

Sustainable Funding Project (Norfolk)

diversifying income • understanding costs

The Sustainable Funding Guide

**VOLUNTARY
NORFOLK**

In partnership with





Being sustainable is more than just a hope

The voluntary sector's strength is as an innovative and independent force for improvement and change. That independence comes from confidence in the core purpose that lies at the heart of every voluntary organisation. And it's that confidence that is crucial to our sector's sustainability.

Sustainability is a national concern which is why NCVO (National Council for Voluntary Organisations) set up a Funding Commission.

Its final report (summarised on page 24) concluded that there is considerable scope for organisations to generate their own income, and in doing so, strengthen their ability to be innovative and independent. There won't be a one-size-fits-all solution.

Sustainable funding will look different for different voluntary organisations. What's important is having a clear fundraising strategy which is right for your organisation.

Norfolk's diversity creates specific challenges for financial sustainability. Its sparse population and large rural areas affect opportunities for community cohesion and puts transport and internet access high on the agendas of many groups.

I am delighted we have been able to work with NCVO's Sustainable Funding Project and our local partners, West Norfolk Voluntary and Community Action and the Norfolk Rural Community Council, to marry the expertise and specialist skills of a national organisation with the practical experiences of groups who understand these Norfolk pressures so clearly.

I hope you will agree that this collaboration has resulted in a useful guide and a valuable project supporting groups throughout Norfolk to build their confidence to make the right funding decisions now and for their future.

**Brian Horner
Chief Executive,
Voluntary Norfolk**

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Overview of the Sustainable Funding Guide

This short guide gives an at a glance overview of the basic principles of sustainable funding and a practical way to identify how your organisation can benefit. Included within this guide are two of the tools designed to help work through various aspects of the process.

Sustainable funding is sensible financial management.

At its simplest it is about two key areas:

Making sure that money is coming in from a good mix of sources, so that if one element is withdrawn, the organisation as a whole can still carry on.

Making sure that all costs, administration and rent for example, are properly understood and controlled.

Sustainable funding is the process of ensuring that your organisation has everything in place to enable these two things to happen and that the people leading the organisation (the trustees and the senior managers) are supporting the organisation to achieve them.

For most organisations, the process starts with a review of strategies. Usually these will benefit from a tweak or two to bring them up to date and make sure that they strike the right balance for that organisation.

Establishing a clear sustainable funding strategy is vital and this guide offers a variety of things to consider. It also includes case studies that show how it can work.



Becoming more sustainable

So how do you go about becoming more sustainable?

Here are some steps you can take to move towards sustainability and build it into your planning process.

Look at your external environment to see what funding changes or trends are affecting you.

Look at your own organisation to see what your strengths and weaknesses are and where you fit in to the funding market.

Engage in a funding discussion with your stakeholders, including, where appropriate, staff, management, trustees, volunteers, service users, beneficiaries and the wider community.

Plan your actions to diversify your income, manage your costs and make the most of your assets (see the Income Spectrum Tool* overleaf).

Get enthusiastic and motivated to make changes in your funding situation and develop new ideas using the New Product New Market Tool* (see page 20).

Implement your plan, evaluate your progress and update your actions if necessary.

(*The Income Spectrum Tool and the New Product New Market Tool are adapted from NCVO's Sustainable Funding Project resources.)

The Income Spectrum Tool

Tool One

Diversifying using the Income Spectrum

The Income Spectrum Tool sets out the four main streams of income that the voluntary and community sector can access.

All of these are important across the sector, though the exact mix varies from one organisation to the next.

In an increasingly competitive funding environment it is important to consider all your income options and look carefully at which might be suitable for you.

The funding situation is fluid and different income opportunities emerge all the time. Diversifying income can help you smooth ups and downs in your finances and be less reliant on one funder or source of income.

As well as diversifying across the four streams, you can also diversify within them. For example you may increase the number of individual donors supporting your organisation from ten to twenty.

Key

Take a look at the income streams opposite.

Which of these are currently sources of income for your organisation?

Can you put a percentage on how much of your income this stream is bringing in?

How long will this income stream last?

Fill in the percentage and duration on the chart.

Looking at the percentages and timings, do you think there are risks to your organisation?

Discuss the figures with your colleagues or funding adviser.

What are you doing now to manage the situation in 2-3 years time?

	Donor	Funder	Purchaser	Customer
	Gift Economy Classic 'charity', gifts, donations, philanthropy	Grants A contribution or subsidy towards certain work, usually restricted by grant terms	Structured Market Contract relationships among organisations, such as public bodies and charities	Open Market Trading and enterprise activity
How much of current income? (%)				
How long can you rely on it? (years/months)				
Risk level (low < 10% (med < 50%) (high > 50%)				

Three good examples of income diversification

Bridges Unlimited for Individuals with Learning Difficulties (BUILD)

This charity defines itself by its focus on empowering people to do things themselves.

They offer a variety of activities for their clients.

BUILD began in 1967 with their Wednesday Club Service offering a weekly activity for adults. As the organisation has developed more services have been made available:

BUILD Befriends: the recruitment and selection of volunteers, supporting the development of one to one partnerships between a volunteer and an adult with learning difficulties.

BUILD Youth Group: a weekly meeting for social and leisure activities for 13 -18 year olds in central Norwich and Dereham which includes a signposting advice service.

The management took a fresh look at their operating practices and found that they were reliant on Social Services contracts for the majority of their funding. To address this they decided on a programme of income diversification with a series of changes implemented with the agreement of the trustees.

Be willing to review established funding practices regularly and systematically.

The next steps

The My Time Scheme was developed to provide activities specifically for the 18 to 29 age group. Importantly, when groups went on activities they were paying the real price for the activity and could therefore appreciate the actual cost when they participated independently.

This meant that BUILD diversified their income in two ways, serving a new age group and providing charged for services.

Expand the services that you offer.

BUILD Research Training and Consultancy Services (formerly known as Steps) is run by adults with learning difficulties providing a range of training and consultancy to a range of agencies.

They made two main changes from the previous way of working:

The consultants got paid for service delivery whereas this had previously been on a volunteer basis.
Each request was priced depending on the involvement required.

This resulted in:

A rise in profile for the organisation, particularly in the commercial sector.
A rise in confidence for the consultants.
A rise in awareness of others of 'ability' rather than 'disability'.

They have worked with Norfolk County Council, John Lewis, Victim Support, Norwich City Council and HM Prison Norwich.

BUILD has used collaboration and commercial disciplines to increase their sustainability, recognising that the same factors that govern the commercial world can apply equally to the voluntary sector.

Collaboration with other organisations can raise your profile and widen your contacts.

Website: www.buildnorwich.org.uk

King's Community Church, King Street, Norwich

King's Church was founded over 20 years ago and, for the first few years met in a high school on the outskirts of the city. When they outgrew that venue they realised if they were to reach those who were most in need, a central location would be the way forward.

The search for a suitable venue found an ideal building in the right place and with plenty of potential. Money to buy it was raised through donations from church members. Funds for the necessary adaptations and development were raised through a mixture of donations, a mortgage, a private loan and grants.

This has enabled the church to refurbish and extend the building to include a café and conference centre which is adaptable enough to incorporate most events.

This group has worked across the income spectrum to achieve its goals and continues to expand its outreach.

The income generated has brought sustainability to the outreach work at King's which was the original purpose of the expansion. Many of the groups they work with are on the edge of society, including homeless people, young people and families.

Keep your mission in sight.

This journey has taken over 20 years to achieve and has needed a robust strategic plan that has included promotion of the venue. A separate trading arm, King's Facilities, distinguishes the income generation activity from the work of King's Church, the charity.

This enables King's to broaden their market. For many commercial organisations the association with a church may be a discouragement. This separation does not compromise their work as a church but increases the potential client base and earning potential of their asset.

This 'corporate' approach means that King's work can continue and grow making them a positive influence and example in the city of Norwich and beyond.

Your public image affects your market and sustainability.

Website: www.kings-norwich.com

Charity BackRoom

Between 2008 and 2010 Voluntary Norfolk's trustees and senior managers examined various ways of diversifying funding. CEO Brian Horner had been a member of the National Funding Commission so was well placed to lead the deliberations. In all discussions, one method consistently came out on top: traded income.

For some years, Voluntary Norfolk had provided a range of back office services to charities and other voluntary sector organisations across the county. Some, like CRB checks and payroll, were long-established; others, such as the HR and employment law package offered by the recently acquired training and consultancy company, SM Associates, were relatively new. Individually they were good, cost-effective services but what they lacked was a strong identity that could be used to market them more effectively, and that would work outside Norfolk too.

Make use of existing skills.



So in late 2010 it was decided to pull them all together under one banner and to provide voluntary organisations with a single, simple, point of contact for all back office services.

Charity BackRoom was the name chosen. It was formally launched in Norfolk on 31 January 2011. The principal selling features are by no means unique, but they make a compelling case: Charity BackRoom is designed to save voluntary organisations time and money.

It provides them with the essential support services that they must have, but would find expensive and time-consuming to do themselves.

Identify a need and develop appropriate services to meet it.

Charity BackRoom now encompasses HR and employment law support (delivered with a local firm of employment solicitors) payroll service, CRB disclosures service, accounting support, a jobs website (delivered with a national partner), insurance (delivered with a local broker) training and, in Norwich, meeting and training rooms – this last service being the only one that isn't portable.

Charity BackRoom helps Voluntary Norfolk to continue its stated mission of 'Supporting Volunteers and Voluntary Organisations' and provides a useful source of unrestricted income, while at the same time helping groups to conserve their valuable time and scarce resources.

Keep the group's mission in mind when developing new income streams.

Website: www.charitybackroom.org.uk



The Gift Economy

The gift economy refers to charitable giving in which money or goods are given with no strings attached to the receiving organisation.

Examples of this funding source include traditional philanthropy, one-off donations, collection boxes, corporate support, regular individual giving, fundraising events, sponsored sports events, payroll giving and gifts in legacies.

Income generated in this way is known as 'unrestricted funding' as the receiving organisation decides how to spend the money.

Because of this, gifts are a great way to bring in funds for your group. They provide an opportunity to improve your communications with supporters in the community and can galvanise more support for your cause.

However, gifts also have their own set of demands.

Income received via the gift economy requires a high level of trust between the donor and the receiving organisation and it is important to keep donors involved and engaged with the work of your group.

Relying solely on gifts can be risky because you need the capacity to manage your relationships with donors.

Grants

Grants are a contribution towards the work of your organisation, usually restricted to specific projects and types of expenditure.

In grant applications do not forget hidden costs such as phone bills, heating, travel, and volunteer expenses. These need to be included in any application.

Some funders ask for match funding whereby the group receiving funds provides input which balances the funders financial support. This does not need to be cash, it can be time or work in kind. For example: a taxi firm making drivers available for a few hours per week at no direct cost.

As the sector changes, cash grants are becoming harder to find, but there are still trusts and foundations out there ready to give their funds to qualifying causes. The trick is to match your need to the funders' criteria.

Three key things to consider when applying for a grant are:

What activities or services does the fund cover and which does it specifically exclude?

What information does the application ask for?

Is there a standard form for submission or will a letter be enough?

Also consider:

Do they expect a business plan to be sent with the application?

Be realistic about costs and your ability to deliver within those costs – see the section overleaf on full cost recovery.

Have you checked through your application with the funder before submitting it? Remember that some funders insist on no contact at all, so always check first.

Funders will want to know that you have spent their money on the activities you set out in your application. You will need effective systems in place from the start to monitor expenditure and be able to evidence what its impact has been.



Full Cost Recovery

To have a successful sustainable funding strategy it is important to have a good understanding of your outgoings so you can secure enough income to cover them.

Full cost recovery means ensuring that both project costs and overhead costs are factored into the overall cost of your project or service.

Therefore the full costs are:

Project costs such as equipment and staff directly associated with the project, plus
Indirect (overhead) costs such as use of office space, IT systems and central functions such as HR, management and governance.

If you are applying for grant funding it is particularly important to provide a full and comprehensive breakdown of costs.

It is a good idea to get into the habit of providing this breakdown for any project you are involved with. When earning income through contracts or trading, a good understanding of your costs will give you a starting point for pricing your service.

Sometimes you might not get the full cost from a single income stream. This is fine as long as you know how to meet the remainder. For example a service may split income between fees charged to users and a supporting grant.

Collaboration and sharing services

Collaboration means finding mutually beneficial ways of working with another organisation to reduce costs or improve the service delivery – ideally both.

The collaboration usually refers to working with other voluntary groups but productive collaborative working arrangements can also be developed with statutory organisations and businesses.

Collaboration could involve:

Expertise - sharing expert knowledge.

Premises - saving costs on rent or heating etc.

Administration and reception staff could be interchangeable or multifunctional.

When choosing a partner to collaborate with consider:

Are your aims compatible?

Do your day-to-day working arrangements allow it?

Also think about what form of collaboration would work best. For example you may work in an informal partnership, a consortium or even merge with another organisation.

Properly managed, collaboration can provide organisations with the capacity to achieve more than they would on their own.



Contracts

A contract is an agreement by which a purchaser buys a product or service from a supplier.

They have become the primary way in which the voluntary sector receives income from the public sector. They may be referred to as a Service Level Agreement (SLA) which is a type of contract.

Many public services are delivered by voluntary and community groups. For example, a charity may run a counselling service on behalf of a Primary Care Trust or a local authority.

If you are planning on submitting a bid for a contract it is essential to have a good understanding of what you are signing. If not, go back to the commissioners and ask for further explanation. If you still have difficulties you may decide to seek legal advice or walk away. The Law Society has a 'find a solicitor' facility on its website where you can search for a charity lawyer, or your funding adviser may be able to direct you. See page 26 for contact details.

Effective financial management is essential for entering into contracts. This is especially so because of the trend towards performance by results and payment in arrears from contracting organisations. As contracts are often issued on a large scale, smaller organisations may need to collaborate to bid for them.

Trading and Enterprise

Trading and enterprise are activities undertaken by voluntary organisations to sell goods and services to customers.

There are two main types of trading:

Primary – to fulfil their charitable objects (a theatre charity selling tickets for one of its productions or an educational charity charging fees for courses).

Non primary (selling Christmas cards at a profit, or letting out space).

There are tax implications, for example 25% of total charity income can be non-primary, subject to a maximum of £50K turnover (not profits) limit.

It is wise to check the Charity Commission website, with your tax adviser or the Inland Revenue.

There is no financial limit to the amount you can raise from trading to support the aims of your organisation but proceeds must be reinvested.

Trading can enable you to expand your customer base and reduce your dependency on a small number of funding sources.

Give yourself time to develop a market. Consider whether you can secure funds to start your trading activity from donations or income from trading which is unrestricted, so you can decide how to use any profits you make.

However, trading can also expose organisations to risks and liabilities. These risks are not just financial, there are also risks to your reputation if the trading activities are in conflict with your social purpose.

Legal Structures

There are several legal forms an organisation or group can take. It is imperative to find the one that suits it best.

It is essential to have a clear constitution (a set of principles or established precedents by which your group or organisation will be governed) which sets out the aims and objectives, mission and vision of the organisation.

This should be one of the first things for a group to consider and should not be left until a group is up and running. However it does pay to spend a bit of time to get it right as it can be difficult and costly to change your legal structure at a later date.

Unincorporated – a collection of individuals working together, the organisation has no legal responsibility but the individuals involved do.
Easy to set up and run.
Cannot own property or employ people.

Incorporated – a body with a separate legal existence from the individuals belonging to it.
Different legal forms used by voluntary organisations include:

Company Limited by Guarantee

Has a board of directors but does not distribute a profit. In the event of insolvency each member agrees to pay a specified amount of money.

Industrial and Provident Societies

Also limits liability but has its own legal obligations and shareholding is limited to £20,000.

Community Interest Companies

Set up to support and serve the community, these are subject to company law, can be limited by guarantee but cannot apply for charitable status.

Charitable Incorporated Organisations - still in development at the time of writing.

Registration with the charity commission

Charitable status – being registered as a charity can open up some funding opportunities and lend credibility to a group or organisation. There are greater monitoring and accounting obligations that have to be met.

For more information see the Charity Commission website. See page 26 for details.

Social Enterprise is not a legal structure. There is no precise legal meaning, however there are key features;

- It has to have social aims and objectives.

- A significant portion of the income comes from selling goods or services.

- To be a social enterprise all profits must go back into the business and be used for social or charitable purposes.

Loan finance

This is not an income stream, but it is a financial enabler that can help you achieve your organisation's aims. It can help groups to take immediate advantage of opportunities. Loans are useful if you need to invest in an asset such as a building or to develop a new income stream.

Although many groups are rightly cautious about taking on loans, in certain circumstances they can be used effectively.

Financial management is the cornerstone of sustainable funding. It is about planning income and expenditure through effective budgeting, monitoring, and record keeping.

Good financial management will enable you to plan your income strategy effectively, while also meeting your legal obligations and reducing financial risks.



New Product New Market Tool

Use this tool to develop what your organisation offers to funders and to the wider community.

It looks at your work in terms of:

Products – the things that you make or provide as services.

Markets – the people or organisations you provide to or who pay for your work. Your market could be a geographic area or a field of work.

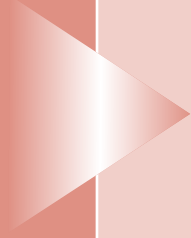
First of all, think of your existing work. List current activities in Box One (Existing Work) and think about ways in which you could do more of this work to generate income.

Then fill in Box Two (Product Development) and Box Three (Market Development) to identify new activities you could do to help you generate income.

In Box Four (Diversification) you can write down services that would be entirely new for you, providing new products in new markets.

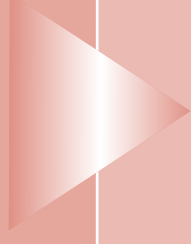
One - Existing work
(what do you do well now
and can you do more?)

**Existing
Market**

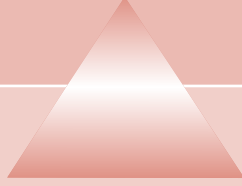


**Existing
Product**

Two - Product development
(offer new services to the
people you know well)



**New
Product**



Box 3 - Market development
(take your great work to new people)

**New
Market**

Box 4 - Diversification
(reach new people with new products,
this is more risky)

Two good examples of groups exploring market trends and possibilities

Fleggburgh Parent and Toddler Group

The Fleggburgh Parent and Toddler Group is a small group that meets weekly to provide a safe and stimulating play environment for local toddlers and an opportunity for their parents to meet and socialise.

The group was only serving four members of the community and their children. Income was non-existent, other than financial support from the lead member of the group and the play equipment was becoming old and tired. There was a strong possibility that the group would fold.

Being realistic about what you can commit to.

Determined to prevent this, the group leader sought advice from Norfolk Rural Community Council and Trinity Sure Start Centre. Advice on governance and direction from the Pre-School Alliance resulted in group policies being set down and training being provided to improve the organisational management of the group. This in turn increased confidence and led to successful fundraising events being staged.

Seek professional advice and engage in training to improve organisational management.

By persevering, obtaining advice from support agencies and demonstrating their ability to put this into practice, this group has developed its market and is now thriving with 30 members and has a greater capacity to compete for more in a wider catchment area.

The advice received needs to be applied in a constructive manner.

Wayland Radio

Wayland Radio was initiated because local radio coverage by the BBC was difficult to receive in various locations surrounding Watton and Swaffham.

The main objectives for the organisation are as follows:

To broadcast local news, topical events and foreign language programmes to a multicultural audience in the Breckland area.

To provide volunteering opportunities for local communities.

To create and develop training opportunities and work experience for our volunteers and other groups.

To promote the services of local charities and interest groups.

Be clear in setting objectives for your group.

A number of challenges faced the organisation when it was setting up. As the project was unique, the range of benefits that it brought to the community was initially not fully understood or appreciated. Funding was a major issue because of the rural nature of the local community, with no large businesses or retail outlets.

The organisation requires a licence from Ofcom to operate and this stipulates that only 50% of income can be derived from advertising. The organisation's advertising income is typically around 35%. The remaining income comes from a range of other income streams.

Maximising advertising income for this group within the community radio licence stipulation of 50% is a constant challenge. Charging fees for training, sound production services, and team building days brings in additional income.

Be imaginative about how you can obtain income for sustainability from a variety of sources.

The organisation has also explored match funding advertising revenue with local town councils for a limited period. This would involve the councils encouraging local business to advertise on Wayland, and the revenue raised would be matched by the council. The organisation is also applying for a number of small grants.

The organisation continues to work with its local support and development agency using a number of assessment tools to establish and develop a funding strategy.

Make use of agencies offering support.

Potentially the organisation may need to be completely self funding in the future and thus it continues to be inventive when considering new avenues for income.

Website: www.waylandradio.com



Extracts from Funding Commission's Outlook and Executive Summary

Funding Outlook

“Over the past decade, charities’ income has grown by £10bn largely through increases in public sector contracts, trading and individual giving. All these income sources are now showing signs of decreasing, but we believe, taking a 10-year perspective, this does not have to continue, provided action is taken.

We believe it is possible to double individual giving to £20bn by 2020; to increase the share and quality of public sector contracts delivered by CSOs; to increase income from other forms of trading and to increase commercial sector support. We also believe £10bn more private investment can be attracted through new approaches to social investment and that the sector can become better capitalised and more resilient as a result.

But we are not just interested in ‘more’; we also maintain that better use should be made of the resources that are already in the sector, such as the assets of trusts and foundations and grant-making programmes.

Four things need to happen to bring about this future and these are outlined in the executive summary.

Executive Summary

1) CSOs must step up to the mark

CSOs must step up to the mark by increasing their impact, developing increased financial capability and making better use of social media and technology. They must get better at demonstrating their value to commissioners, working more collaboratively with each other and with other sectors and developing more sustainable and effective infrastructure arrangements.

2) Funders and commissioners of public services must make better use of current resources

Funders and commissioners of public services must make the most of their current resources by helping CSOs learn how to increase their impact, helping CSOs increase their financial capability, and making the most of their own assets, as well as practising good grant-making.

3) NCVO must work with other infrastructure bodies to increase the sector's income

NCVO must work with others in the sector to secure resources for initiatives aimed at increasing individual giving, trading and commercial sector support.

4) The Government must also play its part

The Government must play its part by establishing a Restructuring Fund to promote greater collaboration and /or merger between CSOs, developing small-grant programmes, as part of its Big Society initiative, and introducing new approaches to commissioning, as well as setting up the Big Society Bank to shape the market for social investment in the sector and lending its support to the Funding Commission's other recommendations."

Extracts from the Funding Commission's 2011 publication 'Funding the Future - A 10-year framework for civil society'. The full publication is available at www.ncvo-vol.org.uk/fundingcommission

Signposting to Organisations and Websites

Voluntary Norfolk

Website: www.voluntarynorfolk.org.uk

Address: 83-87 Pottergate, Norwich, NR2 1DZ

Telephone: 01603 614474 Email: SFP@voluntarynorfolk.org.uk

West Norfolk Voluntary and Community Action

Website: www.westnorfolkvca.org

Address: 2 Regis Place, Bergen Way, King's Lynn, Norfolk, PE30 2JN

Telephone: 01553 760568 Email: SFP@westnorfolkvca.org

Norfolk Rural Community Council

Website: www.norfolkkrcc.org.uk

Address: Signpost House, Ambassador Way, Greens Road, Dereham, NR20 3TL

Telephone: 01362 698216 Email: SFP@norfolkkrcc.org.uk

Sustainable Funding Project

National Council for Voluntary Organisations

Website: www.ncvo-vol.org.uk/sfp

Address: Regent's Wharf, 8 All Saints Street, London, N1 9RL

Telephone: 020 7713 2519 Email: sfp@ncvo-vol.org.uk

Business in the Community (Corporate Social Responsibility): www.bitc.org.uk

Charities Aid Foundation: www.cafonline.org

Charity Commission: www.charity-commission.gov.uk

Directory of Social Change (DSC): www.dsc.org.uk

HM Revenue and Customs: www.hmrc.gov.uk

Institute of Fundraising: www.institute-of-fundraising.org.uk

Norfolk Community Foundation: www.norfolkfoundation.com

ShareGift (The Orr Mackintosh Foundation): www.sharegift.org

SM Associates: www.sm-associates.org.uk

Social Enterprise Coalition: www.socialenterprise.org.uk

The Law Society: www.lawsociety.org.uk



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