

# get it right on... developing a funding strategy

Fundraising can easily become a never-ending process of filling in forms and developing proposals. Developing a funding strategy can help you to prioritise your fundraising work and so make best use of your time by planning ahead and targeting particular funders.

A funding strategy will help you to identify and schedule your fundraising opportunities so that you can avoid last minute rushed applications.

## What is the point of a funding strategy?

- To bring in more money from existing funders and other sources of income.
- To identify new funders and new sources of income.
- To secure continued funding for your existing work as well as bringing in funds for new projects and developments.
- To increase the security of your organisation by attracting funding from a number of sources – increasing and developing your funding mix.
- To make best use of your limited resources.

## How do you develop a funding strategy?

There is no set formula for putting together a funding strategy; they vary greatly in style and depth.

We would encourage you to consult with your management committee/trustees, staff and volunteers about the strategy. The strategy should build upon your existing funding and work and must relate to any future plans. Put simply, if you know where your organisation wants to be in two- or three-years' time, the funding strategy should show you how you are going to fund this development.

## Key elements of a funding strategy

Successful fundraising involves time and money. To do it properly you will need:

- Access to resources (such as funding directories)
- To attend fundraising seminars
- Time to research
- Prepare and meet with funders,
- Complete application forms and develop funding bids.
- Staff (and/or volunteers) may also need extra training if they are to take on the job of fundraising.

## Where to begin

Begin by standing back from your work and reviewing your current funding position. Try to identify what has been successful and which sources are key supporters of your work and assess whether you are too dependent on one or two of them. A useful technique is to use a SWOT

analysis (strengths, weaknesses, opportunities, threats). Analyse each of these areas in relation to your fundraising, being as honest as you can. For example, you may identify that you don't have enough skills in fundraising (weakness) but you may also have noticed that your work is very popular with a number of trusts (opportunity).

The strategy must refer to the past and present funding situation – from whom you have received money, how much, for what and when current funding runs out. It is useful to do this exercise for the past two years, the current year and the year ahead. Once you have produced this information, preferably in the form of a table, you will easily be able to spot any funding trends for your organisation. Next to each source of funding, describe how secure you think it is.

It may also be helpful to list all your unsuccessful funding applications and events and give reasons why they did not work.

You should also identify any possible opportunities for income generation by providing services or goods (as a business would). This could include developing a community café, renting out a room in your building to other organisations, running an event that people pay to attend, delivering a contract for the local authority – obviously all of these would need proper planning and must comply with relevant legal requirements.

### **Fundraising is not an isolated activity**

A funding strategy does not work on its own; it needs to be part of an overall business plan or strategy that shows where the organisation is heading. The funding strategy is the engine to make this development happen. Each area of your work will need to be budgeted for, and you could try to identify funders or sources for each aspect. New developments in your work may open up new funding opportunities.

After you have worked out the costs of each project, look back over the budget to make sure you have included all the running costs, such as rent, electricity and telephones. You should try and apportion 'core' costs such as rent (i.e. share the costs between projects/activities) because these costs will apply to many projects at the same time.

It is easy to focus on developments and forget that you need to cover the core costs of your existing work. You must build into your plan enough time to develop good relationships and contacts with existing funders and other sources of income, and to ensure that they continue to contribute to your ongoing work. Remember, many sources of funding come as 'unrestricted' funding so can be used for core costs. Unrestricted funding is where money has been given for no particular project or function and can be applied for general expenditure in the organisation.

### **Funding options**

It is important when you draw up your funding priorities that you create a good mix of funding sources. There are a large number of categories of possible sources, including:

- Central government, local and regional authorities
- Charitable trusts and foundations
- European funding
- Lottery funds
- The corporate sector – including payroll giving

- Events – including sponsored challenges
- Legacies
- Individual and major donors – by way of direct mail
- Appeals
- High value network campaigns – to elicit major gifts
- Collections.

Remember to include in your options how you can generate any income yourself within the organisation by your own efforts (e.g. rental income). Ensuring that you have a mix of funding from a number of these sources will avoid you becoming too dependent on one or two specific income areas and provide you with security in case one of or more of them is no longer able to fund you.

If you are looking at particular direct sources of funding – such as trusts or statutory sources – you will need to list all the relevant funding options that you are aware of and evaluate each in terms of the following:

- Have they funded you in the past?
- Do any of you have a contact within the funding organisation?
- What is their maximum (and minimum) level of grant or award?
- How long will it take to receive the funds?
- How complicated is the application process?
- What is their success rate for applications? What percentage of applications submitted are successful?
- Do you have the skills to apply, or will you need support?
- Do they fund similar work in your area?
- Are you high on their priority list of fundable organisations?

These are just a few of the criteria to use; you may choose to develop your own. From this exercise, you will arrive at a priority list of funders to approach or sources to work on.

### Action plan

Now you know which sources of income you will consider, it is vital to put this into an action plan that makes clear the following:

- Which funder(s) or source(s) of funding you are going to tackle?
- What project/item you are requesting support towards – a ‘shopping list’ is often appropriate.
- What you need to do, how many days the work will take and who will be doing it.

### Your fundraising targets for each source

To make the strategy work effectively, it is a good idea to review it regularly –perhaps every three to four months. Things change, for example new funds may be launched which the strategy may need to include. Reviewing your strategy will also help you to understand why certain sources were unsuccessful and analyse your funding targets to see whether they are realistic.