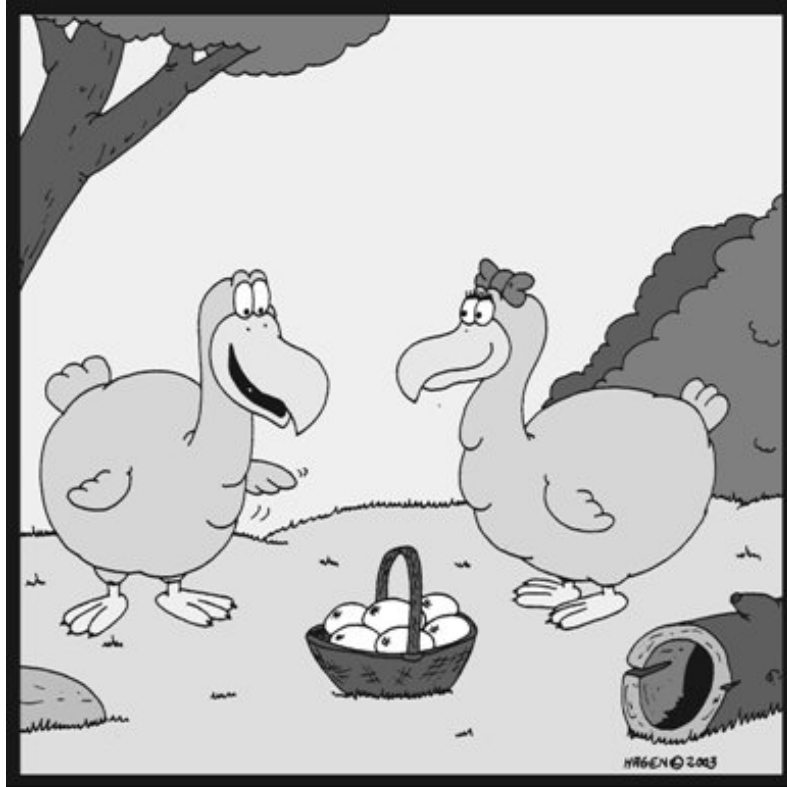


Don't put all your eggs in one basket!



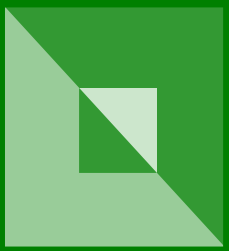
We are the last Dodos on the planet, so I've put
all of our eggs safely into this basket...

Bedfordshire's Sustainable Funding Guide

The National Council for Voluntary Organisations' (NCVO) Sustainable Funding Project has been set up to promote an approach that encourages voluntary and community organisations across the UK to explore opportunities to diversify their income streams, so that they are not solely reliant on one income stream, be it from donors, funders, purchasers or consumers. **Truly a case of 'not putting all your eggs in one basket'!**

The aim of this guide is to give a Bedfordshire perspective to the spectrum of income streams available to voluntary and community groups locally, as well as nationally. Community and Voluntary Service is committed to promoting a sustainable funding approach.

To find out more about **NCVO's Sustainable Funding Project's** aim of effecting long-term change in the way that voluntary and community organisations are funded, visit www.ncvo-vol.org.uk/advice-support/funding-finance/sustainable-funding/sustainable-funding-approach. Then turn the pages of this guide and discover how your group could benefit from trying such an approach.



What does 'Sustainable Funding' mean?

A Sustainable Funding Approach encourages organisations to explore income opportunities across a spectrum of opportunities; from charitable donations at one end of this range, through grants, service level agreements and contracts, to social enterprise activity, trading goods and services. This can spread risk and ensure organisations are best placed to take advantage of emerging trends and opportunities and are more able to safeguard their financial future without sacrificing independence or mission.

This approach to sustainable funding for any organisation must be underpinned by thorough planning, an assessment of the impact of diversifying your funding streams, full cost analysis (detailed later in this guide) and understanding of when loan finance can supplement income.

Every organisation is unique, and so diversifying your funding streams is dependent on your particular group's circumstances. The resources identified in this guide, together with practical help from the team at Community and Voluntary Service can lead to a well-balanced approach for your organisation with an ultimate goal of securing your group's future.

How does my group achieve Sustainability?

Sustainability begins not with funding, but with planning - before organisations start thinking about funding, they need to decide exactly what their mission, aims and goals are, and plan how to achieve these. Only when organisations know what they want to achieve, and have planned accordingly, are they in a position to assess which income streams are appropriate for them and begin to pursue them. To assist in this planning approach, **NCVO** has produced '**Tools for tomorrow - A practical guide to strategic planning for voluntary organisations**' that can be downloaded from www.ncvo-vol.org.uk

Increasingly, charities and voluntary groups are being told to move away from grant dependency, and to become more business-like, earn income and consider loan finance. Additionally opportunities for delivering public services are increasing. Organisations need to react accordingly to survive and prosper in this new environment. Thus to achieve sustainability in the current economic climate, an organisation's funding needs to be:

- **Stable** - it is extremely important to have a mixture of income streams, so that if one diminishes, it does not threaten your organisation's viability overall. Furthermore an ability to predict with confidence your future resource levels enables you to undertake longer-term planning which can benefit your organisation.
- **Suitable** - it is equally important that there is a good match between your organisation's objectives and the funding or financing that you are seeking. You should not be distracted from your organisation's core objectives in seeking funding.
- **Sufficient** - there will always be competition for funding, so it is vital that you understand your group's costs properly, as this will allow you to make informed decisions about accepting contracts and undertaking any project work. This is critical for effective planning.

Community and Voluntary Service has a number of information sheets available to download from www.yourcvs.org that can assist you in planning for your group's future, including:

- **Business Plan Tool Kit**
- **How to Develop Budgets and Cashflow Forecasts**

Sustainable Funding: Across the Income Spectrum

Income options available to voluntary and community organisations



Gift Economy

- Philanthropic giving
- Voluntary donations



Grant Funding

- Funding to deliver specified outcomes (from grant making trusts, the Lottery, local authorities etc)



Structured Market

- Payment for goods and services according to the terms set out in a contract (includes tendering for contracts)



Open Market

- Trading goods and services

ASKING

EARNING

- For many voluntary and community organisations the key to sustainable funding is diversifying their income across the full spectrum of opportunities.
- As you move across the spectrum from left to right - from asking to earning - the level of expectation regarding what is received in return for the income increases.
- The key to sustainability for your organisation is knowing which streams are the right ones for your organisation to explore and how to develop the capacity to be able to secure and manage them.

Do you need to diversify?

To find out, using the table below, review your current income streams and assess whether a more diverse funding approach could benefit your organisation and your beneficiaries:

Income Stream	Number of Funders	Funding Length	Amount £	Level of Dependency		
				Low < 10%	Medium < 50%	High > 50%
Donations						
Grants						
Contracts						
Trading						

If it is not possible to diversify your funding across the spectrum of **Donations, Grants, Contracts or Trading**, then **consider diversifying within a particular stream** (i.e. **Donations** - from Individuals/Private Sector, **Grants** - from Trusts and Foundations/Public Sector Agencies/Private Sector, **Contracts** - with other Voluntary Organisations/Public Sector Agencies/Private Sector, **Trading** - with Individuals/Other Voluntary Organisations/Public Sector Agencies/Private Sector).

- Analyse your Funding Mix online: www.financehub.org.uk/fundingmix.aspa



Funding from Donations

The Gift Economy provides unrestricted funding from donations and can allow you to carry out activities that are not currently supported by grant programmes or contracts. There are now a huge number of ways people can donate to your organisation. Here are a few ideas for you to consider:

- ⇒ **Donations via Collecting Tins**
- ⇒ **Payroll Giving**
- ⇒ **Legacy Fundraising**
- ⇒ **Raffles and Lotteries**

Benefits and Challenges of the Donations Funding Stream

- ⇒ Unrestricted income stream
- ⇒ Voluntary contribution or philanthropy
- ⇒ Relationship based on trust
- ⇒ Requires transparency and clarity about use of income
- ⇒ Can be many small or few large donations
- ⇒ Requires good reputation and communication
- ⇒ Requires marketing and fundraising skills

Thinking About Accepting Donations? What to Consider?

- ⇒ **Tax-Effective Giving** - the **Institute of Fundraising's** website (www.tax-effectivegiving.org.uk) provides a wealth of information about Gift Aid, Payroll Giving, Legacy Giving and the Gift of Shares.
- ⇒ **Gift Aid** - this scheme allows charities to claim back from the Inland Revenue the tax that the donor has paid on their donation. Find out about registering your charity at www.hmrc.gov.uk/charities/gift-aid.htm. However, if you don't qualify for Gift Aid because your organisation is not a registered charity or a sports club with CASC status and is carrying out charitable work, then the **Bedfordshire and Luton Community Foundation** may be able to help. Under their scheme qualifying gifts (generally of over £200) have to be made to the Foundation and a Gift Aid declaration has to be signed by the donor in favour of the Foundation. They will then make a grant to the selected organisation for the value of the cheque. Then once a year they claim the Gift Aid on all donations received and pass on the relevant amount of Gift Aid to the organisation, less a small administration fee. Contact the Foundation to find out how to set up an agreement to manage this process via **01767 626459** or by emailing mark.west@blcf.org.uk.
- ⇒ **Creating an Online Fundraising Page** - there are a number of sites your charity might consider, such as **Bmycharity** (www.bmycharity.com), **Justgiving** (www.justgiving.com), **My Charity Page** (www.mycharitypage.com), **MyGift** (www.mygift.org.uk) and **Virgin Money Giving** (www.virginmoneygiving.com). You will find that the sites either charge an initial set-up fee or take a percentage of the Gift Aid collected as an administration fee.
- ⇒ **Legacy Fundraising** - bequests, large or small, can make a big difference. Details concerning legacy fundraising can be found on the **Remember a Charity** website (www.remembercharity.org.uk). All charitable bequests are deducted from the value of the estate before inheritance tax is calculated. For example locally, a number of charities have come together and formed the **Charities in Bedford Association (CIBA)**, and their legacy pack can now be found in local solicitors' offices.
- ⇒ **Payroll Giving** - employees sign up to donate to a selected charity directly from their pay-packet. The donation is deducted at source by their employer and sent directly to their nominated charity, who receive the donation plus tax as Gift Aid. You can find more about Payroll Giving at www.hmrc.gov.uk/businesses/giving/payroll-giving.htm
- ⇒ **Collections** - you will need to contact your local authority well in advance to obtain a permit or licence to collect (contact details below). Helpers should be equipped with sealed and labelled collecting tins plus ID badges. It is good practice for two individuals to be present when the tins are opened. Information sheet: www.yourcvs.org.
- ⇒ **Raffles/Lotteries** - if you are selling raffle tickets to the general public, you will need to register with your local authority under the **Lotteries and Amusements Act 1976** before you start. **Bedford Borough Council** - **01234 267422** or **Central Bedfordshire Council** - **0300 300 8000**. Information sheet: www.yourcvs.org.



Funding from Grants

Grants are an important form of funding that enable many voluntary and community organisations to provide services that make a real difference to people's lives. But finding and applying for grants takes time, and many grants come with strings attached that require careful management. Grant funding is changing too, with increasing levels of competition and some funders preferring to offer contracts or loans. Increasingly voluntary and community organisations are combining grant funding with other options such as trading, contracting and loan finance. Here are some suggestions of where you might seek grant funding:

- **Grant Making Trusts**
- **Statutory Authorities**
- **The National Lottery**

Benefits and Challenges of the Grants Funding Stream

- Restricted income stream
- Subsidy of project or organisation
- Requires transparency and clarity about use of income
- Relationship based on expectations of projects
- Grant funding or output/outcome-linked income
- Requires project planning and monitoring
- A clear understanding of funder's criteria essential

Thinking About Applying for Grants? What to Consider?

- **Is your organisation 'Fit for Funding'?** - CVS offers a monthly workshop that covers all the basics to get you to the stage where your organisation will be able to apply for funding. You will be taken through all the documentation you will need to have in place (including governing documents and policies), together with a guide to budgeting and an explanation of the basics of outcomes and demonstrating need. There is also an opportunity to go through examples of funding applications and guidance on the use of our funding resources area, including a demonstration of our funding databases. Most importantly this two-hour workshop is FREE! Visit www.yourcvs.org for details of upcoming workshops or ring us on **01234 354366**.
- **Can your group demonstrate need for Grant Funding? Does your group have an understanding of Outcomes?** - in this follow-up workshop, you can build on the skills you gained from the 'Fit for Funding' workshop and learn how to identify and explain need for your work. Additionally by the end of the workshop you will be able to define your group's aims, outcomes, targets and milestones. Using practical examples and an interactive workshop, the aim is to make sense of some of the most common problems groups have when making funding applications. Again this workshop is FREE! Visit www.yourcvs.org for details of upcoming workshops or ring us on **01234 354366**.
- **CVS Funding Resources Library** - our Resources Library can be booked by any local voluntary or community group free of charge. It is available on weekdays between 9am and 5pm and can be accessed at other times by special arrangement. Using the Resources Library you can search for funders via our subscription databases (**FunderFinder** and **Trustfunding.org.uk**) and then research the resulting funders through the funding directories, books, guides and toolkits we hold in our library. You can book a session today by calling us on **01234 354366**.
- **CVS Website** - visit our website at www.yourcvs.org for the latest local funding information and ensure you download our **Fundraising Toolkit** (that includes comprehensive details of local funders).
- **Funding Central Website** - visit **NCVO's** free online database of grant funding opportunities at www.fundingcentral.org.uk.



Funding from Contracts

Whilst opportunities to secure grants for your organisation are likely to be decreasing - or, at best, remaining static - over recent years the voluntary and community sector has been able to take advantage of the increasing opportunities to contract - usually to deliver public services. Public Service Delivery is an important strand within the Sustainable Funding Income Spectrum. Contracts are earned income - normally secured as a result of a tendering process. They have legal obligations and need to be entered into with proper consideration; however they can be a great way to fund your work where appropriate opportunities exist. We have seen a shift from grants to contracts happening day by day and in the coming months we will see a further move to increased open and competitive tendering, often for services we have traditionally delivered through grant support. As there will be losers and winners, the sector needs to 'get tender ready' to survive.

"Procurement is one of the key issues facing the long-term survival of the third sector. For many frontline groups the reality is that they must either ensure their services are procured by some form of government body or they will find they are out-competed, unfunded and on the scrapheap."

Nick McAllister, Procurement Champions Network, Association of Chief Executives of Voluntary

Benefits and Challenges of the Contracts Funding Stream

- Ensure all risks are shared between purchaser and supplier
- Can be with the public, private or voluntary sector
- Restricted income stream
- Requires regular monitoring and reporting
- Payment for goods or services set out in formal terms such as a contract
- Income reliant on delivery of outputs or outcomes
- Requires legal knowledge and expertise

Thinking about Contracting/Tendering? What to Consider?

- **Getting Tender Ready** - effective tendering requires an understanding of the legislative, policy and the practical background within which public sector procurement is taking place. It also requires a clear understanding of what procurement officers want to see in your tender document and how to ensure that your tender scores well at the appraisal stage. You will also need to have a grasp on procurement routes, pre-qualification questionnaires (PQQ's), restricted, negotiated and e-procurement procedures. Getting Tender Ready may also be about forming consortia between organisations to tender for and deliver contracted services. It is against this backdrop that CVS now offers regular workshops on 'Getting Tender Ready' and related topics. Visit the training pages at www.yourcvcs.org for more details.
- **CVS Tendering Advice Service** - CVS provides a service for local voluntary groups that are considering or are already tendering for local statutory sector contracts. Contact **Ian Curtis, Collaborative Working Officer** on **01234 354366** or at ian@yourcvcs.org for more details. Plus visit our '**Public Service Contracting**' page at www.yourcvcs.org for up-to-date information.
- **ConsortiCo Ltd** - in response to the **Office of the Third Sector's 'Working in a consortium - A guide for third sector organisations involved in public service delivery'** (December 2008), and with the move from grants to contracts as a backdrop, a number of local charities have reacted to this change in circumstances by creating a consortium fit for the Bedfordshire and Luton sub-region and beyond. A key reason for forming this consortium was to provide organisations with a 'vehicle' that enables them to access new opportunities to secure contracts, which would not otherwise be available to them. **ConsortiCo** is the resulting vehicle and acts as a 'Super Contractor', identifying public service contract opportunities; and then securing these contracts and delivering them through subcontract arrangements with local, not-for-profit, third sector organisations, for the benefit of local communities. To learn more visit www.consortico.com or contact **Ian Curtis, CVS Collaborative Working Officer** on **01234 354366** or at ian@yourcvcs.org



Funding from Trading

Trading is an important source of funding for the voluntary and community sector. It can be used to generate additional income for organisations. Increasingly, many charities are developing trading activities that directly relate to their charitable objects. There are lots of benefits associated with trading, especially when it is aligned with the social purpose of the organisation. Trading can enable voluntary organisations to expand their customer base, and reduce their dependency on a small number of funding sources. Income from trading is unrestricted, which means that you are free to choose how you use any surplus. Combined with other sources of income, trading can contribute to the long-term sustainability of your organisation. However, trading can also expose your organisation to risks and liabilities. These risks are not just financial; there are also risks to the reputation of the organisation if the trading activities are in conflict with its social purpose. Some groups may be concerned about the ethical dilemmas posed by trading. Competing for trade can have an impact on the culture of the organisation, and require board members and employees to develop new skills. So before committing yourself to a new trading activity, it is worth spending some time helping your organisation get ready to trade. Any voluntary group that earns most of its income through trade and contracts could choose to call itself a social enterprise.

Benefits and Challenges of the Trading Funding Stream

- Unrestricted income stream
- Exchange of goods or services for money
- Requires product quality control
- Marketing and financial knowledge essential
- Developing a good relationship with the consumer is vital in ensuring continued custom
- Can be used to generate profit or contribute to costs of other work

Thinking about Trading? What to Consider?

- **Getting Ready to Trade:** taking on new trading activities could have a major unintended impact on your organisation unless you plan how to address some of the key issues associated with trading:
 - **What impact will the trading activity have on the mission, purpose and values of your organisation?** Developing new trading activities can enhance the mission and purpose of your organisation if you concentrate on generating ideas that are related to your mission, express the values of your organisation, and fully exploit its strengths.
 - **How will it affect the organisational culture?** It is important that the development of trading activities has the full support of your organisation.
 - **Do you have the right organisational structure to start trading?** If your organisation is a registered charity, you need to check that it is allowed to trade in the areas you are considering. You may need to change the structure of your organisation, or adopt a legal form better suited to trading activities.
 - **How will you identify the best opportunities for new trading activities?** The most important part of getting ready to trade is to make sure you select and develop the best trading activity. Start by identifying all the opportunities open to your organisation. Sift these ideas and select the most promising for a full feasibility study.
- **How to Trade** - there are five key issues that need to be addressed by voluntary and community organisations developing new trading activities, namely **be competitive, know the rules, establish a trading subsidiary, develop commercial skills, and manage risks.**
- **Access Help** - from **NCVO** (including **Only Connect**: a funded scheme to enable you to visit other voluntary and community organisations engaged in trading and their **Tools for Trading Toolkit**, details available from www.ncvo-vol.org.uk) and from **Social Enterprise East** (www.see.co.uk).

Sustainable Funding - What else to consider

Full Cost Recovery

Voluntary organisations, like their counterparts in the public and private sectors, incur organisational overhead costs in addition to project costs. Full Cost Recovery means accounting for an organisation's expenditure on the basis of incorporating all costs incurred by the organisation - **Core (or Overhead) Expenditure** as well as **Project Specific**. Full Cost Recovery is essential for ensuring that funding bids accurately cover all potential costs; contracts are negotiated for the full cost of delivering the service; and pricing for products and services developed to generate trading income fully reflect the cost to the organisation of producing or providing those goods. You can find out more about Full Cost Recovery by visiting www.fullcostrecovery.org.uk where you can download a free version of the Full Cost Recovery Toolkit or order a copy of the new and improved version. In addition, CVS offers regular training sessions on this subject, so visit www.yourcvcs.org to find out when we are running the next workshop.

Loan Finance

Loan finance is a relatively new tool for the voluntary and community sector. Loans are not an income source as such, but a financial tool or enabler. Loans may be an option where a large sum of money is needed, to bridge gaps between receipt of grant payments, or to enable projects to move forward during the time taken to raise capital from more traditional fundraising methods. Voluntary and community organisations interested in loan finance, who are at the right stage in their lifecycle to manage a loan, should initially consult commercial high street lenders, or consider the national loan providers. Details of loan providers for voluntary groups can be found on NCVO's website at www.ncvo-vol.org.uk/sources-of-loan-finance

Bedfordshire and Luton Compact

The **Bedfordshire and Luton Compact** is a working document aimed at developing a close, efficient and more effective equal working partnership between local voluntary and community organisations and statutory agencies. As part of the Compact, a **Funding and Procurement Code of Good Practice** has been produced and sets out the agreements that should be adhered to by both statutory and voluntary organisations in terms of funding and procurement. This includes programme design, the application and tender process, agreeing terms of delivery, payment terms and monitoring and evaluation. Should your organisation have a dispute in relation to funding or procurement, the Beds and Luton Compact provides a means of resolving that dispute. Your group needs to be a signatory of the Compact to benefit, so visit www.bedsandlutoncompact.org.uk to learn more.

Visit the following for more guidance:

- ⇒ The National Council for Voluntary Organisations Sustainable Funding Project - www.ncvo-vol.org.uk/sfp
- ⇒ Community and Voluntary Service - www.yourcvcs.org

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