



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

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Foundation for Social Investment
With support from Association of Mental Health Providers

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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 into 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

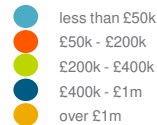
Tier two: the revenue models being explored through EDP.
Trends in the EDP data

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.

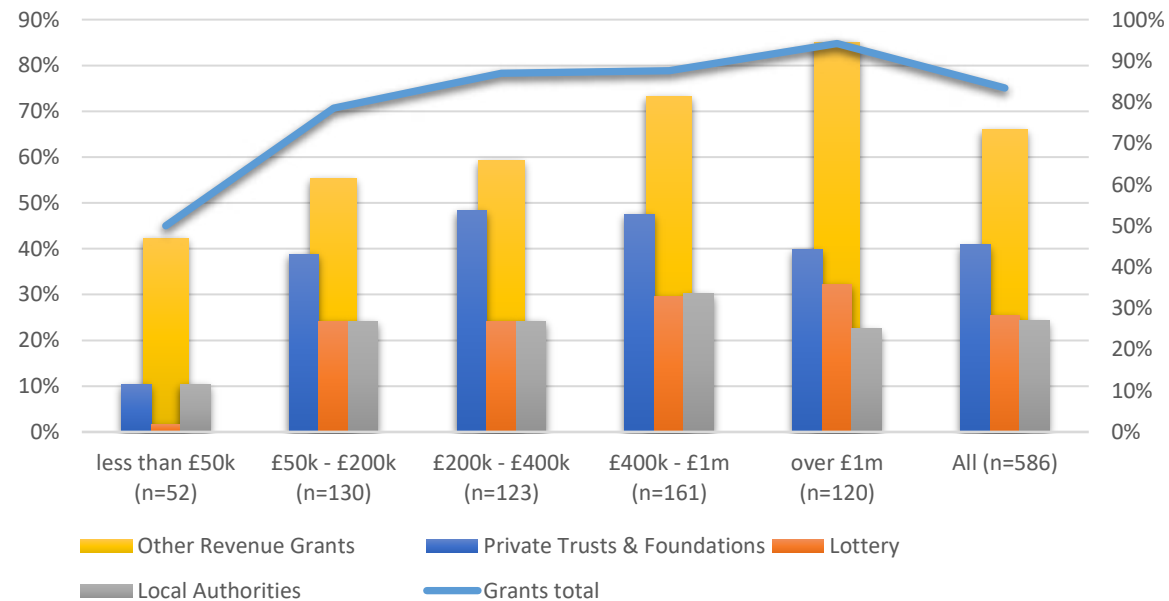
Salary costs

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



The Mental Health Sector Lead is the Association of Mental Health Providers and offered technical support, grant, bespoke training and peer to peer support.

The Mental Health sector is wide and varied, but for this analysis organisations were separated by the following services / products types:

- Talking therapies,
- Mixed provision,
- Workshop/social,
- Training/consultancy

For the purposes of this analysis the financial information from 113 Mental Health sector organisations was used; 40 were grantees and 73 were other organisations in the Mental Health sector.

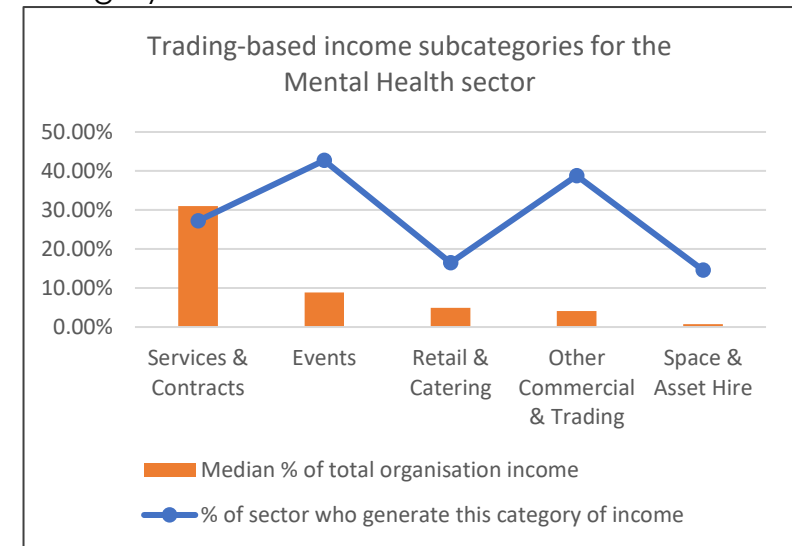
Tier 1 analysis: The Mental Health sector compared to other sectors

Some selected datapoints to set general context:

- Whilst in other sectors grant dependency generally decreases as organisational size increases, this pattern is not seen in the Mental Health sector where there appears a similar level of grant dependency across the sector.
- Only 21% of the sample have fixed assets over £20k
- Salary costs account for a median average of 63% of VCSE's expenditure (higher than the cross-sector median of 59%)

Although the majority (81%) of the selected Mental Health VCSEs have some trading-based income, they rank at the lower end of the sectors in terms of its median value within overall organisational income (29%). This contrasts to the Environment sector, where trading income has a median of 53% of total income.

Within trading income, the second most common sub-category source of income is services & contracts (27%) and its median proportion in terms of total organisational income is 31%. This is the highest proportion of any trading income sub-category across all sectors.



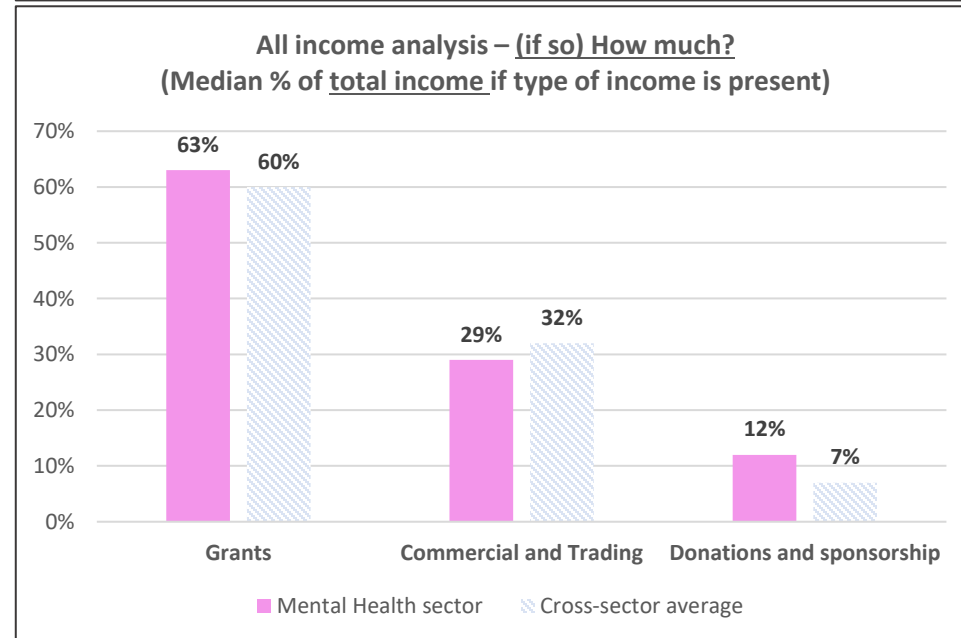
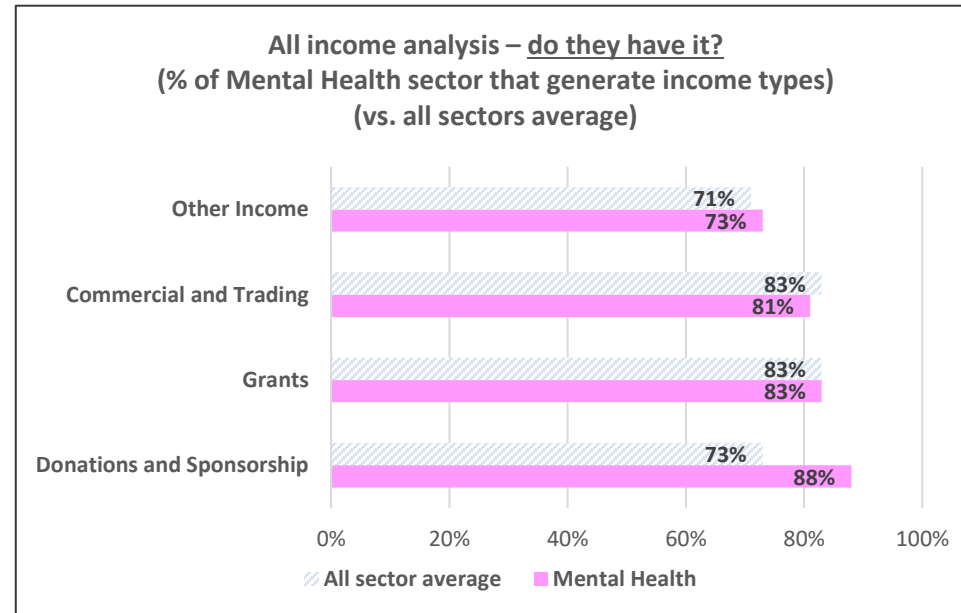
Perhaps surprisingly only 15% have income from delivery contracts recorded, however for those who do, the median % of total income is a significant 46% - which is highest value for Delivery contracts across all sectors.

Income analysis

The most common form of income within the Mental Health sector was Donations and Sponsorship, with 88% generating this income type (versus a cross-sector average of 73%). Other forms of income, i.e. Commercial and Trading, Grant and 'Other' were very similar to the cross-sector averages. However, it was only for Commercial and Trading income, where there was a (minimally) lower % of organisations generating that income type (81% versus 83%).

Of the Mental Health organisations who generated income from commercial and trading activities the typical proportion of total income was 29%. This was (marginally) lower than the typical value across all sectors (32%).

The typical value of grant income however was slightly higher than the typical value across all sectors (63% vs 60%). Although Donations and Sponsorship were the most common form of income in the sector, they are typically only a modest amount of total income. But the 12% of income is the joint highest across the sectors (alongside the Homelessness sector).



(Commercial & Trading) Income analysis

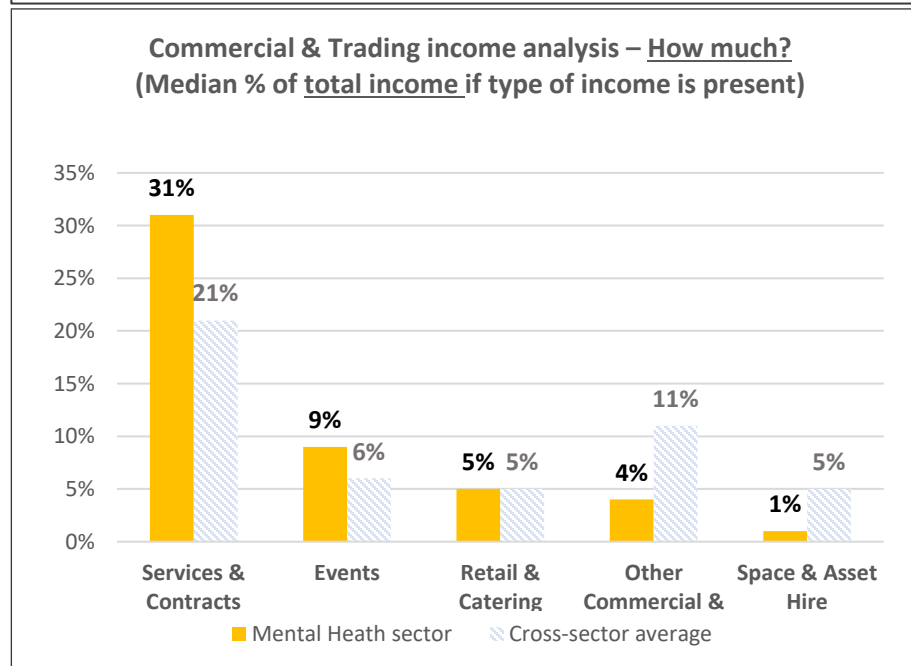
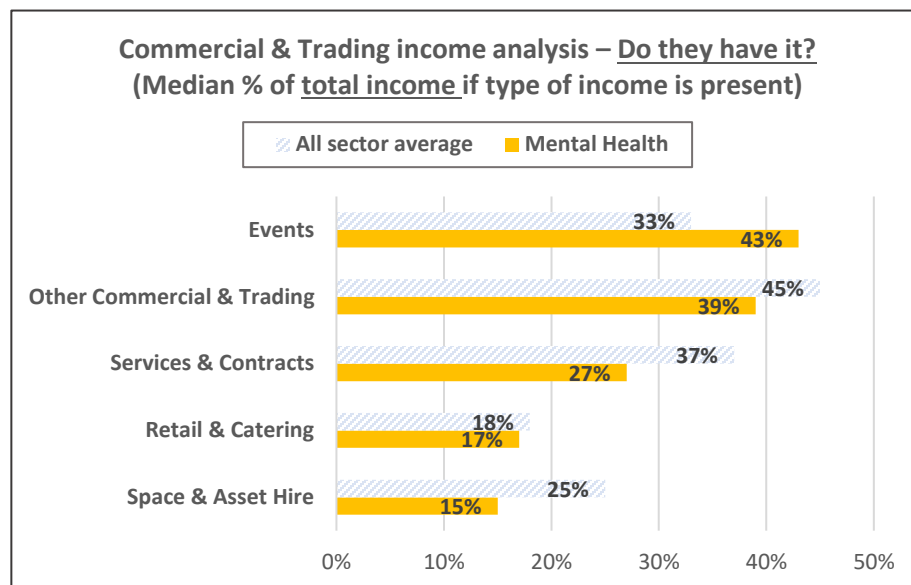
The most common form of Commercial & Trading income within the Mental Health sector was Events-based income, with 43% generating this. This was the highest proportion across all sectors.

All other forms of commercial and trading income were less prevalent in the Mental Health sector compared with the cross-sector average. The largest difference in this respect being for Services and Contracts (27% vs 37%) and Space & Asset Hire (15% vs 25%).

The bottom chart analyses the typical proportions of income types in terms of total organisation income. Although Events was the most prevalent form of Commercial and Trading income, it is typically only c.9% of total income for Mental Health sector organisations. However, this is higher than the cross-sector average of 6%.

The Mental Health sector has the second lowest proportion of organisations generating Services and Contracts-based income (27%), however when present it is typically worth 31% of an organisation's total income. This is the highest value across all sectors.

The Mental Health sector appears to have minimal income generated via Space & Asset hire with only 15% of organisations generating this type of income and when they do it is typically generating less than 1% of their total income.

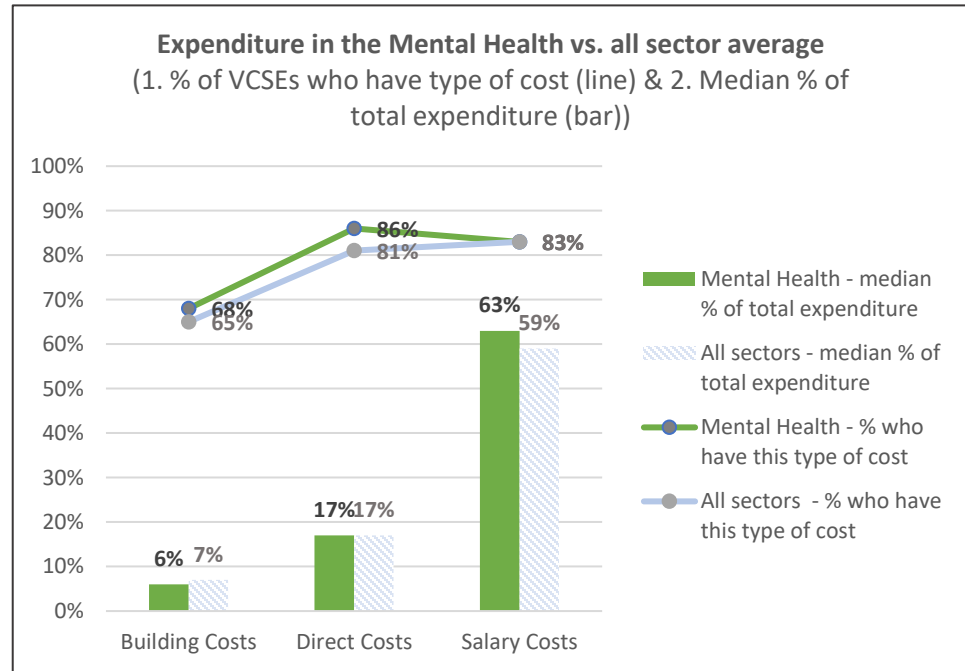


Expenditure

A slightly higher proportion of the Mental Health sector organisations have building costs (68% vs 65% cross-sector average), and when present, the total building costs, as a proportion of total income, is marginally lower than most other sectors at 6% of total expenditure.

A higher proportion of the sector have Direct costs compared with the cross-sector average (86% vs 81%). This is marginally the highest of all sectors. But in terms of their typical value as a % of total expenditure it matches to the cross-sector average of 17%.

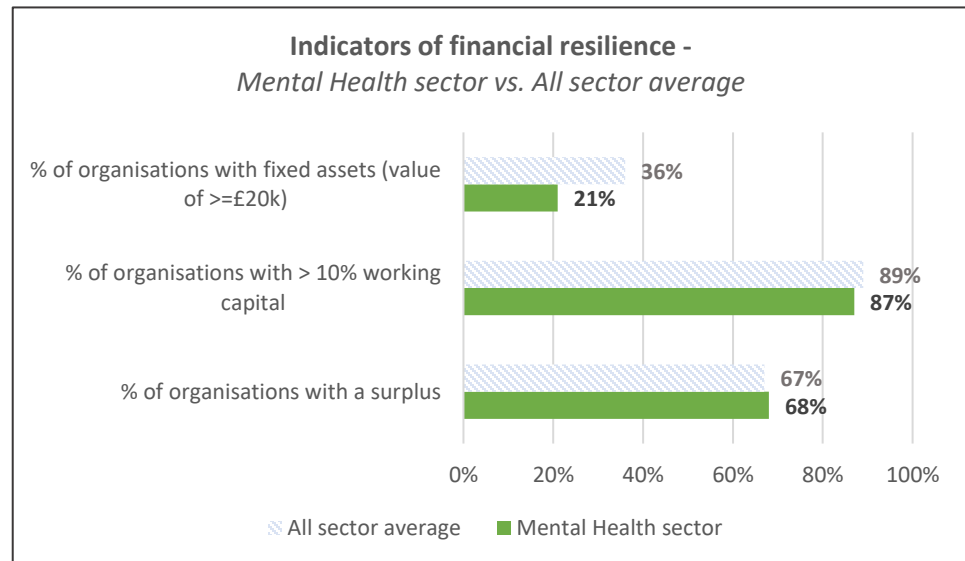
The proportion of the sector with Salary costs is 83%, which matches the cross-sector average. Typically, Mental Health salary costs are higher than the cross-sector average (63% of total expenditure versus 59%).



Financial resilience

For two indicators of financial resilience, the Mental Health sector is broadly in line with other sectors. The proportion of the sector with greater than 10% working capital is 87%, versus a cross-sector average of 89%. The proportion of the sector with a surplus is 68%, which is marginally higher than the cross-sector average of 67%.

The most noticeable difference here is the proportion of the sector with fixed assets (value of £20K+), with only 21% having this feature, versus a cross-sector average of 36%. This was the second lowest % across all sectors, with only the Equality sector being lower (14%).





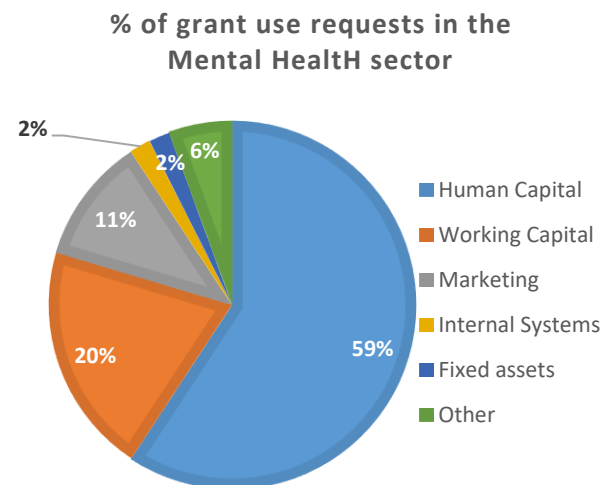
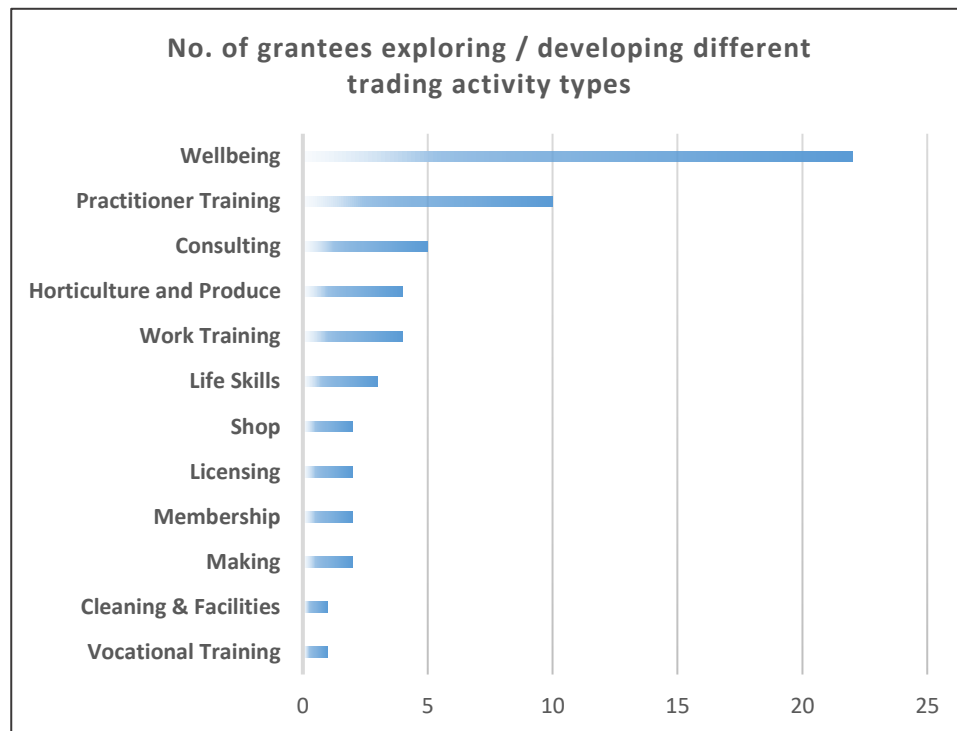
Tier Two Analysis: The EDP Cohort

Analysis of EDP grantees in the sector

The most common trading activity explored by Mental Health EDP participants was unsurprisingly Wellbeing-based services. These services were varied in terms of the services delivered (i.e. digital self-managed programmes to 1:1 therapy type services). The recipient of the services varied too, from school children to employees of a workforce to groups of people with specific mental health conditions (i.e. Bipolar disorder). Additionally, it is worth noting that the 'customer' was the those receiving the service but often a third party would be paying for the service, i.e. an employer or a school.

Practitioner Training was more common in the Mental Health sector than others and was often centred around Mental Health organisations looking to use their skills to upskill and better equip other professionals working with people with mental health challenges. For example, supporting Blue-light services to be 'trauma-informed' with their approaches.

As per other sectors the majority (59%) of grant usage was for human capital to engage consultants or new staff members. There were more recorded uses of grant specifically to facilitate new marketing activities compared with other sectors.





Tier Three Analysis: EDP Grantee Case Study

Organisation Context

Name:	SWANS CIC
Organisation Overview:	The organisation aims to deliver accessible counselling across East Cheshire, both to adults and young people to develop emotional wellbeing and positive mental health.
Services / interventions:	They deliver individual and couple counselling in, with the majority of their work delivered in a school setting for individual pupils.
Operational model:	The organisation has three full time directors, all of which are qualified counsellors. Their schools counselling model is built around 'blocks' of 30-minute sessions, which enable a school to support more children (than with 60-minute sessions), whilst also minimising disruption to lessons and retaining engagement / attention.
Overall income mix:	The majority of funds come through trading, and c.80% of that traded income comes through direct commissions from schools.
Objectives for trading income:	The organisation would like to scale their counselling services so they can start to generate a surplus which can fund free access counselling sessions for high-needs children not able to access sessions via their school. But simultaneously, want to retain affordability for schools.



Revenue Model Analysis

Trading typology:	Wellbeing services
Market and customers:	The predominant customer for counselling sessions is schools in the Cheshire area. However, the dialogue often is that schools are very keen to bring in services but are struggling to find the necessary budget or have to limit the number of sessions purchased.
Profit margins and projections:	Specific projections aren't available for trading income going forward but this is being worked on with support providers.
Growth plan:	The organisation is keen to reach more school and VCSE customers but only wants to limit this growth to the current area of Cheshire and perhaps neighbouring counties. They are starting to receive enquiries from schools via referrals from current / previous customers.
Multi-year view:	Prior to EDP, the organisation's turnover was c.£72K and following EDP support it had grown marginally to c.£84K. However, within that same two-year period trading income grew from £29K to £62K (213% increase).
How EDP supported:	Support was specifically targeted at scaling the school counselling services. Funding allowed staff to take a step back from frontline delivery and focus on business processes and procedures and developing business development skills. Additionally, support was received to review the organisation's costs and develop a financial planning model.

