

# Income Exploration Tool

Identifying and  
assessing the  
right income  
streams for you



## **The Sustainable Funding Project**

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The Sustainable Funding Project is an NCVO initiative working in partnership with the Big Lottery Fund and Charity Bank



# Searching for other income streams?

## A sustainable approach

Too often 'sustainable funding' is seen as a question of simply getting better at fundraising or locating one everlasting source of income. In fact, it should be seen as an approach.

The National Council for Voluntary Organisation's (NCVO) Sustainable Funding Project promotes an approach that encourages voluntary and community organisations to explore **opportunities for diversification** across a spectrum of income streams.

However, a range of income sources is not the only answer. Moving towards sustainable funding requires thorough organisational management and planning, and an understanding of when loan finance can supplement grants and donations to help an organisation grow at particular points of its lifecycle.

As well as identifying new income streams, sustainable organisations must also explore the impact that different income sources will have on their work and beneficiaries.

## Robust planning and sound financial management

## To be sustainable, income needs to be:

- **Stable** – it's important to have a mixture of income streams so that if one diminishes it doesn't threaten your organisation's overall viability. Being able to predict with confidence your future resource levels also enables longer-term planning.
- **Suitable** – there are a wide range of funding and finance options which are appropriate for different situations. Understanding what each can offer, and ensuring there is a good match between your objectives and the type of funding or financing you are seeking, is essential.
- **Sufficient** – there's never enough money, but understanding your costs properly allows you to make informed decisions about accepting contracts or undertaking project work. This is critical for effective planning and growth.

# Sustainable Funding: Ac

Income options available to volun

Donor



Funder



## Gift Economy

Philanthropic giving, voluntary donations, pure charity. Provides unrestricted income for organisations to use at their discretion to further their charitable aims.

## Grant Funding

Usually restricted funding provided to deliver specified outputs and/or mutually agreed outcomes. Grant funders are likely to want to monitor what is done with their investment and have clear expectations about what will be achieved.



ASKING

Different income types are accessed and managed in different ways and involve different relationships with the individual or organisation supplying the funds. As you move across the spectrum from left to right – from asking to earning – the level of expectation regarding what is received in return for the income increases.

# ross the Income Spectrum

## tary and community organisations

**Purchaser**



**Consumer**



### Structured Market

Payment for goods or services according to the terms set out in a **contract** between a VCO and a third party purchaser, be it from the public, private or voluntary sectors.

### Open Market

Within the overall realm of trading, the range of services and goods that can be sold is potentially endless. Some types of trading are undertaken purely to generate profit, while other types can also contribute to the delivery of an organisation's mission. Income generated in this way is unrestricted.



**EARNING**

Within the range of options there is enormous variety and possibility. Sustainable funding can involve all these income streams, or a more limited range – diversification *across* the spectrum, or if that is not possible or appropriate, *within* a particular stream.

The key to sustainability is knowing which streams are the right ones for your organisation to explore and how you can develop the capacity to secure and manage them.

# Do you need to diversify?

Take a few minutes to:

## 1 **Review** your current income streams

- How many funders or providers do you have in each income stream?
- How long will your different income streams last?
- What is the amount of income per month or year?

## 2 **Explore** whether a more diverse income approach could benefit your organisation and your beneficiaries

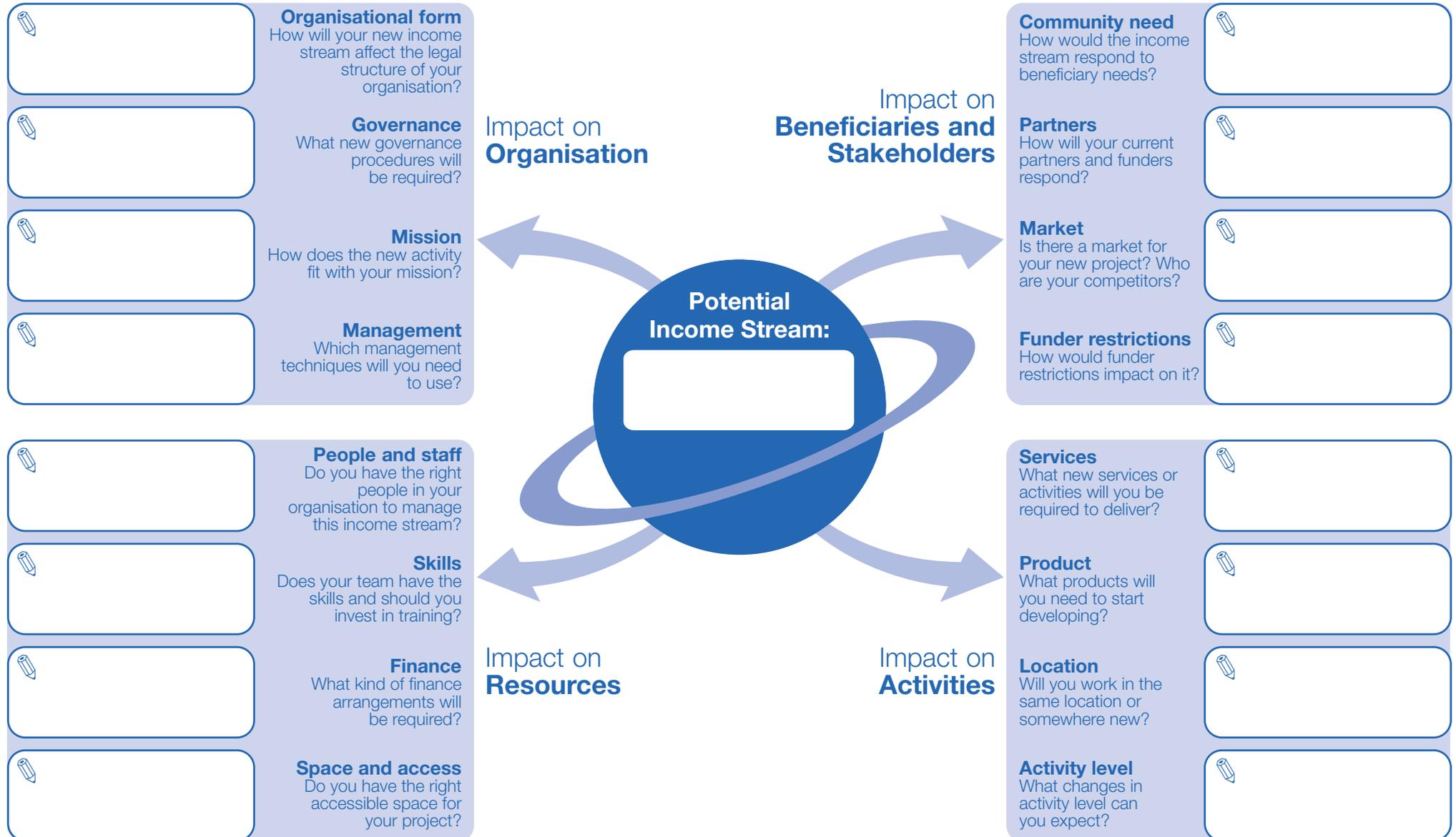
- What proportion of your total income comes from each income stream?
- What do you feel is the potential growth of each income stream, from low (no suitable opportunities) to high (many opportunities for growth)?

Income stream	Number of providers	Funding length	Amount £	Current Proportion			Potential Growth		
				Low <10%	Medium <50%	High >50%	Low	Medium	High
<b>Donations</b>									
Individuals									
Private sector									
<b>Grants</b>									
Trusts and Foundations									
Public sector agencies									
Private sector									
<b>Contracts</b>									
Voluntary organisations									
Public sector agencies									
Private sector									
<b>Trading</b>									
Individuals									
Voluntary organisations									
Public sector agencies									
Private sector									

Use the table to outline the options to diversify your income base, then turn over to assess their impact on your organisation and beneficiaries.

# Potential income stream: explore its impact on the organisation and your beneficiaries

Consider the impact your potential income stream would have on key areas of your organisation using this **income exploration tool**. Write the potential income source in the centre then follow the arrows and use our starter questions to explore its impact on your organisation and beneficiaries. You could also copy the tool onto a big piece of paper or whiteboard and get your whole team involved.



When you have completed the income exploration tool, you can reflect on the **Stability, Suitability and Sufficiency** of the income stream (see inside cover). You can get more copies of this tool and further resources by contacting the Sustainable Funding Project. Our contact details are on the front cover.