

## get it right on... **Generating Income**

Sound planning underpins all income generation strategies.

Your finance function-whether that is a team or an individual-can add value to both planning and management.

The key roles are:

- Providers of information for decision-making
- Business management.
- Financial managers/treasurers will need to assess what information they have, particularly on costs and income projections to be able to control or plan the future.
- The financial management role of a voluntary group trustee board is quite different to a company. The three main financial management functions of the board are financial monitoring, procedures and management.

### **Where to start?**

There are many different methods of moving through the planning process but broadly it can be seen as a 3-part continuum:

- Beginning with the defining of a mission and building of a vision.
- Moving on through defining and setting objectives.
- Developing and writing annual plans and budgets, arriving at the final destination –the specifics of product/service delivery and the implementation of the planning process.

Planning takes a group through three important questions:

- What are you here for?
- What should you do?
- How do you actually make that happen?

No matter what their size, all groups need to plan. Doing so will highlight both the opportunities and challenges it faces.

This will not only strengthen the group but will also enable it to deliver more effectively to meet the needs of its beneficiaries. Planning can be simple and straightforward. It can be a creative process that brings demonstrable benefits. There is a direct link between effective planning and long-term sustainability. As such, it is the first step towards developing a sustainable income base.

Financial sustainability begins not with funding, but with planning—before groups start thinking about money, they need to decide exactly what their mission, aims and goals are and plan how they will achieve these.

Only once groups 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:

- All groups need to plan no matter what their size.
- Planning highlights opportunities as well as challenges.

- Planning allows groups to approach income generation strategically, and enables them to meet the needs of their beneficiaries more effectively.
- Strategic planning is a key driver for sustained group effectiveness.

A sound, evidence-based plan can:

- Improve your chances of gaining the funding you need, by demonstrating to funders and commissioners that you can deliver your overall aims within identified resources.
- Break down your aims into manageable chunks, allowing you to work out the step-by-step processes and actions that will enable you to achieve your desired outcomes. Achieving your overall aim can be much less daunting when broken down into manageable chunks.
- Get everyone pulling in the same direction, with a clear sense of their own role in achieving your group's overall aims. Understanding the importance of their particular tasks helps people to stay focused and fully engaged with the challenges they face.

Help each team member to manage their own time and resources to best effect.

Income generation can be divided into the following headings:

## **Gifts and Donations**

### **Gifts**

- Community fundraising events, one off acts of philanthropy, regular individual donations (and Gift Aid from them), corporate support, crowdfunding, and increasingly, legacies.
- Some philanthropic giving and legacies may come with restrictions or requests for specified uses of the donation; however, in most cases this income is unrestricted and may be used to achieve the group's aims, as the group sees fit.
- From a business planning point of view, it isn't possible to predict the income from legacies and one-off donations; you can more easily estimate the income from regular donations and fundraising events.

### **Grants**

- Grants for specific activities are normally applied for through a process that meets criteria set by the funder, be it charity, trust, foundation, company or statutory authority.
- Grants offer the opportunity to undertake activity which cannot generate enough income to cover its own costs.
- Though a few funders will give grants to groups for unrestricted purposes, most grant funding is restricted to delivering specified outputs or agreed outcomes.
- Grants are an important form of funding that can enable many voluntary groups to carry out their purpose
- Grants are ideal for supporting research and development, building capacity or new activity which, over time, could become self-financing.

However, finding and applying for grants is a time-consuming business and many grants come with rules attached that require careful monitoring or reporting on progress. Each funder will have their own criteria, priorities and processes which means every application has to be tailored. Once you've made your application it takes time to get a decision—on average from two to six months depending on the funder and scale of grant requested.

Grants also present a number of challenges to voluntary groups:

- Lots of grant funding is short-term—requiring an exit strategy.
- Many funders have specific priorities for types of activity they want to fund—and this doesn't always correspond with what you want to do.
- Grant funding is often oversubscribed. There are also more groups looking for funding.
- Funders may have terms and conditions that require you to manage your group in a particular way. For example, you may need to change financial procedures and may have to introduce a system to measure outcomes.

West Dunbartonshire CVS produces a range of resources covering different issues of interest to community and voluntary organisations. Please contact us if you would like one-to-one support or advice on any issue.



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