Income Generation Health Check

Overview

This resource explains how to undertake an income generation health check. By performing this health check, you can ensure you have the right policies, procedures and tools in place to strengthen your organisation's income generating capabilities and improve your chances of bringing additional income into your organisation.

Income Generation

When we talk about income generation, we are referring to any activity that raises money for your organisation, ranging from "traditional" fundraising activity such donations and legacies, raffles and coffee mornings, sponsorship through to grant applications, trading and contracts. With increasing competition for funds, and limited resources available to support income generation, undertaking a health check will help strengthen your ability to generate funds from more and more diverse sources.

Why do an Income Generation health check?

Most voluntary sector organisations rely on income generation activities of some sort; raising money is an ongoing challenge.

A health check, also referred to as a strength checker, review, or audit is a self-assessment exercise with a list of questions to address, to ensure you are in the best position to be able to generate income. There are a number of things that you should have in place to make the process of generating income, through any avenue, easier and more efficient. Completing a health check and addressing any gaps you identify through it will help make your income generation activities as smooth as possible and help your organisation to make best use of their income generation capacity.

Health checks also help to identify areas for development by highlighting weaknesses and opportunities. Actions on these areas can be developed into a plan to be worked on over a period of time that works for you and in a way that is appropriate for your organisation.

What questions should a health check cover?

The health check recognises that income generation is an activity that impacts across the whole organisation. Any income generation activities should be informed by the organisation's existing financial position and strategic plans, and make the best use of existing resources.

The health check includes a range of questions that challenge you to reflect on the current arrangements, and identify actions that you can work on to make improvements.

Examples of the areas to cover are set out in the final section of this information sheet, and include topics such as governance, financial position, how fundraising is embedded within the organisation, team activity, CRM (customer relationship management), marketing and risk management.

How to use the health check

Income generation is an activity that should involve the whole organisation and as such the health check should be approached as a team activity, involving staff, trustees, volunteers and beneficiaries (as applicable) to get a range of views and make the most of the varied skills and experiences in your organisation. For example:

- Project staff, people working directly with service users and beneficiaries are vital to building the case for support and understanding the difference being made.
- Finance can provide financial information and set budgets which inform your fundraising targets.
- The marketing lead will help build an understanding of who your audiences are and how you communicate with them.

Use gaps identified in the health check to develop actions that will help you build a better foundation for your income generation activities. Aim to make slow and steady progress by creating manageable tasks that can realistically be delivered. You don't need to do it all at once!

Plan in a point in time where you will revisit the actions, make sure things haven't fallen by the wayside and update the health check and actions as things change.

Once you have developed the action points identified by a health check think about how these could be the first step towards the development of a fundraising strategy, if you do not already have one.

Don't wait until you are in an emergent situation or about to lose a big chunk of funding. The health check can be done at any time – it's about making sure you have the building blocks in place so that when you do need to complete an application or run a campaign, you have everything you need ready to go.

What should a health check look like?

There is no prescribed format for a health check, but it should be clear and provide a helpful action plan. It is intended to be a working document that you can refer to and update as you make progress. An example of a format is set out below, but you can adapt it to suit your organisation.

QUESTION	ANSWER			SUGGESTED EVIDENCE	COMMENT/ ACTION REQUIRED
	Yes	No	Partially / Other (give details)		

Top tip – all actions should be SMART (specific, measurable, achievable, realistic and with a set time in which they should be completed). This will help you be accountable for completing them.

Key questions to cover in your Income Generation health check

Governance information

- **Do we understand and clearly articulate our vision and mission?**

Why? Your visions and mission will guide your income generation plans, helping to avoid mission creep and providing the inspiration for activities.

- **Does the Board / Management Committee understand their legal responsibilities?**

Why? Whilst the Board may not be involved in day-to-day income generation activities they are ultimately responsible.

- **Do we report regularly to the Board / Management Committee on income generation?**

Why? The Board will need information to ensure that they maintain effective oversight of income generation. This could include successes and failures, lessons learned and opportunities and threats.

- **Do we understand the income generation provisions of our governing document?**

Why? There may be restrictions on the income generation activities that you can carry out e.g. loan finance and investment restrictions

- **Do we have the core set of policies required to support income generation and show our organisation is well run?**

Why? Some funders will insist on key policies and others are needed to protect the organisation and its stakeholders. We would recommend the following specifically to support your fundraising activities – terms of reference for fundraising groups, cash handling, reserves, safeguarding, equal opportunities and volunteer management.

- **Does our insurance cover our income generating activities?**

Why? It's important to protect your staff, trustees, volunteers, participants and beneficiaries.

- **Is our filing history good?**

Why? Funders can check filing history with regulatory bodies (e.g. Charity Commission and Companies House). Having a history of regular and timely filing shows your organisations ability to carry out its reporting.

Financial position

- **Do we understand, and can we evidence, our current financial position?**

Why? This provides the context for any fundraising activity and funders may ask to see your recent accounts.

- **Have we identified and assessed our income streams in terms of security and length?**

Why? Helps identify the strengths and weaknesses of existing income generation strands and timelines for new income generation activities.

- **Is there a clear pipeline between our projects and any applications for continuation/replacement funding?**

Why? This supports appropriate cash flow management, the effective use of resources required to prepare applications and minimises disruption to services.

- **Do we have robust financial controls and systems in place to manage the income generated?**

Why? To protect the organisation, maximise the use of income generated and demonstrate to stakeholders and funders that the organisation is well run.

Setting up a financial system

- **Do we record grants and donations made, by whom and their value?**

Why? Keeping a record of grants and donations helps you to manage your relationships with funders and donors. For example, some funders have limits on when they will accept further applications. Knowing who has made what donations helps you to make sure you make appropriate asks of them in the future, and ensure you are complying with GDPR.

- **Do we have a clear picture of how much a project needs to contribute to our overheads for it to be viable?**

Why? To understand whether a funded project will bring additional resource, break even, or require investment, and how affordable and worthwhile that investment is.

- **Do we have methods in place for financial reporting to the Board of Trustees / Management Committee?**

Why? The Board of Trustees have legal responsibility for the financial viability of the organisation and need this information to make effective decisions.

Case for support

- **Have we created a strong and relevant 'Case for support' ?**

Why? A 'case for support' is a document which sets out your argument as to why funders and donors should support you. It should give potential supporters a clear understanding of what you do, the need for your work and why they should support you. A good case for support can be adapted for use across your income generation methods and for different audiences.

- **Do we collect good data about our activities and impact?**

Why? Monitoring, evaluation and impact information should inform and bolster your case for support. This will enable you to demonstrate the impact of your work and why it should be supported financially.

- **Does everyone across the organisation (volunteers, staff and trustees) know our case for support?**

Why? If everyone (staff/volunteers/trustees) can talk about your organisation, its impact and its support needs, every contact those people have with people from outside your organisation becomes an opportunity to gain their support, whether financially or with their time or skills.

Gift Aid (if in receipt of any sort of donation)

- **Are we registered for Gift Aid and do we have the processes in place to make Gift Aid claims ?**

Why? A UK charity can register for Gift Aid to maximise its donated income by reclaiming an extra 25% in tax on every eligible donation made by a UK taxpayer.

Introduction to Gift Aid

Team involvement

- **Are people from across our organisation contributing to our income generation activities?**

Why? Income generation should not operate in a silo and needs to be integrated into your organisation's activities to make it more effective. The more people thinking about it, the better the ideas! It also gives people within the organisation an opportunity to develop new skills.

- **Is anyone internal (colleagues or Board members) proof-reading grant applications?**

Why? This will help improve the quality of your bids, and increase awareness of income generation activities across the organisation.

Relationships and branding

- **Do we have a process (or system) in place to manage and record our communications with supporters?**

Why? Getting to know your supporters and managing communications well will help you "steward" potential donors and donors into different types of giving and help you build solid, longer term relationships. It will also help to keep you GDPR compliant. (You could combine this information with donations and grants as above)

- **Do we use consistent branding across our organisation?**

Why? This will help build recognition between your services and your fundraising – an important link if you need the public's help to fund those services.

- **Do your staff/trustees/volunteers network with other organisations?**

Why? Having relationships with other organisations can be beneficial in a number of ways, for example joint fundraising activities or grant applications, sharing resources and flagging opportunities that aren't right for one organisation, but could work for another.

Risk Management

- **Do your income generation activities sit on our organisation's risk register?**

Why? Risk management should be applied to income generation just like all other aspects of your organisation. Logging and evaluating risks will help you make informed decisions about where to apply resources for income generation, and mitigate the risks that come with them.

Compliance

- **Do our income generation activities follow the Code of Fundraising Practice?**

Why? This Code, held by The Fundraising Regulator, outlines what you 'should' (good practice) and 'must' (legal requirements) do to ensure your fundraising activities are compliant with charity law and good practice. A failure to follow the Code could lead to reputational damage or legal proceedings. Boards of Trustees have ultimate legal responsibility and so should be aware of their obligations.

Template

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Do we understand the income generation provisions of our governing document?					
Do we have the core set of policies required to support income generation and show our organisation is well run?					
Do we understand, and can we evidence, our current financial position?					
Have we identified and assessed our income streams in terms of security and length?					
Is there a clear pipeline between our projects and any applications for continuation/replacement funding?					
Do we have robust financial controls and systems in place to manage the income generated?					
Do we have a clear picture of how much a project needs to contribute to our overheads for it to be viable?					
Do we have methods in place for financial reporting to the Board of Trustees / Management Committee?					
Have we created a strong and relevant 'Case for support' ?					
Is monitoring, evaluation and impact information from project staff used to inform our case for support?					
Does everyone across the organisation (volunteers, staff and trustees) know our case for support?					

Does the Board / Management Committee understand their legal responsibilities?					
Do we report regularly to the Board / Management Committee on income generation?					
Are we registered for Gift Aid and do we have the processes in place to make Gift Aid claims ?					
Are people from across our organisation contributing to our income generation activities?					
Is anyone internal (colleagues or Board members) proof-reading grant applications?					
Do we have a process (or system) in place to manage and record our communications with supporters?					
Do we use consistent branding across our organisation?					
Do your income generation activities sit on our organisation's risk register?					
Do our income generation activities follow the Code of Fundraising Practice?					