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Foreword

The past five years have seen an unprecedented increase in expectations for voluntary and community sector (VCS) organisations to collaborate. Alongside this is an increasing emphasis on the VCS as a deliverer of public services, particularly visible through a range of government initiatives kick started in 1997 by the Compact. This was followed by the Cross Cutting Review and more recently ChangeUp. Each espoused the virtues of a sector built on collaboration, largely to increase effectiveness in a service delivery context.

Many argue that the collective impact has been an increasing emphasis on streamlining and creating a fit around government tiers of delivery. Independence, accountability or the fundamental right to challenge and to shape, in a community-led manner, appear to have been lower on the agenda. In response, *bassac* has for some time been exploring the development of local cluster models - local community organisations formed into shared service groups to procure and deliver services to each other and local customers and in so doing, increasing community capacity and generating local wealth. Intended to strengthen networks, improve availability of technical services and provide the framework in which all-new community based businesses can be established, the combined impact has been to enable more effective mission-driven delivery within a framework that is independent, sustainable and accountable to local people.

During the process, we became aware of needing to learn from the experiences of others; yet evidence of similar work appeared sparse. The benefits of collaboration, widely acknowledged to be a good thing, remain largely anecdotal with little evidence of what works, why, to what it is suited and how much it costs.

Hence this report – a first step in gathering learning and thinking from across the sector on current evidence and good practice in shared services but importantly, given the newness of this approach, around broader collaborative approaches.

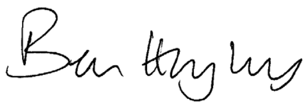
bassac members have long championed collaboration with those that share their broad mission of turning the tide on inequality and deprivation. With origins going back over 120 years, they pioneered initiatives that have resulted in real social change. The poor mans lawyer scheme, now the citizens advice movement; poverty facing children resulting in CPAG to name but two, were established through identifying others with a shared interest, and combining forces for lasting social change.

We are confident that good collaboration, that provides the foundation to strong shared service initiatives, is the way forward for a vibrant, independent and effective community sector.

This report is a working document. We want to hear your views and feed these into a report, to be published in Spring 2005, outlining *bassac's* stance on why collaboration is good, how best it evolves and the real costs, financial, organisationally and for the sector.

I look forward to hearing from you.

Ben Hughes



Chief Executive, *bassac*

Executive Summary

This report offers a wide review of current and potential approaches to collaborative working in the UK's voluntary and community sector especially as it relates to long term collaboration, sharing back office supports and infrastructure, and:

- Describes the various partnership models that are currently active and assesses their strengths and weaknesses.
- Addresses sector perceptions and attitudes about collaborative working.
- Depicts the possible benefits, barriers, risks and opportunities that organisations face with specific regard to social and commercial enterprise approaches to shared back office supports.
- Highlights current trends and future developments likely to emerge within the VCS over the next few years related to shared back office supports.

A number of converging factors are creating a momentum within the VCS that are driving organisations to:

- Work collaboratively.
- Maximise existing resources and income streams.
- Develop new revenue streams.
- Become more streamlined whilst achieving their mission and stated aims.

These factors include:

1. Government policies and initiatives to develop and strengthen the VCS.
2. Growing competition for resources between small VCS organisations with low, often shrinking incomes and a small core of larger organisations receiving the majority of available income.
3. Increasing expectations of funders, customers and others, including greater legal and reporting requirements which increase obligations and pressures on trustees and management.
4. An increasing focus on sustainable development and a growth in social enterprise and commercial business practices.
5. Proactive initiatives by VCS umbrella groups to further develop and promote collaborative working that fits the needs and values of the VCS.

Collaborative working occurs when two or more organisations work jointly to enable a greater overall output than if they pursued the activity alone. There are many models of collaboration, however:

- They are not sector specific.
- They are not restricted to a particular type of work or organisation.
- The benefits derived by participants will vary according to their specific circumstances and the resources invested.

While the VCS has been slower than other sectors to adopt collaborative working practices this review highlights a large number of collaborative projects underway.

Although these projects vary in structure and deliverables, they can all be placed into four top-level collaboration groups, namely: Informal; short term; long term and permanent/shared back office supports. Each is distinguished by the amount of commitment of participating organisations, the level of formality within their partnership structure, its objectives and the cost of operating it.

Examples animating each of these four groups give a flavour of the diversity of collaborative approaches being used in the VCS. These include:

- Networking groups, umbrella groups and membership associations.
- Joint research, training and development projects.
- Buying, lobbying and fundraising groups.
- Sharing building facilities and organisational incubators.
- Management or shared back office services organisations.

There remains, in some quarters, a culture of competition for scarce resources and a fear of sharing and losing ‘control’ and, for commercial enterprises, there are also specific risks involved. However these can be overcome with planning and a clear business strategy. There is enormous potential to enhance the VCS by closer collaboration, including:

- Improved opportunities for influencing policy.
- Enhanced and more sustainable communities.
- Increased public trust and confidence.
- Opportunities to achieve unrestricted income.
- Better income generation, cost control and use of resources.

In conclusion, there are likely to be some major changes within the sector over the next few years as it adapts to shifts in policy and responds to the requirements of the funding sources that are available and the additional competitive forces these developments will create. These changes are likely to include:

- Rationalisation of the number of organisations that currently exist.
- A significant increase in social enterprise.
- Further increases in professionalism and business-like practices.

Furthermore, both the public and private sector have proved that collaborative working, outsourcing and shared services are a permanent aspect of business processes and, therefore, it is inevitable that the VCS must follow these trends.

Consideration must nevertheless be given to the particular differences between national voluntary organisations shared services approaches and those of community-based organisations whose emphasis is on local community empowerment and building community value.

Reinforcement of current efforts by both the VCS and Government will therefore contribute to supporting the necessary shift toward greater collaborative working in the VCS that this research has identified.

1 Introduction

1.1 Purpose of the Review

This Report offers a wide review of the current and potential approaches to collaborative working within the UK's voluntary and community sector (VCS), with special emphasis on sharing back office support services and infrastructure. It examines the strengths and weaknesses of various models of shared working and considers why these approaches are becoming increasingly important for the sector.

Initially, when *bassac* first commissioned this work, it had been envisaged that the review would be able to provide a quantitative analysis of VCS organisations working in partnership, sharing back office support services.

It quickly became apparent that it would not be possible to accurately collate this information because:

- There is no centrally held data recording the number of instances of shared back office services in the UK.
- Any quantitative analysis would not be robust without access to some reliable central reporting.
- 'Shared services' in the VCS sector is still in its infancy in the UK and the small number of cases of 'shared services' limits the scope of any research and analysis.

This commission, therefore, evolved more into a wider review of the VCS's current activities around collaborative working, with a specific analysis of a shared service approach. This Report's principle aims are therefore to:

- Describe the various partnership models that are currently active and assess their strengths and weaknesses.
- Address sector perceptions and attitudes about collaborative working.
- Depict the possible benefits, barriers, risks and opportunities that organisations face with specific regard to a social or commercial enterprise approach to sharing back office supports and infrastructure.
- Highlight current trends and future developments likely to emerge within the VCS over the next few years related to shared back office supports.

It should also be noted that this report is a preliminary study of collaborative working in the VCS. The data contained within it is not broad enough to be used for statistical analysis. Further research would be required.

1.2 Background

A number of converging factors are creating a momentum within the VCS that are driving organisations to:

- Work collaboratively.
- Maximise existing resources and income streams.
- Develop new revenue streams.
- Become more streamlined whilst still achieving their mission and stated aims.

These factors include:

1. Government initiatives to develop and strengthen the VCS, including:
   a. Several high profile reviews that consider how the sector can increase capacity and generate sustainable revenue, such as ChangeUp - the Infrastructure Review, the Cross Cutting Review and Building Civil Renewal Community Capacity Building Review.
   b. Public funding and private investment in VCS sustainability, infrastructure and public confidence measures.
   c. Increasing opportunities for the VCS to deliver some central and local government services via outsourcing and contracts as opposed to grants.
   d. A push towards full cost recovery in VCS charges for public service delivery, reinforcing and recognising the sector's initiatives in this area.
   e. The Charity Bill and developments related to Community Interest Companies.
2. An increase in the number of organisations developing social enterprises or embracing commercial business practices to achieve additional revenue or make better use of their resources. These businesses include shared services organisations.
3. Research and data from the Charity Commission showing a sizable increase in the number of VCS organisations since the 1990s. The same data reports that total revenue has remained static, with some areas falling.
4. Growing competition for resources: a huge proliferation of small voluntary and community organisations with low, often shrinking, incomes and a small core of large organisations receiving the majority of available income. Resource sharing may help to create a competitive edge for the partners involved and, for small to medium sized VCS organisations, may result in a more equal access to resources, allowing resources to be more evenly spread throughout the sector.
5. Proactive initiatives by VCS umbrella groups, including *bassac*, to explore, develop and promote collaboration and partnership working that fits the specific needs and values of the sector.

The impact from these changes on sector dynamics will be far reaching over the next few years. One outcome is certain to be a significant increase in the number of mergers, collaborations and strategic partnerships within the VCS.

1.3 Methodology

The information used to support this report has been gathered from websites, reference documents, news sources and interviews. See Appendix 1 for more detailed source information and references.

2 Sector Overview

2.1 Definition

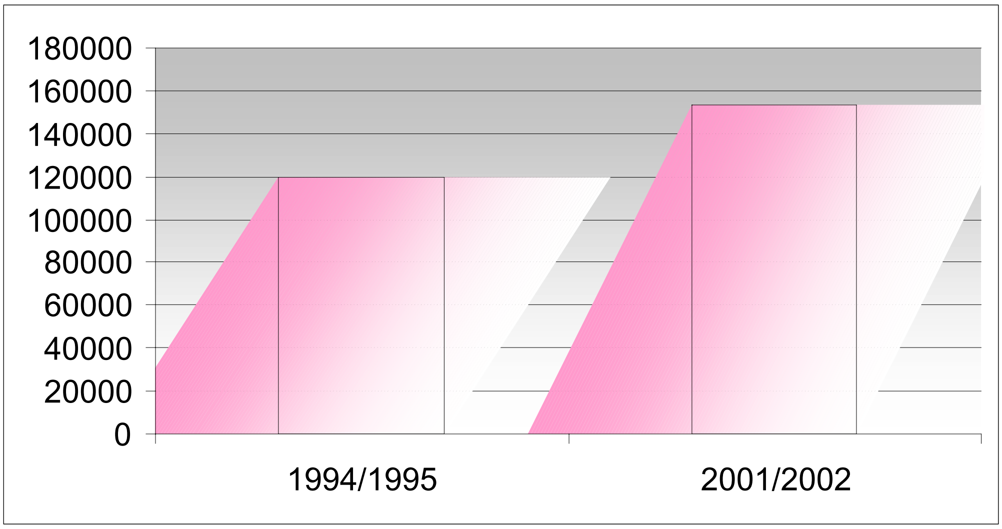
This report uses the term 'the voluntary and community sector' (VCS) throughout, defined in the UK Voluntary Sector Almanac 2004 as:

> "…registered charities, as well as non-charitable non-profit organisations (e.g. Amnesty International), associations, self-help groups and community groups. Typically, organisations belonging to this group have a discernable public benefit and benefit from some aspect of voluntarism."

The following section provides a statistical overview on the activities of the VCS, along with interpretations by the author. This statistical data was obtained from the UK Voluntary Sector Almanac 2004 [1], unless otherwise stated in the footnotes, and is based on a smaller group of organisations than those defined above. This group, 'general charities', was selected because they have database listings with the Charity Commission, the Scottish Council for Voluntary Organisations, Northern Ireland Council for Voluntary Associations and others and can, therefore, contribute robust data. This means the smallest community-based organisations are not included in the statistics that follow.

2.2 Statistical Overview

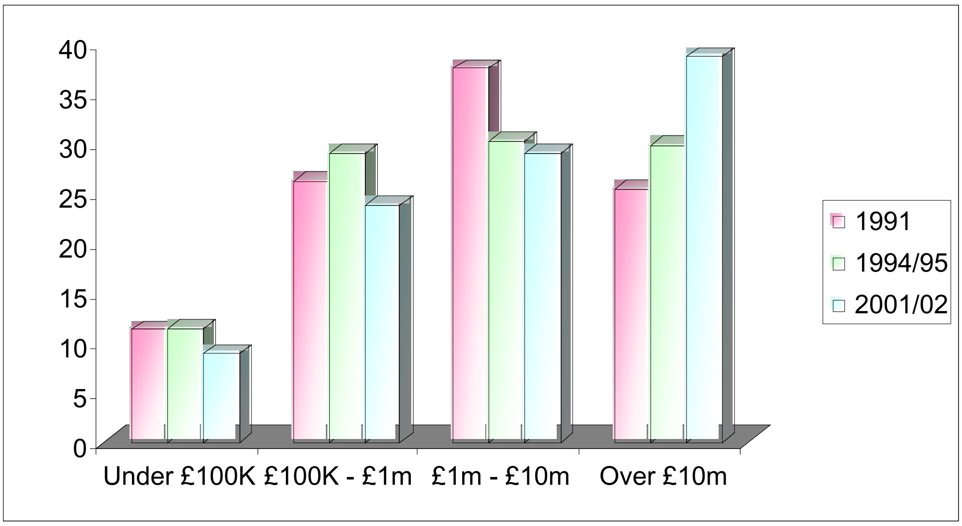
Number of UK general charities 1994/95 vs. 2001/02



There are almost 33,000 more registered charities than in 1994/95, reinforcing the continuing growth in competition for scarce resources.

[1] UK Voluntary Sector Almanac 2004, which derived its data from The Charity Commission, NCVO, NICVA, SCVO, WCVA.

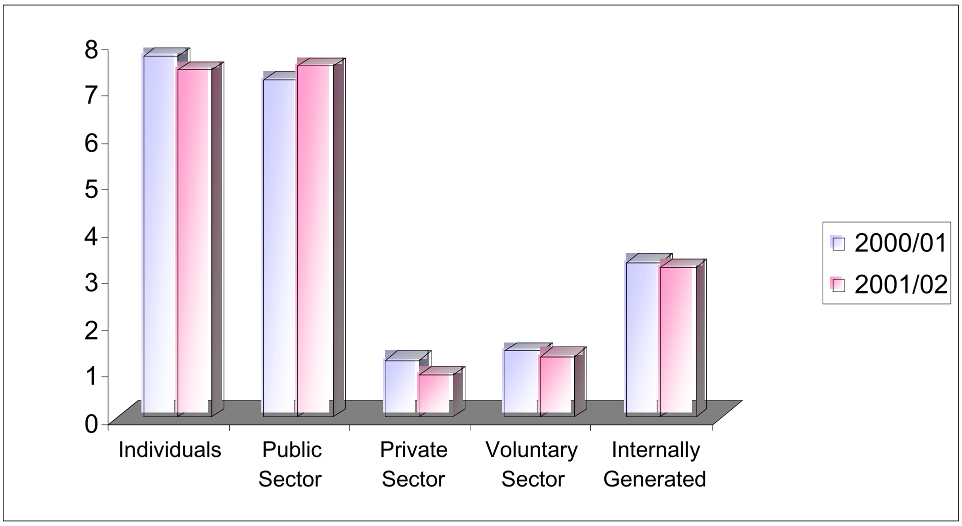
Distribution of general charities' share of income, 1991 - 2001/02 (%)



Income in the smallest general charities has declined since 1991 whilst income in the largest charities has increased. Larger charities continue to have the largest share of revenue and the greater access to efficient and effective approaches to organisational support. Smaller organisations continue to multi-task often using a multi-skilled workforce because resources are spread thinly.

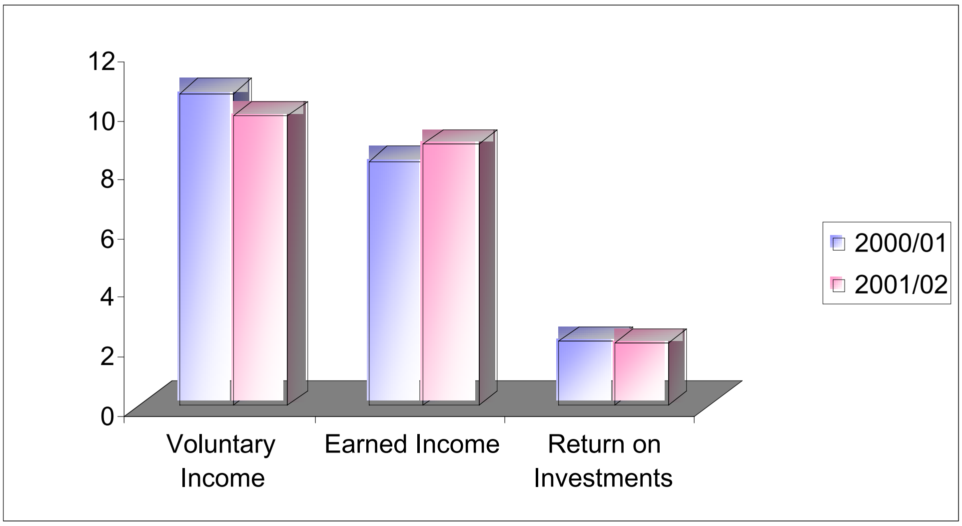
While multi-tasking can be a strength, because it enables a flexible responsive approach, it also has a potential impact on these organisations' ability to deliver adequate levels of service to their clients.

Change in Total Income by Source (£billion)



The only income source to increase in this period was public sector funding or purchasing (by £382 million). All other sources of income declined. Because this chart only reports on two years data overall, sector trends cannot be analysed from the figures. However, the chart does demonstrate the importance of public sector funding as well as the need to prepare VCS organisations for a contracting culture. This includes having a cost efficient approach, allowing for the presentation of competitive bids.

Changes in Total Income by Type (£billion)



Earned income assumed greater importance in this period (£581 million increase). Voluntary income (including legacies) fell by £856 million. Again this suggests that the application of an enterprising culture could be a key to success for the VCS, including a drive for new income streams and greater efficiency and effectiveness of back office functions.

Other Data
The sector's total income in 2001/02 was £20.8 billion[2] but total income actually fell by £429 million (2%) in real terms between 2000/01 and 2001/02.[3] Two thirds of registered charities have an income of £10,000 or less.[4] Only a small percentage of charities received nearly 90% of the total annual income recorded.[5] For example, 0.29% of charities on the Charity Commission register attract 45% of the total income.[6]

2.3 Implications of this Data on Collaborative Working

This data demonstrates that VCS organisations, particularly smaller ones, are facing increasing financial pressure due to a decline in total revenue and that a small number of larger charities taking the majority of that revenue.

There has been a significant increase in the number of VCS organisations in the UK. Overall income has decreased. All organisations are therefore competing more and more for clients, volunteers, members and for the time and resources of supporters, funders and investors. The continued dominance of larger charities in attracting income and wider changes in the funding and political environment have added to the difficulty of maintaining or expanding VSC activity and income.

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[2] UK Voluntary Sector Almanac 2004, which derived its data from The Charity Commission, NCVO, NICVA, SCVO, WCVA.
[3] UK Voluntary Sector Almanac 2004, which derived its data from The Charity Commission, NCVO, NICVA, SCVO, WCVA.
[4] Charity Commission website
[5] Charity Commission website
[6] Charity Commission website

VCS organisations must therefore become adept at marketing their services in an increasingly competitive environment.

While a uniqueness of VCS organisations is that they have always been user led, i.e. 'customer-focused', their customer[7] base is expanding and these customers increasingly expect high-quality, professional services. This means organisations must become increasingly business-like and have effective infrastructure in place to meet these expectations.

Finally, a requirement to safeguard public trust and confidence has created demands for clear financial reporting. A tighter legal framework also requires employers to comply with a variety of legislation including employing staff, health and safety, data protection and risk management. These legal requirements, equal in measure whatever the scale of operation, increase obligations and pressures on trustees and management.

2.4 The Current Environment

a) Government Policy and Investment

The Government sees the VCS as an ideal vehicle for public service delivery, and some public services are increasingly managed by non-public sector organisations.

The Government has also publicly invested money and resources in the VCS since it came to power in 1997. This commitment has led to an increase in the number of public/voluntary sector staff secondments and several strategic reviews. It has also created access to new funding opportunities and criteria based on demonstrable effectiveness and sustainability. In return, the Government hopes that the sector will deliver outcomes that prove the effectiveness of its policies and justify its strategy.

The first initiative was the agreement of the Compact between the Government and the VCS. It was designed to safeguard the sector's role, protect its independence and ensure it achieves an effective working relationship with Government. This has since been supported by five further codes and guidelines drafted to take this concept into local regions.

In 2002, the Treasury implemented the Cross Cutting Review which looked at developing the role of the VCS in the delivery of public services. A number of recommendations came out of this review, which are currently being implemented. These include:

- Policy from the Office of the Deputy Prime Minister on contracting practices between public sector and private sector service providers.
- Futurebuilders – a £125 million investment fund to develop the sector through spending on fixed assets and development initiatives.

[7] For the purposes of this report the term 'customers' refers to any individual or organisation paying for or using the services of another organisation. It therefore also includes those often termed as 'service users', who may or may not pay for the service they use.

- A review of VCS infrastructure, undertaken by the Active Communities Directorate at the Home Office. An additional £80 million will be made available to implement recommendations.
- The Building Civil Renewal Community Capacity Building Review, conducted by the Civil Renewal Unit is intended to build the capacity of individuals and groups within their own communities.
- The Compact Funding Code which recognises the need for Government funds to cover the total cost of services, including fixed costs such as administration services.
- The local government modernisation agenda which empowers local authorities, and a subsequent consultation document called 'Taking it on' issued in April 2004 by the Office of the Deputy Prime Minister requests local authority and regional participation in developing a new UK strategy for sustainable development.
- Reform of charity law following a review by the Government's Strategy Unit, which should enhance public trust and confidence in the sector.

b) Voluntary and Community Sector Concerns

Overall, the response to Government's initiatives to support and strengthen the sector has been positive. The VCS acknowledges the benefits of the strategic reviews undertaken and new funds created however, it has concerns that the Government's wider agenda – including modernisation of public services – may bring Government initiatives into conflict with the self-defined needs and aspirations of the VCS. For example:

- The result could be a VCS that is positioned to focus on delivering public services – creating directions to meet government needs that may not always be in line with VCS users needs, missions or strategic visions.
- An emphasis on public service delivery could be at the expense of the sector's innovation and developmental role.
- Many VCS organisations do not have missions to support public services. This could exclude them from funding even though their cause is valid.
- This re-positioning and emphasis on public service delivery could exacerbate an over-reliance on public funding within the VCS.
- Voluntary and community organisations are being encouraged to align more closely with the public and private sectors by becoming more business-like. A VCS organisation's primary purpose should be to fulfil a need that is social in nature, and of direct benefit to the community or neighbourhood it serves. The need to achieve a profit (or 'surplus') should never compromise its original mission of fulfilling a social purpose.
- There are further implications created by being part of a competitive contracting culture and how it affects the culture of an organisation especially as it goes through the change process to achieve this, which for some, may lead to a different culture.
- Advocacy and influencing may be affected as organisations that are primarily dependent on government funding or public service contracts may find it difficult to criticise Government policy and funding priorities.

- Ultimately, the sector could be at risk of losing its independence from the Government and its essential ability to cover the breadth of agendas that it does now.

c) The Drive for Sustainability and Efficiency

Futurebuilders and ChangeUp clearly state that the additional funding they provide must be used to develop the VCS for long-term sustainability. There will be funding for physical improvements (e.g. buildings and IT systems) but it is accepted that large amounts will be invested in process enhancements.

Equally, the VCS itself has long been concerned with the issue of sustainability – although recent industry and sector developments, coupled with Government policy, has encouraged the sector to focus more closely on the practicalities of sustainable development.

Alongside diversifying sources of income, improving business processes and governance are most likely to guarantee an organisation's long-term future by speeding up response times, creating efficiency and enabling a more strategic approach. In turn, this would improve the quality of service delivery to customers and subsequently position the organisation to win funding or contracts to develop and deliver more effective, value-added services in the future.

The Infrastructure consultation document asks respondents to consider:
- How to minimise duplication of infrastructure.
- How and if to measure performance.

The Futurebuilders task group report states its aims as:
- Overcoming obstacles to efficient service delivery.
- Modernising the voluntary and community sector for the long term.
- Increasing the scope and scale of service delivery.

Because both documents state an aim to increase sector efficiency, de-duplicate work and enhance outputs and measurement, organisations that wish to benefit from either initiative are likely to need to consider one or more models of collaborative working as a demonstrably efficient means of delivering outcomes.

The Government has stated it will support and encourage organisations who can demonstrate their potential for long term sustainability and also clearly show they are working efficiently and effectively. This cultural shift will raise key strategic issues for VCS organisations, such as:

- What approaches can we take if another organisation exists with the same or a very similar remit to ours?
- How can we better manage our expenditure and diversify our income?
- How effective are we at delivering our mission?
- How can we make a positive impact with the resources we have?
- What impact will a change in culture have on our organisation and our users?

There are proven, wide-reaching community benefits for those VCS organisations that have adapted to the new 'sustainable development' culture and who are implementing the new ways of working it requires:

- A cohesive sector with organisations that are collaborating at a local and national level will be able to influence and secure change at all levels of policy formation.
- Relevant public services can be more effectively delivered by organisations working from within the community, acknowledging diversity and responding to a variety of changing needs – so long as those services 'fit' with the organisation's mission and values.
- Social enterprise will grow from more effective community based organisations that need to develop infrastructure to deliver services. These social enterprises can support community development in their own right by generating additional revenue and providing local employment, especially to those often excluded from such opportunities.

d) The Rise of Social Enterprise

The Department of Trade and Industry takes a broad definition of social enterprise describing it as:

> "A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners."

Essentially, social enterprises use business solutions to achieve public good.

- Social enterprises demand business methodology to achieve income.
- Effective social enterprises will be cost focused, customer centric, understand pricing and margins and aim to make a profit and grow.

However, social enterprise is itself an activity or process and, in general, may be seen as:

a. Business activity with primarily social objectives in which surpluses are principally reinvested for that purpose.
b. Activities performed by the VCS where a fee is charged in return for the delivery of a product or service (earned income), regardless of whether it is offered for profit or to advance the mission whilst making a profit.
c. Revenue generating activities performed by a business that are offered primarily to advance a social mission, regardless of whether a profit is earned.
d. Commercial or trading company activity to benefit a VCS organisation.
e. Addressing a variety of markets including the public, private and VCS sectors.

The Government has been keen to encourage social enterprise as an alternative way to deliver public services and in 2002 it published a three-year strategy, "Social enterprise, a strategy for success".

But Social enterprise, of course, extends much further than delivering public services and can, therefore, include contracts with the private sector, delivering consultancy or selling other goods and services.

Compared to the private sector, the VCS is well placed to benefit from a social enterprise approach because of its close links with the community and its understanding of key issues. Social enterprise can also provide sustainable funding to the sector but there is a risk, as in any business, that the organisation will not receive a return on investment or even take a loss. Social enterprise is one of a number of ways in which VCS organisations can build capacity, respond to change and opportunity and increase longer term sustainability. The social benefits and financial returns listed below have led a number of VCS umbrella bodies to promote the model.

- **Diversification of funding sources**: An organisation that is reliant on a few funders is vulnerable to changes in market conditions. Having a variety of revenue sources provides insurance.
- **Funds overhead**: It can be difficult to secure funds for a strong management team and effective infrastructure. Because income from enterprise is unrestricted it can be used to create effective administration processes.
- **Funds innovation**: Again, because the income is self-generated, an organisation in pursuit of enterprise can select where to divert its income and may choose to trial innovations, and it potentially gives the organisation more control of its destiny.
- **Increased funding**: If successful, the revenue generated from social enterprise is in addition to existing income. Therefore, a voluntary and community organisation can potentially significantly increase its revenue, helping to cross-subsidise services and programmes.

There are therefore a number of compelling arguments for social enterprise, and it is not surprising, as demonstrated below, that as a source of revenue it is increasingly attractive, particularly when income from other sources is declining.

Change in Total Income by size of Organisation, 2000/01 – 2001/02[8]

Income Stream (£ million)	Under £10K	£10K - £100K	£100K - £1m	£1m - £10m	Over £10m	All
Voluntary Income (ex. Legacies)	- 19.7	- 115.9	- 474.2	- 38.2	-118.8	- 766.8
Legacies	0.4	- 90.8	- 76.8	9.6	68.0	-89.5
Earned income (ex trading subs)	- 44.7	122.7	190.9	101.6	177.6	548.1
Trading subs gross income	- 0.1	- 0.6	- 19.6	21.5	31.2	32.4
Total investment income	- 14.2	- 11.4	- 8.0	- 3.5	- 115.6	- 152.7
Total incoming resources	- 78.2	- 96.0	- 387.7	90.9	42.5	- 428.5

[8] UK Voluntary Sector Almanac 2004

VCS organisations that undertake social enterprise activity will undoubtedly transfer the business processes and disciplines they learn across the entire organisation. Social enterprise will therefore inevitably cause organisations to look at their operating procedures and review their structures but it should not, nor need to be, at the expense of their core mission or values.

Despite the benefits, there are some concerns that the prevalence of the social enterprise model could detract attention away from organisations dedicated to community capacity building which require subsidy.

3 Models of Collaborative Working

3.1 A Definition

Collaborative working occurs when two or more organisations agree to work jointly because their combined resources enable a greater overall output than if they pursued the activity individually.

3.2 Overview

There are many models for collaborative working and it should be noted that:

- It is not sector specific.
- It is not restricted to a particular type of work or organisation.
- The benefits derived by the participating partners will vary according to their specific circumstances and the resources invested.

Working collaboratively inevitably involves a level of outsourcing. Even if it is just two organisations working on one small, tightly defined project, each organisation will be relying on the other to perform certain functions to deliver that project. Collaborative working is, therefore, as much about outsourcing, as it is about developing any other form of collaboration, for example strategic partnerships, coalitions, joint ventures or shared services organisations.

However, outsourcing per se and shared services (which may also be outsourced) have become very specific forms of collaboration and - perhaps more than any other type of collaboration – often focus on operational functions such as HR or IT. They are also based on a more formal, contractual agreement between a client (the purchaser) and a third party (the external supplier).

In addition to collaborations *between* organisations, collaborative working models have been used *within* large organisations. The concept began in the private sector in the late 1980s, when large, decentralised companies sought to consolidate their back-office operations. Savings have been reported at 20-40% and more than 40% of Fortune 500 companies now use shared services to support their core business units[9].

Just as the private sector appreciated the benefits of shared services, the same efficiencies had already been introduced to the public sector. In the early 1980s, the Conservative party introduced outsourcing to the NHS, in an attempt to increase quality through competition and, at the same time, reduce costs.

The Labour party however, takes a broader view, and believes that outsourcing should add value as well as reduce costs. The Government has stated that this additional value can come from private or VCS service providers.

[9] Outsourcing: The Netsourcing Solutions — Outlook Journal, July 2001. Mark McDowell

The VCS has been slower to adopt collaborative working practices but the reality today is that there is a lot more partnership activity underway within the sector than commonly perceived. The Charity Commission Regulatory Report, Collaborative Working and Mergers (April 2003) states that 22% of respondents to a survey they conducted are working collaboratively[10].

The recent supplement to *Charity Finance* magazine, Mergers and Collaborations, Charities Survey 2004,[11] stated that 67% of respondents had been involved in at least one collaborative working project.

3.3 Outsourcing and the Public Sector

Compulsory Competitive Tendering (CCT) was introduced by the Conservative Government in the early 1980s to reduce bureaucracy and create a competitive, entrepreneurial environment, which was intended to reduce costs and increase quality. It was felt that "local authorities should concentrate on enabling - rather than providing – services."[12]

However, while "New Labour has been consistently against total privatisation of public services"[13], under Labour, "billions of pounds worth of public services have been outsourced: the private sector runs prisons; local authorities outsource extensively, from housing benefits and revenue services to street cleaning and schools. Large IT contracts across government are let, almost exclusively, to the private sector and charities run large sections of the social services for the elderly and disabled."[14]

Under the Private Finance Initiative (PFI) contracts are awarded for buildings, maintenance and IT within the public sector. The Ministry of Defence is spending £1.1 billion over ten years currently on a PFI project. However, significant annual cost savings (£30-£40 million) are forecast from this project and clauses will be built in to provide compensation if deadlines are missed.

3.4 Outsourcing and the Private Sector

Most UK businesses, regardless of their size, outsource some of their business functions to achieve cost savings and quality improvements. Outsourcing complete mobile and landline telephony to one large service provider is common practice, using external IT consultants is the norm as is contracting out a variety of back office functions from transport and distribution, payroll services and marketing through to third party sales forces.

Today, it is rare for any business to employ staff to perform all its functions. The majority find it much more cost effective to employ specialists to contribute to the core services of the company and outsource the remaining non-core activities to companies that specialise in that function.

[10] Survey sample: 1,382
[11] Survey sample: 224
[12] See Guardian article.
[13] See Guardian article.
[14] See Guardian article.

Perhaps one of the most high profile examples of outsourcing has been the relocation of many of the large UK call centres to India. Here, the reduction in costs has proved a compelling argument to British companies. The Chief Executive of National Rail Enquiries told the BBC that their move to India would save up to £25 million.

Landmark Cash & Carry Ltd, a wholesale buying group, is a good example of effective private sector collaboration – one that may be applicable to VCS. Here, in the 1970s, the very traditional wholesale cash and carry sector adapted its structure and created buying groups to carve a niche for small businesses that could not operate profitably alone.

Buying groups have since become the norm in the wholesale sector, where the ability to compete on price against the retail multiples, like Tesco, can only be achieved through buying in large volume. Therefore, independent wholesalers will join a buying group.

Today, Landmark has a turnover of £1.4 billion, which is derived from a membership of thirty-one independent cash and carries and delivered wholesalers. Landmark's members vary in size from small, single unit cash and carries with modest turnovers to large multi-site, high-volume operations spread across the UK.

- On behalf of its members, Landmark negotiates trading terms with manufacturers, provides a central invoicing service, develops marketing campaigns and arranges promotions.
- Landmark operates open book accounts, meaning that all members have a clear view of monies coming into the group and how they are distributed.
- Landmark central office only retains funds to operate and all other money is paid back to the membership.

Landmark has prospered for thirty-two years because of the effort members and central office staff put into the relationship. It is structured so that members are elected to sit on the board alongside central office directors. Further members are elected to sit on trading committees alongside the central office buying team to agree promotional activity and trading terms. The structure helps Landmark run more effectively. The group ethos has always been to develop strong working relationships that are based on openness and honesty.

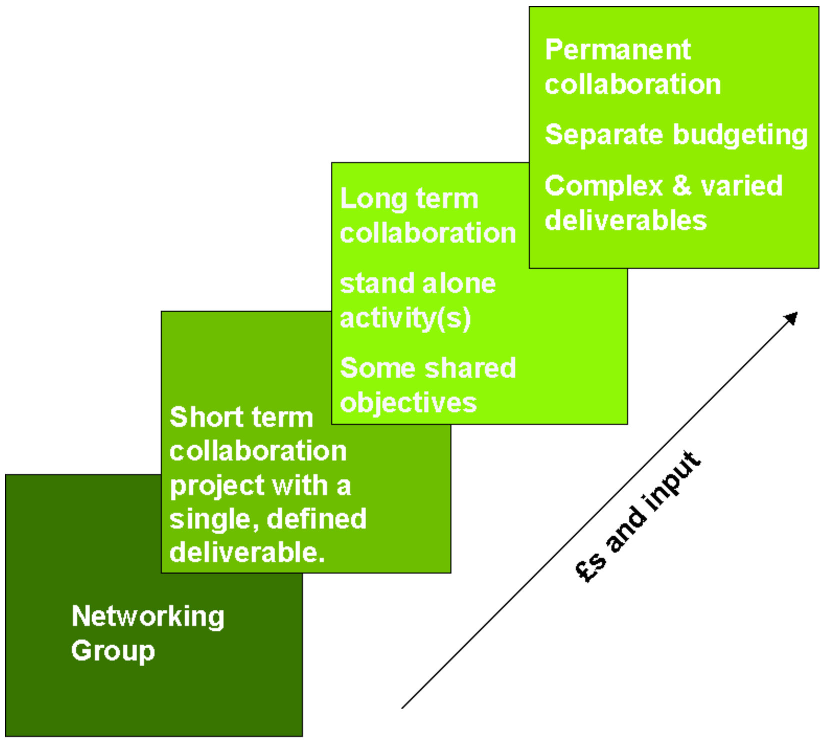
Landmark central office is called just that because it is not a head office; its role is not to impose rules on its membership but to facilitate the smooth running of the group.

In addition to the collaboration model that Landmark operates, it also outsources some core functions. Wholesalers operate on extremely small margins, which means that they have to be very cost focused. As a result, keeping staff numbers low and not trying to be experts at everything is essential. Landmark has long-term outsource relationships for distribution, due diligence, IT/data management, HR, marketing/advertising/PR, and print management.

3.5 Collaborative Working and the VCS

A review of the VCS highlights that there are a large number of collaborative projects underway. Although these projects vary extensively in structure and deliverables, they can all be placed into four top-level groups. These groups are separated by the amount of commitment of participating organisations, the level of formality within their partnership structure, its objectives and the cost of operating it.

The figure below demonstrates that the level of human and financial capital investment rises commensurately to the formality and scope of the collaborative project.



Listed below are the various models of collaborative working projects currently underway in the VCS. Listed in order, with the first being the most informal example of working collaboratively and the last being the most structured, these models are:

1. Networking groups 2. Umbrella groups and membership organisations 3. Affinity schemes for discounted purchasing	Group 1
4. Joint research and development projects 5. Joint training groups	Group 2

6. Buying groups
7. Lobbying groups
8. Fundraising groups
9. Sharing building facilities and space
10. Organisational incubators

Group 3

11. Outsourcing services to a corporate
12. Outsourcing services to a community and voluntary sector organisation
13. Creating a separate organisation to provide services to shareholding partners and, possibly, also to third parties (otherwise known as a Management Services Organisation, MSO, or Shared Services

Group 4

4 Approaches to Collaborative Working in the Voluntary and Community Sector

4.1 Introduction

As described in the previous chapter, collaborative working tends to fall into four main types and can follow a continuum from the informal through to a more highly structured and permanent partnership.

The following sections are not intended to offer an exhaustive list of all types of collaboration that exist. Neither do they refer to all known examples of collaborative working. They do, however, help to animate each of the 13 models set out above and give a flavour of the range and diversity of collaborative working approaches currently being used within the VCS.

4.2 Networking Groups

Networking within the VCS presents the most informal method of working collaboratively. The key benefits are both personal and organisational.

- On a personal level, individuals can raise their profile and increase their personal development by peer learning and sharing experiences.
- At an organisational level, trustees, staff and volunteers that attend networking groups will be exposed to best practice advice, including external speakers with specialist skills and examples of alternative, successful working practices.
- Often, reduced price products and services are available to members.

There are few barriers to successful engagement with a networking group because the level of commitment and engagement is low:

1. Members must commit extra time to attending group meetings and events.
2. There may be a cost attached to joining and maintaining membership.
3. Members need to be comfortable with the group's objectives and outcomes.

It is also easy to disengage from such an informal structure so members can leave at anytime if the group is not meeting their needs or has differing views.

Examples of networking groups within the VCS include the:

- Charity Finance Directors' Group, which has a number of sub-networking groups including IT and HR.
- Charity Trustee Network provides support and advice to trustees.
- Charities Consortium.
- National Council for Voluntary Organisations (NCVO) operates a number of networking groups on specialist areas of work such as ICT, finance and HR.
- Institute of Fundraising promotes networking as a means of supporting its members.

- Social Enterprise London's 'Clusters' website aims to encourage idea sharing, and collaboration between social enterprises in the Childcare, Health and Social Care, Environment and Housing sectors.
- Association of Chief Executives of Voluntary Organisations (ACEVO) provides support and advice to chief executives; naturally there are significant networking opportunities from this.

4.3 Umbrella Organisations

The VCS has a huge range of umbrella organisations that individuals or organisations can join. These organisations, often seen as a pivotal element to the sectors infrastructure, are therefore also known as infrastructure organisations and generally fulfil some or all of the following functions:

- To create a unified voice on behalf of a group of individuals or organisations involved in the same or similar areas of work.
- To provide support, information, advice and resources.
- To offer networking opportunities.
- To lobby and campaign.
- To conduct research.
- To facilitate training and accreditation.

An effective umbrella organisation should be able to speak with one voice on an issue that is affecting a large group of individuals or organisations. Its purpose is to streamline communication with relevant bodies and achieve the best for its membership through understanding what they need to fulfil their role effectively and providing access to it.

If an umbrella organisation does not have sufficient members to be representative or if it is not accurately reflecting the views of its members then it is not achieving its purpose. Equally, it must strike a careful balance between gaining income from its members and its activities to be sustainable but should not be seen to be profiteering from its position.

There are so many umbrella organisations within the UK voluntary and community sector that it is impossible to list all of them and their missions. However, they range from sector wide groups such as NCVO and ACEVO through the Charities Aid Foundation (CAF), Association of Charity Finance Directors, Vision 2020, Community Development Foundation, NACVS, Help the Hospices and *bassac.*

NCVO provides secretariat support to the National Umbrella and Resource Agency Forum, which enables senior management from infrastructure organisations or forums to meet on a quarterly basis and discuss issues of common interest/concern. NCVO also hosts a directory of UK infrastructure organisations on its website.

4.4 Affinity Schemes

Affinity schemes, which offer products to members at preferential rates, are extremely common within the sector, offer very little risk to the organisations that use them and capitalise on the relationship between umbrella organisations and their members.

The structure is ideal for suppliers who wish to sell products because the umbrella organisation can offer them a single point of access to a well defined market. In addition the umbrella organisation is able to endorse the product and communicate its benefits more effectively because it has extensive knowledge of its members, understands their needs well, has a trusting relationship with its members and established methods of communicating with them. Because of these factors, the product's credibility is increased and suppliers are offered a low cost and effective route to market.

If the umbrella organisation has leveraged its position effectively, it will have negotiated a significant reduction from the list price of a product because of the savings that the supplier gains. Most umbrella organisations would also ask to test the product first to make sure it is of good quality. The best affinity schemes, therefore, will offer competitive pricing, good quality and reliable items that are relevant to its members. If this is achieved the scheme should be the first place that a member looks for a product, and sales through the scheme should always be buoyant.

There are really only positives to an affinity scheme from a member's perspective. It requires no commitment and should give cost savings and some form of quality guarantee.

From the umbrella organisation's perspective, affinity schemes can be resource intensive to set up and maintain but it can take a percentage from any sales made through their scheme and economies of scale dictate that larger schemes would generate the most income. Equally, the larger schemes will require the most staff time to manage and members can be sceptical about the true value of joining a scheme unless they know that they are genuinely getting a good deal.

Examples of affinity schemes currently operating in the VCS include:

- NCVO leverages the power of its 3,500 members to negotiate reduced prices on a range of items from IT software and hardware through to utilities, marketing services and training. The NCVO business development team thoroughly review a product and obtain references before agreeing to promote it. It must represent good value, be good quality and, conscious of the range and size of organisations within its membership, are relevant and within the price range of the majority of members.
- The Association of Chief Executives of Voluntary Organisations (ACEVO) offers its members access to a small, defined range of professional services.

4.5 Joint Research and Development Projects

The changes underway within the sector and the Government's promotion of collaboration have seen a significant increase in collaborative research. There are a number of projects currently underway in the VCS that have received Government or private funding and require a number of organisations to work together on an area of research and development.

There are several advantages to joint research projects.

- If organisations work together, the impact they can make is much greater than if one organisation works in isolation.
- Joint research projects will bring a breadth of skills, more resources, differing perspectives and wider experience to the project.
- Through the project, skills will also be transferred and developed as the partners involved start to collaborate.
- It is possible to affect change more quickly because several organisations are more able to create the environment for change than one organisation working in isolation.

Inevitably, organisations that collaborate on successful research projects forge closer, lasting links and are likely to join forces more closely on issues of common concern after the project has ended.

4.6 Joint Training

Many VCS organisations have similar training requirements. Training costs can often be high, and can increase further if travel expenses and accommodation are required. Consequently, online web based training has become popular because of its flexibility to fit around day to day workloads. It can also be paced to suit the learning speed of the individual and does not have any of the ancillary expenses often attached to off site training.

Companies offering online training solutions include Jenison Interactive Training, Knowledge Pool, and Kognita, who have created a consortium of six VCS organisations[15] to share the total cost of setting up and running a shared online training platform. The consortium also splits the cost of ownership equally. A further benefit for consortium members is the ability to network and collaborate with each other to resolve issues of implementation, managing the system and finding the best ways of encouraging staff to use it.

4.7 Buying Groups

The VCS is increasingly moving towards shared buying due to the cost savings that can be derived from joint purchasing arrangements. There are two key providers of joint buying to the sector: The Buying Team has an agreement with the Charities Consortium and Leonard Cheshire's Buying Group offers services to the rest of the sector.

The key benefit of group buying is cost savings:

- Buying groups benefit from enhanced buying terms because they increase volume, enabling the supplier to reduce the overall price.
- In addition to direct cost savings created from volume purchasing, effective buying organisations can reduce the amount of administration a supplier undertakes during the sales process such as invoicing. This centralisation of administration can further reduce the cost of goods.

[15] The consortium is: Leonard Cheshire, Scope, The Prince's Trust, the Scout Association, Voluntary Services Overseas and the World Wildlife Fund.

- The final cost benefit can be derived from retrospective payment: volume agreements can be made with suppliers based on a buying target, if the buying group achieve this target it is then eligible for a financial bonus. If the volume is big enough retrospective payments can add significant further savings to the cost price.

Joint buying does not just save participating organisations money. Many voluntary and community organisations are not able to employ a specialist in procurement who is knowledgeable on developing supplier relationships and negotiating robust supplier contracts, documented service level agreements and appropriate compensation clauses. Joining a group-buying scheme therefore allows the organisation to benefit from a procurement expert and improve the quality of the buying process without having to invest in employing someone.

In addition, there is generally no fee to join because every organisation participating in group buying is bringing value through increased volume, so membership is encouraged. There are, however, some barriers to successfully outsourcing the procurement function:

1. Organisations that outsource their buying function to a third party will ultimately have to accept the deals the third party negotiates.
2. Some choice may be removed because the negotiation may have been limited to certain products.
3. National organisations that de-centralise buying to their regions will probably have to undergo a change process to encourage their regions to revert to centralised buying.
4. Organisations that pass decisions to their trustees may find it difficult to benefit from strong deals that are only available for short periods.
5. Organisations need to spend time working with the external procurement provider to develop the relationship and provide sufficient information and points of contact to enable them to work effectively.
6. Organisations must be prepared to communicate effectively, both to staff who need to understand the procurement process and their role within it and with the provider, to create an effective partnership.

The social enterprise, Via3 Co-Purchasing, is a unique example of combining organisational buying power and harnessing the desire of many organisations to purchase ethically in a socially responsible manner. Via3 has created a link with ACEVO, Social Enterprise London, Social Enterprise East Midlands and other groups and ethical suppliers. Via3's vision is that this community will develop an environment for socially responsible purchasing which, as it grows, will become a powerful body that is able to:

- Lower the price of recycled and fair-trade products so that they become competitive and mainstream.
- Support and promote the concept of ethical purchasing.
- Demand improvements in social responsibility from mainstream suppliers.

Charity Logistics is a registered charity that aims to provide practical support, in the form of low cost goods and support services, to VCS organisations. This enables those organisations to operate more effectively, which ultimately benefits their mission.

- Charity Logistics is a free to join network that began in 1996 and now has 3,000 members.
- It estimates that in 2003, it saved its members around £3.5 million.
- Offerings include IT hardware and software through specially negotiated rates with Dell and Microsoft, telephony, hotel accommodation, insurance, web design, public relations and other business services.
- Charity Logistics also lets out space in its premises to VCS organisations.

Charity Logistics places particular emphasis on providing effective ancillary services, including Charity Safety Net - a helpline for lone or late workers to access if they find themselves in a vulnerable or dangerous environment, and a disaster recovery provision for organisations to enable them to continue to operate if their accommodation has become unusable in some way.

4.8 Lobbying Groups

The purpose of lobbying is to affect change, whether it be focused on the Government and/or commerce or for the purpose of public education or to promote a cause. Logically, this is more likely to be achieved if many people are asking for the same change to be made. However, as with other parts of the VCS, organisations have historically worked in isolation with their members to effect change and promote a cause they believe in.

Consequently, there have been instances where many organisations lobby on a similar or identical issue. Increasingly however, joint lobbying groups are being seen as mainstream rather than a little known or innovative practice.

The benefits of organisations supporting the same cause agreeing to work together to advocate on an issue are obvious:

- A co-ordinated lobbying approach provides a larger group of people who have a wide range of skill sets and the ability to reach a broader audience because of their size and co-ordinated approach.
- Their combined size and the fact that a number of organisations are highlighting the same issue will usually make them more attractive to the media. As a result of their size and media attention, they are likely to generate greater awareness and support amongst the general public.

A well co-ordinated joint lobbying initiative is therefore likely to have a higher chance of effecting change than one group working in isolation on a cause.

There are however a number of barriers to be overcome to make a co-ordinated lobbying structure work, which is probably one of the reasons that many voluntary and community organisations continue to lobby alone.

1. It is imperative that the lobbying group can agree on the detail of the issue, what they are seeking to achieve and have consensus about how they will achieve it.
2. It is possible in a large, successful group that members' profiles are diluted by the brand of the coalition. There can be two problems when this occurs:
    a. Firstly, the individual members' missions will reach far beyond the aims of the coalition and members will not want the public to lose sight of, or become confused about, their unique purpose.
    b. Secondly, each member will have invested considerable resources to create and build its brand. A coalition may therefore be prohibitive if it undermines this investment or dilutes brand awareness. Ultimately, the risk to the member is that they may lose some organisational effectiveness and revenue.
3. Effective communication is vital to joint lobbying, underpinned by a structure fluid enough to respond quickly to a changing environment but stable enough that individual participants are confident that the views of the majority are fairly and professionally represented.
4. Sometimes the lowest common denominator position is the only acceptable compromise for collaborators, thus potentially diluting the strength of each organisation's message.

4.9 Fundraising Groups

VCS organisations joining together for fundraising activity is expanding but still relatively uncommon. Understandably so, given that this is an area where the potential for suspicion and doubt is huge and individual organisations are keen to protect their existing revenue streams, particularly in a declining market.

However, as with other collaboration models, if handled carefully, the potential for success is much larger from a collaborative fundraising effort.

- Pooled resources and access to wider expertise might open up bigger opportunities than an organisation working independently.
- It streamlines communications with donors.
- Individual and corporate donors can find it difficult to select VCS organisations to support amongst a group of organisations that appear to have similar missions. Joint fundraising by organisations with similar missions potentially removes the donor's need to make a difficult choice and, possibly speeds up the giving process.

Possible barriers to joint fundraising include:

- Ethical complications within the collaboration if parties disagree about the legitimacy of the source of the funding.

- Agreeing the structure of the group so that communication and trust is achieved but also so that all parties agree with how the collaboration is resourced and how revenue is subsequently distributed.
- Agreeing on the brand placement of the collaboration, is it replacing traditional fundraising efforts or supplementing them? Are member brands given equal weight or does the collaboration take precedence?
- Complications if partners do not agree on how funds should be divided between them or the purpose for which funds will be used.

There are examples of organisations collaborating for fundraising purposes. The most recent high profile example is Disability United[16], a consortium for corporate fundraising that comprises Leonard Cheshire, Action for Blind People, Mencap and the MS Society.

Disability United was formed in 2003 and launched in 2004 after a test period. The four consortium members plan to continue their individual fundraising efforts with existing and imminent corporate partners but will work together on new pitches. Funds obtained via the consortium will be split equally.

The initiative has received a positive reception from Lindsay Boswell, Chief Executive of the Institute of Fundraising for its innovative approach to fundraising and the potential it offers to avoid duplication.

Senior fundraisers from other voluntary and community organisations however appear to have mixed views on its potential for success and did not seem readily able to clearly envisage the model working within their own organisations. Even so, corporate funders appear more positive. The Trust Manager of Abbey with an annual budget of £1.7 million thought collective fundraising would allow voluntary and community organisations to present a stronger case.

A further example of a collaborative approach includes charities@work, a medium for payroll giving. Started in 1987 and operated by PGMS Limited on behalf of 5 national charities[17], individuals can donate through their employer and donations received are split equally.

In Stockport, the Royal Schools for the Deaf and Communication Disorders, the Boys and Girls Welfare Society and St Ann’s Hospice are informally pooling their resources to raise income by offering a variety of spaces, equipment and services to outside clients through a centralised booking service. Together this cluster can cater for up to 600 delegates and all income received is directed back into the three participating organisations.

4.10 Clusters - Buildings, Space, Services and Incubators

Clustering, at its highest level, is defined by Michael Porter of the Harvard Business School, as "a geographic concentration of competing and

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[16] Third Sector article 12th May 2004
[17] Help the Aged, British Red Cross, NSPCC, Scope and RSPB

cooperating companies, suppliers, service providers and associated institutions."[18] Silicon Valley is a good example, "in such clusters, there is a frequent and strong interaction between many individuals and organisations, on both formal and informal levels."[19]

Voluntary and community organisations have a long history of clustering. Many of *bassac's* members for example have emerged from the settlement movement, which originated in Victorian times to enable educated individuals to live amongst deprived communities and encourage education, research into the alleviation of poverty and the development of community leadership. Centred on a building or 'settlement' used by various clubs, associations and groups, the aim was to provide community development through collaborative activity.

Variations of modern-day cluster work in the VCS are still in their infancy and there are few current examples of active, established clusters. However, a number of models are currently being tested, implemented and adapted. Each of the models that follow is a version of clustering, from sharing office space through to combining back office services.

A. Shared Buildings and Services

Within a shared building arrangement, cost efficiencies can be derived if a number of small to medium size organisations share an office building and, possibly also, a number of common resources. The amount of resources shared will vary, but range from a receptionist, telecoms and a photocopier through to merging some support functions such as HR, Finance and IT.

The economic advantages of this model are clear; it removes duplication of resources and enables organisations to share those resource costs.

There is also a positive public relations message that emerges from sharing operating costs; donors and supporters can see that the organisation is using its resources efficiently and that more revenue is being invested the organisation's core mission and frontline services.

This public relations benefit is strengthened further because sharing resources can bring similar economies to a merger but does not impact on an organisation's brand identity or mission. Supporters will therefore continue to see the same organisation, with the same name, undertaking its usual activities but in a more efficient manner.

B. Shared space

Organisations and individuals that work in a shared office environment report real social and entrepreneurial advantages. The shared environment facilitates networking and enables individuals to brainstorm issues, share ideas and see other ways of working. It can create a vibrant, positive environment where peer learning, personal and organisational development is possible.

[18] http://www.lmu.ac.uk/lis/imgtserv/prodweb/resources/hottopics/7ic.htm
[19] http://www.lmu.ac.uk/lis/imgtserv/prodweb/resources/hottopics/7ic.htm

The barriers to effective clustering depend on the model. Organisations looking to set up new office premises with a group of other organisations do face challenges. Firstly, all partner organisations must be in a position to move office premises at approximately the same time. If this is possible, partner organisations will then need to prepare for the relocation and agree a model for resource sharing. It is imperative that the partner organisations communicate openly and honestly through this process so that agreement is reached on the precise details of the co-location. Detailed financial planning will also be required so that each organisation can budget accurately and understand the savings a cluster model will generate.

Each organisation will also need to consult and involve their own personnel to ensure they are comfortable with the relocation and that they understand the benefits. Finally, managers may need to undertake a staff rationalisation process, if employees do not wish to move or their position is to be made redundant. Clearly, this is a time and resource intensive process but the economic and social benefits can often make it worthwhile.

A further cluster model is where office premises are sourced, maintained and financed by one organisation and space is rented out to tenants. This model also faces challenges. The management organisation will need to secure funding to start up the project: it may be renovating and leasing space in existing premises or moving to a new location. In either case, significant resources will be required to manage the process.

The management organisation is then responsible for leasing out the space, maintaining sufficient tenants for the model to work, ensuring the building is maintained and tenants are satisfied. The owner organisation must decide whether it wishes to make a profit from its tenants or whether it has set up the premises solely to make a social return and will simply be covering costs.

Community Action Network has developed a successful clustering model for shared space, originally in London but sufficiently successful to be replicated in other regions. The CAN principle is to obtain good value office premises and re-charge for the space and shared facilities at cost. A small mark up is added to ancillary items such as photocopying, telephony and postage but the principle is to recover capital costs over time without making a profit from the rental of the building. This provides affordable office premises to VCS organisations, usually in areas they would not ordinarily be able to afford.

Organisations that share premises have to be aware, however, of the public relations issues that can arise if one organisation experiences negative publicity. There is a risk that funders and the public will miss the distinction between the different organisations sharing the building. It may be prudent to ensure funders understand the individual visions and missions of each organisation and have the opportunity to participate in tenant selections. A marketing statement can be created for the building which will help create local awareness that the premises are shared by multiple organisations. Overall, however, if each tenant retains its own brand identity, the only thing they are sharing is an address. If this distinction is maintained then it is possible to avoid the risks of negative association.

C. Incubators

A number of organisations, including Bootstrap Enterprises and the Ethnic Minorities Foundation (EMF) have implemented a clustering model that seems to take the concept of shared buildings to another level - providing resources as well as building facilities for groups. The EMF scheme is designed to act as an incubator, providing facilities for groups to strengthen their structure and sustainability so that they can operate independently.

The EMF notes that ethnic minority communities have historically suffered from severe under funding and its community organisations are characteristically small and under resourced. Often these groups rely on short term funding and rarely have accommodation. These two factors inhibit their potential to be sustainable or develop their services.

The first premises were in East London, where organisations were given accommodation and encouraged to network and collaborate to develop their skills. The EMF also provided access to financial and legal services and offered grants to fund their core services. The EMF has also partnered with the University of East London to create a tailored MBA designed to develop the skills of staff from ethnic minority groups.

The aim is that each organisation will develop its skills, extend its services and achieve sustainability so it can work independently and successfully deliver services in its community. Following the success of the London building, the EMF has gone on to develop a second building in Manchester.

The Tudor Trust, an independent grant making trust, focuses grants on areas of particular deprivation throughout the UK. It provided funding in the early 1990s to the Albion Trust which was set up to re-develop a listed Edwardian school building called Norton Park in Edinburgh.

The building aimed to provide low-cost, affordable office accommodation to VCS organisations, to create a mutually supportive environment to accelerate individual and organisational development. The building was also designed to have minimal environmental impact. The Tudor Trust reports that community businesses such as security, cleaning, secretarial support services and facilities management tend to develop out of ventures like Norton Park.

Tudor Trust have continued to invest in shared accommodation projects like Norton Park and believe they will continue to grow because of the demand for low cost affordable space and the spin-off benefits of a collaborative environment shared by like minded organisations. Tudor Trust supports these accommodation projects because they offer a solution to those VCS organisations that must keep their operating costs down to focus their limited revenue on mission related activity.

4.11 Outsourcing Services

Outsourcing, the contracting out of organisational operating functions to a third party, is not limited to a particular sector or type of work and can bring many benefits. Although the vast majority of outsourcing is currently to commercial companies, outsourcing to the VCS is on the increase – notably through local authority contracts with charities, or outsourcing between VCS organisations, including financial management, recruitment, IT, marketing and fundraising.

Specific figures vary depending on the source but Business Link states that savings of up to 40% can be derived from outsourcing. Other benefits of outsourcing include:

1. Clear negotiable costs and significant cost saving potential.
2. Ability to focus resources, including staff, on core services and new or strategic organisational opportunities.
3. Better access to 'best in market' provision and/or highly skilled, specialist knowledge.
4. Clear monitoring of performance and outputs through service level agreements.

Detailed research and planning is required before an organisation can embark on outsourcing. It is imperative that the outsource service provider is able to demonstrate a good track record, positive client references and an understanding of the clients specific operating environment and organisational values.

The Business Link website lists the following potential problems when undertaking an outsourcing arrangement:

1. Service delivery falling below expectation.
2. Confidentiality and security not being respected.
3. The outsource contract being too rigid to accommodate change.
4. The outsourcing company going out of business.[20]

Business Link suggests the following strategies to overcome these issues:

1. Find a supplier with a similar culture.
2. Ensure there is good communication and mutual respect.
3. Agree a strategy to meet provider and organisational objectives.
4. Be aware that the physical distance between the outsource provider and the organisation can be a barrier, ensure this is overcome through effective communication.
5. Ensure there is an exit strategy that enables outsourced functions to be bought back and assets (physical or intellectual) are not lost.
6. Agree a service level agreement that sets out standards and targets. Incentives for both parties can sometimes be helpful.

Because shared culture and good communication have been listed as key requirements for an effective outsource relationship, some organisations might feel more comfortable outsourcing to another VCS organisation. The model is identical to outsourcing to a corporate organisation and the VCS outsource provider will usually have a core mission that is empathetic to the outsource service they are providing.

[20] http://www.businesslink.gov.uk

Often, therefore, they are providing the outsource service because it supports their mission, financially and/or socially.

The Leonard Cheshire case study highlights a VCS organisation that is gaining a financial benefit from providing outsourced services, whilst helping other organisations at the same time. This financial benefit helps Leonard Cheshire achieve its mission of providing services to the disabled.

4.12 Creating a Third Party Organisation to Offer Services to Shareholders and External Clients

A final way of working collaboratively is to combine the elements of the shared building model with the outsourcing model and create a 'Management Services Organisation' or 'Shared Services Organisation'.

With this model, a group of VCS organisations establish a separate organisation that provides outsourced services. This new organisation may be a limited company based on social enterprise principles or with shareholders amongst the partner charities limited by guarantee.

The separate limited company can provide a variety of office services to partner organisations and sells its services to other non-affiliated commercial, public or VCS sector organisations that wish to receive outsourced services. The partner organisations derive the same benefits as an organisation that embarks on an outsourcing model but, in addition, this model can potentially generate a profit for the partner organisations by selling services to unaffiliated organisations.

There are very few UK examples of this activity currently, although the practice is well established in North America. However, several UK organisations are in various stages of development and initial implementation including:

1. *bassac* launched a pilot project in 2002 in the London Borough of Southwark, to support the development of a shared services model amongst eight *bassac* member organisations. The aim was twofold: to improve organisational effectiveness and impact; and to act as a pilot in raising the profile of resource sharing and local clustered working across the *bassac* network and the wider VCS. Each *bassac* participant was interviewed to understand its resource needs, locate where cost savings could be made and understand how readily it could commit to a shared service model.

   Because resources were scarce and there was no spare capital, the primary issue became how the service could be resourced until it reached self-sufficiency and ultimately profit. With no new funds, the only option was for one organisation to increase its capacity to manage the delivery of the service to all other organisations. The project partners are currently considering the learning points from this pilot and are undertaking research to determine the best possible route forward for the total membership.

2. **The Children's Centre Project (CCP)** brings together seven national children's charities[21]. These organisations vary in size with incomes ranging from £1 million to over £10 million per annum. But all have an interest in partnership working and undertook a first phase feasibility study to explore the financial and quality benefits they could derive from a shared service model. The feasibility study, as a result of the benefit potential identified, recommended a detailed business planning process be undertaken. Co-location opportunities for some of the partners are also being explored.

3. **Dacorum Borough Council's** core funded agencies[22] have undergone a fist stage feasibility study to create a Management Service Organisation (MSO) to share administrative services with each other and other organisations in Dacorum. Based on this feasibility study, which demonstrated significant cost savings and quality enhancements, the Dacorum organisations and Borough Council have agreed to proceed with developing a business plan initially for three product areas related to purchasing, fundraising and finance functions. The group, in conjunction with the Council, are also studying the possibility of co-location.

4. **Help the Hospices** have received funding to cover the costs of investigating the development of a Hospices Support Partnership Initiative that could incorporate national negotiation of overhead services and provide shared overhead functions on a national or regional basis for a variety of back office support services. This study is designed to be inclusive and includes a feasibility study and business planning.

5. **East Enders Project** was set up to strengthen the infrastructures of The Davenant Centre, Oxford House, Praxis, The Providence Row Charity, St Hilda's East and Toynbee Hall, all of which are community organisations offering services to individuals and other smaller community organisations in the Aldgate/Bethnal Green area of East London. They have undergone an initial and second phase feasibility study to assess the benefits and possible models for sharing services. However, they have found, like the *bassac* Southwark project, they do not have sufficient capital or resources between them to start up a third party organisation without additional funding.

   They are therefore developing a business plan to provide additional staffing for the six organisations in IT and Human Resources, where they currently do not have capacity to employ staff, and to recruit an individual who will be responsible for social enterprise development. They plan to fund this through a combination of cost savings, developing further joint initiatives and social enterprise. This initiative is planned to enable the member organisations to develop sustainable structures that will benefit their communities.

[21] Childline, Family Services Unit, I CAN, National Children s Bureau, The Who Cares Trust, Place2Be and Young Minds.
[22] Age Concern Dacorum, Dacorum Citizens Advice Bureau, Dacorum CVS, Dacorum Volunteer Bureau, Druglink, Hemel Hempstead Day Centre for the Elderly, Relate and Urban Access.

5. Management Services Organisations: The Benefits, Risks and Opportunities Involved

5.1 Benefits

Partnership models are usually designed to enable participating organisations to derive benefits through economies of scale. The two most frequently quoted benefits are improved cost efficiencies and quality. However, each model is structured uniquely to suit the needs and dynamics of the partnership and, consequently, the level of formality within each structure will vary, as will the closeness and scope of the working relationship. This variety of models can therefore create a far wider array of advantages than just cost and quality.

Although the advantages can vary according to the model that the organisation has chosen, organisations participating in a collaborative working model will be able to cite numerous advantages. These include:

- Cost savings.
- A larger voice, greater influence and more power.
- Increased income, new revenue and the potential to support the delivery of higher quality services.
- A collective environment, creating an impetus for achieving more.
- Increased resources by pooling skills.
- A larger fund to buy better quality goods, services or resources.
- Access to additional and specialist skills.
- Ability to focus on core activities such as service delivery.
- Clearly defined deliverables and levels of service that are protected by legal agreement.
- Cost control – fixed costs, rather than variables and the ability to negotiate as a customer to determine those costs.
- Streamlining processes and creating efficiencies.

However, the focus of most organisations that decide to participate in a more permanent shared back office services and infrastructure support management services organisation (MSO) structure (group 4 above), are the benefits derived by increased savings and/or quality enhancement. In some cases, the greater good of the partnership is also considered a benefit and, therefore, a reason to participate.

An MSO is a type of shared service, as earlier described. It can be defined as an integration of functions to increase the administrative efficiency of participating organisations and may include the creation of a new organisation.

Similar shared services models can be found in both the voluntary and corporate sectors. In addition to being used *between* companies, shared services models have been used *within* a large company to consolidate the back-office operations of different divisions and locations.
The concept started in the late 1980s in large, decentralised companies in order to combine basic shared processes and sell them back to business units or external clients.

5.2 Cultural Barriers

Inevitably, the positive aspects of working collaboratively through an MSO or other approaches are balanced by some potential disadvantages and, of course, there are a number of barriers that must be overcome.

It might be argued that sector culture is the biggest reason that the VCS is slower to adopt collaborative practices than other sectors. It is also possible a cultural perception within the sector suggests it is not suited to collaboration. However, collaboration is increasingly common, notably among umbrella groups and larger charities keen to maximise their income.

During this study, three barriers to collaborative working have consistently emerged in research material or interviews. These barriers seem to be endemic throughout the VCS and it appears that certain sector characteristics have probably impeded a faster move to collaborative working principals. These characteristics have been recognised by Government and the sector in general and the processes in place to remove these barriers seem to be working. This indicates that the speed of adoption and the number of collaborative projects, especially shared services and outsourcing, is likely to increase significantly in the next few years.

These barriers, as described by interviewees, are:

1. The decision making process within VCS organisations is slow because governance structures dictate that decisions to implement a collaborative working model must go before the organisation’s board of trustees.
    a. This delay can result in the sense of excitement in the project being lost, or staff finding it difficult to present the concept to the board which then does not feel confident enough to agree to proceed with it.
    b. It raises issues of appropriate governance and the respective roles of trustees and management, the latter generally responsible for operations. As this is a form of outsourcing operations, should trustees be involved in this kind of detail?
    c. Outsource service providers who experienced this issue explained that they generally ask to attend the board meeting so that they can use their expertise to help present the concept.
2. Collaborating with other organisations goes against the very culture of the VCS which, they say, has a reputation for being highly competitive and unwilling to share information.
    a. Collaboration requires a willingness to share information and a key success factor is that all parties can communicate effectively. This will only be achieved if organisations overcome the historical necessity of secrecy and competition.
    b. Initiatives like GuideStar and Government funding for joint initiatives are encouraging organisations to adopt a policy of openness and sharing.
    c. The number of collaborative projects currently underway proves that the VCS is making this cultural shift, albeit led by - or targeted at - larger or national charities rather than smaller, local organisations, as demonstrated later in this Report.

3. Arthur Andersen conducted research on the VCS when outsource service provider, Charity Business was launched.
    a. Their findings included evidence of a lack of entrepreneurialism in the sector, which would indicate that voluntary and community organisations are risk averse and potentially wary of change.
    b. As outsourcing and collaborating includes risks and requires a commitment to take staff and the organisation through a change process, organisations without an entrepreneurial spirit would probably be unwilling to make this step.
    c. The rise of social enterprise within the VCS however indicates an increase in entrepreneurialism, which would suggest that barriers are already being eroded by a sector-wide shift.

5.3 Losing Control – A Universally Expressed Fear

The business case might be compelling, but VCS managers and trustees are often afraid to give up day to day control to a shared service MSO or other external organisation, especially when it relates to areas that may impact on the organisation as a whole. Control has been adequately addressed in other sectors and these mechanisms are relevant to VCS.

In the corporate sector, for example, companies that have outsourced important business activities actually have more control. They achieved this by using good outsource service providers that ensure:

- Clear agreements outlining services, quality standards, deliverables, rewards for achieving and exceeding outcomes and approval processes for key staff changes.
- Establishing strong partnering working relationships which would include the vendor being understanding and supportive of key organisational activities and adapting services to help achieve organisational goals.

5.4 Organisational Barriers

Equally, VCS organisations will be able to list some disadvantages to working in an MSO partnership. People that have been involved with collaborative projects or outsourcing have cited the following barriers or disadvantages:

Barrier	**Solution**
Loss of control and directly employing staff is more effective.	Service level agreements, strong working relationship, approval processes for staff changes and incentives.
Outsourcing is too expensive compared to managing work in-house. It did not seem to offer a significant cost saving.	Conduct a cost benefit analysis. Joint buying and effective negotiation can lead to cost savings.

Staff usually multi-task and their job functions are too blurred to make outsourcing cost effective. Insufficient staff to release them.	Outsourcing can actually free up over stretched staff to focus on core activities. It also adds quality and expertise.
The amount of organisational restructuring that is required to move to an outsource model is too time and resource intensive to make it worthwhile.	A good outsource provider will facilitate this process and project manage the move so that time and cost does not prohibit an organisation from achieving the change.
Outsourcing to a corporate can be difficult because they do not understand the culture of a VCS organisation.	Corporations have a variety of cultures but a good outsource provider will manage its staff team and communication to reflect the organisation that it is working with. Also, the part that a voluntary and community organisation would outsource is a business function.
Working in partnership dilutes organisations' individual brand identities.	Communication must be managed so that the parameters of the organisation and the collaborative project do not become blurred in the mind of the customer. The customer would think that any outsourced services still originated from the main organisations, whose brand name would continue to be used, in place of the third-party outsource service provider. This is known as white labelling and is common with outsourced services.
The organisation has no spare capital to invest in a collaborative working model.	External investors, trusts and Government resources are available. In certain collaborative models a profit can be achieved and initial investment is repaid over time.

This is a subjective area. The number of disadvantages usually depends on how well the structure of the model matches the needs and cultures of the partner organisations. Partners must undertake a risk assessment and management process at the outset. Often, issues thought to be disadvantages can be overcome. There should also be a comprehensive project or business plan drafted and agreed. Disadvantages are, therefore, usually better described as barriers to effective implementation.

5.5 MSO as a Social/Commercial Enterprise: Overcoming Risks

There are a number of risks associated with pursuing an MSO as a commercial or social enterprise, as each MSO will be looking at sustainability and profitability.

Risks	**Solutions**
Process Risks	
An inability to dedicate appropriate resources to developing enterprise ideas could lead to significant under-performance, a loss of momentum or lead to mistakes in implementation.	Organisations must ensure that there is a staff champion who is supported by adequate resources and expertise.
The speed at which commercial activity should be developed may challenge the culture of the partner organisations or individuals.	Time must be set aside. However, care should be taken to be inclusive and to have open and clear communication. The key is to have a balance, reinforced and driven by a systematic business development approach.
Internal Conditions	
Some staff may not have experience of pursuing commercial activity. Both may leverage different skill sets or require an attitude that is not consistent with traditional VCS thinking. This could lead to staff making decisions based on the wrong criteria e.g. social rather than commercial returns.	Mentoring should take place, which will support the development of a culture of collaboration and/or business with proper incentives. A service or product development process must be undertaken so that staff understand the value that the initiative is bringing to the organisation and what the desired outcomes are.
External Conditions	
Competitors might simultaneously pursue some of the same opportunities. In some cases, the organisation may have a competitive advantage. In other cases any evolving competition could put the organisation at a disadvantage.	Knowing your competition and being the first to market gives you an advantage against the competition. The strategic or business planning process should identify other potential competitive advantages.

5.6 Structuring the MSO: Social or Commercial Enterprises

In order to address some of the risks associated with MSO commercial or social enterprise ventures, a separate incorporated trading or holding company may be established to manage it. This company would be a for-profit subsidiary of the voluntary and community sector partners, whose purpose is to manage the portfolio of commercial businesses. Each commercial business unit established would be separately incorporated as a subsidiary of the holdings company, with each potentially having outside investors and separate boards.

The holding company would provide a mechanism to overcome the cultural barriers that could make it difficult for commercial products to be operated in a business-focused manner. In addition, a separate organisation allows for an independent capital structure that reflects the risk of business activity and shields the VCS partner organisations from liability.

The most compelling reason to execute a spin-off is to provide a mechanism to change the culture to be entirely business focused, from board composition to potential staff ownership and incentives. A separate organisation allows for a separate capital structure that reflects the risk of business activity.

While setting up a holding company can add legal and managerial complexity, the following points give some reasons to consider the approach:

- Enables investors to support a single business, rather than the portfolio. Diversified companies tend to be undervalued by investors, due to their inability to select which sectors they wish to participate in.
- Enables the sale of a single business unit as an exit strategy.
- Further segments the risk of commercial losses.
- Allows boards of directors to be recruited for specific industry expertise, rather than general commercial expertise.
- A holding company approach provides transparency on individual business unit profitability. It is difficult to obscure poor performance when it is isolated in a single company.
- Enables each commercial team to be focused and nimble, with each staff group and board being selected for his or her specific expertise and experience with that business unit.

If a business case is established to create a holdings company, a transition plan should be developed to enable an orderly transition, which reduces unnecessary risk.

6 Conclusion

6.1 Overview

Government, investors and other funders are putting pressure on the VCS to save money, invest effectively and avoid duplication and waste. They increasingly expect their money to provide a return for their investment – be this social or financial. Furthermore, increased legislative requirements have raised the cost of administration and services but revenue has not always increased commensurately.

This diverse mix of pressures requires all those responsible for the health and well-being of their organisation to make decisions to ensure they can fulfil their mission and deliver high quality services in the most cost effective manner: resources must be rationalised and more high quality, cost effective solutions implemented - including access to specialist expertise and volume purchasing.

The VCS is already engaged in a significant amount of collaborative working – be it networking, coalitions, strategic partnerships, or joint ventures. However, it has been slower than other sectors to adapt to the challenges of a more competitive environment and the opportunities new collaborative working models offer. Few organisations for example, are currently at the permanent collaboration end of the continuum i.e. implementing a Shared Service or Management Service Organisation or capitalising on the benefits of supplying services under contract.

In response, and despite the scarcity of resources available to them, VCS organisations and representative umbrella bodies are working hard to develop and promote new ways of working that reduce competition, improve efficiency and enhance the survival and growth of the sector.

Government has also recognised the unique role small, local community organisations can play within society and has developed policy frameworks and funding mechanisms to strengthen and sustain them.

But there are likely to be some major changes within the sector over the next few years as it adapts to these huge shifts in policy, and responds to the requirements of the funding sources that are available and the additional competitive forces these developments will create. These changes are likely to include:

- Rationalisation of the number of organisations that currently exist.
- A significant increase in social enterprise.
- Further increases in professionalism and business-like practices.

Furthermore, both the public and private sector have proved that collaborative working and outsourcing are a permanent aspect of business processes and, therefore, it is inevitable that the VCS must follow this trend.

6.2 Lessons Learnt

The individuals spoken to and the material reviewed during this research project demonstrated a number of key lessons:

1. Successful collaboration – however formal or informal – requires a willingness to innovate, address change and manage risk.
2. Each group of collaborative organisations had to achieve a level of collaboration that worked for all of them. This level varied according to the individual culture and needs of the organisation and its clients.
3. There has to be a high level of trust within any partnership model. There must be open communication, honesty and inclusivity.
4. Participation has to be voluntary and it can be helpful if partners are able to select the components that they wish to collaborate on within the partnership.
5. It should be a true partnership with all partners co-owning the structure, processes and outcomes.
6. Interviewees reported that they all learned more and achieved more because of collaboration, which allowed them to access more skills than originally existed within their organisation.
7. It is important that each organisation achieves its own ends within the partnership whilst maintaining organisational integrity and brand.
8. To be successful, the collaboration requires a defined level of commitment and involvement and partners must meet this requirement.
9. There has to be a well-defined structure and process but not at the expense of creativity, innovative solutions and implementation.
10. If the structure, culture and process is reflective of the needs of the whole collaborative group then each reported greater outcomes than when they worked in isolation.

6.3 Current Trends and Future Developments

The current complex and changing environment is leading a number of organisations to seriously study the potential of establishing collaborative working arrangements, including the sharing of back office support functions. Public and private sector sources of revenues and investment are being made available to support moves in this direction. As a result many organisations are currently assessing the feasibility of this and indications are positive that it offers potential for cost savings and quality enhancements.

The NCVO Third Sector Foresight Project issued a report entitled Voluntary Sector Strategic Analysis 2004/05, which states that the large household name charities are claiming the majority of revenue at the expense of smaller organisations. It notes that, despite this, the Government has stressed the importance of local community-based organisations.

The report proposes that one solution to this imbalance is for smaller community-based organisations to forge partnerships within their VCS communities and with umbrella or other groups, to share back office and infrastructure services. This would allow for a strengthening of community-based organisations.

Full collaboration is still at its beginning stage in the voluntary and community sector. There remains, in some quarters, a culture of competition for scarce resources and a fear of sharing and losing 'control'. As one respondent put it…'We are working with 100 years of organisational culture and baggage'.

However, there is enormous potential to enhance the voluntary and community sector by closer collaboration. This includes:

a. Improved opportunities for influencing policy.
b. Enhanced and more sustainable communities through revenue generation, more job opportunities and greater inclusiveness.
c. Increased public trust and confidence.
d. Opportunities to achieve unrestricted income.
e. Better cost control and more effective use of resources.

Consideration must nevertheless be given to the particular differences between national voluntary organisations shared services approaches and those of community-based organisations. With the latter, the local community plays a significant role and the emphasis is on local community empowerment and of building community value, community enterprises and jobs.

As a consequence, a different shared services model may be necessary as the emphasis will be on quality enhancement at the beginning, with a long term social and financial return on the investment into the shared services approach. Multi-skills and multi-tasking are the norm and an emphasis on cost savings may not be sufficiently adequate; the shared services organisation may be able to operate with the resources it readily has to hand, or, most likely, they may need more initial investment.

Reinforcement of current efforts therefore will contribute to supporting the necessary, and in some cases inevitable, shift toward greater MSO collaborative working in the VCS that this research has identified.

Appendix 1: References

Websites

The Charity Commission, **www.charity-commission.gov.uk** **The National Council for Voluntary Organisations (NCVO)** **www.ncvo-vol.org.uk** **The Association of Chief Executives of Voluntary Organisations (ACEVO)** **www.acevo.org.uk** **GuideStar UK** **www.guidestar.org.uk** **The Institute of Fundraising** **www.institute-of-fundraising.org.uk** **Fundraising UK Limited** **www.fundraising.co.uk** **Via3 Co-Purchasing** **www.via3.net**	**The Ethnic Minorities Foundation** **www.emf-cemvo.co.uk** **Charity Logistics** **www.charitylogistics.org** **The National Outsourcing Association** **www.noa.co.uk** **Gartner, Inc** **www.gartner.com** **Cnetworks, Inc** **www.silicon.com** **Jenison Interactive Training** **www.jenisoncci.com** **Department of Trade and Industry's Business Link** **www.businesslink.gov.uk**

News Sources

Third Sector **www.thirdsector.co.uk** **Charity Times** **Charity Finance** **The Guardian** **www.societyguardian.co.uk**	**The Times** **www.timesonline.co.uk** **The Economist** **www.economist.co.uk** **Computer Weekly** **www.computerweekly.co.uk**

Reference Documents

NCVO's UK Voluntary Sector Almanac 2004. **Mergers and Collaborations Charities Survey produced as a supplement to Charity Finance (Nabarro Nathanson and PriceWaterhouseCoopers).** **The Active Community Unit's Voluntary & Community Sector Infrastructure Consultation document.**	**The Civil Renewal Unit's consultation and review of findings documents about 'Building Civil Renewal'.** **Futurebuilders Modernising the Sector Task Group Report.** **Office of the Deputy Prime Minister, Taking it on – developing UK sustainable development strategy together consultation document.**

Others

Detailed information from several consortia projects currently being worked on by John Pepin and Associates Limited is also included.

Interviews

The following people have been interviewed during the course of the research:

Adele Blakeborough, Community Action Network **Alan Cripps, Neadon Consulting Ltd** **Jill Dory, Charities Aid Foundation** **Mark Freeman, Charity Business** **Michael Hodgetts, Charities' Buying Group at Leonard Cheshire** **Ben Hughes, *bassac***	**Paul Neale, Kingston Smith Association Management** **Roger Northcott, the Tudor Trust.** **Adrian Randall, The Charities' Consortium** **Guy Strafford, The Buying Team** **Glen Tarman, the Trade Justice Movement**

Appendix 2: Case Studies

Case Study – The Charities Consortium

The Charities Consortium was formed in 1993 to provide a way for large charities to collaborate on buying goods and services. Stephen Burgess who was Finance Director of Help the Aged at the time had the vision of collaborated buying and, consequently, arranged for the Finance Directors of a number of the larger charities to meet. Since then, the group has grown, regular meetings have been held and several projects have been undertaken.

In 1996, a part time director position was established to supplement the work undertaken by the membership; this position is currently held by Adrian Randall, who was previously Charities Partner at BDO Stoy Hayward and a founder member of the Consortium when he was Director of Finance and Resources at the Cancer Research Campaign.

Today, joining the Charities Consortium is by invitation only and is usually restricted to Finance Directors who work for organisations that are listed in the Charity 100 Index or the Charity 250 Index that is published by Charity Finance. Inevitably, there are a small number of exceptions to this rule, usually because individual members have moved to smaller organisations and wish to remain members. Membership currently stands at forty-four individuals.

The work of the Charities Consortium extends beyond shared buying – which they have considerable success with, into benchmarking information, low cost training, an email forum to request professional advice from other members, access to member survey results, VAT reviews, and several sub-groups including IT Directors, purchasing, risk and insurance and postal charges.

The Charities Consortium aims to help organisations to operate efficiently and effectively by enabling the Finance Directors of the larger charities to liaise and network. The current size of the consortium is ideal because it is small enough to be able to operate effectively with just one part time staff person, which keeps operating costs and the level of bureaucracy to a minimum. Because the Consortium's members work for the largest charities, which mostly have similar profiles in terms of revenue and staffing, the Consortium is able to provide a range of resources that directly benefit most of their members. If members were also accepted from smaller organisations, the current resources would not be so relevant to them, which would dilute their overall effectiveness.

The Consortium believes that a key reason it is successful is because members can pick their level of engagement and which Consortium services they wish to use. They believe that commitment and membership would be lower if members were forced to use all the services that are available through the Consortium.

Case Study *- bassac*

The British Association of Settlements and Social Action Centres (*bassac*) is a membership network of multi-purpose community organisations. *bassac* is currently involved in 6 externally funded partnerships for research and have led on 4 of them. *bassac* supports collaborative research because they have found that funding is available, it is compatible with their strategic objectives and they believe that it can also greatly strengthen the sector and achieve better outcomes than individual research.

However, they do acknowledge that collaborative research can be a challenging process that can be resource intensive, slower and logistically complex.

bassac has also noted the need to ensure that individuals and organisations are accountable through the process, which can be difficult to achieve unless an effective management structure is agreed at the outset.

If the barriers of resource, time and logistics can be overcome, *bassac* have found that the outputs can be much greater. It encourages close collaboration, which supports the development of better community infrastructures and is much more sustainable because the impact of a joint project is so much greater. Some of the projects that *bassac* is currently involved in are Action Learning, a project funded by Lloyds TSB and the Home Office; a governance project, which is funded by the Home Office; and Progress Through Partnerships, a joint project between *bassac* and BTEG, funded by the Bridge House Trust and the Community Fund.

Case Study – buyingTeam

buyingTeam is the UK's leading procurement services company and its aim is to help clients achieve best possible value from procurement. Its services include savings discovery and delivery, process and technology advice, contract management, strategic sourcing and procurement outsourcing.

Its corporate clients are many and varied but include Dell, Channel 4, Intercontinental Hotels and Universal Music. It also works in the public sector, providing services to clients including Milton Keynes Council and has an exclusive relationship with the Charities' Consortium in the voluntary and community sector and its clients in that sector include British Red Cross, Scope, NSPCC & NCH.

buyingTeam states that the key to success is not its ability to identify savings opportunities but its ability to implement and sustain the savings through effective change management and contract management. They report that the average voluntary and community sector organisation is spending between and third and half of its total budget on goods and services and so a focused procurement review can lead to significant financial and administrative benefits.

Staff at buyingTeam have been working with the voluntary and community sector for 10 years and over that time have developed a successful methodology for implementing improved procurement. They report that it can take up to 18 months to fully embed new procurement processes for its larger devolved clients. This time will include working with all levels of the organisation both locally, regionally and at head office in order to consult properly with all key stakeholders, negotiate pricing and service levels, manage and develop supplier relationships, communicate new arrangements to all users and maximise take up levels.

Case Study - Leonard Cheshire Charities Buying Group

Charities Buying group is run by Michael Hodgetts, who joined the organisation approximately three years ago from the National Health Service, where he co-ordinated purchasing between four hospitals. Leonard Cheshire had decided that if effective buying could save them £1 million then they could help other organisations save money through effective buying and increase Leonard Cheshire’s purchasing power at the same time.

In September 2003 a full business plan was drafted for the Charities Buying Group, the aim was to help organisations in the voluntary and community sector to benefit from joint buying but are not able to use the Charities Consortium arrangement with buyingTeam because they are not large enough to be members. The Charities Buying Group currently has 300 very diverse members, who vary in size from scout groups through to large organisations like Remploy. Buying Group will purchase anything on behalf of its members, from food through to utilities, beds and stationery. Members from the smallest to the very largest all buy on the same terms and are able to benefit from significant savings, including:

20% in electricity bills.
30% on the cost of stationery.

35% on telecoms bills.
40% on mobile telephone bills.

Organisations do not have to pay a fee to become a member of Charities Buying Group but they must commit to a code of commercial confidentiality that includes not discussing terms outside the group. Start up funding for Charities Buying Group was provided by Leonard Cheshire. Each year Charities Buying Group will start with a £0 balance sheet and any money accrued during the financial year will be paid back to Leonard Cheshire at the end of the financial year.

Charities Buying Group hopes to achieve a membership figure of 3,000 – 4,000 by the end of the year. So far, they have hosted one event, 'Meet the Buyers', which is a forum for the members and suppliers to meet each other. It was actually oversubscribed so Charities Buying Group anticipates increasing the number of forum events in the future.

Charities Buying Group anticipates that in the long term its services will extend beyond procurement into other areas of common interest between members. These might include fundraising, taxation advice and financial management. They believe that currently there is very little bringing voluntary and community sector organisations together in a structured way apart from one day events, workshops and seminars but Charities Buying Group is an ideal way of promoting collaborative working and sharing of ideas that encourages participation by the clear financial benefits derived from collaboration on buying.

Case Study – The Trade Justice Movement

The Trade Justice Movement has evolved out of a core group of NGOs that have historically worked together on policy: The UK Trade Network Policy Group. These NGOs included Oxfam, Christian Aid and the World Development Movement.

They noted the phenomenal success of Jubilee 2000, which put pressure on G7 leaders to "cancel the debts of the poorest countries by the year 2000". By the end of the campaign, 24 million signatures had been added to the Jubilee 2000 petition, the first-ever global petition. There were Jubilee 2000 campaigns in more than 60 countries around the world and G7 leaders had committed to writing off $100bn of poor country debts. Jubilee 2000 showed UK NGOs that by working together they would be more effective at campaigning because they could create more impact and they believed that the potential for victories over trade issues was particularly high. The Trade Justice movement was formed.

It was quickly successful, in the summer of 2002, it achieved one of the biggest mass lobbies of parliament in history, which was also judged the most effective awareness campaign in the voluntary and community sector that year[23]. Their aim was to make MPs aware of the strength of feeling amongst the general public about fair trade. They achieved this on a very small budget (£65,000 compared to £1 million spent by the Countryside Alliance).

The Trade Justice movement's structure has evolved carefully to ensure that it does not alienate or threaten member organisations or dilute their profile. Its purpose is to coordinate member organisation activity around fair trade, rather than take over their work. In practice, therefore, the Trade Justice Movement has a very small secretariat that is responsible for coordinating the movement's communication but all communication pieces will be issued by the member organisations.

The Trade Justice Movement is a limited company with a board of directors that act as a governing body, reporting to the board is a planning group, and four working groups feed information into the planning group, these are: Policy Group; Events Group; Parliamentary Group; and New Media Group.

[23] Bi-annual charity awareness survey conducted by nfpSynergy, an offshoot of the think tank Future Foundation.

This structure requires a stable and constant group of individuals to participate, which achieves continuity. In reality this structure also means that 30-40 people are responsible for devising and implementing the Trade Justice Movement's strategy and the success of this structure, inevitably, builds over time. A culture has developed where the group understands that opposition is inevitable but they can capitalise on this opposition to achieve even more. A high level of trust exists between the member organisations and the membership is extremely stable with no resignations in 18 months.

The Trade Justice Movement has spent a considerable amount of time working on creating an effective structure; consequently the impact of its activities will not be diluted by members having to divert their focus onto administrative problems. However, the balance that must be maintained within this structure is that there is room for entrepreneurialism and creativity. It is currently in the planning stages for activity in 2005 and the success of this activity will rely heavily on creative campaigning.

They have a number of highly creative, very successful individuals who have room to express innovative ideas so that the groups can then develop them into plans, these innovators, coupled with fresh members and new ideas are seen by the Trade Justice Movement's Co-ordinator as being the mechanism for delivering on their original vision about successfully pressuring international governments to change policies, which would enable fair trade.

Case Study – Community Action Network, The Mezzanine

Community Action Network's aim is to create an environment where innovative and entrepreneurial solutions are sought and applied to social issues. In 1998, Community Action Network (CAN) was given the opportunity to take short-term office accommodation in central London. CAN were required to cover the service charge and business rates so they invited five partners to join them to help cover the costs. As a result of this venture, they went on to apply for, and win a £2million regeneration bid.

In 2001, CAN created The Mezzanine, high quality, affordable office accommodation in a good location that hosts 25 social sector organisations in an open plan environment that has been designed to encourage networking, collaboration and idea sharing.

The Mezzanine has been an extremely successful venture for CAN because it supports their organisational mission to develop entrepreneurialism through networking and collaboration within the voluntary and community sector and because it is fulfilling a need within the sector for affordable but professional premises for voluntary and community organisations. From its successful implementation of this model, CAN is now working with 20 organisations across the UK who wish to develop similar models of their own.

To set up shared space, CAN calculates that each member of staff requires 100 sq ft, so they work on the premise that one 10,000 sq ft premises can accommodate 100 people. When selecting tenants, CAN tries to achieve a balance on size of organisation. They aim not to take organisations that have more than 20 employees because there is a risk that they will dominate the building and unbalance the networking opportunities. Equally, from an administration perspective, CAN try not to have too many 2 – 3 person organisations because this adversely affects their operating costs. CAN only employs one employee to manage the building, who is responsible for day-to-day troubleshooting on behalf of tenants. Because CAN has their premises in the Mezzanine, other personnel are given roles to facilitate the networking and collaborative atmosphere amongst the tenants.

CAN charges tenants rent per sq ft at cost and provide additional services such as photocopying, postage and telephony, which they add a small mark up to. CAN Mezzanine tenants are saving £230,000/year between them. The largest savings are derived from group purchasing and use of stationery, photocopiers and telephones. CAN calculate that on their Central London premises they only need to add 15.84% to all operating costs to break even.

CAN report that organisations within The Mezzanine appear to grow and succeed beyond the norm. They believe that there are two reasons for this:

• Each organisation is able to focus on its core mission rather than diverting resources to building administration.
• The environment has been designed to be vibrant and to encourage networking, which has created a culture of growth and success.

Case Study – Kingston Smith Association Management

Kingston Smith Association Management (KSAM) provides consultancy and outsourced services to non-profit organisations. KSAM offers a 'Virtual Office' product, a service that is common in the USA and usually referred to as 'Association Management'. The principal is that small organisations have a defined need and purpose and some funds but they do not require staff or permanent office space. KSAM will provide office space and personnel, as required, on a time and materials basis. There are currently four trade associations using this product but, so far, KSAM have not found a voluntary and community sector organisation interested in adopting the model.

KSAM have found that when they are selling their services to the voluntary and community sector it is a different process to selling to a private sector organisation. In the private sector, KSAM expects to have to prove their professionalism as a service provider, demonstrate their abilities and provide references. Once a potential client is satisfied that KSAM is capable of meeting its needs it will get pricing information and conduct a straightforward cost benefit analysis. Generally on the client-side this will all be undertaken by the owner manager who will then make a decision. KSAM finds that voluntary and community sector organisations are less likely to make a decision on the basis of a simple cost benefit analysis exercise and are less willing to move to an outsource model. They have found that there appears to be emotional logic that employing staff is intrinsically linked to delivering core service and head count denotes success.

KSAM does think that initiatives such as GuideStar will encourage voluntary and community sector organisations to use specialist outsource providers but they equally do not expect this shift to be fast. KSAM also believes that technology developments will encourage outsourcing. It is going to become increasingly easier to remote access external IT infrastructures that will be of significantly higher quality than one organisation could afford. This will make IT outsourcing an increasingly common practice.

Case Study – Charity Business

Charity Business was started in October 1999 to provide charities of all sizes with quality shared services and management consultancy on a cost effective basis. The concept was developed by Mark Freeman and was based on an exercise conducted by him at Marie Curie Cancer Care in 1997, which resulted in savings of £400,000 on finance function alone. A number of leading UK charities agreed to support further research by Freeman and Arthur Andersen, which resulted in Charity Business being launched.

Charity Business's target market is charities with an income of anything from £0.25 million to £10 million. The original product set focussed on the finance function and they offered five different products. Charity Business now offers 12 or 13 products, including HR and IT and is prepared to look after any back office function that is not core to an organisation's mission.

Charity Business finds the sales process is quicker and more straightforward with products that clearly demonstrate a cost saving. Products that provide increased expertise and improved quality take longer to be accepted. It generally takes organisation 3 – 4 months to make a decision on a proposal, although the longest turn around was 18 months.

Case Study – Charities Aid Foundation

Charities Aid Foundation (CAF) provides specialist financial services to charities and their supporters, and administrative support and expertise to voluntary and community sector organisations through their fundraising process. Organisations can tailor the service to be as wide or limited to meet their specific needs. In the widest sense it is complete management and development of an organisation's donor database and total donation income management. This service is primarily broken into two distinct categories:
Online, which provides voluntary and community sector organisations with a total online payment solution to receive donations by debit or credit card via the Internet. Offline, which handles paper-based giving, including standing orders and cheques and can be the full payment process, including collation and banking or just acting as a receiving house.

CAF are also well placed to handle all reclamation of tax from donations through the Gift Aid scheme.

CAF finds that most of their Administration Services business comes from recommendations from existing clients. They also get business from call centres that cannot handle the end-to-end donation process when they are contracted by a client to make outbound calls. Finally, as the provider of the largest payroll-giving scheme in the UK, they gain clients from their penetration of this market. CAF believe that their charitable status does help them secure and retain clients; being culturally similar they find that the relationship with their clients is trust-based and they do encourage this. Whilst they encourage a business-like approach to projects, they do aim to portray a non-threatening charity culture to their clients in communications.