

Income Spectrum

Helping you find the
right income mix



LOTTERY FUNDED

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About this tool

The Income Spectrum enables you to better understand your income options and make stronger funding decisions for your organisation.

By taking a strategic approach you can increase financial security and better achieve your mission.

Open up see the different income streams, think about where your organisation fits, and decide if you need to diversify your funding.

Sources of income for voluntary organisations

Plan your organisation's future funding

There are four main streams of income. Each is accessed and managed differently and relies on a particular relationship, whether with an individual or an organisation. Having a good relationship with the donor, funder, purchaser or customer is crucial.

Asking and earning

Working with gifts or grants, you usually define the aim of your work and ask for support to make it happen. With contracts and the open market, the purchaser or customer usually defines what they want to pay for and you earn income by meeting their requirements.

Gifts

Donor relationship

Gifts are made to further the mission of the organisation. This includes community fundraising, individual giving, regular donations, philanthropy, corporate support, legacies and much more. Often this income is unrestricted, as the donor trusts the organisation to use the money to achieve its aims.

Grants

Funder relationship

Restricted funding to deliver specified outputs or mutually agreed outcomes. Most often there is an application process, the funder has clear expectations about what will be achieved and they will monitor how the grant is used.

Contracts

Purchaser relationship

Payment for provision of products or services according to agreed terms with a third party purchaser from the public, private or voluntary sectors. There is usually a competitive tendering process at the start and contract management throughout to check that the objectives are being achieved.

Open market

Customer relationship

Selling products or services to customers, not as part of a long-term structured contract. The open market includes trading and enterprise activity such as providing education, training, paid-for advice, selling publications or other retail. Trading can directly further the organisation's mission or can be purely to generate profit. Any surplus income is unrestricted.

Donor or customer?

Income from sponsorship, membership and fundraising events can be gifts or can be in the open market. It depends on whether the person or organisation is understood to be getting a product or service in exchange for their money. If they are, they are a customer, if not they are a donor. This affects tax and Gift Aid.

Social investment

Social investment means the different types of financing used to create social impact. This includes loans, bonds, capital, equity and many other types of investment in voluntary organisations. Full details are available on Social Investment Made Simple <http://ncvo.org/SocInv>

Investment income

Investment income includes rent from property, dividends, and interest on deposits. Investments by voluntary organisations generate a small but significant share of the sector's overall income. Wise investment is part of sound financial management, as discussed on the NCVO website www.ncvo-vol.org.uk/sfp



Do you need to diversify?

Review your current income streams to assess your level of risk

Complete the table below for your organisation by answering the corresponding questions to the right

Amount

What is the amount of income per year in each stream?

End date

When is each income stream likely to end (if you know)?

Proportion of income

What proportion of your organisation's total income comes from each income stream?

Level of risk

What is the level of risk in that income stream (of it suddenly reducing or ending)?

Income stream	Amount (£)	End date	Proportion of income (%)	Level of risk		
				Low	Med	High
 Gifts						
Individuals						
Private sector						
 Grants						
Trusts and foundations						
Public sector and Lottery						
Private sector						
 Contracts						
Public sector agencies						
Private sector						
Voluntary organisations						
 Open market						
Individuals						
Voluntary organisations						
Public sector agencies						
Private sector						

How to be more sustainable

You can reduce your risk levels by diversifying across the income streams, or within one type of income.

Think about the full cost of generating different types of income and develop the streams that offer a good return for your organisation.

Increasing the proportion of unrestricted income can help you to be more flexible.

Securing income that is a good match for your organisation's mission and strengths helps you to be financially sustainable.

What to do next

1. Discuss the income spectrum with your colleagues, trustees and other volunteers to better understand your funding situation.
2. Find out more about income strategy and financial management on the NCVO Sustainable Funding Project's webpages.
3. Score your organisation on the six aspects of financial sustainability with the NCVO Sustainable Sun Tool.