

Quick Guide:

Income Generation and Managing your Money

A Guide for Community and Voluntary Organisations

It has never been so important for voluntary groups to have a well balanced array of income generation, appropriate to the group's objectives. Different income types need to be accessed and managed in different ways and involve different relationships with the funder or purchaser. The advantages of one income stream over another lies largely with the group's aims and objectives.

National Council of Voluntary Organisations (NCVO) has created an income spectrum guide designed to help you find the right mix of funding by looking at your own income streams and the risks of these running out.

http://www.ncvo.org.uk/images/documents/practical_support/funding/sustainable-funding/NCVO%20Income%20Spectrum.pdf

Financial Strategy

A financial strategy enables your group to assess your financial needs and the sources of support required to meet your objectives and fulfil the group mission, whilst also planning for continued growth to enable stability.

Your financial strategy will derive from your mission. So the first step is to clearly define why you exist and you plan to achieve your mission before preparing any budgets.

With your direction clear you can create a costed, timed and detailed work plan that outlines the operational activities necessary to achieve each goal down to the day to day activities. This will ensure that your mission and financial goals are complementary to each other rather than in competition.

Developing a Plan

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.

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

1. Beginning with the defining of a mission and building of a vision.
2. Moving on through defining and setting objectives.
3. 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.

For more information on planning, download the 'Developing a Plan' information sheet available from www.devonva.org/information_and_guidance.

Income generation can be divided in to the following headings:

Gifts and Donations: Gifts includes: community fundraising events, one off acts of philanthropy, regular individual donations (and Gift Aid from them), corporate support, crowd-funding, and increasingly, legacies.

Grants: Grants for specific activities are available from charities, trusts, foundations, companies or statutory authorities. Each application has to be tailored to meet the criteria, priorities and processes and a decision can take 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.
- Funders may have terms and conditions that require you to manage your group in a particular way.

Trading/the Open Market: Many voluntary groups look to develop income through some form of trading or social enterprise activity, for example through selling products or services to customers, but not as part of a structured contract. Trading might take the form of retail or providing training. Charities are legally permitted to trade, within some limits.

More information about trading is available on the Charity Commission website:

<http://www.charitycommission.gov.uk/detailed-guidance/fundraising/trustees-trading-and-tax-how-charities-may-lawfully-trade-cc35/#a>

Contracts/the Structured Market: Contracting involves earning income from payment for goods and services delivered according to the terms set out in a contract between a group and a purchaser. Contracts specify service requirements and make clear what and how a service is to be delivered, and for what payment. Contracting is particularly suitable for groups involved in delivery of public service work - health, social care, education etc. where a service is purchased directly by a local council, government department or other statutory authority.

Social investment/Venture Philanthropy: Social investment or loan finance is a relatively new tool for the voluntary sector. Although it's not strictly an income source, loans can be used to help your group to grow, develop or manage cash flow effectively. Social investment is money that is given with the condition of both a social outcome and financial return. Social investment can take many forms, including loans, overdrafts, investment and bonds. Find more information on this topic at [Social Investment Made Simple on KnowHow NonProfit](#).

DeVA can provide support to develop a financial plan, help set budgets, track your progress and manage risk. Contact us at support@devonva.org or call 0845 6099901.