ncvo

Sustainable Funding Project

Collaborative Working Team

Collaborative working to generate income

A model of collaborative working

How this model can help

This publication is one of a series of models covering the different ways that voluntary and community organisations can work together. It is aimed at chief executives, managers, trustees, financial managers and infrastructure organisations.

Voluntary and community organisations can collaborate on any area of their work, from sharing back office support services, to jointly delivering 'frontline' activities. This model introduces different ways of collaborating with other organisations to generate income.

This publication focuses on voluntary and community organisations working together, rather than partnerships with the public or private sectors.
Case studies illustrate voluntary and community sector experience of joint fundraising activities.
This guidance is not a substitute for legal advice.

It is useful for voluntary and community organisations asking:

- How can we generate income by working with other organisations?
- Can we make our fundraising more effective by working in collaboration?
- What issues should we consider before embarking on a joint income generating project?
- What structures should we use for our collaboration?

For other models of collaborative working, see www.ncvo-vol.org.uk/jointprojects

Useful terms

Earned income – income generated from the sale of goods or services

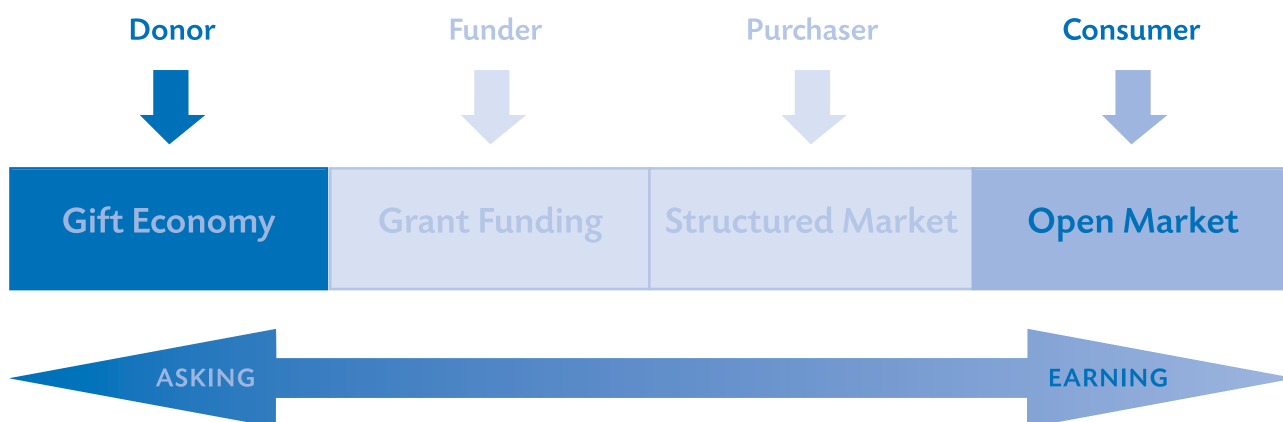
Non-primary purpose trading income – income generated from the sale of goods or services which do not advance the objects of the Charity

Voluntary income – income given freely, not in return for a service; usually in the form of grants or donations

Restricted funds have conditions imposed by the donor

Unrestricted funds are expendable at the discretion of the trustees in furtherance of the charity's objects, and are not subject to any externally imposed restrictions

The Income Spectrum – Sustainable Funding Project



This publication concentrates on fundraising for income through the **gift economy** (public giving, voluntary donations) and the **open market** (trading) – the two ends of the income spectrum above – as opposed to joint grant applications or delivering purchased services under contract. Its focus is on fundraising for **unrestricted** income, with one exception: appeals.

What is collaborative working?

NCVO defines collaborative working as partnership between voluntary or community organisations. An organisation may work with one or two others or may belong to a wider consortium. Collaborative working can last for a fixed time or be permanent.

Organisations can work together in a number of ways, from informal networks to joint delivery of projects, and for a range of purposes. What these various options have in common is that they involve some sort of exchange, for mutual advantage, that ultimately benefits service users.

Why collaborate to generate income?

"The objective is to raise more money in collaborative mode than member organisations can raise individually."

Brendan Gormley, Chief Executive,
Disasters Emergency Committee

Voluntary and community organisations collaborate to share knowledge or expertise, in order to make their activities more effective and/or more efficient. Organisations can work together to generate income in a variety of ways, from encouraging donations to joint trading.

Statistics from the *UK Civil Society Almanac 2008* reinforce the fact that maintaining income levels is problematic for many voluntary and community organisations. In 2005/06 (the latest figures available), almost a quarter of charities with incomes between £100k and £1m, for example, had income volatility problems. Figures from the NCVO/Charities Aid Foundation 2006/07 Individual Giving Survey reveal that charitable giving by the public fell by 3% from the previous year. The uncertainty of income streams makes financial planning a significant challenge.

To ensure the ongoing viability of their work, organisations need to consider how they will continue to fund their activities. Ensuring financial sustainability means careful planning and exploring all the available income options. Working with other organisations offers opportunities to pool resources and explore different income-generating practices.

Although working with other organisations to generate income may seem counter-intuitive, because of competition for limited resources and the importance of donor relationships, collaborating can make different forms of fundraising more accessible, or open up routes to new sources of income.

Working together can also offer opportunities to address reported public concern about perceived duplication between charities. Building and cultivating relationships is often an essential element of fundraising, and maintaining public confidence is vitally important in maintaining public trust and support.

Some of the benefits of working together to generate income include:

- Shared skills and expertise between staff and trustees
- More efficient use of resources
- Reduced duplication of effort
- Donors can support a range of causes
- Improved publicity opportunities
- Access to a wider pool of contacts and supporters
- New or enhanced fundraising capacity
- Public confidence about reduced duplication or competition
- Opportunities to be creative about income generation, e.g. trying new fundraising strategies
- Better geographical coverage

Potential challenges include:

- Managing relationships between partners
- Partners investing disproportionate time or resources
- Lack of clarity about distribution of profits, assets or intellectual property
- Reputational threats to brand, values or supporters
- Fear of losing supporters
- Different expectations of partners
- Different levels of commitment
- Diversion away from core activities
- Unequal or unmanaged distribution of risk

Trustees have a duty to act prudently, and therefore consider all options to minimise risk. This could include looking at establishing new legal entities for a project, as a way of ring-fencing risk and protecting the assets and activities of their organisations. Trustees must also make sure that all funds raised for their organisations are properly accounted for.

Organisations should ensure that the proposed work fits with their objectives, as defined by their governing document. Governing documents should also include a power to co-operate or to enter into any partnership or joint venture arrangement with any other voluntary bodies. Charities without this power usually have an implied power to work collaboratively if it is in the best interests of the organisation and its beneficiaries. Advice from the Charity Commission is recommended.

NCVO's guidance, *Should you collaborate? Key questions*, offers a checklist of issues to help organisations make informed decisions about whether to collaborate.

Key issues to consider

Working with other organisations can be complex, particularly when finances are involved. Before embarking on a collaborative income generating activity, you should carefully consider the following questions:

- Do the partners have shared expectations for the work? Organisations should be clear about what they want from their partners, and about what their partners want from them.
- How equitable is the collaboration? For example, is the collaboration to be a partnership of equals, or will one organisation act as the lead and accountable body?
- Will the target constituents of the collaboration be different from those of partner organisations? Each partner should be careful about its interests, and consider any potential impact on existing stakeholders.
- What will be done jointly? And what will remain the separate responsibility of the partners?
- What form should the project take? For example, is it appropriate to establish a new legal entity for the work? (See 'Structures for joint fundraising' below.)
- How will resources be allocated? For example, will income be divided equally between partners, or distributed to an agreed formula?
- Who will own intellectual property created as a result of the collaboration?
- Are there data protection implications to bear in mind, such as keeping contact details of donors or other contacts?
- What are the tax implications of the collaboration? Taxation issues will require careful exploration and professional advice.
- Is the partner reputable, stable, solvent and compatible?

Things that can help

Early agreement about decision-making and allocation of resources is vital, to ensure that all partners feel that processes are clear and equitable before the work begins.

One of the opportunities offered by collaboration is bringing diverse skills together, for example different approaches to fundraising. Organisations may have differing areas of expertise, so there could be a commitment to building on the strengths and experience of each organisation, and recognition that strengths can be different but complementary.

Although partners may make different contributions, all should have shared aims for the project. It can help to agree what each organisation is prepared to commit, and its boundaries, beyond which they are not prepared to go. These early stages of collaboration therefore require careful negotiation, as well as open, honest communication and dialogue.

Depending on the size and nature of the project, a steering group could be convened, with representation from each partner, to ensure that clear decision-making structures are in place. Work should be carefully monitored and evaluated.

Different organisational cultures – values, working practices, hierarchy etc. – can affect the process. But compatible cultures can help, if organisations have similar relationships with their supporters, for example.

The importance of trust and good working relationships between individuals is often cited as necessary to achieve synergy. The success of a collaboration may depend on the levels of commitment of the individuals involved.

As with any collaboration, securing organisational commitment to the work is vital, particularly if the project develops an identity separate from the ongoing work of each partner.

It is also worth agreeing at an early stage when and how the project will end, the ownership of residual assets, goodwill or brand, an exit strategy for partners, and any accepted means of early withdrawal from the partnership. These can change, and with time the partners may decide to explore new fundraising routes and opportunities, or other areas of collaboration.

A joint working agreement is vital for establishing the terms, responsibilities and liabilities of the proposed project. A written agreement should include information about how decisions are taken; how earned income, assets or intellectual property will be apportioned; accountability or the allocation of financial risk; and how partners can withdraw from the project. The agreement should also include provision for resolving disputes – often left unconsidered until it becomes necessary, when it is too late.

NCVO's guidance, *Joint working agreements*, sets out the key areas for consideration to guide organisations when developing their own agreements.

Joint fundraising

Charities generally have the power to raise funds through a range of methods, including inviting and receiving donations and legacies. It is worth remembering that fundraising is an activity undertaken to help achieve a charitable purpose. If a charity wants to raise money to carry out work which is not covered by its objects, it can create a new charitable organisation with specific purposes or a trading subsidiary.

Some forms of fundraising can be carried on by a charity and others must be undertaken through a trading subsidiary. This is a complex area and legal advice may be needed.

Examples of fundraising that can be undertaken by organisations working together include promotion of one-off or regular donations; organising fundraising events, raffles or lotteries; making collections; or undertaking sponsored activities.

CASE STUDY

Kent Charities Group

Kent Charities Group (KCG) was initially founded in 2003 by twelve charities, linked by area and size, but with different purposes. The group's intention was to share resources to maximise fundraising potential, and enable them to compete more effectively with larger charities. An initial legacy fundraising campaign was followed by a Payroll Giving campaign. The latter had limited success and the group was dormant until 2007.

Following an initial meeting to garner interest in restarting collaborative working, eight charities agreed to participate in an income generating project.

The group collaborated on a Christmas Draw, with proceeds being shared between the charities and the Kent Charities Group itself. Each charity donated a prize, and each committed to selling as many tickets as possible through its own distribution routes. A key benefit was in choosing a project that delivered quick outcomes and ensured commitment from the members; previous projects which didn't show immediate results disappointed some of the organisations' trustees.

Continued overleaf ▸

The main driver was to harness individual and small-scale activities for a greater impact, in order to achieve the critical mass necessary to compete with larger charities. The main aims were to increase the profile of the member charities, to raise funds, and regard the project as a test for future collaborative ventures.

The Christmas Draw was a success, and the key individuals now involved are committed to the work, and enthusiastic about collaboration. The project has also led to the additional benefits of exchanging information and reduced work in isolation, as many members are small charities.

The work has resulted in the development of a collective identity, and offers the public in Kent an opportunity to support a range of complementary causes in their county.

Tax-effective giving

Organisations with charitable status benefit from significant tax advantages: charities are normally exempt from income tax, capital gains tax and corporation tax. In addition, gifts made to charities can be tax effective, either through recovery of tax paid by the donor, or through tax relief on the income used for the donation under Gift Aid.

Organisations can work with others to solicit donations or to promote the methods of tax-effective giving to potential donors through a concerted campaign.

Taxation is a very complex area and professional advice is essential.

Gift Aid

Gift Aid was worth £830 million to charities in 2006-07, although research indicates that it is only being applied to about one third of the total amount given in charitable donations. There is therefore an incentive to promote Gift Aid through the wider reach of consortia.

Gift Aid is a scheme designed to encourage individuals and businesses to donate more money to charity. Introduced by the Finance Act 1990, the scheme allows charities to claim back the basic tax rate already paid on gifts of money received from individuals who pay or have paid UK tax.

Companies are able to donate money to charity that includes the corporation tax they would have to pay on that amount. They claim tax back when calculating their profits for corporation tax.

Futher information about Gift Aid is available from HM Revenue & Customs:
www.hmrc.gov.uk/charities/gift-aid.htm

Payroll Giving through consortia

The opportunity of donating to several charities in a consortium through Payroll Giving can be appealing to employees and employers, enabling them to support a range of causes.

Established by the Finance Act 1986, Payroll Giving offers a tax-effective way for charities to receive donations from individuals' pay. It offers charities regular core funding and saves on administration costs. Payroll Giving also acts as a means of building relationships between charities, individual donors and the corporate community.

An employee's regular charitable donations are deducted from their gross salary before Pay As You Earn (PAYE) tax. The company then passes that money to their Payroll Giving agency, who send the donations to the chosen charities. There is therefore no need to reclaim tax.

Payroll Giving agencies (e.g. Charities Aid Foundation, which manages Give As You Earn) are accredited by the Inland Revenue to undertake the administration. Payroll Giving agencies sometimes deduct a small administration fee for each donation, usually no more than 4% or 25p of each donation. Occasionally, employers cover this cost, or match their employees' donations: costs which can then be offset against Corporation Tax.

There are opportunities for consortia to reach new donors, and promote a particular range of causes that sets them apart from other causes.

As donors will know which organisations are in a consortium, it is often advised that consortia are kept to a manageable size.

CASE STUDY

Child Concern Consortium

Child Concern Consortium (CCC) is a charitable company that raises funds for a group of five charities helping vulnerable children and their families across the UK. CCC is composed of Action for Sick Children, British Association for Adoption and Fostering, 4Children, the Fostering Network, and Working Families.

CCC generates unrestricted income for its members: funds being distributed equally to all five after the Consortium's operating costs have been covered. Each of the members invested £8,500 to establish the Consortium – thus retaining an equal stake in the venture – and no further financial outlay has been needed. Since its inception, a significant amount has been raised for the five member charities: about 30 times each charity's original investment, and effectively cost free.

Each of the member charities has separate fundraising activities, and CCC restricts its work to areas that do not impact upon these, namely regular giving. CCC supporters remain separate from individual members' supporters. The majority of income raised by the Consortium is through Payroll Giving. Contributions go to five distinct charities, all supporting children in different ways: members therefore maximise their appeal to prospective donors.

The remainder of the consortium's funds are raised through regular giving via direct debit, collecting change in boxes, or one-off donations.

Members share a signed agreement. The trustee board, which meets quarterly, is composed of staff representatives from each of the member charities. The Chair rotates every two years, and all members take a turn, apart from 4Children, who are contracted to host the Consortium and provide line management instead.

One of the key lessons emerging from CCC with regard to establishing a distinct legal entity is that after its inception, amid exciting potential, member charities need to remain committed to the idea. Mechanisms need to be in place to ensure an ongoing commitment from the members, so that the new organisation can keep a consistent level of momentum.

www.childconcernconsortium.org.uk

Legacies

"Legacies represent the most important area of unrestricted growth for charities"

Jonathan Parris, Director, Remember a Charity

In recent years, large and small consortia have emerged, at national and local levels, that seek to raise awareness among the public of remembering charities in their wills, through higher profile of a coalition, or on behalf of their members.

A legacy or bequest is money or other assets left under the terms of a will. Legacies are a significant, if unpredictable, source of income for many charities, worth £1.8 billion in 2005-06, representing almost 6% of the total income (UK Civil Society Almanac 2008). A legacy to a charity is exempt from inheritance tax.

Coalitions have also been formed that promote *in memoriam* fundraising: funds established to commemorate a death.

CASE STUDY

Remember a Charity

Legacy income is the single largest source of voluntary income for charities, but many charities invest comparatively little in this area of fundraising. Remember a Charity is a consortium of over 140 charities working to raise awareness of charitable legacies and to increase legacy income to UK charities. A national collaborative campaign was deemed the most cost-effective way to effect widespread public behaviour change and encourage more people to remember their favourite causes in their wills.

It was launched in 2002 with a clear objective: to increase the percentage of wills going to probate that include a gift to charity from 14.3% to 16.3%. The consortium monitors its work through gathering indicators of awareness from MORI polls and annual solicitor research, amongst others.

Remember a Charity is not a legal entity in its own right, but an initiative hosted by the Institute of Fundraising. The consortium employs three staff and is overseen by a Steering Group, nominated from the membership, and led by an elected Chair.

Members represent a diverse range of sizes and causes, and pay a subscription fee based on the amount of their annual *eligible* voluntary income, which excludes an organisation's grants and its corporate sponsorship and donations.

The consortium promotes legacy giving through advertising, direct mail, PR, and in 2006, its national television campaign, fronted by Michael Buerk, achieved breakthrough levels of awareness, now at 49% amongst its general public target audience (UK adults 45+): its highest ever level since the launch of the campaign in 2002. Background awareness levels have also maintained a high level of growth. The television advertisement was paid for by several of the bigger member charities, in addition to their membership fees.

Remember a Charity is careful not to promote any one of its members above another, for example no individual charities' logos have appeared on the campaign's publicity.

www.rememberacharity.org.uk

everyone can leave the world a better place

remember a charity in your will

Joint trading

Broadly, trading is divided into charging for goods or services solely in order to generate income. Options range from renting space or equipment, through selling Christmas cards to developing trading arms such as charity shops and primary purpose trading to deliver the Charity's objectives, for example delivering services under contract on behalf of Local Authorities.

One of the benefits of trading is that it decreases reliance on income from grants or donations. Additionally, trading income is usually unrestricted; the exception being income from contracts to deliver the objects.

When considering embarking on a trading venture, it is very important to be clear why you want to generate income through trade. A simple way to look at this, is to think of your reason as a 'P'

- **P**roduct – is the aspiration to build a trading element into a new or existing core service to cover costs? For example, delivering services under contract
- **P**rocess – is it the way of working that's important? For example, creating employment for disadvantaged people
- **P**rofit – is it the intention to generate income to finance non-earning activities? For example, selling Christmas cards

Naturally, the three 'Ps' can be mixed and matched to form a hybrid 'P', so a successful product that advances your mission may well produce some profit that can then be used to subsidise another part of your organisation's work. But remember, the more combinations you have the more complex is the management of them – so keeping it simple will enable you to concentrate on why you are trading, rather than spending disproportionate time in managing it.

So which 'P' will be the most appropriate for you and your partners: driving forward your mission, but generating sufficient income to cover the full costs of that service, or developing the skills of your beneficiaries and generating income on the open market by selling the product of their labour to the general public; or simply will it be about making profit to re-invest back into the organisation for it to grow and develop or to provide extra or enhanced services that funders are not contributing to. Whichever 'P' or 'Ps' you choose, make sure the whole organisation is fully behind it and that there is absolute clarity on where and how the income is spent.

Another way to approach this is to use the Charity Commission guidance on trading – 'CC35 – Trustees, Trading and Tax: How charities may lawfully trade'. This important document lays out the legal framework on how charities can trade:

1. **Primary purpose trading** – trading which contributes directly to one or more of the objects of a charity. E.g. sale of tickets for a theatrical production staged by a theatrical charity
2. **Ancillary trading** – contributes indirectly to the successful furtherance of the purposes of a charity. E.g. sale of food and drink in a restaurant by a theatre charity to members of an audience
3. **Non-primary purpose trading** – where this is permitted by the powers of the constitution, falls within a fundraising exemption or other tax exemption and does not involve significant risk to the resources of the charity and all the profits are applied for the charity's purposes the Charity may undertake the trading. In other circumstances it must be undertaken through a separate trading entity owned by the Charity or jointly owned with other charities.

CC35 is available from: www.charity-commission.gov.uk or call them on 0845 300 0218.

Remember, when you start trading, do be aware that you could be liable to pay corporation tax on any profits generated – if it falls under **'non-primary purpose' trading**. Establishing a separate trading subsidiary, allows the risk to be contained within the trading subsidiary. Any profits generated can then be given back to the main charity, thereby reducing the tax liability.

This guidance does not deal with the VAT issues that arise.

For more information and inspiring case studies visit NCVO's Sustainable Funding Project at www.ncvo-vol.org.uk/sustainablefunding/trading

CASE STUDY

Mental Health Shop

Two charities, Rethink and Mental Health Media, collaborated to found an online and telephone shop selling mental health publications, booklets, videos and DVDs. Mental Health Shop was established in response to an identified need for a single point where information on mental health could be accessed. The prospect of having a commercial site to generate income was appealing to both charities, and their interests are sufficiently similar to believe the collaboration would work successfully.

An initial grant was received from Lloyds TSB Foundation, which funded a part-time staff member who sat within the Rethink Marketing and Communication Team. A steering group, composed of two staff members from each charity, met quarterly to oversee the work. The partners shared a detailed written agreement regarding all the financial implications of the project: how profits and losses would be divided, and the structure of the collaboration.

Working collaboratively meant that Mental Health Shop was able to draw on both resources and expertise from both charities. Rethink was able to support order processing with its database facilities. Mental Health Media brought greater experience of marketing mental health products to professional audiences. Other benefits included the variety of products available and the ability to access the different contacts held by the two organisations. Both charities referred customers directly from their own websites.

There were issues surrounding the different terminology used by the charities, e.g. Rethink having the terms "severe mental illness" as part of its identity, and Mental Health Media never using the term "illness" at all. The project also went through several name suggestions before settling on Mental Health Shop. Difficulties were faced when developing distribution systems that could cope with the broad range of resources available, within tight budgets. Through close collaboration via the steering group it was agreed that "Rethink Distribution", a Rethink service, would provide storage and distribution facilities for the new venture. This enabled tighter control over the distribution process, whilst providing an opportunity to help people recover from severe mental illness by giving them work.

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Although Mental Health Shop will continue to sell both Rethink and Mental Health Media resources, the collaboration is currently being dissolved. The initial ambition of the business plan was that the project would break even before the end of the funding, but with tough market conditions and higher costs than expected, this did not happen. While one party was willing to subsidise a loss in order to ensure that there is good quality information available, the other party does not have the financial resources to subsidise the project until it does break even.

However, the Mental Health Shop website is still thriving, and receives around 200 unique visitors a day. Sales continue to grow. It increased the income that Rethink makes from its publications, and has allowed Mental Health Media to decrease the amount of money it was spending on distributing and promoting its materials. It also strengthened a partnership, and Rethink and Mental Health Media continue to work together on other joint projects including the 'Time to Change' anti-stigma campaign.

www.mentalhealthshop.org

Appeals

A public appeal for funds in response to a disaster or tragedy can result in unexpectedly high levels of support. At the time of an emergency, charities working together can be very attractive to the public. Some of the benefits of organisations jointly promoting appeals include reduced competition, maximised publicity, and donors not having to choose between causes.

When funds are raised for a specified purpose, a trust is implied that funds are only used for that purpose. Funds raised from appeals are therefore restricted. Donations to an appeal are eligible for tax relief through the Gift Aid scheme.

Trustees of an appeal fund should be aware of their responsibilities, ensuring that all fundraising is undertaken properly and that all funds are accounted for.

The Charity Commission has published special guidelines (CC40) about disaster appeals. It is recommended that organisations seek advice from the Charity Commission if they intend to launch one.

CASE STUDY

Disasters Emergency Committee

The Disasters Emergency Committee (DEC) is an umbrella fundraising organisation for 13 leading UK humanitarian aid agencies, which raises income through national appeals for humanitarian relief. It was formed in 1963, when relief agencies began to co-operate in their response to overseas disasters, and was registered as a separate charitable company in 1997.

Unlike most fundraising initiatives, DEC doesn't proactively build regular giving donor relationships. Rather, when a major overseas emergency occurs, it offers the public and corporates a swift, cost effective and trusted means of donating to a co-ordinated group and saves donors from having to choose between different aid agencies.

The decision to launch an emergency appeal to the UK public is made by the board of trustees in discussion with the DEC Secretariat and broadcasters. The decision depends on three criteria being met: that the scale and urgency of the crisis require a rapid international response; that DEC's member agencies have the capacity to respond; and that there is sufficient public awareness to ensure a successful appeal.

DEC members work together to promote appeals in order to maximise publicity and provide a convenient way for the general public to make donations to an appeal. The DEC Secretariat co-ordinates the media appeal ensuring that the appeal messages are clear, while members on the ground are delivering humanitarian relief to the people who need it.

Key to the efficient appeal mechanism is the quick mobilisation of the Rapid Response Network – broadcasters in television and radio, banks, the Post Office, BT, regional and national press, and a range of organisations in the corporate sector. Most organisations that supply their services do so free of charge or at cost.

The funds raised are distributed to member agencies according to an agreed formula and that takes into account each organisation's disaster response plans and capacity. Membership of DEC is reviewed periodically. The operation of the DEC itself – located separately from any member organisation – is funded by donations from the members.

DEC's trustees are Chief Executives from the 13 member organisations, alongside a number of independents, including a Chairman and Honorary Treasurer, as required by DEC's governing document.

Public accountability and demonstrating improvement are of major importance to DEC. As well as commissioning programme reviews the Board publishes an annual report setting out the performance of the DEC Secretariat and member agencies against agreed principles. The report explains how far DEC has progressed to achieving intended objectives and outcomes including accountability to beneficiaries.

www.dec.org.uk

Structures for joint fundraising

When organisations work together to generate income, each organisation can maintain its own identity, or partners can create a new organisation for specific activities. Different structures are right for different organisations depending on circumstance and the aims of the collaboration. The following points outline these options, but do not provide a comprehensive guide. Professional advice should help work out what is best in each case.

Organisations remain separate to undertake joint work

Two or more separate organisations work together, but each organisation maintains its independence and identity.

- The level of board and senior management involvement will vary with the scale of the collaboration and the type of organisations involved.
- Trustees have final responsibility for the activities of their organisation, including collaborative working arrangements.
- Boards of trustees may co-operate to oversee the collaboration for its duration. This could be by forming a joint committee with representatives from each board. Boards of trustees can agree a code of conduct to formalise how they will work together.
- Or trustees may approve the collaboration, then delegate its implementation to a steering group of staff from each organisation with a project co-ordinator reporting back to this staff group.
- The collaboration can be controlled by a written joint working agreement which separates the joint functions from the ongoing operations of each partner.

A collaborative activity that isn't established as a separate legal entity is sometimes referred to as a joint arrangement, partnership or a JANE (Joint Arrangement Not an Entity).

It is important that an unincorporated organisation is not created as this could involve the partners in unlimited liability for the joint activities.

New organisation

Two or more organisations create a separate organisation to run income generating activities.

A separate legal entity can ring-fence risk if it is limited liability, and protect the assets and activities of the partners. Establishing a new organisation can therefore be appropriate if there are significant financial risks to the new collaborative project.

- Each original organisation maintains its own identity distinct from the identity created for the new organisation.
- The new organisation is a legal entity in its own right. Its legal structure will vary. It may, for instance, be a registered charity as well as a company limited by guarantee, but there are many other options for the new organisation's structure.
- The original organisations may share the governance of the new organisation. In this case, the new organisation has its own separate board with each partner having an agreed number of seats on it.
- The degree of influence the partners wish to have in the new organisation will determine their level of involvement.
- Where organisations' right to influence the running of the new organisation is not formalised by the governance arrangements, alternative mechanisms will usually be built into a written agreement often called a "joint venture agreement".
- Partner organisations should be prepared to provide support to the venture in the early stages, and ongoing commitment to the work as it progresses.

This structure – where two or more charities jointly control another entity – is sometimes called a Joint Venture (JV).

Why create a new voluntary organisation?

Creating a separate organisation is a method of formalising the way that the shared work is managed. It helps isolate risks and can encourage greater clarity in governance and finance.

A new legal entity can also have the benefit of being a venture jointly owned by all partners. It can also give a separate identity to the work, and create a useful perception of distance between the collaboration itself and the partners.

Jointly owned trading companies

Voluntary and community organisations sometimes establish separate trading companies to generate funds for the parent organisation through commercial activities. This is necessary if the trading element is substantial or unrelated to the organisation's objects as defined by its governing document. Trading companies can be wholly owned by charities and Gift Aid their profits to their parent organisation. A common structure for a trading subsidiary is a company limited by shares, with the parent organisation being the sole member, holding one share.

For information about legal structures see the Governance Hub's Governance and Organisational Structures (available from www.ncvo-vol.org.uk/governanceandleadership)

Professional advice should be taken on which structure is right for you.

Further sources of support

- NCVO (www.ncvo-vol.org.uk)
- Charity Commission (www.charitycommission.gov.uk)
- HM Revenue and Customs (www.hmrc.gov.uk)
- Institute of Fundraising (www.institute-of-fundraising.org.uk)
- Charities Aid Foundation (www.cafonline.org)
- Directory of Social Change (www.dsc.org.uk)
- Community Matters (www.communitymatters.org.uk)

Other resources

*An introduction to Sustainable Funding – Understanding your option*s explores the funding environment and the opportunities available to organisations in achieving sustainable funding.

Introductory Pack on Funding and Finance for Voluntary and Community Organisations – Six-Part Pack – practical information on specific areas of funding or finance and includes case studies, tools, and signposts to resources to assist organisations in their search for long-term financial sustainability.

From asking to earning: Exploring the journey of trading – publication about a pilot programme providing direct support to a selection of organisations wishing to develop an idea for generating income from trading goods and services.

ICT Foresight: Charitable Giving and Fundraising in a Digital World explores how Information and Communications Technology (ICT) is changing the giving environment in which voluntary and community organisations operate.

www.ncvo-vol.org.uk/publications

Collaborative Working Team

NCVO's Collaborative Working Team provides good practice information and advice on all aspects of collaborative working for voluntary and community organisations, including the following:

- Should you collaborate?
- Joint working agreements
- Staffing a collaborative project
- ICT tools to support collaborative working
- Campaigning in Collaboration
- Due Diligence Demystified

Models of collaborative working:

- Merger
- Working together to achieve your mission
- Sharing back office services
- National organisations with local groups
- Joint working for public service delivery
- Collaborative working to make more effective use of ICT

Available from www.ncvo-vol.org.uk/cwpublications

Email: collaborate@ncvo-vol.org.uk
Tel: 020 7520 2440
Website: www.ncvo-vol.org.uk/collaborate

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Sustainable Funding Project

The Sustainable Funding Project was established in 2000 as an initiative of the National Council for Voluntary Organisations (NCVO). The project is a first-stop shop encouraging and enabling voluntary and community organisations to explore and exploit a full range of funding and financing options to develop a sustainable funding mix.

Email: sfp@ncvo-vol.org.uk
Tel: 020 7520 2519
Website: www.ncvo-vol.org.uk/sfp

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www.russell-cooke.co.uk

the Tudortrust

NCVO, Regent's Wharf, 8 All Saints Street, London N1 9RL

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