

1) Earned Income

In the year 2016/17, 59% of Chapter's total income was classed as earned income via the following means:

- Ticket sales £512,327 (20% of earned income)
- Hires and Rental income £336,968 (13% of earned income)
- Shop income (0.7% of earned income)
- Trading via Café Bar (66.3% of earned income)

This level of earned income has remained relatively stable with 60% earned income achieved in the previous year (2015/16) with the proportion between the various elements also remaining stable.

Competition is increasing for people's time and money. Various competitors (the likes of Tramshed and Capitol Cinemas) are adding further pressure and with the inception of pop up cinemas and art installations across the city and site specific theatre events in derelict buildings etc. continuing to increase – audiences continue to move away from the established arts centres.

We need to better understand our audiences to be able to develop our own programmes and, subsequently, new audiences. As of October 2017 we will be installing a state of the art new box office system with superior online booking, audience analysis, online donation and e-marketing functions. With an increased understanding of our audience data we will be able to develop new programming strands with a view to increasing footfall and revenue. 5 key audience development avenues have already been identified across Welsh language audiences, Young Adults (16 to 30), LGBTQI+, Children and Families and Access (Dementia and Mental Health).

2) Philanthropy

In 2016/17 through Fundraising activities Chapter raised £250,000 from non-public sources and a further £140,000 from public (Arts Council of Wales Lottery and Big Lottery). These figures do not include ACW revenue support (which

accounts for 15% of Chapter's overall income). In total, non-public funding accounted for 6% of Chapter's overall income in 2016/17. With public funding involved this figure rises to 9% (not including ACW revenue).

To compare, in 2015/16 non-public funding accounted for 4.4% of total income and with public funding involved this figure increased to 7.3%.

So in the last 12 months we saw an increase of 1.6% for non-public funding and a decrease in public funding of just 0.1%.

With Fundraising costs at £54,000 a year, in 2016/17 this translates to £4.6 non-public money generated for every pound spent. Including public funding into the equation we generate £7.2 for every pound spent. The UK average in 2015 (the last year of complete data compiled) is £3.7.

Chapter's non-public funding comes from three sources – grants from charitable trusts and foundations; donations and sponsorship from businesses; and donations from individuals. Trust income is still the largest portion of this representing 58% of non-public funding received; with individual giving at 25% (figure is higher than usual due to one major gift which has slightly skewed the data – the percentage is usually around 13% and Corporate support at 17%).

In 2016/17 Chapter received its first major gift from an individual. The remainder of individual support has come from two smaller 'crowdfunder' style campaigns, a regular giving programme and a membership scheme. We see this as an area of growth although face a constant challenge of demonstrating the arts as a charitable cause and one which should be supported. This is where the role of public bodies such as the Arts Council of Wales is invaluable.

Corporate support has remained steady with one large sponsorship deal, a series of one off company donations and a lower level membership scheme aimed at generating use of Chapter's hires spaces.

Sponsorship has been harder to secure with many companies responding that their CSR / Social pots have been drastically reduced (Legal & General / Deloitte to name a few). We lack the national profile and access to national audiences to give larger companies the profile they want through sponsorship deals (the likes of Coca-Cola, British Airways etc) so the focus of our sponsorship deals is around staff engagement with Cardiff branches of national companies or those with headquarters in the city. Many companies respond to say that their support is

directed at the numerous sporting teams also based in the city. The Arts can be a harder case to argue however we have had success securing support towards education work, and work with vulnerable adults.

In terms of Trust income we still have a range of one off grants and some longer-term (2 or 3 year) grants. The majority of funding goes towards our Education work, with Capital and Theatre work also receiving sizeable contributions. A few core grants have been received but largely Trust income is project focussed. Relationships with London based Trusts are strong, with Chapter's reputation reaching further afield. While the number of Wales based Trusts – or those with a preferred focus on Wales – are relatively few, we have been able to access a few – specifically Moondance and the Colwinston Charitable Trust. Again the support from public bodies such as Arts Council of Wales is invaluable, as Trusts like the reassurance of seeing public support there, and for funders who are not local, this public support is often the first sign that a project has a local need and should be funded.

A constant struggle we face arises over Chapter's recorded level of overall income and we are ineligible in many cases to apply for funding as guidelines specify turnover must be under a certain amount. This is where Chapter's Trading income works against us as, although the figures look impressive on the balance sheet, the majority of this income goes back out again in the running of the organisation, it doesn't all find its way into project budgets. So in reality, much of our project activity relies on external support. This feeds back into our attempts to raise the profile of Chapter's charitable activity so we can confidently make the case for support.

We have recently become aware of a scheme in England aimed at building an organisation's fundraising capacity through a new 18-month national training intensive designed to accelerate your revenue-generating capabilities. The Building Resilience: Fundraising and Revenue Diversification Programme, a new initiative from Arts Manager International in partnership with Cultivate and BOP Consulting, provides participating organisations with 18 months of group training and individual support, designed to increase financial resilience with an emphasis on fundraising. We wondered whether there would be appetite from ACW and Welsh Government in creating a similar scheme here.

We have also participated in and benefitted from the Arts & Business Creative Internship scheme that is doing great work to encourage more people to take up

Fundraising as a profession. We would encourage more support for schemes such as this that have provided us with a valuable additional resource to our Fundraising capabilities.

3) Investment

Chapter owns 100% of the issued share capital of Chapter Trading Ltd and Chapter Bay Ltd. The principal operation of these companies is the operation of a café bar at the main Canton site and in Cardiff Bay (Sio).

We do not have tax relief on trading profits, as these are either absorbed by a management charge or gift aided up to the charity. In 2016/17 £5,000 was gift aided to Chapter from Trading and any Sio profits will be treated in the same way at the end of this year (17/18).

For any future capital site developments, we will explore the option of Capital Gains tax relief.

Gift Aid of £1,300 was claimed on donations in 2016/17.

In terms of direct investments made by Chapter, the only ones we have been able to make to date have been as a result of public funding through the WCVA Social Business Growth Fund and its support towards Sio. This venture has been started to help us diversify income streams and grow our earned income.

Without grant support this is not an area we would be able to explore and we do not hold resources to invest in other areas.

We would welcome support on securing ethical investment from a 'business angel' via UnLtd or Clearly So towards clearly defined projects.

Another area where we would welcome support would be in terms of reducing the amount of debt Chapter has. Reducing debt would free up funding which would perhaps allow us to invest. For example, with the loan we have on one of our buildings. Without a loan in place, we would be able to sell a building which is rapidly becoming a liability for us, and to which the loan is attached, and use the full amount received to build a low cost alternative and leave money which could be put into reserves and secure Chapter's future sustainability.