

# Sustainable Funding Project CASE STUDY

## ■ SHARE Community



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### Organisation

SHARE Community

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### Key themes

- Taking a sustainable funding approach incorporating diverse funding streams and underpinned by thorough strategic planning
- Using a loan to finance major asset purchase
- Starting a social firm combining money and mission

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### Summary

SHARE Community is funded through a diverse range of donations, grants and contracts. Considerable growth over the past few years, combined with the decision to take out a loan to finance the purchase of their main premises, has acted as a catalyst to developing new income generation ideas, such as the recent establishment of a separate trading arm. Their planning and activities recognise the need for developing a long-term funding approach that keeps the needs of their beneficiaries at the fore.

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### Date

This case study is based on an interview held with Gavin Fearnley, SHARE's Fundraising & Development Manager on 7 March 2007.



### **Strategic Direction**



SHARE's current CEO Annie McDowall joined in 2003 and sought to increase the organisation's outward focus. This included more partnership work and having an increased visible presence within the wider community. It was also at this time that SHARE's mission, vision and values were formally defined, in an effort to clarify the core purpose of the organisation and direct the work that is undertaken.

The Board was reviewed and new members were sought to inject fresh input and new skills. Board members were provided with job descriptions and terms of reference to provide them with a clear idea of what was expected from them and what they could expect from their involvement.

Strategic planning days are held and a three-year business plan is used throughout the organisation. Overall there was a renewed emphasis on things being done in a professional, strategic way.

### **Growth**

SHARE has recently gone through a period of rapid growth, doubling its capacity in the two years to 2005/2006. Income and expenditure currently stand at around £1million. It has almost doubled the number of students attending on places paid for by local authorities. Two significant local authority contracts are responsible for almost half of SHARE's total income.

### **Working in partnership**

SHARE leads on three separate partnership projects, working closely with seven other organisations. Their partnership work includes involvement in the Bright Futures Partnership, funded by the European Social Fund via Jobcentre Plus and a training project called New Horizons, funded through the Central London Learning and Skills Council. In a smaller partnership project SHARE are working with Mushkil Aasaan to deliver training to Asian women with learning difficulties.

Working in partnership is part of the organisation's desire to take an external focus and playing a larger part in their local community.

### **Awareness of external factors**

SHARE is aware that money from the European Social Fund – through which they have been able to expand and develop -- will be less available after 2007, due to the fund being largely directed to the newer EU member states. They also believe that expected reductions in central government funding after March 2008 – impacting on both funds available and human resources (numbers of social workers, for example) – means that relatively small organisations like SHARE may struggle if larger players scoop major contracts.

To combat these factors SHARE pays attention to its competitors and to trends within the world of vocational training. They aim to build a reputation of excellence to strengthen their chances of continuing to win significant contracts, and also to form relationships with larger providers who are likely to need to subcontract work to smaller, local specialist providers such as SHARE.

SHARE is aware of the impact of national and local political developments. For example, the Government has set itself targets of moving economically inactive people into employment, and it is keen to reduce the number of people receiving Incapacity Benefit. It is looking to the voluntary and community sector to be part of the solution to moving disabled people from welfare into work. Locally, mental health day hospitals are being closed, and there will be a need for alternative support and rehabilitation services. This presents opportunities for SHARE to develop its more therapeutic programme. However, they believe it is vital to ensure that they are responding to the needs of disabled people, and not simply following a government agenda.

The Government White Paper on Community Care, "Our Health, Our Care, Our Say", makes recommendations about radically changing the way that disabled people gain access to services, introducing the concept of service brokers, and allocating budgets to individuals on the basis of assessed need. This will affect how SHARE works with people whose places are currently purchased for them by social services departments.

### **Taking a Diverse Approach**

With an awareness of these issues, SHARE believes that they cannot afford to be anything but diverse in their funding. Their goal is to have no more than one third of income coming from any one source. They aim to receive approximately 35% of income through local authority spot purchase; 45% through a range of other contracts; and the remaining 20% through voluntary and charitable income.

ESF funding pays for the projects run from their Brixton site. As this funding will cease at the end 2007 SHARE has been thinking about how they will fund the continuation of the project since midway through the project's life.

They are fully aware that if this replacement funding is not found the entire project and the benefits that have been generated, are under threat.

As such they are now examining how attracting new contracts, using a similar project structure but a slightly different approach, could be achieved. Monitoring and evaluation have played a key role in this, as they constantly review the effectiveness of different services offered through a range of student-focussed fora. They are also trialling new services within the contract structure to ensure that they work towards a range of partnerships with specialist providers that will form a service addressing all aspects of students' needs in the most effective manner.

SHARE's commitment to diverse income streams has led to the establishment of an internal committee charged with developing new ideas. In addition, SHARE has recently negotiated a loan to purchase their main premises and this loan has been a prime impetus to develop new income generation ideas. They have also recently launched a separate trading arm based on their horticultural project in Tooting. These initiatives are discussed further below.

### From problem to opportunity



In 2000 SHARE took on a ten-year lease for their main Altenburg Garden premises. They received a good rental deal and a flexible lease, particularly in terms of the changes that could be made to the building. This was important as because of beneficiary need, all SHARE premises have to be fully accessible and a range of room sizes, with visible spaces to suit vulnerable clients also had to be accommodated. Rents increased only fractionally over time and SHARE spent significant amounts refurbishing the building, including £150,000 to replace a lift in 2005. This expense necessitated a major capital fundraising appeal and depleted the charity's reserves.

Around this time the charity received notification that the building's owners were looking to considerably increase the rent (the mooted figure was that it would be doubled over two years). But they also offered SHARE the option of purchasing the building as a freehold. These alternatives led to much discussion.

A surveyor was engaged to provide a detailed valuation of the property. Although the vendor's asking price was slightly higher, they also took into account the added value provided by having customised the building and investing in making it fully accessible, alongside their established presence on the site over several years. The fact that the building is placed within very easy access of public transport and is in a town centre location, easily accessible to people from across London, was also a major plus.

As part of the decision making process, SHARE explored avenues for renting or buying alternative properties, but none compared favourably with the situation they already had. It was felt that even if they outgrow Altenburg Gardens in the next few years they would have an asset that they anticipate is likely to increase in value, given its location and market trends. The decision to go ahead with the purchase was discussed in depth, and finally agreed at a meeting of SHARE's Board of Directors (trustees) in 2005.

The decision was not unproblematic and discussions went on for well over a year. One trustee resigned on the basis that they felt owning a major asset was too risky for the charity. Furthermore, to finance the purchase SHARE would be required to take out a loan.

### Loan Finance for Building Purchase

From the initial idea in 2005, SHARE drew down a loan to purchase their building in April 2007. SHARE has taken out a mortgage with Triodos, a bank which lends exclusively to charities and business and community enterprises with clear environmental and social objectives. After speaking to other finance providers the decision to go with Triodos was made largely because they spent more time looking at SHARE's needs, rather than bending their needs to the bank's existing packages. They were flexible in keeping the deal open (charging a small fee for the extension) and are also flexible if SHARE wish to pay off the loan sooner than the agreed term.

The loan is for 80% of the agreed valuation of the building, however due to time having elapsed and the building being re-valued, SHARE had to fundraise to cover the shortfall. Also, the building's landlords confirmed that if they had a firm agreement that SHARE

would be buying the building they would hold the rent at the existing level. However they sought a £75,000 'good will payment' to confirm the deal. For this finance SHARE approached ICOF – Community and Cooperative Finance. This loan was for five years and at a higher interest rate than the mortgage, however when SHARE draws down the main loan there will be the option to discuss consolidating the smaller loan with the main Triodos loan to reduce the rate of interest. A charge is held over the building as security.

SHARE acknowledge that the loan will be more of a financial burden for them than their current rent, but will work out about the same as the proposed new rent. Interest payments will be taken out of all projects, on a full cost recovery basis. Nevertheless, taking out the loan has emphasised to SHARE the importance of having greater financial self-reliance and has been a prime impetus for developing new income generation ideas.

### **Impetus for developing new ideas**

Buying their building with the use of loan finance acted as an incentive for SHARE to examine opportunities for growth. The purchase made them look at the building in a new way and in particular they realised that its full accessibility and number of large rooms, along with facilities such as a catering kitchen and an IT suite, meant they had spaces that could be rented out to other community groups for meetings or training. This also meshed with their desire to have a larger presence in the community. Dealing with vulnerable adults means that this external use may have to be limited to 'after hours', however SHARE reasoned that they own the building 24 hours a day, so why not make greater use of it? Looking longer term they see the potential of using collateral in the building to fund the delivery of new services and projects.

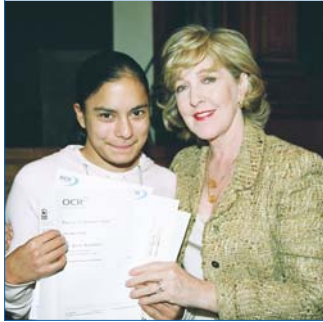
### **Establishing a Social Firm**

In June 2006 SHARE launched an independent trading arm. Established as part of their Tooting Horticulture Project, Springfield Horticultural Services offer plant sales and provide a range of garden maintenance services over South West London. The social firm has been developed not only to provide a new source of stable, sustainable income but also to offer a range of first employment opportunities for the horticulture and business administration students.

The idea grew naturally from the way the horticulture project operates and is a prime example of an organisation merging their mission with money. Firstly, students were experienced in maintaining the grounds of the training premises and this could be expanded to other properties, for example local authorities, PCTs and large private residences. Secondly they were encouraged by the success of their annual Garden Party. This fundraising event included the informal sale of plants. Finally, they were seeking a solution to the difficulty of getting their students into employment: many students graduate but still require supervision when working, however the majority of London posts are unsupervised, therefore the employment on offer was inappropriate.

With the combination of these factors, the trading idea had been brewing for some time when SHARE received expert advice from Jon Fitzmaurice of the Cass Business School Centre for Charity Effectiveness. Jon assessed the idea and conducted a feasibility study and provided support to ensure SHARE that they were on the right track, assistance that they found invaluable in making the idea a reality. They are starting small, but as the scheme develops they look forward to providing more services and attracting longer and larger service contracts.

## **Broadening the Fundraising Role**



While local authority contracts remain SHARE's largest income stream, the role of the fundraiser has been re-examined to assess cost effectiveness. Over time it has been felt that trust funding has become more competitive, with funds more tightly bid for, greater restrictions on the funding and more labour intensive in terms of tracking and supporting applications. As such the remit of the fundraiser has been widened to include development of a legacy campaign, "Friends of SHARE" scheme, major gift work and events fundraising with a view to the profits raised in addition to the profile raising benefits. Fundraising now also includes contribution to income generation ideas through trading, such as making use of space via renting out rooms out of hours and building better relationships with businesses to receive gifts in kind such as work placement opportunities for the students.

While these schemes are still in early development phase the fundraising role is now more closely tied to the organisation as a whole and imbedded throughout the business plan.

## **The Importance of Financial Management**

SHARE's strategic approach to funding combines a diverse range of contracts, grants and donations. Taking on a loan to finance their building and increasing their enterprise activity highlighted to SHARE that juggling this range of different financial issues required tighter administration control.

Previously the finance system was somewhat ad hoc and took more of a day-to-day approach rather than an overview that tied all the different areas together. This not only made audits tough work but also impacted on correctly costing projects as well as project reporting.

SHARE recently moved to activity based budgeting to enable them to cost their projects with a reasonable degree of accuracy to make strategic and operational decisions based on sound financial information. This was also done to help them aim at full cost recovery for their services. They have also created the post of Finance and Administration Director to take an overarching view of their finances as well as administration systems and to provide strategic direction throughout the organisation in this area.

## **Conclusions**

SHARE sees diversity of funding streams as fundamental to ensuring long term stability. Their income is drawn from across the income spectrum, incorporating donations, grants, contracts and income generated through trading goods and services.

The need for diversity within each particular income stream is also recognised. For example, having a range of sources to receive donations and not being overly reliant on any particular local government contract.

Taking out the loan to finance their property purchase was a long process, however SHARE believe that having this asset will contribute to greater long term stability. The process also encouraged them to think more independently and acted as a motivator to

