



Equalities Sector Revenue Models:
An analysis of revenue models explored by the equalities sector in
the Enterprise Development Programme

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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 equalities sector and equalities 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.

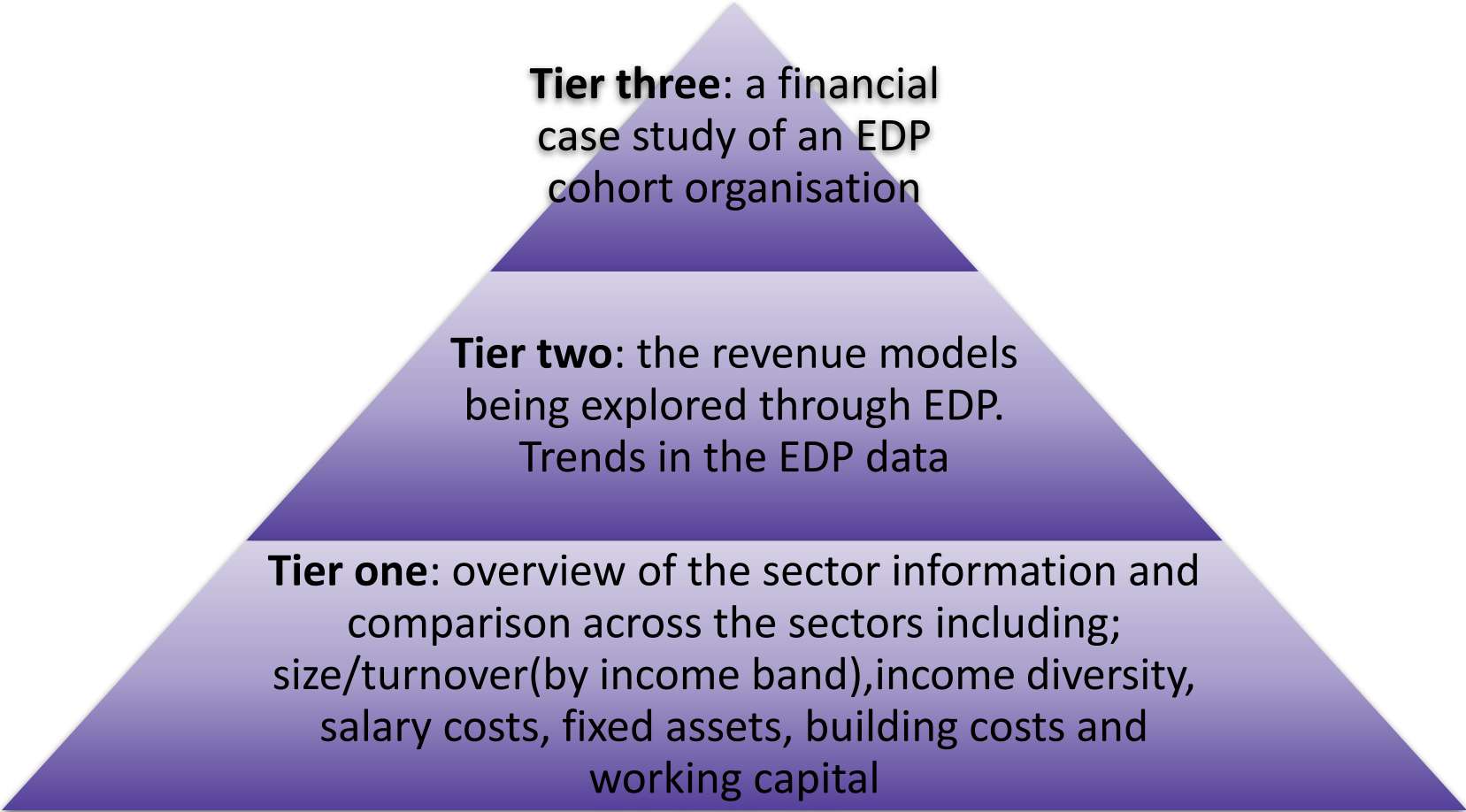
Each sector has analysis from at least 100 organisations including organisations on EDP (we refer to them hereafter as grantees).

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

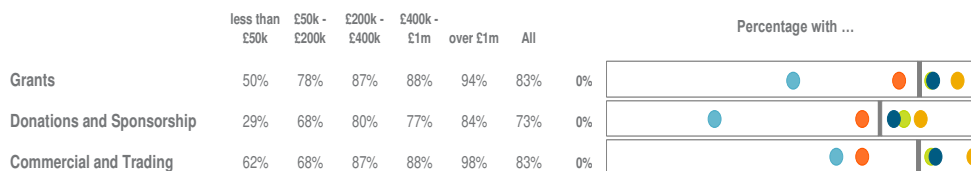
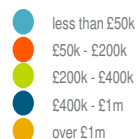
Tier one: overview of the sector information and comparison across the sectors including; size/turnover(by income band), income diversity, salary costs, fixed assets, building costs and working capital

Patterns seen across all sectors

Income diversity

To understand the levels of diversity of income across all sector income bands this analysis represents the presence of a particular income type in that category. So this is less about the total amount of income generated through that category but the number of organisations that have that income type.

Organisations in the higher income bands have a higher level of diversity in their income streams. Organisations in all three of the upper income bands are above the typical value for income generated from commercial and trading income, grants, donations and sponsorship. For example, the highest number of organisations with commercial and trading income grant, donations and sponsorship are in the £1m+ income band.



Grant types

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

Organisations within 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.

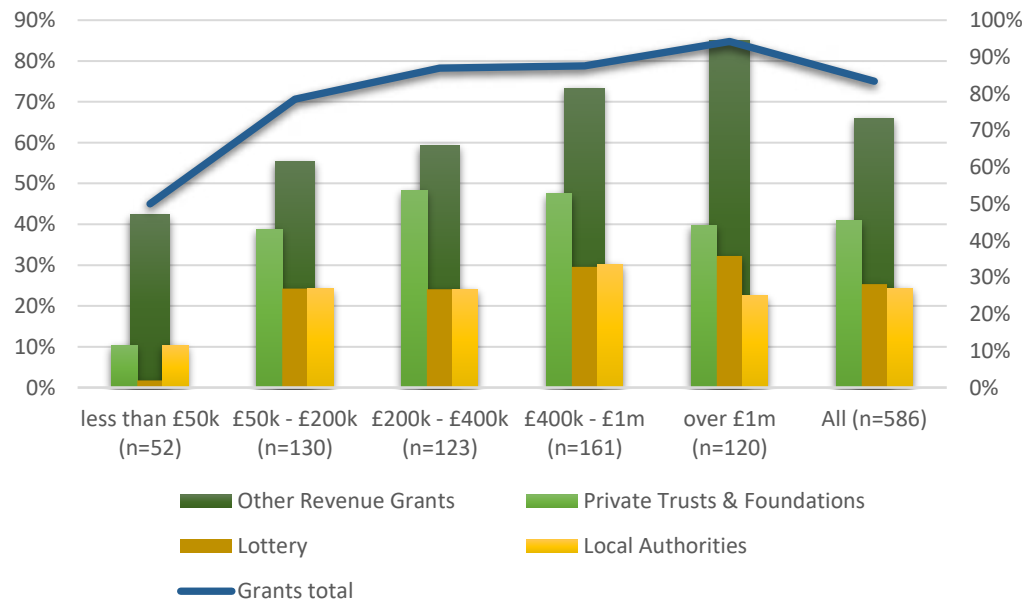
Salary costs

The proportion of organisations with salary cost increases with organisational size across 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



Equally Ours joined the Enterprise Development Programme's partnership in late 2019 to lead the equality strand of the programme. Their involvement in part came about due to some of the key recommendation from the Equality Impact Investing Project's report [Equality Impact Investing: From Principles to Practice](#), which highlighted a need for more in-depth infrastructure work to be done within the enterprise development space across the equality sector.

Equally Ours is the national network of organisations committed to making a reality of equality and human rights in people's lives. Their 80+ members include Age UK, Mind, Stonewall, the TUC, the Runnymede Trust, Child Poverty Action Group, the Traveller Movement, the Fawcett Society, and Disability Rights UK.

The combination of austerity, Brexit and Covid has hit the equality sector hard. Grant funding has become scarcer and the application process more competitive, further encouraging equality organisations to grow financial resilience through exploring generated income.

When equality organisations do turn to trading to drive income diversification, perhaps unsurprisingly, many organisations home in on their policy expertise and develop training and consultancy offers as a way to drive social change outside of their immediate network whilst bringing in unrestricted funding.

The sector's key areas of work have been divided into three subgroups for this report and are as follows:

Campaigning and policy - making up the majority of sector, organisations identified under this heading dedicate their efforts to policy work, engaging with government and campaigning on issues concerning structural inequality and human rights within the UK.

Advice and advocacy - organisations working in this space support individuals who fall under one or several of the Equality Act 2010's protected characteristics through offering legal advice, signposting to other relevant sources of support or through counselling services.

Well-being services - Often intertwining with mental health services and therefore less numerous, equality organisations working in the well-being space offer trauma-informed support to those whose identity falls under one or more of the protected characteristics.

The data analysed in this report comes from more than 100 England-based equality organisations and we thank our sub-sector partners, Disability Rights UK, Law Centres Network, LGBT+ Consortium, Voice4Change England and Women's Resource Centre for their collaboration.

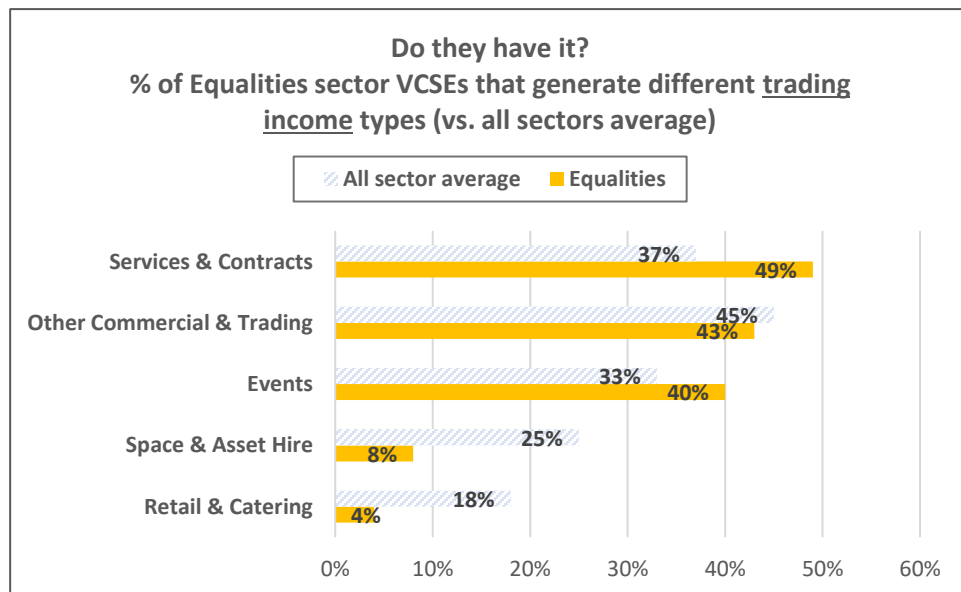
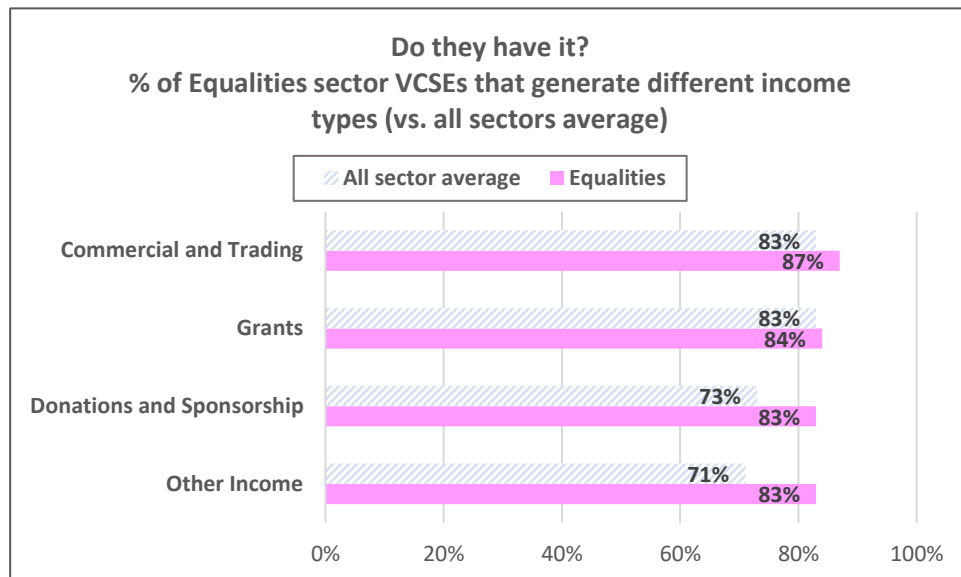
Types of income in the equalities sector

The top chart analyses which income types are present in the Equalities sector. It suggests that most organisations are generating multiple types of income at one time, and they are pretty much as common as each other. Commercial and trading income is the most present type in the sector's income mix, but it is marginal.

It's interesting to note that a higher proportion of Equality sector organisations have donations-based income or 'other income', compared to the average across the 6 sectors.

In terms of trading income specifically (bottom chart) there are quite stark differences between income types found in equality sector organisations compared to the other sectors. For example, it shows that both services & contracts income and Events-based income are more commonly present in an Equality organisation's income generated compared to the cross-sector average – 49% versus 37% for the former and 40% versus 33% for the latter. In contrast, income generated via Space & Asset hire and Retail & catering is far more uncommon in the Equalities sector compared with the cross-sector average – 8% versus 25% for the former and 4% versus 18% for the latter.

These charts are limited in isolation as they do not give insight into the amounts of income being generated under different types. This is explored in the following slide.



Equalities sector overview

Income analysis – if present, how much?

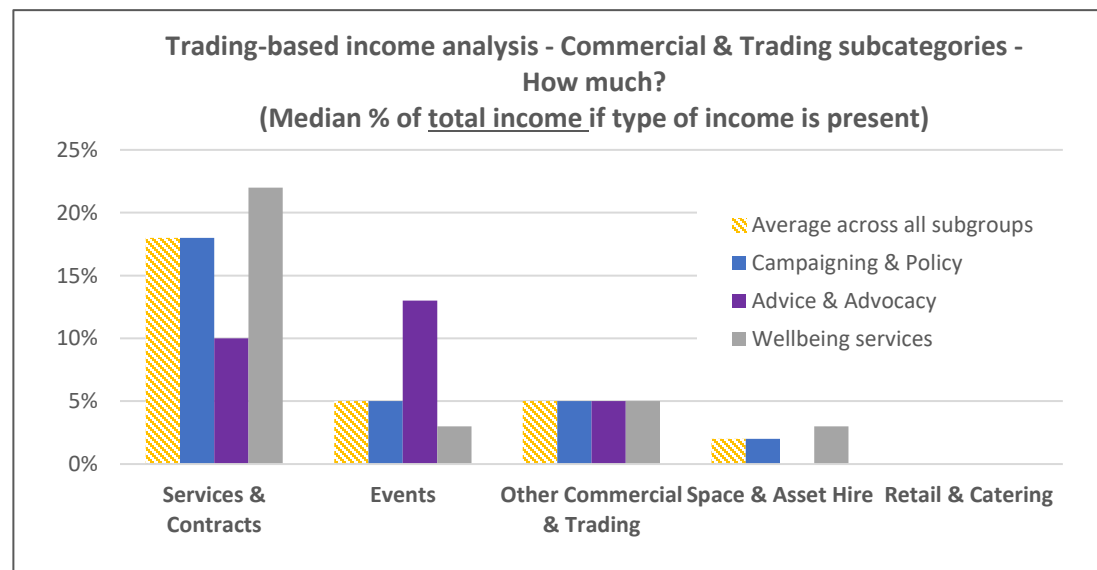
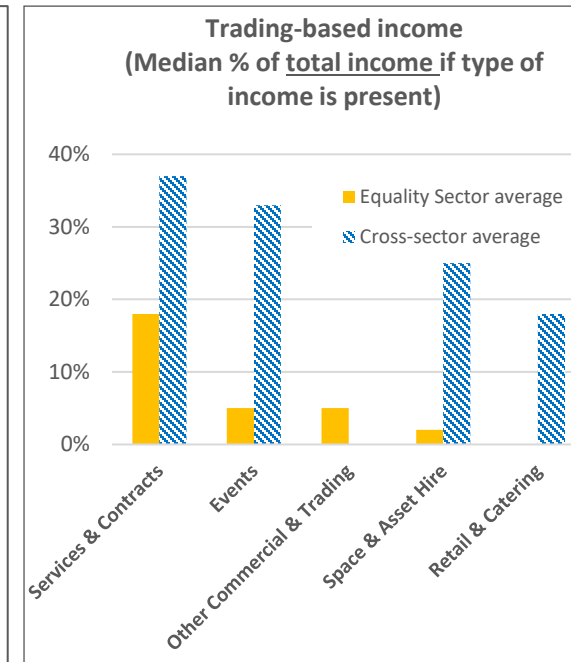
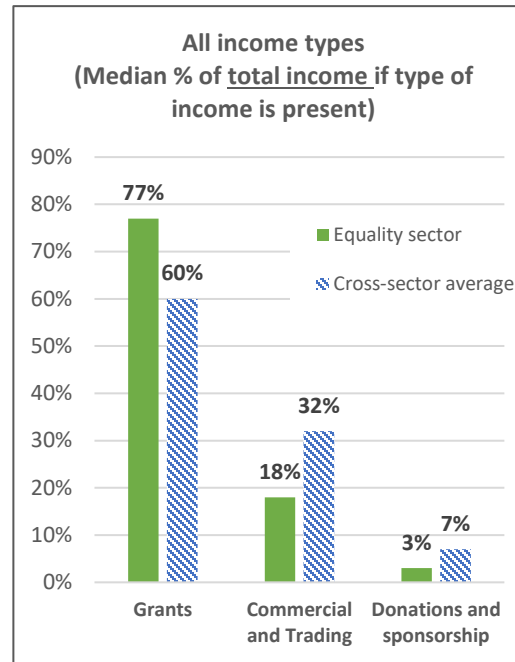
The top two charts here examine the proportion of income types within a whole income mix, comparing the Equalities sector with the cross-sector averages.

In terms of general income types (top-left), it's noticeable that the Equalities sector appears to have higher proportions of grant within their income mix, compared to other sectors (i.e. 77% versus the 60% average across all sectors). In contrast it has lower values for Commercial and Trading and Donations.

Within Commercial and Trading subcategories the Equalities sector has a lower median % of income across the board for all trading activity categories, compared to the sector average.

The bottom chart also shows median %s of total income but takes a deeper-dive into the Equalities sector in terms of common subgroups of organisations.

The chart highlights that for the majority of the sector *services and contracts* is likely to be worth the highest proportion of an organisation's income (c. 18% average across all subgroups). This trend follows when specifically looking at 'Campaigning & Policy' and 'Wellbeing Services' subgroups. However, for Advice and Advocacy organisations it's shown that Events income has the highest median % of total income, and therefore appears to be to the most significant trading income opportunity for many organisations of this type.



Expenditure in the Equalities sector

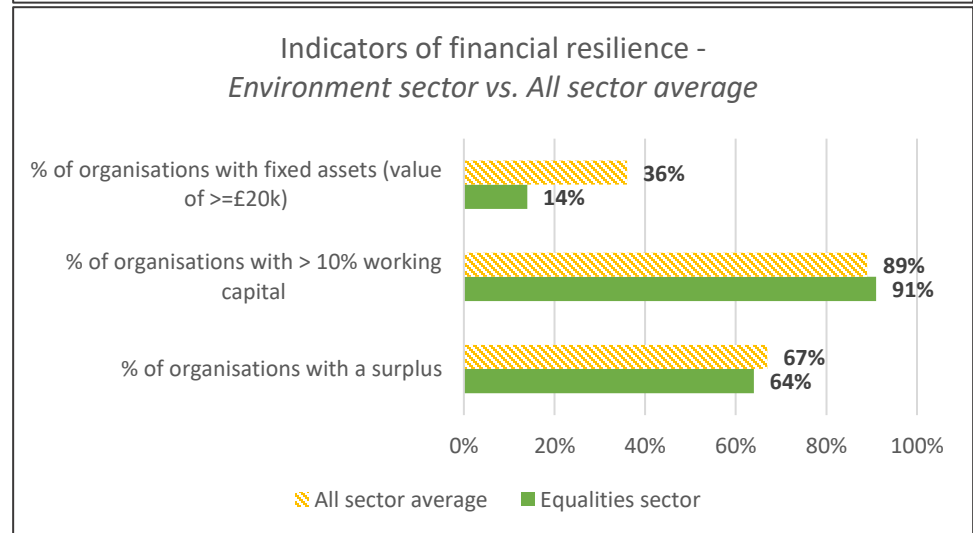
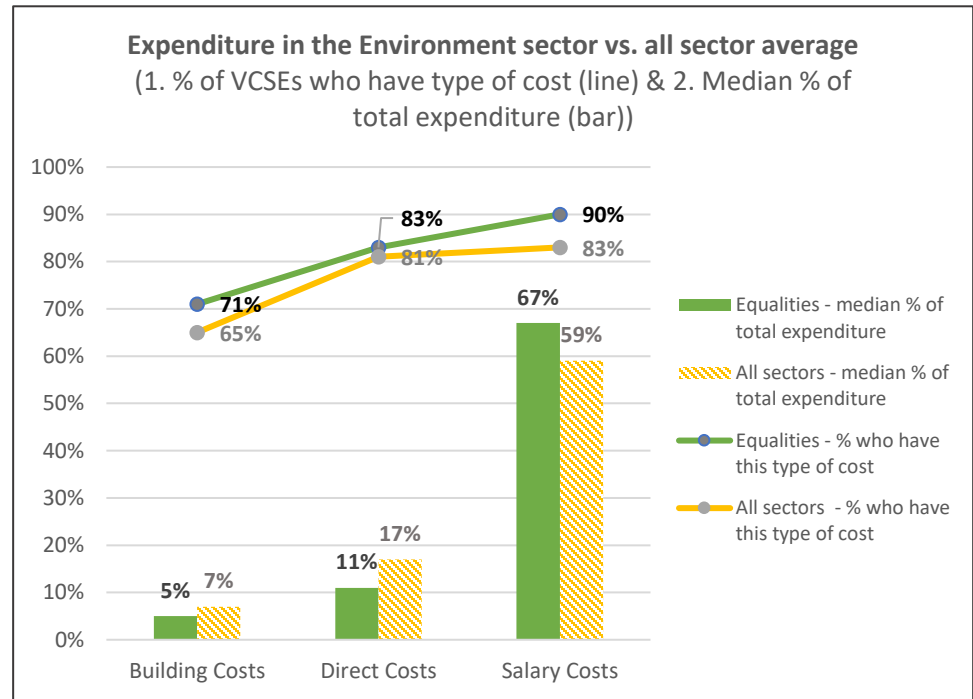
The Equalities sector has slightly higher prevalence than the cross-sector average for all three cost-types (Building, Direct and Salary), however was not an outlier in any case. For example, 90% of organisations detailed salary-based costs, but both Youth and Homelessness sectors showed higher %s of organisations with such costs (93% and 97% respectively).

In terms of the median proportion of such costs (within the total expenditure) the Equalities sector has the lowest figures of all six sectors for both Building and Direct costs. Inversely, the median proportion of Salary costs (if present) are the highest across the sectors, with a median 67% of total expenditure being for salaries.

Financial resilience in the Equalities sector

The chart at the bottom of this page highlights for two of three measures of organisational financial resilience the Equalities sector scores lower than the cross-sector average, i.e. level of fixed assets and presence of a surplus. The proportion of the Equalities sector with fixed assets of £20k or more (14%) is a particularly stark contrast against the cross-sector average of 36%. The next lowest sector was Mental Health (21%).

On a more positive note the chart shows that the Equalities sector has a higher than average % of organisations with more than 10% working capital (91% versus 89%).



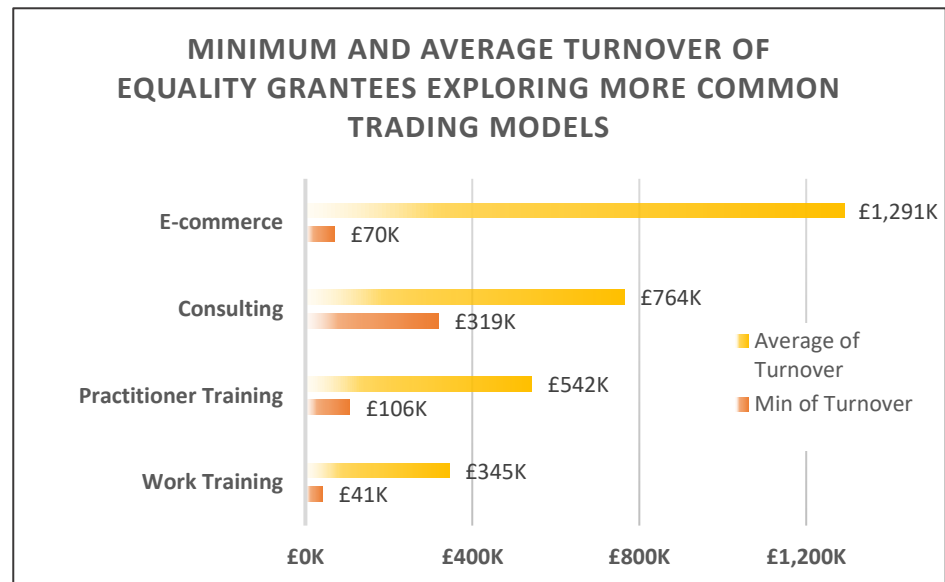
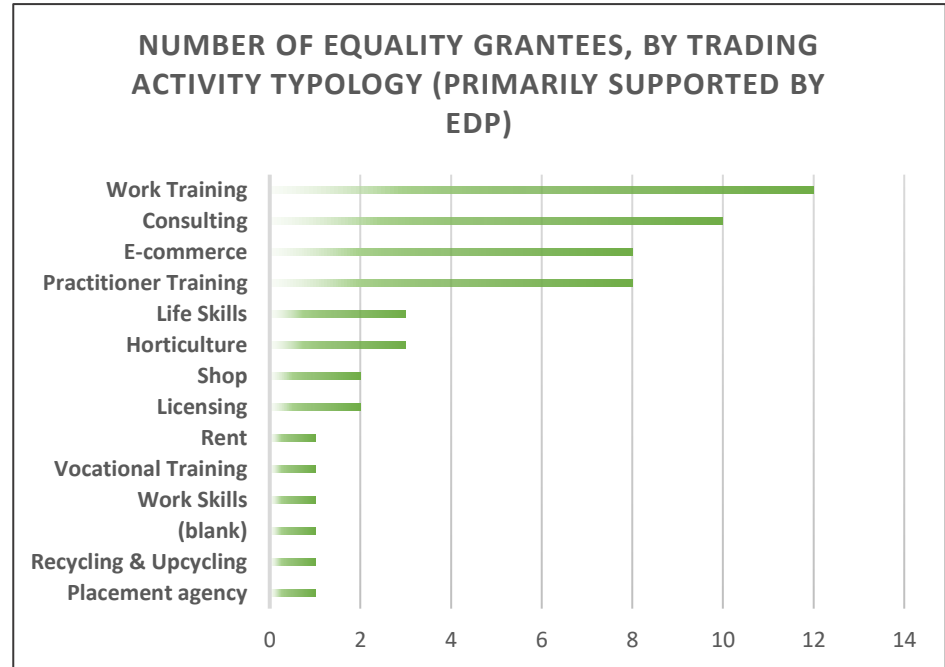


Tier Two Analysis: The EDP Cohort

How did the grantees engage with EDP?

The most common typology explored by participants in the Equalities sector was Work Training, followed by Consulting. Consulting was one of the most popular revenue models explored through the EDP, E-commerce and Practitioner Training trading activities were also common, with E-commerce having a higher prevalence than other sectors on the programme.

The bottom right chart explores whether there are discernible differences in the make-up of the organisations exploring the more common trading models. It can be seen that E-commerce models are on average explored by grantees with higher annual turnovers, however, have also been explored by a very small organisation too. Consulting is the trading model with highest minimum turnover (c.£319K), which perhaps suggest some organisational legitimacy is required before exploring such a model.





Tier Three Analysis: EDP Grantee Case Study

Name:	Bike Works
Organisation Overview:	They use cycling as a 'tool for good', to address social, economic and environmental challenges, with a focus on increasing physical activity, wellbeing, and connectivity – between people and place. Their mission is to ensure everyone has access to cycling to increase physical activity, wellbeing, and connectivity, with environmental impact interwoven throughout.
Services / interventions:	Their core impact delivery is engaging communities across London providing free-to-access and inclusive cycling initiatives, such as the All-Ability Clubs, where 3,000 people with disabilities and carers attend regular club sessions or Cycling for Wellbeing and Cycling 'Connect' activities.
Operational model:	Based at the Olympic Park's Velodrome in Stratford – this offers an attractive and exciting site to sell their corporate team building packages.
Overall income mix:	Within the business model there are specific 'income-generators' identified to help provide free access to core services. This ranges from more commercial services delivered to corporates and also service delivery contracts with local authorities or Transport for London.
Objectives for trading income:	Profits generated from enterprise activities sustain and grow the impact of the free-to-access services, which is important considering the cost of maintenance and replenishment of specialist cycles and their storage.



Revenue Model Analysis

Trading typology:	Training / Team building
Market and customers:	Team building sessions are sold to a variety of employers, predominantly in the private sector.
Profit margins and projections:	Team building packages sold to corporate partners offer the highest margins whilst some contract delivery offers some smaller surpluses also. It is considered that there is room for further growth of the team building and corporate bike training, but specific projections aren't available.
Multi-year view:	With cycle-training contracts disappearing over this period, new income has needed to evolve, inc. Team Building events but also the Ride Side-by-Side Cycle Taxi service. The chart shows even with revenue over £1M, annual surpluses are relatively marginal. It's hoped that additional trading income with corporate customers will continue to increase overall resilience.
Growth plan:	In the last year Team Building has grown in annual income from £25K to £135k – but the objective is to grow this further, particularly given opportunity to generate surplus. This would support growth of free-access community sessions delivered per year, beyond the current 14,000 delivered annually.
How EDP supported:	The goal was to redesign and scale up sales to corporate partners through both cycle training schemes and team building packages. Support received consisted of grant for additional capacity and access to external expertise such as marketing and website development.

