



power to
change

business in
community
hands



LOTTERY FUNDED

The community business success guide to room hire



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1. Introduction



Communities set up businesses together to address challenges and opportunities they face locally.

It's not always easy for community businesses to get their hands on the kind of detailed financial data that helps build a business case, and get an important local service up and running. Unlike businesses in the private sector, local groups often only have minimal access to information, advice and inaccurate financial data on income generation to support their planning and goal setting. This often means starting from scratch, using good judgment, and peer advice where they can get it.

This guide explores how community businesses earn money from room hire. The guide is based on a benchmark analysis of the Profit & Loss data of 59 community businesses across England. These businesses either received grant funding from Power to Change, the independent trust supporting community businesses in England, or have applied to one of their grant making programmes.

This set of Success Guides intends to support that hard work with some concrete data to help you run a more sustainable community business. This doesn't replace peer advice, good local knowledge, or community engagement, but it does give a bit of useful scaffolding for the development and growth of trading income.



1.1 Seven key insights from this guide



Of course, we think this whole Success Guide is full of useful information to make business decisions around room hire. But here are the top seven insights covered in this guide before you read the whole thing: Room hire is:



1. Only exceptionally a core purpose. It's usually a secondary activity undertaken to bump up earned income
[See page 12](#)



3. Associated with organisations with a lower average level of grant funding than the full Power to Change financial dataset
[See page 15](#)



2. Something which smaller organisations (by turnover) engage in but larger ones tend not to
[See page 15](#)



4. Worth an average of 15% of turnover for those organisations who do it
[See page 15](#)

5. Associated with a slightly higher spend on rent and rates, utilities and building maintenance
[See page 15](#)



7. Is priced very variably – from a minimum of £5/hr to a median of around £25/hr and a maximum of around £1200 a day
[See page 21](#)



6. Taking a wide variety of forms from hiring meeting rooms, co-working spaces, staging conferences, to weddings and parties
[See page 20](#)





12 years ago –Frome Cheese and Grain ltd saved a semi derelict indoor market building by turning it into a music venue, daytime market and events hall. Available for hire for music events, meetings, conferences, parties and weddings

1.2 What is benchmarking and comparative data analysis?

Before going further into our detailed insights around room hire, we want to explain what benchmarking is.

Benchmarking and other forms of comparative analysis are simply means of measuring the relative performance of an organisation. This usually entails using an agreed set of definitions or criteria across the comparison set. For example, the league

table of countries and their tally of Olympic medals is a simple form of benchmark where the agreed definitions are the gold, silver and bronze medals. The importance of the agreed definitions is that it means that you know you are comparing apples to apples – vital if the comparison is to be meaningful!

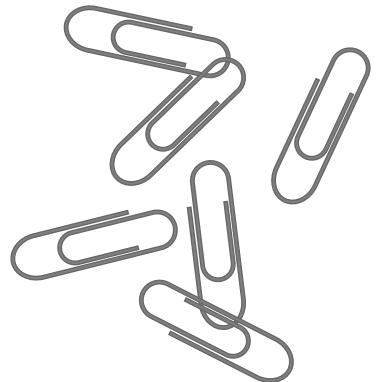
1.3 Why is benchmarking useful?

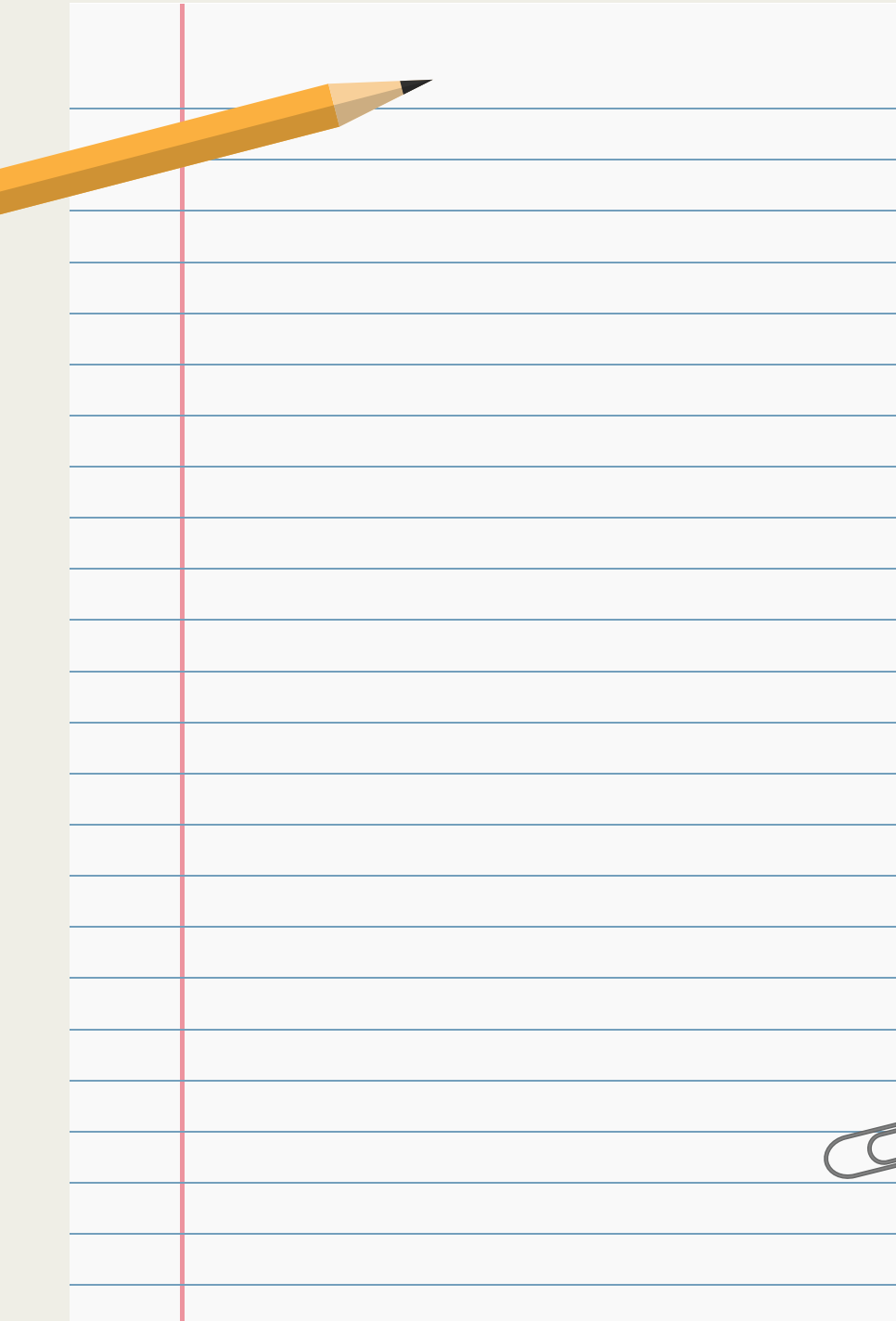
Simply put benchmarking helps you define what 'good' and 'best' mean in a particular field of activity, so that you can work out how you stack up against the 'best in class' and make informed decisions about what improvements you could make.

Without a benchmark, it is likely that when planning the next year's budget or estimating the audience figures when building your forward plan, you will work on the basis of 'like last year but plus/minus a bit'.

Having some comparative data can help give that planning a steer. This can be particularly useful when thinking about a new income stream. Learning from what other people have done gives you a concrete sense of what is achievable. Knowing how that stacks up financially gives you the best chance of reaching an income goal.

Check out what your peers are doing. What are they doing well? What can you replicate? What can you do better or differently?





1.4 The importance of benchmarking against a peer group

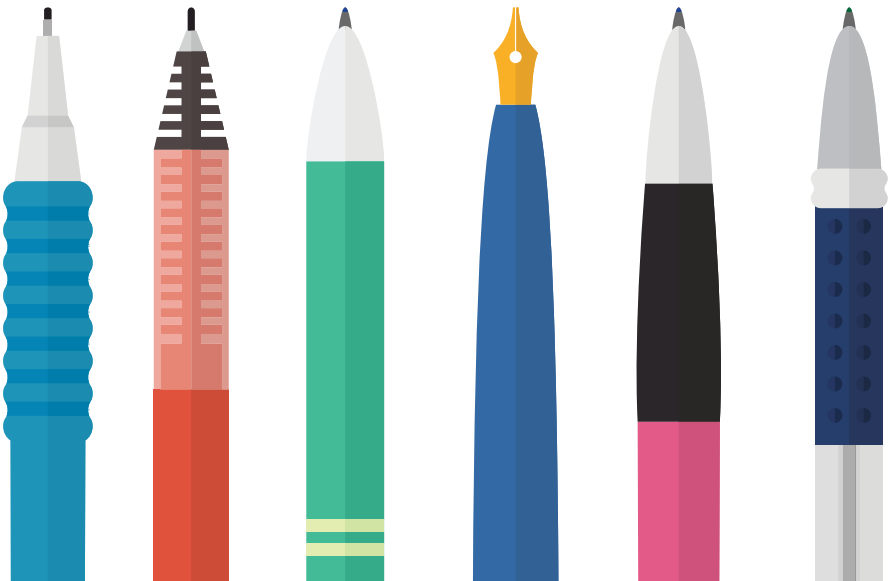
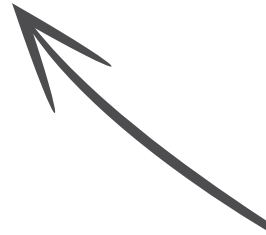
So what makes a good comparison?

It matters who you compare yourself to. If you are running a community business that doesn't have a public space it is unlikely to be wildly useful to compare yourself to a community hub, as the differences will vastly outweigh the similarities. So how do you choose?

It is worth thinking about who you consider your peers to be. You are aiming for a list of 10-20 organisations who are roughly similar to you in what they do, how big they are, whether they are located in an urban or rural setting and whether they are in a big city or not. Think of this as your 'home group'. You can then keep an eye on how your 'home group' varies by comparison to the national average.

The Power to Change financial dataset should give you a good starting point for identifying a 'home group'.

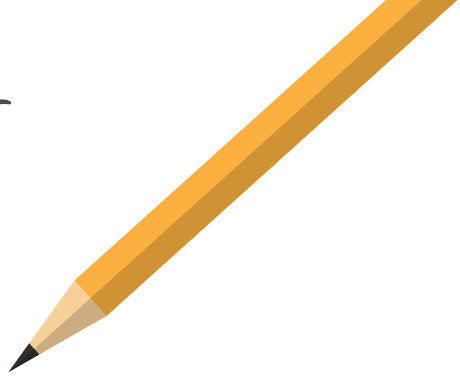
It's important to compare your community business against the right peer group to get the true picture of how your business compares and will gain from room hire



1.5 How can you start benchmarking?

In order to start benchmarking you need to answer three key questions:

1. What comparisons would be the most useful to your organisation now?
2. What data do you have to hand?
3. What data can you get hold of to compare yourself against?



1.6 What should you consider benchmarking?

You need to know how your business model stacks up compared to your peers, and you also need to know how you compare when it comes to your largest sources of income and customers. On that basis, we recommend benchmarking your business model first in

order to set a baseline for a more detailed comparison of your key income sources, and your online and offline customers.

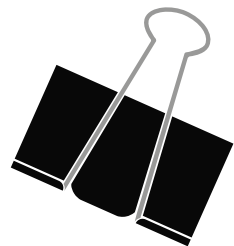
1.7 What data from your organisation can help you with benchmarking?

You need to locate your organisation's data. There is a fair chance that you will have one or more of the following types of data in your organisation:

- End of year report and accounts
- Data you've submitted to grant funding organisations
- Audience and/or box office data
- Online and social media data

It is worth working out what period to look at. For accounts information, annual data is the place to start, but you might want to look at monthly or quarterly data for customers.

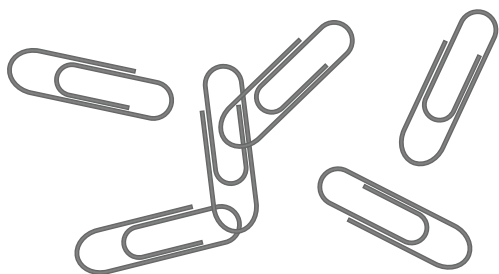
Benchmark your business model first in order to set a baseline for a comprehensive comparison

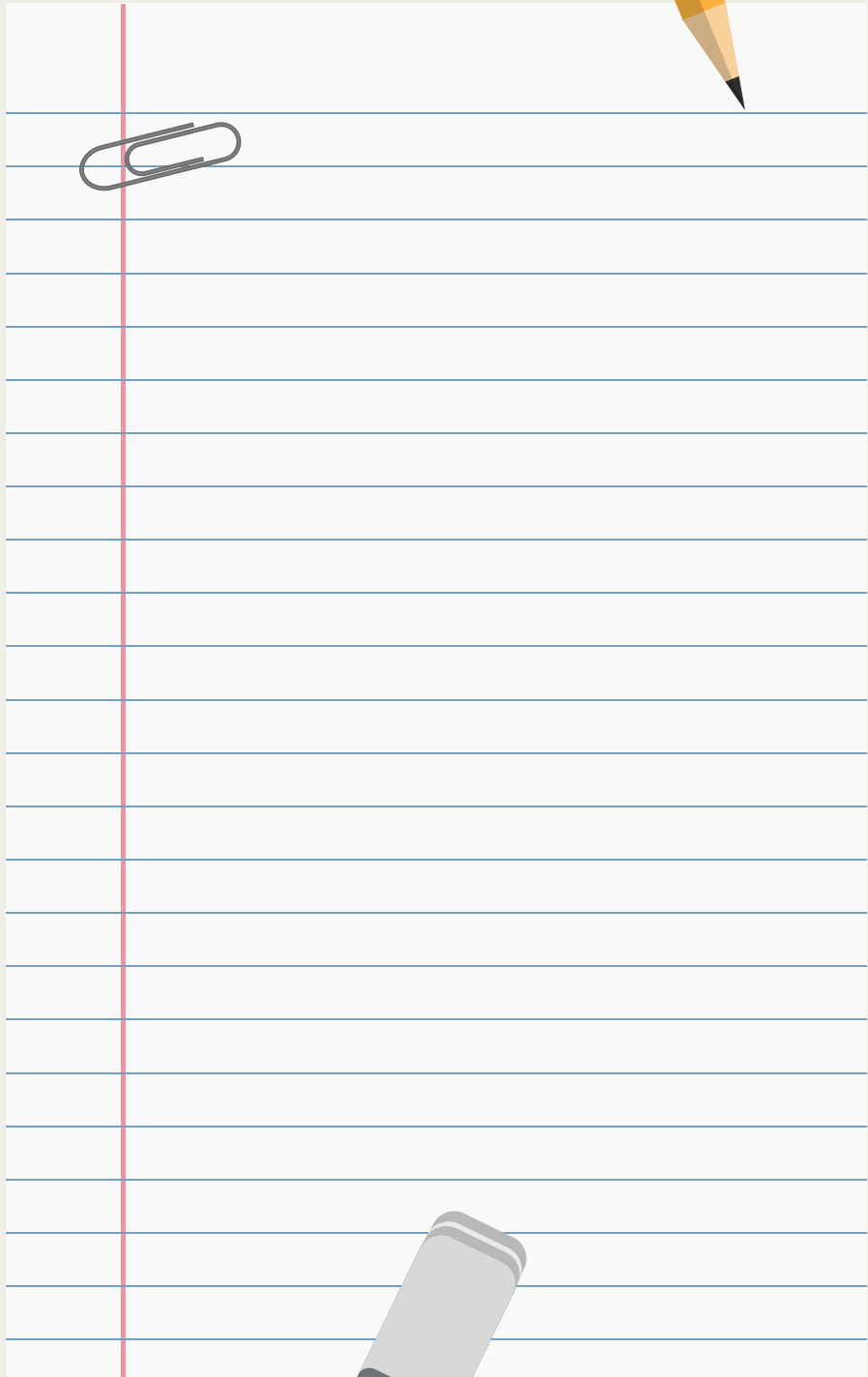


1.8 What are the benefits of benchmarking?

Organisations and clusters who are already benchmarking are accruing the following benefits:

- Goal setting becomes more pragmatic and realistic as it is informed by better data. This is particularly valuable in areas like donations and sponsorship
- Greater clarity within the organisation on how business models tend to change as the turnover increases or decreases
- More detailed understanding of how the 'best in class' achieve their successes
- Access to a succinct, fact-based summary of the organisation's greatest strengths and weaknesses
- Greater familiarity within the senior management team of the key ratios and comparison points for the organisation and more regular checking of progress
- Greater visibility with and respect from funders
- Greater visibility as leaders who are using all the resources available to them to continue to develop their organisation in a tough economic climate







Unity Works in Wakefield have a multi use space used for various room hires for live events as pictured to conferences, parties, exhibitions, concerts and parties

2. Success Guide – Room Hire

What kind of organisations can use room hire to generate income?

At its simplest, your organisation has a building (owned as freehold or rented as leasehold) but you find that you don't use all the space all of the time. Of course, you have to maintain the whole building all year round – keeping the roof leak free, making sure the pipes don't freeze etc. So if you're having to pay for this facility how can you

ensure that you're making the building pay its way by using it to its full capacity as much as possible?

You also need to ensure that the activities your organisation delivers to meet its primary purpose have priority or at least are not impacted by using the building for other income generating activities. At times this is a fine balancing act.

2.1 When is a building a liability?

A building becomes a liability if the cost of upkeep becomes so burdensome on the organisation that it hinders the ability to achieve the core goals in the vision and mission. According to the financial data

we've collected from over 200 community businesses, the range of average spend on running a building across the years of 2013-2015 looks like this:

	% of Turnover Spent on this Cost Type
Rent & Rates	5.5 - 7.5%
Utilities	4.5 – 6.5%
Insurance	1.5 – 2.5%
Telephony	1.0 – 1.3%
IT	1.3 – 2.0%
Buildings Maintenance	5.0 – 6.0%

If when you look at your own business model you are spending considerably more than the average, then you might want to think about whether the building is currently an asset or a liability and what difference it would make if you could reduce the running costs of the buildings

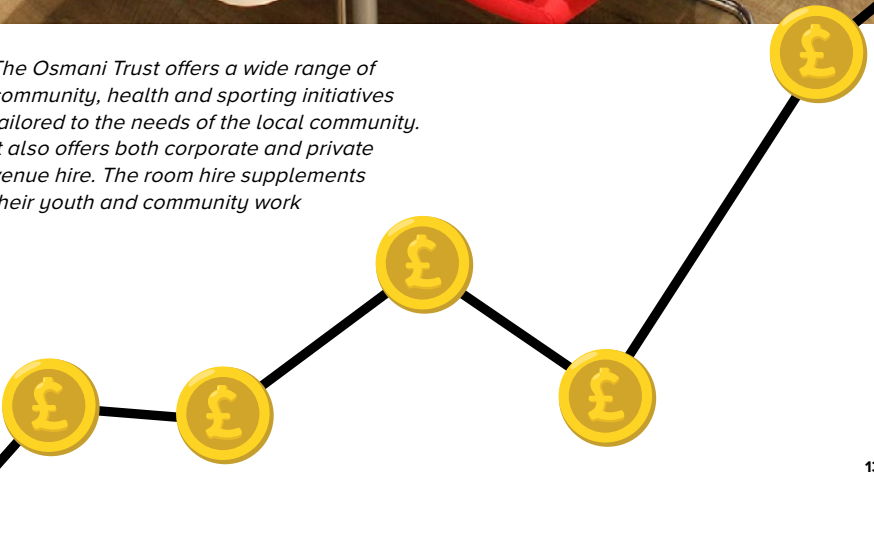
This Success Guide focuses on the last of these options – room hire. By room hire we mean the renting of some or all of your building by the hour or day. You might be renting it out for specific purposes to specific market segments or it might be a more general offer of meeting rooms.

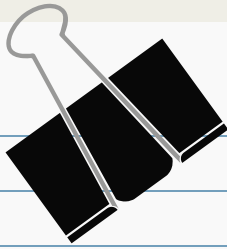
One response to making full use of your assets is to consider renting out some of your space. You could sub-let sections on a long term basis, develop your own events programme or hire out all or part of the building.





The Osmani Trust offers a wide range of community, health and sporting initiatives tailored to the needs of the local community. It also offers both corporate and private venue hire. The room hire supplements their youth and community work





2.2 What might it be worth?

Amongst the cohort of community businesses who have either applied to Power to Change for funding or have received it, there are quite a number who rent out space on a 'room hire' basis. This data set doesn't constitute a managed or representative sample of all non-profits who hire out space but even so we think the data is robust enough to be able to offer some insights into how room hire contributes valuable income to community businesses across England.

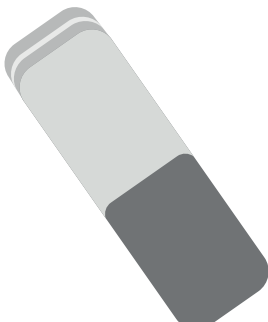
The data comes from sets of annual accounts and the line on 'room hire' is based on a self-definition of this type of income on the part of each organisation and their accountant.

	2015 Organisations with room hire income	2015 All organisations
Sample Details:		
Sample size	59	216
Average turnover	£510k	£1.1m
Income by type as a % of Revenue turnover		
Grant Income:		
Trusts & Foundations	28.1	34.7
Local Authorities	20.5	19.3
Lottery Funds	21.9	22.2
Other Gov't grants	4.1	9.3
Other revenue grants	27.5	23.9
Total grant funding	44.8	47.4

The first point to note here is that organisations who earn income from room hire have a lower level of turnover (about half in fact) versus the total cohort of organisations we hold data on. Our best guess for the reasons behind this is that the larger organisations no longer need to earn additional income from this route and focus on activities which are higher value or mission focussed. We'll be exploring this further through the series of Success Guides.

Secondly, we can see that in 2015 organisations who earned income from room hire were 2.5% less grant dependent overall than the total cohort of community businesses. This varies by grant source with the room hire organisations seeing less from Trusts and Foundations but marginally more from Lottery Funds.

Not all organisations will be sourcing income from all of these routes so the key thing here is to look at each line individually rather than try to build an ideal business model which contains the best of all lines of income. No one organisation can do that!



Venue based income:		
	2015	2015
All organisations	Organisations with room hire income	All organisations
One off service purchase e.g. cinema ticket	20.8	30.3
Ongoing service purchase e.g. course or workshop	24.9	30.4
Shop and retail	10.1	20.5
Café	19.7	20.8
Space hire – Sub-letting	21.1	25.5
Space Hire – Room hire	15.3	15.3
Other asset hire	0.6	1.3
Total venue based income	39.9	42.0

What's interesting in the table above is that the organisations who generate income from room hire are consistently slightly below the wider average in each type of income generated from their venue, although their total venue based income is very close to the average for all organisations. This

suggests that the organisations who are best in class at each type of venue based income generation are not to be found in the cohort of organisations who undertake room hire activities.

Non-Venue Based Income:		
Total Donations & Sponsorship	10.4	13.5
Product sales	3.9	7.3
Services & consultancy	15.3	31.6
Events	4.6	5.8
Subscriptions & membership	1.7	6.4
Delivery Contracts	26.2	24.0
Total non-Venue based income	20.8	29.5

The picture is similar when we look at income generating activities which are based on an organisation's intangible assets. The exception is the income from delivery

contracts where the 59 organisations with Room Hire revenue achieve more income from Delivery Contracts on average than the wider cohort.

Costs:		
Total Direct Costs	19.3	22.4
Total Salaries Costs (ex NIC & Pensions)	41.4	46.0
Rent & Rates	8.1	7.0
Insurance	2.0	1.7
Utilities	6.8	4.6
Marketing	1.6	1.8
Professional fees	4.6	3.9
Depreciation	5.8	5.2
Buildings maintenance	6.7	5.6
Total Revenue Expenditure	94.6	93.4

As we start to look at the way the two sets of organisations spend money, we see that they are pretty similar. Organisations with room hire spend:

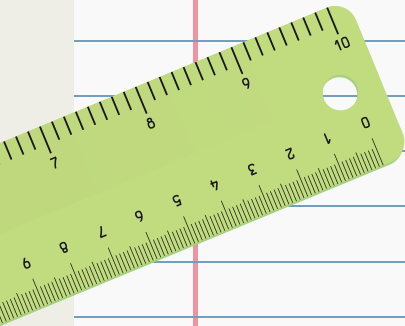
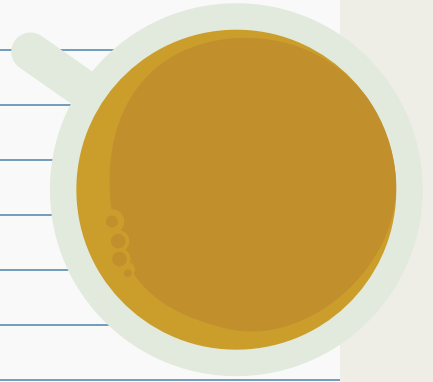
- slightly less on their direct costs of delivering their mission (19.3% vs 22.4%)
- slightly more on rent & rates (8.1% vs. 7.0%)
- about 10% less on staff (41.4% vs. 46.0%)
- slightly more on insurance (2.0% vs 1.7%)
- about one third more on utilities (6.8% vs. 4.6%)
- about half as much on marketing (1.0% vs. 1.8%)

Within this group of 59 organisations, there is a wide range in terms of the percentage of income accruing from room hire. The minimum is 0.6% and the maximum is 56.8%. When we look at the distribution of organisations across this range we find that 19 (37.3%) earn less than 5% of turnover from room hire and 14 (27.5%) earn over 20% of turnover from this source. This suggests that there are likely to be two very different approaches here – those organisations for whom hiring out space is part of their core mission (those with over 20%), compared to those for whom it is an additional revenue stream but not a key focus (those with under 5%).

If we split out these two sub groups we see the following in the headline data:

	<5% room hire income	>20% room hire
		Income
Sector mix	Hubs 37% Employment support 16% Physical Health 11% Café 5% Education Support 5% Leisure facility 5%	Hubs 57% Arts Centre 14% Physical Health 14% Sports 7%
Sample Details:		
Sample size	19	14
Average turnover	£412k	£279k
Income by type as a % of turnover		
Private Trusts & Foundations	27.7	12.4
Total Grant Funding	32.0	22.4
Total venue based Income	33.1	62.1
Total direct costs	16.7	21.4
Staff Salaries (ex NIC or pensions)	42.1	42.9
Rent & Rates	5.2	9.4
Utilities	2.2	7.2
Total Expenditure	96.2	90.7





If we look specifically at how these two sub groups accrue income from their venue we see the following:

	<5% room hire income	>20% room hire income
Venue Based Income by type as a % of turnover		
One off ticketed activity	23.8	23.0
Repeat visit activities e.g. workshops	28.0	27.9
Shop & retail	4.2	26.2
Catering & Café	20.9	11.5
Space hire – room hire	2.8	37.4
Space hire – subletting	11.3	0
Hiring of other assets	2.8	0.5
Total Venue Based Income	33.1	62.1

This data suggests a few questions that we think would be worth exploring if you are considering developing room hire as an income stream for your organisation:

1. The data shows that organisations for whom room hire is over 20% of turnover tend to have lower levels of overall turnover (in the above sample £279k vs £412k)

- Is this because room hire is an early form of income generation that young organisations pursue until they increase to a point where it is no longer a focus?
- Is this because room hire on its own is a fairly low value proposition for which there is a fairly limited price point particularly if you are aiming to make low cost space available to local communities?
- Is this because grant funders have a preference for funding organisations who add value to the raw space through the delivery of more specialist uses of this space e.g. sports facilities, leisure facilities, education support etc?

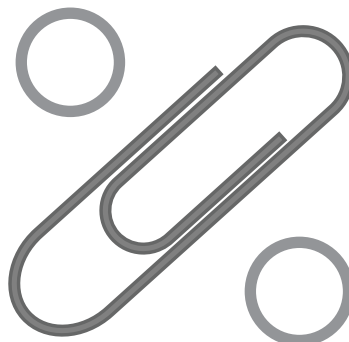
2. The data shows that if venue-based income generation is core to your organisation then it pays to have several different income routes for your venue.

- What are the types of retailing/shop activities that might complement your hire of space?
- Do you plan to do both short-term room hire and longer term sub-letting? It's unusual for an organisation to do both.
- Could a café or catering offer help make this profitable at low turnover levels (under £30k per year)?

3. Could your space be worth more if rather than renting it out to a group leader who then creates the added value through a specialised offer, you had a series of services and charged membership/course fees or used other individual fee structures?

4. To what extent is the price per room or per hour dictated to you by the demographic your organisation serves or by the prices of competitors?

- Does this limit the viability of a room hire proposition?
- Why would people hire your space instead of your competitors?



There is one other piece of data we think it is worth thinking about:

	<5% room hire income	>20% room hire income
Non-Venue Based Income by type as a % of turnover		
Services & Consultancy	7.5	23.2
Delivery Contracts	46.3	20.6

We think this data suggests that there is a development path from selling services and consultancy to winning delivery contracts as an organisation matures.

The current sample size makes this feel like a bit of a stretch, but it's worth interrogating further.

2.3 How the way you think about the role of room hire might influence your pricing and marketing

Here are three questions you might want to consider:

- Do you see the renting of space as a separate strand of your business model and customer offer?
- Is it ad hoc, and only an activity that you consider when someone asks if space is available?
- Is it a core part of your offer to ensure that space is available at minimal cost to local people and organisations?

We ask this because the beliefs you have as an organisation about the role that renting space has are likely to have an influence on all sorts of related decisions from pricing to marketing and the types of customers you seek to attract.

For example, if your reason for hiring out space is that you want to be sure the local population has space it can use for meetings, then you might choose to set a price point that is as low as possible with a view to making it accessible to all demographics. Alternatively, if you have a grand building that makes a great wedding venue and people will book the space

despite living a long way away, then you might choose to price the space at market rates to make profits that you can reinvest in the local community. Equally if you are looking to attract a client base that is not local then you might need a larger marketing budget and a set of specialised offers to break into a set of niche and often highly competitive markets.

There might also be a choice to be made between aiming to price the space inexpensively but sell all the time slots rather than pricing it at a higher rate with an expectation that if you can sell just a few slots you've made the contribution to overheads that you need.

There is a significant difference in the value of a space depending on whether you are just renting the raw space or increasing its value by adding to the offer. This could range from having a catering offer that you upsell to clients, through to delivering workshops and events where you can charge a higher price per person than if you simply rented the space to an outside organiser of activities.

Looking at the data, we'd suggest that there is a benefit in developing a set of steady earners who book regularly – marketing gurus would tell you that 80% of your business comes from 20% of your clients.

2.4 So what sort of prices are community businesses charging for room hire?

The rates being charged are hugely variable across the cohort of businesses we've been researching. The cheapest hireable space we've found is only £5/hr and the most expensive (of a grand hall in a glorious building) is £1200 for the day. Clearly these two extremes can't be compared with each other and we need to take into account the capacity of the different rooms being hired, the types of clients who hire the spaces and the extent to which hireable space is part of an offer to a community.

So, if we take as a starting point the rooms which have a maximum capacity of 10-20 people can we spot any patterns in the pricing?

As we're only researching a tiny percentage of the community businesses who hire out space, it's going to be hard to reach firm answers but from the data we have drawn the following conclusions and raised the following questions:

1. There's a definite cluster of organisations at around the £25/hr level and they tend to have published price lists. The rate card also offers specialist 'party packages' to cover weddings as well as 'conference packages' which often include things like teas/coffees and lunches and may be priced on a 'per head' basis. These feel professional in their offer and may have

dedicated points of contact for this part of their business (not necessarily full time, but named contact people). These are also larger organisations in terms of turnover.

2. There's a second set at around the £10-15 an hour whose asset base (rooms, catering facilities, regular clients etc) seems pretty similar to the first set. This second set do seem to be smaller in terms of total turnover than the first set. Earning income from their building is a fairly minor focus – around 10% of total turnover.

3. The third set are charging £5-7 an hour. They are small to medium sized in turnover (<£500k) and earning income from their venue is a relatively minor focus of their activities (again around 10%).

Levels of grant income as a percentage of total turnover don't seem to correlate with the extent to which room hire is a substantial source of earned income.

It's important to price your room hire correctly. Are you pricing your rooms right?



Unity Works – meeting room set up

On the basis of conversations with some of these organisations and our experience in the sector, we'd suggest that those who charge around £25/hr have undertaken some competitor analysis in their local area and are seeking to maximise their income from room hire by charging as close to market rates as they can given the mix of corporate, government, public sector

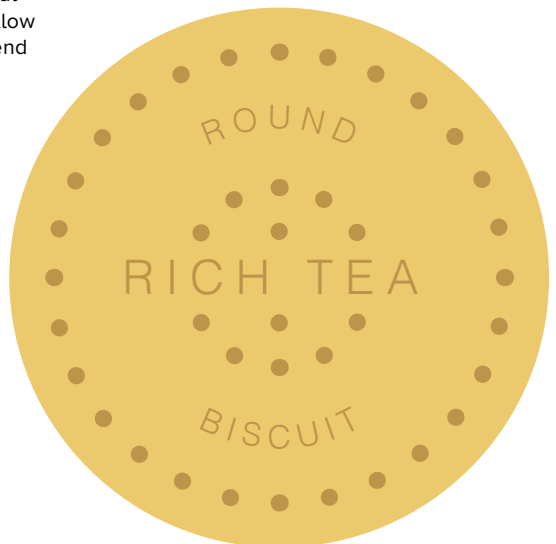
and private clients they can attract. It would appear that there is a preference for conferencing and public sector hires and we suspect that these are more profitable than hires to local community groups. We also believe that there are discounts being given to local community groups at the discretion of the management team.



Community businesses seem to be missing an opportunity to market their room hire facilities to local corporate and government organisations. There is also an opportunity to upsell profit making extras, such as coffees and lunches, as part of room bookings.

Our questions to the second cluster focus on whether the organisations have had the opportunity to compare their room hire places to the fees charged by both private businesses and other non-profits locally and where they see their offer fitting in this market place:

- To what extent could you raise the rate card price per hour whilst still offering discounts to activities which help you achieve your core purpose?
- Are there packages you could offer that increase the value of your offer and allow you to charge higher rates to the top end of your client base?
- How would it change the overall profitability of your room hire income stream if you had a steady trickle of higher value clients and how would this be different to a regular set of discounted clients?
- When you're discounting for regular clients can you set up a contract whereby they are committed for a minimum number of hires in a year – less risk of cancellation in return for the discount you are offering?



2.5 What else matters to organisations when they think about room hire?

In the conversations we've had to delve into the detail with community businesses on this topic, a few more things have come up consistently.

In all but one case, room hire income is definitely a secondary activity and must fit around the core purpose of the organisation. The reasoning behind who gets discounts shows that some organisations charge full price to government agencies whereas others give the same discount as charities. The latter leads to a much smaller market being targeted for full price hires.

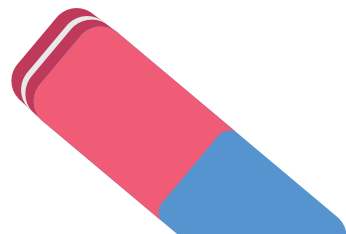
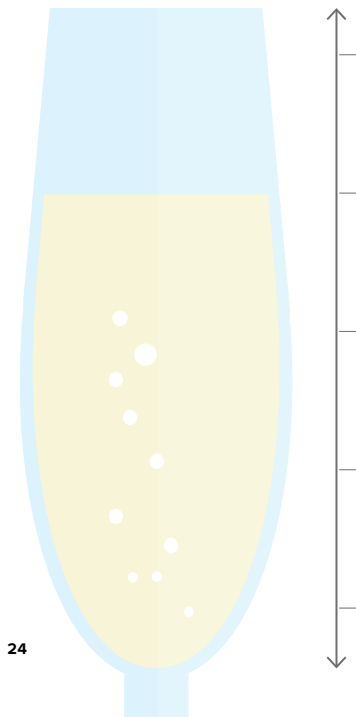
Many organisations say that they don't want to be distracted by the administration of room hire activities, they'd like it to be easy to maintain and ideally easy money. Indeed, they'd rather not make a nominated staff member responsible for these activities and instead they'd rather prioritise grant writing

as this supports the core purpose directly and when won, all of the money goes on core purpose rather than only the (variable levels and volumes of) profit from room hire. It appears that organisations find it hard to pin down how profitable room hire is to them and thus what effort it is worth putting into making more of it.

At least one organisation felt quite strongly that there is a cross-fertilising effect between room hire activities and the acquisition of new clients across the rest of their business, as the room hire regularly brought in people who'd not been to the building before and they would be seen returning in the months that followed. This is a form of engagement that may well add considerable additional value and generate support from the wider community.

2.6 So what might a model business look like?

Rather than look at individual businesses who represent 'Best in Class' or indeed an example of where Room Hire doesn't really seem to be worth the effort, we've created two archetypal businesses based on the real numbers in the dataset, so what follows here is fictional but based on the realities of the research.



2.6.1 Model 1 – Room Hire worth over 20% of Total Revenue Income

T/O approx £250k	2016
Grants	40%
Ticketed Events	6.0%
Workshops and longer running programmes	25%
Room Hire	17%
Donations	12%

Direct Costs	20%
Rent & Rates	6.0%
Staffing	40%
Pensions	3.0%
Utilities	8.0%
Marketing	3.5%
Building Maintenance	8%
Other Indirect Costs	8%
Contribution to Reserves	3.5%

Hellow Hub is a fictional organisation with a venue. Its main role is as a community hub. Hellow Hub turns over about £200k a year, has 6 paid staff (though only 2 are full time). Their staffing bill is about £80k a year.

Whilst Hellow Hub provides a variety of services, events, workshops and packaged activities e.g. kids summer camps, yoga and pilates classes, a cinema club and a reading group, it doesn't have the staffing or resources to fill all its spaces all the time. Staff have found that niche offers have appeal to fairly small numbers of regular users. In this context, it makes more sense to hire the space to groups than to try to run classes and events themselves. The challenge is that these groups don't need the spaces every week all year and so there are quiet patches in the holiday periods when room bookings from regular users drop considerably. This in turn affects the income accrued and the ability to make a profit on these hires across the year. However, Hellow Hub believe it is important to be able

to offer these spaces to local groups at a sufficiently low price to make the running costs and price points for these hiree groups sustainable given the profile of the participants.

In a bid to increase room hire revenue without having to raise the price to these local groups, Hellow Hub has implemented a set of discounts for community groups whilst aiming to charge a higher price to commercial hires and the public sector. The need to raise the baseline of hires in the quiet periods (summer holidays etc) has also lead the organisation to talk to the local Council about whether they could become a venue for some of the local delivery of services - back to work programmes, support for young mothers and programmes run by police for drivers who are taking a half day course rather than having three points docked from their licence. They've also looked into providing a venue for the local Alcoholics Anonymous and similar services.

Community businesses, like all good businesses, need customers to survive. Relationships with local businesses and community groups are important.

They've discovered that whilst schools are often used for services like the back to work programmes, the advantage they have is that for adults who didn't enjoy school, their venue doesn't hold any negative associations. This is a real benefit and they can help the services achieve much higher participation and retention rates simply by providing a more friendly building that is focussed on people's futures not their pasts. This was an unexpected finding but something they are working into their branding as they go forward.

Commercial hires by companies are proving harder to come by so the team are looking at what the competition is locally in terms of rooms for hire in pubs, hotels, rented workspaces and other community buildings.

Link up with other local businesses and services to see if business can be referred between each other.

A group of volunteers are also talking to local businesses to see what these potential customers look for when hiring a room for a meeting. One thing they've learnt is that when a team needs a meeting room they also want to have catering, flip charts and all the meeting facilities they need on site. They don't want to break into their working day to go to the nearby pub for lunch. As Hellow Hub doesn't have its own catering, they're looking at collaborating with a local community café to bring in lunches as required. They are adding a percentage on to the price as their own profit.

Hellow Hub has also hosted a few private hires – a wedding and some birthday parties.

Key lessons learned here are that all the fees need to be paid in advance not collected afterwards and that deposits need to be collected to cover parties that run over or cause damage. It is a much lower admin burden for their part time book-keeper to return deposits than to chase for payment.

Social media can bring in new customers. People new to the area will probably have searched online for business to meet their needs.

Unlike the commercial hires, the team (both staff and volunteers) can't simply look up lists of companies and approach them directly. Instead they are developing a slower burn marketing campaign via social media, and using postcards handed out to everyone who comes to the centre with messaging about the private hire for parties. It's pretty patchy so far and will probably take 1-2 years to raise awareness across the communities they serve.

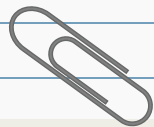
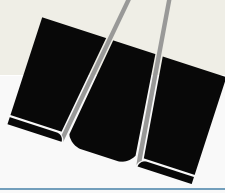
In terms of the costs of achieving this income from room hire, they are now reaching a stage where the role of managing this activity is about one third of an FTE. The team doesn't really track the indirect costs - utilities, telephones, IT etc - associated specifically with room hires as it's just too tricky to do. Of course, they do track what they spend on bringing in the external catering and any overtime required to keep the building open outside usual hours, bring in extra cleaning etc. The bottom line is that this income stream must make more money for Hellow Hub than it costs to deliver the services, because whilst it is important that the facilities are available to local groups the profit made in this income stream is re-invested in the delivery of core services.

To date this has meant that there's not really been much of a marketing spend and it's only recently that the website has been updated to promote hires and provide pricing information. If the market research they're doing on corporates and the public sector shows that there is a real opportunity for growth, then the team are clear that they're going to change the way they think about costs and instead of minimising them they'll start thinking about what the spend needs to be to raise revenues and profits.

Room hire is an important income source and one that has growth opportunities, but it'll still be a fine balancing act because at the end of the day they don't feel they can prioritise a wedding booking (which uses the same space as the gallery) over a gallery exhibition. Or put another way whilst important, room hire will never be a primary income source as it's not 'core purpose' activity even if you count the provision to the community.

Stretford Public Hall offers a series of community activities to support health and wellbeing of local people, including yoga classes and art workshops. To supplement this income source, they also offer space hire for events such as conferences, concerts and weddings. This generated income is reinvested into the maintenance of the hall and community activities.





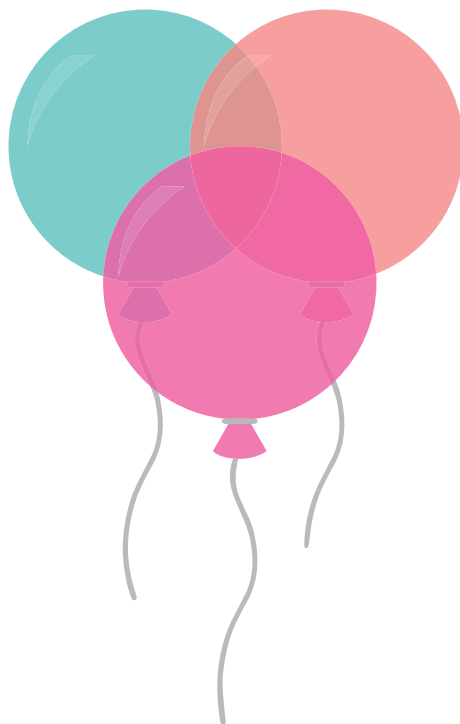
2.6.2 Model 2 – Room Hire worth less than 5% of Total Revenue Income

T/O approx £650k	2016
Grants	30%
Ticketed Events	0
Workshops and longer running programmes	32%
Room Hire	2.5%
Donations	4.5%
Contracts	32%

Direct Costs	21%
Rent & Rates	8%
Staffing	47%
Pensions	1.5%
Utilities	2.7%
Marketing	2.5%
Building Maintenance	5%
Other Indirect Costs	10%
Contribution to Reserves	5%

Steady Earners is a fictional organisation with a venue whose core purpose is to provide training and support to help people within a 10 mile radius of its base to get into paid employment. Their annual turnover hovers around the £400k mark.

Grants account for some 30% of their turnover and it's a mix of Local Authority funding and Trusts & Foundations. Over time Steady Earners is trying to move its Local Authority monies from grants to contracts as they see this as being a more predictable and structured income source that is less subject to in year or short notice funding cuts. Contracts already account for some 32% of turnover which is great progress on five years ago when they started pursuing this strategy. Direct payments from personal budgets are also important and whilst the term of these commitments is shorter than if they were contracted directly with a funder, it is likely to continue for the foreseeable future. Currently this is worth some 32% of turnover and Steady Earners are aiming to manage the relationships with funders to try to avoid this rising any higher.



These core income sources are the main focus of staff activity. However there are some 'bonus' income streams – two key ones – donations and room hire. These are worth some 6.5% between them with donations being the larger of the two. Steady Earners seeks donations actively with donation boxes and tins. Room hire is entirely passive – if they receive an enquiry (usually from someone who already knows the organisation and their facilities) then the facilities manager will quote what they think is an appropriate price for the time and space. Room hire is only possible when the building is open and space can't be hired out of hours as Steady Earners would incur costs to pay a staff member overtime to open/lock

up. Given that room hire is likely to remain a minor income source, and that the key challenge is balancing the risks associated with the mix of grants, contracts and direct payments, there's no plan to focus on growing room hire income. Indeed, in some ways it's a bit of a pain to fit into the schedules for the use of space so if anything the team plan to put the prices up so that when it does happen it is actually financially worth doing and generates a gross profit which the organisation could then use as match funding for some of the grants it applies for – match funding is always hard to find!


There are no cash costs associated with room hire, just a bit of staff time.

2.7 The Checklist

These two examples show how income must always be balanced with mission, and costs with potential income.

If you are considering room hire as an income source, you may want to work your way through the following checklist:

- 
- Do you have a space which is underused at the moment?
 - Do you know, or can you find out, whether there is demand for that space from local groups, businesses or the wider public?
 - Is there competition locally, from which you could derive a reasonable set of price points?
 - Could you add value to your room hire offer with catering from an in house café or from a partnership with a local food business?

- 
- Do you have a marketing budget to generate business?
 - Do you have sufficient staff time to manage the administrative burden?
 - Do you have an established payment system, or will you need to develop one?

2.8 Where can you learn more about the detail of developing room hire as an income stream?

Fortunately, room hire as an income stream is common for non-profit organisations wishing to diversify their income sources.

The Association of Independent Museums has a great series of Success Guides which can be accessed here <https://www.aim-museums.co.uk/resources/success-guides/>. This set includes a fifteen page guide on Successful Venue Hire and Corporate Hospitality and will take you through a set of key things to research and consider from the benefits to your organisation, things to consider before you start to building the business; from the development of new audiences to access and security to regulations, disaster planning and social media marketing.

Many churches offer their spaces for outside hire so the team at Ecclesiastical have developed this set of key questions and guidelines <http://www.ecclesiastical.com/churchmatters/churchguidance/churchhealthandsafety/hiringofchurchpremises/index.aspx>

If you don't already have a Health & Safety policy, you might want to take a look at their model version when considering what policies you need to put in place before you hire out space.

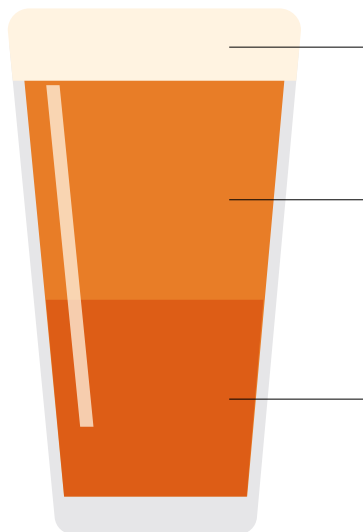
The Ethical Property Foundation have also developed a set of resources which help you explore what is motivating this development of room hire income <http://www.ethicalproperty.org.uk/content.aspx?CategoryID=374>

2.9 Examples to learn from

The New Inn

The New Inn has been in Norton Lindsey since 1750. Threatened by private housing, it closed in July 2016 and was put up for sale by Enterprise Inns. Thankfully, local residents listed the pub as an 'Asset of Community Value' and began a bid to take over the pub led by a local group called the 'Salvation Squad'. Their vision was to make the New Inn a vibrant and enterprising focal point for everyone in the village. Norton Lindsey has virtually no public transport links and access to vital services is a concern for many elderly or vulnerable residents, at risk of loneliness and social isolation. So keeping the village pub was essential for the community.

This was done as part of our More than a Pub Programme to help re-establish the pub as the heart of the community.



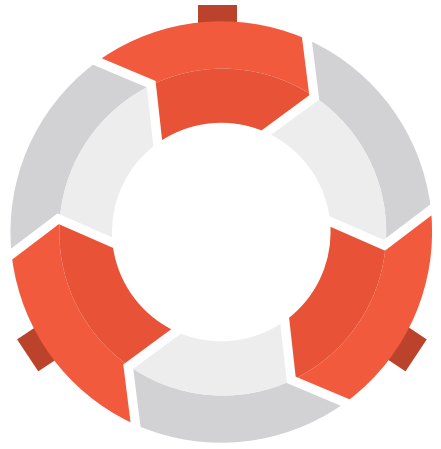
The pub reopened in April 2017 with 228 residents clubbing together to purchase it. Today it is a pub and restaurant, with a café and shop. The café offers parents, children and the elderly a place to relax and meet friends. The café is also planning to run computer/internet sessions for those less tech-savvy, Macmillan Coffee mornings and monthly 'memory café' groups run by the local Alzheimer's Society. The pubs will also provide an event space for live music and community events.

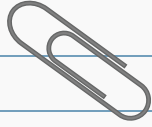
Local people have volunteered regularly on tasks such as painting, gardening, and kitchen fitting, and the group are planning to commence work on a shop in early summer to include parcel collection/drop off service and dry cleaning.

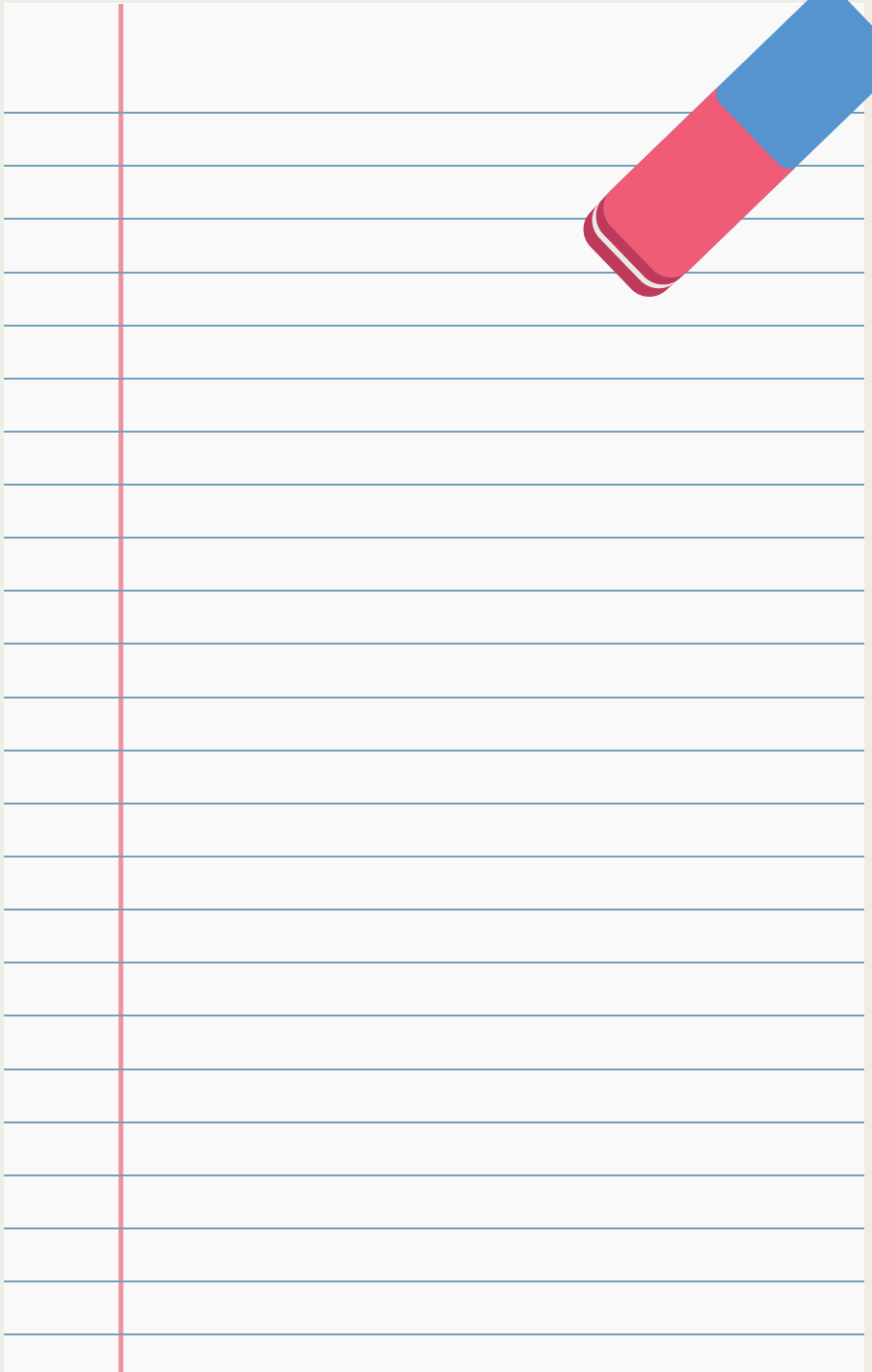


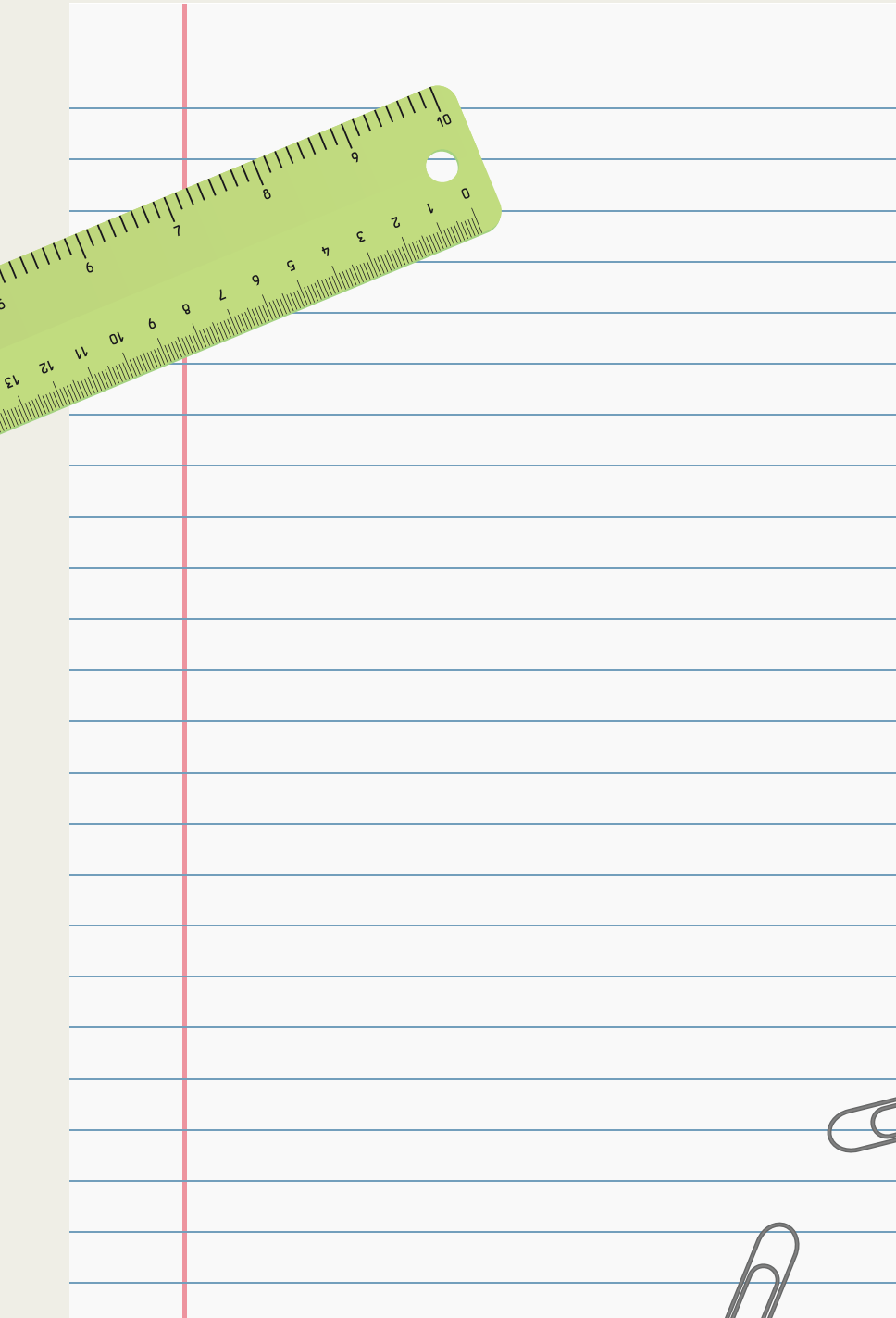
Bristol Ferry

Based in Bristol Docks, Bristol Community Ferry Boats offer a fleet of five ferry boats to help local people and visitors get around the city quickly and discover the historic waterways. Alongside running a timetabled ferry service an impressive 364 days a year, they improve the lives of local people. They help young unemployed people train as skippers and crew members, and combat social isolation felt by many elderly residents by providing a safe space to come together. They do trips to a pub every Sunday for a roast and to tea rooms every month. The boats are available for hire to host hen and stag dos, weddings, and workshops.











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