

Alternative routes to finance

A surprisingly large range of businesses, charities and not-for-profit organisations can qualify for grants or funding. Your capital purchases, business expansion plans and research and development costs can qualify. There are, of course conditions to meet. These are often linked to where you are, your size what you are trying to achieve and other regional, political or economic goals.

The information below gives a brief overview of some of the main types of alternative funding (as opposed to banks and building societies) available. We regularly add details of new sources of funding to our website www.bwm.co.uk as news items. We would be happy to discuss any funding needs with you.

What is a Grant?

A grant is an amount of money which is given to a business to help with a project or help them grow as an organisation. There are advantages to grants, for example they don't have to have any interest paid on them and they don't have to be paid back. This is so that no control is lost over the organisation or that the organisation doesn't have to worry about finding the money to repay what has been awarded.

What is Funding?

Funding is when money is provided, for a specific purpose from an organisation or government. There are two types of funds that are available to businesses. One is private finance providers e.g. banks or the other is public funding, for example government schemes. Funds can be suitable for paying for assets like equipment, vehicles etc. An advantage could be that loans can be tied to the lifetime of equipment or other assets that the money is being borrowed to pay for. On the other hand though loans aren't very flexible and charges may occur if you repay earlier.

Charity Funding News

An excellent round-up of all locally available charity funding is provided through a regular email bulletin from Mandy Maloney at Merseyside Network for Change – email Mandy to be added to her circulation list at mandy@merseysidenetworkforchange.org

What is Asset Finance?

Asset Finance is the renting or leasing of equipment which can save on the initial costs of buying them outright. Many different advantages to asset finance include having access to high standards of equipment which may not have been affordable to buy outright, if equipment breaks down it is up to the leasing company to fix and interest rates are usually fixed if the organisation pays monthly instalments. There are however some disadvantages such as you may have to pay a deposit or make some payments in advance. It can be more expensive than buying the asset outright.

What is Crowd Funding?

Crowd funding is essentially about people coming together to network and pool their money and other resources, usually via the internet, to support other people or organisations. It has been used for a variety of purposes, from disaster relief, citizen journalism and artists seeking support from fans, to political campaigns, creating free software or funding a start up company, movie or small business. Advantages of this are that it can raise awareness of your new business and it provides an alternative to funding from conventional means. There

are some disadvantages to crowd funding for example any money that you raise will normally be returned to investors or contributors if the funding target isn't reached.

What is peer-to-peer lending?

Historically investors and borrowers have been on opposite sides of the coin. When interest rates were high, savers got a decent return, but the cost of borrowing was expensive. Conversely, when interest rates were low, borrowers had access to cheap money, but depositors got low returns. At the moment though, both sides seem to be losing out. Those needing personal or business finance often find it hard to obtain. If a lender can be found, arrangement fees are much increased and the actual rate of interest charged seems out of step with the returns offered to investors. One advantage of peer-to-peer lending is that it can be approved easier than if dealing with a traditional lender.

FOR GENERAL INFORMATION ONLY

Please note that this guide is not intended to give specific technical advice and it should not be construed as doing so. It is designed to alert clients to some of the issues. It is not intended to give exhaustive coverage of the topic.

Professional advice should always be sought before action is either taken or refrained from as a result of information contained herein.

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For more details of how we can help you transform your business, please visit www.bwm.co.uk or call us on 0151 236 1494