# Help sheet: Diversifying your income

## Introduction

Many small organisations start out run by volunteers, then with a few small donations or grants they start to grow. At a certain point, it’s time to start thinking about “diversifying” where you get your money from. Relying on one or two income streams can be risky, especially at the moment when we know competition for grants is really high, so it’s worth exploring your options.

This resource will help you start to think about where else you could source money from, and how to prioritise when time and energy is limited!

### First things first - make sure you know what you need the money for, and why

Raising funds just for the sake of it will often cause more problems down the line. Get your board/staff/volunteers together to create a plan for what you need money for. You could create a whole organisational strategy (looking at what you want to achieve over the next 3+ years), or a list of short/medium/long term funding needs.

Don’t forget about the unglamorous things too:

* Project costs - existing or new
* Staffing
* Governance and overheads
* Buildings and equipment/tech
* Investing in your reserves
* Research, evaluation and organisational development

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It’s helpful also to know about any other considerations when it comes to your fundraising:

* What timeline are you working on? E.g. do you know that your council funding comes to an end in 18 months, and that’s what you need to replace? Or do you have an immediate gap that means you’ll have to stop a project in the next 3 months?
* What are your other goals? E.g. do you want to raise your profile more generally (in which case fundraising events and corporate partnerships might help), or do you want to get more ‘unrestricted’ income i.e. money not tied to specific things (in which case you might look at donations from individuals, and grants for core costs)

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### Take a look at the past and present before making decisions about the future

What can you learn?

Start with an **internal review**. Think about:

* Where do you currently get your income from?
* How has this changed over time?
* What have you tried in the past and learned from?
* Are there any past supporters we’ve lost touch with?
* What skills and networks do you already have?
* What are your strengths? Get creative with this e.g. amazing stories, a really charismatic Chair who can network for you, large local following, a unique approach, ability to run fun events

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Then look at an **external review**. Look at:

* What are other organisations doing? You can find the annual accounts for any charity in England and Wales on the Charity Commission website. Where are they getting their funds from? How has this changed? Have they received any grants from funders that might be interested in your work too?
* Take a look at the factors in the world affecting your fundraising. You might do a PEST review:
	+ Political: what is the national and local government agenda around your work?
	+ Economic: what is the economy like and how might that affect your costs and the expenditure of potential supporters?
	+ Social: what conversations are people having around the issue you work on? Are there recent news stories making it more prominent?
	+ Technological: what technology might help or hinder your fundraising? E.g. contactless payments, social media
* Where else can you get information on the pros and cons of different income streams? You could ask one of the Lewisham Fundraising Development Managers, attend a course, or look at online resources.

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### Use all this information to assess your options

With all of that research done, you might have lots of ideas for fundraising now. But with limited time and resource, you’ll have to prioritise. Think about the pros and cons before making a decision:

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| **Funding stream** | **Pros** | **Cons** | **Decision** |
| Grants | Potentially large sums of moneyWe have experience writing applicationsOur research shows there are lots of funders we’ve not applied to before | Usually restricted to a project so not flexibleReporting takes a lot of time | We will keep going after grants but try to reduce our reliance. We’ll prioritise ones that are a really good fit with our work. |
| Donations from the public | Unrestricted incomeRaises our profileCan be useful/reliable if monthlyOther similar organisations raise around £5,000 a year from this | Administration to manage, and initial cost to set up donation technology | We’ll start a monthly giving scheme with our closest supporters, and test doing a Christmas fundraising appeal |
| Events fundraising | High profileUnrestricted incomeCan achieve other goals e.g. educating people, bringing community together | Really expensive and hard work to runNot that much money raised after costs | We’ll stick with our one annual event and try to get a business to sponsor the costs, or volunteers to help run it |
| Etc.  |  |  |  |

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### Turn this into a plan

You want to be thinking about the long term when you’re planning. Some income streams will take at least a year or longer to be worth it, for example businesses sometimes set their budgets 12 months in advance, so you’ll start conversations now about the next financial year.

Set some achievable goals along the way, not just in money raised. For example, you might track the number of applications you’re sending, the number of people signing up to your mailing list, or the number of attendees at events.

Bring other people on board to help you - trustees, volunteers, other stakeholders - and agree regular times to check in on progress. You could use a RAG (Red, Amber, Green) system to look at how things are going - Green when everything is on track, the money is being raised; Amber when things are a bit off e.g. didn’t get a grant you were expecting, or had to delay an event; Red when there’s no way you’ll catch up e.g. key member of staff quit so you’ve not submitted any applications. And remember to celebrate your successes in diversifying your income!

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# Further resources:

[Charity Excellence Framework fundraising strategy resource](https://www.charityexcellence.co.uk/Home/BlogDetail?Link=UK_Charity_COVID19_Fundraising_Strategy_Recovery_Toolkit)

[Chartered Institute of Fundraising Small Charities resources](https://ciof.org.uk/events-and-training/resources/fundraising-essentials)

[Tips and advice on Fundraising from Charities Aid Foundation](https://www.cafonline.org/charities/fundraising)