

Charging For Things

Some people believe that voluntary and community groups should offer all their activities and services absolutely free. In fact, there are some who believe that Charities may not charge money at all.

This is not the case, and with grant funding becoming more competitive, and more focussed on funders' outcomes, voluntary and community groups must find more ways to raise the money to pay for their services and activities.

There is more and more pressure on voluntary and community organisations to become more enterprising, to find ways to be sustainable through trading activities. But large scale trading doesn't suit all organisations, and relying on trading does have implications for how your organisation is run.

But even for those organisations that cannot do a lot of trading, putting a price on *some* activities, and asking people to pay for them, is one invaluable way to raise *some* of the funds you need to run those activities.

For example, you could ask your members/your beneficiaries/the public/other organisations to pay for the following:

- Refreshments at your (free) meetings and activities.
- Membership of your organisation.
- Subs or tickets to attend your events and activities.
- Use of your resources, e.g. your premises; your photocopier; your equipment.
- Items you have produced, e.g. a calendar; crafts and artwork; food.
- Your time - for example if your group runs awareness raising workshops, or gives talks, or is asked by other bodies to do things.

What stops groups from charging for things

Many groups feel unable to make charges for things for various reasons:

- Our members won't pay.
- We're a voluntary group/a charity, it should be free.
- The people we support can't afford to pay.
- We don't have the confidence to ask for money.
- We don't know how much to charge.
- We don't know how to manage money this way/we're not well enough organised.
- We *want* to do this activity – it's not about the money.

- Other organisations expect us to just turn up for free/they don't have a budget to pay us.

Why *should* your group charge for things?

- Money from charges is *unrestricted income*, your group can use it however it likes towards your aims*, enabling you to pay those core costs that are so hard to get grants for.
- It gives your group independent income that helps you show grant funders that you are not entirely dependent on grants.
- It can help to show support for your group's activities.
- It enables you to do more than you could if you only relied on grants.
- Some consider that people value things more if they've paid for them.
- If your members and beneficiaries are used to things being free for them, they'll always resist paying. If you start introducing small charges they will get used to paying for things.
- Other organisations will always plead lack of money and try to get your group to do something for them for free. It's not free. If *they* don't pay your costs, you do (or your members do).
- If you get paid for doing something you *want* to do, the money will allow your group to do more of that thing.
- Making charges for things brings your group much more than money. It builds your management and negotiating skills; builds your confidence; creates a sense of value; and can provide some security about your income.

* Take care though, if you make charges for something that you have a grant to do – you need to agree it with the funder (unless that was what you said in your application), and they may have rules about how you can use money raised against their grant.

How To Go About It

There is a whole science to costing and pricing, and you don't need to know it all (unless you are trying to turn your organisation into an enterprise). But if you want to know more, a starting point is the Business Link guide to pricing in the Sales and Marketing section of the Business Link website at www.businesslink.gov.uk (the pricing page is at) <http://tinyurl.com/cplwn6p>.

Know your costs

At the most simple level, the first thing you need to do, whether or not you are going to apply charges to your activities, is to work out what your costs are. Start by writing a list of all the things you have to pay for. *For example*, an organisation that runs a monthly social get-together for its members might have the following costs:

- Room hire once a month
- Purchase of refreshments
- Transport costs
- Materials for e.g. art and craft; sewing; cookery sessions
- Hire of a sound system

Some of these costs are *fixed*, for example the room hire is likely to be the same every month regardless of activities and numbers of people. Some costs will *vary*, for example the cost of refreshments, transport and materials will vary depending on what activities are taking place, and numbers of people attending. Some costs might be occasional, for example the group might only need the sound system at some of its sessions.

However, the group has some *hidden* costs too. For example activities are organised from the group's office which they rent. They use the internet and phone to organise activities, and print a newsletter three times a year to advertise their events. They have contents insurance covering their office and equipment, and public liability covering their events.

So the cost of the event is the total cost of all of the items listed above, *plus* a percentage of the hidden costs (the proportion of these hidden costs depends on, for example, how many other activities the group organises).

Set your pricing policy

Once the group knows the cost of its event, it is ready to decide on its pricing policy. Here are some options:

- Charge nothing (of course, this only works if the group knows it has enough money from another source to pay the costs of the event).
- Charge participants the full cost of the event (for this they need to know how many participants will attend of course. And each event might have a different cost, so will they charge according to the event, or according to the average cost of all the events?)
- Charge participants the full cost of the event *plus a bit more*, to enable the group to raise funds for more events.
- Charge participants a percentage of the cost of the event – as long as they know they have the funds to cover the rest of the cost. This might be a good option to allow the group to extend the event beyond original plans; include more people; or raise a bit of money towards the next event.
- Charge some participants above the full cost of the event, and offer a discount or free entry to certain others (e.g. juniors; unwaged; seniors; families).
- If they have the funds from elsewhere, allow participants to attend for free, but charge for certain parts of the event (e.g. charge for refreshments; charge for materials for activities; charge for transport).

NB There is no such thing as a “minimum donation”. A donation is freely given and is not a transaction, so nothing is offered in return. You can “suggest” an amount for people to donate, which might encourage them to do so, but you can’t turn them away if they choose not to donate. If a minimum amount of money is required before the goods or activity are offered, then it is not a donation, it is a price.

Handling Payments

If your group is going to charge for anything, you need to be able to handle payments. For example, if charging for admission to an event, or for refreshments at an activity, you might need to have a cash float so that you can give change. You should draw your cash float from the bank, and make a note of the amount. At the end, you need to subtract the float from the money paid, to calculate your takings, and you will need to record that as part of your income. You should then put all the money into the bank – that way it is also recorded by the bank, and you can account for the cash.

You will need to have some good cash handling procedures, and good record keeping. You will need a cash box, and somewhere secure to keep it, and a regular routine of updating your financial records and putting money into the bank. You will find it helpful if you get a receipt book (you can buy printed booklets with carbon paper in stationers) and routinely write receipts, as this will provide an additional record of money received.

All the cash you take should be recorded and banked – don’t use it to pay your bills, as this is more likely to confuse your records, and disguise the true amount of your income. You might receive cheques which again should be recorded and banked – if there is a problem, it will be easier to sort out if you have a record of the cheque details.

You could explore taking payments online, through paypal www.paypal.com/uk/charity, but there is a charge, and this means your costs will go up slightly.

For events, you could use Eventbrite www.eventbrite.com – free events are free, but if you charge, Eventbrite takes a percentage of tickets sold as its fee, so again, your costs will go up slightly.

CASH Online www.cash-online.org.uk/ publishes guidance on handling cash as part of their CASH Facts series.

Disclaimer: This information is intended for general information only. It is not a complete statement of the law and is in no way intended as a substitute for proper legal or professional advice. No liability can be taken for actions taken, or not taken, on the basis of this information. HANA is not responsible for and cannot guarantee the accuracy of information on websites or in publications it does not manage, nor should the inclusion of references to publications or websites be taken to mean endorsement by HANA.