slice by legal status for example.

However there are also slices such as the sector slices and the slices by turnover range that look very promising in terms of their ability to offer detailed insight and points of reference for organisations in each slice. We suspect that we'll be able to hone these further by picking out particular activities such as Space Hire and Café or Retailing activities and will be able to build a benchmark which shows what good, better and best looks like for each type of income generating activity. Ideally we'll be able to show how this varies in terms of the rest of the offer of the organisation, ie what the lead activities are and what other activities offer good secondary spend opportunities for maximising income. This could then lead on to models which show what the minimums are in terms of turnover, profitability and customer base for an income type to be worth the effort so that we can get a sense of risk and return.

These sorts of tools should have utility not just for the organisations in the cohort but also for the due diligence processes within PTC and for the individuals and organisations who provide business support to the grantees. There should also be wider value to a whole sector once the data becomes sufficiently robust in both volume and numbers of years of data held.

At this point the report style is less analytical than we will aim for in future. For now we want to ensure that we're slicing the data in useful ways and that all those involved read the data in the same way. Once we have this baseline we will be well positioned to start asking more questions in terms of what the results mean. We would also hope to bring in greater contextual information based on meeting more of the grantees and understanding their working world, challenges and opportunities.





9.1 Key Ratios

One of the areas we are keen to develop later in the year is a set of key ratios that can act as both an introduction to the data for grantees and a short hand for PTC and the team – a set of simple guides that we can all track easily that act as an overall reference point. To hone these to a point where PTC could publish guidelines publicly is something we suggest we should aspire to. In order to reach this we would need to:

1. Understand the norms by sector, turnover band, mix of product & service and mix of tangible and intangible assets
2. Acquire sufficient data in each of these slices so that the averages won't shift markedly if we doubled the size of the data set
3. Understand the factors which underpin the norms and the best practice in these areas
4. Compare the norms for average and best in class to equivalents in the wider 3rd sector, public sector and commercial world

We suspect that we have enough data to achieve point 2 for the 2015 dataset overall and for some (but definitely not all) of the slices we are interested in. We should reach this level with 2013 and 2014 shortly. A first pass at point 1 is therefore within reach in a matter of weeks. A combination of PTC sector expertise and the pilot should help us achieve 3. Achieving 4 will require some desk research but should be very do-able.

We are making a set of best guesses as to which of the possible ratios will prove most insightful to the grantees and Twine users and when the static 2015 data charts go live in late April.

We are considering the following ratios:

- **Level of income from Local Authorities –** it is worth understanding how an organisation stacks up versus its peers when it comes to how good they are at extracting support from one or more LAs. There has been a drop in the national average for LA funding over the last couple of years but it is still important – in the PTC cohort in 2015 it was worth an average of 20.7%.
- **Total level of grant dependence –** we phrase it this way really to highlight the issue that whilst an organisation may be very good at diversifying their grant sources they may still have a lot of eggs in pretty much the same basket if the percentage of income from grant sources is high. It also suggests that an organisation is not leveraging its tangible and intangible assets sufficiently well and both of these ring alarm bells with funders – in the PTC cohort in 2015 the average was 50.5%.

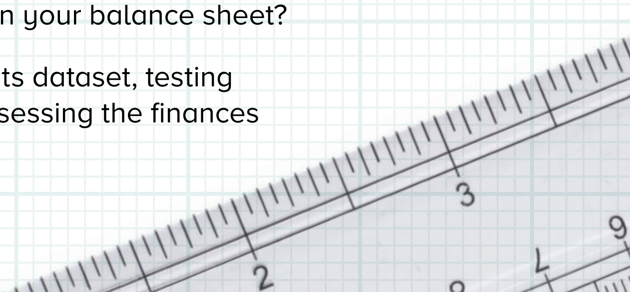
- **Subscriptions and Membership –** we've seen quite a trend towards setting up membership, subscription or patron schemes in organisations who have not explored this route previously. Whilst we wouldn't want to dampen people's enthusiasm we are however uncertain about what this is really likely to be worth in income. Our caution comes from looking at the national average in the PTC cohort which shows that this area is worth some 6.9% of turnover
- **Delivery Contracts –** this is an area of massive variation and varied definitions. We use it to mean contracts for the delivery of products & services and differentiate these from grants with an attached Service Level Agreement.
- **Ratio of Total Direct Costs to Total Salary Costs –** we look at this because there are ratios which hold true across a whole sector. For example in Arts Centres or in Provision of Housing the ratio is roughly 1:1 but in other sectors in the PTC cohort the ratio is 2:1 in favour of higher spend on salaries
- **Asset utilisation –** the ratio of fixed assets to total income. This is looking at whether the organisations assets are being leveraged into income effectively or not and in particular whether you are maximising your buildings and collections in your income streams. The problem in the PTC data set at the moment is that there is quite a lot of variation in how accountants present Balance Sheet information and they may not give enough detail to separate out fixed assets.

An alternative would be to look at the net current assets (rather than the total assets of the organisation) as this figure is a better indicator of the organisations ability to invest in it's own research and development – which requires liquidity and probably also unrestricted reserves. If all your assets are tied up in your building it is hard to invest in R&D as you don't have the cash to spend up front and lenders can't see how you would repay any loans. However this metric is also hampered by the lack of granularity in the data at present.

We are also considering a few other ratios:

- **Equity ratio –** the reserves as a percentage of total revenue income and thus an indicator of the resilience of the organisation as a whole
- **Revenue concentration –** levels of dependence on the one or two income streams that deliver the highest percentage of your income
- **Administrative cost ratio –** the overheads as a percentage of total revenue and a reflection of the flexibility of your cost base
- **Profit margin –** the surplus or profit as a percentage of total revenue income
- **Robustness of revenue model –** the percentage of total income that is classified as 'earned' ie non grant
- **Intangible assets –** is there anything for this line in your balance sheet?

We will be publishing regular reports on the accounts dataset, testing these ratios as we develop a robust approach to assessing the finances of community businesses.



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