

# Funding Sources – pros and cons

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## Funding sources as part of your funding strategy

This information sheet gives an overview of your options when looking for funding. Remember all fundraising takes time and requires proper planning to be successful. It is good practice to have a mix of funding types to enable sustainability and avoid over-reliance on any one source or type of sources.

### Trading

Describes any activity where someone buys something from you, whether that is a product or a service. In developing a healthy funding mix it is desirable to develop an element of funding that you are in control of yourselves. This could be activities such as a youth project having a tuck shop to a community centre running a café or shop.

#### Pros

- Profit/Surplus = unrestricted income
- Can try a number of ideas
- Using a trading arm to fund charitable work is a well-established model
- A trading arm is not always essential
- Can be ongoing and regular
- Can try a variety of methods

#### Cons

- Profit/Surplus is not guaranteed, you do have to work for it. It takes most successful enterprises/businesses several years before they are able to generate income – many activities may in fact make a loss initially – do your market research first.
- It could distract time and/or attention from your organisational aims
- There is a risk of breaching the powers of your constitution unless you use a trading arm
- Can be risky

## Delivering services through contracts and commissioning

This describes the process by which services are bought in by local authorities or NHS bodies to meet specific needs. Most local authority grants have been replaced by the tendering for contract/commissioning process.

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### **Pros**

- Opportunity to deliver services that suit your beneficiaries
- Can build credibility with the local authority, NHS Trust or CCG
- Chance of repeats

### **Cons**

- Tendering process is not always clear and can require quick action
- It is your responsibility to ensure you make a profit or at least have contingency built in
- Sometimes the money on offer is insufficient to deliver the work in the way you prefer, so you can lose money
- Payment often in arrears

## **DIY/community/public fundraising**

Describes any activity you undertake in order to raise money for your organisation by encouraging people to donate.

### **Pros**

- Unrestricted income
- Opportunity to engage community enthusiasm in raising funds
- Huge range: race nights to tea dances; sponsored silences to fantasy football; sponsored runs to challenge events like assault course/mountain climbs; talent shows to table top sales; raffles to auctions; bag packs to coin collections;
- Potential for gift aid for some activities
- Useful PR tool
- Potential for wide reach with online fundraising (especially if you capture public imagination)

### **Cons**

- Time intensive
- Legal/ethical implications need to be considered
- Potential to distract from main cause

## **Crowdfunding**

People pay in advance to enable you to fund a product/project/event. There are a number of established web platforms to facilitate this. Works best if there is a win-win element so the investor gets something in return.

### **Pros**



- Can be an effective way to finance a specific project. It has been used with success for many creative/arts projects including books, CDs and films with copies of the end product and VIP invites to launches on offer in return for investment

There are a number of crowd funding platforms available

### **Cons**

- Marketing and promotions need careful thought and planning
- You need to take time researching the platforms

## **Loan finance**

There are a number of options available. This usually better-suited to larger organisations with a clear business plan, to be able to confidently offer a clear plan for repayment.

### **Pros**

- Can be used to get a capital project moving quickly or to manage cash flow

### **Cons**

- You must be able to pay it all back, including interest

## **Donor/membership development**

Regular support from people who support your cause – includes payroll giving/legacies etc.

### **Pros**

- Unrestricted income
- Potential to be developed to be ongoing and regular
- Can include different ways of donating on website
- Gift Aid can increase benefits

### **Cons**

- Time intensive to set up, promote and maintain
- Needs to be the right type of cause e.g. cute animals and kids or illnesses that affect a high proportion of the population

## **National Lottery**

Funding through the sale of National Lottery Tickets (25% goes to good causes).

### **Pros**

- Funding available for up to 5 years
- Includes National Lottery Community Fund, National Lottery Heritage Fund, Arts Council, Sports England and Nesta
- Easy to access information with clear criteria

### **Cons**

- Restricted income
- Expectation that work will be sustainable from elsewhere after the grant
- Competition is fierce
- Time consuming application and monitoring process for some of the larger programmes

## **Charitable Trusts and Foundations**

Some use the interest from an endowment or investment; others such as BBC Children in Need and Comic Relief run big national campaigns.

### **Pros**

- There are a lot of them so you are likely to find one whose criteria you fit
- Wide range of grant size and length
- Wide range of application processes, closing dates etc.

### **Cons**

- Restricted income
- Often look for innovation and many give one-off grants only
- Some don't have clear policies and can take time to get decisions
- High levels of competition for many funds
- Might have to wait for period of time before reapplying

## **Companies/corporate sponsorship**

Establishing a relationship with a company working towards them agreeing to sponsor work or an event in exchange for publicity. Smaller companies might provide raffle prizes.

### **Pros**

Once established can be a long-term partnership

Right partnership can build credibility

Potential for Gift Aid

### **Cons**

Labour intensive to set up and maintain

More likely to suit higher profile charities

Have to take care that the company fits the charities ethos

## Public Sector

### Pros

- Funding available for specific issues/areas

### Cons

- Local government funds are moving away from grant funding/less money available
- Often funds from Government departments often have tight deadlines
- Funds are often paid in arrears so you have to find a way of delivering work before being paid (some funding is given on payment by results basis)

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