

## Background

### Current Status

- 1     **Cuts** – reduce what Freegle provides nationally. There was little enthusiasm for this option – and the response to the recent offer of business cards to local groups shows that there is enthusiasm for Freegle to do more not less, and the technical landscape in which we exist continues to evolve in a way that means we need to offer a better service to members if we want them to use us.
- 2     **Get more national volunteers**, as we have tried to do since Freegle started. We have made further attempts to recruit from existing moderators, group members, and from outside Freegle. This has not resulted in any more highly active national volunteers. It is clear that Freegle should not be structured in a way which requires or imposes unreasonable demands on national volunteers.
- 3     **Find sources of funding** and pay some of that to key people to allow them to continue committing significant time to Freegle without the likelihood of them burning out or without them making excessive personal financial sacrifices even if they are prepared to do so.

The first option is not what we believe Freegle wants, and the second option is not feasible. On the third option there have been some developments which are discussed in the next section.

### Recent Funding Experience

We have made available and publicised a number of donation mechanisms, with some success. We hope that this route continues to raise a few thousand pounds in subsequent years. That could pay for a modest expansion in what Freegle nationally provides to local groups - but that requires increased work from national volunteers to implement. It is clear that donations will not solve the problem of overstretched volunteers, unless Freegle secures an “angel” funder who recognises the value of what we do. We are working on that, but it is unlikely. We cannot plan on that basis.

We have tried and repeatedly failed to secure grant funding. There seem to be two principal reasons for this.

First, Freegle is competing in a harsh climate against existing professional organisations,

employing staff with fundraising skills, and working in areas which have more emotional appeal to funders than re-use. Such organisations almost always write better and more successful applications than we can expect to do.

Second, grants are increasingly not available for funding running costs. The most common funding streams are for:

1. Implementing a specific project, which typically has to be innovative, tick current 'buzz word' agendas, and be financially viable in the long term.
2. Giving organisations a leg-up to develop a sustainable business model. Without a long-term strategy for earning income, funders think “There’s no point in giving them money, they’ll just spend it and come back for more”.

It is therefore clear that if Freegle is to be able to secure sustainable funds, it must plan to earn income – which might in turn attract grants to get it off the ground.

## Earning Income

First, we considered the core of what Freegle provides:

- It promotes re-use.
- It provides an online service which is free to individuals at the point of use.
- It is embedded in local communities.

Any way in which Freegle earns income needs to be compatible with those values.

We have considered several possible business areas. We could discuss each of these in detail, but briefly they are as follows.

1. Projects like CAfS  
(see <http://groups.yahoo.com/group/FreegleUK-Central/message/31756>) – specialist Freegle groups for organisations. The organisation pays but the group is free for members to use. Another example of that is <http://freegle.in/Commonwealth>, an in-house office private group, which helps reach people who might be put off freegling because they don’t want to deal with people with whom they have no connection (but who might become active local group members once they’ve tried it).
2. Managed schemes for local businesses. Much business waste could be reused, either by individuals or other businesses, but they do not have the time and patience to deal with individuals and so would require a “matchmaker” service, in exchange for a fee. <http://www.warp-it.co.uk/> is such a service – Freegle could do it better.

- 3 A scheme to promote re-use across the UK. At the moment, people have to do all the research themselves, to find schemes like Freegle, or work out which charity shops take what stuff, when they are open and whether they collect, or to find local worthwhile community projects. It is clear from discussions with UK Government which we are involved in that this is a major barrier to re-use. We could provide a single point of contact, where organisations pay a low fee to be listed, and members of the public can easily find their local options for re-use. This would need up-front investment. We have done a proof-of-concept.

We should not kid ourselves – making money in any of these areas is hard work. Freegle would never make very much, and could not afford to pay people anything resembling a market rate for their skills. But this is not about making a fortune – what Freegle needs is to earn enough money to be able to secure its future by enabling people to continue doing what they do without financial or emotional collapse.

## **Implications for Freegle's Structure**

If Freegle were to pursue earning income, what would this mean?

Firstly, there would simply have to have a legal entity - Freegle is currently an unincorporated association, which means that individuals are personally liable for their actions and for any contracts they sign. Few within Freegle would accept significant personal liability, and out of care for their wellbeing they should not be expected to. It is also clear from some of the difficulties we have had with the CAfS project that few organisations would enter into a contract with us on this basis. So if Freegle wants to win any business and protect individuals, it has to do this.

Given that, there are two choices.

- 1 Changing the structure of Freegle itself from an unincorporated association to some other legal structure. There are various options which would be possible in theory, and some of them have been discussed on the Structure Working Group and amongst the Reps. Although this would result in a solid structure for the future, there are two main obstacles:
  - a Because of Freegle's unusual online structure, the standard templates would not be suitable. It would require a lot of skilled time, and in some cases significant money, to set them up. We do not see anyone within Freegle who has the heart to drive this forward.
  - b Freegle might also need to accept a more traditional governance structure, where there is a small group of people who have the legal power to decide what happens, as opposed to (at the moment) that power residing ultimately with the

volunteers. A common model is a voluntary Board of Directors who have authority, maybe with a small core of paid staff who effectively work for the Directors, and volunteers. This would be a difficult and fraught shift.

- 2 Setting up a “trading arm” which operates in parallel with the existing Freegle.
  - a This would be a standard, simple model, which would allow Freegle to conduct business while limiting liability (both personally, and also protecting Freegle itself from any liability arising from the business).
  - b Again, because of financial and time resources, this would need to be a fairly standard Company Limited by Guarantee. It might be possible to ensure that there is a democratic link with Freegle, for example by saying that elected Reps of Freegle are entitled (but not obliged) to be Directors of such a company, or it might not.
  - c This company would then be able to pay people, and also fund Freegle – for example by paying for use of the Freegle platform, and perhaps via corporate donations (though there may be tax issues here).

Regardless of which of the above is chosen as the appropriate structure, another decision to be made is between paying individuals for services, or treating them as employees. The relevant differences are:

- 1 Employees can be paid for the number of hours which they work (which may vary). The employer pays national insurance, and the employees have employment rights (which protect both the employer and the employees)
- 2 Individuals being paid for services are liable for registering as self-employed, administering and paying tax and national insurance, and do not have employment rights. Considerable care must be taken by the organisation to ensure that such individuals are not granted employment rights accidentally.

### **Reps' Recommendation**

Freegle faces difficult decisions here. It would be preferable to be operating in a more benign economic climate, where not much was needed at national level, and where there were ample volunteers to do what needed to be done.

Unfortunately, this is not how things are, and it is the Reps' view that if Freegle do not pursue earning income, then it does not have a sustainable future and would probably suffer significant or terminal decline within the next 18 months to 2 years.

The complexities, trauma and sheer effort involved in converting Freegle itself to some other

structure are vast. The Reps do not think this is a feasible option, and therefore recommend that Freegle pursue setting up a separate trading arm.

The Reps do not currently have a view on whether that trading arm should have employees or pay for services.