



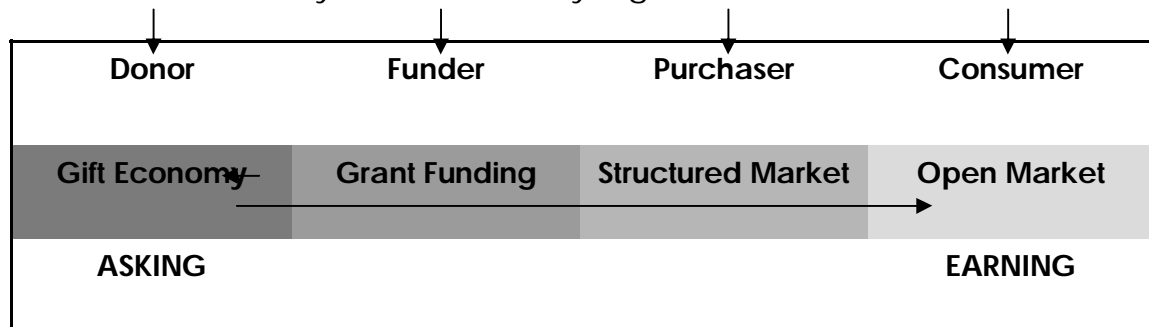
# Diversifying Income

**A key element of sustainability is to know what income streams are available and be open to new approaches.**

Based on their planning, organisations should begin to have a sense of the kind of money they need—large or small amount, income to fund a specific product or extend a piece of work, money to pay for general office maintenance and administration, long and short term, The next step is to understand the kind of money available.

## The income spectrum

The income spectrum below illustrates the range of income streams available to voluntary and community organisations.



Different income streams are accessed and managed in different ways and involve different relationships with the individual or organisation supplying the funds. Moving 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. In addition, the skills needed to access money from each income stream also varies: for example the ability to fill in a form may be useful to winning grant funding, but understanding how to negotiate a contract, or being able to demonstrate how an organisation meets certain quality standards, might be needed to obtain funds within the structured market.

Sustainable funding can involve all potential income streams, or a more limited range— diversification can occur both across the spectrum and/or within a particular stream.

# Diversifying Income

## Gift Economy

Gift Economy comes from **donors**. These can be individuals or corporate businesses, Other names for his income type are “voluntary income” or “charitable giving”. The gift economy provides unrestricted income—in other words, funds that can be used at the VCO’s discretion to further its charitable aims, rather than being tied in advance to specified projects or activities. In giving, a donor is not expecting a specific return for their investment.

## Grant Funding

Grant funding is more likely to be tied to specific objectives and is supplied by designated **funders**. These may be independent, (e.g. a Trust) , statutory (e.g. a local authority) or corporate (e.g. a private business.) Grant funding is usually restricted; it can only be used for the purposes for which it was requested. To ensure this, grant-makers are likely to request monitoring reports on how their money has been spent and what has been achieved with it. Some funders, such as the Lottery fund have guidelines about how money is spent , which may have implications for managing a grant and accounting for it.

Longer term activities or activities which are at an early stage in development, often find it harder to attract grants. Grant makers policies may; result in priorities in funding which do not match all VCOs needs. Stiff competition for this type of funding makes it increasingly difficult to obtain.

## Structured Market

Earned income is money gained from selling a product or service. The structured market involves earning income from payment for goods or services delivered according to the terms set out in a contract between a VCO and a third party known as a **purchaser**. In some cases an organisation may be offered what is termed a “service level agreement.” (SLA) The kind of purchaser involved will probably determine how the funding is regulated. Providing public services under contract is a big growth area of this type of funding.

## Open Market

At the opposite end of the spectrum to the gift economy is the open market. VCOs are using a business approach, earning income directly from **customers**. There is practically no limit to the range of goods and services VCOs can sell. The key to success is identifying a potential market and a product that people will purchase.



# Diversifying Income

## Tool - Income diversification diagnostic tool

Find out the extent to which an organisation relies on a particular income stream or funder by completing the template below.

Take a few minutes to review current income streams and assess whether a more diverse funding approach could benefit the organisation and its beneficiaries.

Consider diversification across the income spectrum or, if that is not possible or appropriate at this stage, *within* a particular stream.

Income stream	Number of providers	Funding length	Amount £	Level of dependency		
				Low <10%	Med <50%	High >50%
<b>Donations</b>						
Individuals						
Private sector						
<b>Grants</b>						
Trusts and foundations						
Public sector agencies						
Private sector						
<b>Contracts/ SLAs</b>						
Voluntary organisations						
Public sector agencies						
Private sector						
<b>Trading</b>						
Individuals						
Voluntary organisations						
Public sector agencies						
Private sector						

