Analysis of 2014—15 Art Council England NPO data

This is MyCake's fourth annual analysis of the Arts Council England annual data set. As with previous years, we've formatted the raw data (free to download from the Arts Council England website) into an interactive dashboard to make it easier to analyse.

1 How does it work?

This dashboard has been developed using the same approach that we use for the Culture Benchmark. The difference is that we are presenting the ACE annual survey data from 2011-12 following its release by ACE earlier this year.

You will see that we have not released all the data. We have purposefully excluded any data which we believe to be either inaccurate or incomplete so that it cannot skew the data we are presenting.

The dashboard is designed to enable any organisation to look at the National Average and compare it to a sample of their choice. We've set up three types of ways to slice the data – by art form, by geographic region and by turnover range. The art form and geographic region slices are freely available to all.

The 'Selected Group' box summarises the sample you've selected and indicates the number of organisations in the 'size of selected sample'.

You will see that all the financial data is represented as a percentage of turnover. This enables us to make sensible comparisons across the whole data set much more easily than if we presented the figures in £. Both income and expenditure data are presented as a percentage of total turnover.

There are all sorts of things you can do with this dashboard but to get you started we thought we'd look at five questions you might want to explore the answers to…

2 What insight can I glean from the 'national average' income figures?

2.1 Which bit of the dashboard do you need to look at?

Click on the Income button and you'll find that the second column of data has the National AVG (average) in it. Note that this is made up of data from 698 organisations across all art forms and all regions.

e: sarah@sarahthelwall.co.uk w: www.sarahthelwall.co.uk

You'll see that all the income data is presented as a percentage of total income.

2.2 What does the data tell us?

The 'National Average' tells a story that many people will be broadly familiar with but nonetheless it is a summary that is worth a look just to orient oneself with the data.

The largest single source of income to NPOs across the portfolio is the ACE Regular funding. All of the last three years are sitting at a similar level around 37-38% of annual turnover and in 2014-15 the precise figure is 36.9% of total turnover.

As with the 2012-13 and 2013-14 data Earned Income Core is the second largest income type and in 2014-15 was worth an average of 25.9% of turnover.

Local Authority funding makes the third largest contribution to arts organisations' income nationally with an average in 2014-15 of 11.3% - a drop from a high in 2012-13 of 12.8%.

We're not going to spend time analysing this national average as this ground has been covered pretty thoroughly by ACE in their annual report.

What we would highlight are the national averages for the earned and contributed income lines as they form a useful baseline against which to compare artform, regional and turnover range clusters of arts organisations.

In particular:

Sponsorship – 4.4% (comparing to 4.5% and 4.3% in the two previous years)

Trusts – 9.5% (comparing to 9.1% and 9.9%)

Donations – 4.2% (vs. 4.3% and 3.9%)

3 How do business models differ between small and large organisations?

3.1 Which bit of the dashboard do you need to look at?

Use the up arrow in the 'To' box to set an upper limit for the turnover of organisations in the Selected Sample to £100,000. You'll find that this creates a Selected Sample of 26 organisations whose data is displayed in the first of the two columns of data to the left of the National AVG and who between

e: sarah@sarahthelwall.co.uk w: www.sarahthelwall.co.uk

them have an average turnover of £79,000 (see the bottom left box marked 'Selected Group' and the row described as 'Avg Total Income (£000)'. Click on the up arrow again to set the limit at £200,000 and you'll find that the sample now encompasses almost 20% of NPOs (130 in fact with an average turnover of £139,000).

To look at the largest third of organisations in this data set click on the refresh button to reload the dataset (this will clear the contents of the To and From cells) and then set the 'From' turnover level at £1,050,000 (either by clicking on the up arrow or typing the figure in). This selected sample has an average turnover of £6,608,000.

3.2 **What does the data tell us?**

We know from previous work such as Size Matters that the business models of small arts organisations are very different indeed to those of large organisations. This selected sample demonstrates this difference very starkly.

Across all art forms and geographic regions small arts organisations achieve a far lower percentage of their total income from Earned Core (14.5% in 2014-15 for organisations with a turnover of under £100k vs. national average of 25.9%) and are far more dependent on ACE Regular funding (73.0% vs. national average of 36.9%) than their large organisation counterparts. We're not going to make comment upon whether we feel this is too high a level of dependency or alternatively whether it is appropriate given the type of work these organisations undertake; instead we'd simply say that it is important that as a sector we understand the differences between the business models of large and small organisations so that when we are setting targets for income diversification they are set in a manner which is appropriate to both the starting point and the best in class for an appropriate comparison cluster of organisations.

It is interesting to note that small organisations are benefiting from ACE Lottery Development funds (in the <£100k turnover band this is worth an average of 1.8% of turnover in 2014-15) and also ACE Other Revenue (20.3% in 2014-15). This makes sense; they are a cohort of organisations who would lack the funds to spend on development unless it was specifically added in to their revenue and activities.

While on a national level the percentage of income achieved from donations, trusts and sponsorship is not terribly high it is a little lower in the small organisations – sponsorship 4.5%, trusts 7.9% and donations 2.5%. This is a substantial achievement given that in small organisations these activities are usually undertaken by the Director rather than the specialist teams in larger organisations. The second question to ask is what percentage of the team's time is spent on these activities and what therefore is the return on investment from these activities vs. other income generating work? This dashboard has been designed to only show the averages but of course we could pull out the data on the best in class separately if it is of interest. Alternatively, you can download the raw data set and look for these examples in it.

In contrast if we look at the largest third of the NPOs (those with a turnover of over £1,050,000) we see a very different picture. The largest single source of income is Earned Core at 35.0% with ACE Regular funding coming in second at 23.3%. Earned Income Suppl is the third largest source at 11.9% and we would suggest this is a result of organisations with physical venues maximising the earning potential of their spaces (something which of course the small and non-venue based organisations would struggle to do). Local Authorities continue to be important, indeed roughly as important as for small organisations at an average of 11.3% of turnover. We know that there is a London bias in both sponsorship and donations so it's interesting to see that even when this is diluted into the average of all the large organisations across the whole of England and across all art forms there is still a significant benefit to being large vs. small when it comes to these income streams.

In summary, there are some very distinct differences in the income models for large vs. small organisations. If you are using this data to set targets for your own organisation it would be well worth your while establishing an appropriate turnover range to compare yourself to rather than simply comparing yourself to the national average.

4 Who is the best & worst when it comes to donations & sponsorship (and what does this tell me about the goals I might set for my organisation)?

4.1 Which bit of the dashboard do you need to look at?

To look at the organisations who achieve the highest percentage of income from donations and sponsorship click on the London region in the second of the two drop down lists. This will create a Selected Sample of 250 organisations with an average turnover of £2.93m in 2014-15.

e: sarah@sarahthelwall.co.uk w: www.sarahthelwall.co.uk

4.2 **What does the data tell us?**

Previous longitudinal studies by Arts & Business have clearly demonstrated a London bias in both sponsorship and donations income for the arts. This data set is consistent with such findings as we see that the London sample achieves income figures which are greater than the national average for all three income types – sponsorship 5.2% (vs. national average of 4.4%), trusts 12.5% (vs. national average of 9.5%) and donations 6.0% (vs. national average of 4.2%).

So how is this information useful to those organisations based outside of London or who are not in one of the sponsorship and donations sweet spots such as visual arts? We would argue that one of the critical parts of diversifying an organisations' income is the setting of appropriate targets. There has been a great deal of focus on the development of private giving, particularly in the wake of cuts in public funding for the arts. However, these figures clearly show that if you were looking to plug a gap of some 15-30% in turnover then private giving is not a magic bullet. It can be part of a solution but is not a total solution.

The utility of this data therefore is in setting goals and targets for income diversification which are appropriate to your art form, geographic region and size of organisation.

For contrast, lets look at a couple of the areas where the data shows that current levels of donations and sponsorship are much lower (and we would guess harder to achieve but we'd need to look at some individual case studies to see if that was actually true).

In truth none of the East Midlands, North East, North West, South West, South East or West Midlands (ie everyone except London, Yorkshire and East of England) do well in any of the areas of sponsorship, trusts and donations. Of all of these, the West Midlands does the least well when it comes to private giving with 2.0% sponsorship income and 2.0% from donations. What this really tells us is that the national levels of income from these sources are more accurately represented by these non-London organisations and that the London (and to some extent Yorkshire and the East of England) organisations are skewing the national average.

It is interesting to note that it is possible to buck the trend of a London focus for sponsorship and donations. Organisations in the North East are achieving it with Trusts & Foundations (10.4% vs. national average of 9.5%). It would

e: sarah@sarahthelwall.co.uk **w:** www.sarahthelwall.co.uk

be worth looking at the 58 organisations in this sample a little more closely to see how they achieve it.

In summary it is possible to identify particular art forms and regions who have a strength in these types of income and this helps us identify best in class case studies to learn from. Meanwhile we would reiterate the point that it is important to select your benchmark comparison group carefully so that you set realistic targets. The national average is not a wildly useful comparison point as it contains such a wide range and the averages are being skewed by the successes of a small number of (often large) organisations.

5 Which art form clusters could you learn from in terms of income diversification?

The national average is a good place to start when comparing your business model but it only goes so far. What you need next is to understand where the examples of best practice can be found so that you can determine whether they have anything to offer you in terms of approach.

To help you do this we've combed the data looking for regions, sizes of organisation and artforms who demonstrate particular strengths in their income models. The data alone cannot offer an explanation for why these clusters have particular strengths but it can provide a start point from which you can work to open up conversations with the 'best in class' organisations that the data highlights.

Organisations in the Literature and Music sectors beat the national average for trusts at 15.9% and 12.3% of turnover respectively (vs. 9.5% national average). Visual Arts, Literature and Music organisations beat the national average for donations (4.9%, 4.9% and 7.7% vs. 4.2%) and the large visual arts organisations (over £700k) in London trounce it at 10.2%!

It would be easy to cite a set of large organisations as examples of best practice as some things are simply more do-able when you are large. Instead let's first look at a couple of examples of where small organisations are clearly best in class.

The 33 Combined Arts with a turnover of less than £200k show a positive anomaly vs. the rest of the sector when it comes to Earned income from educational activities 11.3% of turnover vs. 6.7% national average. This

e: sarah@sarahthelwall.co.uk **w:** www.sarahthelwall.co.uk

cluster is also better at leveraging income from trusts and Local Authorities than the national average.

In summary when you are setting targets for each of your areas of income it is worth knowing not only what the national average is but where the examples of the best in class are (by region, artform and size) and deciding whether they have something to teach your or not.

6 Who has taken the greatest hit when it comes to Local Authority cuts?

The arts have had a rough time of it when it comes to cuts in Local Authority funding in the last few years. This data set shows that the levels of LA funding are still extremely variable by region, size and artform. The data can show us who has been hit the worst so far if we compare 2014-15 to a year such as 2011-12 (the first time we published the NPO dashboard).

Some sectors have also had a historically higher level of LA funding. For example, Visual arts organisations of all sizes also receive a higher than average percentage of income from LAs – 15.2% across all sizes and rising to 18.0% in large visual arts organisations in 2011-12.

Geographically some regions have achieved higher levels of income from LAs than others and in particular the North East (22.2% in 2011-12) and East Midlands (18.5% in 2011-12) were particularly generous.

The 2014-15 data shows that the East Midlands continues to do well at 14.1% and beats the national average of 11.3% by the greatest margin.

The North East has seen substantial cuts from 22.2% in 2011-12 to 10.7% in 2014-15 so if you are running an organisation in an area where cuts are expected there might be things you could learn from how the North Eastern organisations have handled it.

If your organisation is based in one of these areas that has benefited historically from a higher level of funding for the arts from your Local Authority it is worth asking the question of whether you think this will continue. If the answer is no, then how long is the window of opportunity for gaining assistance in transitioning to a model which requires less funding from your LA? Can you bring your key stakeholders in to a discussion about the period over which you will change your business model?

e: sarah@sarahthelwall.co.uk w: www.sarahthelwall.co.uk

With luck, by this point you've played around with the dashboard a little and discovered a few nuggets of insight and a few places you want to explore further. We'd be delighted to talk to you further about how you can make this data useful to you when writing business plans, setting internal targets or communicating your strengths to stakeholders. If you've found this benchmarking of your organisation useful, you might also want to consider participating in the Culture Benchmark. It offers a more detailed comparison of income and costs than we can provide with the ACE data.

e: sarah@sarahthelwall.co.uk w: www.sarahthelwall.co.uk