Building Resilience Resource Pack

Produced for

WYLDA

Supporting the Third Sector in West Yorkshire

by Bradford CVS

www.bradfordcvs.org.uk

Contents

Foreword

This resource pack, co-ordinated by Voluntary Action Leeds, brings together the advice, information and support of several West Yorkshire agencies. It is part of a series of activities funded by Capacitybuilders (and Central Government) to help alleviate the impact of the current recession on voluntary, community, faith, and social enterprise organisations.

Our sector is used to dealing with the uncertainties of funding, and will always rise to the challenge. However there have already been casualties as funding has become more scarce over the past two years. With the recession, no organisation will be immune. A number of common themes are developed in this pack, however the two which come through most clearly are the need for planning, and the need for the sector to pull and work together.

Other work supported by West Yorkshire Local Development Agencies with the (albeit limited) funding from Capacitybuilders, has included:

- support by provision of telephone advice throughout West Yorkshire to VCS organisations and staff dealing with redundancy, lay offs and other employment related issues throughout March 09.
- skill development and improved opportunities for refugees, asylum seekers and migrant workers to engage in strategic decision-making
- redundancy toolkit
- work on a Communications and Marketing Strategy
- a series of factsheets on organisational closure.

Thanks to all concerned with putting together this Resource Pack, and to the combined efforts of several organisations working together.

Chris Hollins

Chair, West Yorkshire Local Development Agencies (WYLDA)

Introduction

As Chris has outlined in the forward, this pack is about focusing on those key areas that VCFS groups and organisations need to tackle in these increasing difficult times. It's one of a number of pieces of work that Support Organisations (from all sectors) are currently exploring to maintain the support we provide in these challenging times.

Challenges often have some benefits and the financial squeeze is pushing organisations to work in collaboration which can only be of benefit to service users.

In relation to the pack itself, one key weakness of written material is that it is often out-of-date the day after it is produced. We plan to update it in the future, and a revised pack and replacement sections will be available on the websites of the contributors.

We hope you find the pack of use to your organisation.

Richard Jackson

Chief Officer, Voluntary Action-Leeds

The Resilience Checklist

The checklist looks at six areas, all of which could seriously affect the resilience of an organisation.

This checklist uses a traffic light system, **Red**, **Amber** and **Green**. You can use it in a number of ways. You could look at all of the red sections, and then move on to the amber or you could complete each page at a time. The aim is to give you an overall view of your organisation and identify the things needed to make it more resilient.

If you answer no to any of the questions in the red section, this is an immediate warning. You really need to put these things in place very quickly. Many of the things in the red section are legal requirements

If you answer no to any of the questions in the amber section, you need to plan to deal with these in the near future, perhaps the next two or three months. Most of the things in this area are not legal requirements, but they are very important and could seriously affect your organisation

If you answer no to any of the questions in the green section, you need to plan to address these but with a longer timescale probably within the next twelve months. Most of these are about good practice.

Employment

This section looks at issues relating to staff and seeks to make sure that systems are in place to help the Trustees / Committee and staff to work together effectively. It also seeks to make sure that the organisation meets it legal requirements.

	YES	NO
We issue a written statement of terms and conditions within 8 weeks of the start of the employment		
We protect our employees from discrimination and operate an equal opportunities policy		
We give at least one weeks notice to all employees for every year they have worked when terminating employment, up to 12 weeks in total		
We have up to date disciplinary and grievance procedures that we operate within, and they comply with the ACAS code of practice		
We have secure personnel files for all employees		

	YES	NO
Our offer of employment is always conditional on satisfactory references and CRB checks (if appropriate). We do not ask people to give notice until we have provided them with a firm offer		
We have a probation period of three months or more		
We have a thorough induction for each new staff member which continues during the probation period		
We always have regular supervisory meetings during probation We conduct regular, effective staff appraisals		

	YES	NO
We hold one to one meetings with all our staff		
We have secure personnel files for all employees		

Funding

This section is all about making sure that an organisation can satisfy the needs of its existing funders. It is also about planning for the future and making sure that procedures are in place to prevent problems with grants and funders.

	YES	NO
We understand what we have been funded to do by external funders		
We have copies of all funding applications		
We understand what we are being monitored against for our current funding		
We understand what expenditure is allowed against each of our grants and can prove how restricted funds are spent		

	YES	NO
We understand what the time scales are for applying for new funding and plan to apply in plenty of time before our funding runs out		
We discuss with funders any changes in how our grant is spent or any changes in the service delivery before the change is implemented		
We produce our grant reports and monitoring on time		
We collect information on monitoring and evaluation throughout the life of the project and don't leave it until the end of the project		

	YES	NO
We have a fundraising plan		
We regularly review the funding opportunities that are available		
We aim to have a mix of funding and to generate some of our own income		

Finance

This section is all about making sure that financial procedures are in place. It is about ensuring that the organisation is transparent in its financial reporting and prudent in its planning. Problems in this area have a habit of cascading into the others

	YES	NO
We have a system to record all income and expenditure		
We regularly reconcile our records to our bank statement		
We have a finance policy that sets out how the finances of the organisation are run and who does it		
We show restricted funds or grants separately in our accounts for both income and expenditure		
Our Trustees / Committee members receive regular financial statements at most meetings		
We keep all receipts and invoices		
All Staff are paid at least the Minimum Wage		

	YES	NO
We analyse our income and expenditure against our cash flow forecast, and plan appropriate actions to maximise surplus funds		
We have a properly administered petty cash system		
We have a clear understanding of all the costs involved in running our organisation		
We agree a budget for the year in advance of the start of the financial year		

	YES	NO
We have a reserves policy and work to ensure that the organisation holds a suitable financial reserve		
We have an inventory of equipment bought and held		
We have adequate and valid buildings and contents insurance and this is re-assessed every year		

Governance

Governance is important for decision making within voluntary and community organisations. Trustees / Committees need the relevant knowledge, training, skills and experience to be effective and to make swift and comprehensive decisions. The relationship between management committee members, staff, volunteers and service users should be open and transparent to help an organisation solve problems and move forward.

	YES	NO
We have regular meetings with the correct number of committee members to institute a quorum		
Every year we hold an Annual General Meeting according to the rules in our governing document / constitution		
At committee meetings the Committee receives regular reports on all aspects of the organisation		
Agendas and minutes are available for each meeting		
We display our charity number / company number on all correspondence and publicity material		

	YES	NO
Our annual returns are up to date with the Charities Commission / Companies House or other regulatory body		
The Charities Commission are informed of any changes to our Trustees		
Our Committee members know what their roles and responsibilities are		

	YES	NO
We regularly revisit our governing document / constitution to make sure it is appropriate for our activities and amend it if necessary		
All of our Trustees / committee members have job descriptions		
All of our Trustees / Committee members receive an induction		

Planning

The finance, development, strategic and business plans are among the most important documents produced by an organisation. Some of these plans might be combined or the terms might be interchangeable but they are all important. The plan is used to provide direction over a specified period of time. It can be used as a way to measure performance.

	YES	NO
We create a budget for the coming year		
We know what a cash flow projection is and do one every year adjusting it to take into account new information as it becomes available		
We plan our work to take into account resources available		

	YES	NO
We have a business plan that lasts for between one and three years		
We regularly refer to our business plan		
We review our business plan annually		
We review our business plan when there has been a major change		

	YES	NO
We regularly revisit our governing document / constitution to make sure it is appropriate for our activities and amend it if necessary		
All of our Trustees / committee members have job descriptions		
All of our Trustees / Committee members receive an induction		

Partnerships

This section is about knowing who else is out there. It aims to make sure that you know who your allies or competitors are. This section also looks at collaboration and getting organisations to think about working together to provide strength in numbers.

	YES	NO
We are aware of key VCFS support agencies that can provide us with help		
We are in contact with other organisations in our immediate area		
We know and talk to other organisations who do similar work to us		

	YES	NO
We have contact with local partnerships and Forums		
We regularly promote our organisation externally to increase our profile		
We are actively considering ways to work collaboratively with other organisations		
We participate in joint events with other organisations		

	YES	NO
We actively participate in with local partnerships and Forums		
We understand local statutory partners strategic plans and know what part we might play in them		
We have identified potential organisations to collaborate with and considered what benefits it might bring		

Funding

Keeping the funding coming in

Even in difficult times, many if not most organisations will survive. An economic downturn will affect everyone and those who have been able to plan ahead will be the ones which keep going, albeit with difficulties, where others will fail.

In times of crisis it can be easy to be persuaded to take courses of action you would not normally have considered – to look at other sources of funding, to try new ideas, or new activities. New opportunities may well present themselves and seem tempting. However when you are under pressure, and the resources which are "out there" are diminishing, or there seem to be many other groups chasing them (for exactly the same reasons as you) this is the time, above all others, to plan carefully.

The thing which makes an economic crisis different from the normal funding problems you face from one year to the next, is that most of the organisations in your area are in exactly the same position. This means you need to approach the problem in a different way. Not only that, but any statutory funders which support you will also be feeling the pinch, and any trusts which give you grants may well be relying upon their investments, which could also be diminishing. In the current economic situation, national charities are already seeing legacy income falling, and direct debit payments to them are falling even more rapidly.

"Advice is seldom welcome; and those who want it the most like it the least"

Lord Chesterfield, 1748

To help you during this recession, give some thought to each of the following points:

1. Plan

As a starting point, you may need to plan for a project, a business plan for your whole organisation, or a strategy for your fundraising. There are plenty of planning tools available to you – as a place to start try: http://fit4funding.org.uk/help_and_advice/preparation/toolkit/

Once you have your plans, though, be prepared to be flexible in putting them to use.

2. Build on your strengths

When planning your fundraising strategy – in good times or bad – the best starting point is always with your strengths. Identify what these are, but always bring them back to why your organisation exists in the first place, ideally your greatest asset is that the service you are providing in your community is the best one around. Look at the skills you have available to you – trustees, staff, volunteers, and people using your services. Remind yourself why you are there; take a look back at what is important to you, your values, and your principles. Are they still the things, which make your organisation different from any other?

3. Look at what else is going on in your community

You know what you are good at, but is that need also being met by another group, working with the same people as you? You know that the service you provide is necessary. However, for your community, how important is it? If you are involved with more than one group and had to pinpoint your priorities, where would they be? Have the needs in your community become greater with the recession, changing your priorities? Any business plan requires you to look at what goes on in the community around you "the environment" – in times of recession this is even more important.

4. Make sure you know what your liabilities are

As an organization you may have other obligations than the activities, such as staff, buildings, leases for equipment, some of which may be assets, or continuing liabilities. For a redundancy toolkit go to http://www.pers.org.uk/publications.htm and for advice on the continuing financial management of your organisation see the contact for West Yorkshire Community Accountancy Service elsewhere in this paper.

5. Who else is out there?

You know what you are good at and you almost certainly have the evidence to prove it, you know what your priorities and liabilities are, and you have started to think about what is really important for you, about your group. The next question to ask yourself is the most difficult of all – can anyone do this job/provide this service better than we can? The guiding principle is "how to make sure the service you believe in continues?". You know you have made an impact on your community – how can you keep that going?

That may start you thinking – are there things we do which are better done by someone else? Or could we join forces with another organisation, to make sure our service continues? Your organisation does not exist without the resources – people usually – which make it happen. These skills can always be focused on a new organisation.

Other organisations will be in the same position as you – you may have had traditional and friendly rivalries with another group – this could be the time to make the first move towards them. Or you may have assets – a building, land, expertise, equipment that could encourage another group to join you, and share. When you get to the point of approaching funders you will know it is either with the backing of other groups, or that you will be competing with them for the same limited pot. Sharing the limited funding around may be the key to survival for several organisations, following a process in which you share your priorities with other groups in your community. The alternative may be that several groups fail whilst only a few succeed – will this best meet the needs of your community?

"Government and co-operation are in all things the laws of life, anarchy and competition the laws of death"

John Ruskin, 1862

6. Prioritising your fundraising efforts

If you are an organisation dependant solely upon one source of funding (there are many organisations like this – you are not alone), that funding is either continuing and you will not be reading this, or it is stopping, and probably too late for you to read this.

For those with diverse funding sources, you need both to

- Make sure that you hang on to what you already have, and
- Channel your efforts where they are most likely to succeed.

Don't neglect those funders who have stood by you for many years. Keep the reports going, collect and provide them with the evidence they need to continue to support you.

It is more important than ever in this economic climate to make sure that your efforts are best placed. Now is not the time to be putting efforts into new services for which you have little or no track record, especially if that job is already being done by another organisation. Few funders are going to reduce the potential impact of their diminishing resources if they suspect that the funding will duplicate another service.

By all means diversify further, but you will create confusion with your supporters – internally and externally – if you send out mixed messages about what is important to you. They may think you have "lost your way".

7. Tell others what you are doing

Keep communication to the forefront. Not just your funders, but everyone who has in interest in the service you provide – especially your community, your committee, staff, volunteers, interested partners, users AND your funders

Use the resources available to you – if you have them, your website, email networks, newsletter and face-to-face contact to reassure your users and stakeholders that you are taking the issue seriously and let them know whether there are any changes to your services or not.

8. Put your resources to best effect

In a crisis, you are not going to get perfection. You may need to act quickly but do not neglect thinking time – you may need to slow down a bit for reflection. Hasty decisions may not always be the best ones – for example money ploughed into marketing may be the best solution, but have you researched what the impact will be? You might get a new leaflet printed, but have you thought how it will be distributed, and who will do it? What are the returns likely to be?

You will want to carry all your friends, partners and trustees with you – follow your organisational rules, and keep to your normal spirit of involving others.

Look at new ways of fundraising, but make sure it is the kind of fundraising YOU can do. There are thousands of professional fundraisers out there at a national level, with the skills (and often the resources) behind them to think big. You need to think "community". The people in your community are the people who are most likely to support you, who-ever they may be, and you have the edge over the national fundraisers because they don't have the contact with the community that you do. You may though be a community level group, which is part of a bigger national organisation – don't neglect your national partners, and look for ways you can work with them, and use their expertise.

It will be helpful to have a plan in place for how you are going to use your resources. A template for a funding strategy is available at: http://fit4funding.org.uk/help_and_advice/preparation/toolkit/

Your resources are all the time, money, skills and tools available to your organisation. A good place to start is listing what these resources are, relevant to the funding plan you have in mind. Don't forget those resources outside your own organisation – other people who may be able to help you, other organisations who may have the skills you need (look at the training programme available through your local Council for Voluntary Service/Voluntary Action). Can you share a funding initiative with another organisation, which can complement and contribute to the expertise of your own?

You may need to invest some of your own money into a new initiative. Or you may need to do the things you already do in a different way, for example are you making best use of IT? If not, there will be an IT person out there who may be able to advise. The National Association of Voluntary and Community Action (NAVCA) has a page dedicated to Regional ICT champions:

www.navca.org.uk/services/ictsupport

If you have neither people nor money to kick start your process of funding your organisation for the future, then your next choice is to start researching other sources of funding. This can mean grants or donations, but it may also mean social enterprise, or loans. If you DO have cash reserves of your own, any funder is going to ask why you are coming to them. Think about secondments from other organisations, and ask yourself if there are gifts in kind – skills, equipment etc, which could help you bring about the changes you need, rather than cash.

And make sure you have the right people doing what needs to be done. The best fundraiser may not be your Chief Officer. Spread the jobs out, and look for ways that everyone has the chance to contribute to your fundraising plan, using their own skills.

9. Be visionary

Difficult times are being faced by us all – the strength of the third sector is its ability to respond to challenges. Now is the time to be thinking ahead to the time when the economic recession is starting to fade. Always learn from past mistakes, but you can use this crisis to generate change. Obstacles, which have always been there to change, and developments can disappear when a bigger challenge comes along. Now is the time to bring out that things you have always wanted to try, develop better systems, improve your information gathering and impact reporting. More people than ever before in your organisation will now understand why change may be needed.

10. Flexibility

"Nothing in progression can rest on its original plan."

Edmund Burke, 1777

Once you have done your planning stick with it and see it through, but be prepared, when the unexpected comes along, to respond to change. The economic recession will bring with it much that you have not anticipated.

"In preparing for battle, I have always found that plans are useless, but planning is indispensable."

Attributed to President Eisenhower, 1962

Finance

Financial survival in an economic downturn

Introduction

The voluntary and community sector is not immune to the economic downturn. Even organisations with diversified income streams are suffering because all income streams are under threat, ranging from donations from individuals to grants from trusts to interest on bank accounts At the same time costs and/or demand is increasing, for example charities dealing with unemployment and all the associated problems related to that are experiencing a surge of demand on their services, thereby potentially increasing their costs. In addition if charities are holding any reserves in investments or assets these may well have fallen in value.

The warning signs of an organisation in real difficulty are clear. For example not being able to pay bills when they become due, pressure on the overdraft, legal action on debts and in extremis staff remaining unpaid. If things have got to this point it may well be too late to save the organisation from closure. However if you can do something before things get to this point you may well be able to save the organisation and come out leaner and fitter ready for the anticipated upturn. Therefore robust and detailed financial plans and the monitoring of those plans are absolutely key at times of recession (even more important than normal) so that you can make decisions when you need to, including cutting services if necessary rather than going into a decline which becomes unstoppable and thereby terminal.

So what do you need to do

- Spend time preparing a realistic budget.
- Prepare a cash flow forecast particularly if cash is tight.
- Monitor your budget and your cash flow forecast on a monthly basis.
- Monitor the state of your reserves.

Ensure that this information is provided to your management committee on a monthly basis (more often if necessary because of the situation). Armed with this information your management committee can make sound decisions in a planned way and within the right time frame. For example if the budget is showing an unacceptable deficit there should be time to decide whether to cut a service or try to increase income. This way the management committee remains in control.

Top 10 things to think about in a recession

1. **Plan! Create a realistic income and expenditure budget for the whole organisation. Ensure that you have made a real allowance for price increases and that income forecasts are prudent. Only include income that is definite.**
2. **Monitor the budget carefully by providing management accounts showing the actual figures compared with the budget. Make sure that the position is stated clearly in both numbers and notes so that everyone understands the report. These should be presented at management meetings and enough time allowed for discussion, questions and making decisions based on the information provided.**
3. **Create a cash-flow forecast. This is particularly important if you do not have many funds in reserve. Monitor the cash-flow forecast carefully to ensure you do not run out of cash.**
4. **Make sure you allocate all appropriate costs to restricted funds.**
5. **Make sure that you are earning the best interest rate for your reserves.**
6. **If there are large amounts owing to the organisation make sure that some one is chasing them up.**
7. **Make sure that your financial policies and procedures are up to date and being implemented to reduce fraud and incompetence. Look for ways to automate systems to make time efficiency savings.**
8. **Ensure your spending is properly controlled especially your petty cash.**
9. **Ensure that any bids you prepare are fully and realistically costed including a proper proportion of overheads.**
10. **If you are proposing to cut a project or service, remember to plan for the costs associated with this eg redundancy and for the fact that the project will no longer be contributing to your overheads. Remember too that if you cut frontline services the damage to your reputation may outweigh the immediate gain.**

Tools for Managing the Finances

Preparing a budget

What is a budget?

Simply, a budget is the plan for the whole organisation, expressed in terms of money. It is important because it is the foundation of any sound financial system; so if your organisation has never produced a budget before, it is strongly advised that you start now, as it will be key to surviving the recession.

A budget enables the committee to carry out its duty of good financial management, by providing a yardstick against which the actual money received and spent can be compared. It also means that you have a clear plan agreed by the management committee, and any material items not in the plan will need to go back to the committee for special authorisation.

When to prepare a budget

If your financial year end is 31st March, it is well worth beginning to prepare the budget in January, by which time you should have a report of the money you have received and spent for the 1st three quarters of the current year available (ie the April to December figures). These are useful when making predictions for the following year. The committee should also agree on who is going to do the detailed work on the budget; it could be the treasurer and a staff member together, or a sub-committee could be established for this purpose.

Step 1 – Expenditure

The key question for the management committee in consultation with staff is, what does the organisation plan to do next financial year? You may plan to do more or less the same as the current year, or there may be new developments in the pipeline or projects coming to an end. When doing the planning, the committee needs to be very clear about the overall objectives for the organisation (as stated in the constitution) and that all of its plans and activities fit into the objectives. These plans can then be costed in detail by the people appointed to draw up the budget.

If you are continuing with a similar type and level of work as the current year, you can use the same account headings and format for the budget. You should tailor the account headings to your own organisation, but the main headings typically would be:

- Staff costs
- Premises costs
- Administrative costs
- Activity costs
- Capital costs

Each will have sub-headings (eg under premises, you might have rent, heating, lighting and water). You then need to go through each sub-heading and consider what factors have affected the current year costs and any factors that may affect the costs next year. For example, in the current year, you may have had some expensive roof repairs done which will not happen next year (you hope!). In a recession you will need to be aware of the impact on the finances of an increased demand for your services.

You then need to translate all these considerations into figures based on the actual figures for the current year (obviously before you do this you need to project your three quarters actual income and expenditure for the current year to four quarters). If you have employees it is worth taking particular care over the salaries, National Insurance and pension calculations, because very often this is the main part of the expenditure. Having costed each heading you then need to add on the estimated cost of inflation. Do keep notes on how you have calculated each of your figures, as you may need to explain them to the committee or a potential funder.

If you are starting a new project it is well worth talking to other similar projects to gain a more accurate picture of the costs involved; eg if you want to employ a new worker but do not know what scale to put them on, go and talk to projects with workers with similar responsibilities to find out what pay scale, terms and conditions they are on. Obviously, wherever you can, obtain estimates; eg if you want to buy office furniture, get an exact quote for the furniture that you require from the appropriate company. Do not cut corners at this point.

Step 2 – Income

With ongoing work, begin by listing all current sources of income such as grants, donations etc. As with the expenditure, consider any factors that have affected these income sources in the current year and any factors that may affect your income sources next year; for example in a recession you need to be aware of the significant downward pressure on individual donations, interest rates, statutory and charitable trust grants, and take this into account. Then add on the estimated rate of inflation if this is appropriate; but it is important to note that grants may not rise at the same rate as inflation (indeed may not rise at all!) If you are setting up a new project, where you have applied for a grant you should only include income for it once the grant has been confirmed. Considering all these factors you can then work out the estimated total income for the year.

Step 3 – Does it balance?

The next step is to put the total estimated expenditure against the total estimated income and see if they match up. The budget should then be taken back to the management committee and discussed. If there is not enough income to cover the anticipated expenditure, then, assuming the income cannot be increased, the committee will have to rethink its spending plans in order to reduce its expenditure, unless it has sufficient reserves to fund the deficit. This is always difficult, but one of the reasons for doing the budget early is so that there is plenty of time to consider and make these decisions properly. Each item of expenditure should be looked at carefully and prioritised. For example, the management committee may decide that it is more important to set up a particular new activity than it is to keep an existing activity going. Efficiency savings should also be looked for. Once these decisions have been made, a final draft budget needs to be produced and brought for final approval to the management committee.

Preparing Management Accounts

The budget is a really useful tool for measuring your actual income and expenditure against, so having had the budget approved, don't be tempted to breathe a sigh of relief and bury it in the filing cabinet! To use the budget, a regular report should be produced for the committee by the treasurer, which compares the budget with what the organisation has actually received and spent. These are known as management accounts, and act as a very useful early warning system of any potential problems.

What information should the management accounts provide

- Reports help us to look backwards so that those people who actually manage the money can explain what has happened. However the main reason for receiving the reports has to be that the Committee needs to look forwards to see if it needs to take any action.
- The format and design depends on your organisation. There are no statutory requirements. However they must be understandable to the management committee and senior staff.
- They should provide accurate relevant and meaningful information for the organisation's management committee and decision makers. Too much detail can be as bad as providing too little.
- They should differentiate between restricted and unrestricted funds.
- They should show the difference (variance) between budgeted income and expenditure and actual income and expenditure for a specific period of time. See example on next page.
- Written explanations (called notes to the accounts) should be provided to explain the major variances.

Figures should be rounded up to the nearest pound.

Example Management Accounts

Health-Line Yorkshire

Management Accounts for the period 1st April to 31st Dec

	1	2	3		
Income	**Budget ytd**	**Actual ytd**	**Variance**	**Notes**	**Fav/Adv**
Grants	15000	15000	0		
Fees	3000	1280	-1720	1	A
Subscriptions	500	350	-150		A
Bank Interest	200	150	-50		A
Total Income	**18700**	**16780**	**-1920**		**A**
Expenditure					
Salaries	15000	15800	-800	2	A
Rent and Rates	1800	1750	50		F
Telephone	500	550	-50		A
Stationery	600	650	-50		A
Volunteer Exps	400	500	-100		A
Total Expenditure	**18300**	**19250**	**-950**		**A**
Surplus/ Deficit	**400**	**-2470**	**-2870**		

F = Favourable = More money than you planned

A = Adverse = Less money than you planned

Notes to the accounts

1. The fees are significantly reduced due to a course being cancelled in September
2. We have spent more on salaries due to the pay rise settlement being higher than we estimated

Points to check on the management accounts

- Is income and expenditure to date broadly in line with budget to date?
- Are there any significant differences? If so, what is the reason for them and what action needs to be taken?
- Is there a surplus or deficit? How does this compare with the budgeted surplus or deficit?
- Are there any restricted funds? If so, are the balances on restricted funds shown separately?
- Is there a big funds balance? If so, is it being invested wisely?
- Is the unrestricted funds balance in line with the organisation's reserves policy?
- Are there any large amounts owing to the organisation? If so, who is chasing them up?
- Does the organisation owe any large amounts? If so, when will they be paid?
- Are the grants due during the remainder of the year guaranteed?
- What will be the likely financial outcome at the end of the year?
- Do you want the financial outcome to be different? If so, what do you need to do to achieve this?
- Is the organisation on target for its outputs?

If it is clear the organisation is heading towards a significant unplanned deficit, you will need to take action. You may need to:

- Take a long hard look at your expenditure and cut down where you can.
- Cut down on certain areas of work but not to the detriment of targets that have been agreed with a funder.
- Find ways of generating additional income.
- Reduce staffing levels, but only with professional employment advice.
- Do nothing in the current year but plan to rectify the situation by adjusting income and expenditure in future years.

Preparing a cash-flow forecast

Why is cash flow forecasting important?

In a recession when both income and expenditure are less predictable than normal a cash-flow forecast becomes very important particularly if you do not have significant reserves. A cash flow forecast is a tool for making sure you will have the right amount of cash in the bank to pay your bills. It is like forecasting your bank balances at the beginning of the year. It is particularly important for organisations that have an uneven level of income or expenditure over the year, for those that have grants or contracts paid in retrospect rather than in advance and for those that have low reserves. It is important to note that even if you have a balanced budget for the year as a whole, you may still have a cash-flow problem if the income does not come in at the right time or if the expenditure is concentrated at certain times of the year

Producing a cash-flow forecast

- Using the budget for the year spread the income and expenditure over the 12 months. Some will spread evenly some will not. The aim is to predict, as accurately as possible, when the income and expenditure will occur. The totals for all months should, of course, match the budget for the year.
- Do not include 'non-cash items such as depreciation
- Your starting point is to estimate the bank balance at the start of the year. This amount, plus receipts for the first month, less the payments, gives the expected bank balance for the end of the month. This is then the 'opening balance' for the next month and so on.
- As the year proceeds, you can replace your estimates with actual figures. This will make your estimates for the final months more accurate.
- The example below clearly shows action needs to be taken in June and September to avoid an overdraft, for example spending could be delayed by a month or more income needs to be raised

Example of a cash-flow forecast

Month	April	May	June	July	August	Sept	Oct
Opening Balance	5000	8000	4500	-500	5500	3500	-500
Plus Income	10000	500	2000	10000	2000	2000	10000
Less Expenditure	7000	4000	7000	4000	4000	6000	5000
Closing Balance	8000	4500	-500	5500	3500	-500	4500

Frequently asked questions

What is insolvency?
Insolvency is when you don't have enough money to pay your bills and cannot foresee having the income to pay them in the near future or when your liabilities exceed your assets.

What is a business plan?
A business plan is a written record of what the organisation is going to do over a period of time (usually 1 to 5 years) with a budget for the period attached.

Do I have to pay VAT?
Yes, charities are not exempt from VAT although there are some allowances made charities eg gas and electricity. See VAT notice 701/1 for further details.

Do I have to register for VAT?
You have to register if your trading activity for the last 12 months will be more than £67,000 (2008–9). Refer to VAT Notice 700 to decide if your activities are classed as trading.

Can I pay employee cash in hand?
No, all employees should be paid through the PAYE system. The deduction of tax and national insurance will depend on the earnings and tax code of the employee.
To register for PAYE contact HMRC – see http://www.hmrc.gov.uk/index.htm for details.

Can I take out a loan to see me through a sticky patch?
Only take out a loan if you will be able to repay it with interest in the given time period and your constitution / articles of association allow it.

Do I need insurance?
More than likely. If you are an employer, own a building or have contents eg computer, or members of the public visit you then you should have insurance. There are various types of other insurance, which may also need to be considered.

What is redundancy?
Redundancy is a form of dismissal from your job, caused by your employer needing to reduce the workforce. Reasons include: new technology or a new system has made your job unnecessary; the job you were hired for no longer exists; the need to cut costs means staff numbers must be reduced; the business is closing down or moving.

For further information on redundancy see
www.direct.gov.uk/en/Employment/RedundancyAndLeavingYourJob/Redundancy/DG_10026616

Useful weblinks

West Yorkshire Community Accounting Service WYCAS
www.wycas.org.uk

Community Accounting National Network CANn
www.communityaccounting.org

Association of Charity Independent Examiners – ACIE
www.acie.org.uk

HM Revenue & Customs
www.hmrc.gov.uk/index.htm

Department for Business Enterprise
www.berr.gov.uk/whatwedo/employment/index.html

Business Link
www.businesslink.gov.uk

Governance

Legal forms for not-for-profits

Introduction

When a group starts to grow it is a good idea to consider if it's appropriate to become an incorporated organisation. It may be that in order to access a contract or fund that you need to incorporate. This document explains the different legal forms and how you might decide which one is right for you.

Information Summary – top ten tips

1. **Your legal form is determined by your business model. If you are likely to access more grants and donations than earned income then a charity model is a good choice.**
2. **If you are likely to earn most of your money through trading activity, delivering services on a contract then having limited liability protection of a company may be helpful.**
3. **If you are likely to be doing mixed activities that could bring in a lot of money, you might want to consider separating them out: a charity for any charitable funds and a trading arm for any business activity.**
4. **There is no real tax advantage to any of the legal forms. How you treat your income for tax purposes depends on where the money came from and what you did with it.**
5. **You may need to check with HMRC if your services are likely to attract VAT and if your turnover – the total money coming into the organisation – will require you to pay corporation tax.**
6. **When you incorporate a company you will need to decide how it will be managed. Will you have a board of directors, trustees or a management committee? This may be determined by the type of legal form you have chosen. For example charities may have trustees who meet in a management committee.**
7. **Board members are usually volunteers that are not paid to come to meetings. If you are a charity there is guidance on trustee duties from the Charity Commission.**
8. **If you are a Community Interest Company (CIC) you may want to pay your directors who may also be employees. There is guidance on the website of the CIC regulator.**
9. **The company limited by share model is not usually recognised as a not-for-profit model and potential investors may not want to invest in a share model company even if it is a CIC.**
10. **All companies are incorporated under a set of written rules referred to as the governing document. For charities these rules are called 'Objects', for companies limited by guarantee it is their 'memorandum and articles of association'. These documents can be amended if need be at any time.**

Incorporation

This is the process that gives your organisation a separate legal identity or personality in its own right. This means that it is the company that enters into contracts, employs staff, leases property and has obligations and liabilities. Incorporation is not restricted to private companies that operate for profit; it gives all companies legal benefits that are not available to private individuals.

Companies are created by drawing up an incorporating document that is put on file with the managing body.

- For charities it is the Charities Commission
- For limited companies it is Companies House
- For community interest companies it is the CIC Registrar
- For Industrial and Provident Societies it is the Financial Services Authority

Each of these legal forms requires you to file an annual return at the end of your financial year. You may have to pay a fee.

Choosing a legal structure

What is important is that form follows function, that the choice of legal structure accurately reflects the needs of your organisation. If you were buying a car you would take into account a number of things; how many people are going to be carried, do you need an estate to carry bulky loads, do you want a manual or automatic gearbox. Incorporation is a bit simpler than this: it is a case of where will your income come from?

Choices about adopting a legal structure will depend on a number of factors linked to the nature of the organisation – its charitable/social purpose, the people/stakeholders who are involved with it, the scale on which it plans to operate and the way its start up and working capital needs are to be financed. The process is about thinking through how you operate now and how this may change in the short and medium term (1–3 years).

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What it means to be unincorporated

Being unincorporated means that a group or organisation has no separate legal identity of its own. The risks and liabilities involved in running the organisation belong to the individuals who own and/or manage it. An important feature of being unincorporated is that the people involved are liable for all of the risk associated with the debts and liabilities involved in running your organisation. This means that your personal assets (house, car, money etc.) may be at risk if the assets of the business are not sufficient to cover all the debts and liabilities in the case of closure.

This form of organisation does have some advantages and suits many small groups. Being unregulated allows greater freedom of operation, (within the general law). It is considered to be 'light touch' regulation in that there is no requirement to submit reports and accounts to Companies House.
An unincorporated organisation is required to:

- Register for VAT if its annual turnover in the previous 12 months exceeds £67,000 (2009 figure)
- Operate the pay-as-you-earn scheme (PAYE) for its employees
- File accounts with the Inland Revenue.

However this freedom and relatively informal governance through a constitution means that powers and processes for decision making can be unclear. This may be a disadvantage when seeking funding and trying to secure a long-term future, as public bodies may be reluctant to enter into any arrangement that is longer than a year.

The stage of development is linked to risk. If your organisation is still small and is run by a small group of people who also own it, the disadvantages of regulation and compliance may outweigh the flexibility and freedoms that unincorporated organisations enjoy and the benefit of limited liability.

Registering as a charity does not require you to become incorporated; and it does not offer limited liability protection.

Why incorporate?

An incorporated organisation is itself a legal entity in its own right. With this legal identity comes the comfort of limited personal liability (although it does not remove it altogether). The debts and obligations of most incorporated organisations are the responsibility of the corporate organisation and not its individual management committee members, shareholders or members. Incorporation is an important consideration if you intend to employ more than a few staff, take on significant property interests or undertake major contractual obligations.

Another significant benefit that is often overlooked is the ability to attract trustees or governors to your management board. Unlimited personal liability is likely to make many people nervous about taking on a trustee role, unless they know your organisation well and are clear about the risks involved.

Incorporation involves the formalisation of governance structures within a legislative framework. It helps to develop a sense of ownership and provides an established formal structure for stakeholder membership. It increases accountability and disclosure and can give more public confidence. However with limited liability come regulation and disclosure requirements. For example limited companies have to have a registered address, file their constitutions, annual accounts and prescribed details of their directors etc.

What type of things may cause you to think about it?

There are a number of triggers that may cause a change of approach, including:

- Entering into large contracts
- Taking on a lease for premises
- Buying a freehold property
- Taking on more employees
- Raising finance.
- Risk management related to your product or service

Choosing a legal form

There is a whole range of legislation covering company incorporation so it is strongly recommended that you get professional advice before proceeding down any route. There are a number of legal forms commonly used by the not-for-profit sector and a completely new one just introduced:

- Company Limited by Guarantee (CLG)
- Community Interest Company (CIC)
- Industrial and Provident Society – Society for the Benefit of the Community (also known as Community Benefit Society or Bencom).
- Industrial and Provident Society – Bona Fide Co-operative (Co-operative).
- Charitable Incorporated Organisation (CIO)

A summary table highlighting the differences between the various structures is attached below. It is interesting to note that the CIC model cannot be a registered charity. The company limited by guarantee can become a CIC or registered as a charity but not both.

What is a Charitable Incorporated Organisation (CIO)?

The Charitable Incorporated Organisation (CIO) is a new legal form of incorporation which is designed specifically for charities. At present charities can be set up with a corporate structure but this means that they normally fall within the requirements of company law as well as charity law.

In particular, they have to register both with the Charity Commission and the Registrar of Companies at Companies House and provide accounts and returns to both. As the creation of a company was designed primarily for commercial organisations this may mean that it is not always suitable for charities. The CIO will combine the advantages of a corporate structure such as reduced risk of personal liability without the burden of dual regulation. Further information should be available on the Office of the Third Sector website from the end of April 2009.

Useful links

The Charity Commission
All you need to know about registering a charity, annual reports, trustee guidance & on-line support: **www.charity-commission.gov.uk**

Companies House
Information about incorporating a company, guidance booklets and register of companies: **www.companieshouse.gov.uk**

National Association for Voluntary and Community Action (NAVCA)
Provides members with networking opportunities, specialist advice and support: www.navca.org.uk

The Office of the Third Sector (OTS)
Leads work across government to support the environment for a thriving third sector: **www.cabinetoffice.gov.uk/third_sector**

ACEVO
Is the Association of Chief Executives of Voluntary Organisations that represents the third sector's leaders: **www.acevo.org.uk/legalforms**

Free business advice and support service
Available online and through local advisers: **www.businesslink.gov.uk**

Bassac
Is a membership body for key community organisations: **www.bassac.org.uk**

Pay and Employment Rights Service
This organisation has a range of good practice guides, templates and toolkits (including a redundancy tooklkit) available from: **www.pers.org.uk/publications.htm**

Legal Structures for Charitable/Social Businesses at a Glance

This is a rough guide to the legal structures most commonly associated with social businesses.
You should consider seeking legal advice before your organisation adopts any of them.

Legal structure	Summary: most typical features	Ownership, governance and constitution	Is it a legal person distinct from those who own and/or run it?	Can its activities benefit those who own and/or run it?	Assets "locked in" for community benefit?	Can it be a charity and get charitable status tax benefits?
Unincorporated association	Informal - no general regulation of this structure; need to make own rules.	Nobody owns - governed according to own rules.	No - can create problems for contracts, holding property and liability of members.	Depends on own rules.	Would need bespoke drafting to achieve this.	Yes - if it meets the criteria for being a charity.
Trust	A way of holding assets so as to separate legal ownership from economic interest.	Assets owned by trustees and managed in interests of beneficiaries on the terms of the trust.	No - trustees personally liable.	Trustees/ directors no, unless trust, court or Charity Commission permit.	Yes - (if trust established for community benefit).	Yes - if it meets the criteria for being a charity.
Limited company (Other than Community Interest Company) www.companieshouse.gov.uk	Most frequently adopted corporate legal structure; can be adapted to suit most purposes.	Directors manage business on behalf of members. Considerable flexibility over internal rules.	Yes - members' liability limited to amount unpaid on shares or by guarantee.	Yes - (but no dividends etc to members if it is a company limited by guarantee).	Would need bespoke drafting in articles (which could be amended by members).	Yes - if it meets the criteria for being a charity.
Community interest company (CIC) www.cicregulator.gov.uk	New "off-the-peg" limited company structure for social enterprise with secure "asset lock" and focus on community benefit.	As for other limited companies, but subject to additional regulation to ensure community benefits.	Yes - members' liability limited to amount unpaid on shares or by guarantee.	Yes - but must benefit wider community as well. Can pay limited dividends to private investors.	Yes - through standard provisions which all CICs must include in their constitutions.	No - but can become a charity if it ceases to be a CIC.
Industrial & Provident Society (IPS) (Co-operative) www.fsa.gov.uk	For bona fide co-operatives that serve members' interests by trading with them or otherwise supplying them with goods or services.	Committee / officers manage on behalf of members. One member, one vote (regardless of e.g. sizes of respective shareholdings).	Yes - members liability limited to amount unpaid on shares.	Yes - but should do so mostly by members trading with society, using its facilities etc, not as a result of e.g. shareholdings.	Would need bespoke drafting in articles (which could be amended by members).	No - would have to be constituted as community benefit type of IPS.
Industrial & Provident Society (IPS) Community Benefit Society (BenComm)	Benefit community other than just own members and have special reason not to be companies.	Like Co-op type, but new legislation provides option of more secure form of asset lock.	Yes - members liability limited to amount unpaid on shares.	Must primarily benefit non-members; asset lock applies.	Yes - asset lock only survives dissolution if new statutory form of asset lock adopted.	Yes - if it meets the criteria for being a charity.
Charitable Incorporated Organisation (CIO) www.homeoffice.gov.uk	EXPECTED 2009 First ready-made corporate structure specifically designed for charities.	Similar to company but with different terminology (e.g. for "directors" read "charity trustees").	Yes -members either have no liability or limited liability.	Members: no - Charity trustees: only if constitution, court or Charity Commission permit.	Yes.	Cannot be anything but a charity, and must meet the criteria for being a charity.

Partnerships and Mergers

Introduction

Partnership working covers a wide range of activities. It ranges from two or more organisations agreeing, for example, to share information; right through to organisations agreeing to join together so that at least one of them ceases to exist and perhaps a new organisation is created.

All the time, Voluntary and Community Sector (VCS) organisations work together in the delivery of goods and services. These might be one-off activities or they might become 'custom and practice' over a period. When one of the parties – or perhaps an outside body like a funder – needs to rely (or show they can rely) on these arrangements, it may be necessary to put them in writing. This might also be true if money is moving from one organisation to another in payment for goods and services.

This section will talk about partnership working as being from the point that some sort of written agreement is felt to be necessary. Many of the principles of partnership working apply equally to more informal ways of working together. "Partnership working" is often seen as being "a good thing", in general. Most VCS organisations are charities (whether registered or not) and exist to provide services for their 'beneficiaries'. The important aim of partnership working is to improve the effectiveness of services for their beneficiaries. xplains the different legal forms and how you might decide which one is right for you.

What impact does partnership working have on resilience?

Sometimes, partnership working is seen as a possible solution to a problem; and in appropriate circumstances it could be. For example, working together, two or more VCS organisations may be able to achieve things that neither or none could achieve on their own. Some things to think about:

- Some sources say the creation of the partnership should be viewed as a 'project' in its own right. (Ref 1)
- Some sorts of partnership working can save money right from the start; for example, sharing premises or back-office costs.
- On average, mergers take one to two years to finalise, so they are probably not the answer to an immediate crisis.
- Successful mergers often have previous experience of working together (collaboration), but only a small proportion of collaborative working arrangements ever lead on to merger. (Ref 2)

VCS organisations engaged in active partnership working can show they have considered the effectiveness of what they do. Effective organisations are attractive to funders and may therefore be more resilient. In addition, partnerships may be able to access funding sources by combining skills and experience that small organisations could not claim individually. Organisations in successful partnerships have probably reviewed their organisational arrangements, and have increased their resilience as a result. Badly run organisations coming together, however, are liable to form badly run partnerships, so it is not a solution to bad governance (see section).

What drives partnership working?

The NCVO have considered what sort of factors typically trigger collaborative working, partnerships and mergers. They have split them up into things which happen inside the organisation, and those which are responses to outside events or pressures.

INTERNAL:

- Desire to provide more/ better services to beneficiaries
- Increase efficiency through better use of resources
- Prevent duplication of services
- Financial difficulties
- Raise profile and/ or boost income
- Loss of key staff/ trustees
- "Survival and rescue" – organisation in jeopardy merges with another with similar objectives, so services continue

EXTERNAL:

- Pressure from funders to reduce duplication
- Government encouragement
- Competition with similar organisations
- Stakeholder opinion
- Public perception of overcrowded voluntary service

Why does it matter?

It is important for all organisations involved to identify and understand what their reasons are for considering partnership working. (Ref 3)

Some of the background, national, developments are also worth bearing in mind to appreciate the overall policy direction in which the VCS appears to be travelling. The following are mentioned as examples:

- Government priority: a Minister for the Third Sector, and Office of the Third Sector.
- Launch of a Third Sector Skills Council
- Charity Commission to provide specific advice to facilitate mergers and new legal forms for charities, e.g. CIOs.
- Capacity building in the Third Sector for increased role in delivering public service: Future Funders, Step Up programme, and this Toolkit.
- Trend from grant funding to commissioning and contract funding.
- The impact of the recession on VCS income: demand for services by charities up 72% over 12 months, and 88% thought income would fall. (Ref 4)
- "Growing need ...to establish stronger collaborative arrangements...to optimise performance and efficiency." (Ref 5)

Noting that there is an agenda for change in the air, some will want to debate whether partnership working is being driven within the sector or from outside. However, the vital qualities of the VCS are seen as including flexibility, responsiveness and innovation. So, in a time of change, it is perhaps even more important to focus on effectiveness as the reason to explore partnership working and to be clear about the core values of the organisations in which we work or volunteer.

Different types and stages of Partnership WorkingThere are many different models for partnership working –each appropriate in particular circumstances – and it is might be useful to think of them as a spectrum of collaborative activity ranging from simple information sharing at one extreme, through to full merger at the other. Some possible models in between are described below:

- Alliances – independent organisations share information (and resources?) or campaign together to influence policy under a common identity.
- Joint bids – rather than bidding for contracts in competition, they jointly bid for a service. Responsibility for management and delivery need to be clearly allocated.
- Consortia – organisations stay independent, but come together to create a new joint venture to take on a function such as delivering a shared service or contract.
- Lead body – one organisation manages a project on behalf of other organisations. This might include employing staff or managing finances.
- Sub-contracting – an organisation links up with another organisation to deliver a service. The 'other' organisation has skills, resources or contacts that the main organisation lacks. (Ref 6)

Individual circumstances will determine what model of partnership working is adopted, but relevant factors include understanding what is driving the change and, how long a time period the opportunity or circumstance is thought to last.

For example, short term or temporary partnerships may:

- focus on a specific outcome, tender or purpose
- be driven by a specific funding opportunity or lobbying issue
- typically involve fewer partners
- will preserve the identities of individual partners.

On the other hand, longer term ‘strategic alliance’ partnerships may be appropriate when:

- focus is around key skills and competences required for several purposes
- driven by policy changes and conditions of competition e.g. from other sectors
- is intended to be ongoing over time, but individual identities still preserved. (Ref 7)

Creating a partnership has been described as a project in itself and the stages in its development have been suggested as:

- Developing the strategy
- Agreeing how the partnership will operate
- Ensuring stakeholder support
- Committing the resources
- Making it happen
- Reviewing the development (Ref 7)

Partnership formats and checklists

There are many possible partnership formats or template resources available. One to get you started (which is downloadable) might be “Model Protocol Agreement for Partnership Working” which usefully includes further advice on different types of partnership, a checklist of questions and what to consider, a sample information sheet and additional notes and examples. (Ref 8)

Partnerships develop from consensus and elsewhere it is suggested that the key ingredients of a partnership document should cover:

- What it is trying to achieve
- How the partnership will be managed
- Who will be responsible for delivering the work stream activity
- How the agreed deliverables will be achieved.

In addition, and depending on the intended scale, scope and duration of the activity further formal documents might be appropriate, for example:

- Legal agreements such as arrangements for a joint venture or to protect intellectual property
- Memorandum of understanding; outlining the framework for undertaking joint activities
- Service Level Agreement: managing specific activity by individual partners on behalf of the partnership.
- Funding agreement: relevant where additional funding has been sought by a stakeholder not formally a member of the partnership.
- Staffing agreement: detailing resources to be committed or seconded to delivery. (Ref 7)

A useful partnership ‘health check’ tool can be tried online. Although not apparently designed for the VCS, it might offer valuable pointers and covers the following eight true or false variables:

- Partners can demonstrate real results through collaboration
- Common interest supersedes partner interest
- Partners use ‘we’ when talking about partnership matters
- Partners are mutually accountable for tasks and outcomes
- Partners share responsibilities and rewards
- Partners strive to develop and maintain trust
- Partners are willing to change what they do and how they do it
- Partners seek to improve how the partnership performs (Ref 9)

Finally, a suggestion from practical experience: partnership working begins with the positive and optimistic aim of improving effectiveness. Whatever form your partnership takes, it is worth sparing a thought – at the outset – to what you will do if things go wrong. In what circumstances would you dissolve the partnership agreement? Have you the power to eject a partner who does not perform or is in breach of their undertaking?

Mergers and what makes them successful?

Here are some summary points about mergers:

- Mergers less common than collaborative working (22% of charities collaborate; only 5% of charities in last 10 years result from mergers).
- Merger describes the transfer or combination of the assets (and liabilities) of two or more separately registered charities.
- Motivations: 54% to increase efficiency, 44% to rescue charity in difficulties, 42% to prevent duplication.
- Costs of exploring merger activity are an acceptable use of charitable funds.
- Rescue mergers: survival of the organisation should not be the primary reason – the interests of beneficiaries are important.
- Legal barriers to merger are few, many are not reported until a new charity is registered or an old one dissolved. Charity Commission will, however, advise to smooth transition.
- Due Diligence: Trustees may not be discharging their duty of care if they merged with a charity that carried liabilities they had not investigated.

Factors that characterised successful mergers were found in research to include:

- All parties worked co-operatively and openly: good communication is key
- Trustees of merging charities agreed who from each charity to carry the merger process to its conclusion
- Communication and negotiation should be conducted in an agreed format
- Process managed centrally in a way that represents the interests of all parties
- Wide consultation so that the process and outcome of the merger is clear
- Confirmation that the work of the smaller charity would continue
- Cultural integration is an important to success: each party fully aware of the ethos of the organisations involved
- Trustees commented that speed was important. A slow merger maintains the period of disruption for too long.

Lastly, a reminder of the typical forms which a merger could take:

- Two-dissolution Merger: two or more charities decide that the best option would be to combine their assets and resources, so the original charities dissolve (or remain registered as 'shell' charities to receive legacies) and all assets pass to a new charity.
- One-dissolution Merger: one or more charities dissolve and transfer their assets to an existing receiving charity.
- Single Governing Document: two or more charities are grouped under a single governing document providing for all the assets, with a single body of trustees. (Ref 10)

Real current examples of partnership working in West Yorkshire

There must be many examples of partnership working in the VCS in West Yorkshire. Below are some examples we know of which are currently in development. Names have been missed out, though participants may recognise themselves.

- A BME Consortium is in formation with a lead infrastructure organisation and a cluster of frontline partners to deliver services. The driver came from a Local Authority seeking a comprehensive 'joined up' solution to a unique funding stream. An interesting aspect is the way that potentially divisive issues between the partners have been defused by a focus on funding activity rather than organisations.
- A large National Charity is planning to deliver health-related services with a cluster of local neighbourhood organisations in one District. Partners of very different size and experience will contribute complementary abilities to deliver services that none could alone.
- A consortium of frontline organisations is being formed in one District in anticipation of commissioning opportunities becoming available, and aiming to be ready by having robust structures in place. Resources will be produced that will enable others on a similar journey to benefit later.
- A full one-dissolution merger of two local community associations is taking place. They have complementary assets and liabilities that together will ensure the sustainability of service provision under one roof.
- Two similar frontline organisations operating across three District boundaries are developing collaborative working in terms of joint volunteer training that will increase effectiveness and efficiency. If this is a success, other forms of collaboration will be explored and merger has not been ruled out as a long term possibility.
- An ISO consortium, aiming to improve the effectiveness of local support services, is being developed in one District with the Local Authority being a significant driver. External facilitation is seen as vital in maintaining independence and the confidence of partners in the process.
- Three diversity organisations are joining together to develop capacity in delivering multi-stranded training. Whilst maintaining separate identities, it is felt that together they can access and take advantage of new business opportunities within the VCS and beyond.

Where to look next: references & acknowledgments

Ref 1 *A Practical Guide to Working with Partnerships*, p20; N2 (squared) consulting, and Nottingham CVS: **www.n2-consulting.com/partnerships**

Ref 2 Charity Commission described in HMG *Real Help for Communities*, p20; February 2009

Ref 3 NCVO Collaborative Working Unit, March 2006

Ref 4 ACEVO/CAF survey, September 2008

Ref 5 National Council of Voluntary Organisations (NCVO) quoted in *Real Help for Communities* **www.cabinetoffice.gov.uk/thirdsector**

Ref 6 Alan Lawrie, Independent Consultant, in *Improving Support Magazine*, February 2009. **www.improvingsupport.org.uk**

Ref 7 *A Practical Guide to Working with Partnerships*, p8–11; N2 (squared) consulting, and Nottingham CVS. **www.n2-consulting.com/partnerships**

Ref 8 Model Protocol Agreement for Partnership Working, Voluntary Action West Kent. **www.vawk.org.uk**

Ref 9 Local Government Employers Organisation. **www.lgpartnerships.com/how healthy.asp**

Ref 10 Charity Commission, CC34 Collaborative working and Mergers, July 2008

See also:

Partnership Checklist: **www.improvementnetwork.gov.uk**

The Step-by-Step Guide to Successful Partnership working for VCS: *www.raise-networks.org.uk*

How to Build a Partnership: **www.renewal.net**

Marketing

Marketing for More than Profit

Information Summary – Top Ten Tips

1. Marketing is the catchall term for all branding and promotional activity from media releases to advertising.
2. Tie back your activities to your objectives in the business plan. This helps with budgeting and managing what you don't need to do – if it isn't the plan you don't need to do it.
3. A campaign is the name given to the activities used to deliver an objective. The campaign includes branding, advertising, promotion, direct mail and monitoring.
4. Branding is important as it does more than brighten up your documents. It becomes associated with a service in a way that creates preferences and loyalty.
5. Targeting the message with the right language and images is key to success. We need to be clear about what our marketing is trying to achieve with whom.
6. Mixing up promotional activities is a good idea: leaflets, flyers, notices and direct mailings together with online advertising on websites, e-newsletters and texting are all available tools that we can use fairly easily. Different ones reach different people.
7. We need to put together good contact lists of the people we need to attract and manage the information in a database – ideally using specialist software such as Customer Relationship Management (CRM).
8. We need to make sure we use an incentive to encourage people to respond to us, and to monitor the responses so we know how well things are going and why.
9. We can use press releases and editorial to both promote new services and to celebrate a success. We can publish press releases on the organisation's website news page.
10. We also need to capture feedback on our activities to make sure we have not excluded important groups, and build our organisation's experience base of successful marketing.

Introduction

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Agree the strategy

Your marketing strategy begins with the business plan. What have you planned to do and what do you need to achieve? Can you put it in a table or under simple headings so that this can be shared with colleagues and governors?

Objective from the business plan	Key tasks
Launch new community service, recruit people to participate.	**Agree branding of what will be used in the promotion; agree where recruits will come from and how we will target them.** ■ **Who needs to be involved?** ■ **What mailing lists or email lists will we use?** ■ **Who are our partners?**
Collect feedback and hold celebration event at year end	**Who is responsible for this?** **What success criteria will we measure?**

The key tasks agree to deliver an objective form the campaign. The campaign is the total activity including branding, promotion and monitoring.

Branding

Branding is important as it does more that brighten up your documents. It becomes associated with a service in a way that creates preferences and loyalty.

How a service is presented can make a difference to how people respond to it. We are very used to professionally designed materials so it is important that we present our services as professionally as we can.

Logo design and colour choices can be tested with a range of stakeholders, staff, customers, and funders, to canvass opinion to make sure they hit the mark. It will increase our chances of success to involve key people as we go.

Targeting

Most services are aimed at particular groups and we need to use the language and images suitable for that target group in our communications. If we are not sure our messages will work we can always test them with people we know to see if they have the impact we expect.

We need to check that we have quantified the market as best we can – i.e. how many people might come forward, and aim to circulate our messages by mixed means for example email/e-newsletters/leaflets/flyers/letters to as many as we can and keep a track of how much activity we are doing.

Response Management

Persuading people to respond how you want them to – be it returning a feedback or booking form, or to participate actively in your services – is the subject of many academic texts. If you think about commercial activity where budgets are generous you will notice that many campaigns employ an incentive. It is worth thinking about using an incentive yourself to maximise the response. For our sector the incentive is equally as likely to work if it is a social or environmental incentive as much as if its financial – for example a typical incentive is to enter in a prize draw to win vouchers. Another example is to offer to share resources: plant a tree for instance, or sponsoring young people in a project. You will probably be able to brain storm a lot of related ideas specific to your services that would be a good link in a campaign and that provide incentives to encourage people to respond.

A lot of marketers use a response mechanism in their mailings to track who is responding to what message. So if you want people to book on an event and have advertised and used direct mail then a response code on the advert will tell you how many have responded to the advert and how many responded to the direct mailing. You will need to ask people as they book if they have a code with their booking or put it on the booking form.

Another way to manage response is to have a cut off date respond by xx date. This makes people reply promptly.

Databases

It's helpful to manage your target market contact information in a database even if it's just an outlook list of email addresses. You also need to be aware of what the Data Protection Laws will allow you to do with your lists. Personal data should not be stored but business data can be. A lot of small organisations now use Customer Relationship Management (CRM) software to help keep information together about how you have communicated with your customers. It is essentially an electronic Rolodex and is particularly useful if more than one member of the team is talking to them. All the letters are listed in a history section and you can check when the latest newsletter was sent etc.

Promotion

Promoting your services or events is probably the activity most people think of when we talk about marketing but it is actually only one part of the spectrum. Before we are ready to start promoting we need to have done the other things listed above: got clear branding, identified who we want to talk to and this stage of promotion needs some clarity about we want people to do. For example: if we are recruiting people to a course how will they find out more or book? How do we make that easy?

Mixing up promotional activities is a good idea: leaflets, flyers, notices and direct mailings together with online advertising on websites, e-newsletters and texting are all available tools that we can use fairly easily. Different ones reach different people. You have the flexibility to write different messages for different people too so that they feel you are talking them personally.

If we need to tell a community about what we have done we need to make the information accessible and attractive.

The best way to maximise the response is to test market them first. It can save a lot of time later.

Media Releases and Editorial

We can use press releases and editorial to both promote new services and to celebrate a success. We can publish press releases on our organisation's website news page. A few tips for good media releases are: always use plain English and concise sentences. Include quotes from key people involved to show opinion, use local statistics if appropriate to show the size and scale of the problem or what you are doing, and use a local context to show the impact of it.

Social Marketing

With the phenomena of social website such as Facebook, My Space, You Tube and Twitter there is a new opportunity to promote what we are doing to like minded people through personal comment and dialogue. If you go to these websites and create an account you can search for other accounts – for example many of the established charities are doing this now and you can easily find examples of what they have done on site to attract visitors.

If you have an established website we might also create a blog. If you do a search in Google on 'Blogs' it is amazing at how many come up.

Monitoring

Good marketing activity needs monitoring to make sure it is getting the results we expect. As response to our campaigns slows down we may need to do something a little different to rekindle the interest, or launch a new service. This requires feedback. It is a marketing function to collect feedback not just on our service levels but also on our marketing performance.

There are a number of things we can do to monitor services. We can use a focus group, useful for new ideas too. We can collect informal feedback, so as visitors come into a centre we can ask 'what did you think of the flyer?' the letter, the brochure 'did you need any more information?' These techniques usually confirm that what you did was right and sometimes yield unexpected results – for example some services have broader interest than you may have imagined and you may find new sectors coming forward to access them.

At the end of a campaign you should be able to produce a report for your management committee that shows how many people you targeted, how many came forward, what methods you used what worked well and what didn't and what you would do again. It is also helpful to remind your management committee about your branding: how many people are sent information using it, and what people think of it when you ask them. Ultimately that response is a good guide to the public's perception of your reputation.

For more information – Useful links

Subject	Contact
Using marketing and communications to support third sector organisations in making themselves seen and heard.	www.improvingsupport.org.uk/news
Third Sector Forums is a friendly online community for UK charity professionals, volunteers and social entrepreneurs.	www.thirdsectorforums.co.uk/forumdisplay.php?f=12
Marketing tips for sluggish times	www.melbourneit.com.au/successbox/online-marketing/16/
Chartered Institute of Public Relations. is the largest public relations institute in Europe.	www.cipr.co.uk
Additional Marketing advice and support **	info@sesc.info

Additional Resources

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Funding

The Modernisation Fund: **www.modernisationfund.org.uk**

The Modernisation Fund was announced as a key part of the Government's £42.5m package of support for the third sector *Real Help for Communities: Volunteers, Charities and Social Enterprises*.

See: **www.cabinet-office.gov.uk/thirdsector for more information about this initiative**

Finance

The National Council for Voluntary Organisations (NCVO) website has a section entitled Financial difficulties: how to recognise and avoid which provides some useful advice on recognising and avoiding financial difficulties.

Visit the NCVO website: **www.ncvo-vol.org.uk/askncvo/index.asp?id=452&terms=difficulties**

Partnership

Collaboration Benefits project led by BASSAC

Information on the different types of collaboration happening in the sector and learn from shared experiences.

A range of tips and practical tools on how to collaborate aiming to guide your thinking and support your collaborative venture whatever stage you are currently at: **www.bassac.org.uk/node/446**

Employment

Pay and Employment Rights Service

This organisation has a range of good practice guides, templates and toolkits available from: **www.pers.org.uk/publications.htm**

Miscellaneous

The Development Trusts Association (DTA) has published an Early Warning Guide, which gives advice to organisations on how to identify potential problems before they arise.

The guide is available to download for free from the DTA website: **www.dta.org.uk/resources/publications/earlywarningguide**

Paper copies are available free of charge to DTA members, or for a £2 charge for non-members.