



Homelessness Sector Revenue Models:
An analysis of revenue models explored by the Mental Health
sector in the Enterprise Development Programme

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The Enterprise Development Programme (EDP) is a five year programme funded by Access – The Foundation for Social Investment from 2019 – 2024.

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

EDP takes a sector based approach to delivery and includes; 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 the 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 Cake to undertake analysis of organisations across the Mental Health sector and Mental Health sector organisations that had been successful in their application to the 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 used were considered to be:

- Easy to understand for as wide an audience as possible
- Provide insight in to financial resilience and sustainability
- Data that could be read and

interpreted using software in order to avoid human error.

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

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

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 details

The three tiers of analysis in this report



Tier 3: a financial case study of an EDP cohort organisation

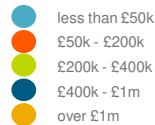
Tier two: the revenue models being explored through EDP. Trends in the EDP data

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.

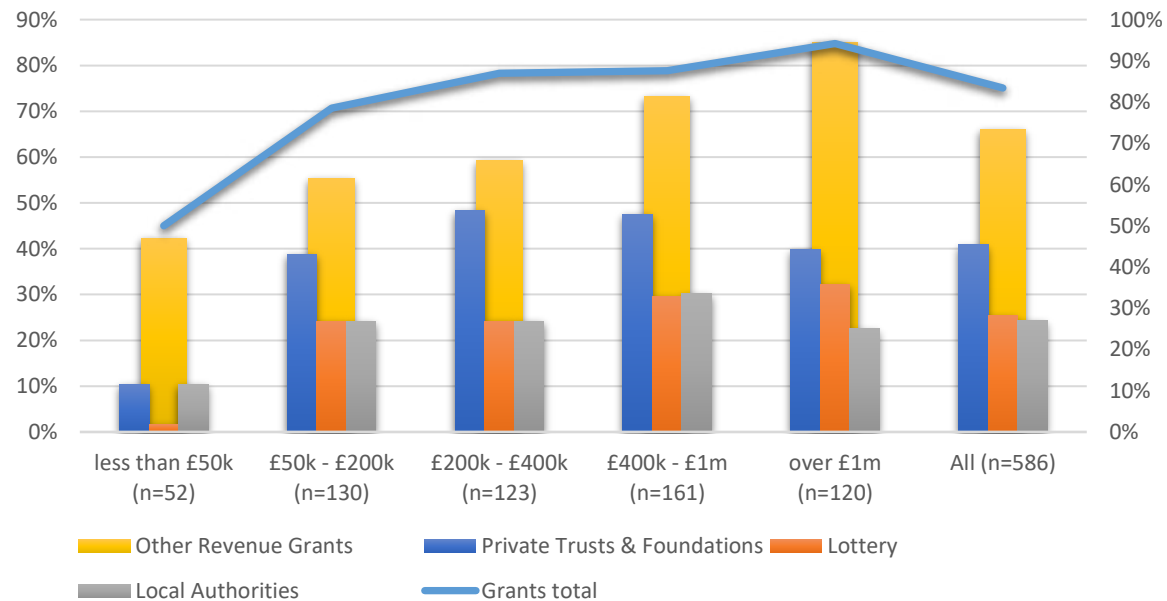
Salary costs

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



Homelessness sector overview

The Homelessness Sector Lead is Homeless Link and offered technical support, grant, bespoke training and peer to peer support. The Homelessness sector is wide and varied, but for this analysis organisations were separated by the following services / products types:

- Day Centres & Food Banks
- Hostels, Housing, Supported Accommodation
- Advice & Advocacy / Outreach
- Social activities / Employment

For the purposes of this analysis the financial information from 101 Homelessness sector organisations was used, 19 were grantees and 82 were other organisations in the Homelessness sector.

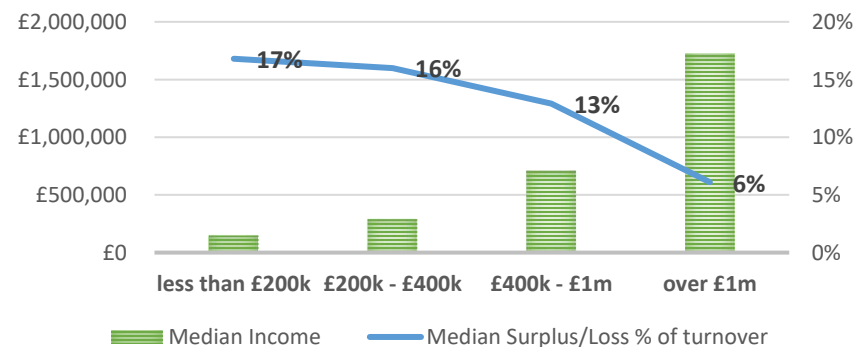
Tier 1 analysis: The Homelessness sector compared to other sectors

Some selected datapoints to set general context:

- Across the six sectors of EDP, Homelessness has the highest median total income, whilst they also have the highest median surplus, as a % of turnover. Interestingly, the level of surplus decreases as the level of turnover increases (see chart on this slide).
- Grant dependency is lowest for the Homelessness sector compared with other sectors in EDP. Dependency tends to decrease as organisational size increases.

- Salary costs are more universal for larger VCSEs but the level of costs is similar for all organisations that have them, typically 57% of expenditure.
- All-sector data sees the presence of building costs increase as organisations increase in size, however, not for Homelessness sector data, where these costs are high across all income bands.
- Organisations from the Homelessness sector are most likely to have fixed assets over £20k. Overall 56% have fixed assets over £20k and 45% have assets over £100k. Advice & Advocacy/ Outreach are the least likely to have fixed assets, at 20%. The median level of fixed assets as a percentage of turnover is 50% and this is highest for Housing / supported accommodation organisations at 89%.

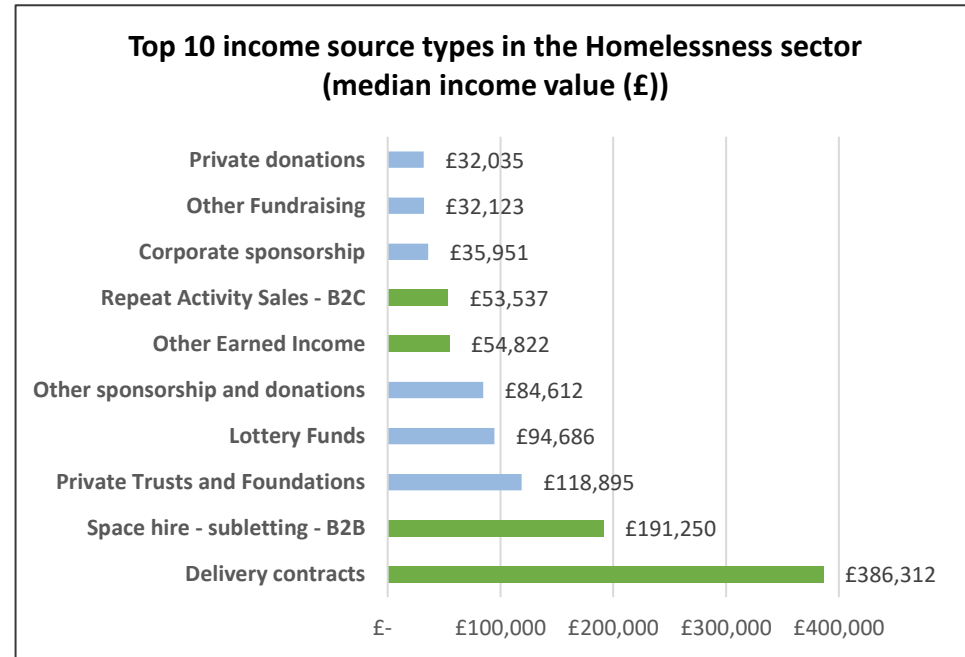
(1) Median income and (2) median surplus in Homelessness sector



Income analysis (continued)

The first chart here visualises the top 10 'valuable' income sources within the Homelessness sector (in terms of median income value when present). Delivery contracts by far have the highest median value, with nearly £400K.

Within the top 10 there are four earned income type sources – shown in green on the chart - i.e. Delivery contracts, space hire, 'Other earned income and Repeat Activity Sales'. The remainder are grants or donations based (in blur).



Tier one analysis of the Homelessness sector

Income analysis

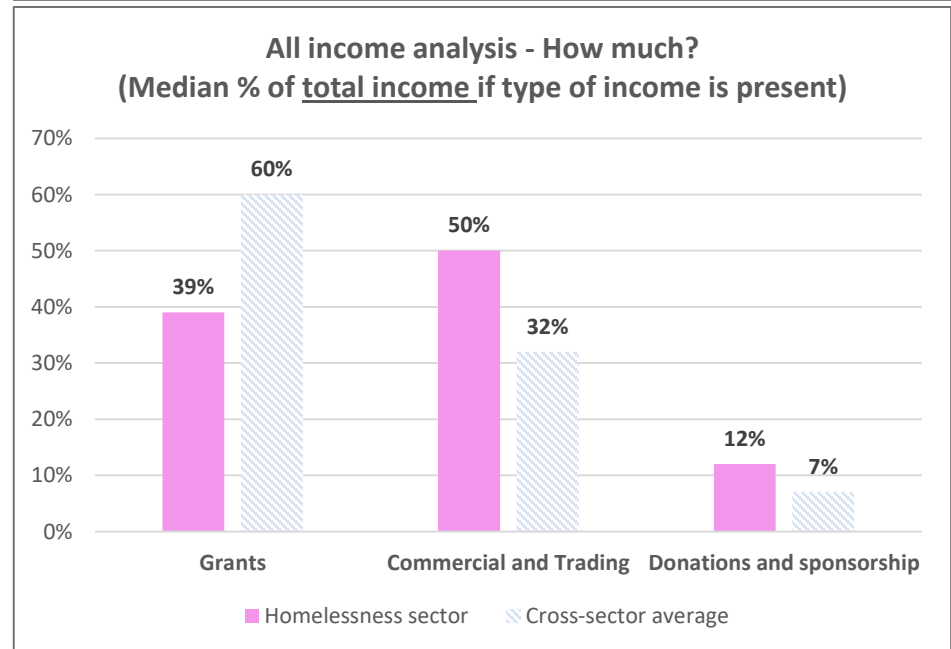
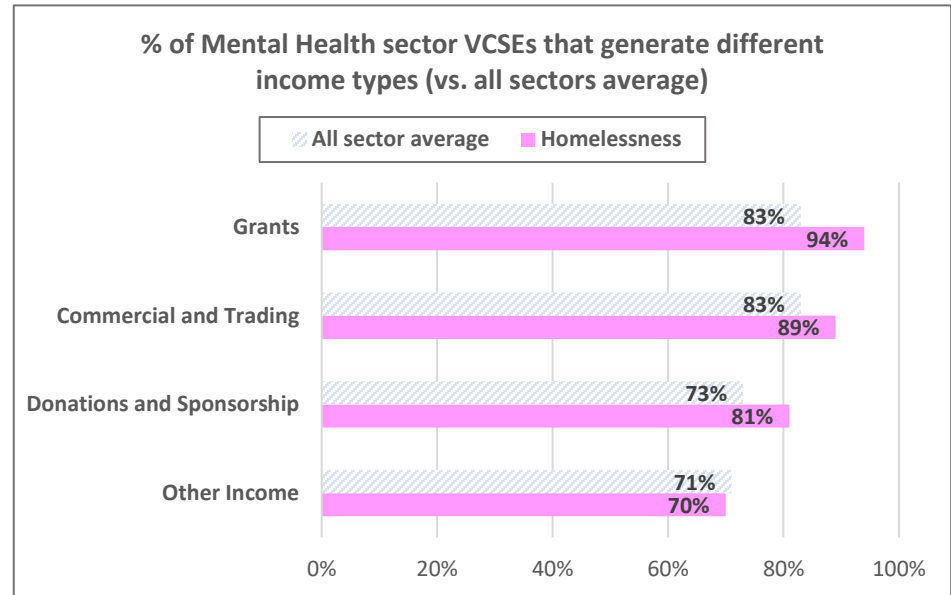
The most common form of income within the Homelessness sector was Grants, with 94% generating this income type (versus a cross-sector average of 83%). This was the highest proportion across all six sectors.

Also, a higher proportion of the Homelessness sector generate income from Commercial & Trading and Donations & Sponsorship sources, compared with cross sector averages (i.e. 89% vs 83% for the former and 81% vs 73% for the latter).

The bottom chart analyses the typical proportions of income types in terms of total income. Of the Homelessness organisations who generated income from grants, the typical % of total income was 39%, which is significantly lower than the cross-sector average of 60%. This percentage is the lowest across all sectors.

Inversely, for income generated via commercial and trading activities the typical proportion of total income was significantly higher than the cross-sector average (50% vs 32%). A similar proportion the BMC and Environment sectors (52% and 53% of total income respectively).

The typical value of donations and sponsorship income is slightly higher than the cross-sector average, being 12% of total income.



(Commercial & Trading) Income analysis

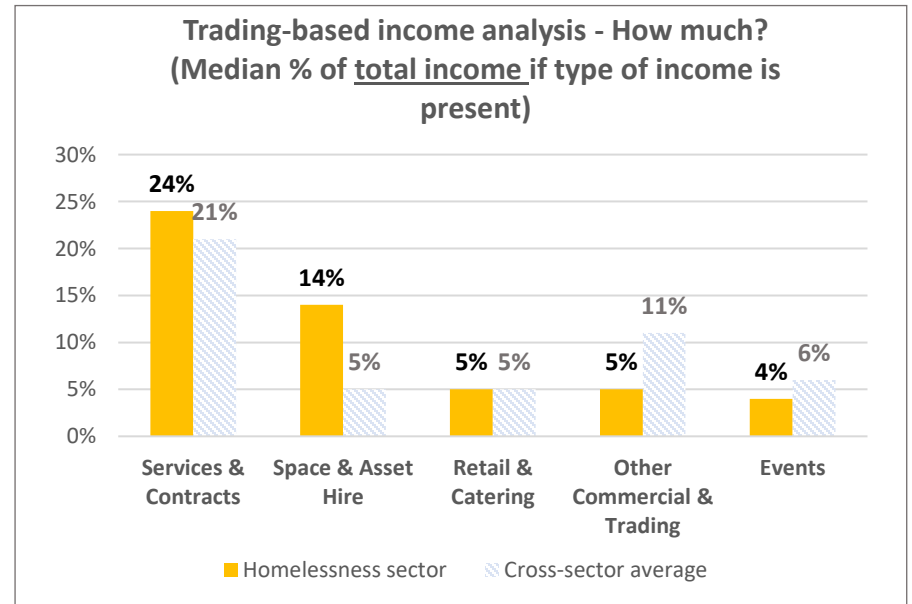
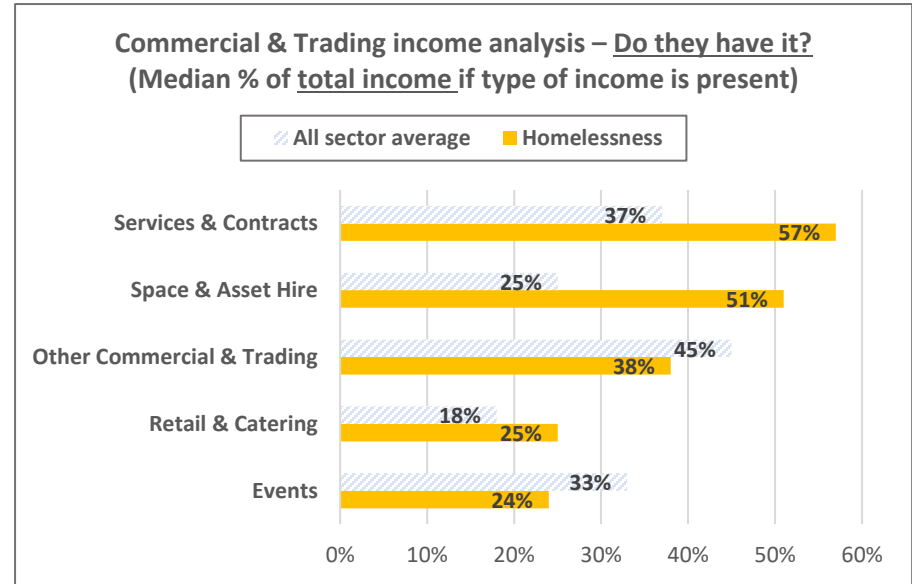
The most common form of Commercial & Trading income within the Homelessness sector was via Services & Contracts with 57% generating this. This was the highest proportion across all sectors, and significantly above the cross-sector average of 37%.

There is also a stark contrast for income generated via Space & Asset hire, with 51% of the Homelessness sector generating this, versus only 25% across all sectors. Retail and catering income is also more common in the Homelessness sector with 25% of organisations generating income from this source (compared with a cross-sector average of 18%).

Income generated from Events is the least common source in the Homelessness sector. Only 24% of organisations generate income from this type of activity which is the joint-lowest %, alongside the Environment sector.

The bottom chart analyses the typical proportions of income types in terms of total income. The two most common forms of Commercial and Trading income, Services & Contracts and Space & Asset hire, are also the biggest contributors of income. The former, when present within an income mix, typically generates 24% of total income and the latter typically generates 14% of total income. Both of these proportions are higher than the relevant cross-sector averages.

The Homelessness sector appears to have minimal income generated via Retail & Catering, Events and 'Other Commercial & Trading'.

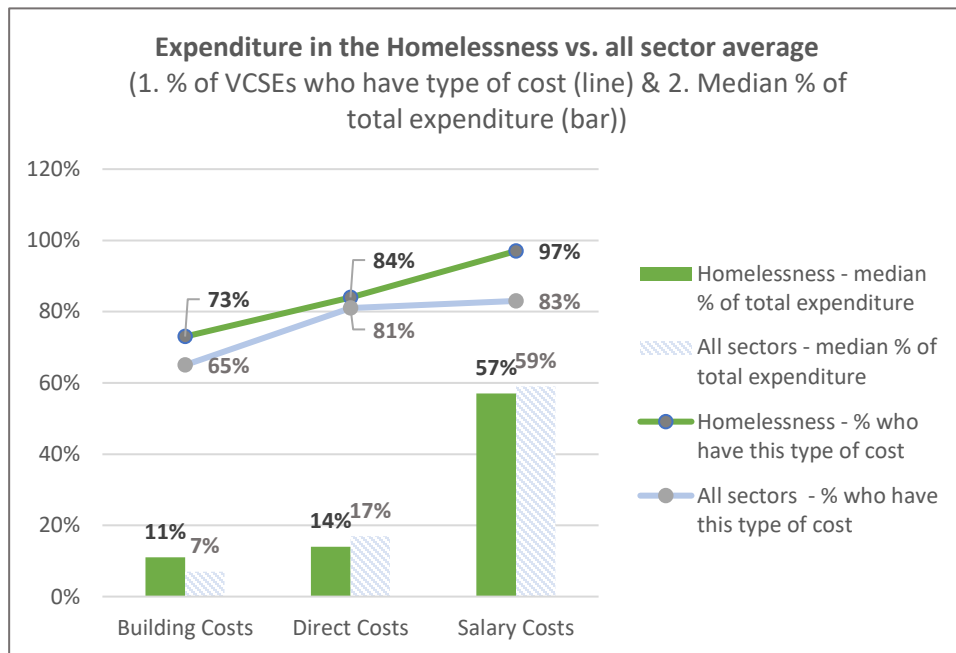


Expenditure

Unsurprisingly, a higher proportion of the Homelessness sector has building costs (73% vs 65% cross-sector average). When present, total building costs are a little higher than all other sectors, with costs typically being 11% of total income.

There are also higher proportions of the Homelessness sector with Direct and Salary costs, compared with the cross-sector average (84% vs 81% for the former and 97% vs 83% for the latter). The Homelessness sector had the highest prevalence of salary costs across all six sectors.

However, for both Direct and Salary costs, the typical amount of costs are lower than the cross-sector averages. Typically, 14% of total expenditure is for Direct costs, compared with a cross-sector average of 17%. Typically, 57% of total expenditure is for Salary costs, which is marginally lower than the cross-sector average of 59%.

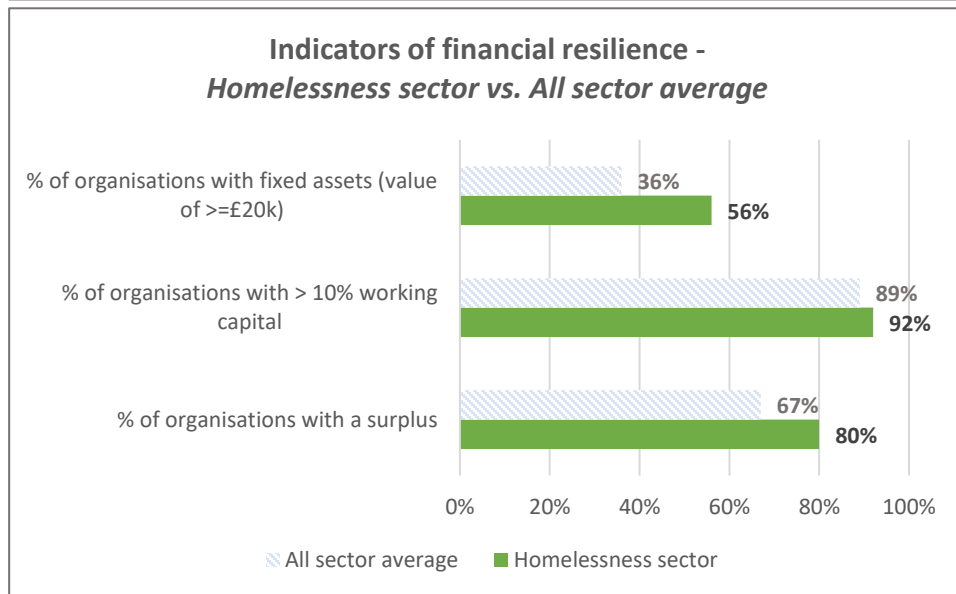


Financial resilience

For the three indicators of financial resilience visualised in the bottom chart, the Homelessness sector performs favourably compared with other sectors. Perhaps, most notably, 80% of the sector generated a surplus, which was comfortably the highest proportion across all sectors (the next highest being the Mental Health sector with 68%).

The largest difference, although expected, is the proportion of the sector with fixed assets (value of £20K+), with 56% having this feature, versus a cross-sector average of 36%.

The proportion of the sector with greater than 10% working capital is 92%, versus a cross-sector average of 89%.





Tier Two Analysis: The EDP Cohort

Analysis of EDP grantees in the sector



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Tier Three Analysis: EDP Grantee Case Study

Name:	Accommodation Concern
Organisation Overview:	An independent, dedicated anti-poverty and homelessness prevention charity, operating in Kettering and neighboring boroughs.
Services / interventions:	<p>It aims to prevent / alleviate poverty, need, hardship and distress through two key strands of activity:</p> <ul style="list-style-type: none"> - an accredited Advice Centre focused on Housing, Debt & Welfare Benefits - delivering high quality supported accommodation and intensive accommodation to homeless people in need
Operational model:	<p>In terms of the supported accommodation service, the organisation currently has 8 properties under its provision (leasing three from the local council and another five from private landlords).</p> <p>The service is overseen by a dedicated Tenancy Service Manager who ensures all the properties are compliant, manages the staff team and assesses all new referrals to the service.</p>
Overall income mix:	In the latest year, trading income accounts for 50% of total income. This proportion has increased over 4 years with trading income only accounting 29% of income in 2020.
Objectives for trading income:	Surplus from supported housing services provides unrestricted income and some consequent flexibility for delivery of its advice services, i.e. enables support that is usually out of scope for other funding opportunities such as providing ID for clients, move on furniture, counselling opportunities.



Revenue Model Analysis

Trading typology:	Supported housing
Market and customers:	The majority of the organisation's traded income comes from Tenants using their Housing Benefit. There is a small amount from tenants who contribute their own funds.
Profit margins and projections:	Although the organisation project to grow their income from their supported accommodation service, there is no current information regarding likely profit margins. It is assumed this will depend on wider macro factors such as mortgage rates.
Growth plan:	The organisation plans to continue to grow this provision as they look to expand across the North Northamptonshire region.
Multi-year view:	(See chart on next page). The organisation has been gradually increasing its housing 'stock' and therefore its ability to generate traded income via its Supported Housing provision. From 2020 to 2023 the organisation increased turnover from c.£190K to £690K, with a nearly £300K uplift in trading income responsible for much of this.
How EDP supported:	The majority of EDP grant funding supported the role of a Tenancy Service Manager to lead the Supported Accommodation operation, which has enabled the growth of that operation and increase its income and surplus. "If we had not had the salary for a dedicated lead person we would not be where we are now"

