INCOME DIVERSIFICATION PROJECT : PROPOSAL

Prepared by: Paul Hunt Date: 15th September 2020 Agenda no: 6f

Purpose of the paper

For discussion and decision

Background and context

HM's income is largely derived from non-recurrent grants and allocations, from CMBC, Calderdale CCG and trust funds. HM also receives some income from donations and legacies.

This provides secure funding for the duration of the project. It requires, however, a continual round of securing new funding for existing projects, which places each project at risk at the end of the non-recurrent allocation. This also generates a risk to staff of continuing employment, and a financial risk of redundancy costs. This in turn leads to a need to consider allocating a substantial amount of unrestricted income to covering redundancy costs.

Where are we now?

HM's income is largely restricted to specific project delivery. The Chief Officer undertakes virtually all funding applications. This approach to income provides secure funding for the duration of the project. It requires, however, a continual round of securing new funding for existing projects, which places each project at risk at the end of the non-recurrent allocation. This also generates a risk to staff of continuing employment, and a financial risk of redundancy costs. This in turn leads to a need to consider allocating a substantial amount of unrestricted income to covering redundancy costs.

HM has allocated funding to invest in developing its marketing function, so as to increase donation and legacy income. It was decided at the July meeting of the board of trustees to pause recruitment to this role, due to issues in relation to successful recruitment and induction to this role during lockdown.

What are the key issues?

The growth in HM's project offer requires an equivalent growth in the number of funding streams, or an even greater growth where a single project has more than one funder. The preparation and submission of funding applications is a skilled task, requiring a good understanding of service models, service costs, commissioning expectations and other providers. Funding applications are constrained by Chief Officer capacity.

As the development of the marketing role has demonstrated, there are other options for income generation. No option should be considered automatically appropriate for HM, but

nor should any option be ruled out as inappropriate before careful consideration and review, regarding fit with values and objectives, potential income benefit, reputation, capacity and capability. Options could include reconsideration of pause for marketing recruitment, trading (sale of HM expertise; sale of donated goods to generate income), securing recurrent funding from health and social care commissioners. Trading, if considered appropriate, would require the establishment of a separate "trading arm".

The commitment to considering diversification of income is necessary, but not sufficient for delivery. The formal approach adopted by the Inclusion Programme has, with the input and commitment of project leads and senior HM staff, led to making disciplined and steady early progress since June 2020, and much more progress than was achived over the preceding 9 months.

Developing and implementing a plan for income diversification is an objective for the Chief Officer during 2020/21.

What is asked of trustees?

Trustees are asked to discuss a pragmatic and achievable way forward for the development and implementation of a plan for income diversification.

It is proposed that:

- An Income Diversification Project Board (IDPB) be established, chaired by the chair of trustees, with at least one other trustee as member of the IDPB.
- The IDP lead be the Chief Officer.
- A formal approach be adopted that is similar to that being used for the Inclusion Programme.

Finance

Trustee and Chief Officer time.

Recommendation

Trustees are asked to consider the background, context and key issues, and, as appropriate, agree the establishment of an Income Diversification Project.