Funding Toolkit

East Cambridgeshire
District Council

VCAEC

"we're in it together"

VOLUNTARY & COMMUNITY ACTION
EAST CAMBRIDGESHIRE

Contents

Introduction and overview

This toolkit has been produced to help Voluntary and Community organisations based in East Cambridgeshire improve the quality of funding applications they submit and by doing so increase the chances of a successful bid.

The toolkit looks at fundraising from the perspective of the funder and what they will look for in a funding application.

There are thousands of possible funding sources available, including statutory and grant making trusts, but most funders receive far more applications than they have resources to meet. Whatever type of funder you decide to approach they will have criteria which you must meet and these are likely to include:

The type of organisation they will fund (some fund only registered charities).

■ The geographical area the proposal covers.
■ Does the proposal fit with the priorities of the funder? (e.g. arts, sports, health).
■ Who are the beneficiaries of the work? (e.g. older people, children).
■ Whether the money is for revenue (running expenses) or capital (to buy a specific item).

Many funders are very specific about what they will fund and many also have a list of things they will not support.

In addition to making sure that the application fits with its criteria, the funder may also consider:

■ Whether the organisation appears to be working effectively and efficiently in order to deliver the proposal.

■ What is the need for the project, service or item?
■ How does the proposal meet this need?
■ How will success be measured?
■ What will be the overall impact?

Guidance on these aspects is covered within this toolkit.

Guidance on how to locate the right funder for your group is included in Section 6 of this toolkit.

Further information and guidance on the topics covered in this toolkit is available from:

Voluntary & Community Action
East Cambridgeshire
41e Forehill,
Ely
Cambridgeshire
CB7 4AA

Tel. 01353 666166
Email info@vcaec.org.uk

Community Development
East Cambridgeshire District Council
The Grange
Nutholt Lane,
Ely
Cambridgeshire
CB7 4EE

Tel. 01353 665555
www.eastcambs.gov.uk

1. Getting started

This toolkit assumes that a group with a shared interest or purpose exists. It is good practice to have the purpose or aims of the group written down to ensure the focus of the group is understood by everyone connected with it and to help the activities of the group stay in line with the declared aims (for more information about developing a group to work as competently as possible, see the Organisation Toolkit)

Before you start looking for funding to support a project, you need to be sure that what you are planning to do fits into the overall purpose of your organisation.

Some projects may be good ideas, and may mean the development of much needed services, but each organisation should be prioritising its activities in line with its purpose or key aims. It can be all too easy to take on "needed" projects only to realise after a time that the organisation has drifted from its original mission. It can be harder to get back on track later.

Many funders will impose conditions on how money they grant can be used and what they expect you to achieve. Can your organisation meet these conditions and submit reports to funders? If not, your funding choices will be limited.

Consider developing a funding or project plan. Guidance on setting aims and developing a plan is included in the Organisation Toolkit produced with this guide.

Not just one person

Fundraising is very important to most organisations and it should not be left to just one person. To do so is to leave the group in a vulnerable position with regard to future sustainability, working efficiently and using group members' skills effectively.

Start by:

- Forming a funding committee with at least 3 members.

Or:

- Make funding a regular agenda item for your management committee.

Then:

- Find out how funds have been raised in the past.
- Find out who in your group may have good contacts, experience or knowledge you could use.
- Find out if there is anything local that can assist you in achieving your project e.g. school volunteers can help give a make-over to a village hall or green area.

2. Why is your project needed?

Identifying the need for your project may be a simple matter of hard facts, e.g. the village hall roof leaks and needs repair or replacement, or it may be a case of people saying they'd like your group to offer the community an extra event or such like.

Collect evidence of this need. This can include; survey results, letters, products of a working group, a "wish list"; or it may be photos of the leak and the damage caused. Evidence will help you to plan a project that truly addresses the need.

If your group delivers a service to the community you may find, if you conduct some research, that you come across issues you had not considered. Consulting those who are recipients of your services is ideal as they can really put you straight if you're heading in the wrong direction.

Make sure you have also considered, where appropriate, what other projects like yours already exist. There is no point in local duplication, but there may be opportunity for replication and development of good examples. A funder will want to be reassured that you have considered what exists already so money is used as wisely as possible.

You must be clear in defining the problem and showing why it is important. Think about the following:

What is the need you are tackling?

- Why is it important?
- What will happen if nothing is done?
- Are there statistics or evidence to show that there is a problem and if it is likely to increase?

- Who will be helped as a result of the work and why are these needs especially important?
- What are the features of your area or community that make it important to give you support? (e.g. are you in an area of rural or social disadvantage?).

Rather than focusing on the need to buy equipment or update premises, a funder is much more likely to be interested in:

- The fact that you will offer additional services.
- More people could use your existing services.
- The way your services are delivered will be improved.
- Whether other organisations could use the facilities but deliver entirely different services.

Research

You may need to produce information to demonstrate the need you have highlighted. Good ways of doing this include:

- Parish or town plans (available through your Parish Council or Cambridgeshire Acre).
- Census data (available from CCC website: see Useful Websites section)
- A survey or questionnaire.
- Talking to people who use the group's services.
- Talking to people from other communities who have undertaken similar projects.
- Letters of support.
- District or County Council strategies (available from ECDC or CCC websites).

3. Does your proposal meet the need?

Having identified the need, you will have to show a practical and sensible solution which will address it.

- State clearly what you want to do
- How do you know that it will work?
- Can you show your plan is going to be effective and cost efficient?
- Does your project represent value for money when compared to other possible solutions?
- Has your organisation got a track record of achievement?

If there are a number of groups in your area with similar aims, what is different about your group?

- Can you show you are close to the people who will benefit?
- How many people will the project affect and what difference will the project make to them?

4. What will be the impact of your project and how will your measure it?

Many funders will require details about how your project is going to make a difference to the need you have identified. It is a good idea to think about the likely impact your project may make and how you could measure it.

Everything is measurable … otherwise how will you know if you have achieved what you set out to do?

There are some terms frequently used by funders. The most common are as follows:

Outputs (what you do)
What you actually provide and to what extent, e.g. 4 information events planned per year with an expectation of attracting 20 attendees to each event.

Outcomes (what you aim to get)
What has been achieved as a result of the outputs, e.g. (i) 20 attendees at each event. (ii) 20 people are better informed about supporting environmental improvements in their community. Outcomes should be **SMART: S**pecific, **M**easureable, **A**chievable, **R**ealistic and **T**ime-bound

Impact
The wider difference your project has made, e.g. more local people are engaged in supporting environmental projects, which leads to an improved local environment and a stronger sense of alliance in the community.

Your project may have just one output, or it may be broken down into a number of outputs, with each having their own outcome and impact, or sharing outcomes and impact.

Task

At this stage it might be a good idea to sit down with your committee and think about the project you are planning. Using the following structure, try to highlight the activities (the outputs), intended outcomes and overall aim and impact of the project.

Activities
List the main services or activities you plan to carry out.

Examples:
Providing social activities for the youth or elderly of the village
Producing information leaflets about the centre
Building a community centre to cater for a wide age range and a variety of activities

Outcomes
List the changes you aim to bring about.

Examples:
■ Reduced isolation in rural area
■ Greater cross-generation contact
■ Increase in local opportunities for volunteering and therefore community involvement

Impact
List the wider changes your project will make.

Examples:
■ Increase in potential for improved wider community relations
■ Improvement in village facilities makes it more desirable to stay in locality

An example of this Task completed for a youth project is included in Appendix 2

MEASUREMENT: MONITORING

A funder will often ask for you to submit a report to show how successful your project has been and they may ask at the time of the application how you intend to measure the success of the project.

Many groups get worried about this aspect but it is not a case of having to "account" for any grant made. **Monitoring a project helps ensure you're on the right track to achieve what you set out to do and reporting is an opportunity to share what the grant has helped you achieve.**

> **IMPORTANT NOTE:**
> **Monitoring a project goes hand-in-hand with measuring its effects and enables a committee to "tweak" the project to ensure it will meet the need stated at the outset.**

Outputs could be measured simply by recording what you do, e.g. if the project is developing an existing activity make sure you've got some figures from before the project in order to compare with figures collected after the project has taken place.

Use the evidence you collected to demonstrate the need of the project to show why you chose certain activities over others.

Outcomes could be measured by comparisons between figures before and after the project or questionnaires completed at the end of each event can be used to ask people if they feel better informed than before attending the event. To have a more tangible measure people could be asked to 'score' their understanding at the beginning and end of the event and the improvement could be measured.

Take photographs of activities or work in progress and include them in the report. Gather feedback from those involved in the project and those benefitting from it. If the local press have covered the event or work, include their coverage.

The **impact** could be measured by collecting evidence about how many attendees have got involved in another project having attended an event or measuring the maintenance of attendance figures following an event.

Collect on-going evidence – photos, letters, press statements etc.

Evaluation

At the end of the project the committee should have a "round-up" meeting to assess the whole venture; did it achieve what it set out to do? What were the problems along the way? What would they do different, if anything, another time? Was the planning at all stages rigorous enough to help the project run smoothly?

5. Producing a budget

Many groups do not give enough thought to working out the real cost of a project and so come up with unrealistic figures which may leave individuals making up a short-fall in funds or a project failing to achieve its aims. The worst scenario would see a project collapsing part-way through but the group still being responsible for costs incurred or having to "pay-back" a grant awarded for work subsequently not completed.

By spending a bit of time at the initial planning stage, budget proposals can reflect the full potential outlay of the project in all its stages: start-up, running the activity, and close down. It is crucial to the success of the project to allow sufficient time and resources for each.

The key to producing a budget is to fully understand what you need to achieve the task. Think about:

■   What you are planning to do?
■   How you are planning to do it?
■   Breaking the task into stages
■   Looking at the resources for each stage

If your organisation is planning to undertake several activities which will benefit a similar group of people consider producing a budget to cover everything; it may be possible to approach one funder for the whole amount rather than submitting several applications.

Identify a basic budget at this stage just to give you an idea of the overall likely cost.

Aim to be realistic with this – there is no point in trying to slim a project down to fit in with what you think is the amount of funding you are likely to get. To do so and

only get that amount of funding will result in a poorly run project, overworked staff/volunteers and possibly failure.

Do not forget to include the costs for overhead charges specific to the project; such as rent, utilities, management time, administration and consumables, IT support, etc.

If the project is only part of what your organisation does make sure that you include a proportion of any costs the project will share (e.g. rent, utilities, insurance, staff costs etc) and not just the additional costs.

Additional budget information is included in Appendix 1. This gives you guidance on things you may need to consider. The budget could be for your whole organisation or simply for a project.

6. Finding the right funder for your project

There are a number of potential sources of funding for your project including:

■ **Statutory funders**
(ask to speak to a Community Development officer at ECDC)
  • central and local government organisations
  • applications often considered only once a year
  • often linked to specific local priorities

■ **European funders**
  • tend to focus on large sums
  • focus tends to be for regional or wider areas

■ **Lottery funders**
  • a wide range of funding programmes
  • funding from £300 upwards

■ **Charitable funders**
  • can be very specific on what they will fund
  • thousands of potential sources

■ **Companies**
  • keen on local links
  • employee giving schemes
  • equipment
  • may enable staff to help as volunteers

■ **Private fundraising**
  • funds raised from events
  • personal giving
  • earned income from shops or products
  • philanthropic or service organisations (Rotary, Lions etc)

How to search for potential funders:

■ Use contacts you already have particularly with local companies

■ Use the Grantfinder computer package available from VCAEC

■ Ask to see the Directory of Grant Making Trusts and other resources available from VCAEC

■ Ask for an appointment with the VCAEC Development Worker

■ Ask about training or briefing sessions that may be available

Look to highlight 5-10 funders who may be interested and research these in detail and aim to narrow down to 2 or 3 to apply to.

7. Your funding application

Nearly half of Big Lottery applications get rejected at the initial stage because of simple, unacceptable and avoidable errors: including not supplying the requested documents, forms being enclosed unsigned, failure to demonstrate how a project meets the scheme criteria, illegibly written applications.

Check the guidelines thoroughly
To help you decide which funders to approach, get hold of the guidelines that they all produce and read them thoroughly, checking you are not excluded from applying, or whether their decision making timetable is too long for your project plans.

Where possible, make contact
Some funders are happy to talk through your application before filling in forms or putting your project plan into letter form. This is often encouraged to make sure no one's time is wasted. Funders can often give you some pointers on the application questions.

Writing the Application
Remember the key things most likely to convince the funder are:

■ The need/problem which your project addresses
■ The credibility of your organisation to deliver it
■ If the service will continue when funding stops; try to explain how

Some basic rules are:

■ show how the project meets the funder's criteria or priorities
■ avoid jargon and assumptions
■ keep it clear and straightforward

■ make sure you say the important things without assuming the funder knows anything about your organisation or locality

It can be helpful to get someone who knows nothing about your project to read through your application and then tell you what they have understood from it. Do not waffle to fill in space, but if there is an allocated word limit or space to complete on an application form and you have not put much in, think about what kind of information the funder is looking for that you may have missed

It is easy to make mistakes, and it could be enough to eliminate your application from the funding round completely due to lack of care.

Applying to several funders at once

It is acceptable to apply to several funders at once and some funders ask you for details of other applications you're making. The funder will understand that you cannot predict the outcome and that you will try to maximize opportunities.

In some cases the project will be too large for one funder and you will need to approach several. Tell all funders you approach:

■ The total project cost
■ The contribution you are asking them to make

In applying to several funders you may be lucky to be offered more than one grant for the same work. You must offer to return the money to the second funder but you can

also ask if they will allow you to transfer it to another project in your organisation – they may say yes.

Dos and Don'ts

- Send for the funder's guidelines or download from their website.
- Research carefully the wishes and intentions of the funder.
- Be honest: untruths may come back to haunt you.
- Make sure that the person the funder may contact is available and knowledgeable about your organisation and project.
- Keep a copy of your application together with facts and figures.
- Let the funder know the outcome of your project.
- Go back to ask for a second grant if there are no restrictions about doing so.

Do not

- Send out a standard circular letter.
- Prepare glossy brochures.
- Assume you know what the funder wants to know. If they ask for an application form or certain information then provide it.
- Send extra literature unless specifically asked for
- Expect an acknowledgement or reason for rejection; many funders spend their money on grants rather than administration.
- Send a hand written form that hasn't been checked by someone else for legibility!

8. Steps to success

1. Agree a vision or aim for your group.

2. Get other people and organisations to support you.

3. Develop projects which tackle real problems in the community and make your outcomes **SMART** (see p.8).

4. Find and research likely funders.

5. Find out what they really want to fund and how much money they have to give.

6. Plan ahead over 1-3 years; sort out a funding strategy and be aware how long it takes funders to make decisions.

7. Write a good proposal and target it to the funder's guidelines or criteria.

8. Manage the process; know when deadlines are and leave yourself enough time to write a good quality application.

9. Keep copies of everything you send.

10. Have a fall back plan if your application is unsuccessful.

11. If you are successful keep in touch with the funder, send reports and build the relationship.

9. Why funding bids fail

Funders give a number of reasons why bids may fail. These include:

1. Project is outside of the funder's criteria.

2. Applicant did not complete all the questions.

3. Applicant missed the funder's deadline.

4. Poorly handwritten, not legible.

5. Project benefits the organisation not the people in the community.

6. No evidence of need or exit strategy.

7. Waffled rather than answering questions on the form.

8. Unrealistic targets or outcomes (they were not **SMART** – see p.8)

9. Unrealistic costings or monitoring proposals.

10. The contact given in the application could not answer questions the funder asked about the project.

There is of course one reason why even the best application can fail: the funder has already allocated their funds to other projects.

10. Glossary of Terms

The following is a list of terms commonly used by funders.

Aims	The key purpose of your organisation.
Beneficiaries	Users or people who will benefit from your project or service.
Budget	A clear breakdown or description of how much money you need for your project or activity.
Business Plan	A plan with a clear analysis of need and realistic assumptions for income and expenditure for 3 years or more.
Capital funding	Money to purchase equipment or a building.
Community consultation	Process for obtaining people's opinions.
Continuation strategy	Your plan for continuing after the grant runs out.
Evaluation	How you will compare what has happened with what you were hoping for.
Exit Strategy	The same as 'continuation strategy'.
Funding criteria	The types of expenditure or project the funder will or will not fund.
Impact	The wider difference your project has made, e.g. more local people are engaged in supporting environmental projects, which leads to an improved local environment and greater community cohesion.
In kind support	Support in non-monetary terms e.g. free use of premises, volunteer time.
Match funding	You may have to find some of the money yourselves, either from your own funds or getting other funders to support you.
Milestones	Defined steps on the way to achieve your objectives.
Mission statement	A statement of the aims of your organisation.

Monitoring   Collecting information about the work you have done
e.g. numbers using your service.

One-off grant   A single donation towards your project.

Outcomes   What has been achieved as a result of the outputs,
e.g. 20 attendees at each event are better informed about
supporting environmental improvements in their
community.

Outputs   What you actually provide and to what extent,
e.g. 4 information events planned per year with an
expectation of attracting 20 attendees to each event.

Project proposal   A description of what you want to do and why.

Revenue funding   Money for salaries or running costs

Sustainability   The funder wants to know how the things they are
funding will continue in the longer term

Value for money   The funder will want to know that the money spent and
benefits achieved compare well with other ways the
money could be spent.

11.Useful websites

SUBJECT	ORGANISATION	WEB ADDRESS
Charity Law	Charity Commission	www.charity-commission.gov.uk
Finance	H M Revenue & Customs / Inland Revenue	www.hmrc.gov.uk
Local Government	Cambridgeshire County Council East Cambridgeshire District Council	www.cambridgeshire.gov.uk www.eastcambs.gov.uk
Lottery Funding	Big Lottery Fund: Main website for grant schemes and useful information	www.biglottery.org.uk
Voluntary Organisations/ Volunteering	**VCAEC** Voluntary & Community Action East Cambridgeshire **NCVO** National Council for Voluntary Organisation: information, advice, support and publication **NAVCA** National Association for Voluntary & Community Action (national voice for local voluntary and community support organisations) **DSC** Directory for Social Change: useful publications and resources	www.vcaec.org.uk www.ncvo-vol.org.uk www.navca.org.uk www.dsc.org.uk

Appendix 1

Planning a budget

Accurate costing of projects is required to ensure that the activity, if it goes ahead, is not an unsustainable drain on the organisation's resources.

When costing an application it is necessary to:

■ Identify all the resources needed to deliver a project or activity, remembering to include adequate administration and other support.

■ If entering salaries include on-costs of employers' NI and pension.

■ Take into account any risk management measures e.g. safety equipment, security

■ Build in monitoring and evaluation costs: time and materials.

■ Include any management costs for your organisation to manage staff and the project - this may be as a proportion of overhead costs

■ Cost these as accurately as reasonably possible and obtain estimates when the funder requires this.

■ Include any in-kind contributions.

■ If the project is to run for longer than a year add inflation and other changes to costs for years 2 onwards.

■ If an audit is required include the cost of audit for the project.

■ If on a full cost recovery basis you may be able to build in costs of fundraising to sustain the project.

Check, that the particular funder will fund these costs before including them in an application.

> **NOTE: Make sure your figures add up correctly!**

Types of Expenditure

■ **Revenue expenditure** – the on-going running costs of the organisation, a project or activity.

■ **Capital expenditure** – the one-off costs of buying fixed assets such as premises, equipment, van, furniture, or repair to buildings. These need to be planned for - as fixed assets depreciate, allow replacement costs to be set aside over the life of the asset. It is beneficial to do a cost–benefit analysis prior to any substantial expenditure on an asset.

■ **Variable costs** – costs that vary as the output varies; for example, the number of training packs increase with number of people attending a course, consumables, postage, promotional materials, travel costs,

■ **Fixed costs** – do not change when the amount of output changes; for example one trainer is required to deliver a course whether 6 or 20 people attend.

- **Direct costs** – costs directly caused by the activity and would not exist if that activity did not take place. They can include variable or fixed costs.

- **Overhead** (also called indirect or core) costs – these are the costs of an organisation that cannot be related as a direct cost to activities and would still exist if the activity did not take place. For example, the cost of the person doing the wages; the cost of trustee meetings; the cost of central office premises. The hours or amount of work involved for the wages person may increase as project activities do so the costs may not necessarily be fixed.

- **Core costs** (often referred to as overhead costs) – are those central costs of an organisation that enable it to function but cannot be attributed to a particular project or activity; for example, salary of chief executive. They will exist before and after a project or activity.

- **Contribution** – what the activity is contributing to the fixed costs and surplus. A project or service may have an income that exceeds the cost of providing it for the organisation. Such a surplus income will help to run other parts of the organisation. However, a project or service may be a cost to the organization to provide if the grant received for it is insufficient to cover the full cost. If one of these applies this should be taken into consideration in any financial plans or strategy.

- **Unit cost** - the cost of providing each unit of production or service. This can be useful for an organisation to understand how much the service is costing and for funders to judge value for money. It is also particularly useful if considering charging for a service.

- **Cost of fundraising** – the cost for the organisation of raising funds. An organisation might not know how much time, energy and resources it is putting into raising money and where time is spent most effectively without this calculation.

Full Cost Recovery (FCR)

- Full cost recovery is recovering or funding the total costs of your project or service including a relevant proportion of **all** organisational costs. It is clear that many projects or services have costs directly associated with it, such as staff and equipment, but it is less obvious that it also draws on the rest of an organisation, such as any office costs or managers' or trustees' time.

- The full cost of your organisation is calculated from the direct costs of all your projects and services plus all your overhead costs. Therefore, the full cost of each of your projects should be calculated from the direct costs of your project plus a relevant portion of overheads. Calculating the full cost of your projects is the first step towards recovering, or funding, the full costs of your organisation.

- Full cost recovery is gradually becoming more accepted by funders as the Government has adopted the model as part of its cost cutting review, and as part of ChangeUp and the Compact. For example, The Big Lottery Fund will:
  - adopt the principle of full cost recovery to allow all legitimate overhead costs to be recovered by voluntary and community organisations;
  - introduce more flexibility in the length of funding available.

- A growing number of, but not all, funders will fund on 'full cost recovery' basis. Nevertheless, it is still important for you as an organisation to know how much a project/ activity is costing and how much (if any) of the cost is being subsidised by the rest of the organisation in order to deliver it. This knowledge will also put you in a stronger position if any negotiation takes place over the amount you will receive.

- As the principle of 'full cost recovery' becomes accepted, every time you apply for funding for a project you can include an element of the overheads (also known as core costs). You do need to know, therefore, what the project is costing your organisation. In the past this has often been expressed as a percentage (usually 10-15%) of the project cost, which can be used to support the core costs of your project. You may have to provide further justification to the funder as to how this was calculated, but often a percentage of the project costs will be acceptable BUT this is only FCR if it has been fully

calculated. You should make sure for yourselves that the percentage you set is enough to cover the real cost of running the project.

- Consequently, voluntary and community organisations should now be costing their projects/activities on a full cost recovery basis within applications whenever possible. If they do not how can they expect funders to pay for the true cost of their activities?

Appendix 2

Activities; Outcomes and Impact Youth Project example

Activities

- Arrange "community awareness" days with music and fun sessions

- Start a youth club at the community centre

- Recruit, check and train adult volunteers to provide supervision and "taster" practical skill workshops

- Arrange for local sports "stars" to visit and hold short skills sessions

- Encourage and train older young people as volunteers for younger

Outcomes

- Young people are more aware of options available to them

- Increased skills for young people

- Increased participation in sporting activities

- Young people positively engaged in the community

- Young people start to take responsibility for running activities

Impact

- More positive community attitude towards young people

- Greater uptake in local training places for young people to enter the workforce.

- Increase in numbers of fitter and healthier young people

Funder's Criteria

Depending upon existing need and proposed activities a project such as this could meet the criteria of funders interested in:

- Children & Young People
- Sporting activities
- Health and wellbeing
- Skills and training
- Improving employment opportunities
- Reducing antisocial behaviour
- Music & arts
- Social inclusion
- Improving the environment

East Cambridgeshire District Council
The Grange
Nutholt Lane
Ely
CB7 4EE

Tel: 01353 665555
www. Eastcambs.gov.uk

Documents prepared by East Cambridgeshire District Council are available in Community Languages, Large Print, Moon, Braille, Audio Cassette and Electronic format upon request.