

Sharing back office services

A model of collaborative working

How this model can help

This is one of a series of models covering the different ways that voluntary or community organisations can work together. It is aimed at Chief Executives, managers and Trustees.

The model introduces possible structures for sharing back office services and describes areas to consider before going ahead. Case studies illustrate the variety of options. **This guidance is no substitute for legal advice.**

It is useful for organisations considering:

- Which back office services can be shared?
- What are the structures for doing this?
- What should I consider before starting to share services?
- What are the advantages, disadvantages and tips?

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

What is collaborative working?

NCVO's Collaborative Working Unit defines collaborative working as partnership between two or more voluntary or community organisations. Organisations can work together in a spectrum of ways, from informal networks to joint delivery of projects, and for a range of purposes. Collaborative working can last for a fixed time or be permanent.

Any decision on whether to work collaboratively should rest on whether it will improve outcomes for beneficiaries. Trustees have a duty to act in beneficiaries' best interests and they have final responsibility for any strategic decision.

Sharing back office services

Organisations can use collaborative working to share premises and/or back office services: the supporting functions which enable organisations to carry out their charitable activities. Sharing back office services can mean they are delivered more efficiently than if each organisation were to provide these services themselves in-house.



The Baring Foundation



The Collaborative Working Unit is supported by the Baring Foundation, the Bridge House Trust and the Lloyds TSB Foundation.

Which functions can be shared this way?

- Fundraising & other public facing functions – covered in another of our models
- Purchasing
- Premises/administration
- Human resources, recruitment & staff development
- IT
- Finance services
- Payroll services

C A S E S T U D Y

West Yorkshire Community Accounting Service

West Yorkshire Community Accounting Service (WYCAS) is a company limited by guarantee and a registered charity. It has five CVS (Council for Voluntary Service) members. They are formally constituted as members in WYCAS's governing document. Each CVS can appoint a Director to the WYCAS Board and each district also has a user representative on the Board with the opportunity to co-opt others.

WYCAS employs 8 members of staff, with one community accountant per district. Most work from home, using their local CVS as a base. WYCAS grew from the separate community accountancy work being done by Bradford Community & Voluntary Service and Voluntary Action Leeds. Their work 'tested the waters' for a more formal joint project which has since expanded to take in other parts of West Yorkshire.

Services

WYCAS provides financial services for any voluntary or community organisation in West Yorkshire.

- One to one outreach training for finance staff & treasurers (free to organisations with a turnover of less than £100,000)
- Financial management training courses (charged)
- Preparation of annual accounts & independent examination of accounts in line with Charity Commission guidelines (charged)
- Financial health checks for the organisation (free)
- Good practice guides on financial management, financial advice line, The Balanced Sheet newsletter (all free)

www.wycas.org.uk/index.htm

The Community Accountancy National Network helps develop, promote and support community accountancy services throughout the UK

**www.communityaccountancynetwork.org.uk
email caplus@communityaccounting.co.uk
telephone 0115 947 0839**

C A S E S T U D Y

Bromley Voluntary Sector Trust – premises for the community

Five Bromley organisations together formed Bromley Voluntary Sector Trust (BVST), established as a separate registered charity to manage Community House which opened in 2000. Community House now accommodates the five organisations, a community café, two meeting rooms for hire by voluntary organisations and 14 desks for daily hire. The income BVST generates from hiring its rooms and desks gives them the reserves to run the building.

Governance & management

BVST's Board comprises five Trustees from each of the tenant organisations and six independent Trustees. Community House is managed by a Business Manager supported by an assistant, both paid by BVST.

BVST provides the telephone system for the whole building, but tenants pay their own phone bills. BVST does not have the resources to provide central administrative services, although the reception desk is staffed by volunteers and BVST owns a photocopier which is available for use by small groups and the tenant organisations which do not have their own.

Bromley Borough Council information on Community House

www.bromley.gov.uk/content/community/comm_org/community_house_org.html

How can organisations share back office services?

Organisations can collaborate on just one support service or many. They can do so from separate locations or by sharing premises. Each organisation can maintain its own identity or partners can together create new organisations to share services.

The following points outline some of these options, but do not provide a comprehensive guide. Different structures are right for different organisations depending on their aims for the collaboration. Professional advice should help work out what is best in each case.

Joint working

Two or more separate organisations together deliver back office services. They may work together to deliver services to all the partner organisations involved or one may provide services to others. Each organisation maintains its independence and its own identity.

- The level of Board and senior management involvement will vary with the scale of the collaboration and the type of organisations involved.
- Trustees have final responsibility for the activities of their organisation and must maintain control of collaborative working arrangements.

- Boards of Trustees may co-operate to oversee the collaboration for its duration. This could be by forming a joint committee with representatives from each Board.
- Or Trustees may approve the collaboration, then delegate its implementation to a steering group of staff from each organisation with a project manager reporting back to this staff group.
- Boards of Trustees can agree a code of conduct to formalise how they will work together.
- The collaboration can be controlled by an agreement which separates the joint functions from the ongoing operations of each partner. This could be a written agreement like a memorandum of understanding or a verbal agreement. Legal advice will help you explore the options.

C A S E S T U D Y

Children's Centre Project – planning a national centre

In 2001, the National Children's Bureau brought together a group of children's charities to explore the possibility of sharing accommodation by creating a national centre to support the children's sector. Discussion about co-location and the likely cost savings led to ideas about how the organisations could add value to their work by collaborating in other ways. The children's charities registered their partnership as the Children's Centre Project (CCP), a charity and company limited by guarantee. The Chief Executives of each organisation became Directors and Trustees of CCP with an independent board member as Hon. Treasurer.

CCP now comprises three organisations and is inviting interest from potential new partners. Feasibility studies indicated that CCP should go ahead with shared premises. The proposed centre would house charities' headquarters and meeting and training space, enabling partners to share managerial, financial and administrative services.

CCP are keen to disseminate their learning on the process of collaborative working
www.childrenscentre.org.uk

New organisation

Two or more organisations create a separate organisation to provide all the partners with services.

- Each original organisation maintains its own identity distinct from the identity created for the new organisation.
- The new organisation is a legal entity in its own right. Its legal structure will vary. It may, for instance, be a registered charity as well as a company limited by guarantee, but there are many other options for the new organisation's structure.
- The original organisations may share the governance of the new organisation. In this case, the new organisation has its own separate Board with each partner having an agreed number of seats on it.
- Another option is for one person to represent all the partner organisations on the Board of the new organisation.

C A S E S T U D Y

CharlTyshare – a new IT company

“Both charities have benefited by mining the best practice of each.”

Charles Nall, The Children’s Society Finance Director

CharlTyshare is a limited company which manages the IT services of NSPCC and The Children’s Society.

Which functions are shared?

The organisations are sharing most of their IT functions: helpdesk, training, purchasing, technical infrastructure and national and local technical support. Confidential databases remain separate.

CharlTyshare has made savings by upgrading to broadband and by eliminating duplication. With more clout in purchasing, they get better deals, giving both organisations a higher standard of IT.

The planning process

“Their IT support would have a guy going up the road and we’d have one going the other way.”

John Graham, NSPCC Finance Director

Discussions about combining IT services began at the regular networking meetings of several children’s charity finance directors where an awareness of the growing economies of scale in IT triggered a benchmarking exercise. The exercise confirmed that sharing services can mean savings and revealed similarities in the systems of The Children’s Society and NSPCC. Their data and support needs, nationally and in offices UK wide, were also similar, with similar costs per PC. Both organisations had similar plans for upgrading their IT. Having a similar timetable for this upgrade was another helpful condition for collaboration, although not essential. They accelerated the upgrade to bring CharlTyshare into being.

www.charityshare.org.uk

- But partners’ input into management may be looser than this. The tenant members of Mezzanine Services Limited (see Community Action Network case study) chose not to have a formal means of influencing the way the enterprise was run, but did have a voice through informal channels.
- Where organisations’ right to influence the running of the new organisation is not formalised by the governance arrangements, alternative mechanisms will usually be built into a written agreement. This might state when the partners have the right to be consulted, for example, or when they have power of veto over a decision that concerns their activities.

- A new organisation may be established to raise income for the partners by selling spare capacity. The clients who pay for services may be organisations from the voluntary, public or corporate sectors. The new organisation may be a trading company governed by a Memorandum and Articles of Association, with a shareholders' agreement or a joint venture agreement ensuring that Trustees maintain control. Legal advice is recommended.

C A S E S T U D Y

Charities Buying Group – buying in bulk for good deals

The Charities Buying Group (CBG) was set up by national charity, Leonard Cheshire, in 2003. It offers its members ways of cutting costs through a wide range of purchasing agreements. Its deals with suppliers include cleaning products, utilities, IT, insurance services and agency staff. Membership saves organisations time spent tracking down deals and bargaining and reassures supporters that their donations are going to frontline work.

The CBG is a not-for-profit organisation operated and owned by Leonard Cheshire. Membership is free to registered charities or not-for-profit organisations so that all can benefit from the economies of scale usually only available to larger organisations. Members must respect commercial confidentiality and be willing to share information with the CBG.

Charities Buying Group 0870 922 1290
www.charitiesbuyinggroup.co.uk

Why create a new voluntary organisation?

Some organisations set up new organisations so that they can separate the collaborative working element from the continuing activities of each charity. This may be appropriate where there are significant financial or liability risks involved in starting new joint work.

Creating a separate organisation formalises the way that the shared work is managed, meaning that none of the partners should benefit unfairly from the advantages or suffer disproportionately from the disadvantages possible when sharing services.

Other terminology

Other terms often used to describe sharing back office services include:

Joint project, joint initiative, partnership, shared support services, administrative consolidation, joint venture, managed services organisation, cluster

To consider before going ahead

Like other types of collaborative working, setting up shared back office services takes time and effort. A due diligence exercise helps organisations find out about partners' potential liabilities so that they can judge whether to go ahead. Professional advice will help determine what level of investigation is appropriate.

- Why do you want to share back office services? Are you aiming for cost savings, improved service or both? How do you know this will be achieved?
- Feasibility studies and a system of monitoring and review will help answer these questions.
- Be clear about how each partner is already meeting its back office support needs. How would the new arrangement improve on this?
- The VAT implications of sharing services need to be considered. Are you planning to generate income by selling spare capacity to other organisations?

Employment law

Organisations taking on functions previously carried out by another organisation or transferring work to another employer may be affected by TUPE, the Transfer of Undertakings (Protection of Employment) Regulations. These concern the rights of employees to protection for their terms and conditions. Legal advice should be taken on whether and how TUPE affects you.

C A S E S T U D Y

bassac – creating a cluster

bassac, the British Association of Settlements and Social Action Centres, is exploring the development of local cluster models which they describe as 'local community organisations formed into shared service groups to procure and deliver services to each other and local customers'. bassac is piloting the shared services model among eight bassac members with the twin aims of improving the organisations' effectiveness and impact and to raise the profile of the model among bassac members and beyond. However, with the organisations having no new funding between them to set up a new organisation, one of them increased its capacity so that it could deliver the service to the other partners instead.

For more information on the next steps for the collaboration, please contact info@bassac.org.uk

Sharing without Merging: A Review of Collaborative Working and Sharing Back Office Support in the Voluntary and Community Sector, bassac, December 04
www.bassac.org.uk/publications_sharing.htm

Community Action Network – shared services in high quality office space

Mezzanine 2 is a social enterprise created by Community Action Network (CAN). It provides premises and support services to a range of voluntary organisations by licensing space to them. At reasonable occupancy levels, the enterprise is financially sustainable and need not rely on grants, although it received a start-up grant from the London Development Agency.

Structure

In 2000, CAN established a company limited by guarantee, Mezzanine Services Limited (MSL), to manage the shared office in its first 'Mezzanine' in London's Waterloo. In 2004, CAN, with other Waterloo tenants and social enterprises, moved to Mezzanine 2 at London Bridge. There are now 43 organisations and, in 2005, capacity for a further 15 to 20 was added. The organisations hold an annual licence with Mezzanine 2 which meets the requirements of Mezzanine 2's leaseholder. MSL is being wound up and Mezzanine 2 Limited now runs the venture as a company limited by guarantee and a registered charity.

Services for licensees

The licence cost covers office space, use of meeting and conference rooms, kitchen and reception facilities, distribution of post, cleaning and three full time staff. Charges are made for photocopying, postage, telephone and optional broadband connection. Mezzanine 2 is keen to develop support for its licensees such as studio quality radio interview lines and joint procurement to cut costs.

"Joining the Mezzanine has done much more for us than just give us access to cost-effective space and shared resources. We've benefited from being part of the wider community, both professionally and socially. It has also helped us develop new partnerships with other voluntary organisations."

Nigel Harris, New Philanthropy Capital Chief Executive

CAN Guide: How to Mezzanine with accompanying Detailed Briefing Notes and Financial Information

www.can-online.org.uk/services/publications/default.asp

CAN are happy to advise organisations considering sharing services

email j.shute@can-online.org.uk

telephone 0845 456 2537

Why do it?

Advantages

"It's about raising standards as well as cutting costs."

Adele Blakebrough, Community Action Network Chief Executive on Mezzanine 2

Sharing back office services can improve organisations' effectiveness for beneficiaries by increasing their efficiency and making better use of resources. Time, skills and money can then be redirected to frontline activities.

Quality of back office services

- Improved or wider range of services
- Access to a higher level of expertise and to the latest technology, making greater specialism possible for partners so they are able to keep up to date with developments in specialist fields
- Greater confidence in quality of service as the responsibilities of providers are formally specified, for instance in a Service Level Agreement

Potential savings

- Cost savings through economies of scale, releasing more money for frontline work
- Greater bargaining power with suppliers when buying in bulk
- Leaner workforce

Staff effectiveness

- Staff who used to multi-task on areas where they felt they lacked suitable skills can concentrate on more specialist work
- More productive use of management time
- Networking benefits which will either improve back office efficiency or the effectiveness of charitable activities

Potential source of income

- Opportunity to make profit which can be re-invested in charitable activities
- Potential to sell services beyond partnership, perhaps through a trading company

Disadvantages

- Time and resources can be drained from existing work, particularly when setting up then running a new organisation. Additional tasks in such a case include Trustee recruitment, production of annual reports and supplying Annual Return forms to the Charity Commission for the new organisation.
- Possible redundancies when duplicated posts are no longer needed
- Smaller partner organisations may fear that priority will be given to larger partners. Fear of losing out in this way may be particularly common where back office services are provided by staff who are already working for a larger partner.

Change can be worrying for staff and volunteers, particularly when it involves a loss of control.

- Trustees and/or managers may need to start sharing decision-making on areas where they previously had autonomy. This can be both culturally difficult and time consuming.
- The work of managers freed from multi-tasking on back office services will change. Other staff and volunteers may also have new roles.
- Starting to run services on commercial lines will involve a cultural change which staff, volunteers or beneficiaries may find hard to accept.
- Sharing services may be seen as downsizing unless its purpose is clearly communicated.

C A S E S T U D Y

Suffolk Acre – payroll services

“Strict guidelines on the responsibilities and expectations of each organisation and good communication have been key to the success of our joint work.”

Sharon Baker, Suffolk Acre Finance Manager

Umbrella organisation Suffolk ACRE provides a payroll service, as well as accountancy services, to Suffolk Council for Voluntary Youth Services (SCVYS). Suffolk ACRE sees this arrangement as a way of supporting a local organisation while creating a source of revenue to help fund their own work.

For a fee, Suffolk ACRE pay salaries for SCVYS staff using the BACS system and SCVYS reimburse Suffolk ACRE each month. SCVYS keeps full responsibility for their budgets, however, with Suffolk ACRE acting only on the instructions of SCVYS.

As part of their support to Suffolk’s rural voluntary sector, Suffolk ACRE also play an advisory role in supporting the payroll functions of smaller organisations such as local after-school clubs which do not have sufficient administrative capacity. Suffolk ACRE calculates the salaries due to staff, distributes payslips and liaises with the Inland Revenue, but the organisations pay the salaries from their own accounts. This experience has proved useful in developing the greater implementation role that Suffolk ACRE has in working with SCVYS.

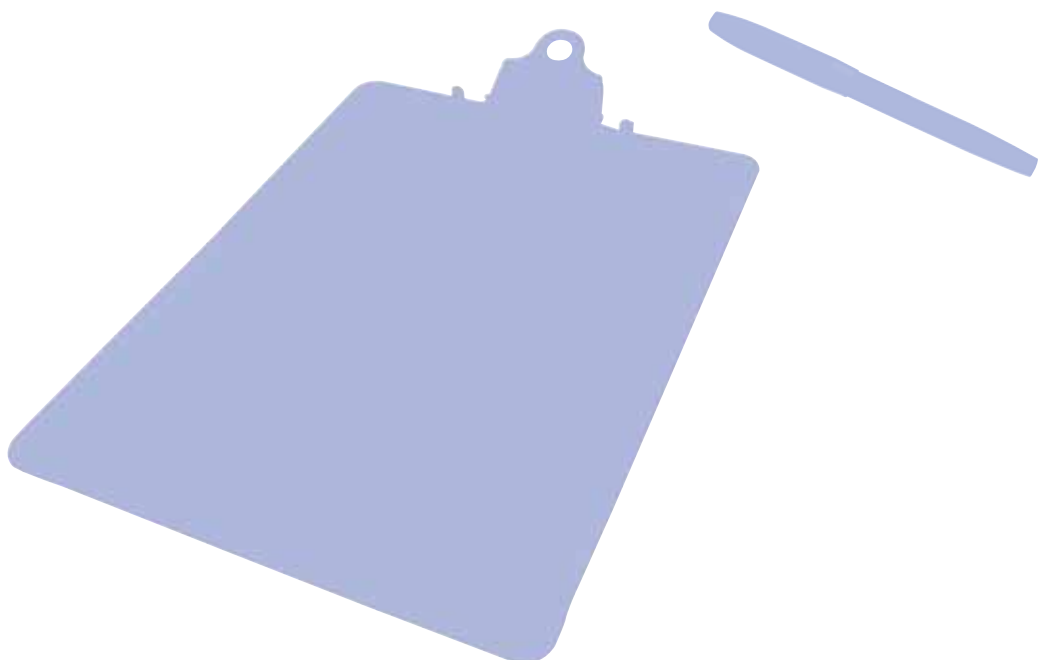
www.suffolkacre.org.uk

Tips

- If you choose to outsource back office functions, don't outsource all functions in one go. Prioritise, start small and gradually increase the services that you share. That way you can build confidence among partners / clients and their staff and volunteers.
- Depending on its scale and nature, a project champion at senior level may be useful to take a visionary role while a dedicated project manager leads on implementation.
- Retrain people with changed roles
- Set up a system for maintaining regular contact with partner organisations' staff and volunteers. Poor communication can lead to misunderstandings which may derail a shared project.

Disclaimer

NCVO cannot accept liability arising from reliance on this information. It is for guidance only and should not replace legal advice.





Further advice and support

Collaborative Working Unit

email collaborate@ncvo-vol.org.uk
telephone 020 7520 2440
www.ncvo-vol.org.uk/collaborate

Charity Commission contact centre

telephone 0870 333 0123
email enquiries@charitycommission.gsi.gov.uk
www.charitycommission.gov.uk

NCVO's HelpDesk

telephone 0800 2 798 798
textphone 0800 01 88 111
email helpdesk@askncvo.org.uk

Local support

Councils for Voluntary Service www.nacvs.org.uk/cvsdir
Rural Community Councils www.acre.org.uk/rcclinks.htm

NCVO's CWU

The Collaborative Working Unit offers information and advice to help voluntary and community organisations make decisions about whether and how to work collaboratively. It serves the managers and Trustees of voluntary organisations and infrastructure bodies as well as engaging with funders and policy makers.

Collaborative Working Unit

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