



Black and Minoritised Led Sector Revenue Models:

An analysis of revenue models explored by the Black and Minoritised sector in the Enterprise Development Programme

Jacy Stewart, The Ubele Initiative
Meena Bharadwa and Greg Woolley, Access – The
Foundation for Social Investment

Content	Slide no.
Introduction and background:	3
<ul style="list-style-type: none">• Overview of the Enterprise Development Programme• Why and how we carried out the revenue models analysis• What this analysis might be useful for?	
An explanation of the three tiers of our analysis	4
Patterns seen across all sectors	5
Black and minoritised led sector overview	6
Tier 1: a financial analysis of the Black and minoritised led sector compared to other sectors	7
Tier 2: an examination of the EDP cohort	12
Tier 3: EDP cohort case studies	14

The Enterprise Development Programme (EDP) was a six year programme funded by Access – The Foundation for Social Investment from 2018 – 2024.

The programme aimed to support charities and social enterprises become more resilient through the development of enterprise and trading models.

EDP took a sector based approach to delivery and included; Youth, Homelessness, Mental Health, Equality, Environment and Black and Minoritised Community sectors.

Why and how we undertook this analysis?

There is a lot of useful information and models to support charities and social enterprises to establish enterprise models¹. What we learnt through EDP however is that financial analysis of the different sector and the revenue models explored might provide useful insight for funders, enterprise support organisations and charities and social enterprises seeking to develop enterprise models.

Access commissioned My Cake² to undertake analysis of organisations across the youth sector and youth sector organisations that had been successful in their application to EDP.

The report draws out comparisons between the six sectors following individual analyses of them. There is work done to ascertain similarities and differences across the sectors in order to draw out universal baselines and sector specific business models and norms.

The data set used is pre-COVID annual reports from 2019 and 2020 in order to avoid potential skewed results from the impact of COVID. Within this data set the metrics selected for use in this report were those felt to:

- Be easy to understand for as wide an audience as possible
- Provide insight into financial resilience and sustainability
- Present data that could be read and interpreted using software in order to avoid human error

All of the 639 sets of individual organisational data comes from publicly available accounts.

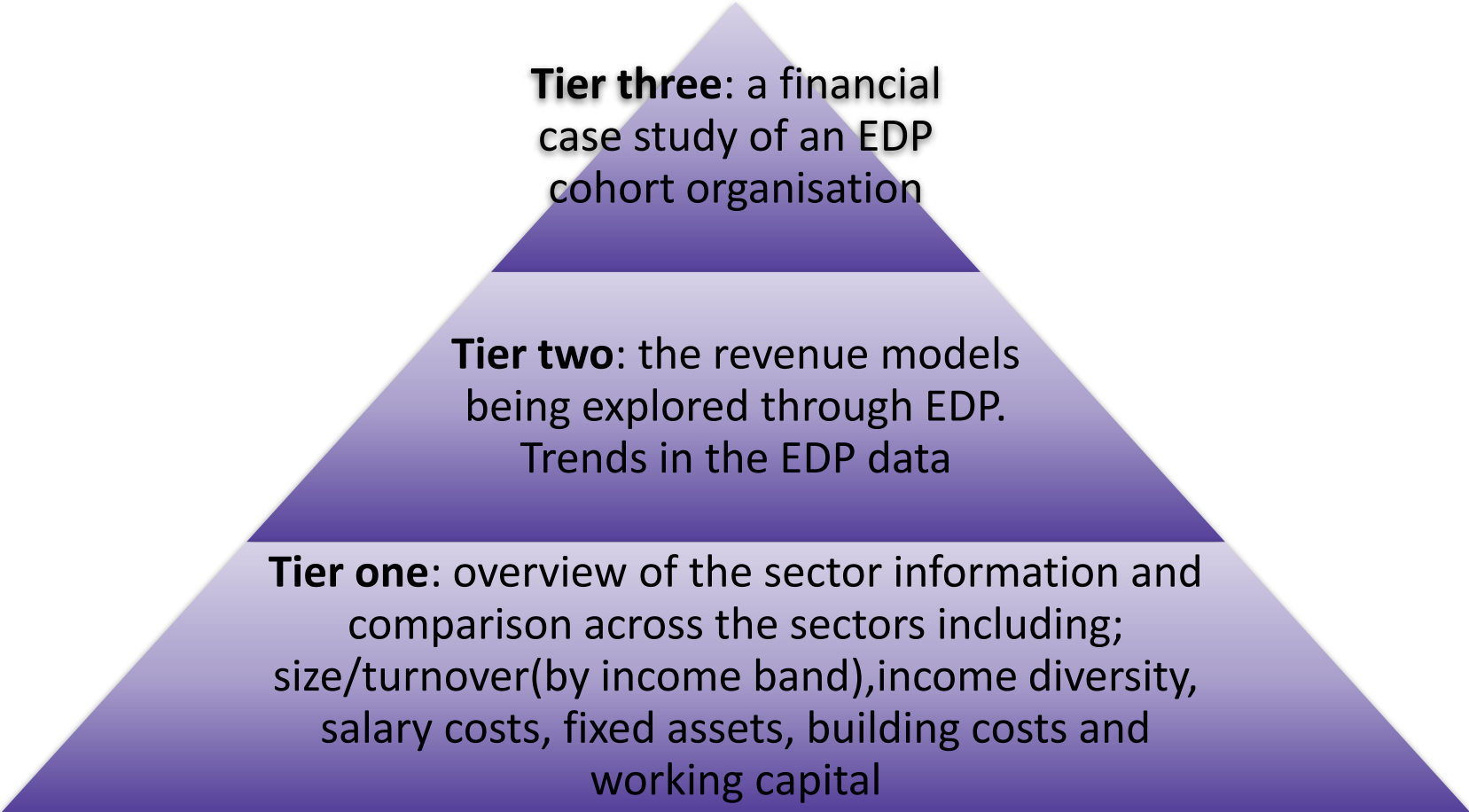
Each sector has analysis from at least 100 organisations including organisations on EDP (we refer to them hereafter as grantees).

An important note about the use of "medians" in this report: Wherever the data provides analysis of categories of income, median is used rather than average. This is to avoid data being skewed by isolated extreme figures and instead to identify what might be considered to be more "typical". Furthermore any median analysis usually (unless otherwise stated) excludes any zero values, so only shows the median for that sub-set of organisations which do have at least some income in that category. "Median values" should always be read with this in mind, understanding that as a result values across categories will not add up to 100%.

This slide deck is one of a series of six covering all of the individual sectors. Though we feel the data and analysis provides valuable insight into the different sectors and their revenue models we recognise that the sample sizes may not be fully representative of the whole sector and therefore recognise limitations of the it's sector-wide analysis.

¹ a simple google search for 'setting up a social enterprise' results in a comprehensive list of various guides and toolkits

² My Cake is an organisation that specialises in financial benchmarking for third sector organisations



Tier three: a financial case study of an EDP cohort organisation

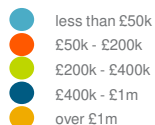
Tier two: the revenue models being explored through EDP.
Trends in the EDP data

Tier one: overview of the sector information and comparison across the sectors including; size/turnover(by income band), income diversity, salary costs, fixed assets, building costs and working capital

Patterns seen across all sectors

Income diversity

Organisations in the larger income bands have higher diversity of income streams. Organisations in all three of the upper income bands are above the median value for that income stream. For example, organisations in the £1m+ income band have the highest percentage of income across all three income categories.



	less than £50k	£50k - £200k	£200k - £400k	£400k - £1m	over £1m	All	
Grants	50%	78%	87%	88%	94%	83%	0%
Donations and Sponsorship	29%	68%	80%	77%	84%	73%	0%
Commercial and Trading	62%	68%	87%	88%	98%	83%	0%



Grant types

Trust & Foundation and lottery grants are less common for those organisations with income less than £50k

Organisations with in the top two brackets of income (£400k- £1m and over £1m) had a higher median percent of total grant income than the other income groups.

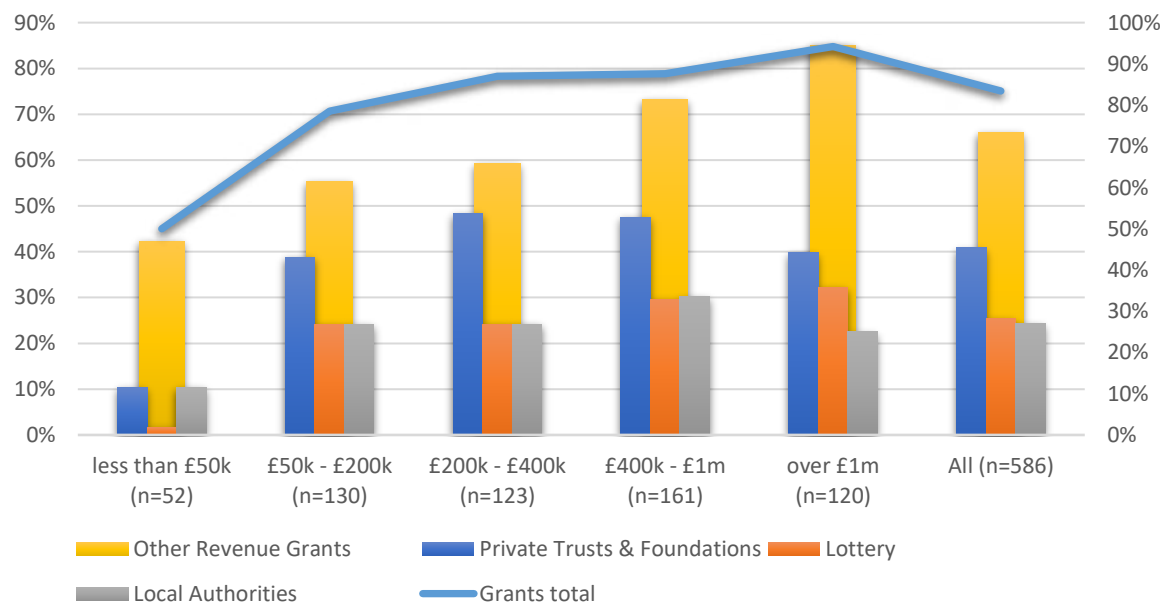
Salary costs

The proportion of organisations with a salary cost increases with organisational size in all sectors.

Fixed Assets

The proportion of organisations with fixed assets over £20k increases with size in all sectors

Size of organisation and grant type



The Black and minoritised led sector lead is The Ubele Initiative, an African diaspora led, infrastructure plus organisation. Ubele's aim is to empower Black and Minoritised communities in the UK to act as catalysts for change. Ubele works with community leaders, groups and organisations in the UK and to strengthen their sustainability, resilience and voice.

It's well documented that the disproportionate impact of the Covid-19 pandemic on Black and Minoritised communities exposed deep-rooted social and economic inequalities. Ubele, along with many other voluntary and community social enterprises, has been part of the local, regional and national recovery efforts working to address issues and concerns affecting Black and Minoritised communities. Perhaps one of the most significant impacts has been the reshaping and transformation of the funding landscape that emerged in response to the serious impact the crisis was having on charitable organisations.

Within the Black and Minoritised sector organisations were split into the following sub groups:

- Health
- Entrepreneurship
- Sports and arts
- Skills and training
- Youth inclusion and welfare

Across each of these subgroups organisations in the Black and minoritized sector are seeking to redress historical injustice and to address inequality.

In the health subgroup organisations are working on the ground in communities as well as with large public bodies such as NHS Trusts (now Integrated Care Partnerships) to support cultural competence in public services as well as issues in communities such as low pay and work-related stress due to racial discrimination.

Entrepreneurship organisations build capacity through training, advice and technical support to community organisations, that have been historically under resourced and underfunded.

In the sports and arts subgroup links have been made between the participation sports and arts and academic achievement. The arts, specifically, is a sector that has seen underrepresentation of Black and Minoritised communities.

Skills and training organisations offer support to access employment, by addressing language, cultural or status (refugee and asylum seekers) barriers, vocational training and the conversion of overseas qualifications.

Youth inclusion and welfare organisations have seen an increase in demand, through the rise in food bank, welfare and money advice services and youth provision. This is particularly prevalent in more deprived areas where cuts to funding have been higher than those in less deprived areas.

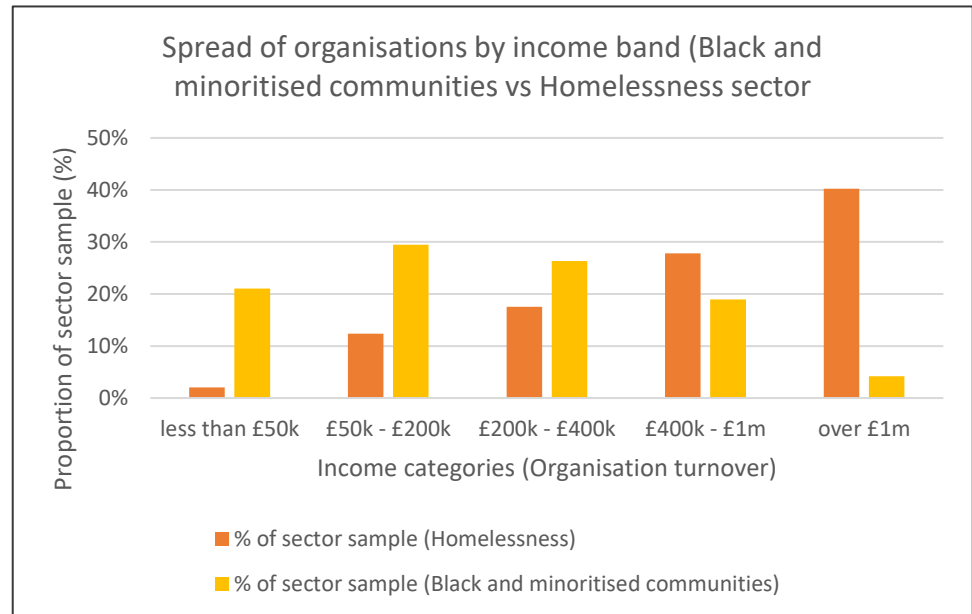
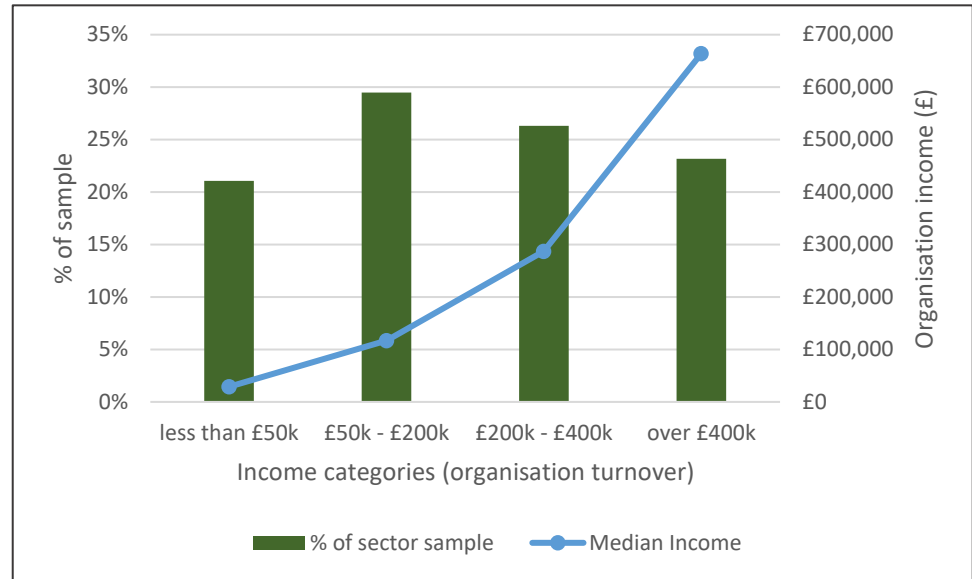
Tier 1: Black and minoritised led sector overview

This overview provides data about both EDP participants and organisations in the Black and Minoritised sector more broadly.

The data is an analysis of the profit & loss and balance sheet data for 107 organisations in the Black and Minoritised sector. 12 (11%) were EDP participants and 95 (89%) were other organisations from across the sector.

There is a relatively even spread of organisations across the income bands with the smallest number of organisations (20) in the smallest income bracket (<£50k). This highest number of organisations were in £50k - £200k income bracket.

Organisations in the Black and Minoritised sector have the lowest median income across all of the sectors. It has the second highest number of organisations in the lowest income bracket (following the environment sector) and has the fewest organisations (4) in the highest income bracket (over £1m). This is in stark contrast to the homelessness sector which has 39 organisations in the highest income bracket and only 2 organisations in the under £50k income bracket.



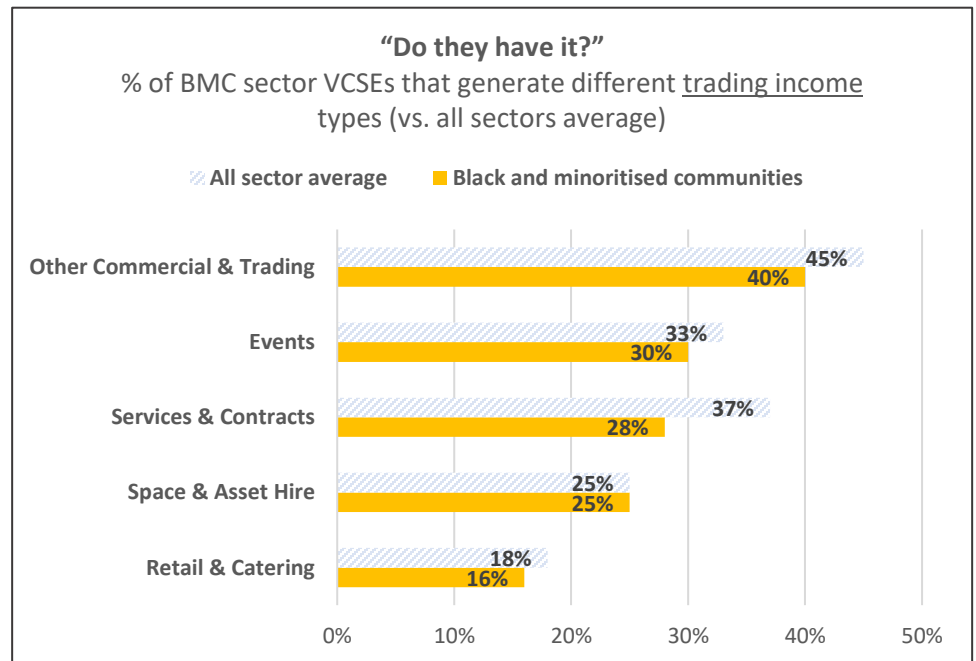
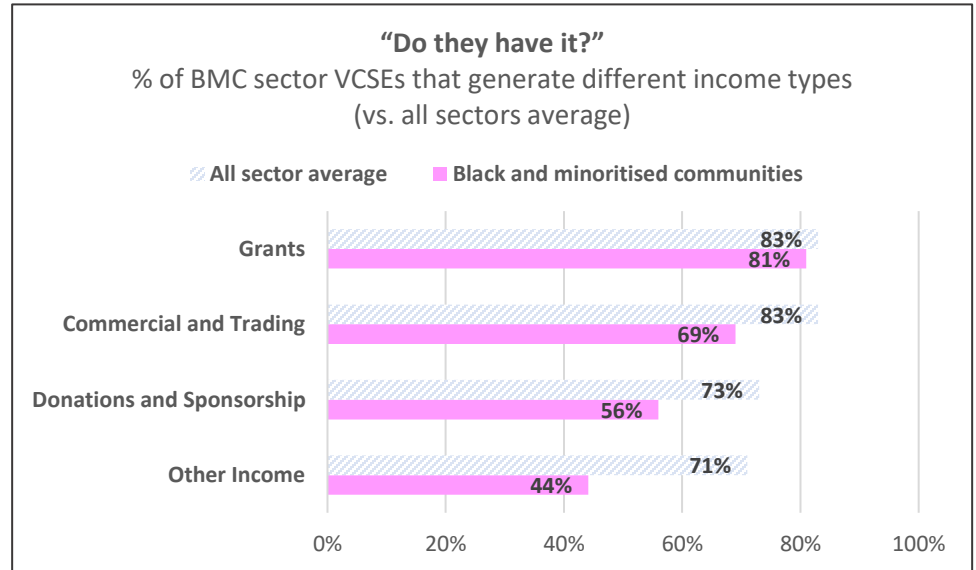
A breakdown of income in the Black and Minoritised sector

The most common form of income received is grants, with 81% of organisations generating this. However, as shown in the chart at the top, this is slightly below the cross-sector average (83%). In fact, the chart shows that the % of BMC organisations receiving different types of income is lower than the cross-sector average on all types.

Within the 'Grants' category, the highest proportion is generated through private trusts and foundations. In terms of other grant income, apart from the environment sector, organisations in the black and minoritized sector have the smallest percentage of organisations receiving lottery and Local Authority (grant) funding.

The top chart shows that c. 69% of organisations in the Black and Minoritised sector generate income from commercial and trading activities. This is the lowest percentage across all sectors.

Looking at trading in more detail (bottom chart) the highest percentage of organisations generate income from 'other commercial and trading income' (40%). Following that around 30% of organisations generated income from events followed by services and contracts (28%). The chart highlights that the difference between the BMC sector and the other sectors is most stark in terms of Services and Contracts.



Typical values of income of groups in the Black and minoritised sector

Although the presence of services and contract income in the BMC sector is below other sectors, the top chart here shows that 'Delivery Contracts' has the highest average income value (over £100K), when present. In fact, only Mental Health sector organisations showed a higher average income earned from Delivery Contracts. Median income from cafes is the second highest across all sectors at 6%.

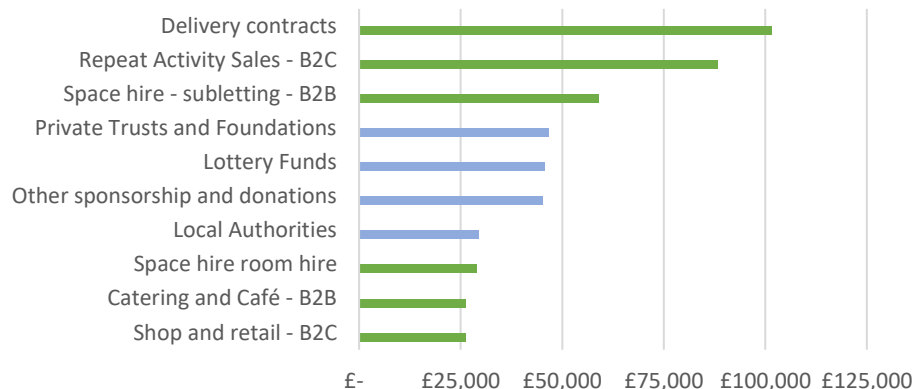
More generally, it's interesting to note that six of the top 10 earning categories are 'trading and commercial' income types (green bars), and there are only 4 which are grant-based (i.e. blue bars).

Analysis by size of organisation

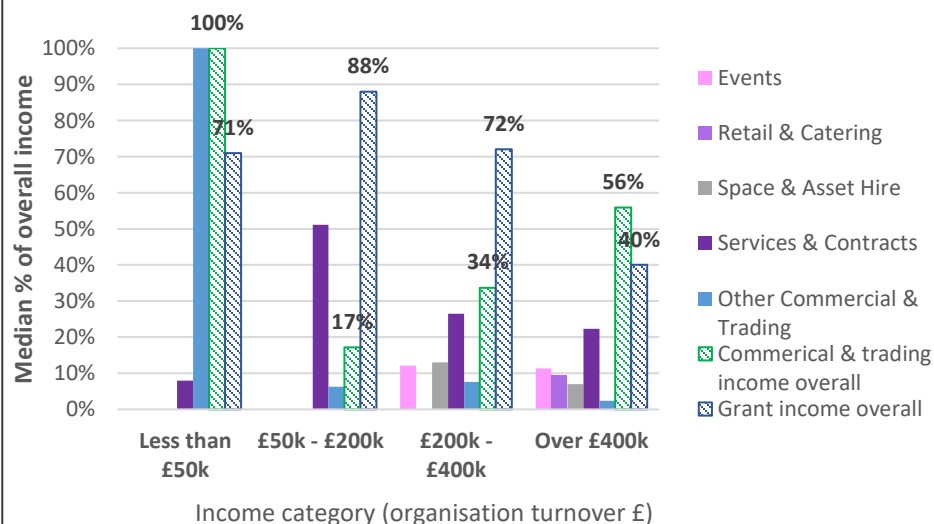
The organisations were split into the following income bands; less than £50k, £50-£200k, £200k - £400k and over £400k. The largest number of organisations with commercial and trading income was in the £200k-£400k bracket and the smallest number of organisations with commercial and trading income was in the £50k - £200k bracket. Whilst commercial and trading income tends to increase with size, for the smallest organisations that have it is 100% of their income.

Larger organisations were more likely to have multiple income streams, particularly those with income over £200k. Organisations over £400k had lower income from grants. The bottom chart shows an interesting trend across the income categories in terms of proportions of *grant income* and *commercial and trading income* (particularly if the probably more random 'less than £50K' category is discounted). As income increases the proportion of trading income increases and in contrast, grant income proportions reduce.

Top 10 income subcategories across BMC sector (median income values)



"If they have it - how much?"
Commercial & trading income versus grant income (Median % of total income if type of income is present)



Analysis by subgroups

The organisations were split into subgroups; Health, Entrepreneurship, Sports & Arts, Skills & Training, Youth and Inclusion & Welfare. Sports & arts had the highest median income at £304k followed by health, inclusion and welfare and youth organisations. Skills & training organisations had the lowest median income at £85k. Health organisations were the least likely to be making a profit.

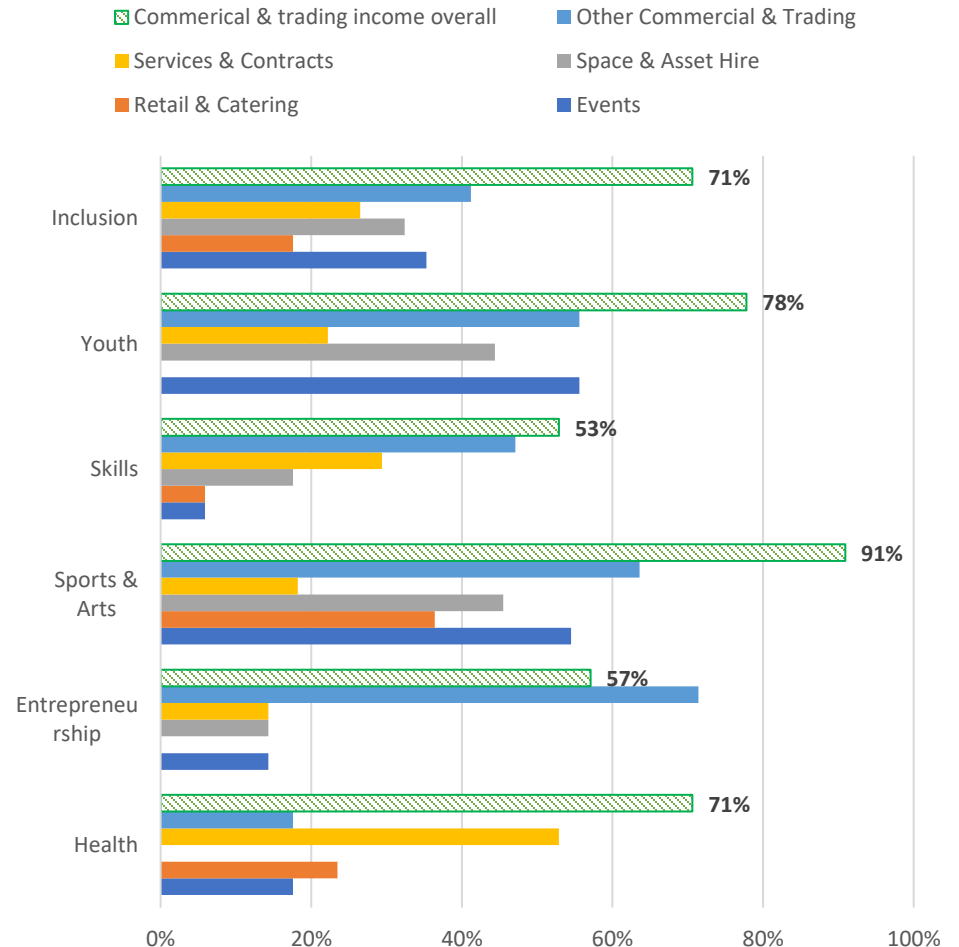
The chart here shows that *Entrepreneurship* and *Skills & training* organisations were less likely to have income from commercial and trading activities (57% and 53% respectively) but where they do it is a larger proportion of their income. Perhaps surprisingly, the subgroups with highest likelihood of trading income were *Sports & Arts* (91%) and *Youth* (78%).

There were also differences across the subgroup in the lower-level detail of activity that made up their commercial and trading income. For example, events income and Space and Asset hire were more common within the Youth and Sports and Arts subgroups, whereas 'Other Trading income' was most common in Entrepreneurship and Sports & Arts organisations. There is likely a need to further understand what types of income are being generated under 'other' for the sector as a whole and the Entrepreneurship subgroup given its high prevalence.

Only 28% of the Black and minoritised sector have income from services and contracts, however the chart shows that for Health focused organisations this type of earned income is much more common (53%).

"Do they have it?"

Commercial & Trading subcategory income by Sector subgroups
(% of sector sample where type of income is present)



A breakdown of expenditure in the Black and Minoritised sector

The Black and Minoritised sector had the smallest proportion (73%) of organisations with direct costs. Additionally, apart from the environment sector, the Black and Minoritised sector has the smallest proportion (75%) of organisations with salary costs.

The bar chart within the top chart highlights that the likely proportions of different costs (compared to the total expenditure) are very similar to the cross-sector average. For example, the median % of expenditure that is building costs is 9%, compared with 7% for the cross-sector average.

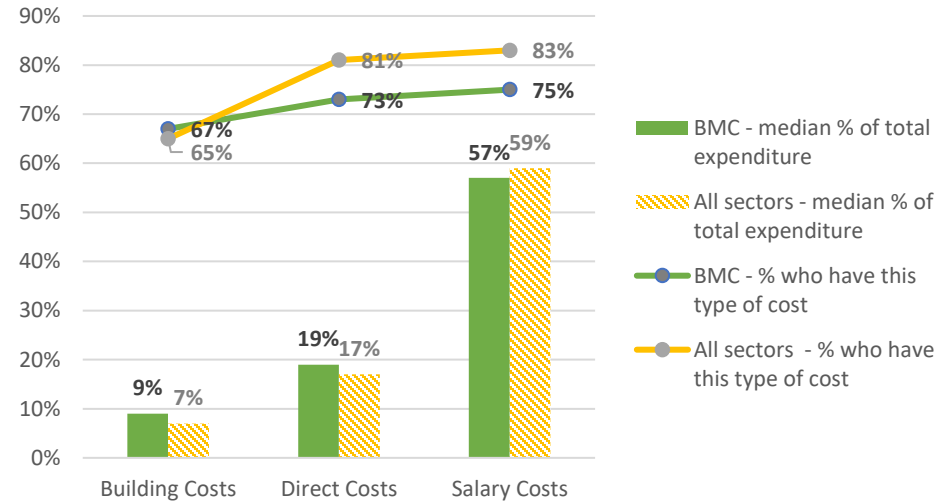
Financial resilience in the Black and Minoritised sector

The chart at the bottom of this page highlights across three different measures of organisational financial resilience the Black and Minoritised sector scores lower than the cross-sector average.

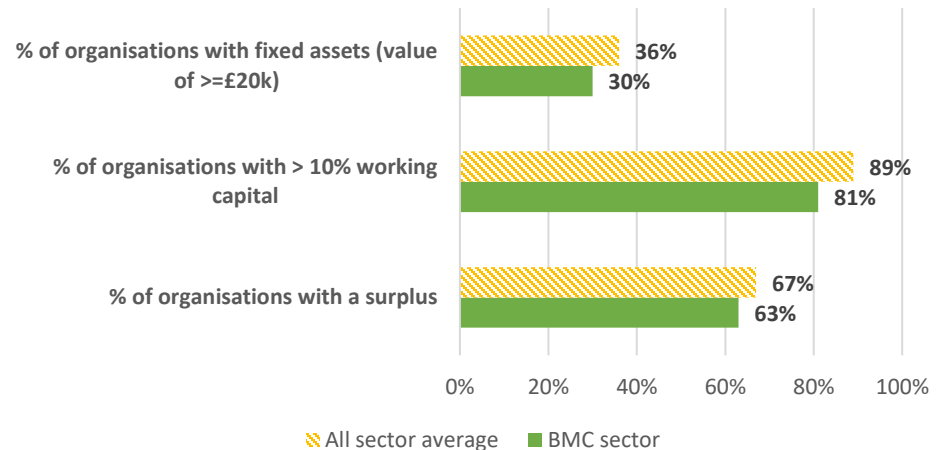
Specifically, there is a lower proportion of BMC organisations with significant fixed assets, valuable levels of working capital, or who are able to generate a surplus.

In addition, the sector also has the smallest number of organisations with more than 10% working capital.

Expenditure in the BMC sector vs. all sector average
(1. % of VCSEs who have type of cost & 2. Median % of total expenditure)



Indicators of financial resilience - BMC sector vs. All sector average





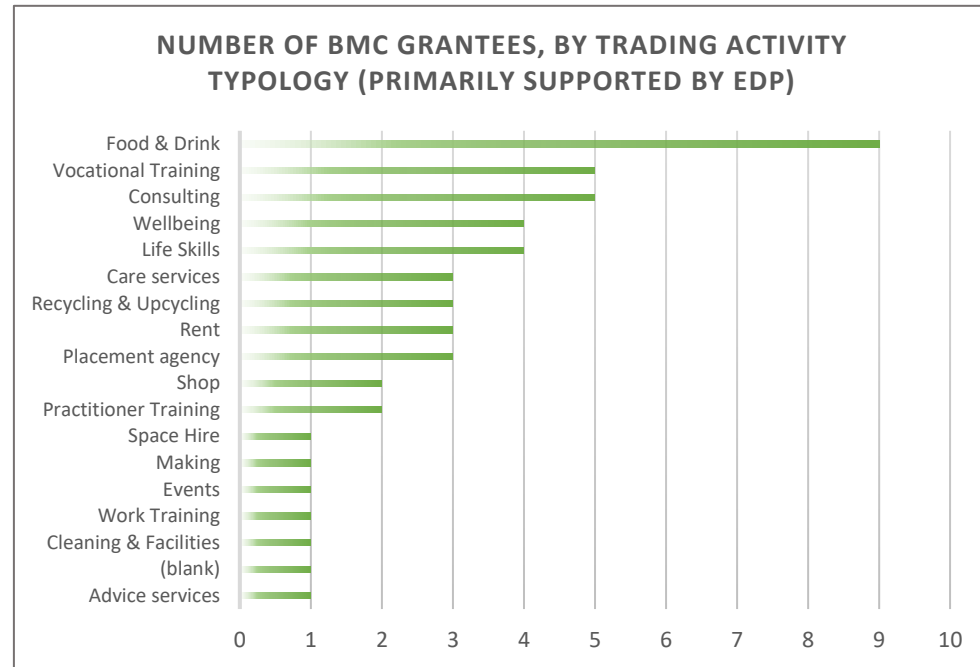
Tier Two Analysis: The EDP Cohort

Analysis of EDP grantees in the BMC sector

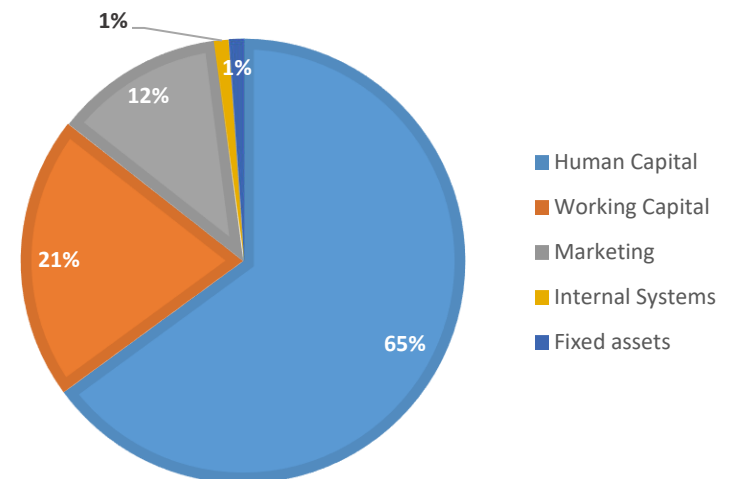
The most common typology explored by participants in the BMC sector was Food & Drink, followed by Vocational Training & Consulting. The chart in general highlights that was a good variety of trading activity models explored across the cohort.

There were no discernible links between the size (turnover) of Black and minoritised led sector grantees to the revenue models they chose to explore. The organisation with the smallest turnover explored a practitioner training revenue model and the largest organisation explored a space hire revenue model.

A significant majority (65%) of participants used EDP grant on human capital to engage employ consultants or new staff members. This was higher than the other sectors (apart from mental health).



% OF GRANT USE REQUESTS IN THE BMC SECTOR





Tier Three Analysis: EDP Grantee Case Study

Organisation Context

Name:	Ultra Education CIC
Organisation Overview:	Focused on breaking down systemic barriers for young entrepreneurs from Black, Asian, and other minority ethnic communities. Specifically, they target their support for African, Caribbean, refugee, and migrant young people, particularly those who are not engaging in education, training or employment – including those who have been excluded from school.
Services / interventions:	They offer entrepreneurial education with ethnic and gender representation to more effectively support more diverse communities.
Operational model:	The organisation has 4 core staff and 6 regular facilitators. The subcontracting of delivery to external facilitators is the primary cost of delivery.
Overall income mix:	Prior to EDP, grant and trading income was split evenly, but following EDP, income was comprised of; c. 30% grants and c. 70% traded income. And the former being project restricted and not usually fully contributing to overhead costs.
Objectives for trading income:	The organisation are keen to grow and retain their trading income to become less reliant on grants, but also make the most of the entrepreneurial skills of the team. The goal is to have a more sustainable and predictable revenue model.



Revenue Model Analysis

Trading typology:	Vocational Training
Market and customers:	Their entrepreneurial education services are sold to (i) schools, (ii) local authorities, (iii) other organisations with a community interest (e.g. Housing Associations) and (iv) individual parents. Additionally, they generate income via corporate sponsorship of events.
Profit margins and projections:	(Gross) Profit margins differ across specific products and customers but range from 30 – 40%. The organisation feels that across all products, the margin could increase by 5 – 10% as volume grows and processes are made more efficient.
Growth plan:	The organisation are currently focused on delivering in London and the Home Counties. However, the ambition is to scale nationally and become completely non-reliant on grants. The organisation are still considering the best method of scale, with a franchise model being considered.
Multi-year view:	From 2020 to 2023, trading income has increased 214% (and actually increased by 300% in 2022). The increases in trading income have brought variable surpluses, as the organisation navigates different resource needs at different volumes of activity.
How EDP supported:	The organisation received grant funds across 2022 - 2023 to provide additional capacity to the CEO to embed the revenue strategy. Additionally, it received grant to bring in expertise to support the development of its business model.

