

Don't panic!

MANAGING FUNDING UNCERTAINTIES

A resource for voluntary and community
sector organisations in Manchester

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Don't panic, make a plan.

This guide has been produced by Manchester Alliance for Community Care and is aimed at managers and trustees in voluntary and community organisations in Manchester who find themselves facing an uncertain funding position.

Because of our work at a strategic level, we're aware that many groups in Manchester* are faced with annual crisis in funding. At the time of writing (January 2008), the changes in many funding streams coming from Central Government indicate that this year may be particularly challenging.

What we've been doing with our networks of voluntary and community sector groups is work with commissioners in the local statutory sector to develop clear, accessible processes which can capture the best the voluntary and community sector has to offer. But that is a huge and lengthy task. Our biggest concern is that many groups and services could potentially disappear before these new processes are in place, with people using those services being the ones who ultimately lose out.

For the voluntary sector organisations, this still leaves uncertainty for the immediate future. So we're working with commissioners on making sure information is made available to organisations about funding prospects for 2008/9 to give as much time as possible for organisations to make proper plans.

Alongside this, we felt it was important to offer support in managing the risks of this uncertainty, particularly for smaller and medium sized organisations who don't have the same management infrastructure or capacity as larger organisations. What we've tried to do is create a practical guide to help trustees and managers to think through the issues, avoid panicking and take responsible action to protect your resources and organisation.

There's no way that this pack can be totally comprehensive for your own situation: we've tried to make sure that it is accurate and up to date, but can give no guarantees. (It only provides general information and does not give an authoritative guide to the law.) Obviously, every organisation has different issues and you will know your own organisation best - all we've tried to do in this pack is provide a few pointers to help identify the kind of issues you need to consider in making contingency plans when faced with a potential or actual loss of funding.

* This covers a whole range of large and small organisations providing all kinds of services and activities (and MACC too!).

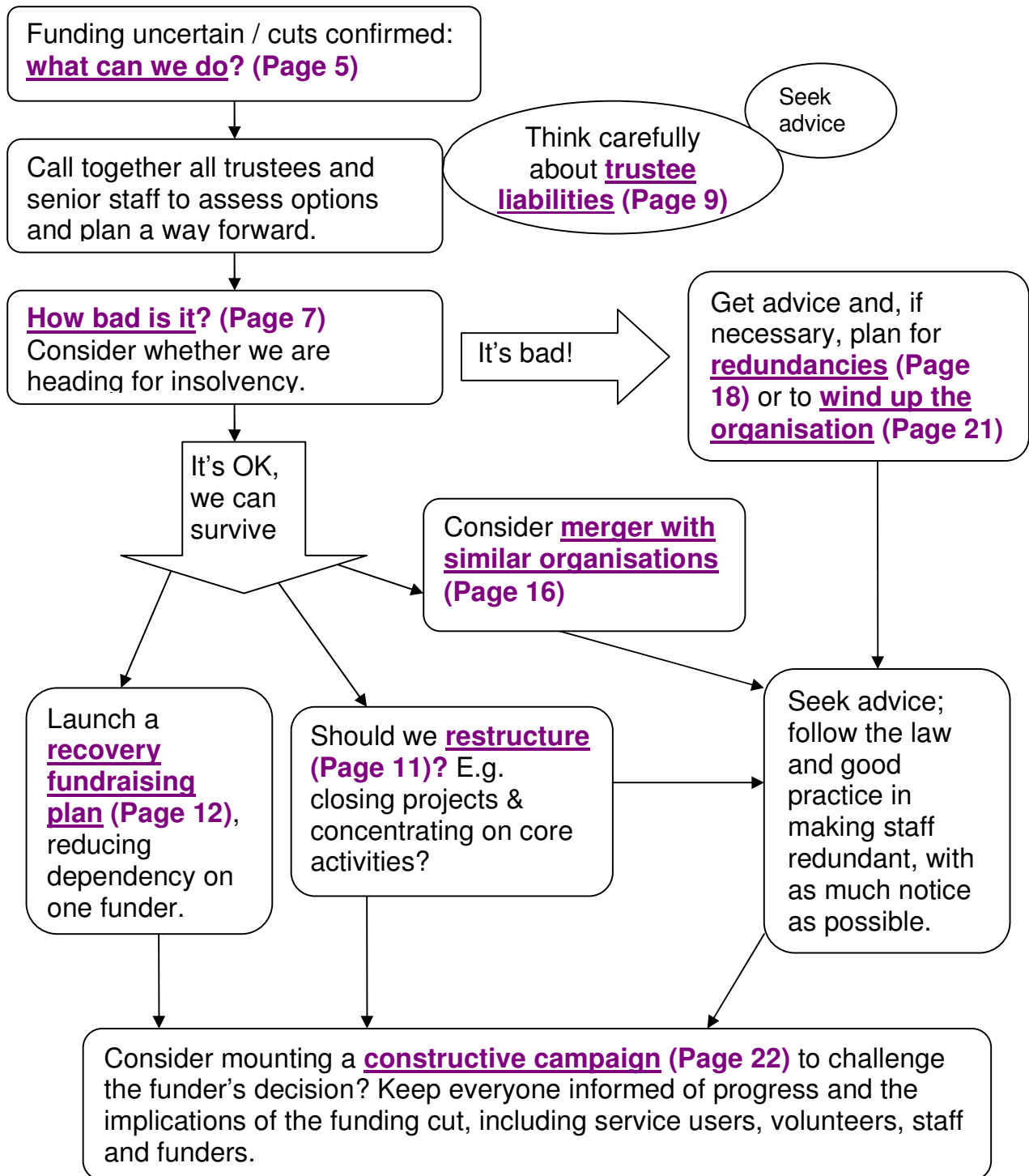
TOP TIPS:

A 10 point plan for getting through a Funding Crisis

1. Early action is best, even if you're facing closure. A crisis may be contained if it is managed carefully.
2. Trustees can incur personal liability. They need to be aware of their legal liabilities.
3. Take professional advice, as early as possible.
4. Consider all the options objectively before ruling them out.
5. To help you decide on how to move forward, carefully assess the risks.
6. Put things in writing. Trustees and staff should carefully minute decisions and affected parties should always be informed in writing.
7. Be clear about your legally binding commitments, such as the employment rights of your staff, service level agreements, building leases and contracts for equipment.
8. Plan cash flow carefully to avoid insolvency and where you think you might be insolvent seek professional advice immediately.
9. Be prepared to work as a team with other trustees and take difficult collective decisions in the interests of the service.
10. Whilst being stressful, managing a funding crisis can provide an important opportunity to review and restructure your organisation, making it stronger for the future.

Handling a Funding Crisis Step-By-Step

Below is a flowchart of some of the typical steps you may need to consider. On the following pages are further information and ideas for each.



Options: what can we do?

The best place to start is to identify all the possible courses action and weigh each one up in terms of how desirable and realistic it is.

Over the next two pages are some typical options – you may have others in mind for your own organisation.

OPTIONS	RISKS	“DOABILITY”
Do nothing	<ul style="list-style-type: none"> • Extremely high risk – likely to become insolvent • Leaves trustees very vulnerable, due to personal liability • Very difficult in the medium to long term • Where does it leave staff? • What about service users and the future of the service? 	<ul style="list-style-type: none"> • Easy in the short term
Continue to provide the same services, but fundraise strategically to replace income and sell any assets	<ul style="list-style-type: none"> • Optimistic • Timescales could be a problem – can take an average of 3 months from writing a funding application, to hearing whether it’s been accepted. • Could still be at risk of becoming insolvent 	<ul style="list-style-type: none"> • Possible if you have trustees/ managers with lots of energy, who can positively fundraise and are confident about writing funding bids • Great if you have a prestigious building to sell or space that you can rent to other organisations.

<p>Restructure your services and activities. Stop providing some services, transfer some activities to other organisations and prioritise core activities</p>	<ul style="list-style-type: none"> • Are there any organisations out there that might be in a position to take over your services (such as housing associations)? • Likely to need to make some staff redundant 	<ul style="list-style-type: none"> • Creative approach which requires careful management and determination • Helpful to consult staff and service users throughout, so they are clear about what's happening • Possible if your committee and managers are clear about the organisation's aims and can use this to guide thinking
<p>Merge with one or more similar organisations</p>	<ul style="list-style-type: none"> • Are there any organisations out there with similar aims and approaches that you could work with? • Assumes a high degree of trust between organisations which may not be there? • Is it in the best interests of service users to have less choice, but still some services? 	<ul style="list-style-type: none"> • Creative use of limited resources • Requires a careful approach and attention to detail.
<p>Close your organisation</p>	<ul style="list-style-type: none"> • Have to make staff redundant • Reduces the number of services for vulnerable service users 	<ul style="list-style-type: none"> • Protects trustees from personal liability, provided that it is done carefully

How bad is it?

To help decide which options are feasible, it is important to consider the scale of the crisis and whether your organisation is likely to become insolvent.

There are **two basic tests for insolvency**:

- ***Inability to pay debts that are due*** – short term cash-flow problems.
- ***The value of your assets is less than your liabilities*** – longer term you know that your balance sheet doesn't add up.

In deciding whether you're at risk of insolvency, consider:

- **Cash-flow.** Clear, updated cash flow forecasts predict when cash crises are likely to arrive, for your organisation as a whole and for any projects that you have within it. Cash-flow forecasts should help you to take corrective action early and decide whether you need to close.
- **Reserves.** What reserves do you have and what are the restrictions on your reserves? How long can you realistically survive before they are all used up?
- **Legal liabilities of your trustees.** Be clear about your legal status and the personal liabilities that trustees face. If your organisation is not incorporated as a company limited by guarantee, then your trustees will be personally liable for the debts of the organisation. In rare cases, some trustees have found themselves having to sell their houses to finance the debts of charities. In the event of insolvency, even incorporated trustees have to show that they have acted responsibly and have not been negligent.
- **Legally binding contracts and obligations,** such as the employment rights of your staff, service level agreements, leases and contracts for equipment.
- **Professional advice** – even if you think that your organisation can survive a temporary crisis, don't assume you're OK. Seek professional advice from accountants and lawyers at the earliest opportunity. When facing a crisis, professional fees are justified.

Checklist – what NOT to do when facing insolvency!

- **DON'T** just close your eyes and hope that things will get better
- **DON'T** allow your trustees to continue to operate the organisation without knowing what's at stake for them personally
- **DON'T** simply trust your treasurer or book-keeper to the exclusion of anyone else
- **DON'T** keep staff on when there's no realistic prospect of continued funding
- **DON'T** forget to plan your cash flow in detail and in advance
- **DON'T** mistake budgeted projections for actual expenditure and income
- **DON'T** enter into long term contracts such as taking on prestigious city centre offices on a long lease
- **DON'T** confirm agreements in writing
- **DON'T** simply decide that you're too busy to get involved and allow the others to get on with it

Understanding Trustee liability

There are three different types of trustee liability:

- Liabilities for trustees in incorporated companies limited by guarantee
 - Liabilities for trustees in unincorporated associations or trusts
 - Liabilities incurred by all charity trustees
- **Trustee liability in incorporated companies limited by guarantee**
Trustees in a charitable company are not normally liable for debts incurred or negligence, because the company limited by guarantee is a legal entity in its own right. In the event of a problem, the organisation would be pursued, rather than individual trustees.

Whilst this incorporation provides a much needed degree of protection for charity trustees, it does not totally protect them from negligence or wrongdoing. The main risk to trustees in a funding crisis is that they continue to trade when they know (or ought to have known) that there was no reasonable prospect of avoiding insolvent liquidation.

- **Trustee liability in unincorporated associations or trusts**
Some groups (even if they are registered charities or charitable trusts) are known as unincorporated associations, that is, in law they are not recognised as a legal entity or organisation, but as a collection of individuals. This is important, because it means that trustees can be held personally liable for the debts of the charity, if there is not enough money to pay creditors. Trustees would have to pay the debts themselves.

Whilst it is rare that trustees have had to sell their houses to settle debts, it is a risk that all trustees in unincorporated organisations should be aware of, especially as cuts in funding are an increasing threat to small voluntary projects.

Trustees should also be aware that failure to manage staff or treating staff unfairly also runs a risk of incurring liability, as disgruntled (ex or current) employees may take them to employment tribunal for discrimination, constructive or unfair dismissal (even in the case of redundancy). In discrimination cases, there is no ceiling on the amount that individuals may be awarded, if their case is upheld.

For more information see www.acas.org.uk

- **Liabilities for all charity trustees**

There are some liabilities that all charity trustees face, whether incorporated or unincorporated:

- Breach of trust under charity law (serious negligence, carrying out unpermitted political activity, fraud or receiving personal benefit from the charity)
- Acting as a charity trustee or company director when disqualified
- Failure to comply with statutory requirements, such as health and safety legislation
- Failure to deduct employees' PAYE

What can trustees do to protect themselves from liability?

Running away or being too busy to attend meetings won't help! Trustees can still be held liable after they have resigned from the management committee because they failed to act when they were involved. If trustees do not attend meetings, they are still jointly responsible for decisions made in their absence.

The best protection from liability is to work responsibly with other trustees and senior staff (as a team) to manage the organisation. In a funding crisis, this means carefully assessing whether the organisation needs to close because it is heading for insolvency or whether it can continue by reducing costs, making staff redundant, fundraising and scaling back operations. Always seek advice and follow good practice guidance in all areas, particularly financial and staff management.

Other ways of protecting trustees in a funding crisis include maintaining constructive relationships with funders (even when they cut your funding), recording decisions clearly and ensuring that all trustees are fully aware of their responsibilities. On a practical note, make your own records of board decisions and check them against minutes, so that you are clear what is agreed and that it is formally written down.

If your organisation is currently not a company limited by guarantee and you employ staff or lease/ own buildings, then it is worth investigating the possibility of becoming incorporated.

For more information contact
www.charitycommission.org.uk
www.companieshouse.co.uk.

Should we restructure the organisation?

If you think that re-structuring your organisation is a viable option, then here are some strategic questions to guide your thinking:

Q. What difference does your organisation make to the community? Why should it continue to operate? What evidence do you have to prove this?

Portfolio analysis – if your organisation has a number of projects, use this tool to help identify which projects are most effective and worthy of keeping:

STARS - <i>Which are your strong projects with real potential for growth, popular and clearly meet needs?</i>	QUESTION MARKS OR PROBLEM CHILDREN - <i>Are there any new projects that have not yet proven themselves?</i>
CASH COWS - <i>Reliable, safe services that provide the organisation with a degree of security</i>	DEAD DUCKS - <i>Take up management and financial resources and provide little value for the effort involved</i>

Q. What is your most important project? What is the one thing that you would keep if you had to close everything else?

A recovery fundraising plan

Prioritise and plan

The most successful fundraisers tend to be very strategic and have a clear plan, based on the organisation's needs. This way they can prioritise bids, with the most essential needs at the top.

As part of your work in re-structuring your organisation, create a fundraising plan and stick to your priorities. Develop a list of your top 10 bids, in order of priority.

Key questions:

1. If you could only receive funding for **ten** projects or pieces of work, what would they be?
2. Of these ten, which would be your top **three** priorities for funding?
3. If you could only fund **one** piece of work, what would it be?

Do this before you start looking for funds, to avoid getting sidetracked. Some voluntary and community organisations look at what funding is available first, then try to make their work fit other's priorities, radically changing what they do, just to stay afloat.

Share the burden

Fundraising in a crisis situation can be a stressful experience for the people bearing the responsibility. Don't leave it to one person (even if they are the paid manager). The individual is likely to feel lonely, demoralised and ultimately resentful that others are leaving them to cope with the burden of keeping the project afloat.

Create a small fundraising team who can support each other, generate new ideas and energy to keep going when rejection letters fall on the mat (which is an inevitable part of fundraising). Meet regularly and whilst individuals might take responsibility for particular bids, ensure that everyone takes on tasks and actively contributes to the work.

Why is your organisation worthy of funding?

Put together a case for support that summarises why donors should give to your project and how they can get involved in its activities. This should then help you to write bids.

Create a statement that includes;

- Why your organisation exists and its track record
- Who your organisation supports and why
- What difference your organisation makes in the community (clear evidence needed)
- How much money you need to raise, over what period of time
- The level of need and it is important and urgent (use facts and figures – check them)

Re-package your work into discrete projects

Funders are generally very reluctant to fund the core costs of voluntary organisations, that is, the boring bits keeping organisations afloat, such as management time, staff salaries, finance and administration. They like to fund discreet, interesting projects, which have a clear identity and purpose, for which there are tangible outcomes that can be measured.

The art of successful fundraising therefore lays not in asking for staff salaries (without any clear idea of the tangible outcomes that will be achieved), but in repackaging your work into discrete, interesting projects and with core staffing costs shared across each project.

What funding is available?

There are numerous different funding sources available to small voluntary and community organisations. In a funding crisis, the quickest way to raise large amounts of funding can often be to make bids to charitable trusts and applications for government funding. Wading through the information available is a big task. Here some contacts of where to find out more:

- Government Funding (local and central) – www.governmentfunding.org.uk
- Grant-making Trusts, Foundations and the National Lottery – www.fundraising.co.uk, www.lotteryfunding.org.uk, www.communityfoundations.org.uk, www.fit4funding.org.uk
- Individuals and communities, <http://www.payrollgiving.co.uk>

Case study – Asian Women’s Centre

An Asian Women’s Centre provides advice and information to local women in area of the city. The centre is struggling to survive because core funding for the manager and development workers posts are threatened.

Instead of asking for salaries to keep the centre going, they could re-package their work into the following projects:

Advice service to women at risk of domestic violence - re-packaged existing work with half the development workers salary and a 15% management fee (to cover some of the manager’s post in supervising the work). There would need to be clear outputs (number of women receiving advice) and outcomes (the difference the advice makes to women’s lives). Grant making trusts are likely to be interested in such a project.

Training for local women in parenting – they could bring in an external agency as a partner to deliver the training, but use a proportion of the manager’s salary to organise and publicise the training. Outputs would include the number of women receiving training and the number of children benefiting from the project. This area of work is a government priority.

In this scenario, the centre is not providing radically different services to what it has done in the past, but repackaging what they do in such a way that is likely to interest funders, and hiding their core costs in the project work. If this organisation were to successfully fundraise for 4-5 new projects, this would go a long way to meeting core staff costs and making the centre more sustainable, provided that they can meet the outputs.

Develop relationships with funders, so that they really understand and appreciate your work

Much time and effort can be saved by contacting funders before you make an application, to check their priorities and deadlines and to introduce your work. Phone calls can provide invaluable information, which can make a real difference to whether your bid is successful.

Always be courteous and charming, succinct and try to develop relationships that you can build on over time. The trick is to engage funders, so that they really care about your work and can clearly see what difference their

intervention makes. Keep in touch with them, after they've sent the money, with updates of your progress,

Beware timescales

Be aware that your recovery plan will take time and think about how you will manage the time lag between making an application and the decision to fund. An average amount of time for grant-making trusts is 3 months. Look for short deadlines and work fast to meet them.

Is it worth launching an appeal?

Some voluntary organisations when faced with a funding crisis have launched fundraising appeals, aimed at the public. An example of a successful appeal would be to re-roof a church hall, where members of the public are invited to buy a roof tile at £10 each and a fundraising committee organises raffles, promises auctions, sponsored events, gala dinners.

Whilst there have been some very successful appeals raising huge amounts of money, it is important to remember that they do take a huge amount of energy to organise. To be successful an appeal has to capture public imagination and find innovative ways of regularly communicating to the public what progress is made in reaching its target.

Long term sustainable funding

Whilst you may be in a crisis now, the key to long term success in fundraising is to diversify and reduce your over-dependence on one funder. Local authorities' priorities are changing rapidly and it is no longer safe to assume that they will always want to fund your work.

Achieving diverse funding from a number of donors (4-5 bigger pots of money) means that if one source dries up, it is not the end for your organisation. For more information about sustainable funding contact the National Council for Voluntary Organisation (NCVO) www.ncvo-vol.org.uk/sfp.

Directory of Social Change produce a number of publications and training on fundraising www.dsc.org.uk

Merger with similar organisations?

A merger is a joining of two organisations to form one organisation. There may be many reasons for merger, including funding squeeze and the desire to avoid duplication or competition. NCVO (www.ncvo-vol.org.uk) suggest that mergers are complex and inherently difficult, with much joint working often hampered by culture clashes, misunderstandings, resistance to change and strategic difference. They are not to be entered into lightly, but people who have experienced voluntary organisation mergers claim that the pain involved can bear fruit and create a better service.

Moira Guthrie (Mix, Match, Merge – City University Business School, 2000) identifies the following steps to merger:

- Clarify the key issues, desired benefits and likely costs
- Initiate checks on partner organisation
- Each organisation separately assesses the opportunity presented by combining; with a collective group working out detailed recommendations
- Legal merger takes effect
- Post merger integration starts

Professor David King (London South Bank University) suggests that mergers need to be planned very carefully with clear cost/benefit analysis to establish whether or not to proceed. He considers the role of the merger committee to be vital, it should be limited in number, meet regularly and keep all stakeholders informed of progress.

King considers some hidden costs of mergers that are often overlooked – legal advice and audit work, promotion of new branding, staff costs, redundancy and property considerations.

Bill Mather (Merging Interests, downloadable at http://www.baringfoundation.org.uk/merg_int.pdf) recognizes that some mergers are not equal. There may be winners and losers, with organisations jockeying for position and feeling that they have been ‘taken-over’ by their partner agencies. He suggests a 5 stage process:

1. **Incentive** – why is merger needed?
2. **Consideration** – could it really work?
3. **Exploration** – consultation, information, analysis and assessment. At this point, there needs to be clear commitment and a decision to merge confirmed.

4. **Planning** – creating a merger achievement plan
5. **Implementation** – merger of governance, management, operations and identity.

At any stage (except the last) the process can quickly and easily be terminated. This is important as many organisations agree in principle to merge, but stall at the detailed planning stage. Some key questions for organisations to ask in exploring a possible merger are:

- Why are we considering merger?
- What do we stand to achieve from it?
- What detailed objectives do we want to accomplish through the proposed merger?
- What qualities does the merged organisation need to have to be capable of achieving our objectives?
- What qualities does our prospective merger partner have?
- Does the merger need to be fast tracked or can it be phased?
- What are the views of all stakeholders?
- What governance and legal issues must be addressed?
- What are the financial issues, including assets and liabilities?
- What personnel and administration issues must be considered?
- How should the merger planning be taken forward?

Issues of consultation and confidentiality

It is difficult to be open and transparent about potential merger in the very early days, as staff, volunteers, users and funders may all have concerns. However, if early informal exploration is to develop into careful consideration, then more people need to be informed, consulted and involved, gradually to avoid suspicion with confidentiality applied responsibly to maintain confidence.

Mather suggests that the stakes are high. Funding can be jeopardised by merger talks, volunteers may leave and power games between staff and committee can undermine good work.

Decision-making

Ultimately, the decision whether to merge and all the legal responsibility of merger lies with the trustees. Their involvement and ownership is fundamental. Trustees may be divided, have different views of how to proceed or be exposed to financial risk. A key priority is the development of trust, team work and communication amongst trustees.

Managing redundancy

In law redundancy arises when an employer has to reduce the workforce. In voluntary organisations, this often occurs when there is a loss of funding.

ACAS (www.acas.org.uk) has created some general principles to guide managers through the redundancy process

Give as much warning as possible

Consult recognised trade unions/ employee representatives

When redundancy is unavoidable, try to do it fairly with as little hardship as possible

Look for alternatives to dismissal, such as availability for other jobs

Establish clear selection criteria and how they will be applied

Ensure that the criteria are fair, objective and not dependent on the opinions of individuals.

London Voluntary Service Council (www.lvsc.org.uk) has created a comprehensive guide to redundancy, which is summarised below:

Before you act

- Look for ways of avoiding redundancy, such as freezing vacant posts, voluntary redundancy, early retirement, reducing hours and allowing temporary contracts to expire.
- Take advice from experts.
- Check whether you have a redundancy policy and ensure that everyone involved in managing the process understands it.

Consultation with individual employees

- Employees have a right to be consulted individually, no matter how many staff are being made redundant, even if they are not in a trade union.
- It is a legal requirement to follow the Statutory Dispute Resolution Procedures that includes writing to employees with reasons for redundancy, meeting with employees and allowing them to appeal against the decision made.
- It is good practice to have at least 2 consultation meetings with individuals. The first meeting would follow written notification that the individual may be made redundant and explaining the process. It is suggested that the formal redundancy notice is given after the second meeting.

Consultation with unions and employee representatives.

If 20 or more employees are to be made redundant, there is a requirement to meet with any recognised trade union or employee representatives, in an attempt to minimise or avoid redundancies. You must also notify the Department of Trade and Industry BEFORE notification of termination is given to employees (20+ employees).

Written information

- The written statement provided at the start of the consultation period should include the reason for redundancies, proposed methods of selecting those employees who will be made redundant, how the dismissals are to be carried out, over what period and information about how redundancy pay will be determined.
- It is good practice to provide information about the way that redundancies will be handled, such as whether redundant staff can leave before their notice expires and what arrangements there are for redundant staff to look for other work.

Selection criteria

- Establish clear selection criteria, ensuring that the criteria are fair and objective and not dependent on the opinions of individuals. Selection criteria can include work performance, length of service, skills, experience and attendance. Evidence should be provided to demonstrate that criteria are fair (for example, supervision/ appraisal notes in the case of work performance).
- The employer must ensure that the selection criteria do not inadvertently discriminate against either a particular gender or ethnic group (for example, if an employer decided to select part-time employees for redundancy, this would probably discriminate against women).

Alternative employment

Could the affected employees be offered a suitable alternative job? If so, any offer must be made in writing before the termination of the redundant post and must show how the new job differs from the old. The new contract must start within 4 weeks of the old contract.

Notice

Redundancy notices can only be issued to employees when the consultation period has been completed. The statutory minimum notice period after an employee has worked for one month is one week for each year of service, up to a maximum of 12 weeks for 12 or more continuous years of service. If the

employees terms and conditions give a longer period of notice than the statutory minimum, that would be the employee's contractual right.

Appeal

An employer must allow staff to appeal against the decision and may be on the grounds that they are unfairly selected for redundancy; or that the redundancy process has not been carried out properly; or that a job they consider suitable has not been offered to them.

Redundancy payments

An employee who is made redundant with more than 2 years continuous service is entitled to receive redundancy payments as compensation from their employers. The amount of payment is dependent on the average weekly wage. To calculate how much redundancy pay an employee is entitled to, go to www.businesslink.gov.uk/redundancycalculator.

Many contracts of employment will provide for larger payments than the statutory minimum. An employer should check contractual obligations in the employment contract.

FOR MORE INFORMATION ABOUT HANDLING REDUNDANCY:

www.acas.org.uk Helpline 08457 47 47 47

www.berr.gov.uk/employment

www.ncvo-vol.org.uk/askncvo Helpdesk 0800 2 798 798

www.lvsc.org.uk Read: Redundancy – a guide, PEACe, LVSC, download from website

Winding up the organisation

Unincorporated organisations

There is no set procedure for winding up charities and voluntary organisations which are not registered as companies limited by guarantee. It all depends on what your constitution says, which should have made provision for the closure of the project. Most charity constitutions give clear guidance about what should be done with the assets that are left, which often involve donating assets to a similar project.

If you are a registered charity and your constitution is not clear about what should happen on winding up, the Charity Commission may be able to guide you. Contact them at www.charitycommission.org.uk

Companies Limited by Guarantee

The Registrar of Companies should be able to guide you through the process of winding up and your Memorandum and Articles of Association should also cover what happens when the company needs to close. For more information, contact www.companieshouse.co.uk

Challenging a funding cut

Whatever course of action you decide on, you may also wish to challenge the funding cut. This is not a sixth option, but an additional step. However, it's important to consider your campaign options carefully. National Association for Voluntary and Community Action (NAVCA) has produced some useful guidance "Responding to a Funding Cut", downloadable from their website www.navca.org.uk.

A few key points:

- Make sure you're not neglecting your primary responsibilities to protect the organisation – challenging the decision is not a guarantee of reversing it.
- Are you alone? If there are other organisations in the same position could you work together with them? In Manchester there's a variety of networks of voluntary sector organisations, many of which seek to work strategically with funders to improve the funding environment. (You can contact us at MACC to find out more about networks if you're not already involved.)
- Decide what kind of challenge you're going to make: are you challenging the decision-making process or the decision itself? Whose mind are you trying to change? Think very carefully about the kind of campaign you're going to run. Although you may reverse the current decision, it's important that it's about creating a positive change in the relationship with the funder.
- Do not personalise the challenge. This is particularly important if you intend to use the media: publicly shaming people into backing down may work in the short term but is likely to leave you worse off in the long term once the publicity has died down.
- Before jumping in, seek a legal analysis of the situation, which will inform how you proceed. Charities are not allowed to campaign politically over general issues, but they are allowed to campaign against issues that directly affect their members.
- Don't leave it too late – earlier interventions tend to be more successful, before decisions are actually made or finally ratified.

Designing your campaign:

1. **Examine the Decision** – who has made the funding cut and what was the basis for the decision? At this stage, you should be trying to find out how the decision has been reached, its status, whether the process is fair, whether there are any grounds for challenge and what the appeal process would be.
2. **Build Your Case** – what's going to be the impact of the cut? Identify the services and partnerships this will affect, who directly suffers as a result, what impact the cut will have on the organisation as a whole. Put together some easily digestible facts and figures about the effects of the cut, gathering testimonials from service users and others who value the service and other evidence, such as independent evaluations. All of this should be gathered together into a set of **key messages** you need to communicate.
3. **Talk to the right people in the right way** – for most small and medium sized organisations this will involve working out who you need to talk to. These will fall into three broad categories:
 - a) the decision-makers
 - b) people who directly influence the decision-makers
 - c) other interested parties and the public
 - Talk to colleagues in other organisations – before you go any further, talk to other voluntary sector organisations who may have been affected: it's important to see if others are in the same situation. It may be that there are more general issues in relation to the availability of funding which aren't necessarily a reflection on your own organisation. This information will provide a useful perspective and may also lead to opportunities to work with other organisations in challenging decisions.
 - Discussions with the decision makers
While you should have had a full written explanation of the funding cut along with details of any appeal process, it's often the case that simply talking to someone about the grounds for the decision can be a useful first step – as with a grievance or a complaint, it's sometimes possible to resolve situations informally, with as little damage to the relationship as possible. It is more effective to take a conciliatory approach to the funding organisation, highlighting the value of your organisation as a partner. Remember - funders don't generally like having to make cuts.

- Challenge through appeal process
If this is the route you're taking, it's important to follow the appeal process carefully and take every opportunity to get your key messages across.
- Legal challenge
Challenging a funding decision on legal grounds should not be entered into lightly, as it suggests a breakdown in relationships. Again, it's more effective in the long run to try to rebuild the relationship rather than making an outright challenge. Whilst investigating the fairness and legality of a decision should be an early response, moving to a formal complaint or challenge should be one of the last to give every opportunity for a negotiated outcome. If an organisation facing a funding cut considers that it has been unfairly treated by a public body (such as the City Council or the Primary Care Trust) then it can challenge the decision. Usually there will be a process – make enquiries with your contacts in these organisations.

In more extreme (and therefore much rarer) cases, you may be able to challenge a decision through the courts through the process of judicial review. This is a time-consuming, risky and potentially costly process: seek a legal analysis of the situation, which will inform how you proceed. You will need to separate the merits of the decision itself from the decision making process. There are two guiding principles in public law; the general concept of reasonableness and fairness in the making of decisions and the abuse of powers, by refusing to take into account factors directly relevant to the decision (such as the views of service users). For more information about legal challenges contact the Public Law Project on 0207 697 2192.

- Public campaigning
Although it might seem a fairly obvious course of action, this is a high-risk strategy. Funders generally want to be seen to be working in partnership with organisations and generating bad publicity will almost certainly damage your future relationship with them. As with a formal legal challenge, a public campaign is a time-consuming, risky and unwieldy process which should only really be considered if all else fails. Options include:
 - A lobbying campaign – letters of support trustees, service users and volunteers and influential individuals such as MPs, local business people, celebrities and senior officers from partner organisations.

- A media campaign - using press releases to get your key messages across, developing contacts in the local media and regularly feeding them positive information.
- A public campaign – using petitions, campaign leaflets and other support materials (stickers, badges, etc.) to raise public awareness of the situation asking them to join in lobbying decision makers.

Further information on this kind of approach can be found in *The Campaigning Handbook*, by Mark Lattimer, Directory of Social Change. ISBN 1 900360 63 2

Further Sources of Support

Local agencies

- **Scarman Trust Manchester**

www.thescarmantrustmanchester.org

Their website now includes a searchable funding database:

<http://www.open4community.info/thescarmantrust/Default.aspx>

- **Community Accountancy Service**

www.c-a-s.org.uk

Provides financial management services for voluntary sector organisations in Manchester. Their website contains a range of “Help Sheets” on financial and accounting issues.

- **Social Enterprise Development Initiative**

www.sedi.org.uk

Specialist Black & Minority Ethnic organisation that lobbies and supports the creation of social enterprises and provides some capacity building support.

- **Third Sector Enterprise**

www.3se.co.uk

Provides information and support for social enterprises or groups looking to adopt a social enterprise model.

- **Greater Manchester Centre for Voluntary Organisations (GMCVO)**

www.gmcvo.org.uk

As well as providing training, the site also contains a register of local consultants who work with voluntary and community sector organisations. GMCVO also supports the Greater Manchester Voluntary Sector Support network which now has an online directory of support services available across the area: www.gmvss.net

- **Manchester Compact**

www.manchester.gov.uk – search for “Manchester Compact”

This is an agreement between Manchester City Council and the local voluntary and community sector. The Compact includes several codes of practice designed to set out the how the relationship should work – with specific reference to funding and arbitration issues.

National agencies

- **National Council for Voluntary Organisation (NCVO)**
www.ncvo-vol.org.uk
Tel: 0800 2798 798
Provides good practice guidance on all aspects of managing voluntary and community organisations and has a free helpdesk for queries
- **Cranfield Trust**
www.cranfieldtrust.org.uk
Provides free consultancy assistance to voluntary organisations, using a register of volunteers from the commercial sector.
- **Prohelp from Business in the Community**
www.bitc.org.uk
A national network of professionals from the commercial sector (solicitors, accountants, marketing professionals) who are prepared to give some free help to voluntary groups.
- **Law Works for Community Groups**
www.lawworks.org.uk
Tel: 0207 090 7357/7358
Provides legal assistance to voluntary and community organisations.
- **Public Law Project**
www.publiclawproject.org.uk
Tel: 0207 697 2192
Provides legal advice to voluntary and community organisations wishing to challenge the decisions of public sector bodies.
- **Arbitration and Conciliation Advisory Service**
www.acas.org.uk
Specialist agency providing information and good practice guidance on employment matters. Helpline 08457 47 47 47
- **Registrar of Companies**
www.companieshouse.co.uk
Responsible for registration, monitoring and providing information to all registered companies in England and Wales.

Useful websites

- **VolResource**
www.volresource.org.uk
An easy-to-use site which gathers together a great deal of information about running a voluntary organisation and presents it in a
- **London Voluntary Service Council**
www.lvsc.org.uk
Whilst this organisation is only set up to help voluntary groups in London, its website has comprehensive information – particularly on handling redundancy issues.
- **Charity Commission**
www.charitycommission.org.uk
Responsible for registration, monitoring and providing information to all registered charities in England and Wales. Website contains good practice guidance on all aspects of managing charities.

The future...

Being able to “weather the storm” and steer through a period of uncertainty can have many positives for the organisation - and a unifying effect on the people who have worked so hard to hold it all together. As the saying goes, “Anyone can steer a ship in quiet waters”.

Having survived to tell the tale, what will you take away from this experience to inform future decisions and actions? What safeguards can you put in place to avoid a similar crisis in the future?

Planning is key to the future sustainability of your organisation. Be clear what you are trying to achieve and make sure the vision is shared by everyone involved in the organisation. What changes are you trying to bring about with your service users? What activities and services will be the most effective in bringing about these changes? What resources will you need to deliver those activities and services? Where will the funds come from to pay for them? What evidence will you collect to show that your work is successful and worth investing in?

Keep your eye on the horizon – stay well informed about possible changes in policy and the external environment that may impact on your work or provide you with new opportunities. Invest time in building relationships with commissioners and other voluntary organisations - you will be establishing a good foundation for managing issues and identifying opportunities early on. Getting involved with organisations such as MACC is a way to do this.

See the NCVO’s “Introduction to Strategic Planning”
<http://www.ncvo-vol.org.uk/sfp/?id=2110>

About MACC

Manchester Alliance for Community Care (MACC) is a voluntary sector development agency which, for over 20 years, has been working to reduce inequalities in health and social care and wellbeing across Manchester.

Broadly our work includes:

- challenging both statutory and voluntary sectors to design and deliver services which address the rights, needs and wishes of individuals rather than the ability of organisations to deliver them
- the development of the capacity of local voluntary and community groups to identify unmet needs and to work to meet this need, through building up the skills base of the individuals inside these organisations.
- supporting networks of local voluntary and community groups to enable them to be a mechanism for developing collaborative work across the sector
- encouraging and enabling participation by the voluntary and community sectors in the planning and decision making structures which shape the health and social care economy in Manchester and to provide a conduit for this participation.
- promoting understanding of inequalities in health, social care and wellbeing and the role of the voluntary and community sectors in addressing them

Further details about our work can be found on our website www.macc.org.uk

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For further information and regular updates on our work, please visit our website
www.macc.org.uk