

Learning note: Financial sustainability

Introduction

The funding climate for Rural Communities Action Network (RCAN) members during the current Defra Agreement has been tough. This reflects the environment for the civil society sector more generally. Allocations from the Defra investment programme have reduced year-on-year and local authorities have typically cut back on their funding for non-statutory services and projects.

The RCAN network as a totality has been resourceful by managing to maintain the funding level it receives from other (non-Defra) sources. However, success in attracting more sustainable sources of funding has not been uniform. RCAN members have often taken very different approaches to building their sustainability.

This learning note identifies some trends in sustainable funding models developed during challenging circumstances and highlights two different approaches from Shropshire RCC and Cambridgeshire ACRE.

Context

Over the two years 2011-13 some £5.4 million of Defra's investment was spent across the four priority themes by the 38 local RCAN members and ACRE. Over the same two years an additional £15.2 million of funding from other sources was spent across the priority themes by the 38 local RCAN members and ACRE. In certain cases this could be described as 'match-funding', where Defra money has specifically leveraged funding from elsewhere. But more often, it was money that was raised separately and used alongside the Defra investment on the priority areas.

RCAN members typically attracted larger sums again for work that was not associated with the pillars and priority themes. In eight RCAN members examined in detail by the evaluation Defra funding was typically representing between 5% and 20% of their total turnover.

Sustainable funding strategy – Shropshire

Shropshire Rural Community Council has developed a five-year strategy to grow and strengthen its income base, so that it is in a more financially sustainable position. The organisation still receives the majority of its funding in grants from public sector sources, but that proportion is falling. In 2011, 87% of funding came through this route. This will have dropped to 77% at the end of 2013.

There are also some significant shifts in the sources of its public sector funding. It is becoming more diverse: various lottery programmes, national and local health and social care funding, and local authority streams are now supporting its work. The organisation has also seen a comparative growth in funding from structured markets (i.e. competitive tendering or formal procurement processes), trading and donations. There has been a noticeable move away from grant funding and Service Level Agreements.

Part of SRCC's strategy is to build-up and retain fundraising skills within the organisation. It has done this by recruiting the services of a professional bid writing and bid management

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company to train and mentor staff in the organisation. SRCC is also now a member of the Institute of Fundraising. These steps appear to have had a positive impact on the quality and success of applications.

Looking forward, SRCC is seeking to generate even more of its own income. By 2016, the strategy sets a target of 10% of its income from donations, 15% from structured (i.e. competitive) market contracts and 10% from trading. Some initiatives which underpin this strategy include:

- Using its new-build freehold office as an asset to generate income, through renting out a bespoke training suite on the top floor and by making available for hire some of its other meeting space.
- A more sophisticated membership charging structure for communities and other groups that includes a Funding Advice Service, training services and support around community buildings, amongst other things.
- Targeted donation campaigns, by raising the profile of what the organisation does for local communities and by making it easier to give. For instance, the RCAN members' home page has a 'mydonate' button to encourage free e-giving.
- The RCAN member has also introduced successful targeted fund-raising campaigns, including the Winter Warmth Fund, launched in 2011 which, to date, has raised over £6,000 from people who have felt able to give up some of their Winter Fuel Payment so that it can help others in greater need. Other community fundraising campaigns (e.g. Coffee for Carers) and events have raised over £20,000 in an 18 month period. SRCC ensures the use of the funds is transparent so that donors can see exactly how local people in need have benefitted from their generosity. Good use of local media helps to achieve this and further raises their profile. It also dispels a perception that the RCAN member is fully funded by central and local government.

Asset management – Cambridgeshire

Like most RCAN members, Cambridgeshire ACRE has been looking for innovative ways to diversify its income base. Alongside developments such as a new charging structure for members and competing for and winning partnership funding, the RCAN member was able to take advantage of an opportunity provided by another local voluntary organisation that ran an Outdoor Centre.

Mepal Outdoor Centre is a small outdoor activity centre located eight miles from Ely in Cambridgeshire. For some years the centre had been losing money and grants were being withdrawn – including crucial ones from local government – linked to a failing management and governance situation. Nevertheless, the centre was valued by the Council, who owned the site and it did not want to see the asset lost despite its problems. In 2011 it and the Mepal Outdoor Centre Charitable Trust asked Cambridgeshire ACRE if they would provide management support to the centre. A management agreement was reached between the Trust and Cambridgeshire ACRE for one year.

One year on, the RCAN member has begun to restore the fortunes of the centre. It now provides the strategic, financial and governance management. The prime role of Mepal Outdoor Centre is to provide affordable outdoor leisure, coaching and vocational training for the local area. Whilst this particular service was not within Cambridgeshire ACRE's immediate skill set, the RCAN member found that it did have many of the other core requirements within its own organisation. This included human resources, governance, business and financial planning, and community consultation. It was able to buy in the other technical skills and expertise it needed, particularly around outdoor activities.

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Closure of the centre has been averted, with it generating a slight profit in this first year. The Boards of the two organisations have agreed to continue to work together for another year. Cambridgeshire ACRE is now guiding the Trust through the process of incorporation into a charity limited by guarantee and the idea is to integrate back office services still further which is proving cost-effective for both organisations.

There inevitably remain challenges. For instance, the uneven flow of income is not ideal – most of it is generated in the Summer months. Nevertheless, the centre is proving to be a success locally and, aside from the financial benefits, it has raised the profile of the RCAN member. One local newspaper headline ran, “Cams ACRE saves the day!”

Widespread action

Other examples from the RCAN network suggest that action to secure a more diverse and more sustainable funding base is widespread:

Service charges: This is one of the most common adaptations. Some RCAN members have charged a small membership fee for access to services for many years. Cutbacks in direct funding, particularly from local authorities for e.g. community led planning work, have prompted RCAN members to develop more extensive support services and introduce different charging structures for access to them. For instance, Community Action Hampshire switched its village halls advisory service to an annual subscription basis in 2012. A membership fee allows a village hall committee to access one-to-one support.

Group action: Oil bulk-buying schemes have grown rapidly during the period of the Defra Agreement. Many are linked to the Oxfordshire RCC franchise model, which enables RCAN members to charge a membership fee based on its sales of oil whilst still securing cheaper fuel for its community members. This is covered in another case study.

Partnership funding: The decline in direct grants, particularly from local authorities, has seen RCAN members develop new networks, some of which are leading to new funding opportunities. The RCAN members are often leading these partnership proposals because of the county-wide strategic position they occupy, combined with a direct service delivery function. An example is the Sustainable Harborough Challenge, a Big Lottery-funded partnership led by Leicestershire & Rutland RCC to deliver environmental, social and economic benefits to the Market Harborough area.

What does this tell us?

The public funding climate for RCAN members has been a tough one, as it has for the civil society sector more generally. So it is right that RCAN members should re-double efforts to seek out alternative or replacement funding sources. This note provides only a snapshot of the many approaches that RCAN members are developing.

- There is widespread evidence of RCAN members seeking to develop sustainable, diversified funding streams, including:
 - o Winning financially significant local delivery contracts or tendered for services and commissions;
 - o Diversifying their income by attracting funding from a widening range of sources;
 - o Generating income by levying charges, hiring out space, developing and managing assets.

- Funding comes from a wide range of sources. Local authority funding may still be the most common, but the Big Lottery, other Government Departments (than Defra),

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RDPE and donations all feature in the mix. There is evidence that RCAN members are generating income from service charges, donations, commissions and asset management. Complete self-funding still appears to be some way off, however.

- RCAN members often have transferable experience that can help them underpin broader income generation strategies in competitive environments. These include strong governance, management and organisational skills, access to strategic partnerships and local credibility.
- RCAN members are also addressing their areas of weakness to become more competitive. This includes developing fundraising skills and buying in specific skills to complement existing expertise.
- The RCAN network has had some success in sharing learning and developing financial opportunities amongst its membership, such as with the oil bulk-buying schemes and the development of enhanced paid-for membership services.
- However the network, perhaps supported by Defra funding, could increase its learning from good practice, developmental work and pilot work around income generating models within the membership. Since RCAN members operate in different geographies, competition is unlikely to be a barrier to shared learning. Rather it should prove another visible benefit for RCAN members from being a part of that network.
- There is considerable value in adopting a systematic approach, which reviews options and sets objectives, as the RCAN member for Shropshire has done. Shropshire RCC has invested considerable time and resources in its sustainable funding strategy, but it would appear this is now paying dividends. Nonetheless, the experience of Cambridgeshire ACRE shows this does not negate the value of taking opportunities which arise and which might involve RCAN in adopting new roles, such as asset management.

This is one of a series of learning notes and case studies which has been produced from the mid-term evaluation of Defra's 2011-15 investment in the RCAN/ACRE network. Each of these topics could warrant more substantive research in their own right, but it is hoped these snapshots offer some lessons and stimulate further discussion of the issues.

The learning notes and case studies were commissioned by Defra

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