

Case Study: WebPlay

Key themes

- Using loan finance to develop a funding mix
- Achieving growth by developing an earned income stream
- Using a business-like approach to improve charitable work as well as creating profit
- Trading, not contracting, with the public sector



Sustainable Funding Project Case study: WebPlay

Summary

WebPlay is an arts education charity that has grown significantly since being founded in 2000. It has grown from a turnover of £20,000 to £500,000 in the UK alone. It has achieved this by using loan finance to develop a funding mix. It has gone from being reliant on grants to receiving 30 per cent income through trading. The charity sells its project to schools, but does not contract with the public sector, up to now. It aims to increase the percentage of earned income even further.

Date

This case study is based on an interview with Sydney Thornbury, May 7, 2008.



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About WebPlay

WebPlay is an international arts education charity. It was founded in 2000 by Sydney Thornbury. It started as a small project, working with 300 children in 10 primary school classes in London and Los Angeles. Over the last seven years it has grown significantly - last year it worked with 3,120 pupils in the UK.

The WebPlay mission is to inspire and enhance the learning and creativity of children, linking classrooms locally and around the world. The programmes use drama and technology to make learning fun, to broaden horizons and to support the development of children's academic, personal and social skills.

WebPlay projects allow primary school children to collaborate online with other classes and a professional theatre company to develop their creativity. The children create a play based on what they have learned about their partner class. The plays are videoed and uploaded to a site so other classes can see them. The project develops both drama and technology skills, and engages the children to learn about the world.

The project works in the UK and the US, but this case study will focus on the UK operations. The US part of the project is also run on a sustainable funding basis.

How the project grew

WebPlay started as a small project. For the first three years, it ran on a shoestring, with the director, one part-time member of staff and one employee seconded from a theatre company. In the first year, the project raised £20,000, and by year three, it raised £50,000. It was run entirely on grants at this stage.

By 2003, it had become clear that there was a demand for the services WebPlay could provide. The projects were cross-curricular, making them attractive to teachers. By working with schools, the organisation realised that there was a market for their work.

WebPlay made the decision to register as a charity, in order to develop as an organisation. This was a key turning point for WebPlay. However this move also brought financial challenges.



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How the project grew

In 2004, WebPlay experienced cash flow problems for the first time. Previously, the director had used her own funds to cover any shortfalls, on the basis that the money would be returned to her when the grants came in. This meant that the organisation had been cushioned from the impact of grant funding in arrears. However this was not a sustainable situation: the director was unable to continue bankrolling the project, and in any case, the organisation realised this was not an adequate solution to the problem.

At this point, Thornbury decided to develop a different funding mix. She felt that even if the cash flow situation could be resolved, being dependent on grant funding would always be precarious. The charity started to look at ways of developing income.

There was one obvious income stream the charity could consider. At that point, schools were receiving the programmes for free. However Thornbury felt sure that they would be prepared to pay for the service. After three years of delivering projects, she was confident the market existed.

The move to charging would be timely. Schools were being given devolved budgets, which meant they could decide to spend their money on projects such as those provided by WebPlay. But to start trading meant that more resources would be needed to set up systems and plan strategy. The organisation would need capital to get started.

WebPlay invested time to ensure their financial systems were ready for a change in approach. One of the charity’s trustees was an accountant, who spent time with the director going through the finances and financial systems. In 2004, the organisation was ready to look at loan finance to develop their work.

About Venturesome

WebPlay decided to approach Venturesome, a specialist provider of loans for the third sector. It invests in projects that are often considered too high risk by traditional lenders, and the money paid back is reinvested in other projects. Venturesome places an emphasis in high social impact, and works with organisations to ensure their work is effective. Venturesome calls its funding ‘mezzanine’ finance. It bridges the gap between grants and loans from traditional lenders, offering amounts from £20,000 to £350,000. Loans are repaid over three to five years. The rate of interest is decided on a case-by-case basis. For an organisation such as WebPlay, without any collateral, this kind of funding was crucial.

Using loan finance to make money

Venturesome was impressed by WebPlay's work, and offered a total of £50,000 for working capital in February 2005. This allowed WebPlay to hire a fundraiser. Thornbury moved away from programme delivery element she had started, and into a more strategic role.

The capital was invaluable for WebPlay as it allowed them to stabilise financially and focus on scaling up their operations and creating an earned income strategy. As the charity expanded, WebPlay had to find new ways of working, and a lot of investment went into infrastructure – systems that would allow work to take place on a bigger scale.

WebPlay had also received several grants. One had money to spare at the end due to the success of charging schools a fee and the funders let WebPlay put it towards reserves. This meant WebPlay had reserves for the first time, which also gave it a safety net for trading. When the charity didn't hit recruitment targets for new schools, for example, the reserves covered the shortfall. Without them, staff would have been laid off.

Trading vs. contracting

Many charities look at public service delivery as a means to earn income. However WebPlay found that opportunities to tender were limited. There were no contracts available with a good fit for the work they did. However Thornbury knew their project had great results and feedback when schools did use it. This is why the charity decided to trade with individual schools. It charges a set fee per project, per class. This covers half the cost of delivering the project – to charge full price would be prohibitively expensive for schools.

In contracting, commissioners largely dictate the terms of the project. This means that projects often have to react to changing whims. In contrast, WebPlay develops a project on its own terms, and is able to operate with much more independence. This has brought obvious benefits. However the lack of large-scale contracts has meant that WebPlay has had to develop its marketing strategy, which has been time-consuming and required lots of external expertise. It has to sell to a lot more clients than if it was dealing with commissioners.

Nonetheless, WebPlay's experience demonstrates that it is possible to earn income from the public sector, without having to take on contracts. The innovative and successful nature of the work has been the key to this.

Funding now and in the future

WebPlay's current funding mix comprises 30 per cent earned income from trading, 10 per cent public funding (from Arts Council England), and 60 per cent grants.

The organisation aims to earn 50 per cent of its income by 2010, and eventually earn up to 75 per cent of income.

WebPlay has also examined its income from grants. It has a comparatively higher than average percentage from trusts and foundations, but less than average from corporate and public sources. Its fundraising strategy will be to target businesses and try to generate more public income. It would like to bid for public service contracts, but opportunities to do so are limited in its field of work.

If any arise, WebPlay will be ready. Finally, the organisation would like to start fundraising from the public, but realises that this would require further thought and investment, so this is lower down its priorities.

For Thornbury, the ideal funding mix would be 50-75 per cent earned income, with the remainder split between trusts, businesses, public money and individual donations. She admits that such a perfect split will be different to achieve, and accepts that different sources of money will ebb and flow according to the changing funding environment each year.

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Keys to success: What helped WebPlay develop and grow?

External expertise: the organisation made use of various sources to help them develop. In the early stages, a seconded member of staff from a theatre company helped the project to grow. The organisation built expertise through its board, ensuring members had professional skills and passion for the project. Once Venturesome had come on board, WebPlay could call on the lenders for help and advice. Finally, the organisation rents office space through CAN (Community Action Network) Mezzanine. It took advantage of a secondment scheme set up by CAN. A marketing expert from Sony helped the charity to develop a marketing plan, and will work with them again on a web marketing plan. The organisation has been extremely proactive in finding sources of help.

Loan finance to trade: a loan provided the organisation with more than just capital, it was the starting point for a culture of change and innovation. The security of having reserves allowed the organisation to take risks. Starting to trade also benefited the organisation. It had to listen to its customers, and ensure that it was really providing a good service to its market. Thornbury feels that the charity would not be as successful if it was still grant-reliant, as trading had forced it to develop and refine its services. For example, to retain schools, WebPlay developed a regular email communication with headteachers to keep them up to date with the programme and what they could expect from their pupils. This provided a better and more competitive service.

Management skills: WebPlay had to look at its planning processes to scale up effectively. Thornbury's approach was to look at tools from big business and adapt them for her organisation. She was cautious about bringing in models from different sectors without looking at what purpose they served. The charity needed tools that reacted to change. For example, the charity developed a marketing system, with a spreadsheet on marketing activities, with benchmark figures and achievements. This working document has been far more useful than a lengthy strategy that gathers dust on the bookshelf. The charity has tried to be flexible to adapt to the changing sector, with a strategy for three years ahead, but plans for just a year.

Identifying with the third sector: many arts organisations don't think of themselves as third sector organisations, and miss out on sources of support and funding. WebPlay has tapped into any networks that can help. For example, Thornbury is a member of the Acevo special interest group on arts, and regularly attends Sustainable Funding Project events.



Tips for chief executives

Sydney Thornbury offers advice for chief executives running organisations that are looking to adopt a sustainable funding mix.

1. Adopting sustainable funding should be a long-term objective.

Don't underestimate how long it takes and how much impact it will have on your organisation. It's not a quick fix.

2. Don't make the mistake of thinking that earning income is the same as being sustainable. Earned income can ebb and flow just as much as grants and contracts. This is why it's important to have an income mix.

3. Look for any and all opportunities to maximise income.

Drill down into every area of the work you do to identify ways to make money from existing projects, as well as developing new ones.

4. Develop networks of support and mentors.

Surround yourself with people who have different levels of expertise. Sometimes peer-to-peer support is just as valuable as expertise from mentors at a higher level.

5. Make time for yourself.

You can't work flat out all the time; it's not conducive to strategic thinking. Be strict about your work/life balance and make time to do activities that will focus your energies elsewhere. This will ultimately help you feel more positive and achieve more.

Links:

www.WebPlay.org

www.cafonline.org/venturesome

www.can-online.org.uk

www.ncvo-vol.org/sfp



The Sustainable Funding Project is an NCVO initiative working in partnership with the Big Lottery Fund and Charity Bank

The project encourages and enables voluntary and community organisations to explore and exploit a full range of funding and financing options to develop a sustainable funding mix.

The Sustainable Funding Project
www.ncvo-vol.org.uk/sfp

T: 0800 2 798 798

E: sfp@ncvo-vol.org.uk