FUNDING STRATEGY

Prepared by: JRG Date: 24/02/21 Agenda no: 05 9

Purpose of the paper

For Information

Background and context

As previously discussed, I am developing a new funding strategy that will include income diversification and consider a range of factors for the future of Healthy Minds.

Where are we now?

Healthy Minds has historically been guided by certain principles on acquiring income:

- **We are led by need** – we seek funding that supports work to address identified needs: we do not chase funding opportunities that do not fulfil a strategic or operational need;
- **We spread risk** by not being over-reliant on any particular funder – this minimises the impact of losing funds from one source.

The funding strategy maintains these principles and identifies priorities and actions for the future.

We are entering a more challenging funding landscape than we have faced before:

- As an 11-year-old organisation, we have accessed funds from a range of funders. Whilst this has enabled growth and built a track record, it reduces the range of future funders.
- Demand on funders and their ability to meet demand has been affected by the Covid-19 pandemic.
- HM's average income over the past 5 years has been around £430,000. Average expenditure for the same period has been £412,300.
- 2020-21 total income was £650,218 with expenditure of £555,190. Secured income for 2021-22 (as of Jan 2021) is £426,592.

However, the value of our services is also greatly increased, with higher confidence, trust and profile than ever before.

There are significant opportunities for us – we need to be fit and ready to make the most of them.

I have undertaken a good deal of research and accessed several training sessions and webinars to inform the funding strategy. Alongside our existing organisational strategy,

business plan and related strategies like marketing, membership and EEDI, a number of priorities and actions are addressed in the strategy to prepare for future sustainability.

Thank you to board members and operational managers who contributed to the sustainability sun tool exercise. This is to gather perceptions about various aspects of our financial stability and maturity. The results are outlined in detail within the strategy – in summary:

The areas assessed were:

1. Strategic approach: ensuring how you raise funds and what you raise funds for supports your mission.
2. Income diversity: an appropriate mix of funding sources; donated and earned.
3. Financial management: understanding and managing costs, income and risk.
4. Communicating success: being able to show you are making a difference.
5. External positioning: knowing where you fit, how you are different and how to tell people.
6. Relationships: the relationships and partnerships with funders and others that you need to achieve your mission.

- There was a lot of variation in responses
- Greatest confidence was in financial management (average score 8/10)
- The lowest average scores were on income diversity and external positioning (i.e. how we communicate and engage the general public in what we do). Both areas scored an average 6/10.
- All the other areas scored 7/10.

All of the above has identified priorities – encouragingly, these are already reflected in our strategic direction so it feels that we are in a good position with these:

Income diversification

We should seek to have a broad spectrum of income to mitigate risk of being over-reliant on a few sources.

In 2020-21 we had 30 income streams that proportionately work out as:

- Donations 2%
- Grants 59%
- Contracts* 38%
- Earned 1%

(*We don't have formal contracts as such but projects like Safespace, Peer Support and Time Out have effectively been commissioned following tenders and are essentially managed as contracts.)

The strategy looks to broaden the spectrum with a particular focus on:

- **generating donations through greater public / donor engagement**
    - We have recruited a marketing officer and community fundraiser
    - Membership strategy will establish community value and engagement
- **achieving greater balance between grants and contracts.**
    - The community MH transformation is a big opportunity here
    - Discussions are under way with Calderdale MBC and Community Foundation with a view to a more sustainable funding arrangement for the VCS, including social impact bonds
- **Earned income** is a longer-term objective at this stage.

Actions

- Each service will develop a "case for support" that articulates the evidence of need, how they address it, impact, and resource requirements
- We will establish more robust impact measurement and reporting to build the evidence base for HM as a safe and effective provider

The draft funding strategy will be presented to the Finance Sub-Group prior to the next board meeting.

Recommendation

Board is asked to note information.