

GUIDANCE PAPER



Income Generation

Guidance at a glance

This guidance paper is relevant to school business leaders and school business managers, together with those responsible for setting and managing budgets within all school and college settings in England.

School business leaders and managers play a pivotal role in securing the sustainability of schools and colleges, and are increasingly prioritising this activity to keep the books balanced.

This paper has been written in collaboration with **Pebble** (ASCL's preferred commercial partner for income generation), and sets out key principles of best practice to help support a whole school approach to maximise income generation. A whole school 'holistic' income generation strategy will only succeed when combined with effective, strategic financial management which supports longer term sustainability of provision.

It is important to stress this guidance does not detract from ASCL's policy to encourage government to ensure that funding for education is sufficient, sustainable and equitable, including weighting for disadvantage and enables educational organisations to focus on closing achievement gaps.

This paper provides further information on the following:

Section 1 Core principles including legislation, data protection, accountability, ethics and governance, vision and goals, financial reporting

Section 2 Tools and techniques including developing a strategy, researching and establishing need, projects and income generation activity, operational issues and corporate social responsibility

Section 3 Trading arms and social enterprise

Section 4 Further information

1 Core principles

The financial climate within the education sector continues to present a unique set of challenges for all school and college leaders. Pressure on budgets continues despite the introduction of a new national funding formula from April 2018. There is increasing focus on the financial health and efficiency of all types of educational institutions. Whilst the concept of endeavouring to do more with less, achieve greater efficiencies, and deliver economies of scale as many schools and colleges become part of larger groups is generally accepted, there is arguably a tipping point when the focus of attention inevitably shifts towards income generation.

The process of income generation is daunting and the time commitment required often renders this impossible to achieve. However, in the current climate of financial pressure and uncertainty, a more structured approach to the generation of additional income has become a necessity for many schools and colleges.

Raising additional funds used to be the domain of every Parent Teacher Association, and whilst some of these groups achieved real success in the past, the need to raise significant additional financial support requires a more concerted and philanthropic approach.

Legislation

Fundraising is largely unregulated in law, but there are many statutory regulations to take into account.

Your legal status as a school will have an impact on the specific legislation you should follow:

“Academy trusts, foundation or voluntary schools, most English universities, sixth form colleges, and further education corporations are classified as Exempt Charities. Exempt means these organisations are exempt from registering with the Charity Commission. These organisations are not regulated nor can they register with the Charity Commission. Instead they are governed by a Principal Regulator, currently the Secretary of State for Education.” Academies Act, 2010

If you do not qualify for exempt charity status then you may need to consult your local authority:

*“If you are considering managing the financial activity within your voluntary funds, you may be required to establish a separate charity to specifically manage these activities. Examples of these include Parent Teacher Associations, Community Amateur Sports Clubs and Umbrella Trusts representing a group of schools. These organisations are all regulated by the **Charity Commission**.*

*If you currently have one these organisation supporting your school, then one of the most important aspects is to understand the 2016 Charities Act.” **Charities Act 2016***

Regardless of which type of legal status you are following, the guidance within the **Institute of Fundraising’s Code of Fundraising Practice** provides a useful starting point.

Data protection

It is essential the implications of data protection are understood.

Income generation activity involves marketing and communication, all of which make use of contact data. It is important to ensure that the General Data Protection Regulations (GDPR) are observed and incorporated into your strategy. Further information about GDPR can be found on the **ICO website**.

Accountability

School and college leaders are bound by the Committee on Standards in Public Life’s publication **The 7 Principles of Public Life**, and should ensure that their organisations operate in a transparent and accountable

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way towards donors, stakeholders, government agencies and future patrons. This public responsibility is vital to developing the trust of potential financial supporters, and which also includes adherence to established guidelines for handling donations and monies generated from income generation activities.

Written policies and procedures for a school or college's charitable and commercial activities are critical, not only to demonstrate adherence to ethical and socially responsible practices, but also to enhance relations with stakeholders and supporters.

Ethics and governance

Developing an ethics policy (or updating an existing ethics policy to incorporate some income generation referencing), demonstrates a commitment to protecting the interests of potential supporters and their donations. Ensuring that governors and trustees review any proposed activities against the current ethics policy will demonstrate compliance.

Making this policy accessible through marketing activities or via the school website gives clear messages about the commitment to stewardship of donations and funds raised through income generation.

Such policies can be:

- incorporated into senior leadership meetings and training sessions
- printed on the back of school letterheads
- uploaded onto the school website
- included in your public relations activities
- featured in school newsletters and social media posts

Review your ethics policy annually, and update in line with any legislative changes or upon receipt of feedback from key stakeholders.

Strategic vision and goals

Ensuring the school or college's vision is articulated and clear to all stakeholders, including potential supporters and donors, will encourage wider interest and engagement.

Stakeholders, supporters and donors are less likely to support or contribute to projects if they are unable to relate to what is trying to be achieved. It is therefore important to clearly define goals in any funding application so that stakeholders who are able to provide support in generating income are able to understand and fully engage. Goals that link and resonate with the local community and businesses tend to achieve the greatest levels of support.

Financial reporting

All financial transactions should be recorded in accordance with local authority or academy trust policies.

2 Tools and Techniques

Develop a strategy

Effective fundraising and income generation requires a common sense approach alongside tried and tested principles. However, in the current climate it is essential to have a robust strategy underpinning the process in order to retain focus on specific initiatives that link directly to objectives within the School Development Plan

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(SDP) or School Improvement Plan (SIP). Writing 'spontaneous' applications for funding support is not the most effective way to generate the right sort of additional income.

An income generation policy should set out a clear strategy with key objectives, possibly divided into small to medium term (say, £10,000 up to around £50,000), and larger projects (£50,000 and above).

The policy should identify who will be responsible for coordinating the income generation strategy, and involve a working group comprising individuals with relevant expertise from within the school or governing body. Ideally, this will be overseen by a member of the senior leadership team with financial expertise, for example, school business leader, executive business director or chief financial officer. Time constraints could preclude success if this is the sole responsibility of one individual. There are examples of some schools appointing a dedicated fundraising post to lead on strategy. Students may also include innovative bid writers and creative thinkers, and the involvement of students can also be advantageous with potential funders.

Research and establish need

Conducting the research and developing relationships with stakeholders and potential funders is a necessary commitment, but can also be prohibitively time-consuming. There are organisations which can help with this; some are free and some incur subscription costs. Exploiting initiatives via corporate social responsibility (CSR) can help save time in the conception phase. More information about CSR is provided towards the end of this section.

Your SDP will help you identify projects for potential for external funding. As part of this identification process, always consider the need, impact and longer term sustainability so that reassurance can be expressed clearly to stakeholders. Being confident there is a need for the project is essential as around two thirds of all funding applications fail on this aspect alone. If you are engaging charities through grant applications, you will be required to clearly and concisely articulate this in written format with detailed financial projections.

It is also important to understand the requirement for any additional features, for example accompanying business plans, so that these are identified well in advance to allow time to prepare thoroughly, thus ensuring issues such as a requirement for matched funding, VAT implications, and inflation factors are also taken into account. Where there is a lack of in-house skills, schools are increasingly seeking external support from professional bid writing consultants.

Income generation activity

It is recommended activities are linked to a beneficiary project so that stakeholders and funders understand where contributions are being used.

English schools and colleges collectively generate approximately £1.8 billion every year, generally through the following eight activities:

- Collecting donations and claiming Gift Aid
- Applying for charitable grants
- Securing corporate sponsorship
- Hosting a new or second hand marketplace
- Lettings of buildings and equipment
- Delivering commercial services
- Running children and adult clubs
- Hosting school and community events

For each activity, it is vital to produce robust plans which cover all the resources required, for example funding and time, together with key milestones and realistic targets in order to assess return on investment. When planning for activities over a 12-month period, it is worth identifying which yield a high return with minimum effort, and which are easily repeatable (these activities demonstrate sustainability, and can also improve the accuracy of forecast income in future months and years).

Operational issues

Ensure the school or college has relevant policies and procedures for acknowledging gifts, thanking donors, recognising sponsors, data security of supporter information, and a thorough monitoring and evaluation procedure for all activity undertaken. Take advantage of all opportunities to claim Gift Aid on donations – there is useful information available via **HMRC** about the detail necessary on declaration forms.

What is CSR?

CSR refers to business practices involving initiatives that benefit society. The Companies Act 2006 requires directors to have regard to community and environmental issues. Most companies are keen to refer to involvement with social and environmental issues in their annual reports, and demonstrating positive activity in this respect has arguably become a commercial necessity.

The charity Business in the Community produces a **Corporate Responsibility Index**, which measures the performance of companies in terms of how well they apply CSR values to their business.

The Varkey Foundation launched the Business Backs Education campaign in 2015, based on global research and which involved 500 top international companies. The research revealed that the Fortune Global 500 companies spend an average of only 13% of their CSR budgets on education-related activities, and this led to an international campaign to encourage business, companies and corporations to support education.

3 Trading Arms and Social Enterprise

Setting up a social enterprise to operate as a trading arm for commercial income generation activities is sensible if there are concerns about the financial and legal impact of trading activities on the school or college. This is not an indication there has been a shift towards prioritising profit-making activity, therefore diverting the focus away from the core purpose of education.

A trading arm or social enterprise can focus on delivering an ethical and social mission, but in a business-like way.

Social Enterprise UK describes social enterprises as “*businesses that are changing the world for the better. Like traditional businesses they aim to make a profit but it’s what they do with their profits that sets them apart – reinvesting or donating them to create positive social change. Social enterprises are already well established in our communities and on our high streets – from coffee shops and cinemas, to pubs and leisure centres.*”

There are over 80,000 social enterprises throughout the country contributing around £24 billion to the economy and employing nearly a million people.

Social enterprises associated with schools should:

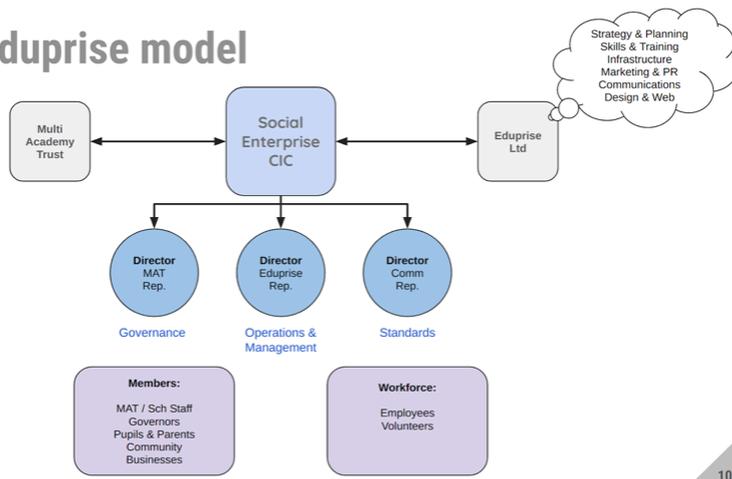
- have a clear social and/or environmental mission
- generate the majority of their income through trade
- reinvest the majority of their profits

- be autonomous of the state
- be majority controlled in the interests of the social mission
- be accountable and transparent

Figure 1 shows an example structure for how a social enterprise partnership might operate with a partner providing ongoing support and resources in the following areas: strategy, planning, skills, training, infrastructure, marketing, public relations, communications, design and web..

Figure 1 (via Eduprise)

The Eduprise model



Social enterprises require specific legal compliance and it is recommended professional legal and financial advice is sought before establishing a trading arm or social enterprise.

4 Further information

Code of Fundraising Practice <http://www.institute-of-fundraising.org.uk/events-and-training/?gclid=CPIvkZ6i688CFW4B0wodPwlH1Q>

Committee on Standards in Public Life, The 7 Principles of Public Life <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

Academies Act 2010, 2011 <https://www.legislation.gov.uk/ukpga/2010/32/section/1>

Business in the Community, Corporate Responsibility Index <http://www.bitc.org.uk/services/benchmarking/cr-index>

Gift Aid via HMRC <https://www.gov.uk/donating-to-charity/gift-aid>

Varkey Foundation, Business Backs Education <http://businessbackseducation.org/research/>

Charity Commission <https://www.gov.uk/government/organisations/charity-commission>

Guide to the General Data Protection Regulation (GDPR) <https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/>

Charities Act 2016 <https://www.gov.uk/government/news/charities-act-2016-new-fundraising-rules>

Eduprise Partnership Model <https://www.eduprise.co.uk>

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