



For the Voluntary and Community Sector

**DEVELOPING A FUNDRAISING STRATEGY
FOR YOUR
VOLUNTARY OR COMMUNITY ORGANISATION**

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DEVELOPING A FUNDRAISING STRATEGY And financial sustainability for your organisation

Introduction

Funding is one of the biggest challenges faced by charities – it is about maintaining the long term health, security and effectiveness of an organisation. Successful fundraising enables you to plan the long term future of your organisation. Devising, implementing and reviewing a fundraising strategy is a way for charities to work towards sustainable funding. A fundraising strategy will give a total picture of the future costs involved for the organisation and identify the planned sources of income to cover them, particularly to enable the organisation to be financially sustainable.

In summary, the purpose of a fundraising strategy is to show:

- The present sources of money and fundraising situation for the organisation
- Where it wants to be in relation to fundraising to deliver its goals
- How it is going to get there

Sustainable Funding – the goal

Sustainability is about the long-term ability of your organisation to achieve its mission. Funding insecurities and short-term project cycles drain organisations and constrain the work they do. Sustainable funding is about moving beyond the short-term to a more durable and dependable income base. This can be achieved through:

- 1) Strategic planning
- 2) Grant & income diversification

Fundraising Strategy – the tool

Put simply, a fundraising strategy is a plan that sets out how an organisation intends to fund its work. It should grow out of your organisational (strategic) and project (business) plans, and adhere to the aims, timescales and resource requirements outlined within. It is a strategic document that gives a joined-up approach to funding of individual projects. It should be a working document, periodically reviewed by staff and the management committee, and it should be developed before you start making funding applications. It will support the organisational strategy and enable the group to reach its stated goals. It can be a record of what has been successful in the past as well as recommendations for the future. Each fundraising strategy is different according to the needs of the organisation; it can be two pages or twenty pages. It is not meant to be stuck to rigidly, nor to be written and then forgotten, nor should it stop an organisation from responding to funding opportunities that come up unexpectedly.

How to make best use of a fundraising strategy

- The idea for having a strategy for anything is that it can guide the people within your organisation in carrying out their tasks in the most coordinated and effective way.
- A fundraising strategy assists trustees to assess the costs and benefits of any new ideas and how they fit into the organisational strategic plan. It is helpful towards meeting the requirements of SORP regulations - these require trustees to consider the risks of any fundraising actions.
- It makes you assess all the options, and the process of compiling a strategy means that you think through all funding options and are less likely to miss funding opportunities. It also keeps you on track as it is easy when fundraising to lose sight of the long-term goals.
- A fundraising strategy should be a working document which will guide, remind and record. It should help people who have a responsibility for fundraising to plan their workload and provide them with an easy reference point as to which funders have supported you in the past and those that might support you in the future.
- The plan should be developed with the involvement and support of key people within your organisation and the management committee in order to ensure it has the support it needs to be an effective tool for all in the organisation.
- A strategy makes it easier for fundraising to continue even if staff move on or management committee members change.
- It will help to identify priorities for fundraising, the timescale, and purpose of it.
- A strategy should show how much time and resources are needed and are being spent on different fundraising activities. Resources may include, human, material, technical, financial and organisational.
- And finally a strategy will make your funding do what you want to do, rather than the funding decide for you. You may wish to set targets to achieve this.

Format of a fundraising strategy

Some of these aspects will be in your business plan; you should link everything in your fundraising strategy back to that plan.

1) Introduction

A vision and mission statement, and core values are useful when approaching potential funders as they summarise the organisation. It can also give unity to staff around a common identity, and make it clear to people outside what your organisation is about. Questions to ask yourself are: What was the organisation set up to do? What need(s) does it address? What are the main areas of work and the desired outcomes? What ethical values are important to us?

2) Objectives

This part of the strategy is outlining briefly what you want to do. As virtually all new money is now for projects with specific outcomes, you will probably want to break down your objectives into fundable projects which are **SMARTER**.

Specific
Measurable
Achievable
Relevant
Timebound
Evaluated
Reviewed

3) Resources and expenditure

You need to cost what resources are required to meet your future objectives, such as capital or revenue funding or in-kind support. This should have been done already in your strategic (business) plan so you have a clear picture of the 'full cost' to your organisation of what you currently do and how this will change in the future. Make sure you follow the principle of full cost recovery and incorporate a percentage of your 'core costs' into every project that you deliver. Do you know what your core costs are each year? Remember to include the contribution and cost of any assets your organisation does or will contribute in-kind; these assets will depreciate and need replacing. Calculate if some of your activities pay for themselves or if the organisation is subsidising them.

4) Current income

In order to plan for your charity's future, you need to have a clear understanding of your current income streams and how these might be developed or change in the future. Where does current income come from? How secure is it for the future? Are you overly dependent on any one income source? How much of your income is restricted funding? And when do the income streams come to an end, or how will they change? Retaining existing sources of funding is sometimes far easier than finding new sources, but grant funding is likely to have a finite life. Know what income is being generated by your current goods and services, and if this can be developed.

5) Potential funding

To replace existing funding and work on bringing in funding for new work you need to identify suitable sources of funds. This should involve looking at all the potential methods of bringing in funds to diversify the income streams, e.g. sponsorship,

statutory funding, membership, legacies, gift aid, trading as well as grants. There are two essential activities at this stage – screening and shortlisting. **Screening** is identifying the broad types of funding that may be available to your organisation. For other methods of income generation it will require your organisation to carry out some investigation into the most suitable ways for you of raising money, taking into consideration your own resources and needs.

Having compiled a list of potential funders and methods of generating your own funds, you need to do more in-depth research and analysis into each identified source to give a **shortlist of the most favourable**. Draw up a table or spreadsheet with columns for type of funding, potential amounts, deadlines, resources required, skills needed, monitoring, tax and VAT issues etc. This will enable you to prioritise which method will best fit your work and organisation. It is important to be realistic about your capabilities at this stage and the skills and assets that can be utilised within your organisation.

6) Fundraising

When you have your shortlisted funders and types of income, you need to make a plan of action: how are you going to fundraise?

Who will be involved in the application process or work to generate funds? What skills/ knowledge do you have, and how much time have you got to devote to fundraising? You need people who can write well, prepare budgets, sell your organisation, speak to and develop relationships with others and keep records.

What resources will you need? Are they in place or when can they be?

Set up a spreadsheet or table on your IT system to record what you do, who is responsible for carrying it out, any deadlines to work to, and the outcome.

A good way to proceed is to form a fundraising team or committee where members can support and learn from each other. Remember, communication and co-ordination are essential – everyone within the organisation has to be working towards the same plan.

Set dates for reviewing the progress of the plan and allow for any changes as required.

How to go about writing a fundraising strategy

A fundraising strategy should show what your anticipated expenditure is, and any income generation from planned activities. It will set out the planned source of funds to cover the resulting costs of goods and services provided and the general running costs of the organisation. It will underpin the long-term objectives of the organisation.

To compile such a strategy requires knowledge of your organisation, the organisation's 'unique selling point', and the current and future financial position of the organisation and the way finances are managed. This will influence how successful you are at obtaining the money and enabling some 'control' to be maintained – to be *proactive* rather than *reactive*.

Essential considerations

- What does your constitution and legal status allow your organisation to do?
- What assets do you have?
- What is your staffing structure and who are your volunteers?
- What are your strengths and weaknesses?
- What sort of decisions does your organisation take that have financial consequences?
- What sort of analysis is undertaken to aid decision making? Is it effective?
- Involve several people from within the organisation to get a full picture of financial considerations and commitment to the new strategy.
- Consider what assumptions are being made to compile any forecasts - it may be prudent to prepare two sets of budgets within your strategy: one assuming renewal of a grant and the other cessation.
- Assess the risks with different strategies and how they can be managed.
- Decide the inflationary increase to be applied over the years to salaries, rent, etc.
- Consider if your IT or other assets are shortly coming to the end of their life.
- Review how your current costs may change in the future, e.g. rental.

Remember it is important your strategy has flexibility to meet changing needs and opportunities.

Finally, before the strategy is agreed you must decide if it is realistic and how it will be implemented:

- How will it be applied by personnel and operating managers?
- How will it be reported back to accounts personnel?
- How will it be monitored and reviewed?

Diversification of income streams

The Charities Commission likes charities to be less dependent on investment income and depend more on what they can raise annually. This means that charities (and charitable organisations) need to ensure they know what external sources the money will be coming from for at least the next year and preferably beyond. Relying on grant income alone can be too risky, but there are other ways of generating income for your organisation.

When looking at various ways of generating income remember to consider how much costs your organisation to generate income. For some charities the cost is as high as 60% of the income generated - work this out as you may get a shock!

The different methods of obtaining income will often have other benefits for the organisation, such as awareness-raising of the work of your organisation for the local community, the public and key individuals important to your organisation.

MARKETING

Voluntary organisations increasingly need to present a capable and professional **image** - do you know what image you present?

You will be **competing** for a share of people's disposable income, either from individuals or other organisations. You need to convince them to give you their money.

Target your marketing: Who are your potential donors? Where do they go? What do they do? Your appeal needs to be written and presented differently to appeal to the different audiences. Make use of your website to attract donations.

Printed material should be of good quality and be consistent in style and image. Make a local connection/identity and personalise the leaflet with pictures and case studies of staff or volunteers.

Make it clear what you want the target audience to do: Make sure the planned response to their action is friendly and efficient. Make information about your organisation readily available so that potential donors can find out more.

Find out what people think of you and why they do/don't support you: perhaps a local college or school could do some research for you, or ask people yourselves. It can be very enlightening, but do make sure it is done in a worthwhile manner otherwise it can be misleading.

Media: Find out the policy of local press and radio and develop a relationship with them.

TYPES OF INCOME AND DONATIONS

GRANTS

- **Lottery, foundations and trusts** - grants are the most common method of raising funds for many charitable organisations. Grant-giving bodies include BBC

Children in Need, Comic Relief, and the many foundations/trusts. It can be time consuming to research and write applications but these bodies are all about giving money away so with good research and targeting this can be time well spent. (Access the Grantfinder software programme, Norfolk County Council's Grantnet and the district council sites).

- **Government and European Union grants** - There are many useful websites that will help you find central government funding for voluntary organisations, e.g. www.governmentfunding.org.uk. Money from Europe is diminishing for the UK after December 2006; for further information of what will be available contact the European Funding Manager at Norfolk County Council.

LOANS

These are becoming increasingly available. Sources include Charity Bank, Future Builders and Community Development Finance Initiatives.

CONTRACTS AND SLAs

- **Contracts** with statutory bodies are becoming an increasing source of income for the voluntary sector. Bodies such as the county and district councils and primary care trusts procure or commission services from voluntary or community organisations. Find out what is required from the public body in question to enable an organisation to submit a successful tender. Ask yourselves if these requirements fit your organisation: Do you wish to develop in that way? What are the risks for your organisation? If you decide to proceed, you need to research what tenders will be invited, understand the tendering process, and develop relationships with the key personnel concerned. Remember, contracts are legally binding agreements and what this means for your organisation and the responsible trustees must be evaluated! See Charity Commission guidance CC37.
- **Service Level Agreements** are formalised arrangements with public bodies to deliver services as requested by them. They are not always legally binding like a contract.

A key difference between contracts/SLAs and grants is that with the former the purchaser will specify the service required which the supplier agrees to deliver.

CORPORATE SPONSORSHIP

Corporations – the concept of social responsibility has caused an increase in cash and goods/services donated by corporations to charitable organisations. It can help with the corporate image, and if the charity has influential trustees it can help directors/managers meet the 'right' people. Corporate sponsorship may help with a more expensive publicity campaign or a particular fundraising event, but choose your sponsors carefully to support your own image. The key to success is finding a company that connects with your organisation, approaching them in the right way, and giving them reasons to donate to you.

Business Sponsorship of events – a business may be more willing to sponsor an event that their staff or customers can attend. If this is an event requiring a large audience to make money, then ensure enough tickets can be sold.

Venture philanthropy is a method of companies, individuals and trusts supporting organisations by providing financial resources and management or technical support.

It will fund organisational as well as project costs to assist long-term development. Only a small number of venture philanthropy bodies - for example, the Impetus Trust - currently exist in the UK.

PRIVATE INDIVIDUAL DONATIONS

- **High profile individuals** – these are wealthy and well-connected people whom it can be very useful to have as your supporter, not only due to a possible donation but due to the position of influence they are in – can add credibility, glamour or free publicity.
- **Legacies** – this is not as long-term as it may appear. The average time from a charity being named in a will to it being received by the charity is 5 years. 6% of the income of many large charities comes from wills.
- **Regular giving** – donations of a specific sum for a specific or indefinite period, often by direct debit. Income tax can be reclaimed if the donor is a UK tax payer, but involves administration by the charity to reclaim it. (The Charities Aid Foundation run schemes for donors to spread their giving to whichever charities the donor desires, for example, by a monthly donation administered by CAF. Charities can register their details with CAF.)
- **Gift Aid** allows a charity to reclaim the basic rate of tax on a donation, so for every £1 received from the donor you claim 28p from the Inland Revenue (dependent on the current basic rate). The Charity must register with Inland Revenue, get a declaration from the donor that they are a UK taxpayer and they want the donation to be gift aided, and then claim the tax back manually or with a software package. Some organisations/charities will administer such schemes for a fee; Charity Giving, for example, is a Norfolk based charity that offers this service; another is the Charities Aid Foundation (CAF). Gift Aid reduces the tax bill of a donor on a higher 40% rate. The Giving Campaign offers a Gift Aid Toolkit free to any charity; visit www.givingcampaign.org.uk.
- **Payroll giving** – direct deduction from an employee's pay cheque. The donor only has the net amount deducted from pay whereas the charity receives gross including any tax. Some employers may be keen to encourage staff to donate, for example a local authority. Some employers contract out the work, the charge for which is deducted from the amount given to charities. A payroll giving donation is likely to be more long-term, lasting an average of 5-7 years.
- **Credit Card giving** – many people prefer to donate by phone and give card details. It may be advantageous to have this facility. A large appeal may need the engagement of an organisation to handle a large number of calls.
- **Share giving** – donors receive a generous tax relief for giving some shares to charity. A donation will increase in value to the charity by the income tax amount. Inland Revenue guide IR178 gives information on capital gains tax. CAF, Charity Giving and Sharegift run schemes to help charities administer this.
- **Membership subscriptions** can mean members expect something in return, but can help with financial sustainability and if members pay by direct debit it reduces administration costs.
- **Sponsored events** – sponsored runs etc. can be effective at getting the organisation known amongst new groups of people, as well as raising money.

Individuals can enjoy taking on new challenges whilst raising the profile of an organisation and raising funds at the same time.

- **Text giving** uses mobile phone messages. SMSTXTGIVING, for example, is a service for charities which wish to collect donations via mobile text messages. To find out more, log onto www.ctt.org/ctt_communications/smstextgiving/268.asp.
- **Celebration gifts** – individuals can opt to have a donation made to their favourite charity in lieu of a birthday, Christmas, wedding or retirement gift. Charity Giving, a Norfolk based charity, administer such a scheme. To find out more, go to <http://www.charitygiving.co.uk>.

YOUR OWN EFFORTS

- **Public collections** – limited to charities. These can be done on the street, house-to-house, or with collection boxes. Reliant on several willing volunteers but easy and cost effective to administer. There are regulations that govern collections and you should ensure that you act within the law and according to best practice. Contact your district council or local authority to find out more about local requirements.
- **Raffles and lotteries** – tombolas, prize draws etc. These are subject to regulation; contact your local authority for more information.
- **The Internet** – use a website to launch appeals, give information to donors, credit card donations, or online shopping. Commission from on-line shopping such as www.buy.at provides a method of raising funds for charities as people shop. By encouraging your supporters to shop on-line it earns you commission. It is used by schools, charities and community groups.

Events and attractions

These can be useful to draw the public to the organisation, to sell goods, educate, and generate good will.

- **Attendance/stall at public events and shows** – always evaluate carefully whether an event was worth the effort. Look at the number of staff and volunteers involved, their time, as well as actual financial cost. How many people noticed you; how much money was raised; did it help your public image; did it help you achieve your objectives; do the people on your stand need training to maximise their impact?
- **Open days at charity premises** – if an organisation has physical premises that people can visit, this can be an effective method of raising funds and finding volunteers. People see first hand what money is being spent on and it can foster good relations with the workforce and community. It needs to be organised well with good publicity.
- **Private meetings and lunches** – people such as corporate senior executives, trustees of trusts, civil servants (senior and who grant contracts), MPs and local councillors, media personnel, sport and entertainment stars etc. can have a lot of influence on the success of the charitable organisation. Identify who is important for your organisation and make sure they know about the good work you do and how you impact on their world. Invite them to a special lunch or event and ensure they leave impressed.

TRADING

Almost every voluntary or community organisation possesses assets that it can sell to others. This may be in the form of premises to rent to others, equipment to hire out, or personnel with valuable skills that others will pay for. Voluntary and community organisations are increasingly being encouraged to trade using such assets to earn income to fund its activities. This will enable the organisation to be more self-sustaining and not so reliant on grant income or donations, which can be unpredictable.

The organisation with a social goal that trades and puts a proportion of profit made back into the business is known as a Social Enterprise. A social enterprise is defined by the Government as 'a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders' (DTI, 2002, 2003). Social enterprises aim to create social value rather than personal wealth for the owners-managers.

However, social enterprises are also faced with the challenge to become and remain sustainable if they are to deliver maximum value along all three aspects of the 'triple bottom line' (social, environmental, financial) according to which they are defined. In order to do that, social enterprises do need to be innovative in response to the challenges they are facing. There are various sources of money (e.g. venture philanthropy and loans) that are specifically aimed at social enterprises. If they have the appropriate structure (governing document) they may also apply to some grant-giving bodies, for example the Big Lottery Fund.

The position for charities that trade can be complex; see the Charities Commission publication on Trading CC35. Some trading is allowed for funding the primary purpose of the charity via 'primary purpose trading', 'ancillary trading' or 'non-primary purpose trading'; or a separate trading arm can be established. If in doubt contact the Charity Commission and seek expert advice.

It is very important that you have the correct structure and legal status for your organisation at the beginning, so take expert advice.

Documents and information needed to compile a fundraising strategy

- Annual accounts (the most recent showing a breakdown of expenditure and income)
- Cash flow forecast for the next 12 months
- Record of predicted income and expenditure over at least the next 12 months
- List of projects, with costs and income shown for each
- Breakdown of overhead costs
- Any expected or potential changes in costs
- List of current and secured income streams and applications made awaiting decision
- List of successful and unsuccessful applications made in the past

The organisational structure of the organisation should be reflected in the financial management and budget, sometimes called 'cost centres' or 'revenue centres'.

Ensure that key personnel are involved.

Types of figures

Income:

Grants	Contract payments	Subscriptions, donations
Bequests, legacies	Payroll giving	Sponsorship
Gifts in-kind	Trading	Loans

Expenditure:

Variable costs – costs that vary with output

Fixed costs do not change with the amount of output

Direct costs – costs directly caused by the activity and can include variable or fixed costs

Overhead (indirect) costs – these are common costs that cannot be related as a direct cost to activities and would still be there without that activity.

Core costs - the central costs of an organisation that enable it to function but cannot be attributed to a particular project or activity; for example, the salary of chief executive. They are often referred to as overhead costs.

Capital expenditure on fixed assets. These need to be planned for and since fixed assets depreciate, allow replacement costs to be set aside over the life of the asset. It is beneficial to do a cost–benefit analysis prior to any substantial expenditure on an asset.

Contribution – what the activity is contributing to the fixed costs and surplus. A project or service may have an income that exceeds the cost of providing it. Such a

surplus income will help to run other parts of the organisation. However, a project or service may be a cost to the organisation if the grant received for it is insufficient to cover the full cost. If one of these applies this should be taken into consideration in any financial plans or strategy.

Further information & key organisations

West Norfolk Voluntary and Community Action (WNVCA), 16 Tuesday Market Place, King's Lynn PE30 1JN. Telephone 01553 760568; www.westnorfolkvca.org. Gives support and advice to voluntary and community organisations in Norfolk and has access to books/resources for reference or loan.

National Council for Voluntary Organisations (NCVO), Regent's Wharf, 8 All Saints Street, London N1 9RL. Telephone 0207 713616; www.ncvo-vol.org.uk.

Charities Aid Foundation (CAF), Kings Hill, West Malling, Kent, ME19 4TA. Telephone 01732 520000; www.cafonline.org.

Charity Commission, Harmsworth House, 13-15 Bouverie Street, London, EC4Y 8DP. Telephone 0870 3330123; www.charity-commission.gov.uk.

Charity Giving, The Dove Trust, PO Box 92, Dereham, NR20 4WD. Telephone 0845 130 3683; www.charitygiving.co.uk.

Directory of Social Change (DSC), 24 Stephenson Way, London, NW1 2DP. Telephone 0207 3914800; www.dsc.org.uk.

Sustainable Funding Project - NCVO (address above). Has a lot of very useful information and documents including various income and grant sources, and strategy. www.ncvo-vol.org.uk

Institute of Fundraising, Park Place, 12 Lawn Lane, London, SW8 1UD. Telephone 0207 7840 1000; www.institute-of-fundraising.org.uk.

Inland Revenue Charities, St John's House, Merton Road, Bootle, Merseyside L69 9BB. Telephone 0845 3020203.

The Legacy Promotion Campaign, 6th Floor, Haymarket House, 1a Oxendon Street, London SW1Y 4EE. Telephone 0207 9302620.

ShareGift (The Orr Mackintosh Foundation), 46 Grosvenor Street, London, W1K 3HN Telephone 0207 3370501; www.sharegift.org.

Social Enterprise Coalition (SEC), 54 Haymarket, London, SW1Y 4RP. Telephone 0207 9684921; www.socialenterprise.org.uk.

www.open.gov.uk The government information site for departments, councils, NHS Trusts and non-departmental public bodies.

Business in the Community, 135 Shepherdess Walk, London, N1 7RR. Telephone 0870 6002482; www.bitc.org.uk.

The Giving Campaign, 6th Floor, Haymarket House, 1a Oxendon Street, London SW1Y 4EE. Telephone 0207 9303154; www.givingcampaign.org.uk.

Avoiding the Wastepaper Basket*, Tim Cook(London VSC, 1996)

The Fundraiser's Guide to the Law (DSC, 2000)

Writing better fundraising Applications 3rd edition*, Mike Eastwood & Michael Norton (DSC, 2002)

The Complete guide to Business and Strategic Planning 2nd edition*, Alan Lawrie (DSC, 2001)

Fundraising Strategy*, Redmond Mullin (DSC, 2002)

Effective Fundraising*, Luke Fitzherbert (DSC, 2003)

Guide to UK Company Giving*, John Smyth (DSC, 2002)

Corporate Fundraising, ed. Valerie Morton (CAF/ICFM, 2002)

Fundraising and Trustees, the essential guide, The Giving Campaign
www.givingcampaign.org.uk

* Available at West Norfolk Voluntary and Community Action Library - address above

**A wide range of resources is available at West Norfolk Voluntary and
Community Action Library**

Fundraising Strategy Template

Please amend to suit your organisation

INTRODUCTION

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STRATEGIC OBJECTIVES

Objective 1	
Objective 2	

Objective 3	

RESOURCES REQUIRED

	Capital	Revenue	Total
Objective 1			
Objective 2			
Objective 3			
Total			

CURRENT INCOME

Funding Source	Funding for	Amount	Deadline	Other info

POTENTIAL FUNDING/ INCOME

Funding Source	Funding for	Amount	Deadline	Other info
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FUNDRAISING – ACTION PLAN

	Funding Source	Who responsible	Resources needed	Action req'd	Timescale
1					
2					
3					
4					
5					
6					
7					
8					

REVIEW PROGRESS

Date	By whom	Outcome	Action req'd	

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This information sheet is one of a series produced by Norfolk Information, a partnership of second tier organisations supporting the voluntary and community sector in Norfolk.

We have taken all reasonable steps to make sure that this information is current and accurate. We cannot, however, guarantee its accuracy or completeness and therefore cannot accept liability for your acting, or failing to act, on the information given.

For resources, books, ideas and useful information please contact West Norfolk Voluntary and Community Action on 01553 760568 or email info@westnorfolkvca.org