

## **Income Generation Toolkit**

This document is designed to help you think of ways to bring in income and formulate an income generation strategy. This strategy, like your business plan, should be developed by the whole organisation and reflect your organisation's vision, values, aims and objectives. Your income generation strategy should take into account the costs associated with the different types of income generation you plan to employ and compare this to the potential income they will bring in. You should also be realistic about your available resources (staff and equipment, for example) and make sure any income generation fits your organisation's principles and aspirations. Having weighed up the costs, risks and resources (including available skills in the team) your income generation strategy should prioritise and set clear deadlines for action. Having an income generation strategy is one way to demonstrate to existing and potential funders that your organisation has the ability to plan, research and use your expertise and resources to raise money and sustain your organisation.

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### **GETTING STARTED**

There are three key areas of income to consider in your strategy:

- Tendering for public sector contracts
- Ways you can earn income - sales of services, expertise or research or asset capitalisation (renting units etc)
- Fundraising. This can be broken down in to 4 types:
  - Raising money from corporate sources (through sponsorship, donations, in-kind)
  - Raising money from Individuals (through donations, subscriptions/memberships, online, legacies)
  - Raising money from grant-making trusts and foundations or statutory sources by bid-writing
  - Community fundraising from events, sales.

Don't forget that if you are a registered charity, you may be able to claim Gift Aid on some of this income.

One way to get started is to consult the people in your organisation – they are a major source of ideas and creativity, from the most senior manager to the most dedicated volunteer. Perhaps you could have a staff away day or a suggestion box, or even a board game – be creative. Once you have a body of new ideas, try to pick out the strongest ideas to focus on.

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## CONSIDERING RISK

Don't forget to consider what it will take to implement new ideas – many people are averse to change and risk. Other risks may include failed bids or tenders, changes in your markets, changes in funding opportunities or changes in government policy.

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## WRITING YOUR STRATEGY

When writing your strategy, you should include a short statement detailing your organisation's aims. You may already have something similar in your business plan or annual report. You should also include: your key objectives and costings (such as the costs associated with developing a new service or delivering a new project) as well as your core costs, and your financial action plan (what needs to be done to generate the necessary income you need). This should help to clarify your budget.

You should also try to think of the activities detailed in your strategy as being SMART:

<b>S</b>	<b>M</b>	<b>A</b>	<b>R</b>	<b>T</b>
<b>Specific</b>	<b>Measurable</b>	<b>Achievable</b>	<b>Relevant</b>	<b>Time-bound</b>
Who? What? Where? When? Why?	Quantifiable to track progress and evaluate success	Can you realistically achieve this? Do you have the resources?	How is this aligned with your values	When do you hope to achieve this by? What is the deadline?

For example, see the table below. This has some examples of income generating activities within each of the three key areas of income you may be able to consider including in your strategy. It also demonstrates how some of these activities can be thought of as 'SMART' – considering whether the activity is attainable, realistic and the timings involved in addition to how they may be measured

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## WHAT NEXT?

Before implementing new income generation streams it is vital that you have the systems and processes in place to accommodate them and the ability to measure the potential impact of this strategy. Areas such as book-keeping and financial management may need to be reviewed carefully before taking on significant new income streams. In addition, all stakeholders, including staff, volunteers and trustees should be consulted periodically and certainly before making any significant changes.

Type of income	Activity (specific)	Skills required (attainable)	Time taken (timed)	Potential outcome (realistic)	How evaluated (measurable)
1 Tendering for contracts	Writing applications to a commissioner (usually local authority, charity or business) who is looking for an organisation to run a service(s) for them.	Accuracy is key. Knowledge of third sector policies and priorities. Knowledge of commissioning processes and opportunities. Good written skills. Ability to build partnerships and relationships. All documentation relating to the Organisation and its history, policies, objectives etc. at hand.	Tender opportunities arise and disappear within a matter of weeks. Therefore it is imperative for your organisation to do a fortnightly (weekly if possible) scope for opportunities and have all the necessary information at hand so you can press on with an application.	Low value tenders can be as little as £4,000, the higher tenders can be worth multi-millions. However, commissioners, like funders, will not fund projects with no track record of delivery so it is sensible to start small then go for progressively larger contracts each time you apply.	Whether or not you have been successful.  Either way, ask for feedback on your tender document.
2 Fundraising from grant-making trusts or foundations (usually for a specific project) by application or letter of application	Writing applications to grant-making trusts and foundations or to the local authority.	Evidencing the NEED for the project, accurate and clear budget, attention to detail and writing skills, partnership building, knowledge of funder priorities, knowledge of organisational objectives and priorities, knowledge of the project in hand and understanding of staff capacity.	A good bid can take anywhere from a day (Awards for All) to 10 days full time. The major time consuming element of bidding is the collection of supplementary information and evidence. However, the SMART organisation creates a tender/bidding file which will include all your insurance documents, policies, contact information, board and staff profiles etc and the outcome of any user consultation you have done (to feed in to	Almost any amount of money can be raised in this way so long as the project is appealing to funders, the applications is very well put together and the project is a good fit for the funder. Small grants can be a few hundred pounds, or large grants can run into millions, though these are rarely awarded to small organisations.	Whether or not you have been successful.  Either way, ask for feedback on your application.  You may find some projects are easier to raise money for than others and can use this knowledge in your future planning.

			'evidencing the need' section of application). You may have to wait 6 months to a year to receive a grant.		
3 Sales and asset capitalisation (earning your own income)	Sales of services Sales of research Sales of expertise Sales of merchandise	Many third sector organisations have developed specialist knowledge, both in their specialist areas of work, and around the needs and issues of their beneficiary groups. This expertise could be used to provide a consultancy service or develop training for others.  Marketing and research skills.	Time will be needed to clarify and 'package' research, services and expertise developed by your organisation. Or, time taken to develop and package a product e.g. a training-kit or a DVD or merchandise. You will also need to do market research to know if a product or service is in demand. You will then need to market and promote whatever you are selling	You can make small amounts of money for each unit of merchandise, or larger amounts for consultation or sale of research or services. You will need to research comparable products/services to help you price your expertise/items.  Income generated from something you already own is a 'no brainer' unless the marketing and packaging takes more resources than could potentially be earned.	You can evaluate the effectiveness of this method of fundraising by seeing how much income you bring in and how often. For example, if you are selling merchandise you may make relatively small amount but every month. If you sell expertise, it'll likely be one large sum that you make. Is there enough demand to continue?
	Hiring out or sub-letting your building(s) or room(s)	Administrative skills, marketing skills and building management skills.	Administrative time, rate research (so you know what to charge), time spent chasing late payments.	Varies depending on the size and number of space(s) available and how often you can hire it out or sub-let it.	Is there enough demand and if not can you market more effectively?
4 Fundraising from businesses	Asking for support from corporate sources through sponsorship, in-kind gifts and donations	Ability to communicate with businesses and individuals from all walks of life and to be an ambassador for your organisation. Research skills.  Understanding the difference between types	Depends on the approach and activity but planning an approach to a business, including research, can take weeks and then if you are successful, you may wait longer for money or materials to arrive.  Setting up a membership scheme from scratch can	Varies depending on the activity but regular gifts, like corporate membership can provide year-round low-level income you can plan for. Other one-off donations and gifts are usually slightly higher in value. It really depends what you're asking for, who you're asking and what it is in support of.	Fundraising is usually measured against targets. For example, you may wish to raise a certain amount from business over a one year period. Most organisations will then monitor how they are performing against that target and may revise it the following year. Your targets should be set in

<p>5 Fundraising from individuals</p>	<p>Asking individuals for donations, Membership fees, online gifts and legacies.</p> <p>Engaging in community fundraising – events (dinner, fair), challenges (sponsored parachute jump, for example).</p>	<p>of gift and legal/tax implications.</p> <p>Ability to provide good stewardship.</p> <p>Hosting/organising events, marketing skills, attention to detail, ability to negotiate, team player, ability to motivate others, patience, tenacity.</p>	<p>take time to establish, especially if you're a new organisation. Legacy programmes are usually introduced after you already have established ways for individuals to engage with your organisation.</p> <p>Planning an event can take anything from a few weeks to a year for a large, annual event like a fundraising ball. You can recruit volunteers or members (on a voluntary basis) to help.</p> <p>Setting up an online fundraising page can be much quicker – you can do it in half a day and raise money for a set period of time, usually no more than a few months.</p>	<p>Charging a membership fee can give you regular, dependable income. Once set up, this is a good return on investment, as are legacies. It takes an average of 7 years to receive your first legacy after setting up a programme, so this should be part of your long term planning.</p> <p>Events can make anything from tens of pounds to thousands, depending on the scale. Often a good return on investment, especially if you have volunteers helping you.</p> <p>Don't forget that if you are a registered charity, you may be able to claim Gift Aid on certain monies raised from tax-paying individuals. See HMRC website for more details.</p>	<p>accordance with your current projects and aspirations and you may consider doing some research to help you set these (e.g. how much are businesses currently giving to charities in your area? How much do other charities charge for tickets to an annual fundraising ball? How much does membership to a comparable organisation cost? Etc.)</p>
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