

Funding for voluntary and community organisations

A recurring challenge for many voluntary and community groups is having the funds to support their work. This information pack aims to provide you with:

1. An overview on the key funding options you can consider
2. Details on funding advice and where you can get help
3. Options to help you explore this further

Spectrum of funding options

In broad terms there is a spectrum of funding options. Each of these can form part of your overall plan to fund the work you do. Each option will have pros and cons and you will need to plan your approach, taking into account the option/s you feel best meet your needs. These are:

- Grants
- Contracts
- Fundraising
- Earned Income
- Corporate support

The following provides more detail on each option.

Grants

Charitable trusts and foundations

Charitable trusts and foundations are organisations specifically established to distribute money to good causes, so they are an important source of funding for many groups. There are several thousand in the UK; they differ enormously in size and scope and only a few hundred have paid staff. Their main features are:

- Charitable trusts and foundations can only fund things that are charitable in law.
- They can only fund things that fall within the criteria laid down in their governing document.
- Most give smallish, one-off grants and are reluctant to fund core costs, although many of the larger trusts fund projects over several years and some trusts do contribute to 'general running costs'.
- To reduce administration costs, many trusts do not communicate with people who apply to them unless they decide to make a grant; nor do

they make it clear when they meet (which may be only once or twice a year) or how they make decisions.

- Most trusts and foundations give to recognisable 'good causes' but a significant proportion of the larger trusts are prepared to take risks and to support work that is 'hard to fund' or controversial.
- Lots of trusts want their money to 'go further' and like projects which are a) innovative or likely to be replicated, and b) able to use their grant as a catalyst to lever additional money from other funders.

Public Sector

The public sector (at national and local levels) has a range of grant programmes that may be compatible with the work you plan to do. Details of these can be identified via the relevant web pages of the public sector organisation. Support can also be provided by Community First New Forest.

The main features of statutory funding are:

- Statutory funders give grants to further their own objectives or meet their statutory responsibilities; they don't make grants just because they are sympathetic to a cause.
- Nowadays they are more likely to enter into some form of written agreement.
- They are more likely (than company or trust funders) to fund an organisation's core costs, although they will not be keen to support groups forever.
- Their agreements or contracts may last for a number of years.
- They are more likely to be bureaucratic, and potentially have complicated monitoring systems.
- The process of decision-making may be drawn out and complicated, with several different stages to the application process; you may need to convince both officers/staff and politicians.
- There are likely to be publicly available guidelines/criteria and information about the way your application will be dealt with, and there is likely to be a special officer or civil servant who you can talk to about your application.

Contracts

The government is very keen to encourage voluntary sector organisations to bid for public sector contracts. If this is something your organisation could reasonably do, are you ready to bid or do you first need to develop the necessary systems and expertise, and often partnerships?

There are agencies and networks that can advise you on how to find out about contracting opportunities, put together and deliver on a bid, and advise on the practical issues you need to consider; for example, contract payments are invariably made in arrears; would this create a serious cash flow problem? If you

take on a piece of work formerly done by a public sector body, you will be taking on some of that public body's staff with all the commitments of a transfer? The Transfer of Undertakings (Protection of Employment) Regulations (TUPE) protects employees' terms and conditions of employment, including their rights in respect of redundancy payments and pensions, which requires legal advice.

Grants and Contracts

Recognising the difference between grants and contracts: things to look for in deciding whether an arrangement is a true grant consideration needs to be given to the following factors:

Grant	Contract
<p>The arrangement will comprise a financial payment to support the recipient either generally or in respect of certain specific activities undertaken by the recipient.</p> <p>The recipient will be under no legal obligation to deliver any services.</p> <p>The funding body will be under no legal obligation to provide the grant monies to the recipient.</p> <p>The recipient will only be permitted to use the grant monies for the specific purposes for which they are made available. The funding body will typically have a right to clawback the monies if not used or if misused.</p>	<p>The arrangement will create a legally binding contract.</p> <p>The recipient will be legally obliged to deliver the specified services.</p> <p>The funding body will be legally obliged to pay the recipient for the provision of the services.</p>

Note: just because an arrangement is called a 'grant' or a 'grant agreement', it doesn't mean the arrangement is a true grant in the strict legal sense. Many arrangements which are called 'grants' or 'grant agreements' will in fact satisfy the requirements of a contract.

Fundraising

The key aspects of successful fundraising are:

Research – You need to find out as much as possible about your potential donor to maximize your chances of success.

Communication – Remember that communication is a two way process and that you need to 'listen' to what the donor is saying and modify your message if necessary.

A golden rule of fundraising is that people give to people

People do not give to organisations or to abstract concepts. They give to help other people or because they want to create a better world. You will need to show people how you can help them to achieve this. One way of doing this is through case studies – illustrating your work with examples of who you have been able to help, how you have been able to change their lives and the difference that a donation can make. Another way is to focus your fundraising on particular aspects of your work which will transform people's lives. By focusing on specific projects rather than the overall work or the organisation, it makes it easier to excite and enthuse donors.

Sources of funds

- Statutory sector
- Grant-making trusts and foundations
- The Lottery
- Corporates
- Community organisations
- Events
- Individuals

The fundraising mix

Aim for:

- Low risk income stream(s)
- Cost efficient fundraising
- Acceptable to organisation
- Realistic implementation

Golden rules of fundraising

1. Don't put all your fundraising hopes into one basket – use a variety of sources and methods.
2. Do as much research as you possibly can into all possible sources before approaching them.
3. Keep very detailed records of all fundraising you do, all individuals approached, all donations etc.
4. Don't be afraid to ask advice and learn from others.
5. Use the particular resources and skills available to you.
6. Always try and see the situation from the point of view of the person who is being approached – put yourself in their shoes and see what makes them 'tick'.
7. People give to people.
8. Make sure there is a benefit to the person/organisation you are approaching.
9. Be clear of exactly what you want and why it is vitally important.
10. Don't take large risks with our limited resources.
- 11. Remember to say 'thank you'!**
12. Aim for a satisfied donor.

Earned Income

There are ways of increasing an organisation's income that a committee could consider, though some may be more appropriate for some types of organisation than others. For example:

- Membership fees
- Raising an existing fee or instituting one for the first time
- Renting out property
- Raising charges for services
- Consultancy fees

Trading voluntary organisations, including registered charities, have the power to trade goods and services, including public service delivery contracts, for a social purpose. Registered charities are however subject to the specific regulations described below. The widely used term social enterprise has no legal definition but is an umbrella term describing a variety of different types of organisations, including co-operatives, development trusts, community interest companies and social firms.

Any voluntary organisation that earns income through trade and contracts can call itself a social enterprise.

Charities – primary purpose trading charities have the power to undertake small trading activities in furtherance of their aims. This is known as primary purpose trading, and describes trading which contributes directly to one or more of the objects of the charity. This might be, for example, the sale of goods manufactured by people with disabilities who are beneficiaries of a charity for disabled people. There are specific tax exemptions.

The maximum sales turnover you are allowed to make depends on your total gross income. For example, a small charity with a total gross income under £20,000 can make up to £5,000; one with a total gross income over £200,000 can make a maximum of £50,000. If a charity wants to engage in trade as a way of making money, it must set up a separate trading subsidiary (arm).

If you have a small trading idea which would be primary purpose trading, you could try it out to see if it is likely to be a viable source of income. If it works, you could then consider setting up a trading subsidiary.

You should take legal advice if you are unsure how to proceed. If a charity trades outside its aims, however inadvertently, the consequences are potentially severe, as this would be a possible breach of trust. Such a breach would bring a significant risk of the charity's losing its charitable status, and HMRC would want to recover tax. The sale of donated goods, land, buildings or investments is not normally regarded by the Charity Commission or HMRC to be trading, as long as these donations have been given to raise funds for the charity. There is also an exemption from tax on the profits from small-scale non-primary purpose trading, such as a car-boot sale, as long as all the relevant profits or income are used for the charity's purposes.

Charities – setting up a trading subsidiary

A trading subsidiary is a company, owned and controlled by a charity which has been set up to generate income for its parent charity. This is separate from trading to carry out the charity's aims. A trading subsidiary donates most of its profits (always presuming the trading is successful) back to the parent charity.

The profits made by a trading subsidiary do not qualify for charity tax exemption and are liable to corporation tax. However, tax exemption is available to the parent charity on the income which the subsidiary gives it. Gift Aid is the mechanism usually used to pay funds to the charity, as this reduces the trading subsidiary's taxable income. Trading subsidiaries are usually funded in the first place by their parent charities, although outside finance may also be obtained. The trustees of the parent charity must be able to justify this financial support as an appropriate investment of the charity's resources.

Corporate support

There are many good opportunities to build partnerships with companies as they look at ways to help their communities and help themselves. The emphasis should be on the partnership aspect with most companies no longer giving

money on purely philanthropic principles but looking to gain from the relationship quite considerably themselves.

Companies use a wide range of approaches for their charitable and community support. Many now allocate an annual budget for this purpose. Some use their own charitable trust to distribute their funds. However the money is distributed the policy-making and grant decisions remain with the company.

Often companies are not aware of local charities which need support ie. you don't get if you don't ask.

Examples of ways in which companies donate:

- Trusts and foundations
- Social responsibility
- Help in kind eg. free venues
- Secondment/placements
- Training
- Networking
- Access to suppliers and customers
- On pack promotions
- Events
- Sponsorship
- Match funding
- Raffle prizes and community vouchers
- Promotion/collections
- Publicity/raise profile
- Printing and franking
- Advertising
- Payroll giving
- Volunteers – team building and materials/people

Funding Advice and Applications

Your group/organisation may be able to get some help locally at no cost, however be prepared that the quality and quantity of it may vary. Some advice and information may be worth paying for – it may be worth going on a training course, for instance, or buying a directory of grant making trusts. Occasionally it may be worth spending money on a consultant to help you with your fundraising, but that certainly shouldn't be your first port of call. Because money is such a core need for voluntary organisations and because successful fundraising is dependent upon so many other things – appropriate legal structure, effective management, competent accounting, not to mention knowing the right words to use, – it's hard to predict what information and which organisations should be listed as useful sources of help and advice. Only some of

the sources listed below are likely to be appropriate for your group; don't think you have to explore all of them.

You can go to Community First New Forest for more detailed information, who will be able to assist you with how and who to apply to; how to identify the right funders for you and who can carry out a unique funding search for you. You may write the best funding application in the world but all your hard work will be wasted if you send it to the wrong funder. You will need to think about the type of funder to approach and then use research tools to identify the specific funders to write to.

Sources of information about funding and fundraising -

You can purchase printed directories, software and online resources which provide information about funders. Some information is available free but you will have to pay for most of the well maintained resources. You might be able to access some of these free through a local development agency or your local library so it is worth finding this out before buying anything.

Books about fundraising

The Directory of Social Change (DSC) publishes a number of books about fundraising and how to write good applications.

Information on the Internet

The DSC also has a website www.trustfunding.org.uk which allows you to search for appropriate charitable trusts; you will have to subscribe to the website. Other applications include Grantfinder, Funding Central which is a free service and applications produced by j4b.

In general there is a lot of useful information about funding, funders, and fundraising on the Internet and much of it is free. What there is changes, and grows, at a great rate so it is hard to be specific about where to go. You can expect information on government funding initiatives, and all European funding, to be available on-line. Community First New Forest can provide further information, help and advice regarding funding and funding applications, if you require further support please contact the Community Development team for further information.