

HOW?

Sustainable Funding

Developing a more reliable income base

The decline in available grants and donations, relative to the demand from the voluntary, community and charity sector, means that these organisations increasingly need to widen the range of their funding. This is part of a growing trend to move away from dependency on limited and restrictive project-based grants, to become more business-like and generate earned income.

Diversifying income will cover the full funding spectrum, from donations at one end, through a variety of grants, service level agreements, contracts, cost recovery, to social enterprise trading of goods and services. There is a gradual change of approach from asking toward earning. Stable organisations diversify as broadly as possible across this income spectrum - the pot of gold is not at one end of the rainbow, it is all across it.

The Sustainable Funding Process - Planning, Grants, Earning

- Start with sound organisational planning.
- Seek to reduce specific dependency by diversifying your grants.
- Examine all your organisation's assets and employ them to generate income.

Planning

Sustainability relates to the continued ability of your organisation to achieve its aims. So the first step to a more sustainable future lies in organisational planning - from a vision of the big picture, through strategic planning, medium term objective setting, on to action planning, budgeting and ongoing financial management.

The key is to start putting heads together and ideas on paper - the detail can be built up as you progress. Planning starts with vision and ideas, and should be seen as an invigorating process. It is about taking a thorough look at an organisation - top to bottom and inside out.

Benefits of planning

- Helps us to anticipate rather than passively respond to dramatic or gradual changes.
- Develops unity of vision enabling us to think together before we act together.
- Explicitly identifies and communicates where we are and where we are going.

Strategic and Action Planning are the practical means to implement our aims and vision.

Strategic Planning:

- Where are we starting from?
 - What is our current situation?
 - What staff, resources, and income do we have now?
 - What are our strengths, weaknesses, opportunities and threats?
- What can we do?
 - What will our prime activities be?
 - How many people will we serve?
- What do we need?
 - How much will it cost?
 - What people, skills, experiences, premises, equipment, funders or volunteer time do we need?
- Does it add up?
 - Financial projections and plans
 - What will we do if income is less than anticipated?

Making the Strategic Plan happen is detailed in an Action Plan - a timetable comprising tasks, budgets and cash flow analysis. Be careful not to under cost the project and remember to take full account of ongoing revenue and not simply focus on capital and start-up costs.

Planning is not a linear journey running from vision to implementation, but a cycle. Reviewing whether the specific targets set out in the action planning stage have been met informs the ongoing development of setting medium-term strategic objectives.



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Grant Diversification

A fundraising strategy will develop out of your organisational and project plans, and is essential before you start making bids. It will comprise:

- Screening - identifying broad categories of funding targets.
- Shortlisting - more in-depth research: eligibility criteria; monitoring requirements; why a particular funder funds; what motivates them; are they short, medium or long-term; networking with them; etc.

Rather than examine one source of funding at a time in piecemeal fashion, it is better initially to take an overview of all that is available and then to screen and shortlist.

Central Government Funding

Funding is distributed directly by government departments (governmentfunding.org.uk), but also indirectly via Government Offices for the Regions (go-em.gov.uk), Local Authorities, Local Strategic Partnerships, Area-Based Initiatives (rcu.gov.uk/abi/), non-departmental public bodies, and other intermediate agencies, including voluntary organisations.

Trusts and Foundations

There are approximately 10,000 independent trusts and foundations in the UK, giving £2 billion in grants each year to charities - almost the same as the sum total of government grant funding of the voluntary sector. Community Foundations are grant-making trusts that are owned and managed not by private philanthropists but by communities. Grantsnet (grantsnet.co.uk) is a free web search with an email grants alert service. There are a number of subscription funding databases - High Peak CVS can offer searches in Funderfinder (funderfinder.org.uk), and trustfunding.org.uk, others are from fundinginformation.org, and grantsonline.org.uk.

European Funding

Voluntary organisations can apply for European funding as individual organisations or more preferably as members of a partnership. The process is not for the faint-hearted, so it is beneficial to tap into whatever advice possible. The first port of call to demystify a potentially baffling process should be the regional Voluntary Sector European Funding Advice Office - CEFET (cefet.org.uk). The European Social Fund (ESF—esf.gov.uk) aims to put people into employment by developing skills and training opportunities, and

promoting social inclusion and entrepreneurship. European Regional Development Fund (ERDF) aims to reduce socio-economic imbalances between areas of Europe, through economic regeneration, and local development. These distribute money through 3 objectives and 4 community initiatives.

Businesses

Rather than just asking for money from local businesses, consider offering them the opportunity to share your successful society-enhancing role. Try to demonstrate the benefits investing in the voluntary sector will bring to a company's branding and the motivation and skills of its workforce. There maybe assets you have to trade, such as marketing information. Cause Related Marketing (crm.org.uk) is a commercial activity by which businesses and charities or causes form a partnership to market a product or service for mutual benefit - eg Tesco's 'Computers for Schools' initiative. Businesses in the Community (bitc.org.uk) is a useful website.

Local Government Funding

Both Derbyshire County Council (derbyshire.gov.uk/azserv/exec12.htm) and High Peak Borough Council (highpeak.gov.uk/a-z/grants.htm) local authorities have grant schemes for voluntary and community organisations.

The National Procurement Strategy published by the Office of the Deputy Prime Minister (October 2003) encourages local authorities to buy services from the voluntary and community sector. The Best Value system ended Compulsory Competitive Tendering, so councils no longer have to choose the cheapest option when awarding contracts for public services delivery. Essential reading for all voluntary organisations currently in receipt of, or interested in applying for, local government grants or contracts is the guidance 'To Mutual Advantage'.

Local Strategic Partnerships (LSPs) are created between all the key agencies in the Local Authority area, including council, public, private and voluntary sector organisations, and should be linked to Local Compacts to ensure they adopt a Compact way of working. These LSPs draw up a long-term vision for the area called a Community Strategy, which provides the context for the Local Authority's Best Value regime. (derbyshiredales.gov.uk/lsp)

Asset Transfers - organisations that wish to take ownership of Local Authority property or a building for community use, may be able to do so without having to pay market value, under the General Disposal Consents introduced in 1998.

Individual Giving

Direct fundraising from the public yields unrestricted income that can be a key part of an organisations sustainable funding strategy. It may involve events, direct street donations and house-to-house collections, mail shots, legacies, etc. 'Tried and Tested Ideas for Local Fundraising Events' is published by the Directory for Social Change.

In the April 2000 Budget, the Government introduced a series of new measures under the banner 'Getting Britain Giving' to simplify and encourage giving to charity through tax reform. These include Gift Aid, Donations of Shares and Payroll Giving. The Charities Aid Foundation (cafonline.org) has a comprehensive donations management service called 'Give as You Earn' which features a tax recovery service

Lottery Funding

From the sale of every £1 lottery ticket 28p goes to the National Lottery Distribution Fund to be spent on the 'good causes', which are sports initiatives, the arts, charities, heritage projects, education, health and environment initiatives (lotterygoodcauses.org.uk).

The Big Lottery Fund (biglotteryfund.org.uk), created by merging the voluntary and charity sector Community Fund (community-fund.org.uk) and the New Opportunities Fund for health, education and environmental projects. It is intended to be a fund for community transformation, from smaller grants at local level through to big capital projects, to regenerate and revitalise communities.

You do not have to be a registered charity to apply for a grant, however, your organisation must be constituted for 'charitable, benevolent or philanthropic purposes'. Awards for All (awardsforall.org.uk) lottery grants of up to £5000 are available to support a broad range of activity funding - you can apply at any time through a simple application process.

See our High Peak CVS website funding page for more information on funding opportunities.

Income Generation

Over 40% of UK charity-sector income derives from trading activity, with over 30% of charities so involved. Many more could generate income from trading goods and services, in particular intellectual property. Trading is simply another form of income diversification, and sustainable organisations will spread their income base as widely as possible.

For some the immediate upheaval of developing an income-generator does not seem to match the benefits, but it is necessary then to look to the long-term. The alternative is continued reliance wholly on project-focused funding streams, becoming funder-led, chasing external priorities as opposed to client needs.

- Earned income is unrestricted - spend it where you like
- Grants and donations are declining relative to rising needs
- Trading can help us focus on and be more responsive to those we serve
- Charging for services forces the quality up
Service users often get more involved in service delivery
- Trading helps build new skills and inject creativity
- Independent income can benefit organisational confidence and self-esteem

What do we have and who might buy it?

Nearly all voluntary and community organisations have assets of either a visible (property or equipment and resources) or invisible (highly developed people skills, local knowledge and intellectual property) nature that could, to varying degrees, generate income. Take a hard look at what you've got and ask if it could be traded - match your product to the market.

Trading activity can make money for core activity, or it can make it from it. It is important to be clear why you are developing an income generator:
Profit - simply to make money (eg charity shop);
Product - trade on existing core services to finance them (eg contract to deliver services);
Process—undertake business in a principled way (eg Fair-trade).

Some income generators will be hybrids of these types. Another way of analysing an intended trading activity is in terms of whether the product/service is existing or new and whether the

customers are existing or new - generally both product and market will be new if you intend to trade just for profit.

The earned-income opportunities for voluntary and community organisations vary. Ideally, stick to what you do best, keeping it close to core activities, as experience shows that unrelated trading activities are potentially more problematic. The following are types of trading activity:

Unrelated Trading

The goods or services being sold are entirely unrelated to the organisation's core aims, beyond the use of the profits to help finance them. Generally this will be done through a trading subsidiary – a separate legal entity that donates all its profits to the parent charity. Examples are charity shops or letting car parking space.

Contracting Core Activities

An organisation sells its core services, often under contract to a government authority. This delivers a core-service in a self-financing manner. The income is not unrestricted in the sense that it is received for a proscribed activity. In this sense a contracting relationship may cause drifting of core aims, which calls for clarity and unity of mission - see the planning section.

Charging Clients - Cost recovery

Core services are wholly or partly paid for by service users. Again this delivers a core-service in a self-financing way, but without the intermediary of a government authority. Often such services fill a gap in state provision.

A volunteer driver car scheme to take people to hospital is an example. The costs may be subsidised by grants. Sometimes it's a case of charging and sticking around, or not and not. People do value things they pay for, which often increases the effectiveness of their use and the quality.

Mission Related Trading

An organisation sells goods or services that are developed from core activities, often involving the sale of knowledge and expertise - intellectual property. Profits subsidise other core activities. For example, if an organisation undertakes training as a core activity it may market specific courses to earn profits that help finance other aspects of its work. The product being sold may just make money without actually advancing the

core aims.

Social Enterprise

This involves trading for a social purpose, either as an activity within your organisation or as a separate viable business, with mainly social goals in which all the profits are reinvested. A Social Enterprise generally seeks to be inclusive and has social and democratic ownership structures that aim to involve the users, employees and local community. See the How Guide on Social Enterprise.

Considerations Before Starting

Once you have identified a potential product and its market you need to look at the following:

- can our organisation accommodate the cultural change needed for this?
- what are the legal implications - can we do this as a charity?
- where can we find business support to help us activate this effectively?
- what are the start-up costs - how will we finance the enterprise?

Community Culture

A business-like approach to earning funding may seem counter to the voluntary and community sector culture. But it need not merely ape corporate and private business. Within the community culture your business can be directed at social aims and its over-arching objective is to provide funds for your core activities in line with your mission.

The key matter is not to let the trading activity divert your organisation from its mission. This requires a strong sense of purpose in a clear and united vision, together with continued monitoring through robust organisational planning. With these careful constraints, starting to trade, contract or recover costs can be seen as developmental rather than unfamiliar.

Legal Trading

There is no reason why being a registered charity should stop you trading under charity or tax law, but make sure you know how the law applies. Charities cannot trade on a substantial or regular basis solely for the purpose of raising funds, because it implicates and risks donated funds given for direct charitable purposes.

However, charity trading is permissible in law if it::carries out the charity's primary purpose; sells

donated assets; is occasional; falls within the Extra-statutory Concession. If your organisation intends to trade in a way that does not fit any of these four categories you will be required to hive-off trading activity into an arms-length subsidiary that donates all profits back to the parent charity.

See the section on 'Engaging in Social Enterprise' in the Social Enterprise How? Guide for some more information on business and financial support.

Sustainable Funding Web Resources:

NCVO Sustainable Funding Project

The site for sustainable funding advice
ncvo-sfp.org.uk

Institute of Fundraising

aiming to develop, promote and champion excellence in fundraising
institute-of-fundraising.org.uk

UK Fundraising

internet fundraising consultancy with a forum
fundraising.co.uk

Neighbourhood Statistics

useful for funding applications
neighbourhood.statistics.gov.uk

Government Funding

sources of direct funding for the voluntary and community sector funding
governmentfunding.org.uk

Grantsnet

free web search for trusts and foundations
grantsnet.co.uk

Much of the information in this How Guide is a distillation of the **Sustainable Funding Project** web pages on the NCVO site (ncvo-sfp.org.uk), which should be checked out for further details. This project helps voluntary and community organisations take a thorough, strategic and creative look at their funding futures, through the provision of high-quality information.



Through the SUSTAIN project High Peak CVS aims to help voluntary and community groups diversify their funding and develop social enterprise approaches to income generation.

We offer information, advice and training to assist with the sustainable development of your group. This may range from brief help on a specific matter, to in-depth protracted development work.

Information

We can direct you to sources of information about all aspects of organisational planning, grant-funding and earning income to achieve sustainability.

Advice

High Peak CVS development workers can help with detailed one-to-one support toward your sustainability or give simple advice over the phone or by email.

An example would be using your building as an income generating asset, where we could advise on purchase and development funding, business plans, managing, professional help, environmental and access issues, etc.

Training

Several courses will be run under the SUSTAIN project. If you have specific training needs please contact us.



Who are we?

High Peak CVS works to ensure that local voluntary and community groups can access as much support, advice and information as possible. We help groups in many different areas, such as funding, charity registration, practical services including printing, training and links to training and with legal issues. We have resources, including a meeting room, computers and OHP for use by groups.

To find out how we can help you, please contact us on 01663 735 350 or email hello@highpeakcvs.org.uk