

Voluntary Action Merthyr Tydfil

Your local county voluntary council



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7. Finding and getting money

7.13 Working together to raise income

Overview

Third sector organisations can work together to generate funds in a variety of different ways, from organising fundraising events, through encouraging one-off donations and regular giving, to joint tendering or trading. This information sheet is designed to provide introductory guidance to third sector organisations who are considering whether there are ways in which they could generate income through working with others.

Why work together?

Often, a lack of capacity or resources can prevent smaller third sector organisations from exploring new or different income generation activities. Working with others can offer opportunities to pool resources or expertise, achieve greater reach and publicity, share costs, and undertake different approaches to fundraising.

Some of the benefits include:

- **Improved use of resources** – through employing existing resources more efficiently and reducing unnecessary duplication of effort.
- **Greater expertise** – through sharing and building on the skills and knowledge of each of the partner organisations.
- **Donors can support a range of causes** – third sector organisations working together can prove very attractive to the public. This might provide access to a new pool of supporters.
- **Improved publicity opportunities** – through combining the marketing capacity and promotional routes of all partners.
- **Enhanced fundraising capacity or better geographical coverage** – achieving greater reach through sharing existing skills and resources.

Challenges

However there are complications and barriers to collaborating, and any situation which involves working across organisational boundaries can bring risks.

Potential challenges include:

- **Relationships** – Managing relationships between partners and ensuring good communication is vital.
- **Investment** – Partners investing disproportionate time or resources can be problematic. Even the perception of this can lead to difficulties.
- **Resources** – There should be early agreement about distribution of profits, or any assets or intellectual property generated by the collaboration.
- **Risk** – There are many legal and financial risks to address, as well as risks such as threats to brand, values or supporters. Risks should be identified, managed and distributed proportionately.
- **Supporters** – Could collaborating mean losing existing supporters, for example through association with another organisation with different values?
- **Expectations** – Problems can arise if there are different expectations or levels of commitment from partners.
- **Distraction from core activities** – Will investing time and effort in the collaboration divert you from, or even threaten, your existing services?

Different ways of working together to generate income

- **Joint tendering** – Tendering is the process of bidding for the supply of services or goods. The scale of some service delivery contracts has led to many third sector organisations considering establishing consortia for the purposes of bidding and delivering services. There are opportunities to access service delivery contracts through the wider reach and expertise of a consortium.
- **Trading** – Trading is charging for goods and services. Often, establishing a new trading activity requires a significant investment of skills and resources. Third sector organisations can work together to combine their expertise or to share the costs of embarking on a new trading initiative.
- **Tax-effective giving** – Gifts to charities can be tax effective. Gift Aid, for example, involves charities claiming back the tax already paid by a donor on their gift. Payroll Giving involves charitable donations being taken from employees' gross salary before tax is deducted. Working together offers opportunities to reach new supporters, and a Payroll Giving consortium offers donors the means to support a range of complementary causes, for example organisations working within a defined area, or with a particular client group, such as children.
- **Appeals** – A significant benefit of working with like-minded partner organisations for the purposes of promoting an appeal is that, at the time of an emergency or disaster, donors do not have to choose between agencies. Organisations can co-

ordinate their activities and pool their resources to achieve greater publicity. Donations to an appeal can be eligible for tax relief through Gift Aid.

- **Legacies / In memoriam** – Legacies represent a significant source of income for many charities. A legacy to a charity is exempt from inheritance tax. Many people do not leave a bequest to charity in their will, so charities can work together to promote legacy giving to a wide audience. Coalitions can also work to promote *in memoriam* fundraising: donations given to commemorate a death.
- **Joint fundraising** – organisations can collaborate informally on a wide range of fundraising initiatives, from organising fundraising events to promoting regular giving. For example, the wider reach of a collaboration can garner significant support for an event.

Issues to consider

Some of the key considerations for collaborating to raise income include:

- **Shared expectations** – Organisations should be clear about what they want from their partners, about what their partners want from them, and what their boundaries are.
- **Equality** – How equitable is the collaboration? Will there be a lead and accountable body or will the collaboration be a partnership of equals?
- **Structure** – Will organisations maintain their own identities, or is the risk involved sufficient to justify establishing a new legal entity for the work?
- **Allocating funds** – How will profits be distributed? Some collaborations choose to divide profits equally between all partners, while others choose to distribute resources according to an agreed formula.

What can help?

- **Written agreements** – In all but the simplest of collaborations, it is advisable to establish a written joint working agreement. This document should set out the terms of the collaboration, including information about how decisions are taken; and how earned income will be distributed. The agreement should also include provision for resolving disputes and how partners can withdraw from the project. The agreement should be proportionate to the risk and resources involved in the collaboration. Although every agreement will be different, common headings might cover:
 - An introduction, including names of partners, duration and statement of purpose
 - Roles and responsibilities, including decision making
 - Funding and finance

- Lines of communication
 - Monitoring and reporting
 - Provision for making amendments
 - Exit strategy
 - Dispute resolution
 - Contact details and signatures to show adoption of the agreement
- **Building on the best of each organisation** – Partners may have different but complementary skills, so collaborations should strive to recognise and build on the strengths and experience of each organisation.
 - **Steering group** – Depending on the size and nature of the project, a steering group could be convened, with representation from each partner, to ensure that clear decision-making structures are in place and that the collaboration is kept on track.
 - **Trust and communication** – Developing good working relationships can take time, and there should be a commitment to ensuring effective dialogue and communication, particularly at the early stages when trust is still building.
 - **Shared aims** – Aims for the collaboration should be agreed by all partners. It can also help to clarify what each organisation is prepared to commit, and its boundaries, beyond which it is not prepared to go.
 - **Organisational cultures** – A common problem with collaborations is reconciling different cultures within organisations, for example, different working practices or relationships with service users. Compatible cultures can help collaborations run smoothly.

Further information

Information sheets

7.6.1 Fundraising events

7.6.2 Fundraising legacies

7.7.1 Introduction to tendering

7.8 Trading

7.10 Tax effective giving

7.10.3 Payroll giving consortia

The Charity Commission

The regulator and registrar for charities in England and Wales. The following publications are particularly relevant:

- CC20 gives information about fundraising
- CC34 provides guidance about collaborative working and mergers
- CC35 details the legalities about trustees, trading and tax
- CC37 gives guidance for charities about public service delivery
- CC40 provides information about disaster appeals
- *Choosing to Collaborate: How to succeed*

Tel: 0845 3000 218

www.charitycommission.gov.uk

HM Revenue & Customs

A single reference point for information about tax and VAT for charities along with information about tax reliefs for charitable donations.

Tel: 08453 02 02 03

www.hmrc.gov.uk/charities

Disclaimer

The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

For further information contact

Voluntary Action Merthyr Tydfil

Voluntary Action Centre, 89/90 High Street, Merthyr Tydfil, CF47 8UH

Registered Charity: 1060242

Tel: 01685 353900

enquiries@vamt.net

Fax: 01685 353909

www.vamt.net



Tel: 0800 2888 329
www.wcva.org.uk

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