FROM FUNDRAISING TO RESOURCE-RAISING

How an organisation can use donated resources as part of an income-generation strategy

July 2011
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Resource-raising is all about generating donated resources for your organisation alongside the more traditional donations of money and time. This report explores the issues that make resource-raising particularly effective for an organisation along with a range of detailed case studies.

The relevance of resource-raising

Factors which make the case for resource-raising particularly timely and relevant:

- the **renewed need for resourcefulness** in the face of a steep decline in statutory funding to the voluntary sector, predicted to fall by £4.5b in the year to October 2011[*];

- the **decline of 'chequebook philanthropy'** amongst high value donors and the demand for more hands-on partnerships which make use of their assets as well as their money;

- the **Coalition Government's encouragement for social action** to be increased across a spectrum of possible ways to give, including 'time, money, assets, knowledge and skills' as part of the Big Society agenda[†]; and

- **increasing interest amongst donors and charities in measuring non-financial outcomes and impact.**

The resource-raising market

The best indicator of the value of the resource-raising market at the current time lies in the total of 'in-kind' gifts reported by the top 500 charities. In 2008/09 this stood at £256m - or 4.3% of total fundraised income*.

It should be noted that two substantial gifts accounted for £100m of this figure, comprising a large pharmaceutical donation and a single artwork[‡]. However, it can be assumed that the value of in-kind giving is widely under-reported, simply because the disciplines that apply to the valuation and reporting of cash giving are largely absent from the field of non-financial giving.

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[*] ACEVO's response to the Comprehensive Spending Review (October 2010). ACEVO: London

[†] Giving Green Paper (2010). Cabinet Office: London

[‡] Pharoah and Pincher, *Charity Market Monitor 2010;* Caritas Data

First, although the Charity Commission's Statement of Recommended Practice (SoRP) 2005 provides clear guidance that charities should report the value of gift in-kind and donated services and facilities, they are not required to report the value separately. It is therefore liable to be absorbed under 'general donations'.

Data from the donor's side is also inconsistently reported and only available in any detail for the corporate giver.

To tackle this information deficit, charities should be encouraged to report their donated resources more rigorously and transparently, to give a truer and more accurate picture of how they resource their activities.

The realities of resource-raising

The survey undertaken for this research report sought to reveal how resources in-kind are being used and to explore current attitudes towards resource-raising amongst fundraisers and other sector professionals.

Just under half of the 76 charity professionals surveyed expected to be working more with resources in-kind over the next year, due to increased demand from their organisations and an increase in the potential supply from supporters.

The top three benefits associated with resourcing in-kind were perceived to be:

- cost savings
- supporter cultivation
- capacity building

The top three barriers to such resourcing were cited to be:

- hidden costs
- time-consuming
- unreliable/hard to manage.

The survey response indicated that charities could do more to encourage and adopt a strategic approach to resource-raising and helped to inform some key assumptions.

1. Fundraisers know that donors want to give resources in-kind but many have had bad experiences, leaving them sceptical about the net benefit of accepting them.

2. An opportunistic or reactive approach prevails, with resources in-kind being offered and accommodated rather than proactively specified and sought.

3. Organisational cultures, systems and processes can conspire against fundraisers who want to resource-raise; financial systems that don't value resources in-kind are a particular barrier.

4. The costs associated with deploying and managing resources in-kind are not always identified upfront or recovered.

5. Concerns about quality, reliability and sustainability are common, which works against the case for resourcing in-kind when the need is business or time critical.

These assumptions were then explored further in depth-interviews with 17 representatives of resource-raising organisations or sector experts. From this stage of the research, six key lessons for successful resource-raising emerged. These are illustrated in Section 3 of the report by in-depth case studies profiling instructive examples of resource-raising as practiced by well-known charities.

Lessons for successful resource-raising

Lesson 1: More opportunities could be created for donating resources

In a downturn, donors' desire to give does not decline but the means to give might. Charities therefore need to create ways to give that are high value to them but low cost to the donor. There is widespread acceptance that contemporary high value donors now view cash giving as only part of a varied mix and that more could be done to create opportunities to raise resources across the mix. Most charities take an opportunistic approach – reacting to specific offers or responding to a donor's wish to give more than money. There are three, more strategic approaches to consider.

a) **An income generation strategy:** where donated resources are proactively sought to generate or save money that can be spent on other things. Donated goods or services can be resold via charity shops or auctions to generate income, for example. Charities can also draw up a 'shopping list' of goods, services or facilities they use regularly and resource-raise for them to save money. This approach is popular because it is easy to identify income generated or savings made against budgeted items.

b) **A mission delivery strategy:** where a range of resources, from tangible goods, services and facilities to 'money can't buy' elements like knowledge, skills, profile, access and influence, are raised to contribute to the organisation's strategic goals. This strategy is only successful in charities that have a clear set of programme, campaign or organisational goals and outcomes and an openness to the possible range of resources that could contribute towards their achievement.

This approach can reduce the cash requirement of a programme because outcomes are achieved without the need to buy resources in.

c) **Resource-raising at the heart of the organisation:** where resource-raising is integral to the business model of the organisation or programme's. The approach to identifying, securing and reporting on donated resources is disciplined and systematic, so the quality of donations goes up as supporters see the evidence of how well their gift is used. Only a limited number of organisations have reached this stage.

Lesson 2: Strategic clarity is essential to effective resource-raising

Charities' needs have to be well defined and understood, both internally and by supporters, if they are to avoid becoming "a grateful receiver of anything that's free", as one interviewee put it. The charity must be able to clearly identify whether a resource offered meets an operational need or strategic goal. If it does not have the clarity and confidence to negotiate for what is really needed then the negative impacts can include mission drift, damaged relationships with colleagues and incurred time or handling costs that outweight any cost saving. If it does have such clarity, more and better quality resource-raising opportunities can be created, identified and pursued.

Lesson 3: Fundraisers need to be better supported to resource-raise

Fundraisers often find that winning the support of the donor is much easier than winning the internal support to bring a donated resource into the organisation. They believe they could potentially unlock more resources if they were supported by a more planned process of creating opportunities to raise resources in-kind, a clearer decision-making process about what to seek and what to accept and a message from senior leadership that resource-raising is strategically important. In particular, new ways of working are needed in three areas.

a) **Collaborative working practices:** successful resource-raising depends on a strong culture of collaborative working across several different functions. The key players are programmes/services, procurement, fundraising and finance. Together, they can determine what kinds of resources will be needed, to what specification; whether they will be fundraised for or could be sought in-kind and how donated resources will be valued.

b) **Supportive financial systems:** the psychological value of resources in-kind appears to be significantly lower than that of cash and there is a high degree of subjectivity around which resources to value and how to value them. The principle that 'if a resource is worth having, it is worth valuing'" should be applied and supportive financial systems should establish clear cost models for determining a fair value.

c) **Performance measures:** linked to the issue of valuation, performance measures that reward resource-raising are needed in order to drive the right behaviours. Fundraisers often feel conflicted about bringing in resources that are wanted and needed but which won't be recognised in their narrow, cash based performance measures. With an income generation strategy, the resource-raised item is more likely to be budgeted for and there is a clear case for its value to be set against a fundraising target. With a mission-delivery strategy, the item is less likely to be budgeted for and broader measures of its contribution to strategic goals may be needed.

Lesson Four: Acknowledge, budget for and ask for the 'hidden costs'

Charities are generally good at recognising the so called 'hidden costs' of a donated resource. These might include depreciation, transport, storage and maintenance, the time costs of administering the resource, managing the relationship with the donor and, where people resources are involved, of training and supporting them. However the costs often go unacknowledged, unbudgeted for and unasked for. Clear decisions should always be made about how these costs will be covered before accepting the resource, not afterwards.

Lesson Five: Resource-raising requires different and distinctive skills

The relationships and decisions involved in resource-raising transactions are often more complex than those involved in cash fundraising. There is a higher chance of the resource-raiser having to refuse the donor if the resource is not needed or needing to enter into complex negotiations between the donor and internal stakeholders to get a good result. To handle these situations effectively, the resource-raiser needs to have an in-depth understanding of organisational strategy and programming in order to make sound judgments about resource needs. They often also need a degree of specialist knowledge to engage on intellectual peer level with donors who are bringing their expertise or core competencies to bear.

While fundraisers are usually encouraged to be predominantly donor focused and external facing, much of the resource-raiser's role is about internal relationship building, negotiation and, in some cases, oversight of delivery.

Charities who adopt a resource-raising approach should acknowledge the complex set of skills that are needed and recruit or develop people to meet this profile. This is particularly relevant for those who adopt a more sophisticated , mission-delivery strategy or who seek to make resource-raising integral to the organisation's business model.

Lesson Six: Negotiate for quality, reliability and sustainability

Charities' key concerns about resourcing in-kind are loss of control, quality and reliability and lack of sustainability. They often feel ill equipped to hold a strong negotiating position. If the relationship-based negotiation skills of the fundraising function could be married with some of the more rational decision making processes and negotiating skills of the procurement function, the potential pitfalls of resourcing in-kind could be brought further into the open, clear decision making criteria could be set and the risks could be minimised. Intermediaries can also play a useful role in brokering high quality resources in-kind, including goods, services and skills, particularly for smaller charities.

A final lesson: the need for leadership

This report is written mainly from the perspective of fundraisers. However, the challenges they face in creating and identifying opportunities to resource-raise – and in gaining recognition for the value of the resources they raise in-kind – highlight the need for fundraising leaders to articulate and champion the role of donated resources. Without this leadership, there is a risk that different ways of thinking about how charities resource their activities will not be allowed to flourish and that charities will fail to unlock the value of untapped resources potentially available to them.

Introduction: How this report will help you

This report is designed to help charities to answer the question – 'could we unlock untapped resources if we did things differently?'

It challenges the conventions of a predominantly cash-oriented fundraising function, which is driven by the financial needs of the organisation, and instead makes the case for formalising the broader discipline of **resource-raising**. This is driven by the overall resource needs of the organisation and defined in this report as:

> *"the practice of raising the resources a charity needs to deliver its activities through a mix of financial and in-kind support."*

Strategic resource-raising organisations are those which proactively decide which resources they need to raise money to pay for and which they could potentially secure in-kind. The overall mix of resources would typically include money, time, goods, services, facilities, knowledge and skills, profile and influence.

Figure 1: Elements of resource-raising

This report is less concerned with money and general volunteer time, given that there are already well established practices around fundraising and general volunteering. Instead, it focuses more on the other, under-explored elements of the mix and is intended as a guide for fundraising professionals in particular.

It draws on desk research, a snapshot survey of charities' experiences of resource-raising and on a series of in-depth interviews with fundraisers and other sector experts with relevant experience or expertise in this approach. It culminates with some practical advice, formulated with the help of a working group made up of interview participants and survey respondents.

By exploring the internal implications of working across the mix, the report aims to help charities to decide whether to pursue a resource-raising strategy and to learn how to recognise and plan for particular issues and challenges if they do seek to develop this approach.

The report uses **donated resources** as the term for the giving of in-kind support and **resources in-kind** as a collective term for all the in-kind elements of the resource-raising mix[*].

The mix of resources to be raised will be different for each charity. Figure 1.0 above shows the key categories and is used throughout this report to illustrate how the case study organisations are working across the mix.

Different approaches to resource-raising

Most charities take an opportunistic and reactive approach – reacting to specific offers or responding to a donor's wish to give more than money. This report refers to three, more strategic approaches throughout.

a) **An income generation strategy:** where donated resources are proactively sought to generate or save money that can be spent on other things. Donated goods or services can be resold via charity shops or auctions to generate income, for example. Charities can also draw up a 'shopping list' of goods, services or facilities they use regularly and resource-raise for them to save money. This approach is popular because it is easy to identify income generated or savings made against budgeted items.

b) **A mission delivery strategy:** where a range of resources, from tangible goods, services and facilities to 'money can't buy' elements like knowledge, skills, profile, access and influence, are raised to contribute

[*] NB: charity shop donations or other items given to be converted into cash are not included in the mix as they are considered as trading income.

to the organisation's strategic goals. This strategy is only successful in charities that have a clear set of programme, campaign or organisational goals and outcomes and an openness to the possible range of resources that could contribute towards their achievement. This approach can reduce the cash requirement of a programme because outcomes are achieved without the need to buy resources in.

c) **Resource-raising at the heart of the organisation:** where resource-raising is integral to the business model of the organisation or programme's. The approach to identifying, securing and reporting on donated resources is disciplined and systematic, so the quality of donations goes up as supporters see the evidence of how well their gift is used. Only a limited number of organisations have reached this stage.

The relevance of resource-raising today

Resource-raising is nothing new – charities are resourceful by their very nature and are well practiced in seeking out the things they need to deliver their activities wherever they can find them. Money is usually an important part of the mix but many charities start out with very little cash and lots of in-kind support, while plenty still rely heavily on non-financial giving to deliver their activities and achieve their goals.

It may be a well trodden path, but the professionalisation of the fundraising discipline has arguably failed to adequately consider whether distinctive skills, strategies and rules apply to the raising of non-financial gifts. With the exception of general volunteering - also formalised and professionalised - there is little in the way of generally accepted practice around non-financial giving. The Institute of Fundraising has a clear Code of Practice for the Handling of Cash Donations, for example, but there is no such guidance for donations received in-kind[*].

This report does not suggest that cash fundraising should be de-prioritised but rather that the time is right to take a more strategic view of the role of resource-raising. The stark financial realities are one driver. The top 500 UK charities saw 1.1% of their fundraised income, a total of £64m, disappear in 2008/2009[†] and the squeeze on statutory grants and contracts following the October 2010 Comprehensive Spending review is predicted by some sector leaders to lose charities up to £4.5bn in a year[‡].

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[*] To be updated in 2011, becoming the Code of Practice for the Handling of Cash and Other Financial Donations

[†] Pharoah and Pincher, Charity Market Monitor (2010). Caritas Data: London

[‡] ACEVO's response to the Comprehensive Spending Review (2010). ACEVO: London

Changes in donor motivations and behaviour are another driver. Over the last decade, the demise of chequebook philanthropy has led high value donors to demand more hands-on partnerships which make use of all their assets and the growing venture philanthropy movement insists on providing hands-on support to unlock cash funding. In response, many charities have recognised that this kind of donor is more open to talking to a "partnerships executive" than a "fundraiser". However, regardless of job title, the performance of such staff is usually measured predominantly by the cash they bring in. As a result, the importance placed on the non-financial elements of a gift can be unclear.

There is also a strong signal that Government considers that 'vital extra resources' for charities can and should be leveraged in many different forms. The Giving Green Paper, published in December 2010, stated the intention to 'catalyse a shift towards a more giving society', which includes the giving of 'assets, knowledge and skills'[*] alongside time and money. The White Paper, published in May 2011, further reinforces this broad view of giving with a section dedicated to 'Donating professional and specialist skills' and a statement that the target communities of the £30 million Neighbourhood Matched Fund will be able to match government funding with 'volunteer time, as well as cash, goods and services'[†].

In this era of more for less, charities may well be asking themselves – 'could we unlock untapped resources if we did things differently?' This report aims to help you answer that question and to offer some practical guidance on becoming a resource-raising organisation.

The advice to fundraisers on non-financial giving is usually given in the context of engaging the donor in a relationship that is about more than money, as part of cultivating a close and committed partnership. It usually assumes that the fundraiser will be well-equipped to negotiate the non-financial element of the gift and that the charity will be willing and able to accommodate it. Charities are usually good at identifying how much money they need to deliver their activities and defining their cash funding asks. They tend to be less disciplined about identifying and defining non-financial asks and opportunities. This report helps to plug this gap and identify ways for the sector to move forward in the field of resource-raising.

Who is the report aimed at?

The report will be of immediate practical interest to fundraisers, charity procurement professionals and charity finance managers. It also contains a

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[*] Giving Green Paper (2010). Cabinet Office: London

[†] Giving White Paper (2011). Cabinet Office: London

challenge to charity leaders to think bigger and more strategically at an organisational level about the potential to resource in-kind.

The report will also help donors to understand how to make their non-financial giving meaningful and effective.

While the study is aimed at UK charities, its findings may also be relevant to other types of organisation in the public sector or social enterprise space, who aim to win public and corporate support for their work.

How will this report help you?

If you like the idea of resource-raising and want to consider its role in your organisation, this report and the research it is based on will help you to:

- understand more about the market for resource-raising;
- recognise and plan for issues and challenges that are particular to donated resources;
- decide whether to develop a resource-raising strategy; and
- create the internal conditions for success.

Structure and sources

Section One: The resource-raising market

Section one outlines the facts, figures and trends on donated resources to lay out what is currently known about the market. This is drawn from the available literature on both charities own reporting and that of donors.

Section Two: Experiences of donated resources

Section two explores a snapshot of charities' experiences of donated resources, including the kinds of resources being given in-kind, how they are being used and valued, and the benefits and barriers to seeking and accepting them. This overview is drawn from a survey conducted with 76 charities who responded to a call for knowledge on in-kind giving sent out by nfpSynergy and knowhownonprofit and amongst the Institute of Fundraising's Corporate Fundraising Special Interest Group.

Section Three: Lessons from the frontline

The key themes that emerged from the survey results were then explored in depth through a series of interviews carried out with 12 charities and four sector experts. From these qualitative insights, six lessons for effective resource-raising were identified which can be applied to create the internal conditions for success. Each lesson is illustrated with an in-depth case study which explores the ways in which prominent charities have been able to engage in effective resource-raising and how other organisations can learn from their experience.

Section Four: Making your charity a resource-raising powerhouse

Finally, the report goes on to offer practical guidance for charities who want to develop or refine their resource-raising strategy. These recommendations were developed with the help of an expert working group of 15, made up of interview participants and survey respondents, and will help charities interested in further developing their resource-raising strategy to move forwards.

Section One: What Does the Market for Resource-raising Look Like?

The perspective from charity reporting

The central idea in resource-raising is that donated resources can make a valid and valuable contribution to income generation and mission delivery. To get an idea of the size of the market we need to look at the data on non-financial giving, which is commonly recorded and reported as 'gift in-kind' income.

It is difficult to uncover the true value and significance of gifts in-kind because the disciplines around valuing and reporting that apply to cash giving are largely absent in this field. However, the data reported by charities on in-kind giving is the best we have to go on and helps to build up a picture of the opportunities it offers.

The Charity Market Monitor 2010 takes a view of fundraising income that is consistent with the concept of resource-raising, defining it as '*all the resources which charities win from the general public and major private donors including trusts and companies'.* It then reports the gift in-kind income of the top 500 charities as a subset of all voluntary income. Among the top 500 charities, 75 report in-kind gifts totalling £256m, or 4.3% of their total fundraised income. This represents a 48% increase on 2009, against a backdrop of a 1.1% fall in total fundraised income.

This data suggests that Sightsavers International are by far and away the biggest winners with £69m (71% of their total voluntary income), thanks to a record donation from Merck & Co of the river blindness drug Mectizan for use in their programmes. The National Gallery is in second place with £31m (94%), explained by an exceptional single gift – a priceless Titian. Third is Save the Children with £29m (27%), which includes programme gifts in-kind such as food aid.

Fifteen of the top twenty recipients of gift in-kind are international charities, including other major players like Oxfam, World Vision and UNICEF. Together, they account for 75% of reported in-kind giving valued at £192m.

Table 1: Reported gift in kind - Top 20 charities

Charity	Fundraised income (£m)	GIK (£m)	GIK as % of fundraised income	Cause
Sightsavers	98.3	69.4	71%	International
The National Gallery	34.0	32.0	94%	Arts/culture
Save the Children	107.5	29.4	27%	International
Oxfam	189.8	20.0	11%	International
Samaritan's Purse Int'l Ltd	23.3	17.9	77%	International
World Emergency Relief	12.1	10.0	83%	International
Muslim Aid	24.1	9.3	39%	International
Book Aid International	7.1	6.0	85%	International
UNICEF-UK	45.0	5.9	13%	International
International Aid Trust	5.3	5.1	97%	International
World Children's Fund	7.1	4.3	61%	International
Mission Without Borders	4.3	3.9	90%	International
World Vision UK	49.5	3.2	6.5%	International
Feed the Children Int'l (UK)	3.6	3.0	83%	International
Mission Aviation Fellowship Int'l	8.5	2.5	29%	International

Charity	Fundraised income (£m)	GIK (£m)	GIK as % of fundraised income	Cause
Crisis	9.67	2.3	24%	Social welfare
Project Hope, UK	2.5	2.2	89%	International
British Film Institute	6.5	2.2	33%	Arts/culture
The Prince's Trust	21.1	2.0	9.7%	Youth

Source: Charity Market Monitor, 2010[*]

Arts and culture charities are the next biggest gift in-kind beneficiaries with £36.1m. However, once the National Gallery is excluded, only the British Film Institute and Victoria and Albert Museum are reporting anything according to the available data.

This leaves just £21m spread out amongst other causes, with only fourteen charities making more than £500K in-kind. The top five charities across causes are: the League Against Cruel Sports (£2.3m); Crisis (£2.3m); The Prince's Trust (£2.0m); Starlight Children's Foundation (£2.0m); and the Watch Tower Bible Tract Society of Britain (£1.9m).

[*] data extracted from Table of the Top 500 Charities, p36-39

Table 2: Reported gift in kind as % of total fundraised income by cause

Cause	Gik (£m)	Gik as % of fr income	Top three in cause by gik value
International	193.3	28%	Sightsavers, Save the Children, Oxfam
Arts and culture	36.1	54%	The National Gallery, British Film Institute, Victoria and Albert Museum
Youth	3.9	8%	The Prince's Trust, YouthNet UK, Duke of Edinburgh's Award
General social welfare	3.7	8%	Crisis, Shelter, Samaritans
Religion (missionary)	3.3	6%	Watch Tower Bible and Tract Society of Great Britain, DSPMM Ltd, United Bible Societies Ass
Children	3.3	24%	Starlight Children's Foundation, Keeping Kids Company
Animal welfare	2.4	59%	League Against Cruel Sports
Health	1.4	3%	Southampton University Development Trust, Meningitis Research Foundation, Diabetes UK
Cancer	1.2	1%	Macmillan, Prostate Cancer Charity, Teenage Cancer Trust
Hospices	1.0	6%	Hospice of our Lady and St John, Hope House Children's Hospices, St Margaret's Somerset Hospice Ltd
Hospitals	0.3	9%	St John of Jerusalem Eye Hospital
Misc	0.2	2%	In-kind Direct, Retail Trust

Cause	Gik (£m)	Gik as % of fr income	Top three in cause by gik value
Environment	0.2	1%	Campaign to Protect Rural England, Friends of the Earth Trust Ltd, Greenpeace Environmental Trust
Disability	0.2	1%	TreeHouse Trust, Dogs for the Disabled, Royal Mencap Society
Elderly	0.1	3%	Age Concern Leicestershire and Rutland
Blind	0.1	0%	Guide Dogs for the Blind Ass

Source: Charity Market Monitor, 2010[*]

[*] extracted from Table of the Top 500 Charities, p36-39

This data gives some idea of the significance of in-kind giving. However, it is safe to assume that the value is widely under-reported. Although charities are required to include the value of gift in-kind and donated services and facilities in their voluntary income by the Charities SoRP 2005 accounting standard, they do not have to report it separately. It is highly likely that many are rolling the value up into the 'other' or 'general donations' categories, with few or no accompanying explanatory notes to illuminate the situation. This suggestion is further backed up by the fact that, overall, 41% of total fundraised income appears under the 'other' or 'general donation' headings.

Given the absence of a code of practice covering the handling of in-kind donations, there is also the potential for in-kind giving to slip in 'under the radar', neither valued nor reported. As a result, it is very hard to assess the true value of the gifts in-kind and therefore to know whether the apparent year on year increase is genuine or simply down to more precise reporting in recent years.

At 4.3% of total fundraised income, albeit heavily skewed by a small number of large gifts, in-kind giving already appears to be bolstering charity's resources significantly. Yet if we consider the likelihood that under-reporting is common, its true extent and significance may be much more important than the data currently suggests.

The perspective from donor reporting

To build up a richer picture, we can take a donor's eye view. From this perspective, the only compiled figures that can help us are those for corporate giving, where the value of both cash giving and non-financial giving is commonly captured as 'community investment'. There is no comparable data on major donors, trusts and foundations or other donors.

The Charity Market Monitor reports the total value of community investment of the largest 200 corporate donors in 2008/2009 as £1.7bn, with major product donations accounting for £0.8bn. Product donations appear to have increased significantly, from the previous year, and are held entirely responsible for an overall 0.7% increase in the percentage of pre-tax profit donated.

From this, we might conclude that in-kind giving is becoming increasingly important to corporate donors. Charity Market Monitor certainly thinks so, commenting

> *". . . gifts in-kind are proving attractive to donors and companies in the current climate, and charities should explore all opportunities which can add real value to their work."*

However, it is important to note that the scale of the increase is attributed to large product donations from two pharmaceutical companies. If international charities appear to be the leading beneficiaries of gift in-kind as noted above, pharmaceutical companies appear to be the biggest donors.

The Directory of Social Change's Guide to UK Company Giving 2009/10 provides another source of information. It has sought to collect data on the total 'community contributions' of the top 490 corporate donors[*], including non-cash giving, and puts their total value at £808m. Of this, the in-kind element is reported at £308m.

Unlike Charity Market Monitor, who believe in-kind giving is in the ascendant, the DSC Guide reports a 16% fall in in-kind donations as a proportion of total giving, following a 26% increase in 2005/2006. However this analysis comes with an acknowledgement of the lack of information on the full extent of in-kind giving, which it attempts to collect through questionnaires. Only 11 of the reported 'Top 25 by UK community contribution' actually made information on their non-cash giving available. The DSC Guide laments that '. . . not only is this (information) not generally available, but in some instances there is a deliberate decision not to release details even when specifically asked for.' Its analysis also carries a health warning:

> *"we cannot say categorically. . .that these figures are indicative of a move by companies towards giving the greater portion of their support via cash donations."*

The DSC Guide believes companies should include '. . . charitable donations, plus support such as good-cause sponsorship and the value of gifts in-kind, secondments and employee volunteering during company time' in their total community contributions figure. However, it is completely up to the company what they choose to publicly report. Indeed, the apparent discrepancy between the Charity Market Monitor and the DSC Guide's analyses of the trends on corporate giving in-kind can largely be explained by a lack of consistency in reporting, just as it is on the charity side.

Charities should therefore be encouraged to report their donated resources more rigorously and transparently to give a more accurate picture of how they resource their activities. Similarly, donors should be encouraged to do likewise to give a truer picture of how they give.

What the data really tells us about the resource-raising market

While the picture of resource-raising that emerges from the data may appear rather limited, the true range of resources being raised becomes more apparent in Sections 2 and 3 as charities' actual experiences of this approach are explored in depth. Professional and technical skills, meeting venues, back office functions like HR and IT, advertising space, food and clothing, furniture, computers, accessible kitchens for disability projects – literally everything but the kitchen sink is being

[*] The Guide to UK Company Giving includes data from companies who have made cash donations of £20K or more or in-kind donations of £100K or more in 2007/2008.

sourced in this way to great effect by the charity sector. You too are probably already resource-raising in your organisation and - if you want to do more of it, or to do it more strategically – the experiences revealed in the course of this research are likely to be of much interest.

The quantitative data that is available about in-kind giving, as outlined above, is patchy and opaque. However, it suggests a few key insights:

- International charities appear to be leading proponents of resource-raising and it is likely that other charity sectors can learn from them about how to do it more effectively.
- To state the obvious, charities that can provide donors with opportunities of some scale and significance are best placed to generate significant in-kind income. There appear to be relatively few causes able to create these at the moment, so there is a challenge for others to start thinking about the potential.
- Only a handful of charities in each area of work appear to be active at all, from the limited public data. An opportunity is therefore present for charities who have a sound resource-raising strategy to become the 'best in cause' at utilising it.
- Although it seems intuitively likely that the economic climate will prompt more in-kind giving - and charities' financial reporting appears to indicate it is on the up - the numbers alone don't make a clear argument for or against developing an integrated resource-raising strategy due to the limited information available. Nonetheless, there are several wider trends that contribute to the case for charities developing such a strategy:
- the **renewed need for resourcefulness** in the face of a steep decline in statutory funding to the voluntary sector, predicted to fall by £4.5m in the year to October 2011*;
- the **decline of 'chequebook philanthropy'** amongst high value donors and the demand for more hands-on partnerships which make use of their donated assets as well as their money;
- the **Coalition Government's encouragement for social action** to be increased across a spectrum of possible ways to give, including 'time, money, assets, knowledge and skills' as part of the Big Society agenda[†]; and
- **increasing interest amongst donors and charities in measuring non-financial outcomes and impact**.

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[*] ACEVO's response to the Comprehensive Spending Review (October 2010). ACEVO: London

[†] Giving Green Paper (2010). Cabinet Office: London

Further to these broader trends, a number of well respected commentators in and around the sector also believe that charities will increasingly need to focus on their resource requirements, rather than solely on cash, to be successful. For example:

Professor Ian Bruce, President and Founder of Cass Centre for Charity Effectiveness, captured the mood of the moment when he predicted in a Guardian podcast that:

> *"[In 2011]. . . absolutely top of the agenda for most non profit organisations, especially charities, is going to be resources. And I deliberately say resources, not money, because I think we're going to be looking for resources everywhere we can get them." **

Lindsay Boswell, ex-CEO of the Institute of Fundraising and now CEO of FareShare, interviewed for this report, expressed the view that:

> *"Charities are more likely to be successful in terms of moblising resources that are going to help them to achieve their mission. If it's just money - then that's a fairly narrow proposition"*

Finally, **Fiona Duncan**, Director at THINK Consulting Solutions, also interviewed during the course of this research project, was clear about the imperative to identify the potential for donated resources from the corporate audience. She says, quite simply:

> *"If a big multi-national company approaches you about a strategic partnership and you're only interested in £100K from their foundation, it isn't going to work."*

In summary, it appears that the imperative and the potential for donated resources to increase as a proportion of total fundraised income is clear. Sections 2 and 3 explore how resource-raising actually takes place within charities and how their experiences can help to inform a more strategic approach.

[*] What Makes a Good Leader (2010). Guardian/knowhownonprofit Charity Effectiveness podcast: London

Section Two: Experiences of raising donated resources

To build up a richer picture of resource-raising in practice, charities were called upon to contribute their experiences of raising donated resources. Rather than introducing the broader concept of resource-raising at this stage, the call for information and the survey questions themselves were framed around the more familiar concept of 'gifts in-kind'.

Charities were contacted through knowhownonprofit and nfpSynergy's newsletters, and through the Institute of Fundraising's Corporate Fundraising Special Interest Group. In total, responses were received from a total of 76 charity professionals.

Given the sample size, the data was not analysed on the basis of job function or size. However it is useful to bear in mind that there was a bias among respondents towards fundraisers (62% of all who responded) and towards larger charities (82% worked in organisations with an annual income of £500K+ and 45% over £5m).

Finance, strategy, services, procurement and volunteer management and senior leadership functions were also all represented in the sample and seniority ranged from CEO to fundraising executive. The findings this Section explores were then used to help determine the issues for further exploration at the depth-interview and working group stages of research.

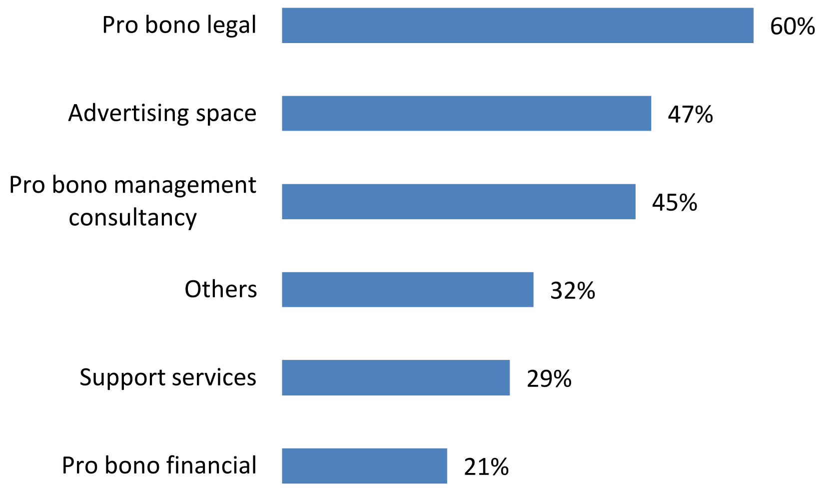
Goods, services and facilities received in-kind are all in use

Respondents were asked about their experience of working with a simple mix of goods, services and facilities in-kind. Donated services were the most popular of the mix with 80% of respondents reporting experience of working with 'services that would usually be charged for'. Goods, defined as 'items that would usually be sold' were meanwhile used by over two-thirds (68%) and facilities, defined as 'buildings or space that would usually be occupied or hired out' by almost half at 47%.

When asked what type of services they had used (Chart 1.0, below), professional services were popular, especially in legal (60%) and management consultancy (45%) where firms often have a well embedded culture of pro bono support.

Almost half the sample had received some gifted advertising space, suggesting media owners have been particularly generous with any excess capacity they were left with during the downturn. Similarly, of those who answered 'Others', half cited marketing and communications services; including graphic design, PR, creative, print and photography. Taken alongside advertising space, it appears that charities are doing well out of the media and creative worlds.

Chart 1: If you have used services, what type have these been?



Base: 55 respondents

Day to day back office support services, like HR, payroll and IT were being fulfilled in-kind for nearly a third, whether in part or as a whole.

The category of 'Others' also included a couple of respondents who mentioned buildings services like property management or gardening and maintenance, while one was getting support for auditing and assessing service providers. However, the limited range of responses to this question suggests relatively little thinking about other specialist services that could be procured in-kind, beyond those that were prompted.

Who is giving these resources and how are they being used?

The vast majority of respondents (90%) were receiving resources in-kind from companies. However, 65% were also seeing individuals give in this way. A small number were being resourced in-kind by other charities, which may include grant-making trusts and foundations.

Respondents were then asked whether they used resources in-kind for their core operations or in service delivery. Most (80%) were looking to core operations, with just over half (56%) deploying them in service delivery.

However, a couple of people highlighted the difficulty of gaining an accurate picture of the latter:

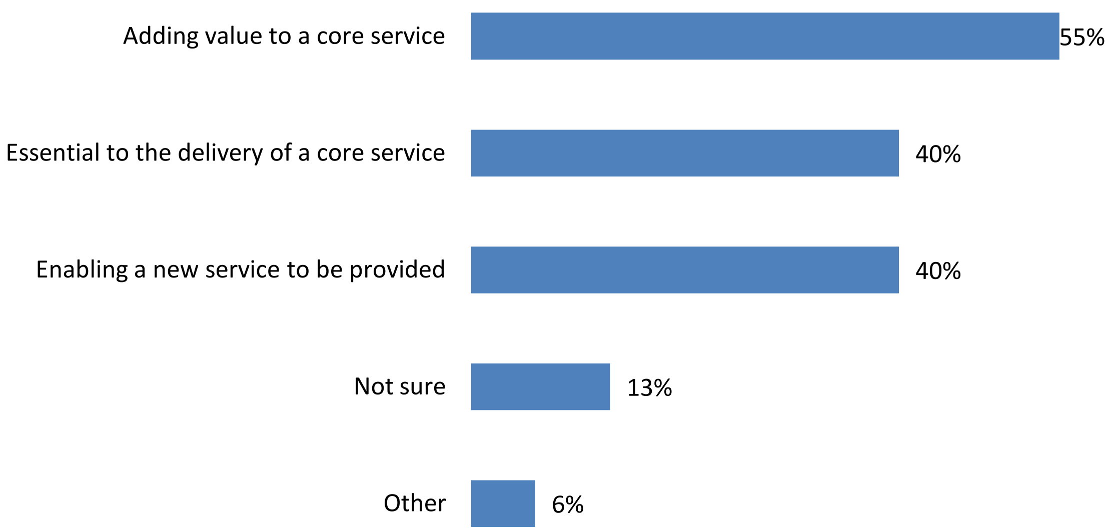
> *"Likely lots going on in local service delivery – but we wouldn't find out about it in central office."*

> *"Our engineers are very good at persuading suppliers . . . to donate materials . . . However, we are bad at recording these donations and don't include any info in our budgets."*

Given that those who responded were mainly in central office functions, it may be that they simply don't know the extent of resourcing in-kind that goes on in their organisations and that resources in-kind being are pulled in 'under the radar' by entrepreneurial service delivery staff.

The next question asked about the role that resources in-kind play in service delivery, to try and determine how central they are.

Chart 2: If they are used in service delivery, what is their role?



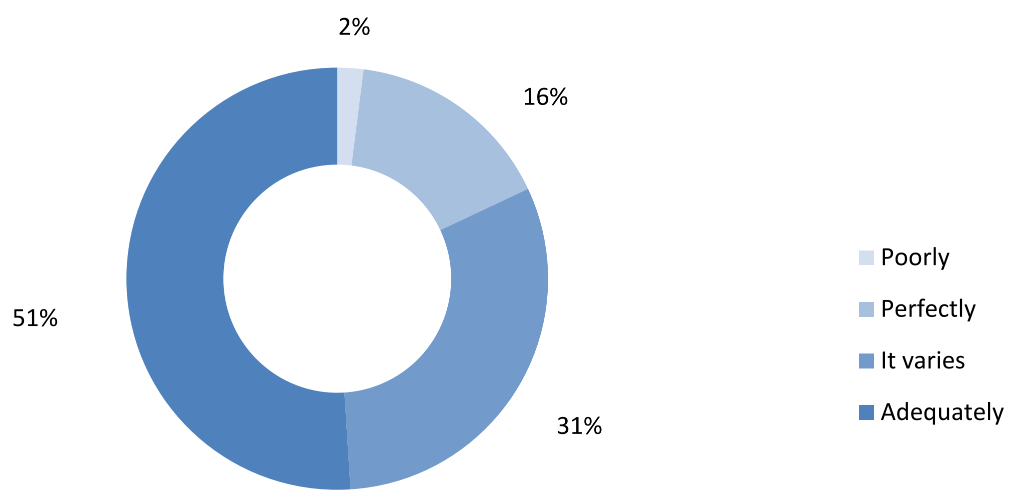
Base: 45 respondents

The preference for respondents' organisations was to use in-kind resources to add value (55%), suggesting that the service could continue even if the resource was withdrawn. Such resources were essential to delivery or to enabling the provision of a new service in lower numbers but still reported by over a third of respondents. In these cases, the sustainability of the service would be more reliant on the in-kind resource being secured.

Fitting resources to needs

The survey then looked at how far the resources being given to charities are wanted and needed (Chart 3, below). A lucky 16% of respondents said their needs had been met perfectly and only one person answered 'poorly'. Respondents most commonly reported that their needs had been met 'adequately'. The 31% who said 'it varies' provided some particularly useful insights into the factors that affect how well needs are met.

Chart 3: To what degree do the resources you receive usually meet your needs?



Base: 61 respondents

Unsurprisingly, donors that made the effort to consult with charities, build relationships and understand their needs were viewed positively, and those who were perceived to be making offers 'on their terms' or with cynical motives were viewed dimly.

> *"Some companies do not consult before making a donation, they assume it will be useful ... where consultation is offered, meeting needs is better achieved."*

"Some [corporate partners] understand our needs better than others and are more committed to the partnership."

"When we ask specifically for skills, it fits. When offered by corporate/partners it's usually on their terms."

"[Some corporate partners] seem to view a charity as a useful means to an end – getting shot of old goods they can't sell. . . to be seen to 'do good'."

Only one person was clear that they would turn away support that wasn't needed.

"If it does not offset core costs or add real value, or cannot be re-sold in our charity shop, we say no."

However, one problem that emerged was that it can be hard to make a judgment about 'real value' until the resource has been accepted, particularly in the case of pro bono support. There was a sense for some respondents of just having to wait and see how things turn out.

"Working with in-kind/pro bono consultants does not allow you to set strict and enforceable criteria or deadlines – it is up to the volunteer to decide and that varies."

"It's harder to make a pro bono partner accountable for poor delivery. . ."

"We have never had anything that was a perfect fit. Most are adequate – in one or two cases the pro bono solution made the situation worse."

Although there were very few who reported a 'perfect' fit, the same could probably just as well be said of paid for resources. The key issue with in-kind resourcing is perhaps the perceived lack of control over the outcome and the lack of recourse when things don't work out. Such problems are much clearer cut when a paid supplier doesn't perform as expected.

There appears, then, to be a need for closer consultation and dialogue with supporters over what is needed, as well as more confidence on the charity's part to negotiate and hold the donor to account for the quality of the resource provided.

Reasons for turning away resources in-kind

The Charity Commission lays down clearly the circumstances under which a cash gift can be refused, but what other factors do charities consider when deciding whether to accept a non-financial gift?

Chart 4: For what reasons would you turn down an offer of resources in-kind?

Base: 62 respondents

Ethical and reputation risk, a reason why 75% of respondents would turn down a gift, could apply equally to cash giving. However, the other reasons highlighted were more specific to in-kind giving. Three quarters, for example, said they would turn away resources that weren't useful. However this still indicates that a quarter *would* consider accepting resources they don't want or need, which begs the question – why?

62% said they would turn down an offer if they didn't have the resources to manage it and 59% when it would incur a cost to manage it. Conversely, only 14% said they would turn something away because no cash funding was attached. So, if in-kind giving comes without any cash attached, either a judgment is being made about the additional resources or funding that would be needed to mobilise the gift or these implications are only being realised after the event.

Most who answered 'another reason' gave variations on 'not useful'. However, one person had concerns about quality and reliability in business critical situations, saying they would turn resources down:

"Because it changes the relationship and means you are not a 'full client': this can have a real impact if something is business or time critical."

One comment from a respondent who would turn away a resource –"If we have not budgeted for it in the first place" - starts to raise questions about how potential resource-raising opportunities are identified. It also highlights an obvious fact – that unrestricted resource in-kind is an oxymoron.

If a restricted cash gift can deliver something mission enhancing and strategically important, it is unlikely to be turned away just because the programme of work was not already budgeted for. However, if organisations apply an 'already budgeted for' rule, the opportunities for raising donated resources could potentially be limited by the precise resource needs that are already specified and budgeted.

Planning for resource-raising

The survey also sought to explore how decisions are made about what resources in-kind to seek or accept. This starts to become particularly important when we consider how strategic charities currently are about resource-raising.

Over a quarter (28%) are proactively defining a 'wishlist' of goods, services and facilities that could be supplied in-kind, while 31% identify the potential when projects or services are planned.

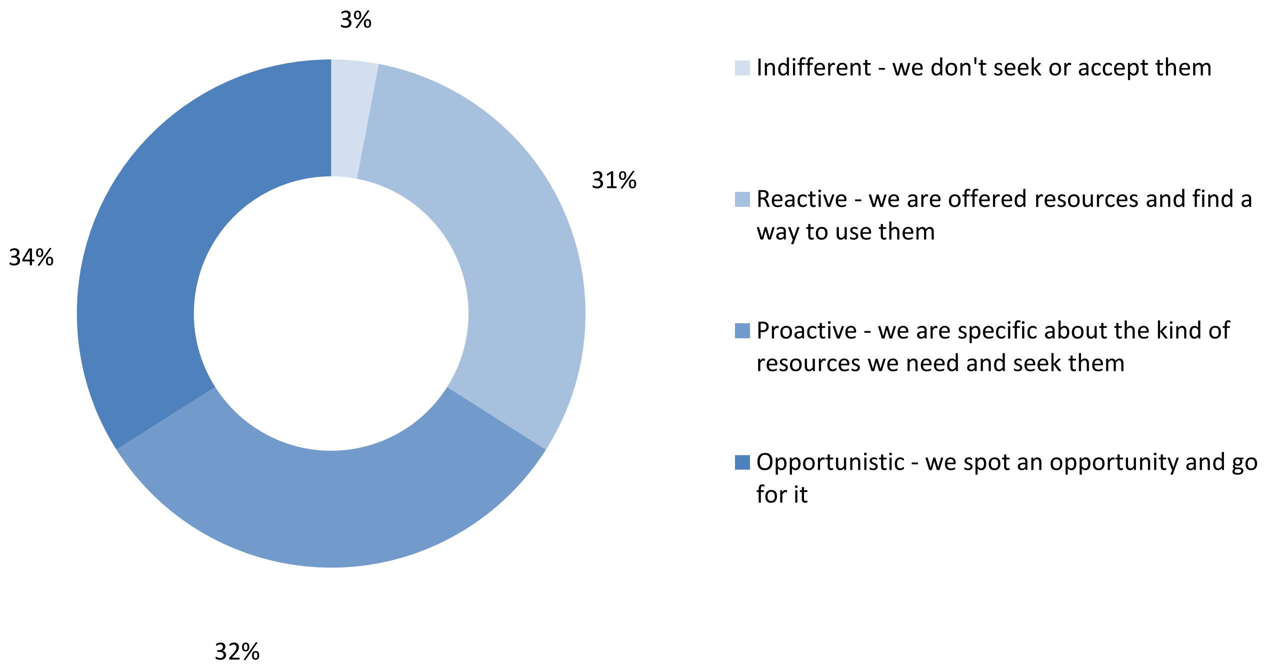
One comment in a later question indicated a highly planned approach is taken in some organisations:

"We include a line item for in-kind donations for each of our projects so we know how much of the value of our service delivery we expect to come from in-kind donations."

However 80% of respondents indicated that they make decisions on a case by case basis when opportunities come up. This suggests a tendency to be opportunistic, assessing whether a resource offered or identified meets a need at the time, rather than actively specifying and going out to seek resources needed.

This assessment is further underlined by responses when people were asked to describe their organisation's general approach towards resourcing in-kind (Chart 5, below).

Chart 5: Our organisation's approach to resourcing in-kind is usually...



Base: 62 respondents

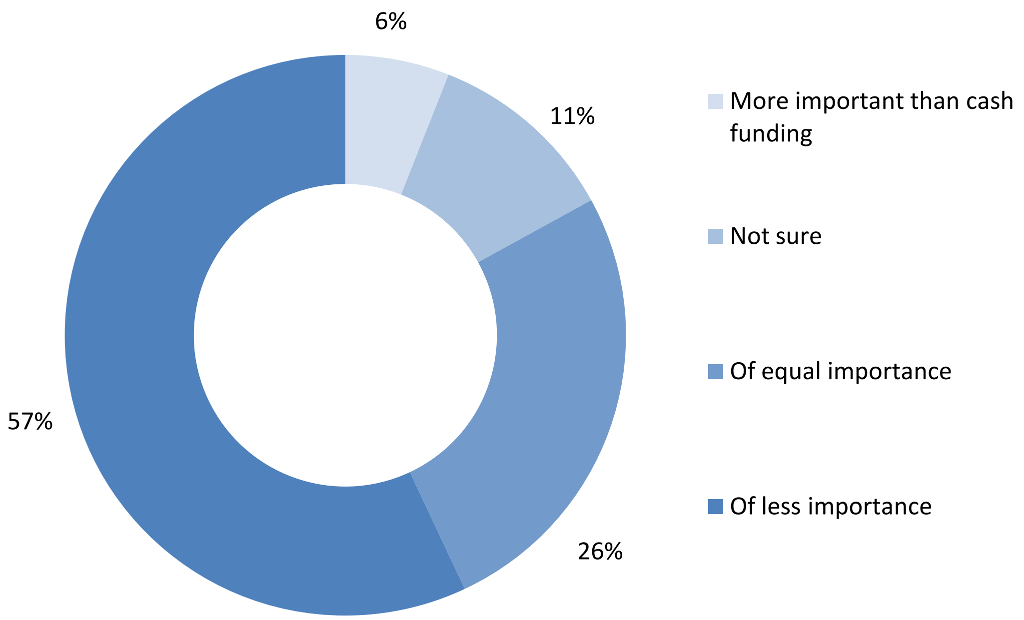
Roughly a third said they were 'proactive, a third 'reactive' and a third 'opportunistic'. The tendency towards an unplanned approach appears to prevail, which poses a question about the criteria that the reactive and opportunistic charities use to make decisions about whether a resource meets a strategic need - and therefore whether it should be pursued or accepted.

Charities' attitudes towards resourcing in-kind

The majority (62%) of respondents said that their experience of working with resources in-kind had been positive for both the charity and the donor, while just 6% thought it had been more positive for the charity than the donor. However, a third thought that the donor had viewed it more positively, which indicates a level of dissatisfaction with the outcomes.

This may help to explain responses to the question regarding the importance that the respondents' charity places on resources in-kind versus cash giving (Chart 6, below).

Chart 6: Our organisation considers resource in kind to be...



Base: 62 respondents

Over half (57%) think that resources in-kind are viewed as less important than cash. As might be expected, charity personnel who described themselves as 'proactive' in their approach were more likely to say that such resources are viewed as equally or more important – 55% versus 32%, respectively.

Some specific barriers and benefits associated with resources in-kind were then identified.

Table 3: The benefits and barriers to resourcing in kind

Benefits			Barriers		
1	Cost saving	75 %	1	Hidden costs	61 %
2	Supporter cultivation	61 %	2	Time consuming	59 %
3	Capacity building	58 %	3 =	Unreliable	47 %
4	Service improvement/enhancement	50 %	3 =	Hard to manage	47 %
5	Increased profile	46 %	5	Poor quality	31 %
6	Improved efficiency	30 %	6	Safeguarding/legal complications	29 %
7	Innovation	25 %	7	Won't count towards fundraising targets	28 %
Base: 58 respondents			Base: 57 respondents		

The most common benefit was, unsurprisingly, 'cost saving' (75%). However, one of the least frequently identified benefits was 'improved efficiency' (30%). This poses a question as to whether resources in-kind are just producing short term cost savings, rather than long term efficiency gains.

This is particularly interesting in light of the number one barrier – hidden costs (61%), which gives further credence to the idea that that the true costs of administering and managing non-financial gifts are only being recognised once the resource is actually mobilised. One respondent highlighted the need to weight up the associated costs:

> *"[we] need to be sure . . . that if there is a cost involved this can be met and will still be of benefit to the charity."*

Another was particularly concerned about the time cost of dealing with resources in-kind.

> " *I am a sole fundraiser . . . so my time is pretty tight on a day to day basis. Dealing with in-kind support is usually very time consuming and therefore actually costs the charity quite a lot!"*

'Supporter cultivation' also scored highly (61%) as a benefit, indicating that people see resources in-kind as a good way of forming closer relationships with supporters. However, one person noted that this could be a risky strategy due to the:

> *"risk to the supporter relationship should things not go as they hope in [the resource's] use/roll out."*

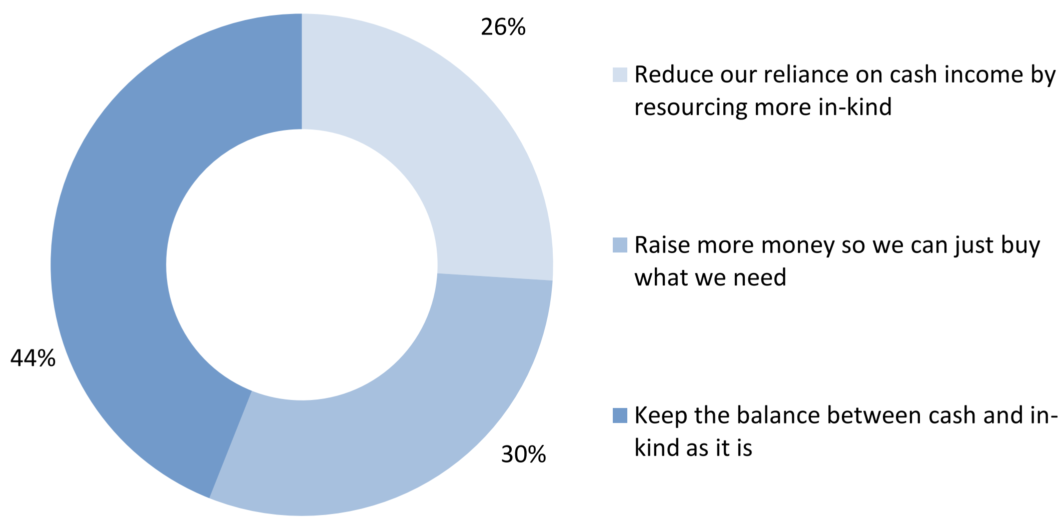
Another raised a question about how prevalent 'funder flattery' might be in the pursuit of a cash gift:

> *"Usually there is pressure from trustees to accept offers so as not to put off potential major cash donors."*

Half of the sample saw capacity building as a benefit, and just under half appreciated the increased profile that comes with resourcing-in-kind. However, there was a question about whether the benefits outweigh the barriers, as half of respondents saw resources in-kind as time consuming (59%), unreliable (47%) and hard to manage (47%), while nearly a third (31%) viewed them as poor quality.

Relatively few (25%) thought that resourcing in-kind led to innovation and only half saw service improvement or enhancement as a benefit. Of those who did see service improvement, only a quarter said they had proved this through evaluation. This mixed picture of the benefits and problems associated with in-kind resources begs the question of whether the approach is simply a way of doing things for less - rather than doing them better or more innovatively? Put simply, is it more hassle than it's worth?

Chart 7: In an ideal world, I would prefer to...



Base: 61 respondents

It seems that, for the majority, it is worth it and the benefits outweigh the barriers, as Chart 7 (above) shows. Most commonly, respondents said in an ideal world they would wish to keep the balance between cash and in-kind as it is. However, over a quarter reported that they want to see less reliance on cash giving and more emphasis on resourcing in-kind.

Charities' experiences of resource-raising from corporations

Some specific questions were also asked of those who had experience of seeking and accepting resources from corporations, as the best known and documented source of resources in-kind. The first three statements respondents were asked about (all shown below in Table 4) concerned the perception of their value - to the charity and to the relationship. The last three focused on negotiating resources in-kind.

Table 4: What do you think about resources donated by corporates?

	Always	Usually	Sometimes	Rarely	Never
They make an important contribution to our services or operations	18%	25%	45%	12%	0%
Accepting and accommodating them is vital to the relationship	18%	38%	32%	8%	4%
They are as valuable to the charity as they are to the corporate	16%	31%	41%	12%	0%
If the resources I'm offered don't meet our needs, I feel confident negotiating this	18%	45%	33%	4%	0%
I feel confident asking for funding to cover any associated costs	20%	34%	30%	14%	2%
Corporates are willing to fund any associated costs	0%	13%	46%	33%	8%

Base: 48-51 respondents

There appears to be a clear indication that corporates are demanding that their partnerships include an element of in-kind support, with only 12% of survey respondents saying this is rarely or never vital to the relationship. The impact of their contribution on services or operations is variable, however, with 43% saying they always or usually make an important contribution, but 45% saying this is only sometimes the case.

'Important' is, of course, subjective but there is a question here about whether corporate resources are being accepted for the value they have in their own right, or as a supporter cultivation tactic, essential to the relationship. This is particularly pertinent given that only 16% agree that they are 'always' as valuable to the charity as they are to the corporate.

On the face of it, it appears that corporates do not recognise the costs associated with resources in-kind, with only 13% of respondents saying they are usually willing to fund these.

> *". . .in an ideal world, donors would think of in-kind donations as an addition to cash giving, more often they think of it as an alternative and they rarely understand the management cost or the strategic issues that can arise"*

However, thinking back to the number one barrier - 'hidden costs' - it is unclear whether these costs are actually recognised and asked for upfront or if the charity is trying to recover these in retrospect – which is necessarily harder to negotiate. There also seems to be a nervousness about negotiating on this issue, with only just over half (54%) saying they always or usually 'feel confident asking for funding to cover any associated costs.' Confidence in negotiating for what is actually needed is slightly stronger, with 63% saying they always or usually feel confident about this.

> *". . . be prepared to negotiate a contract. . . we negotiated 3 years of free storage from a partner to ensure it would be of value to the organisation after the logistics, manpower and vehicle hire needed to move archives from our existing supplier was taken into account."*

The overall impression created is that charities could be more on the front foot when it comes to negotiating for resources that will benefit both the relationship and the charity equally.

Valuing and reporting donated resources

As shown in Section 1, the data in the public domain about the financial value of in-kind support is patchy. The survey therefore asked 'Do you know, or could you easily find out, the value of resources given in-kind to your organisation in the last financial year?' to see if the picture is any clearer from inside organisations.

The majority (66%) said they didn't know or couldn't easily find out. Of the 21 respondents who said they could find the figure, only 13 went on to say what it was. It may be that if the question was asked exclusively of finance directors, a different answer would emerge but the picture definitely seems unclear to others in the organisation.

The relationship between in-kind giving and fundraising targets

There is some evidence so far that, if the value of a resource does not contribute to fundraising targets, this can act as a disincentive to resourcing in-kind, with 28% in Table 3 listing this as a barrier. Since targets drive behaviour, this is an issue worth exploring further. Only 3% said the value of resources in-kind was set against fundraising targets as a matter of course, with one commenting that they had a 'separate goods target to cash target.'

However the vast majority (72%) said they were never counted, whilst 23% said 'sometimes'.

Given that fundraisers' key performance measure is likely to be how much income they generate, their performance might actually appear to decline if they invest time in generating and managing resources in-kind. We have heard that resources in-kind are now seen as a must-have to many donors, or to corporate supporters at least, but it seems that fundraisers are simply expected to raise them on top of their cash targets. Perhaps this holds the key to why 'time consuming' was reported (above) as the second biggest barrier to accepting resources, since the time spent does not justify the perceived reward.

> *". . . gifts in-kind are not included in fundraising targets or income, so [there is a] reluctance from fundraisers to encourage."*

There appears to be a high level of subjectivity in deciding what to count towards fundraising targets. The charities who responded 'sometimes' to this question elaborated on the circumstances under which the value was counted and from which a few general headings can be picked out.

If the resource was already in budget

> *"In theory – where an item is budgeted in, and we have been given it for free, then we can record it in our [fundraising] budgets."*

If the value is recognised as significant

> *"If we can directly see a large cost saving for the charity."*

If it can be easily valued:

> *". . .if a monetary value can be placed on the resource"*
>
> *"It tends to happen in the case of goods where there is an easily quantifiable value. Pro bono services tend not to be set against target as these are harder to value."*

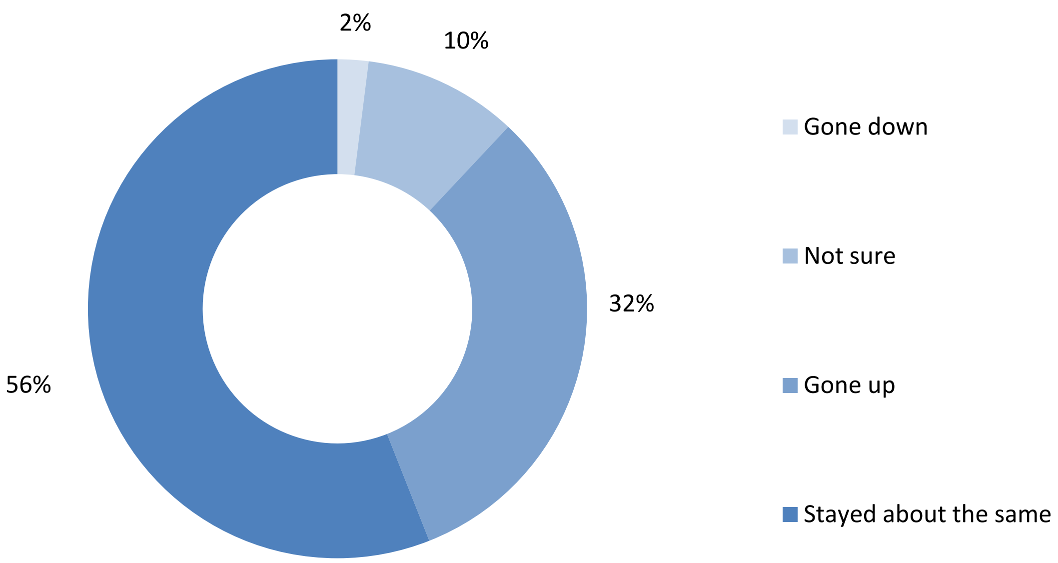
If it is handled by a particular team

> *"If channelled through the Corporate Fundraising team – other departments don't track accurately."*

Supply and demand

To build up a picture of the future prospects for a resource-raising approach, the survey asked people what they see happening with supply and demand for resources in-kind, both now and in the future.

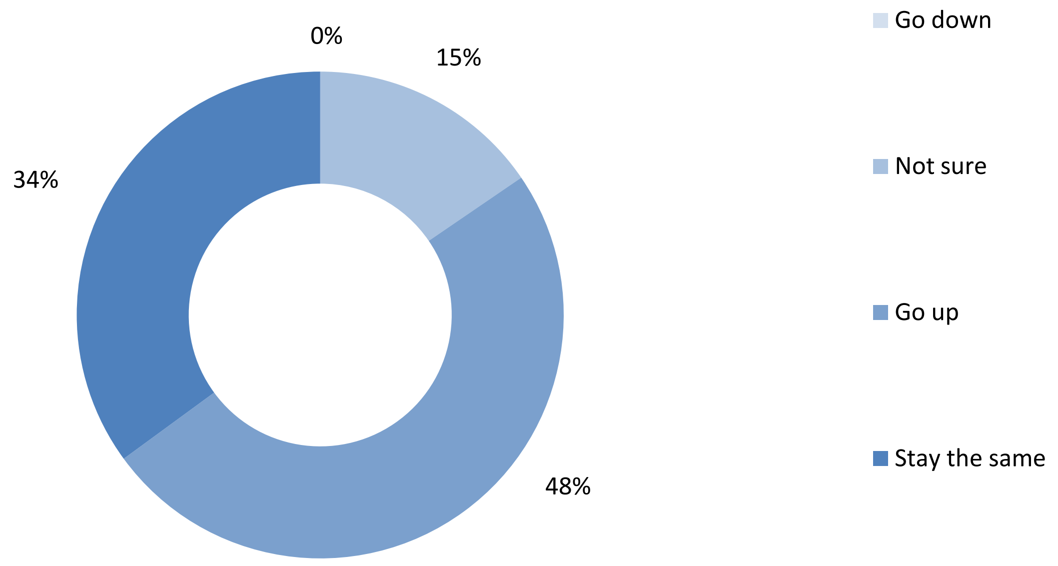
Chart 8: Over the last year, I think the demand for resources in-kind from my organisation has...



Base: 62 respondents

Over half (56%) have seen a static demand from their organisation in the last year (Chart 8, above). Of the 32 respondents who thought demand had gone up, 59% said this was in addition to, rather than in place of, cash giving. This suggests a tendency to see resources in-kind as a way to do more, rather than a way to replace a cash requirement.

Chart 9: Over the next year, I expect demand for resources in-kind from my organisation to...



Base: 62 respondents

Looking to the future (Chart 9, above), almost half expect demand from within their organisations to increase, though many (37%), expect it to remain the same. This is roughly in line with expectations about the potential supply from supporters, with 42% predicting that supply from supporters will go up and 34% thinking it is likely to stay the same.

What do these experiences tell us?

Overall, the survey response indicated that charities could do much more to encourage and adopt a strategic approach to resource-raising. This picture informed five key assumptions to be explored at the interview and working group stages of research.

1. Fundraisers know that donors want to give resources in-kind but many have had bad experiences that have made them sceptical about the net benefit of accepting them.

2. An opportunistic or reactive approach prevails, with resources in-kind being offered and accommodated rather than proactively specified and sought.

3. Organisational cultures, systems and processes can conspire against fundraisers who want to resource-raise; financial systems that do not value resources in-kind are a particular issue.

4. The costs associated with deploying and managing resources in-kind are not always identified upfront or recovered.

5. Concerns about quality, reliability and sustainability are common which works against the case for resourcing in-kind when the need is business or time critical.

Section Three: An insider's view

The five key assumptions drawn from the survey were explored in greater depth with interview participants who have experience of or expertise in resource-raising. They represented seventeen organisations, seven of which are featured here as case studies to illustrate the main lessons that emerge from their experiences.

The survey responses indicated that resource-raising is a highly relevant and topical issue for fundraisers, so the majority of interviewees were specialists in that area. Non-fundraising specialists were also interviewed to give a broader view from the perspectives of operations, procurement, volunteering and finance.

Six international charities are represented among the interview sample, as their cause area reports a higher level of in-kind giving than others and it seemed particularly important to learn from their experiences.

Interviewees ranged in seniority from Executive to CEO to provide views from all levels of an organisation. In line with the make-up of survey respondents, the majority of interviewees came from medium to large organisations, allowing an exploration of the challenges of resource-raising at scale. However, the conclusions and lessons drawn are broadly applicable to charities of all sizes.

Case studied interviewees

- Caroline Underwood, Director of Philanthropy and Partnerships; Save the Children UK*
- Chris Saunders, Chief Executive; Transaid *
- David Meller, Head of Operations; FareShare*
- Desiree D'Souza, Head of Major Giving; Leonard Cheshire Disability
- Joanna Woolcock, Head of Corporate Partnerships, Mike Bateman, Head of Crisis at Christmas and Neil Kennedy, Resources Co-ordinator, Crisis at Christmas; Crisis
- Mark Rowlands, Head of Partnerships and Philanthropy; Christian Aid *
- Nicola Keith, Corporate Partnerships Executive; Macmillan Cancer Support

Specialist interviewees

- Belinda Prince, Chair; Charity Sector Procurement Group and Procurement Director; Cancer Research UK
- David Membrey, Deputy Chief Executive; Charity Finance Director's Group
- Jacqui Scott, Head of Fundraising and Communications and Rosa Anderson, Book Trade Development Manager; Book Aid International
- James Thackray, Head of High Value Fundraising; Action for Children*

- James Williams, Head of Business Development; In-kind Direct
- Lindsay Boswell, former Chief Executive; Institute of Fundraising (now CEO; FareShare)
- Sarah Young, Manager – Pro Bono Experts; Impetus Trust
- Tony Edwards, Director of Trading and Enterprise; Volunteering England
- Verity Rowles, Head of Corporate Partnerships; UNICEF UK
- Zoe MacAlpine, Head of Major Donors; Action Aid*

Six lessons have been drawn from the interviewees' experiences and the insight gained from the survey. This section is structured so that each lesson is illustrated by excerpts from interviews and accompanied by one or more relevant case study. Taken together, these lessons offer guidance and inspiration to charities who are already - or are on the way to becoming - resource-raising organisations.

Lesson 1: More opportunities could be created for donating resources

All the fundraisers interviewed had a high-value donor brief and considered 'integrated' "integrated" partnerships, with an element of non-financial giving, to be the norm. People used the term 'gift in-kind' a lot but, in the context of contemporary giving trends, it felt like an outdated and unhelpful description.

> *"Gift in-kind is a non-term because **everything's** all so connected and integrated that it's confusing and old fashioned. Contemporary donations are a mixture of expertise, moneyand in-kind. What we're all looking for now are long term, strategic relationships."*

If a charity cannot respond to demand from donors to give more than just money, it may stand to lose out to charities that can, in an increasingly competitive environment.

> *"The [corporate] market at the moment is really looking for very integrated, sustainable partnerships. . .that mobilise the maximum opportunity. There are only a number of defined ways that companies can really get involved and if you can't include gift in-kind at all, and someone else can, that makes you less competitive."*

Several participants thought that the current economic climate pointed to an increase in the potential supply of resources in-kind. This is because in a downturn, donors' desire to give doesn't necessarily decline but their means to give might. As a result, they will look for ways to give that are low cost to them but high value to the charity.

> *"I don't think there is any reduction in the desire to help charities but there is a reduction in the financial ability. . . that creates an additional pressure for the charity to be more flexible."*

This suggests that charities need to think about how they accommodate resource donations in the mix, without becoming funder-led.

> *". . . it's not about keeping the donors happy, it's about being entrepreneurial."*

The widespread acceptance that financial giving is now only part of a varied mix, along with a commonly held belief that more could be done to identify opportunities to save costs by resourcing in-kind point to the validity of a resource-raising approach. In particular, there seems to be a strong case behind adopting this method with corporate partners.

Whilst donor demand is placing in-kind giving firmly in the mix, the main driver perceived by interviewees was the responsibility to deliver activity in the most cost-effective way. Most charities could develop an income-generation strategy by compiling a 'shopping list' of goods, services and facilities that they regularly use and establish whether cost savings could be made by procuring them in-kind.

> *"[charities] need to do more to meet their core activity. I think we probably should be going through the budget and saying 'right, what could we meet in-kind because it's going to cost other people a lot less to give us something than it is for us to go out and get it.'"*

Charities could also take a more sophisticated approach to increase the opportunities for non-financial giving. Those that take the broader goals and outcomes of the organisation as their starting point can develop a mission delivery strategy; alert and open to opportunities to raise a mix of resources.

> *"I would question whether I would be separating [in-kind] out. . .I think the natural way of looking at this is 'this is what we're trying to achieve, how can you support us to do that?', and then trying to find the fit from there.'"*

CASE STUDY 1: CRISIS
Crisis at Christmas: a programme built on donated resources

This case looks behind the scenes at one of the biggest resource donations campaigns in the UK: Crisis at Christmas. It examines how the fundraising and programme functions interact and looks at the potential to build on this seasonal campaign to unlock more resources throughout the year.

In 2010, Crisis's nine Christmas Centres welcomed around 2,700 homeless people to enjoy good food and company and gain access to a range of health, employment and advice services. Approximately two-thirds of the total Crisis at Christmas budget is in-kind and, over the last 39 years, it has become increasingly specific about the type and number of things on its 'shopping list' in order to bring costs down and run an extremely lean operation.

Crisis at Christmas depends on skilled people who can co-ordinate operations and deliver services, from forklift drivers to finance and debt advisors, doctors to dog handlers, performance artists to podiatrists. It needs to feed everybody, every day, for a week. It needs buildings to host the centres, kitted out with essentials like kitchens and internet access. These specialist resources are in addition to the thousands of general volunteers who welcome guests, serve food and look after everyone.

All the usual health and safety and food hygiene regulations apply and the Centres aim to be places where anyone would be comfortable spending Christmas, with everything of a high standard. So how does Crisis ensure a reliable supply of the goods, services and facilities to resource this huge operation, and could this seemingly one-off demand for a huge volume of resources in-kind sit within a wider resource-raising strategy?

The process hinges on having an extremely detailed wishlist, created by the services team. Food and beverage needs, for example, are organised by menu, Centre, ingredients, perishable and non-perishable goods, and so on. An appeal is launched and past supporters are approached first. Crisis can count on 60% of Christmas supporters returning and, once their commitments have been secured, the shortfalls are identified and sourced from new supporters.

Crisis has honed its understanding of the costs and cost savings of delivering in-kind. The budget for the initial cost of the Centres used to be in the hundreds of thousands of pounds but has now reduced more than tenfold. This is thanks to in-kind sourcing of Centre locations which already have many of the facilities in place and getting more of the fit-out materials gifted. It has also become more focused on seeking goods at scale, turning away small donations if the costs of managing them would outweigh the benefits and is disciplined about keeping as much cost as possible off its books. For example, Crisis has its own warehouse but donors are asked to cover any distribution costs, including transport and refrigeration.

So who is responsible for shopping for this long and complicated list of ingredients? It has to be a skilled project manager who can work hand in hand with service delivery, motivate and win the trust of supporters, negotiate confidently and be a public face of Crisis at Christmas. Neil Kennedy, Resources Coordinator, holds this varied portfolio. His post is seasonal and, although he has a close working relationship with fundraising, he is part of the service delivery team. It is a highly regarded position, both within the organisation and amongst supporters.

"It's the magnet for everybody to come into – people want to know who's doing this role this year," comments Mick Bateman, Head of Crisis at Christmas. The role previously sat in fundraising and in service delivery, but has always merited a specific post rather than simply integrating the in-kind ask into individual, community and corporate fundraisers' briefs.

"Christmas is a different conduit for supporters - there needs to be that resourcing person," Bateman continues. "If people were to take on the individual functions of that role, would it get the focus it needs?" Crisis has, however, identified the potential to develop a year-round, strategic approach to resource-raising and believes the place for it remains in service delivery.

The corporate fundraising team do deal with resources in-kind but their focus is quite different. They usually build an in-kind element in to a funding relationship as 'added value', rather than cultivating relationships that centre on in-kind, and the majority of donors who fund programmes don't tend to have the skills or things that are needed in these programmes. The flip side of this is that Crisis at Christmas donors rarely give cash. Whether they're a doctor or a major food retailer, Christmas is the trigger for their support and gives them the opportunity to do what they do best in support of a cause that means something to them. Once Christmas is over, the value of all resources are audited and reported back to the donor with thanks. The majority will then return when they receive the call next year.

"Probably half of our corporate Christmas donors will not give money to anybody else. Every year they'll give 50kg of minced beef, and that's the only donation they'll make all year, that's what they do and they'll continue to do that," Bateman explains. One answer to joining the two groups of supporters up would seem to be for the fundraising team to pick up and cultivate Christmas supporters and encourage them to support Crisis financially and year round. But this would arguably misunderstand the intensely personal motivation these donors feel to put their skills or products into service at this time.

So Crisis hopes to develop other services which create opportunities for these supporters to give resources in-kind, year round. It is now planning a scheme to create starter packs for its members when they move into independent accommodation. This programme could be resourced largely in-kind and would create continuous activity at Crisis's warehouse, which in turn enables its warehouse training scheme (usually only run at Christmas) to be extended year-round. The idea is for a full-time Resource Co-ordinator to support the programme, who would also be tasked with securing in-kind support for budgeted items, to create cost-savings that impact on the bottom line.

At present, the two supporter audiences are so different and the Christmas requirement so resource-intensive that, unless in-kind is written into fundraising budgets and targets, it makes sense for the role to sit in service delivery. However, the relationship between the two functions will continue to be key, so that when opportunities to broaden relationships come up, they are identified and capitalised upon.

By having a detailed understanding of its needs, the types of organisation and individuals who have the resources and motivations to meet them, Crisis appears to be unlocking support from organisations and individuals who would not otherwise give.

Neil concludes: "If you can take these goods and use them directly it means you've taken out the whole administration of cash – from donor to end use. And that, for both the donor and the charity, is an incredibly powerful saving. The key is having effective infrastructure and operations."

Lesson 2: Strategic clarity is essential for effective resource-raising

For resource-raising to produce a positive net benefit, the charity's needs have to be well defined and understood, both internally and by supporters:

> *"There is a risk that, unless a charity is incredibly focused around what it needs, that it will end up being a grateful receiver of anything that's free. . .the challenge for any organisation is being really, really clear about the outcomes it wants to achieve."*

Charities have become more confident in turning away inappropriate resources, or *"Learning to say no nicely",* but most people interviewed had experienced the consequences of accepting them at some point in their career. Results can include mission drift, damaged relationships with colleagues on the receiving end and financial and time costs that outweighed any savings. The lack of recognition for the costs of getting donated goods from A to B are a particular source of frustration.

> *"People are quite canny [about judging what is needed] because our strategic priorities are very clear, but in a small charity I've seen that it can sway a whole strategy because someone says they're going to give you say, a building, and everyone goes running after that."*

When it comes to pro bono or skilled volunteering, some corporate donors are leaving charities with the impression that they expect a vehicle in order to deploy their skills, rather than offering a solution designed to meet the needs of the charity and there is widespread frustration that donors make assumptions about what the charity needs. However, it seems that charities could be doing more to articulate their needs to such donors, rather than expecting the donor to diagnose them.

> *"Legal and management consultancies tend to focus heavily on gifts in-kind. . . if you're not actually asking for that because you have a defined need, it almost feels like you're fobbing me off. .."*

Yet the education job charities need to undertake with donors seems more complex than simply communicating a defined need. Many respondents told stories about resources being offered that fundamentally misunderstood what the charity does or the needs of its beneficiaries. If this doesn't fit with the charity's view then there might be difficult conversations ahead that challenge the donor's perceptions of the way the charity operates or, sometimes, their attitudes towards the charity's beneficiaries. Some organisations may lose support as a result of this conversation, but believe that it is the right thing to do. When these conversations happen as part of an ongoing dialogue with a strategic partner, it is easier to achieve alignment. Misunderstandings seem to come mainly when the relationship is new or offers are unsolicited.

> *"[We don't] exist to make companies feel good about themselves, you have to go back to your core purpose. . . I would never allow anyone in my team to take anything from a company that we didn't need."*

The 'shopping list' approach of an income-generation strategy provides absolute clarity over what is needed but only lends itself to certain circumstances, such as shopping for goods, services and facilities needed in core operations, in rapid response, disaster relief scenarios or in programmes that have had resources in-kind planned in at the outset. A mission-delivery strategy, on the other hand, requires an openness to opportunities for a range of resources to contribute towards a set of broad goals and outcomes. The ability to make a judgment about the strategic importance of a potential non-financial gift is therefore particularly important to this approach, in order to decide whether a gift is needed and can be put to use effectively.

Whether strategic clarity comes from a defined 'shopping list' or from a sophisticated understanding of organisational goals and outcomes, charities that have clear strategies are better equipped to communicate their needs to donors clearly and have the confidence to pursue open and honest dialogue when negotiating for what is really needed.

CASE STUDY 2: MACMILLAN CANCER SUPPORT

Strength in Style: the benefits of being open to opportunity

This case looks at how Macmillan identified, developed and executed an opportunity to deliver a new programme, using the specialist skills of a corporate cash supporter, in line with its organisational strategy.

On the knowledge and skills side of the mix, charities often consider the traditional pro bono routes to management consultancy or legal expertise, but Macmillan are thinking much more broadly about the range of mission enhancing skills that are potentially on offer. It was never in their plan to deliver services via hairdressing salons but, when the corporate partnerships team spotted an opportunity to harness the distinctive skillset of a newly-won partner, they knew it made strategic sense.

Strength in Style is an innovative partnership with Toni and Guy. The ambition is for people living with cancer to be able to access haircare, wig-cutting and styling advice wherever they live through Toni and Guy's national network of salons. Since November 2009, 60 salons have been through a training programme co-designed between Macmillan's Learning and Development team and the salon franchise. Their stylists have been trained to offer information and emotional support at the same time as making their Strength in Style clients look and feel good.

Nicola Keith, Corporate Account Manager at Macmillan explains: "After the financial worries and the impact of the cancer itself people are worried about how they look and how that changes their everyday life. People just want to look the way they have always looked."

The charity's corporate new business team had already won Toni and Guy's charity of the year.   The account management team's role is to deepen and strengthen relationships with existing supporters, with the dual aims of retaining them for as long as possible and offering better services to people affected by cancer. They saw that there was no comparable national service and proposed the partnership concept internally. It found its way to the Learning and Development team who loved the idea and committed resources to the training programme. Additional funding was issued from the Toni and Guy Foundation towards the cost of delivery but there were clearly resource implications for Macmillan. So how was the decision made to commit to delivering the programme, which hadn't been planned or forseen at the beginning of the year?

Macmillan works hard to ensure its strategy is well communicated and understood across the organisation. Whilst it has clearly defined work programmes that contribute towards its strategic goals it also leaves room for innovation and is open about where in the organisation that comes from.

Its long term strategic goals are articulated as statements that people living with cancer want to be able to say about their experience. This makes it easy to recognise where new ideas and initiatives could fit. It is easy to see how Strength in Style could help someone say 'I am treated with dignity and respect' or 'I can enjoy life': two of Macmillan's goals.

Once the potential fit was identified, the fundraising and Learning and Development Teams worked together to develop the proposition and assess its value. "We ironed out what the ask was, how many people we could help as a result of a relationship like this and what the positive impact would be for Macmillan," says Keith.

"Macmillan are very good at collaboration, that's one of our key values – we're not at all hierarchical. All of our professionals and services team are dedicated to people affected by cancer - if they can spot an opportunity and see its worth, which hopefully we demonstrate, they're very quick to get involved in and support us. We have access to the right decision makers at the right time and, where people can see the value in an offer, they're very quick to get involved and give opinions."

At Macmillan, fundraisers are clear about the overarching strategic goals of the organisation and their ability to make valid contributions as to how they are achieved is recognised. This is not to say that they aren't money-minded. As Keith says, "Cash is king and it will be for a long time yet but we do have other objectives as well, which can only benefit people affected by cancer."

"We have 'above the line' cash objectives, but over the past couple of years we have been given gift in-kind objectives to work towards because we can see that must be the way that partnerships develop and grow organically. Although, they're soft objectives they are there and they are written into our personal development programme. We also have shared objectives around the programme - how many people are helped, are we helping people in the right way – to make sure we're doing what we set out to do."

Macmillan professionals can be found in many places and they have many talents, but high street hairdressing isn't one of them. This initiative was an innovative way to resource a new programme that extends the charity's services into the community with the added benefit of strengthening the Charity of the Year relationship.

Macmillan has since adopted a similar model of high street service delivery with the launch of a major three year partnership with Boots, which makes information available about Macmillan's services in-store and online and will involve Boots' people with relevant skills in direct support projects.

Such a significant and resource-intensive partnership is made possible by a combination of strategic clarity, a culture of openness and innovation, strong cross-functional collaboration and the recognition of the fundraiser's ability to contribute to the bigger picture.

Lesson 3: Fundraisers need to be better supported to resource-raise

Fundraisers feel that it is their role to champion the resource-raising agenda within their organisation. It often feels like hard work with people using words like 'battle', 'struggle' and 'fight' to describe their experiences. They usually find that winning the support of the donor is much easier than winning the internal support to accept and handle a non-financial gift. At the same time, their colleagues elsewhere in the organisation may be resource-raising under the radar, with little or no connection to fundraisers or fundraising strategy. Under these conditions, it is not surprising that an opportunistic or reactive approach prevails.

Most commonly, the would-be resource-raiser, when presented with the opportunity of a non-financial gift that is not neatly defined by a shopping list, is met with a complex and unclear decision making process in the charity.

The process is more straightforward when there is a well understood strategy, the permission to raise a range of resources that contribute to mission delivery and an open and un-hierarchical culture that allows access to people who can make a judgment. In these situations it is clearer who to speak to and what criteria the decision will be based on. But, in organisations with complex programmes and structures, fundraisers depend on their internal networking skills to identify allies and decision-makers and the criteria are less transparent and more subjective.

> *". . . it's very much about us asking the questions [internally] rather than proactively going out into the market and that means we have very defined conversations that are really more about what the company has to give than the priority that [we have] in terms of need.. . sometimes half the battle is finding the right person to speak to."*

There is a widespread frustration at the lack of proactivity from the wider organisation in identifying opportunities for resource donations. The potential often appears to go unrecognised or undervalued, with fundraisers asked to source low value items at short notice but not to contribute to a planning stage, when the large scale, high value potential could be identified.

> *"To me, the biggest issue is the cultural issue of encouraging people in the organisation, whether they be in a central function or a devolved local service function, thinking 'I want to spend money a year's time on XYZ, why don't I get those nice people in fundraising to get it for me for free."*

> *"You could at a senior level be a bit more strategic . . and actually identify priority areas . . actively say 'If we were able to find in-kind support for ABC, that would enable us to do XYZ, and therefore that becomes a priority. . ."*

Fundraisers want the clarity of a 'shopping list' but also want to have permission to seek and identify resources that may be unbudgeted, but can contribute to mission delivery. Several spoke of winning resources that weren't originally specified but went on to prove extremely valuable. However, if decision making processes are absent or weak, there is a risk that these opportunities are missed. Fundraisers are happy to be champions for resource-raising but feel that, if they were supported by clearer mechanisms for deciding what to seek and what to accept, along with a message from senior leadership that resource-raising is strategically important, they could unlock more resources.

> *". . . it can be frustrating if you can see how skills or gift in-kind could be of benefit to programmes and if only you had the process to support you, you could mobilise a huge amount of additional resource."*

Overall, there are three key factors which affect a charity's ability to become strategic about resource-raising and to increase the number and value of opportunities for resource-raising.

- How good the organisation is at working collaboratively
- How supportive its financial systems are
- How fundraisers' performance measures are set

Those charities that resource-raise successfully have forged new ways of working in all these areas. However, most think they still have some way to go before their culture and processes are fully supportive. The rest of this Section examines these three factors in more depth.

> *"We're just about getting our systems sorted. People would feel more confident about pursuing in-kind opportunities if there was an established infrastructure. We're still a bit hesitant about it."*

3.1 The importance of collaborative working practices

All charities emphasised the need to work effectively with colleagues. The relationship between fundraising and programmes is seen as particularly key.

> *". . . gift in-kind conversations do really expose any tensions between the disciplines of delivering programmes and fundraising. . .it will be a lot easier when those two divisions are in harmony. . . for me the key would always be to build proper understanding and relationships and really have a common understanding and goal with your programme division."*

The involvement of specialist, and often senior, programme people is important because their expertise is needed to make judgments about the resources needed. Increasingly, they also need to be directly involved with 'expert donors', establishing credible relationships at a peer level. For example, it is no coincidence that Sightsavers' record £69m pharmaceutical donation is owned and driven by the programme director at a senior, peer to peer, level.

In some cases, poor past experiences of resourcing in-kind are off-putting for the end users of a donated resource. There is an understandable 'what's in it for me?'

factor. If something is in budget and can be bought with minimal effort, it is easy to make the judgment that it is more cost efficient to do this than to invest time and energy in dealing with the added complexity of procuring in-kind. This is particularly the case unless the actual cost saving or efficiency gain is clearly communicated and the expectation of co-operation is created.

> *". . .the project then asks us . . .'does that mean I can spend the money that I was going to spend on something else?', and the conversation has to be '. . . the purpose of this is to free up money for unrestricted income'"*

Finance people were seen as key allies. Yet financial systems often seem to conspire against fundraisers. The need to work with procurement people was only mentioned in discussions with fundraisers once but the procurement specialist felt strongly that the procurement and fundraising skill sets complement each other powerfully. Judging by how little it was mentioned, the potential to work together more closely seems largely undeveloped.

> *". . .there's so many similarities between [fundraising and procurement], they're both dealing with businesses to acquire services and products, the difference is that I try to get everything for free and they [procurement] try to negotiate it cheaper."*

When they collaborate effectively, programmes/services, procurement, fundraising and finance can determine what kinds of resources are needed, to what specification, whether they will be fundraised or could be sought in-kind and how non-financial gifts will be valued. Although fundraisers need to be proactive about developing their internal networks and building positive working relationships across functions, there is an important role for the senior leadership in communicating the importance of cost management and collaboration.

3.2 The importance of supportive financial systems

Although the Charities SoRP 2005 is clear that resources in-kind count as voluntary income it appears their value is perceived very differently psychologically and the rules about handling and reporting cash donations don't always apply.

> *"If you were given £50 in fivers then you wouldn't just put it in your back pocket and think I'll spend that next time I need something . . . If someone gives you a financial donation you know you've got to be really clear and honest about it but it's taking a while to make sure people have the models and the systems to know how to deal with gift in-kind.. . it's not that they're being obstructive, it would never have occurred to them."*

Sometimes the charity and the donor agree on and report the same value, other times not. Sometimes the value is what the charity would have paid, at other times it is what the donor would have charged. Sometimes they are only valued if they are already in the budget. Yet at other times, no-one knows about them to value them.

> *"When I joined we reported gift in-kind in programme but we didn't report gift in-kind income at all which struck me as mad and it's taken me 2 years to get [it] reported."*

Fundraisers often feel they have to push to get the value recognised at all. When this doesn't happen, it's often because the calculation is seen as being too complicated.

> *"I will get in touch with our management board and say. . .how are we going to start valuing it and how are we going to get it on our books, you know I've got to get everyone behind it."*

David Membrey, Deputy CEO of the Charity Finance Director's Group, thinks it's imperative to value resources in-kind to give a true and fair account of how the charity funds its activities and that it's squarely the FD's responsibility to develop the cost models to do it. He believes that: "Not knowing what the gift in-kind value is distorts the sector. Once you've set up your calculations and agreed with your auditors how to do it, it shouldn't take hours and hours. There's no reason not to be transparent."

Again, one of the barriers seems to be time along with the perceived administrative burden. Because the value of something tends to be in the eye of the beholder, it is never completely straightforward. A conversation between fundraising, finance and, ideally, the donor needs to take place in order to agree what this is and when the value is significant or the calculation is complicated, the auditors need to agree it.

The SoRP says that resources in-kind should be valued. There seems to be universal agreement amongst charities that they should not accept anything that is not needed. So the logical corollary would be, if it's worth having, it's worth valuing.

> *"If you can't report on it you can't show the gaining or lessening significance of something. I would just say that, strategically, if you're going to be doing it more you need to report on it."*

CFDG agree that there is certainly plenty of room for interpretation in the SoRP. For those who want to understand it better, they have assisted with interpreting the relevant sections and a short guide can be found in Appendix 1.

3.3 The importance of supportive performance measures

Fundraisers unanimously felt that the value of resources in-kind should count towards fundraising targets. However, they often face a "fight" to get them counted, which is linked inextricably with the struggle to get them valued in the first place.

> *". . . I'm sure that most of my colleagues here would say it would be much easier for them to get gift in-kind than cash so . . . what we normally say is cash first and gift in-kind second. Does it count – if someone came and said my £10m is made up of £9m in-kind?"*

The commonly applied rule is that the value only counts towards the income target if the resource was already budgeted for. This works for the 'shopping list' approach, with its ready-made funding asks for budget relieving items. Committed funds get freed up to spend on something else, which makes the donated resource *"as good as unrestricted income"*, in the words of one interviewee. In this case, there is a clear argument for an amount equivalent to the cost saving to be set against the fundraising target.

The argument is less clear for unbudgeted resources raised for mission delivery. This leads to debate about whether their value should count towards income targets. Again, if the gift was deemed to be worth having, it should be valued and the amount should count towards the restricted income portion of the target in the same way that money raised for an unbudgeted programme or activity would be.

Financial targets are the primary performance measure for fundraisers and all who were interviewed were wary of ever taking their eye off cash fundraising. As a result, fundraisers are conflicted about spending time pursuing unbudgeted resources that often do not count towards their target. They are most likely to do so if they think it important to securing a wider partnership alongside cash funding (as it increasingly is), whilst bringing significant value to the charity. But their performance measures tend not to reward them for the in-kind element because it doesn't count towards the cash target.

> *"The fundraisers that we've got now are very commercially minded. . . their activity is dictated by what will affect their financial targets."*

> *". . .it's hard to align that with my roles and responsibilities as a fundraiser and I just come back to that map I have in my head – today, will this raise me money?"*

Opinion is divided over whether there should be a separate 'in-kind line' for non-financial giving in the fundraising budget. If it is treated like any other type of income, with clarity over whether the gift is budget relieving and *"as good as unrestricted"* or is (in effect) restricted income, then it doesn't necessarily need it.

Charities that embrace a resource-raising approach are likely to have to reconsider the way they evaluate fundraisers' performance and some think the time may be right to revisit this:

". . .the big takeaway for me, is how should organisations measure fundraising support with regards to in-kind? And how does that change and alter target setting, performance management etc? Targets skew behaviour and there is [often] a narrowness and a shallowness to the way the targets are set, [which are all around cash], as opposed to impact on mission."

Some charities are bringing in more rounded performance measures (outlined in the Christian Aid case below) but these are still far from the norm.

One thing is certain, money is still considered king and, without more supportive performance measures in place, donated resources will continue to be encouraged primarily as a means of cultivating and deepening the relationship with the donor, in pursuit of money.

"There's an inherent danger in ever taking your eye off cash mobilisation as your priority. Whether I would ever write a strategy for my team to search for gift in-kind, expertise etc – I probably never would, I would always prioritise cash."

CASE STUDY 3: CHRISTIAN AID

Private sector partnerships: developing the conditions for successful resource-raising

This case illustrates how Christian Aid rethought its relationship with the private sector and developed collaborative working practices and non-financial performance measures in order to drive different behaviours towards corporate partnerships.

When Christian Aid made the decision to promote 'pro-poor business' (business with, and for the benefit of the poor) as part of the solution to global poverty, this meant a radical rethink of its relationship with the private sector. Previously, its corporate fundraising was focused on cause related marketing affinity deals and licensing activity with ethical businesses. Now the NGO is seeking to cultivate much more complex partnerships. Money is still important, but access and influence have become key components of the mix.

The strategy is three pronged. Firstly, Christian Aid wants the big, trans-national companies to adopt more 'pro-poor' business practices; bringing small scale local farmers into the supply chain for example. Secondly, it aims to support and attract investment in local, micro-enterprises to help them grow and move into the mainstream economy. And thirdly, it provides philanthropy advice to donors on how to increase their impact on poverty reduction by funding and investing in pro-poor enterprise development. The thinking has been that, if a relationship on any one of these fronts is developed, it is more likely to progress the others.

The Philanthropy and Partnerships team provides the central co-ordination of this strategy but Policy and Programmes are also involved from the earliest stage and each party has a say in the direction and focus of the partnership.

Christian Aid decided it needed a manager with a specific skill-set to head the corporate team and also required a broader set of indicators, beyond the financial, that reflected the outcomes that the organisation sought to achieve through private sector partnerships.

Mark Rowland, Head of Philanthropy and Partnerships, explains what he looked for in his new corporate partnerships manager "They had to understand the private sector, have gravitas and credibility and possess an intellectual grasp of the issues that enabled them to go beyond the financial." Crucially, this person had to work closely with the policy team to identify which corporates to target, based on which have the potential to influence the pro-poor business agenda.

They also had to be able to deal with complexity and be as adept at negotiating internally as with corporate - in particular, working with colleagues based in the international division, who hold the relationship with the local operations of trans-national companies. Mark confessed that finding the right person wasn't easy but he eventually found a manager who had the skills and experience to win trust and be credible with both internal and external stakeholders.

As for performance measures, financial targets are still front of mind but they sit alongside targets relating to access and influence. A change in business practice or a direct investment in local enterprise development, for example, would also be recognised as an outcome and viewed as a milestone on the way to a fully integrated, resource-raising partnership.

It was important that this strategy did not dilute Christian Aid's ability to robustly challenge business practices that it believes have a negative impact on global poverty. However, a consultation with corporates suggested that, by adopting the role of critical friend, it could achieve change whilst building long term, high value partnerships. In an early win, it influenced a major cosmetics company to switch to a more ethical supply of palm oil whilst also receiving funding and gifts in-kind through its foundation.

Marrying the acces/ influence and money spheres of the resource-raising model can be complex. However, Christian Aid is proving that it can work - with the right practices, people and performance measures in place.

Lesson Four: Acknowledge, budget for and ask for the 'hidden costs'

Charities often say that there are hidden costs to resources in-kind but, in reality, these costs are widely recognised. The financial costs include depreciation, transport and storage, maintenance and, if the goods are not really needed, disposal. There are time costs involved in administering the resource, managing the relationship with the donor and, where people resources are involved, in training and supporting them.

> *" There are hidden costs in gift in-kind. . .the ask isn't just to give the stuff, it's also to ship the stuff. .."*

> *"We get people pre-Christmas saying they've got lots of presents and cuddly toys for kids and we usually have a very difficult conversation about how there are logistical costs involved in distribution and we haven't got the money."*

It seems more accurate to say these costs are not hidden but they are frequently unacknowledged, unbudgeted and unasked for. The economic climate and past experience has led charities to get smarter at evaluating whether there is really a net cost benefit to resourcing in-kind and asking the donor to cover any associated costs, even if this leads to losing the gift or the supporter.

> *"[We say]: 'There is a hard cost associated with these volunteering opportunities so I'm afraid we're not able to do anything until those costs are covered' which most people understand when you put in those terms. . . I think in the past we've been scared of having that conversation but the current economic climate has sharpened everybody's minds."*

> *". . .we were probably losing about a third of the value of our total gift in-kind in administering it or disposing of it. That's been reduced massively even though we run the risk of losing people, we say 'this is what we need'."*

Charities are also getting savvier about recognising the savings to companies, in terms of disposal costs, of taking unwanted resources off their hands. In some cases, a whole business model can be built on this to generate trading income (as exemplified by FareShare, the case study explored on page 76).

If the associated costs are not covered by the donor, or the resource is only useful in the context of a wider programme of work that needs cash funding, the charity has to decide whether to seek this elsewhere or whether to commit its own money. A situation where the charity invests alongside the donor can be worthwhile if there is a significant strategic gain (as in the Transaid case discussed below).

> *"cash is necessary, fundamentally, to put programmes in place.. ."*

Resources in-kind will always incur some time or financial cost to administer and manage, and there are sometimes ongoing costs that need to be built in and budgeted. The important thing is to anticipate and acknowledge these costs and make decisions about how they will be covered before accepting the resource, not afterwards.

CASE STUDY 4: TRANSAID

International Driver Training: resourcing an entire programme in-kind

This case tells the story of an international development charity which, faced with a lack of funding for a priority programme, chose to resource it almost entirely in-kind and bear the 'hidden costs'.

Transaid is a specialist international development charity with a mission to reduce poverty and improve livelihoods across Africa and the developing world by creating better transport. It does this by building local skills and knowledge to make transport safer, cheaper, cleaner and more effective so more people can access healthcare, education and economic opportunities.

The international donor community was willing to fund transport management and professional driver training for healthcare programmes. It was recognised that, without this investment, expensive four wheel drives that should be delivering healthcare to remote villages could reach the end of their life in a matter of months. However, it proved much harder to win support for the idea that, by investing in building up these skills in the commercial transport sector, livelihoods would be improved through trade and job creation.

Transaid was convinced of the benefits and determined to expand its commercial driver training programme. It had built good relationships with potential partners in Tanzania and Zambia but had been unable to attract funding for the programme. By 2009, CEO Chris Saunders was getting impatient and decided to call on the charity's strong corporate supporter base to move things forward.

Transaid has always used skilled volunteers from the UK transport industry to deliver technical work in its funded programmes, but this was the first time it had attempted to resource a programme almost entirely with inputs from industry and with no underlying donor funding.

Firstly, it found a high level volunteer project manager in John Cook, a retired director of a leading UK transport and logistics company. He gives his time, while his ex-employer gives him an expenses budget including travel, accommodation and subsistence. Chris explains why he is such an asset: "John would be a very highly paid consultant if we were paying for his service - that's the way that he's used to operating and that's the way he operates for us. He's capable of taking on due diligence and governance issues and manages high level relationships on the project."

One aim of the programme was to develop a national centre of excellence for driver training at the National Institute of Transport in Tanzania, which hosts the programme on its 13-acre campus. Until Transaid arrived, this was a purely academic place of learning with little infrastructure and equipment to deliver the practical training that was so in demand.

Transaid first approached a global logistics giant who they knew needed to invest in training more drivers to support its expansion in Tanzania and would share the belief that creating more jobs and getting more goods from A to B was good for livelihoods. The company was also typical of the kind of paying customer that the Institute would need to attract to make the programme sustainable in the long term. They contributed training vehicles and lower level programme management from their local office to the National Institute and several other UK based vehicle manufacturers and transport companies also provided vehicles, with shipping included.

The day to day training of driver trainers, which forms the backbone of Transaid's professional driver training programme, is delivered at the Institute by professional 'master drivers' from the UK transport industry. This is a resource Chris knew they could count on as, in the past, Transaid had struggled to meet demand from its supporters to second technical volunteers to its programmes. Chris is keen to stress that they didn't set up the programme to keep its supporters happy: "We developed the driver training project because it was the right thing to do and, because we've got such a wide range of companies now offering those skills, we know we can take it to scale," he explains.

Transaid made a strategic decision to invest its voluntary income in the programme, whilst keeping expenditure as low as possible. The main 'hidden' costs are in Chris's time as programme director and in the supporter management and volunteer co-ordination function, which is shared between operations and fundraising.

But can this approach ever be sustainable? The aim is to build the capacity of the Institute to the point where it can deliver a high quality service that private sector companies will pay a market rate for. At this point, Transaid will leave. "It moves away from being a charitable enterprise to a for-profit operation and we've done our job," Chris explains.

Transaid will also then have a demonstration programme it can replicate in other countries in the region if the same level of support from industry can be sustained. Importantly, this is all with no cash funding for the programme crossing Transaid's books.

As a £600,000 turnover organisation, this scale of in-kind support is significant to Transaid, as Chris explains:

"It's a huge programme. If you combine Tanzania with the industry support we also provide to a similar project in Zambia, that's a £200,000 a year programme – a very good, influential programme that we really want to do, entirely resourced by industry. And the more success there is with that project, the more industry comes on board with it."

Transaid puts a financial value on the skilled volunteering inputs it receives and represents this in its accounts but the vehicles pass straight to its partner, the National Institute. It is also achieving its aims by wielding the influence of the private sector to say 'yes this matters and, if you build the Institute's capability to offer training, we'll buy it'. By taking a resource-raising approach, Transaid's financials arguably don't reflect the scale of its ambition or achievements.

Chris admits there is a tension between programmes and fundraising and marketing when it comes to money.

"Would I love the money to come through us and then we pay those guys to do it? It would double our income and, in marketing terms, doubling your turnover in 12 months is an indicator of success. In project terms, delivering a really good project is the bottom line."

Transaid clearly has strong relationships with industry. In the future, it could use this strong foundation to ask partners to cover the 'hidden costs.' Transaid could also ask for a modest cash donation from each of its resource donors to pay for a project manager if it is unsuccessful in finding a high-level volunteer like John to coordinate such a project again.

In seeking industry-wide support, Transaid had to insist on supporters being willing to work in a consortium with competitors and this spirit of collaboration turned out to be very productive. One supporter's response was: "This is something that the whole industry should be supporting. I'm going to talk to my counterpart in [another competitor company], to see whether he'll join it." Chris observed that "If you can find influential people and really get their enthusiasm, rather than saying ‘we’d like another £10,000 donation’, you get them behind what you’re trying to achieve and they will actually grow that project.”

“Where we failed to get income to support the programme through advocacy we succeeded in getting income from industry to deliver to scale - even though it’s not in cash.”

Transaid refused to let its ambitions be frustrated by a lack of funding and used the relationships and trust it had built with its supporters to resource a flagship programme almost completely in-kind. However, it is virtually impossible to completely remove the need for cash funding and it is important that in-kind donors recognise that overheads are incurred in putting their gift to use. By making a modest cash ask to those who provide goods, services and facilities in-kind, Transaid could be in an even stronger position to resource future programmes in a similar way.

Lesson Five: Resource-raising requires different and distinctive skills

On one level, the relationship with donors who give in-kind is the same as those who give in cash. In-kind supporters expect and deserve the same level of relationship management and recognition.

> *". . . there is sometimes a casual approach to it. . .if someone gives you £100K worth of creative ad work we should look after them as a donor. . .charities are used to trading on favours and there's been a lack of acknowledgement of that."*

But, when resources in-kind come into play, something inevitably happens to the dynamic of the relationship. Tangible goods and services are visibly out there, saying something about the donor's values, expertise and, in the case of corporates, their brand. This makes giving in-kind a very powerful proposition.

> *". . . there's a one step benefit, you're resourcing something which is directly helping somebody. . .they can see their goods are going to be used straight away, in that context and for that specific use."*

However, for the charity, including non-financial elements at the start of the relationship can be a risk because the decision making processes around accepting resources in-kind tend to be slower and more complex than with cash. There is a risk that the donor will get frustrated and the whole deal will be compromised.

> *". . . there's always a risk to include gift in-kind in your initial conversations because it's much easier to tie up funding . . .If you do them both together the big danger is that the time delay just puts them off and the window of opportunity has shut."*

Despite the fact that charities are getting firmer about saying yes only if the resource is genuinely useful, there is still a fear that the relationship with the donor will not survive them saying no.

> *". . .you would never say no to money so you don't know how to say no . ..but most people here haven't had that sophisticated experience. There's probably something in terms of training for fundraisers around that."*

In really integrated partnerships with companies, less tangible elements of the mix like influence and profile come into play (as seen in the Christian Aid approach, above). A charity might be seeking to influence the company's behaviour, products and services (as explored in the Leonard Cheshire case below) or to communicate with their customers or stakeholders.

> *". . . ideally you want this company to . . . become a champion, a cause for good and that [your mission is] embedded in the very core principles of their business. . . for that to meaningfully take shape that has to have effect on what they produce, whether that's skills or stuff."*

When the donor is bringing their expertise or core competencies to bear, the resource-raiser needs to have a degree of specialist knowledge about the subject area in order to engage on intellectual peer level with the donor and internal stakeholders.

Fundraisers are usually encouraged to be predominantly donor focused and external facing. Much of the resource-raiser's role is internally focused on internal networking, delivery and, sometimes, project management: "making sure the work gets done and it's reported in the right way". In discussion, fundraisers said they were sorting out visas and vaccinations for overseas skilled volunteers, working out the formulas for complex financial valuations and inducting and managing pro bono consultants. This raises a question as to how much of this should sit on their plate, since, if the resource had been bought in, they wouldn't be involved at all.

More broadly, charities who adopt a resource-raising approach must acknowledge the complex set of skills that are needed and recruit or develop people to this profile. This is particularly relevant for those who adopt a mission delivery strategy or are seeking to make resource-raising integral to the organisation's business model. The ability to contribute to programme development and build high level internal and external relationships is vital to the success of these strategies.

CASE STUDY 5: LEONARD CHESHIRE DISABILITY

Howdens Joinery: the varied role of the resource-raiser

This case highlights the different roles that the fundraiser plays in brokering and managing resource-raising relationships. It also explores the potential to use the influence part of the mix to bring about positive developments in the market for goods and services that have the potential to improve the lives of beneficiaries.

Howdens Joinery is one of the few kitchen manufacturers who specialise in producing inclusive kitchens for people with disabilities. In the last five years, Howdens have designed and installed accessible kitchens at fifteen Leonard Cheshire Disability (LCD) services, valued at c. £120,000. They have also raised over £660,000 in cash and taken part in team volunteer challenges.

Local depots have linked up with LCD's residential and other services and worked with them closely to understand the practical needs of their users and come up with bespoke solutions. Part of the agreement is that LCD's kitchens are a testing ground for new products so Howdens can use LCD's clients feedback to continuously improve their inclusive kitchen range. This benefits people with mobility issues more widely by creating more choice in the market.

Desiree D’Souza, Head of Major Giving at LCD explains

"In the course of working with us they’ve [Howden’s] made adjustments to their products like pull down shelves and plinths that give you somewhere to put something down - really clever stuff. They’re trying to make it stylish as well. Lots of accessible kitchens have high visibility additions that say ‘this is a kitchen for people with disabilities’. With Howdens this is just a regular kitchen that’s more accessible to people with mobility issues or visual impairment. The focus is on accessibility for all."

The partnership is intentionally low profile but Howdens (one of only about five manufacturers of inclusive kitchens) doubtless enjoys some benefit from the association, bringing as it does valuable market insight and the endorsement of a highly demanding end user. The market for accessible kitchens is likely to increase with our ageing population so the partnership is an extremely shrewd one for Howdens and LCD. The latter, by allowing their services to be part of the research and development process, get to influence rather than just endorse an important product for independent living. Their refurbishment schedule is sped up and they get a much higher-spec kitchen than they would have otherwise been able to afford.

"Working with Howdens has allowed us to influence the design of a product. We could have just gone out and bought a kitchen but if you can work with that supplier a) to get it for free; and b) to make subtle changes and adaptations – that’s something that I don’t think we could have forseen at the beginning," D’Souza explains.

So what has to be done differently to make this work? Firstly, the corporate fundraising manager plays a key role. They co-ordinate the call for the 4-5 services per year, inviting service managers to put a case forward. The Property Manager then makes the decision about where the need is greatest whilst weighing up factors like risk assessment. When the decision has been made, staff from the local Howdens depot visit the site to assess the need and discuss requirements. Their main point of contact then becomes the service managers and the Property Manager. The Fundraising Manager then monitors progress on delivery against the plan, and maintains regular contact with the service manager and Property Manager, alongside their usual responsibilities of regular update meetings and conversations with the funder.

The additional role that the fundraiser plays in making sure things happen on time and everyone is satisfied with the development, alongside their relationship management responsibilities, could be described as project management. They also liaise with Howdens to agree the financial value that both parties will use, which is somewhere between cost and market rate. Approximately a third of the fundraising manager’s time is dedicated to Howdens which, if the kitchens had been bought through the procurement team, would be unnecessary

For D’Souza, however, this is an investment worth making.

"I think the reason why these kind of partnerships are working well for us is because we've put a lot of dedicated resource to it. . . but if the organisation doesn't value that then I think it would be really difficult to resource these kind of things – harder than with money because that gift has to go and do something. Money can sit in the bank and pay for something – this has to be installed, it has to be instructed. A lot of manpower that goes into it. As a fundraiser, it's about recognising that this will add to your workload. But then it offsets your target – that's another reason to do it."

LCD does include the value of donated resources towards the fundraising target. It also recognises the wider impact of the partnership. Regarding the benefits to internal relationships, D'Souza says: "There's something about bringing an organisation together and working with services in a positive way. All too often as a fundraiser it's just 'I need this information from you' - it's a very one way relationship. This is quite involved so I've seen much closer relationships between a programme office or service manager saying I need this kitchen - how can you help me."

The willingness to work on in-kind opportunities appears to be driven by an openness to creativity and experimentation, as well as a long range view. D'Souza appears genuinely excited by the possibilities.

"I love what happens when the corporate and the charity sector mix and something really interesting happens. Sometimes it doesn't go to plan but, when it works, both parties go away with something that's going to lead to better outcomes. The reason why we're going into the sixth year with Howdens is because there's something really interesting going on at a chemistry level."

Lesson Six: Negotiate for quality, reliability and sustainability

The term 'gift in-kind' can conjure up negative connotations, associated with tactical, one-off support and a loss of control and accountability. The perception is often that gifts in-kind rarely come at the right time, to the right specification and that it encourages a "beggars can't be choosers" mindset.

> *"Culturally what is going on is that people are worried that what you're being offered is not what you want. . ."*

In a similar way that 'hidden costs' are a concern but are widely acknowledged, charities are good at recognising the possible downsides of resourcing in-kind.

> *"There is something around beggars can't be choosers. . . inevitably the goalposts move, somebody who was able and willing might be less able than they were before. . .they now have another job or business has picked up and it doesn't have the slack etc etc."*

There are some very good reasons why these concerns mean that the first line is to purchase, rather than to procure in-kind. For example, in a pressurised, time-critical situation like a disaster, anything that doesn't appear on a defined wishlist is usually dismissed because there isn't the time to negotiate.

Yet whilst gift in-kind has negative overtones, 'integrated partnerships' have positive ones. The likelihood of getting a high quality, reliable and sustainable resource is linked in part to the strength of the relationship with the donor. When there is time to build the relationship and have a dialogue about need, charities regain some confidence and control. The concerns are still present, but if the charity is confident about its needs and assured about its status in the relationship with the donor, it puts itself in a better position to deal with them upfront.

> *". . .you need to remain in control. . .you can't have the in-kind donor telling you how you're going to run your operation, it just isn't appropriate."*

> *"I've worked with an ad agency totally pro bono and you know, people say well you have to use what they put forward but you know we didn't. . ."*

Negotiating with donors often involves dealing with the emotions attached to giving, which inevitably influence decision making. The procurement specialist interviewed for this research highlights the similarities and differences:

> *"Just because you're not actually paying for something, I don't think it alters things too dramatically. We're very much trained to make purchase decisions on a balance of cost, quality and all sorts of other things. But being given something makes that difficult because you're not making a decision based on those criteria."*

However, if the relationship-based negotiation skills of the fundraising function could be married with some of the more rational decision-making processes and negotiating skills of the procurement function, the potential pitfalls of resourcing in-kind could be brought even further into the open. Clear decision-making criteria could then be set and the risks minimised, as the Save the Children case study below demonstrates.

Nevertheless, charities generally believe they are in a weak position to negotiate any kind of binding agreement with their in-kind donors and to hold them to account if things don’t turn out well. Specialist intermediaries, like In-Kind Direct, who procure and broker goods and services, can be helpful for those without the contacts, capacity or confidence to seek donated resources themselves.

CASE STUDY 6: SAVE THE CHILDREN UK

Venture Partnerships: putting pro bono relationships on a commercial footing

This case study presents a new approach to securing pro bono goods, services and facilities in-kind, that introduces some of the disciplines of the procurement function.

A prominent theme in this report has been the concern around the reliability, quality and sustainability of resources given in-kind. Caroline Underwood, Director of Philanthropy and Partnerships at Save the Children UK, believes that the phrase 'gift in-kind' is itself part of the problem, carrying connotations of one-off, tactical donations of variable quality and usefulness.

"Gift in-kind is a non-term because everything's all so connected and integrated that it's confusing and old fashioned.," Underwood comments. "Contemporary donations are a mixture of expertise, money and in-kind. What we're all looking for now are long term, strategic relationships." Her vision is of a market for pro bono outsourced services, clearly specified by the charity and delivered under a non-cash contract by business partners who realise significant CSR benefit from the relationship.

Globally, Save the Children is championing this approach through its Venture Partnerships model and has already brokered a long-term arrangement with management consultants BCG on this basis.

Pro bono management consultancy is not new to charities. British Red Cross is among those who have evolved similar relationships (with Booz & Co) and the model of targeted, high impact strategic support is championed by venture philanthropists such as Impetus Trust. However, the Venture Partnerships model expands on this by creating the conditions for long-term commitment, with the potential to draw in a much wider range of suppliers and reduce concerns over quality and consistency to the point where outsourcing in-kind becomes the logical option for charities and suppliers.

The model highlights the need for different parts of the organisation to work together seamlessly and recognise the value of the partnership. Venture Partnerships are therefore usually established and cemented at a very senior, peer to peer level and are managed by the Philanthropy and Partnerships team with the same care and attention that any other high value donor would receive.

Underwood is equally enthusiastic about the potential for smaller charities to adopt the model. "You could see a model where you have quite a small charity with Venture Partners who are delivering logistics, IT, HR, telephony – it's all out there. Outsourcing things for nothing would be a very strategic way to go."

Yet, if outsourcing in-kind was to become the norm, this would produce significant implications for the role played by procurement, and quality and reliability would also have to be rigorously assured. To address this issue, the guidance in Section Four provides some procurement principles to apply when seeking any goods, services or facilities in-kind.

We may still be some way from a market where it is the norm for suppliers to enter into competitive pitches to deliver their services for free but NSPCC have recently shown it can be done; by appointing four law firms to their pro bono panel through a competitive process which saw eleven firms pitching for the positions. Therefore, if charities are clear enough about their needs, confident enough about the value they can deliver to companies in return - and serious enough about cultivating and managing their business partners - this 'reverse pitch' idea might become increasingly common.

CASE STUDY 7: FARESHARE

Accenture: an equal partnership assures quality

This case study demonstrates how a strong and open relationship between charity and donor can produce high quality, reliable resource supply.

FareShare takes surplus from the food industry that would otherwise be destined for landfill or waste and redistributes it to community organisations such as daycare centres, hostels and supported housing units. It was born out of Crisis but became an independent charity in 2004. However, by 2008 it had moved its core business from a charity to a social enterprise model by charging the food industry to take their surplus food in recognition of the value to them of dealing with their waste. They consulted with their supporters through the change, losing some along the way, but converting most to commercial terms, won more contracts and took increasing control of their supply chain.

An understanding of what drove their partners and a willingness to have open and honest negotiations with supporters has helped FareShare to secure a reliable supply of other services that they want and need. They created a value proposition around an in-kind resource that had and generated income from the donor in recognition of the value to them and the costs to FareShare of administering these donated resources.

Few charities have opportunities to create social enterprises around gifts in-kind at this kind of scale. Yet FareShare's experience shows that they were able to take more control over their negotiations around resources in-kind by recognising the value to the donor and being upfront about this. To offer another example of the potential, the WEEE (Waste, Electrical and Electronic Equipment) directive means there is a cost for companies getting rid of whole IT systems, which is removed if the goods are donated.

Their confident approach to specifying what they needed and negotiating on their own terms to get it has helped FareShare to build meaningful in-kind inputs into relationships with its charitable supporters. David Meller, FareShare's Director of Operations, sets the scene for one significant pro bono partnership:

"We're lean and mean to the extreme. We haven't got a lot of spare capacity and there are things that we'd like to do but recognise we just haven't got the capacity to be able to. We were on the cusp of doing some IT work and recognised that we didn't have the resource to be able to do it, but were in a funding relationship with someone at the top of the list of companies that you'd want to help you with that."

The project which developed was the introduction of a state of the art IT based distribution system, with the assistance of Accenture's specialist logistics and supply chain unit. Accenture is a global management consulting, technology services and outsourcing company and collaborates with clients to help them become high-performance businesses and governments. In the UK & Ireland Accenture employs over 10,000 people and works for many FTSE 100 companies. Two consultants were seconded to FareShare for six months to manage the project. Demonstrating a strong negotiation model, David and the team carefully weighed up the benefits to both FareShare and Accenture before the approach was made.

"We said, Okay, what's the value of this resource being given to FareShare on a pro bono basis? What's the missed opportunity for them as opposed to sending a consultant somewhere on a paid basis and what value are we getting back?"

John Calder, the senior Accenture consultant who acts as the Relationship Manager and quality assures the project, answers this question about the value provided to the business: "The notion of what gets you out of bed - how ethical do you think Accenture is - is an important part of Accenture's retention agenda. Leaving charitable project nominations to individual discretion is a big piece of this."

Staff development is another important benefit. Accenture tends to staff pro bono projects with less experienced consultants than it would a similar commercial assignment but, because these projects are just as highly regarded, it often picks people on the promotion boundary. So FareShare gets high potential people, who are incentivised to prove themselves in a challenging environment. It has also leveraged Accenture's access and influence to win new clients and supporters.

As John puts it, this means the charity gets "more bang for its buck", as the pro bono budget stretches further than it would with a more experienced consultant charged out at a higher rate. John assures the quality of the consultants' work and makes it clear to the secondees that this is no easy option. "I tell them, I want you to do exactly the same standard of work as you would for a private sector client – you should be doing this to the best of your ability."

FareShare and Accenture offer a classic case of the 'win-win partnership'. This concept is much talked about and celebrated but charities could be much more confident about the value they offer in order to negotiate more equal partnerships. David couldn't see it working with Accenture any other way.

"John came in today and I just assumed he knew where the keys were because we just treat them like they're part of the organisation. So yeah, there's nothing we withhold from them, we don't have meetings and tell them that they're not allowed to come, they are part of us for the period they're here.It takes a leap of confidence at first to get things moving but once you feel you can trust each other, then you get to know each other and then you can make the most of it."

When pressed for any major issues which have emerged, John really struggles but eventually offers a couple of cultural challenges: "With private sector clients, you know who to go to for something, people here tend to wear multiple hats, and getting time with decision makers has sometimes been difficult."

While it hasn't always been plain sailing, therefore, the working relationship is mature enough to cope with any problems and setbacks. FareShare are certainly satisfied that they got what they needed and David clearly appreciates the value of the resource they've been given.

"You know, when I tell this story to some people they're absolutely gobsmacked. They say 'sorry, you've got two full time Accenture consultants sitting in FareShare for six months?' You can almost see the dollar signs in their eyes!"

Section Four: Making your charity a resource-raising powerhouse

So what now if you want to adopt a resource-raising strategy in your organisation? Previous sections have presented and explored new primary research on the way that charities currently engage in resource-raising and the key lessons which can be learned from their experiences. The research has drawn on survey findings and in-depth interviews, which culminated in a working group put together from participants in the earlier research in order to explore the key issues and lessons.

The **recommendations** in this section are designed to be applicable whatever kind of resource-raising you are planning to take on. **The step by step guide** is designed to make sure each organisation not only creates a great strategy but also the *right* strategy for the kind of resources it wants to raise.

Overview of recommendations

1. Be passionate internally about resource-raising

Most charities are already doing some resource-raising but don't acknowledge it as a specific part of their income generation strategy. The term 'resource-raising' may be best used internally to describe and promote the approach. Charities could use it externally, but might find that they prefer to stick with 'fundraising' to avoid confusing donors or de-emphasising the need for cash funding. Either way somebody needs to be the champion of resource-raising if an organisation is going to increase its level of donated resources.

2. Be clear about what kind of resource-raising strategy you want to have

There should be a clear strategic framework that sets out the role of donated resources in delivering the charity's core operations and programmes, the criteria for seeking or accepting them and the people who need to be involved. This framework will be unique and will depend on the charity's operating and financial models, structure, services and procurement practices. This kind of strategic clarity will help charities to proactively seek resources in-kind and identify relevant opportunities.

A step by step approach of things to include in a resource-raising strategy is offered later in this section.

3. Know how you will value and report donated resources

The Charities SoRP 2005 states clearly that 'voluntary income includes incoming resources generated from... gifts in-kind and donated services and facilities' and that they 'should be included in the Statement of Financial Activities'. However, the value of something is rarely clear cut. Charities therefore need to be clear, internally and externally, concerning what they will value and report and whether the value will be set against fundraising targets.

You will find some good practice guidelines on valuing resources in-kind in this section and a more detailed interpretation of the guidelines in the Charities SoRP 2005 can be found in Appendix 1, which should help you to have the right conversations with your finance people.

4. Be clear how you can make donated resources reliable and sustainable

When resourcing in-kind, charities should define the need clearly, negotiate confidently at the outset and build and maintain a close and open relationship with the supporter. Procurement and fundraising knowledge and skills can be combined to achieve greater reliability, consistency, quality and sustainability.

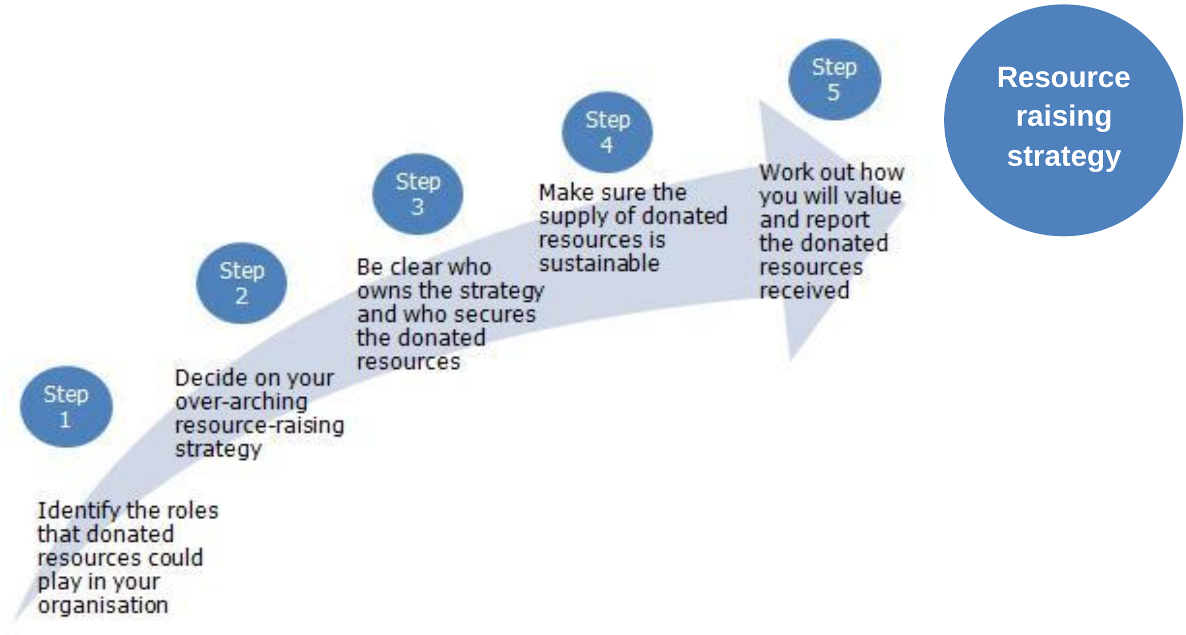
This section offers some pointers on how to reduce and manage the risks of resourcing in-kind.

5. Exploit all the potential of the resource-raising mix

The mix of resources to be raised will be different for each charity. However a very real danger is that organisations narrow their range of resource options far too early. The real potential and opportunity with resource-raising lies in the breadth of ways that donated resources can help deliver for an organisation. The figure below shows the key areas which a resource-raising strategy should think through in terms of their usefulness.

A 5 step guide to developing a resource-raising strategy

A clear strategic framework should set out the role of in-kind resources in delivering the charity's activities, the criteria for seeking or accepting them and the people who need to be involved. This framework will be very individual and depend on the charity's operating and financial models, procurement practices, structure and activities. This strategic clarity will help charities to proactively seek resources in-kind and identify relevant opportunities.



Step 1 Identify the roles that donated resources could play in your organisation

It is easy to see donated resources as a gift that is given instead of money. Many of the case studies from this report show that this is a highly restrictive view of in-kind donations. Indeed any organisation which sees donated resources as simply a resource to be turned into money is missing out on a world of opportunity. Table 4.1 is a schema of the different ways that charities can use donated resources with an example of what might go in each of the boxes and, where appropriate, an example of a specific organisation using that type of resource. The three broad types of resource are:

- **turned into money.** The resources are usually then sold. The most common form of this type of resource is donations of goods (and perhaps services or even time) which are then sold on to raise money. This is the charity shop model.

- given **in lieu of money** or so that money is not needed. This kind of resource could include donated advertising space, donated management consultancy or donated drugs (the biggest single class of gift in-kind based on the research carried out for this report).

- **something that money can't buy.** This is perhaps the most interesting area. A celebrity endorsement might be an example of this (though you might argue that money can buy celebrities!) or the way that Toni & Guy used their chain of salons to enable Macmillan to extend their services for people living with cancer, featured in this report.

These three types of donated resources can then be used in different ways for income generation, for management or for mission delivery as table 4.1 shows.

Table 5: Different types of donated resources

	Income generation & communications	Management	Mission Delivery
To turn into money	**Donated goods or services,** including charity shop donations and auction lots (eg Oxfam & Marks & Spencer)		
In lieu of money	**Donated advertising space or access to customers** (eg Clear Channel and Thamesreach fundraising campaign; Boots & Breast Cancer Awareness product range)	**Pro bono services** (eg NSPCC's pro bono legal panel)	**Donated goods, services or facilities** (eg Crisis at Christmas or Sightsavers and Mectizan river blindness drugs)
More than money	**Fundraising endorsements** (eg Comic Relief celebrity involvement)	**Expert trustees or advisers** (eg Impetus Trust and venture philanthropy)	**Profile, knowledge, access or influence** (eg Macmillan and Toni & Guy; Christian Aid influencing business practice)

So the first step of any resource-raising strategy is to work out what kind of resources an organisation is looking for and how they might be used in the organisation. It's not just about resources for income-generation or getting something for free. As the case studies show, some of the most impactful donated resources are something that money simply couldn't buy.

Step 2

Decide on your over-arching resource-raising strategy

Determining the role that you think donated resources can play, and identifying other factors relating to the culture of the organisation, such as how strong cross-functional relationships are (see figure 2) is critical to deciding what sort of strategy is right for your organisation. There are four broad approaches to raising resources.

Approach 1: An opportunistic and reactive approach is probably most common. There is no systematic approach to resource-raising and the charity reacts to specific offers of donations, or responds to the donor's wish to give more than money. This approach is often employed in order to strengthen the relationship with an existing or prospective cash donor. Although reactive, this approach still benefits from thinking through the exercise in step one so that appropriate opportunities can be more readily identified when they do come up and their contribution to income generation, management or mission more readily articulated. As the organisation becomes clearer about the value that donated resources have in their own right, you can move on to develop one of the more strategic approaches that follow.

Examples: Howdens Joinery and Leonard Cheshire's relationship was born out of a reactive opportunity, but has evolved to become part of a mission-delivery strategy (see Strategy 3).

Approach 2: an income-generation strategy works well when there is a channel through which donated goods can be resold, or a definite requirement for a particular kind of resource that the organisation always needs or uses regularly. This is most common with goods, services and facilities. For example, the need for computer hardware, legal or professional services and office space can be identified and specified over a period of time. Rather than simply working out how much they will cost and fundraising for them, a 'shopping list' of the things that could potentially be secured in kind is draw up and 'resourced-raised' for, either in cash or in-kind. By resourcing in kind, the money that is saved can be made available for other things. Donated resources generate or save money that can be spent on other things.

Examples: Marks and Spencer/Oxfam Clothes Exchange and TKMaxx/Cancer Research UK 'Give up Clothes for Good' campaigns; Save the Children's 'venture partnerships' approach to securing pro bono suppliers and NSPCC's pro bono legal panel; Microsoft software donations; Sightsavers and donated drugs

Approach 3: A mission-delivery strategy works best when there is a clear set of programme, campaign or organisational goals and outcomes and an openness to the possible resources that could contribute towards their achievement. These resources could be money, goods, services and facilities but might also be the 'money can't buy' elements of the mix: knowledge, skills, profile, access and influence. The organisation's strategic goals are clearly defined and communicated - internally and externally - and opportunities for supporters to contribute resources that help to achieve them are readily identifiable, be they offered or proactively sought. By resourcing in kind, the cash requirement of a programme can be reduced because outcomes are achieved without the need to buy resources in.

Examples: Macmillan delivering services through Toni & Guy salons; Christian Aid influencing business behaviour.

Approach 4: Resource-raising at the heart of the organisation is the approach that a limited number of organisations have reached. It is not an add-on but integral to the business model of the organisation or programme. Some organisations were started with this approach and others have evolved it out of necessity. The advantage of this approach is that it means that the whole approach to identifying, securing and reporting on donated resources is disciplined and systematic, so the quality of donations goes up as supporters see how well their gifts are used.

Examples: Crisis at Christmas; Transaid 's industry delivered transport training programme; FareShare's social enterprise model

Step 3

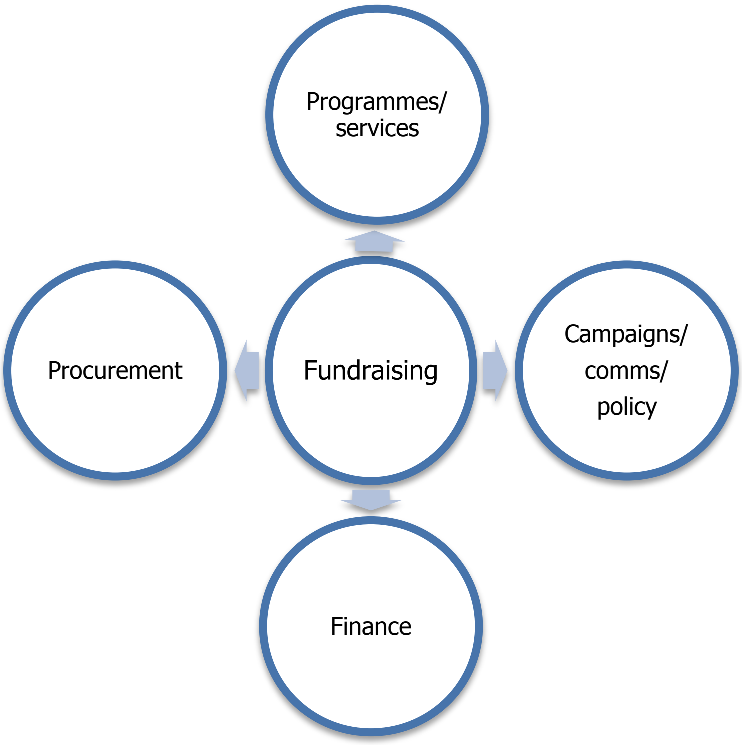
Be clear who owns the strategy and who secures the donated resources

In larger charities, people from across the organisation will need to work together to in order secure the resources that step 1 of the strategy outlines. In smaller charities it may be one person (but, as the Transaid case study demonstrates, limited resources shouldn't limit the scope of the ambition). The fundraising team will usually develop and own the strategy but will need to involve the right people from across the organisation. In addition, strong senior management engagement is vital to raise awareness of the approach and get everyone working together.

The different parts of the organisation that need to be involved should be identified with the specific people who will lead in each case. These 'subject matter' experts might be involved in deciding what to seek or accept and how to value it. It might also be important to bring them in to talk directly to 'expert donors' who have specialist knowledge and expertise; this might need to happen at a senior, peer to peer level.

If the resources being sought are simply as proxies for income then it is easier to limit the people involved to fundraising . In many cases however, particularly when it comes to raising resources for management or mission delivery, it is vital that the people who are meant to work with them or use them are happy that they are able to make use of the gifts.

Figure 2: The different departments that work together in a resource-raising organisation



Step 4

Making sure the supply of donated resources is sustainable

When resourcing in-kind, charities should define the need clearly, negotiate confidently at the outset and build and maintain a close and open relationship with the supporter. Procurement and fundraising knowledge and skills can be combined to achieve greater reliability, consistency, quality and sustainability.

How can the risks of resource-raising flash in the pan be minimised?

- Identify what the hard costs and time costs associated with the resource will be and factor this into your decision as to whether to pursue or accept it.
- Work with the procurement team to identify and agree the types of goods, services and facilities that could be secured in-kind and involve them in preparing the points of negotiation.
- Develop a clear specification for the resource, involving the people who will be using it or managing it.
- Assess the risks around reliability and sustainability and consider how willing you are to accept these against how critical the resource is to the delivery of a service or functioning of the operation.
- If you can't have a formal 'contract' with the donor, make your expectations explicit. What do they agree to deliver and what do they expect from you?
- Give the supporter the same level of relationship management as you would a cash donor and report on outcomes - the reliability of the resource is usually directly related to the strength of the relationship.
- If the resources you need are related to a specific industry, gain a good understanding of how it operates to understand the market factors that will influence their supply.
- Even if the donor does not end up bearing any associated costs, they should be made aware of them and asked to cover them as a first principle.

Things to watch out for

- 'Hidden costs': recognise the ongoing fixed or variable costs that the gift will incur and recover or budget for them.
- Time costs: you will have to manage the resource and manage the relationship so make sure that you can invest the time this will take.
- If the donor is also a paid supplier, or is tendering to be one, make sure that purchasing decisions remain objective.

Step 5 Work out how you will value and report the donated resources received

The Charities SoRP 2005 states clearly that

> *'voluntary income includes incoming resources generated from...gifts in-kind and donated services and facilities'*

and that they 'should be included in the Statement of Financial Activities'. However, the value of something is rarely clear cut, and is often just what someone is willing to pay. Charities need to be clear, internally and externally, what they will value and report and whether the value will be set against fundraising targets.

Good practice: Valuation

- Apply the principle 'If it's worth having, it's worth valuing', whether the resource was in or out of budget.
- Use a 'reasonable estimate of the market value' that you would have had to pay on the open market for goods, services or facilities raised in-kind.
- Develop a simple formula for valuing the resource and agree it with your auditors.
- Take into account any discounts or preferential rates that you'd usually get in your formula
- Resource-raisers and finance should agree together how a resource will be valued.
- Where possible, the donor and the charity should agree on and report the same financial value - it's not essential for accounting purposes but it helps the relationship if you both agree.

Good practice: Reporting

- Report the value of resources in-kind separately from general donations in your annual report to give a true and fair picture of your finances.
- 'Money can't buy' resources like access and influence are not easy to value but try to measure and report on their impact.

Good practice - Income targets

- If fundraisers win resources in-kind that are in line with the strategy, the value should be counted towards their targets.
- If the resource was in budget, the value of the saving contributes to an unrestricted income target.
- If the resource was out of budget, the agreed value contributes to a restricted income target.

And finally....10 things a resource-raising strategy should contain

1. A definition of the role of donated resources in relation to cash giving

2. A "wish-list" of planned or budgeted for goods, services or facilities that have high potential to be resourced in-kind

3. Details of strategic focus areas, programmes or projects that have high potential to have some resourcing in-kind

4. Campaigning, communications or policy goals that have high potential to be achieved through supporters' access and influence

5. Organisations and individuals identified as resource-raising targets
6. Any resources that the charity won’t accept and reasons why
7. The process for deciding whether to accept resources in-kind
8. Some guidelines on budgeting for the associated costs
9. A policy on valuing and reporting resources in-kind
10. Performance measures, based on both financial value generated and strategic outcomes contributed towards.

Appendices

Appendix 1: The resource-raiser's SoRP companion

by David Membrey, CFDG

This research highlighted a need for the rules and recommendations around putting a value on resources given in-kind to be better understood, particularly amongst fundraisers who often faced difficult conversations with their finance people about when and how to value them. The trouble is that the wording of the Charity SoRP (the Statement of Recommended Practice that the Charity Commission has set and which charities must follow) leaves some room for interpretation and there is a degree of subjectivity involved. This is a brief guide to the spirit and the letter of the SoRP around resources in-kind. For those who want to learn more about charity finance a number of short courses are recommended in the Useful Resources Section at the end of the guide.

What does the SoRP say?

The 2005 Charity Statement of Recommended Practice treats tangible goods and assets as 'gifts in-kind' and services in-kind as 'donated services and facilities'.

It states clearly that 'voluntary income includes incoming resources generated from...gifts in-kind and donated services and facilities' (para 121d) and that they 'should be included in the Statement of Financial Activities' (para129/133) (the SoFA).

The SoRP breaks down gifts in-kind into three broad categories with guidance for each.

'Assets given and held as stock for distribution' (para129a)

What to value?

These are usually goods donated for use by a charity's beneficiaries or partner organisations. Examples could include pharmaceutical drugs used in a vaccination programme or items of clothing given to visitors to a homelessness project. To be able to record these as income an equivalent amount has to be shown as expenditure – so if the donations are still waiting to be distributed at the end of the financial year, they haven't been 'spent' and so can't be included as income. However, a note to the accounts should be included if their value is 'material' (or significant in the grand scheme of things).

How to value?

Come up with a 'reasonable estimate of their gross value to the charity' – the price that the charity would have had to otherwise pay on the open market (para 130). Sometimes this will be quite subjective – the important thing is to come up with a method that is fair and reasonable and everyone, including your finance people and auditors, is happy with. If the goods are second-hand, or you would have got a generous discount from a supplier anyway, your method needs to reflect that.

'Assets given for use by the charity' (para129b)

What to value?

These are things used in the charity's core operations or services like property, computers, software licenses, vehicles or furniture. Their value should appear on the balance sheet at the point when they're given. An equivalent amount should be shown as expenditure.

How to value?

Again, it's a reasonable estimate of the market value. For tangible assets like computers, make sure that depreciation is included in the SoFA (if you decide to capitalise, though it is recommended to write off and put the full value in the year of delivery where possible) – they may have been donated but you will still need to replace them at some point.

Gifts 'made in-kind but on trust for conversion to cash' (para129c)

What to value?

This would usually mean second hand goods donated for sale in a charity shop. The SoRP would like you to record the figure it's valued at in when it's received and then adjust it, if different, to the value it's sold at, which would work fine for one off's. In practice, it acknowledges that this usually isn't practical and that this kind of gift usually has more in common with trading than donations. The sales income that is generated should therefore be included in 'activities for generating funds' in the SoFA.

How to value?

Use the amount you get for the goods when they're sold (para130) and record it as trading, not voluntary, income.

'Donated services and facilities' (para 133-135)

So that takes care of 'stuff' but what about less tangible services and facilities in-kind?

What to value

The SoRP advises you to include their value when the benefit to the charity is 'reasonably quantifiable and measureable' (para133). Therefore, this is a decision for the charity to make but if you can measure it, you should value it.

The person or organisation will usually be donating something that, in the course of their trade or profession, that they would charge paying customers a fee for (para134). Examples could be pro bono support from a lawyer or accountant or a local builder who renovates your premises, the use of a meeting space that would usually be hired out or donated media space. However, you could take it as far as a supporter hosting an event for you in their home, for example, if you would have had to pay for that service. Again, an equivalent amount also needs to appear as expenditure (para 135).

How to value

The market rate should also be used for services or facilities in-kind (para 133). One charity interviewed got their pro bono suppliers to invoice them at the market rate, but show a zero balance, to provide a clear audit trail. Sometimes the donor might value the service higher or lower than you do. If there is a difference, it doesn't really matter from an accounting point of view, you should go with what you and your auditors think is fair and reasonable. However, it can help the relationship with the supporter if you both think it has the same value.

The types of service or facility received should be listed out in the accounting policies that form part of the SoFA (para136) along with the 'basis for the valuation' (how you've worked out the value) (paras131/136).

What not to value

A value for volunteers who give their time but are not delivering a professional service should not be included in the SoFA because 'the value of their contribution to the charity cannot be reasonably quantified in financial terms' (para134). So if the builder who renovated the Scout hut also helps out with trips and activities, the value of that bit of their volunteering is not included. CFDG consulted on this before the 2005 Charities SoRP came in[*] but concerns over the reporting burden, the impact on small charities and the challenges of coming up with a standard hourly rate to use outweighed the arguments for putting a financial value on volunteering.

However, if volunteers are a significant resource for your charity, you can recognise their contribution in the main or Trustees annual report in terms of activities, hours or estimated equivalent value. It is recommended you do this for any kind of

[*] Charity Finance Directors Group *Inputs Matter: Improving the Quality of Reporting in the Charity Sector;* 2004

support that you can't put a value on (136) if it helps external audiences to better understand how you deliver your activities.

Lastly, commercial discounts shouldn't be included unless they 'clearly represent a donation' (para134). So if, for example, you're an international NGO that gets a standard charity discount from an airline on flights, this isn't included. But if you have a strategic partnership with the airline and, as part of their support, they give you a really exceptional discount that no-one else could get, you could come up with a method of valuing this.

In summary, the SoRP is very clear that you do need to value certain-kinds of resources to give a fair and accurate picture of the resources you're using to deliver your mission. And the general rule of thumb once again should be – if it's worth having, it's worth valuing.

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Thank you to.....

Thank you to all those who have helped to develop the concept for this research and provided challenge and support to the project.

Joe Saxton, Mhairi Guild, Jennifer Shea, and Shivani Smith at nfpSynergy; Clare Yeowart and Iona Joy at New Philanthropy Capital; Dame Mary Marsh and Siobhan Edwards at Clore Social Leadership Programme; Robert Dufton at Paul Hamlyn Foundation; James Plunkett at Social Investment Group.

Thank you also to all the interviewees who shared their experiences and a special thanks to the working group who helped to inform the content of the practical advice section.

Working Group

David Meller, Director of Operations, FareShare*; David Membrey, Deputy Chief Executive, Charity Finance Directors Group; Elena Jelley, Corporate Partnerships Manager, Sparks; Francesca Purcell, Corporate Partnerships, Sightsavers International; Hanah Burgess, Interim Head of Finance, Leonard Cheshire Disability; Jacqui Scott, Head of Fundraising and Communications, Book Aid International; James Thackray, Head of High Value Fundraising, Action for Children*; James Williams, Head of Business Development, In-Kind Direct; Joanna Woolcock, Corporate Partnerships, Crisis; Karla Chapman, Finance, Leonard Cheshire Disability; Mark Hopkinson, Head of New Business Development Team, UNICEF UK; Zoe Macalpine, Head of Major Gifts, Action Aid*; Zuhura Plummer, Leonard Cheshire Disability[*]*

And lastly thank you to all the 2010 Clore Social Fellows, who have been a source of inspiration and support throughout.

Contact the author, Caroline Beaumont, via LinkedIn or the Clore Social Leadership Programme.

[*] * Has since left post.