

## Handout 1.03: Fundraising streams to consider

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Income Stream	Pro's	Con's
<b>Direct Marketing</b>	<ul style="list-style-type: none"> <li>• Good for recruiting new donors</li> <li>• Targeting the right audience with the right message</li> <li>• Developing a relationship with donors and sharing stories</li> </ul>	<ul style="list-style-type: none"> <li>• Needs a strong brand and message to be successful</li> <li>• Will need strong database management skills within organisation to manage successfully</li> <li>• Very competitive arena and has received bad press (Olive Cook etc)</li> <li>• May soon be subject to tighter regulation</li> <li>• Median ROI per £1 invested (IOF 2014) £1.67</li> </ul>
<b>Major Donors</b>	<ul style="list-style-type: none"> <li>• Good for large projects</li> <li>• Building on relationships</li> <li>• Enables the organisation to target donors that can bring specific skills and knowledge as well as income</li> <li>• Can be increased via Gift Aid</li> </ul>	<ul style="list-style-type: none"> <li>• Need investment of time and skilled to staff to prepare written proposals</li> <li>• Need to be able to provide feedback on impact</li> <li>• Often restricted</li> <li>• Time frame can be difficult to control (ie. Hintze)</li> <li>• Median ROI per £ invested (IOF 2014) £3.17</li> </ul>
<b>Corporate Fundraising</b>	<ul style="list-style-type: none"> <li>• If proposal is right funds will be unrestricted</li> <li>• Can raise profile of organisation locally</li> <li>• Enables access to large audience via staff and customer base</li> <li>• Can generate skills donation and GIK as well as straight income</li> </ul>	<ul style="list-style-type: none"> <li>• Need investment of time and skilled staff</li> <li>• Requires a planned exit strategy</li> <li>• As with major donors time line often dictated by corporate giving programme rather than charity</li> <li>• Median ROI (2014 IOF) per £1 invested £4.43</li> </ul>
<b>Events</b>	<ul style="list-style-type: none"> <li>• Raise unrestricted income</li> <li>• Raise awareness</li> <li>• Provides a vehicle to recruit engaged supporters to database</li> <li>• Provides opportunity to educate potential supporters regarding the work of the charity</li> </ul>	<ul style="list-style-type: none"> <li>• Overhead costs require underwriting, therefore level of risk higher than other income streams</li> <li>• Labour intensive</li> <li>• Contingency planning required</li> <li>• Median ROI per £1 (IOF 2014) invested £1.94</li> </ul>

Income Stream	Pro's	Con's
<b>Trading</b>	<ul style="list-style-type: none"> <li>• Unrestricted income</li> <li>• Good for brand awareness</li> <li>• Can offer a shop front for charity</li> <li>• Can be long term</li> <li>• Offers a way for clients to support the charity without having to give a regular monthly donation</li> </ul>	<ul style="list-style-type: none"> <li>• Regulations</li> <li>• Can customers afford to pay</li> <li>• Unstable market</li> <li>• Start up investment required</li> <li>• Median ROI per £1 (IOF 2014) invested £3.54</li> </ul>
<b>Community Fundraising</b>	<ul style="list-style-type: none"> <li>• Volunteer led activities</li> <li>• Drives engagement with local groups</li> <li>• Builds community and networks</li> <li>• Builds awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Development involves effort including evenings and weekends</li> <li>• Local regulations (such as collections licences etc)</li> <li>• Median ROI per £1 (IOF 2014) invested £4.24</li> </ul>
<b>Trusts and Foundations</b>	<ul style="list-style-type: none"> <li>• Willing audience in the business of giving away money</li> <li>• Currently have a strong pipeline and skills within organisation to deliver income</li> <li>• Usually paid up front and rarely clawed back</li> </ul>	<ul style="list-style-type: none"> <li>• Often restricted</li> <li>• Timeline's restricted to funders' agenda</li> <li>• Median ROI per £1 (IOF 2014) invested £7</li> <li>• Can be very competitive and require match funding</li> <li>• The fund criteria can lead to mission drift</li> </ul>

### Individual Giving/Gift Economy

This is a term you may come across; it essentially describes most of the income streams described above.

Gift economy income comes from **donors**. Other names for this income type are 'voluntary income' or 'charitable giving'.

### Grants and Trusts

A little bit more about grants and foundations:

Grant funding is more likely to be tied to specific objectives and is supplied by designated **funders**. There are around 9,000 grant-making trusts in the UK, giving around £2 billion a year excluding the National Lottery of which the Big Lottery Fund is the largest independent grant-making body. The National Lottery is responsible for over £1 billion of grants throughout the UK. These may be independent (e.g. a Trust or Community Foundation), statutory (e.g. a local authority) or NDPB (e.g. BIG, HLF, Sport England, Arts Council). Grant funding is usually restricted; it can only be used for the purposes for which it was requested. To ensure this, grant-makers are likely to request monitoring reports on how their money has been spent and what stage in development, often find it harder to attract grants. Grant-makers' policies may result in priorities for giving which do not match all TSOs needs. Stiff competition for this type of funding also makes it increasingly difficult to obtain.

**Suitable for:** Grant funding suits projects that have a clear start and end point and clearly defined outputs and outcomes. Grant funding can also be used effectively to try out something new (e.g. a project which, if successful, could later be financed through other sources such as a contract).

**Accessed via:** Completing a funder's dedicated application form or, for smaller Trust funds, providing a detailed outline of the work or project for which funds are sought. Larger grant applications require the submission of a business plan and usually involve several stages, including an assessment visit.

## Contracts

Earned income is money gained from selling a product or service. It can be obtained from delivering a service under contract or from trading (selling a product or service on the open market). The structured market involves earning income from payment for goods or services delivered according to the terms set out in a contract between a TSO and a third party known as a **purchaser**. In some cases an organisation may be offered what is termed a 'service level agreement' (SLA). TSOs can deliver goods and services under contract to purchasers from the public or private sector, or to another voluntary organisation. The kind of purchaser involved will probably determine how the funding is regulated. Providing public services under contract is a big growth area of this type of funding.

**Suitable for:** Delivering services under contract is potentially open to any organisation, yet the biggest opportunities are currently for those that work in areas associated with 'public services' (i.e. services usually funded by the public purse). These might include social care, children and families, disadvantaged communities, provision for the elderly or disabled, recycling or other services which a public sector body may be interested in purchasing.

Services can also be sold under contract to private businesses or other TSOs (e.g. a contract to provide training). Contractual income can be a means of sustaining and expanding a service initially piloted using grants

**Accessed via:** Preparing a business plan and tender for a contract, usually within a tendering process outlined by the potential purchaser. Developing good working relationships with potential purchasers is crucial. A good relationship can be a useful route to finding out about tenders and understanding what a particular purchaser is looking for.

## Trading

At the opposite end of the spectrum to individual giving is the other major area of unrestricted income: the open market. When trading goods and services in the open market, TSOs are using a business approach, earning income directly from **customers**. There is practically no limit to the range of goods and services TSOs can sell. Some types of trading are undertaken purely to generate profit; some may also further the goals of an organisation. Ideally, trading should unite providing a product or service which furthers a TSOs mission with generating income.

**Suitable for:** Any organisation can trade, what varies is the scale, scope and nature of product or service sold. The key to success is identifying a potential market and a product that people will purchase. Trading can be small-scale (e.g. selling posters and education packs to disseminate

information to schools attending a theatre) or large scale (e.g. setting up a separate trading arm to manage a consultancy or training service or opening a charity shop).

**Accessed via:** Planning and starting some form of trading activity. This can be large or small-scale depending on a TSOs mission and needs. Small-scale trading is not unlike some fundraising, however larger initiatives may require skills development within an organisation and start-up finance.

## Loan/ Debt Finance

Loans are not an income source, but a finance tool or enabler, helping organisations to grow, bridge a gap in funding, or support a fundraising drive. The latter half of the spectrum (contractual and traded income) is often underpinned by loan finance supplied by **investors**. This is because expanding to take on contractual work, developing trading initiatives, or simply increasing the scale and scope of an organisation's work often requires investment (e.g. to train staff in new skills, or purchase equipment). Such investment, however, can be the means to opening new

income streams. Major purchases such as capital development (e.g. purchasing or renovating a building), or working capital to enable development or expansion can also be financed using a loan. There are, however, additional opportunities for TSOs to use loans. These include bridging loans which can help an organisation through short breaks between receipt of grant payments.

**Suitable for:** Loans are suitable for organisations which will subsequently have access to income from which they can repay the loan. This may be generated from contractual work or trading, but could also be from major fundraising activity or, in the case of a bridging loan, simply when the next grant arrives.

**Accessed via:** Approaching a bank, community-based lender, or specialist TSO lender such as the loan finance packages available from Keyfund Yorkshire, Social Investment Business, Charity Bank, Unity Trust, Triodos .