

## Funding

Russell Rowley, Group Executive Director, Small Woods Association.

**This is only an overview of funding – for more information please refer to the list of publications and websites at the end of this section.**

### 5.1 Business Plan

Before you begin to think about funding you need to put a business plan in place. This can be as little as one side of A4 or a very detailed and complex plan, but you need to go through a thought process about why you need the funding and what you need it for. If you wish to create an organisation and employ staff, then funding begins to be quite complicated and you need to consider whether the project you are planning is time limited or could it be run better by another organisation with a similar remit, or whether you want to go down the route of setting up your own organisation or structure. What, who, where, when and how are the five W's that you need to think about. What are you trying to do, who is best to do it, where does it need to be done, by when and how.

### 5.2 Match Funding

If you are raising money you need to consider whether match funding is needed. Funds particularly from public funding and grants such as the Lottery will only give you a certain proportion. Sometimes it can be as much as around 80% but normally not more than around 50% and you will therefore need to find the other 50% as match funding. This sometimes can include the use of what is called 'in kind' funding by, for example, directors of the company or by volunteers. Remember however that 'in kind' is not cash and if

you are using e.g. courses income as matching then you should work out the costs of running those courses so you know what is the real cash surplus you are using as matching.

### 5.3 Where to look for funding

There are a range of areas you can try for funding:

- Grants, for example from landfill tax operators, DEFRA, non-governmental organisations such as the Countryside Agency, also local authorities.
- Trust funds, but often you need to be a registered charity. See Further Information below.
- European funds, including objectives 1, 2 and 3, although in future, due to the enlargement of Europe, only certain parts of Cornwall and Wales will be eligible for European funding.
- Sponsorship is a way of accessing funds, although lead times with sponsors can be as much as a year long. You will need to have a marketing plan to persuade a sponsor you are worth investing in. For example, if it is to do with branding and it is a large company, they will normally expect hundreds of thousands or perhaps even millions of people to see their brand. If it is a particularly small sponsorship then they just may want a logo to be put on posters for advertising, or flyers for an event.
- Membership income and gift aid is another form of potential income, but you need to be set up as a membership organisation with a member of staff managing that side of things.
- Donations and legacies are a further way of raising funds, but again you have to be set up as an organisation to do this and the lead times are essentially very long.

- Bids through the Regional Forestry Framework process to access public funding will be one other area in the future and it seems almost certain that partnership bids with a number of partners are much more likely to receive funding than single bids.

## 5.4 Reserves

The other issue that you need to take into account with funding is that if you do set up an organisation you will need a reserves policy. If you are going to employ staff you need between three to six months cash set aside in reserve to cover your statutory obligations, for example redundancy payments, if your project ever has to be wound up.

## 5.5 Funding Cycles

You will also need to take into account funding cycles, for example local authorities will often set their budgets for the year ahead in September/October of the proceeding year and if you miss that deadline then you will not be funded in effect for the next one and a half years ahead. Many grants will also have long lead times for funds and it is important to check out on their web sites or to contact the organisations involved and find out when the timings for funding are. With trust funds, often the Trustees will only meet every quarter and again it is important to know when these dates are.

## 5.6 Administration Requirements

The administration requirements of any funds should be researched. European funds, for example, can be incredibly bureaucratic and administration heavy and will certainly need a finance officer/administrator to manage them effectively, either in-house or brought in on contract. This would need to be built into the funding application, if allowed. Audit requirements of these projects are again normally extremely onerous and really only medium size organisations should consider applying. Obviously, some smaller funds such as from local authorities or trusts can be much less admin heavy.

## 5.7 Trading/Services

There are other ways of raising funds such as running training courses and offering consultancy services, but again you need to remember that the income from these is not all profit and in fact it may be that these services only break even for the first few years of their operation. Other ways, are the sale of goods. Charities can currently sell up to £50,000 worth of goods per year gross, before they really have to consider setting up a subsidiary trading company. (Ref: Charity Commission publication, Charities and Trading: CC35 – version July 2001 [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk))

## 5.8 The Pitfalls

The final rule of thumb with funding is not to assume every application will be successful. Often you have to submit several applications and assume that only one will be successful. So you need to build in the time and the cost of preparing these bids which can be several days work each and have a strategy for what happens if you fail, because if you have put all your eggs into one basket, then your project may fold.

In England, with the establishment of the nine regions, funding is likely to increasingly become regionally led. There are also different rules in Wales, Scotland and Northern Ireland, so if you are a national organisation you will need to take account of these often great variations in funding.

Other issues to take into account about funding are whether the grant, for example, is paid in advance or in arrears. If it is paid in arrears how will you manage to fund the project till the grant arrives. If the grant is paid quarterly or monthly, again is it in advance or in arrears. You will need to check your expenditure and cash flow month by month against when the grant income is going to come in and see if the opening balance of each month remains positive throughout the year or whether you will have to juggle parts of the project and move them around to make it financially viable.

An example of the financial management system used by the Small Woods Association is at the end of this section on page **28**.

No one said it was going to be easy but planning is essential and will leave you free to enjoy making things happen on the ground

## Further information

### **[www.biglottery.org.uk](http://www.biglottery.org.uk)**

The organisation which is responsible for allocating half of the National Lottery funding.

### **[www.dsc.org.uk](http://www.dsc.org.uk)**

The Directory for Social Change, they have a directory of Trust Funds on a searchable CD ROM.

### **[www.englandsrdas.com](http://www.englandsrdas.com)**

England's Regional Development Agencies website.

### **[www.grantfinder.co.uk](http://www.grantfinder.co.uk)**

By subscription only and available to Government and Public sector organisations and industrial organisations (over 250 employees)

### **[www.grantnet.com](http://www.grantnet.com)**

A free website for start-up or small to medium enterprise (up to 250 employees) with links to Business Link, Business Gateway, Business Connect or Invest Northern Ireland.

### **[www.governmentfunding.org.uk](http://www.governmentfunding.org.uk)**

Free online information for the voluntary and community sector about Government funding, although currently not all Government departments are linked into the site, it does have links to regional government offices.

### **[www.hlf.org.uk](http://www.hlf.org.uk)**

The Heritage Lottery Fund

### **[www.lotterygoodcauses.org.uk](http://www.lotterygoodcauses.org.uk)**

Information on how to get Lottery funding and the organisations that distribute Lottery money

### **[www.trustfunding.org.uk](http://www.trustfunding.org.uk)**

Also part of the Directory for Social Change. An online, constantly updated, searchable website with Trust Fund information for which you need to pay an annual subscription.

# Local Woodland Project SAMPLE OF SMALL WOODS ASSOCIATION FINANCE MANAGEMENT SYSTEM

N.B. The figures detailed in this sample are fictional. Some of the Expenditure categories are zero because they would relate to the main organisations costs and not go against an individual project. The same format is used by all departments.

A B C

**Budget/Actual** Apr-04 Actual May-04 Actual Jun-04 Actual Jul-04 Actual Aug-04 Budget Sep-04 Budget Oct-04 Budget Nov-04 Budget Dec-04 Budget Jan-05 Budget Feb-05 Budget Mar-05 Budget Total Budget Variance Budget Notes

	Apr-04 Actual	May-04 Actual	Jun-04 Actual	Jul-04 Actual	Aug-04 Budget	Sep-04 Budget	Oct-04 Budget	Nov-04 Budget	Dec-04 Budget	Jan-05 Budget	Feb-05 Budget	Mar-05 Budget	Total Budget	Variance	Budget Notes
<b>EXPENDITURE</b>															
8400 Staff Salaries	1234	1434	1504	1506	1600	1600	1600	1600	1600	1600	1600	1600	18478	722	1. At the beginning of the year prepare a Budget.
8410 Recruitment Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8420 Staff Expenses	75	66	66	150	160	160	160	160	100	100	160	160	1517	1800	283
8430 Director/Trustee Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8440 Reimbursements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8450 Project Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8470 Capital Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8480 Revenue Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8490 Regional Support	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8500 Telecom	0	0	118	0	0	160	0	50	110	0	0	160	598	640	42
8520 Rent Power & Insurances	100	100	100	100	100	100	100	100	100	100	100	100	1200	1200	0
8530 Office Relocation Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8600 Postage	8	12	12	15	30	30	30	30	100	30	50	30	377	450	73
8610 Printing Stationery & Copying	70	1	0	23	15	15	15	15	50	15	15	15	266	232	-34
8620 Equipment & Other Capital Exp.	9	0	0	0	85	0	0	0	0	0	0	0	144	185	41
8630 Memberships & Subscriptions	0	0	0	0	0	0	0	0	0	50	0	0	50	100	50
8640 Repairs & Equipment Hire	0	0	0	0	30	0	0	30	0	0	0	0	60	90	30
8650 Publicity	0	0	0	0	0	0	0	0	0	20	0	0	20	0	-20
8660 Newsletter/Publications	0	0	0	0	0	0	0	0	0	10	0	0	10	10	0
8700 Publications Purchases	0	0	0	0	25	50	0	50	0	0	0	0	125	150	25
8710 Training Courses Costs	0	0	0	0	0	0	100	0	0	0	0	0	100	100	0
8720 Staff Training	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8730 Conferences & Seminars	0	0	0	100	0	0	0	0	0	0	0	0	100	300	200
8750 Professional Fees	100	0	0	0	0	0	0	235	0	0	0	0	150	485	-85
8760 Bank Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	400	0
8900 Management Fees	0	240	240	0	240	240	0	240	240	0	240	240	1920	1920	0
8910 Irrecoverable Vat	0	0	0	0	20	20	20	20	20	20	20	20	160	240	80
8920 Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Shut Down Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Expenditure</b>	<b>1596</b>	<b>1853</b>	<b>2040</b>	<b>1894</b>	<b>2305</b>	<b>2375</b>	<b>2025</b>	<b>2547</b>	<b>2320</b>	<b>1995</b>	<b>2185</b>	<b>2475</b>	<b>25610</b>	<b>27017</b>	<b>1407</b>

- At the beginning of the year prepare a Budget.
- As the months progress the columns become Actual expenditure when reconciled with the bank statements.
- Columns A and B show the difference over the year between Budget and Actual with Column C alerting you to the variance. Large variances need to be addressed and checked.

4. If any of the figures in row D are negative - you are spending more than your income that month. Have you 'reserves' to allow for this?

5. The difference between E - Opening Balance and F - Closing Balance means you have a surplus of £1110 over the year.