



Financial Planning  
Draft Toolkit

Second edition  
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# Introduction

## Introduction to this toolkit

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The 'Fundraising for Archives' programme recognises that archive services are under increasing financial pressure and that, in order to remain viable, they will need to diversify their funding streams, including through fundraising.

The 'Financial Planning' module is one of the core programme modules which are the starting point for the programme. The module enables you to take a strategic, planned approach to fundraising, enabling you to be clear about:

- **Where you stand:** your overall financial position and the scale of the challenge facing you and your service.
- **Your options:** what other choices you have for improving your financial position; how much effort and resource you would need to put into each option; and what your return might be.
- **Your return:** what part fundraising will play in your long-term financial planning and how to resource it.

### Who the toolkit is for

The toolkit is likely to be most useful for budget holders of an archive service, whether publicly funded, independent charities or within an HEI, or anyone within the service who has taken on responsibility for income generation. However, it is also likely to be of use if you have some financial responsibilities for an archive service or if you provide accountancy support to the service. The materials are tailored to archive services of all shapes and sizes, so not all the suggestions will be directly relevant to everyone.

### How to use the toolkit

The toolkit is designed to provide an easy-to-use overview of the main issues to address. It includes:

- Simple checklists to get you started.
- Links to useful materials.
- Case studies from archive services.

### Summary of contents

Section 1 of the toolkit helps you to understand your finances and your prospects.

Section 2 explores the main alternative for improving your financial sustainability.

Section 3 describes how to go about choosing the right way forward and putting your plans into effect.

Section 4 suggests where you can go for more help.

# **Chapter 1 – Understanding your finances**

## 1.1. Introduction

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In this section, we set out to help you to:

- Develop a clear sense of what your starting point is: where you are now; what the future holds; what's driving your costs; where you can have an impact (and what's not worth bothering with).
- Become rather more confident in making sense of your budgets by explaining some of the jargon that makes perfect sense to accountants but can leave the rest of us rather bemused.
- Help you to think through how much you can charge for your services so that you know whether you're actually making any money.

## 1.2 Understanding the future: the squeeze on budgets

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The 'Fundraising for Archives' programme was created in order to help ensure the financial resilience of archive services in a period when public spending is under severe constraint. The 'austerity' which is impacting on publicly funded archives feels like the new normal for many services. But even for archives in the charitable and HE sectors where funding models may be more resilient, competition for fundraising is growing more intense, and the requirement to do more for less is spreading.

If archive services are to be maintained, let alone thrive, they have to look for new ways of ensuring that their funding is sustainable. Archive services are already exploring new ways of diversifying their income base, whether through fundraising or commercial income generation. They are also finding new ways of saving money to avoid reducing service standards to unacceptable levels.

If your archive service is asked to make savings, you're not being picked on. It's the hard reality for many services. You will need to know what the likely savings are that your organisation will be needing to make, not just next year, but over the next three to five years. Most public sector organisations will have something like a 'Medium Term Financial Strategy' that will include existing savings commitments and the 'budget gap' for which new savings will need to be found. Charities and HEIs will normally have a Strategic Plan which will indicate how they plan to adjust finances over three to five years in a similar way.

You will need to be clear:

- What savings you are already committed to delivering over the next three years.
- What savings your directorate, department or division is being expected to find in addition.
- What your contribution might need to be.
- What savings you have already contributed in recent years.

Of course, you will also need to be clear whether your service is offering value-for-money and be ready to argue your case to protect your service from unreasonable and damaging cuts. But it is worth planning for a 'worst case scenario' - and use that to generate new ideas.



## 1.3 Understanding your total budget

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The starting point for any plan to improve your budget position is to know both where you are now and what is likely to come.

Understanding your service's finances is easier if you have a separate budget. But if you're in a larger department or organisation with other services you may not be given this level of detail, in which case you might need to do some unpicking.

It's important for you to be able to understand the following:

- Each element of your total expenditure.
- What you can control or influence directly.
- How to make friends with your accountant and how to talk their language.

## 1.4 Total cost of your service

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Here's the **first key concept** you need to grasp: the **total cost of the service**. It's often tempting to think that the service costs are made up of the things you directly control. However, the true total cost of the service includes all the other things you need to run the service, such as HR and accountancy and IT support – as well as the cost of occupying buildings including their bills, repair and depreciation. You might not be able to control those costs, but they are (approximately) what the true overall cost of your service is.

### Public sector recharges

If you're in a public body or a university the **second key concept** for you to understand is the **'recharge'**. The services you depend on but that you don't control directly, such as support services, are charged (or recharged) to your service, usually using quite a simple formula. For example, it's likely that the cost of HR services are simply divided equally by the number of employees in the organisation; you will then be charged for the proportion of employees in your service. For example, if the HR service costs £3m and there are 3000 employees in the whole organisation, the cost of HR will be £1000 per employee. So, if you have 10 employees your HR recharge will be £10,000.

What can be a shock is the discovery that recharges can make up 30% or more of your total budget. What can be frustrating is that there is not much you can do about it - nor is there that much point arguing about it. If you win an argument that your IT recharge is too high, the costs will simply be shifted to another service - and you won't have any more money to spend as a result!

Sometimes, a few of the budgets for these overheads might be under your control, such as energy costs. If they are metered to an individual building that you occupy and charged directly to you, you may be able to make some savings (and benefit directly) with some careful energy management.

The **third key concept** is what is **above or below 'the line'**. Costs that are 'above the line' are the things that you can control. Those that are 'below the line' (like



support service recharges) are ones you can't control. If you can't control them, it may still be worth challenging as they will affect your total costs which you need to include when deciding whether you're covering your costs (see below). However, in the end, even if it makes you feel better to challenge them, it is probably not a good use of your time as there's probably little chance that you'd benefit directly from any savings in them.

### **Charity indirect costs/overheads**

If you work in a charity, you will need to understand the language and financial management and accounting systems in the charitable sector, which are different to those in the public sector. However, the principles are very similar.

## **1.5 Understanding your cost drivers**

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If you are going to be able to make sensible judgements about how to make your finances sustainable, you have to understand *why* your service costs what it does, ie your **cost drivers**. This will enable you to make more informed judgements about your costs and your plans for income generation.

When you do look more closely, you can be surprised at what you discover. Certain types of activity - or a small number of users - might be consuming far more of your resources than you thought. You might also have underestimated how much you should be charging for a service.

There are various ways of working out what's driving your costs, but one approach that your accountants will be familiar with is 'activity based costing' which has been in vogue for many years, but is seldom done very well, usually because the way it's been done has been over-complicated.

The basic idea is that you work out how you're spending your money: how much does each bit of our service cost and is that the right balance? It's best to keep it very simple. In the end, it's an attempt to work out roughly what we're spending our time on; how much it really costs; and how that balance might have to change. This means working out what the total cost of your service is (include your overheads, but don't get too sophisticated in the way you allocate them) and then work out how your colleagues in the service are spending their time; then divide the total cost by how they're spending their time.

At its simplest, you could work it out from what you know. Alternatively, it might be better to involve your colleagues in estimating how they spend their time. If you want to get more sophisticated, ask each colleague to keep a record.

Think about the types of activity you might want to include, such as:

- Internal meetings.
- Management.
- Storage
- Conservation.
- Supporting enquiries: academic, family history, etc.
- School visits
- Community engagement

- Adult learning
- Fundraising
- Building networks and supporters

## 1.6 Simple activity based costing – checklist:

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- Identify the types of activity your colleagues spend their time on.
- Create a spreadsheet to show the results, including your total costs and income.
- Either collect or estimate the allocation of time for each colleague.
- Identify the proportion of each staff member's costs against these activities.
- Spread your recharges and overheads approximately over those activities.
- Allocate your income against each of the activities.
- Review the net results and the balance of your budget spent on each activity.
- Consider what you can no longer afford to do at all (or as much of).
- Consider how you could release resources to help generate new funding.

Once you've done that, you'll be ready to look at your alternatives for improving your financial position in a more informed way.

## 1.7 Income: are you covering your costs?

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Once you have a fair idea of your cost drivers, you will be in a better position to explore whether you are making a proper return on your expenditure. It is essential to know, for example, whether:

- Your fees and charges are sufficient to cover your costs.
- The effort you might put into fundraising would more the cover the costs involved in trying to generate funds.

It is often the case that when fees and charges are set, the only costs taken into account are direct staff costs and/or costs of materials and equipment. Instead, the total costs of an activity could be charged; by the time the total costs of the service are added on, the true cost might be double that currently charged.

Of course, your organisation might choose not to charge the full cost for particular reasons, such as reaching a wider audience or particular target groups. There might also be other reasons why the service might choose to charge at a different level, such as the opportunity to share services with another partner.

Crudely, there are two main concepts to be aware of when trying to work out whether your income is covering the costs involved in doing the work:

- **Key concept 4 - full cost recovery:** the total cost of the service is charged, including all the costs - both above the line and below the line.

- **Key concept 5 - marginal cost recovery:** the cost of providing additional services not including the fixed costs that have, in effect, already been paid for, such as IT or property.

If, for example, an archive service went into a shared service arrangement with another organisation, it would want to look at the big picture, ie the total savings made by each partner. In working out a good deal, one service might decide to charge some costs to the partner, eg if it let the partner use spare space in an archive store. Full cost recovery might be prohibitive for the partner if the total cost of the service included very high corporate recharges. Instead, a charge based on covering *marginal costs* might simply include a notional rent and the *additional* staffing costs involved. However, if the archive service was providing a more commercial service to an external customer (eg managing a company's archives), *full cost recovery* will probably be more appropriate.

### **Restricted and unrestricted income**

All organisations in receipt of grant funding need to be familiar with the distinction between **restricted** and **unrestricted** income. Increasingly, charitable trusts and even individual donors are more likely to want to give money to specific activities, rather than leave to an organisation to decide how to spend it, particularly if it is not itself a registered charity. Often there will be additional restrictions on the proportion of organisational costs which can be included in the budget for these activities.

Registered charities need to have robust accounting procedures in place to distinguish between income which is **unrestricted** and can be used for any purpose which furthers its charitable objectives, and **restricted** income, which can only be used for the activities for which it was granted.

### **Managing your cash flow**

An important consideration for charities without an unrestricted income stream from a core funder or commercial services is managing your **Cash Flow**. If your funding model depends heavily on grant income which is **restricted**, you need to plan carefully to understand how you are going to cover the full costs of running the organisation, and ensure that you aren't using **restricted** income in order to manage your cash flow and pay organisational costs for which it has not been granted. This makes understanding the costs of fundraising all the more important, as this knowledge can help you prioritise better how you allocate resources to fundraising, and schedule your fundraising activities to ensure income is generated in a timely fashion to support the organisation.

## **1.8 Demonstrating your strategic role**

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Understanding your finances is important, but is pointless if you cannot demonstrate your contribution to your organisation's strategic objectives. This is not about simply 'aligning' yourself with one or more of your organisation's published list of strategic priorities and objectives.

Those archive services that have survived, prospered and even grown are the ones that have demonstrated their ability to have made a demonstrable influence or a change that adds to their organisation's success. In the case of a university, this

might mean playing a more strategic role in support of the teaching departments. One example is University of Huddersfield where the archive and records service secured Heritage Lottery Funding towards new capital works to create Heritage Quay, a new archive centre in the University which helps to strengthen the History Department's offer to students.

It is also important to demonstrate the quality of your work and to show that you work to recognised standards. Alison Cullingford, Special Collections Librarian at the J.B. Priestley Library at the University of Bradford stressed the value of The National Archives' Archive Service Accreditation Standard: "The existence of the standard gives our work credibility and shows the range of our activities. Achieving the standard demonstrates to the University that we are a dynamic and high quality service."

## 1.9 Understanding your finances – checklist:

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- Learn the 'financial basics' for your organisation.
- Make friends with your accountant.
- Understand the likely future savings targets for your service.
- Get to grips with the detail of your current budget, being clear what you can and can't influence.
- Understand your cost drivers.
- Carry out a simple activity based costing exercise.
- Work out whether your income is covering the costs of generating it.

### Further Reading

Hampshire County Council. (2009) [\*Glossary of Local Government Financial Terms\*](#). A detailed glossary, much of which is relevant to other sectors.

Palmer et al. (2014) [\*Good Guide to Financial Management\*](#). NCVO, London. This guide has useful guidance that is relevant to charities.

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# **Chapter 2 – Assessing the alternatives**

## 2.1 What to start and what to stop: choices, choices

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Having analysed your cost drivers and understood how you are covering your costs, you will be able to assess how you might want to shift the balance of staff time, prioritise certain activities to prepare for future budget reductions, or assess where you might increase charges, and how much time you could allocate to income generating activities like fundraising. Given limited resources you will have to make choices - you cannot do it all.

In this section, we outline the choices that you have for becoming financially sustainable. Before considering what place fundraising will place in your plans, you will need work out:

- **Your return:** what realistically each choice could bring.
- **Your investment:** what that choice would cost you.

We run through each of the main alternatives in turn:

- Efficiency savings and cuts.
- Generating economies of scale or scope.
- Selling services.
- Fundraising.
- Spin-outs and other alternative models.

Some approaches may generate larger savings than others, but these are also likely to require a greater investment.

## 2.2 Salami-slicing and reducing staff costs

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Most public services have for many years pursued an annual round of efficiency savings, trimming the 'fat' to become more lean. For most services, any fat has long gone, leaving the need for more drastic surgery. Given the proportion of archive 2services' budgets made up by staff costs, this usually involves reductions in staffing levels through:

- Streamlining management and flattening hierarchies.
- Simplifying or streamlining processes.
- Reduced opening hours.

A number of services have set out to recruit volunteers. Usually, these volunteers have been described as additional resources - to provide the 'added value'<sup>1</sup> support that the core staff team could not undertake. Other services are becoming more explicit about their intention to increase the number of volunteers to help offset the reduction in staff. However, the effort required to manage and support volunteers properly should not be underestimated.

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<sup>1</sup> The Archives and Records Association's 2011 policy on Volunteering in Archives, recognises the support that volunteers can provide alongside "qualified, employed, staff".

Sometimes stopping an activity altogether is the right and only choice, however disappointing for you, your colleagues or regular users.

Archive services have traditionally offered highly specialised professional support to a small number of users to carry out research enquiries or use catalogues and other resources.

Many services have already realised that this is not a cost-effective use of staff time which has limited impact on corporate strategic outcomes which would help sustain the service. Some have scaled back or stopped free access to this type of supported enquiry.

For each of these savings, there are likely to be costs that should be accounted for. These could include redundancies, new technology or consultation. These need to be assessed and factored into your analysis of the options.

### Key issues to explore

- Operational efficiencies.
- Streamlining management.
- Reductions in service levels.
- Stopping certain services (or starting to charge for them). Making greater use of volunteers.

### Further Reading

Williams, C. (2014) *Managing Volunteering in Archives: Report*. Taunton: Archives and Records Association

Archives and Records Association (2011) [Policy On Volunteering In Archives](#)

## 2.3 Economies of scale or scope

Most archive services are quite small with budgets to match. One alternative for making savings is to combine services either to achieve economies of scale or, sometimes, 'economies of scope'.

Economies of scale often are achieved through simple collaborations between organisations. Examples include the London Archives Partnership which is working on joint projects on shared procurement and developing a shared catalogue. These can produce some limited, but worthwhile, savings.

More extensive sharing is likely to bring sizeable savings. A shared service through which one or more organisations share all or most of their archive services can result in savings through sharing back office teams or sharing a single management team. Bigger savings may be possible if the 'front of house' service can also be shared, so that both services operate from one location. For example, Sussex University shares its archive service with East Sussex County Council (see case study below). Dr Irene O'Brien of Scottish Archives argues: "Archive services have to examine the potential



for collaboration to overcome the problems caused by the limitations of their size. By working together in clusters, we will be able to achieve more”.

## Case study 1: Keeping it together

### Summary

East Sussex County Council (ESCC), Brighton and Hove Council (BHC) and the University of Brighton Shared Service operate a shared archive service at The Keep.

### Detail

Each partner needed better facilities and realised they would be better together in terms of delivering outcomes and achieving economies of scale. ESCC and BHC set up the partnership board in 2006 and the University joined in 2007. This collaboration led to an HLF application for capital redevelopment in 2008 and The Keep opened in 2013.

At The Keep, visitor services are integrated, whereas in back office there are three separate collections stored together but managed separately. The public collections interface is integrated. Outreach and Learning are managed and delivered both separately and together.

ESCC runs the building and is the budget holder for the shared service. There is a revenue budget for The Keep as well as individual service budgets. Our financial agreement is based on population for the councils and for the University on its proportion of holdings.

The shared service has enabled a much bigger and better service through the new building for the same budget. Elizabeth Hughes, County Archivist, points to a range of other tangible benefits: "We have a pool of staff with a much greater range of skills. We have more clout when applying for funds together, and our profile has been raised with different audience groups."

The challenges of the differing pace and process of decision-making are real, as is the web of legal agreements and protocols needed: "Don't underestimate the management time involved in supporting the governance and operation of the shared service." She adds: "You need to be aware of the asymmetry of future risks to partners and plan to meet these challenges together."

### Lessons

Elizabeth says that going into a shared service is a process not an event "the edges are getting greyer all the time".

Instead of pooling archive services to achieve economies of scale, it is also possible to merge archive services with other services to achieve economies of scope. Archive services already tend to be part of larger heritage or cultural departments or institutions, and are often well integrated with those services. Particularly if they are located together, an archive can share management, back office, storage and customer service functions. There is still capital funding available to invest in innovative new service designs and buildings (eg Heritage Lottery Fund) that can make creative, integrated service offerings possible. These might enable new efficiencies and revenue savings, but the running costs for new or improved buildings can increase (eg if there is a business rate revaluation). A collaborative approach is likely to be viewed even more favourably by external funders.

In deciding whether to pursue shared services or other forms of collaboration, you will need to build in assumptions about:

- Project design and implementation support.
- Legal support to help create shared services agreements.
- Your effort in making it work!

One point to bear in mind is that if you are providing a service to a local authority, the local authority will be able to claim back any VAT. However, if you are outside local government and a council provides a service to you that is VAT rated, you will need to meet that additional cost. For local authorities, that means that some potential partners might find it expensive to take a service from you where that service is VAT rated.

### Key issues to explore

- What collaborations are you already engaged in?
- Are there potential partners you could explore sharing services with?
- Are there services or partners that you could integrate better with?
- Will the financial returns justify the investment?

## 2.4 Generating income from selling your services

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Increasingly, archive services are thinking about how to generate more income from their services. Private archives have considerable freedom to sell their services and engage in trading, but charities, universities and local authorities are covered by particular rules:

- They can **charge** for their services *to recover their costs*<sup>2</sup>. Although this may appear limiting, once you work out the total cost of the service (see section 1.5), you may find that you have the potential to charge more than you expected.
- They can **make a profit** from selling their services only through a trading company. This may seem a big hurdle, but you may find that the body already has a trading vehicle that you can make use of.

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<sup>2</sup> In the case of local authorities, they can only do so if they're not services they have a statutory duty to provide free of charge)

You may find that your organisation already has a corporate policy on fees and charges and there may be a lead accountant responsible who will help you to decide the right level of charges. Of course, you will need to consider the extent to which charging for your services interferes with your organisation's commitment to open data or with its social policies or commitments to free access. On the other hand, if the service's survival is at stake, those policies may need to be reviewed. While local authority archive services, in particular, are under a duty to provide free access to public records, this does not mean that they are under an obligation to provide free research.

In the case of university archives, 'full cost recovery' for services is unlikely to be seen as reasonable as students will have expected to have contributed to the archives' core costs through their grant. However, university archives do need to make judgements about 'fair' levels of charging for wider library services – this will also need to include any charges for self-service photography which is increasingly replacing photocopying. Charges to non-students could reasonably be set at more commercial rates although if trading for profit, this may need to be undertaken through the university's trading subsidiary. The nature of this activity and the VAT implications will need to be considered carefully before deciding whether it is worth attempting to trade for profit.

The types of income that you may want to look closely at include services such as:

- Routine charges such as printing and copying. Are you recovering the total cost of the service? These charges could include a fair proportion of the full hardware and consumables costs as well as the staff costs involved, such as payment handling.
- Research and enquiries. You could charge for 'paid searches' (cf the charges levied by [The National Archives](#)), but you will need to be clear about the distinction from Freedom of Information requests, most of which cannot be charged for. Archive services can take the opportunity to charge for research for other organisations to support their Heritage Lottery Fund bids, for example.
- Charges for reusing copyright material. For the collections for which you hold the copyright, you can explore entering into a licensing deal with commercial operators, such as [ancestry.co.uk](#).
- Charges for publications. Some archive services have sold books, pamphlets, postcards, facsimile maps and other materials. You will need to be clear that the income from such publications will outweigh the costs of production, stock management and the sales process.

The harsh reality is that unless you have a collection that is particularly 'marketable', you may well find it hard to generate much income from selling your services. However, one example of a service that has made significant progress in generating income is the Norfolk Record Office (see case study).

## Case study 2: Getting serious about income

### Summary

Norfolk Record Office has developed an entrepreneurial approach to generating more income.

### Detail

The service has expanded its income-generating activities in order to help meet its financial targets. The current income target for 2014/15 has increased to £123k against expenditure of £1.3m and income is projected to increase by over a quarter more by 2016/17.

Central to the plans is a more commercially minded approach to charging. Whereas in the past, services were often provided free, now the service will charge for the labour incurred in research, talks and other routine activities such as photocopying. A standard labour charge of £48 per hour has been set which takes into account direct staff costs as well as a contribution to overheads.

About half of all income derives from room hire, records storage and digitisation projects, but new income streams have been developed, such as:

- Charging for certified copies of birth, death and marriage certificates (the service has taken over the records from the registrars' service).
- A storage box-making machine has been invested in, which is generating local demand.
- Digital licensing to commercial family history websites.

Plans for new income streams are also being worked on, such as a 'digitisation on demand' service. The introduction in early 2015 of a more convenient, new online payments system is seen as crucial to success.

### Lessons

Gary Tuson, County Archivist, points to the following lessons:

- "Don't undervalue what you do. Sometimes you have to be hard-nosed about it".
- "Focus on income-generating activities that help you to promote your aims as a service".

To be effective at selling your services, you will need to sort out your marketing, being clear what you are offering; why it is valuable; and making the customer's experience a positive one. For example, if you haven't got the ability to take electronic payments easily, you will lose a lot of credibility. Again, you should be able to tap into other corporate systems or support to help you with this (or that you can adapt).

You might also want to consider bidding (probably in partnership) to win work from commissioning or tender exercises. However, this will require even more care in ensuring you are geared up to be able to do so: you will need the skills (and authority) to bid and if you want to make a profit, you'll need the right vehicle.

However, you must think carefully about what you charge for and whom. Might you risk alienating researchers who might be your greatest advocates and who you could enlist in volunteering or becoming an active supporter and fund-raiser on your behalf?

There are, of course costs to take into account involved in selling your services: these include:

- Your effort in co-ordinating this work.
- The efforts of your staff.
- The cost of handling cash and card payments and providing invoices.
- Any new technology needed.
- The cost of marketing materials.

Finally, it is important that you understand how the income that you generate benefits your service or is credited to it in some way. For example, the accounting practices within some organisations means that the income you generate might not go directly into your budgets, particularly if your income is being credited to a trading subsidiary. This could act as a disincentive for generating income unless there is some way that your success in generating income is credited to your service. This could involve changing the way income is treated or adjusting your budget reduction targets. For example, in a charity setting, you may want to ensure that the income forms part of your 'unrestricted income' (ie income that is not ring-fenced for particular activities).

### Key issues to explore

- Your organisation's existing policy on fees and charges and any specialist help available.
- Your existing charges: are you recovering a fair proportion of the total cost of the service?
- Can you start charging for other services - or increase them?
- Have you got the skills to sell your services and offer a positive, professional experience?
- How much of a market would there really be for your services?
- Who do you risk alienating by increasing or extending charges? Could you lose more than you gain?
- How can you ensure that your service benefits from or is credited for the income that it secures?

### Further Reading

Charity Finance Directors' Group (2010) [\*The Tax Implications of Charity Trading\*](#).

LGA (2012) *Enterprising councils* - [\*Getting the most from trading and charging\*](#).

The National Archives (2016) *Income Generation Guide*.

ARA Fundraising for Archives programme, *Building Networks and Supporters*.



## 2.5 Fundraising: separating the rhetoric from reality

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Since the arrival of austerity and reductions in core funding for many services, all cultural assets in the public sector have been under increasing pressure to access more resourcing from private funders including trusts and foundations, individual giving and corporate sponsorship. Government policy and Lottery funding have encouraged this trend, including through the Catalyst programme which supports the 'Fundraising for Archives' programme.

At the same time, local authorities have been increasingly attracted by the perceived advantages of 'spinning out' services to models of organisation which can access charitable and private funding, on the assumption that such funds will be unavailable to them as public bodies.

It is true that often, philanthropic donations will be more readily made to a charity than a public body, but there are examples of individual and corporate donations to publicly owned local services. Equally, some funders may be wary of giving to a new charity or 'spin-out' with no track record, or one that is seen as being a municipal vehicle.

Meanwhile, for those already in the charitable sector, competition for funding has become more intense and the requirements of trusts and foundations more rigorous, just as individual giving has become more complex with innovations in online giving and social media.

This means that in assessing your future options, you need to understand your drivers for increased fundraising; be able to challenge assumptions made about the fundraising environment in which you are operating; analyse your local market; and appraise different options which might support a future fundraising strategy for your service.

Also, if you are thinking about fundraising for an archive service within a charity or university, you will need to consider carefully whether and how this might compete with the organisation's primary fundraising efforts. For example, approaching university alumni for funds to support for an archive can only be done if can justify a place within the mainstream fundraising drives. This will only work if the archive has won recognition for its contribution to the university's offer to students.

### **Assessing your funding drivers**

Crucial to making decisions about where to prioritise your efforts will be knowing what you need to fund in the future. If you know that reductions in core funding in the medium term will make your service unsustainable you will want to consider a fundraising strategy which may require examining different operating and governance models.

If your priority is to fund capital redevelopment, specific funding sources and fundraising vehicles, and particular skill sets will be required. If you need to develop your activities and services with new specialisms and audience groups, you may want to look at particular funders and partners to work together.

## **Understanding your local market**

There has been a lot of quite heated debate about the maturity of the private fundraising market for culture both in the context of the post-financial crash squeeze on corporate giving and reductions in public funding. Additionally, a key narrative has been the question of whether debate about increasing philanthropy is London-centric, or whether cultural institutions outside London are failing to exploit untapped opportunities in their local area.

While the available evidence seems to support both perspectives to some degree, a robust funding strategy will dig deeper than these broad positions to understand the local market in more detail. A stakeholder analysis should include key charitable funders in your area with national remit, as well as those with geographic and subject-specific funding criteria. You should analyse existing data on individual and corporate giving for which some regular surveys breakdown by region and sector.

It will also be important to consider the competition for fundraising in your local area. Are there other heritage and cultural organisations already accessing significant funding? Depending on the criteria of individual funders this might enhance their willingness to support you, or indicate that they may feel local needs are being met. You should also be aware that your relationship with key partners may change if you are viewed as moving into competition for limited external funding. It can often be difficult to open up this conversation, particularly if your parent organisation is also a funder of potential competitors, or is seen to be cutting funding.

## **Evaluating your readiness for fundraising**

Having assessed your local market for fundraising you will be able to analyse your readiness for fundraising and identify where it sits within your priorities for securing your future funding strategy.

This will include considering your track record for fundraising, and your existing skills and experience. From your analysis of your cost drivers, you should know whether you can increase resourcing for fundraising, either alone or in partnership with others. Your stakeholder analysis will also tell you what skills, experience and support you could draw on from colleagues elsewhere in the council, among Friends or local partners.

Staff managing and working in archive services may feel that they are not empowered to have some of the external conversations necessary to pursue some of these steps, so you might want to consider dedicating some planning time to building your networks and supporters, both internally and externally, before considering how to develop your fundraising strategy.

## **Working with a Development Trust or Friends Trust**

If you lack access to charitable funding yourself, there may be strong arguments in favour of focusing your resources on two types of fundraising vehicle which will increase your capacity and harness outside support. One is to work more closely with an existing Friends Trust, or discuss with your Friends group whether they might establish a Friends Trust governed and run by supporters. Many archive services already have Friends Groups and a number have existing Trusts which for the benefit of archives or local history in the area.

## Case study 3: Working with a Friends Trust

### Summary

Dorset History Centre and Dorset Archives Trust (DAT) are going from strength to strength together.

### Details

Dorset History Centre is a shared service between Dorset, Bournemouth and Poole, with a budget of £560,000.

The Friends Trust was established many years ago but wasn't actively fundraising. The decision was taken to raise the ambition for the Trust as a fundraising driver for the History Centre. County Archivist, Sam Johnston, says that a key factor was the recruitment of an energetic new chair with a strong track record in corporate IT and change management alongside a motivated board of trustees.

DAT received HLF Catalyst support for a fundraising strategy, board development and identity, with advice and training sessions from an external consultant on a more rigorous governance. Sam says "Some of this was stuff that hadn't occurred to me previously because we just felt grateful that people had turned up."

DAT has successfully raised funds from several trusts and foundations as well as HLF, which Sam says builds a confidence factor generally among funders. DAT trustees feel their independence from our governing local authorities is advantage in applying for funding.

In the future the Trust would like to explore electronic payments and gift aid. Dorset History Centre is examining options for a future capital project, and if this goes proceeds, DAT will have a big role in helping deliver its fundraising strategy.

### Lessons

Sam Johnston advises to keep flagging the importance of working with the Friends internally. "Make sure that people higher up know about the work of the Trust, when I report to our joint governance board, I always talk up the benefits of DAT."

"Remember that your investment of staff time in fundraising will be considerable, and you can't rely entirely on a volunteer-run Trust."

An alternative model for public sector organisations is a Development Trust. This is a registered charity whose charitable objectives are specifically focused on raising money for a particular cause, usually where the parent body is ineligible for charitable funding. As with Trusts operating services directly, a Development Trust must satisfy Charity Commission rules about independence. However, a number of local authorities have successfully used Development Trusts to raise money for cultural services which remain owned by the Council and operated in-house.

## Case study 4: Development Trust for Capital Project

### Summary

Cheltenham Borough Council created a Development Trust to support fundraising for the capital redevelopment of its Art Gallery and Museum which reopened in 2012, renamed The Wilson.

### Details

Cheltenham realised it needed more diverse funding streams to achieve its target for the Art Gallery and Museum capital project, and didn't want to lose momentum. It established a Development Trust in 2008 with £60,000 of legacy funding; its charitable objectives were to support the Art Gallery and Museum and act as guardian of funds raised and champions for the project.

Active fundraising was delivered by Council officers. A Chair and Deputy Chair with really strong skills including charity law were recruited and the board included two ex-officio places for the Cabinet Member and Executive Director. The Chairman of the Art Gallery and Museum Friends Group also sat on board.

Museum, Arts & Tourism Manager, Jane Lillystone, highlights the partnership with their Friends Group. "It was really important to work with them in partnership and co-ordinate fundraising activities and ideas. They raised £250,000 from events." Of the £5.5m capital target, the Trust raised £2.2m raised from funders which Jane says couldn't have been raised without the Trust, including £50,000 in individual donations. Funders weren't worried about the partnership between the Trust and the Council as a public body.

"Our Council had confidence that Trustees were keeping an eye on the finances for the project, while Trustees were also able to ensure Councillors remained committed through the challenges of a large capital project."

### Lessons

Jane points out that like her, you don't need to be a conventional fundraiser to support such a strategy. "If you're flexible and think strategically about different funders, all you need is some additional research capacity. Think about fundraising as an everyday activity not just about your capital project."

### Key issues to explore

- Understanding your funding drivers
- Researching the potential market for fundraising
- Assessing your readiness for fundraising among your options
- Considering partnership models for fundraising

### Further Reading

Breeze, B. (2014) *Philanthropic Journeys: new insights into the triggers and barriers for long-term giving and volunteering*. Canterbury: University of Kent.

Phillips, P.S. (2012) [\*Philanthropy beyond London\*](#). DCMS.

The National Archives (2012) [\*Using Friends Groups to Support Fundraising\*](#)

The National Archives (2013) [\*Use of Development Trusts by Archive Services\*](#)

The National Archives (2016) *Building Networks and Supporters*.

For more about working with Friends.

## 2.6 Spin-outs and alternative service delivery

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Many other public services are increasingly being delivered through alternative service delivery models, such as outsourcing, shared services or transfer to community management. There have been a number of examples of shared services, but there is not yet a well-developed market of private sector archive service providers that public bodies can turn to.

More authorities are spinning out their archive services, such as Somerset and Devon and York, usually as part of larger packages of services. Spin-outs have been argued to have a number of particular advantages, such as better productivity and staff motivation, a stronger community focus and the retention of profits for the benefit of the locality. This belief is reflected in the Open Public Services White Paper which set out a commitment offer:

*“New opportunities to innovate, improve and inspire; and encourage public sector staff to start their own enterprise.”*

*Source: Cabinet Office (2011)*

The reported advantages of spin-outs have contributed to a number of authorities adopting policies which positively encourage mutualisation. In some authorities every service has been reviewed to assess whether it might lend itself to a spin-out, with staff encouraged to come forward with proposals.

Such spin-outs may be initiated by managers and staff, sometimes in collaboration with service users. The reasons for managers and staff pursuing a spin-out will vary. Some will be driven by a desire to take a more direct role in running their own organisation; others may feel a spin-out will help to protect or shelter a vulnerable service.

Spin-outs can take various forms, such as:

- Charitable Trust
- Community Management
- Local Authority Trading Company
- Mutual
- Social Enterprise

A charitable model has particular attractions to a local authority as significant savings can be made from business rate relief, with part of the costs of the relief transferring to the Treasury. It is also often perceived that a charity will find it easier to access external funding. Fiona Williams, Chief Executive of Explore York (which spun out from York City Council in 2014) reports: "We are finding that people are much more willing to donate time and money to us as a separate organisation." She adds: "Being a charity entitles us to apply for a wider range of grants and funding."

The set-up costs can be high and the processes involved can be very involved, so it is essential that both the authority and the staff transferring to the spin-out are committed to making the new arrangements work. Also, the new European

procurement directive introduces some challenges that would need to be overcome is a spin-out is to secure a contract from the council.

A spin-out to a mutual or charitable body is not the only option: outsourcing to the private or third sector is another possibility although there is not yet a well-developed market for archive services.

### Key issues to explore

- Might a spin-out option bring bigger long-term financial benefits than other alternatives?
- What could spin-out status allow you to achieve that an in-house model couldn't?
- Is there an interest among staff and members for exploring a spin-out?
- Is there a financial case for investing in such a project?

### Further Reading

Museums Galleries Scotland (2010) [\*Choices for Change: a toolkit for exploring alternative methods of delivering services.\*](#)

This toolkit offers some ideas for conducting an option appraisal.

The National Archives (2015) *In a spin: guidance on spinning out local authority archive services.* London: The National Archives.

This guidance explores why and how local authorities might spin out archives services.

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# **Chapter 3 – Making your choice**

## 3.1 How do you compare?

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When considering the alternatives open to you, you may find it hard to estimate what might realistically be possible unless you can compare with what others are doing:

- Do you spend much more on some activities than do other archives?
- Do they raise more income than you?
- Are your costs already much lower than the norm?

There are several ways you can find out more:

1. Take part in benchmarking exercises, such as those offered by CIPFAstats (which are principally for local authorities) or by the Society of College, National and University Libraries (which are more limited in scope).
2. Find other archive services through your network (or with the help of the TNA's Engagement Team) to compare with. You could conduct a simple activity-based costing comparison with them using the approach suggested in section 1.4.

The most important part of the benchmarking exercise is learning about what others are doing that is different and generating ideas for what you can achieve and then generating some assumptions that you can use to inform your evaluation of the options. Of course, finding out what others are doing can be somewhat sensitive when you are working in institutions that are in some form of competition.

## 3.2 Evaluating the options - is there a business case?

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In the end, you need to make some decisions about where to focus your efforts. This requires some research into each of the options to identify the art of the possible and the cost of the possible. You'll also need to think about the other implications and factors that will influence your decision about the priorities.

More importantly, you will need to work out whether you can generate an 'invest to save' argument - you will probably need some funds to make the changes needed to improve your finances. Can you make the case for an injection of funding that will deliver savings in succeeding years? Many organisations do operate 'invest to save' approaches, but probably not at the level of budgets involved in a small archive service, so the investment might be generated internally through reprioritising your resources.

The temptation might be to just get on with what your hunch tells you is the best approach - and you might be right. However, if you want to win support and convince stakeholders that it is the right approach, you'll need to demonstrate that it is the right one. Of course, when you look more closely, you might find that there are hidden costs and risks and that something more or less radical is a better bet.

You will need to decide on your own evaluation criteria and any weightings, but the sorts of things you might want to include are:

### Option appraisal: potential criteria

Criteria	Things to think about
Return on investment	<ul style="list-style-type: none"> <li><input type="checkbox"/> What are the one-off costs?</li> <li><input type="checkbox"/> Are there any new annual revenue costs?</li> <li><input type="checkbox"/> What income or reductions can you expect?</li> <li><input type="checkbox"/> Do you need a return on investment in the short, medium or long term?</li> <li><input type="checkbox"/> Is there the potential for any upfront costs to be met from an 'invest to save' fund?</li> </ul>
Service outcomes	<ul style="list-style-type: none"> <li><input type="checkbox"/> How will this option help to deliver corporate objectives?</li> <li><input type="checkbox"/> How does this fit your service priorities?</li> <li><input type="checkbox"/> Will the option run counter to your organisation's values or objectives?</li> </ul>
Stakeholder support	<ul style="list-style-type: none"> <li><input type="checkbox"/> Do your plans have necessary trustee/political support?</li> <li><input type="checkbox"/> How controversial are the plans likely to be?</li> <li><input type="checkbox"/> Are your colleagues on board?</li> </ul>
Confidence levels	<ul style="list-style-type: none"> <li><input type="checkbox"/> How confident are you that the results will be achieved?</li> <li><input type="checkbox"/> How big are the risks?</li> <li><input type="checkbox"/> Have you got access to the skills and expertise needed and can you find them easily?</li> </ul>

You will need to be clear about your assumptions, particularly your financial assumptions. You might not be able to be precise at this stage, but your assumptions need to be realistic.

At the end of the process, you might find that you'd want to pursue more than one option. The question will then be what the most logical sequence might be. Would fundraising be easier if you'd converted to a spin-out first? Or is the funding need too urgent to wait for the delays involved in a lengthy spin-out process?

### 3.3 Being clear about your plans

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Once you've been through the process of selecting the best option and you know what part your fundraising plan will be, you'll need to develop a realistic plan - and probably a project plan so that you know exactly who will be doing what and in what sequence.

A plan focused on income generation might be more straightforward; the set-up of a development trust would be much more complex. Whatever the case, you will need to put the right type of project management in place, involving the right people. You'll also need a logical timetable and clear milestones and deadlines and keep a grip on any spending.

Whatever type of plan you adopt, you will need to make sure that you have a clear and persuasive narrative worked out to describe what you're trying to achieve. That narrative will need to be explained to all the people who may be affected or who could help. You'll want to get their feedback and keep them up to date.

If you are going to build a sustainable financial future for your archive service, you'll also need to think beyond the next year. Your plans and their implications will need to be projected forward over a longer time horizon. Gloucestershire Archives has created a three-year plan (see case study).

## Case study 5: Long-term planning to drive strategy

### Summary

Gloucestershire Archives has used its long-term budget planning to help develop new ideas and a new culture.

### Details

Gloucestershire Archives, which delivers an archive service for Gloucestershire County Council and South Gloucestershire Council, began its long-term approach to financial planning in 2008. Head of Information Management & Archives, Heather Forbes, reports "We were looking at different ways of doing things and making the best use of our assets".

This led to a number of changes, including the development of a very active volunteering programme (see case study in 'Building Networks and Supporters' toolkit) which is worth £250k per annum.

The service set about understanding "what everything costs to deliver", says Forbes, and undertaking benchmarking. This led to some activities being stopped and more realistic costs being charged. Learning and outreach activities are usually externally funded or incorporated into partners' bids to the Heritage Lottery Fund.

Using a long-term planning horizon (the current business plan runs until 2020) has encouraged the service to think about how to develop a more diverse funding base. It also challenged the service to explore how working with others could help to deliver shared outcomes. Partnerships, such as with the local Family History Society, are designed to make the service more sustainable.

### Lessons

Heather Forbes argues: "You need to think strategically - beyond the period you are being asked to plan for" and stresses: "With a service like archives, you simply have to think a long way ahead".

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# **Chapter 4 - Where to go for help**

## 4.1 Making friends with your accountants

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Whether you want to make sense of the present or the future, you need to **make friends with your accountant**. However good your current relationship is, they are also likely to be very busy, particularly if you are in a public sector organisation where budget reductions for support services have often been far greater than for frontline services. Your accountant is unlikely to have much patience with you if you take little interest in your budget; argue pointlessly over corporate recharges neither of you can change; or plead that you're 'not good with numbers'.

On the other hand, if your accountant believes you are serious and putting thought and work into your financial planning, you're more likely to get the help you need. Whether you're confirming your staffing costs or probing into your expenditure and income, you'll probably need your accountant's help to understand the details.

## 4.2 Learning the basics and developing your skills

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That conversation will be easier if you have put the work in to **learn the financial basics in your organisation**: how to use a spreadsheet; how to use your finance system; and the basic terminology. You will not need Advanced Excel skills - you won't need anything much more sophisticated than understanding how to use a spreadsheet to add up, subtract and divide by 12! You can learn all you need online or by doing an Excel for beginners course. You will need to learn how to use your finance and purchasing systems: again the basic courses will be all you need. Most organisations will also run a 'finance for non-financial managers' course. This is well worth doing. If you've got to grips with the basic tools and jargon, you'll be better placed to plan for the future and to make best use of the help available.

You will probably also want to develop your marketing and lobbying skills - all things that the 'Fundraising for Archives' programme and ARA and TNA materials and training can help with. Some project management skills will also be needed - or *programme* management if your plans are more complex and the change involved is greater.

Of course, if you're not a one-person band, you don't have to do it all yourself. It's important to draw on the help and skills of your colleagues - and your supporters. That might require an investment in their skills. The bigger the plan or change needed, the more you will need to put into a learning plan that will help to make it possible.

## 4.3 Build your networks (see Building Networks and Supporters)

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You'll need to think hard about how manage relationships with stakeholders to develop powerful advocates who will speak on your behalf. The 'Fundraising for Archives' programme offers a module and toolkit on this important topic.

## 4.4 National Archives advice on spin-outs and the Mutuals Information Service

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A number of government departments and agencies are providing support and funding to help organisations, staff and community groups understand whether spinning out is for them.

The National Archives has published guidance on spinning out archive services and you can also draw on advice from TNA's Engagement Team and regional Engagement Managers for advice and support:

<http://www.nationalarchives.gov.uk/archives-sector/ask-question.htm>

The Cabinet Office Mutuals Information Service is open to public service organisation and their staff wanting advice and guidance on spinning out services into a Public Service Mutual. The service includes access to training and consultancy support.

<http://mutuals.cabinetoffice.gov.uk/>

## 4.5 Fundraising for Archives: training

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The 'Fundraising for Archives' programme offers a wide range of training courses, toolkits and advice to help you work out how to be effective in your fundraising and where to channel your efforts.

## 4.6 The National Archives - Income Generation Guidance

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The National Archives has published guidance on commercial income generation for archives. This guide will be especially useful to archives considering a range of income generation options, including voluntary fundraising and selling services.

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