RUSSELL-COOKE | SOLICITORS

Can collaboration between large charities and smaller ones in service delivery answer some of the challenges of cuts in current spending

The voluntary sector has a long history of collaboration. However, our experience in facilitating these collaborations shows that there are major costs and difficulties which have prevented collaboration spreading further. These costs and difficulties are likely to be harder to surmount during a time when even the largest charity is facing major reductions in funding under service delivery.

Key issues are:

1. The cost of collaboration – Collaboration is not an easy option. It generally involves a significantly greater administrative and staff cost in setting up the collaboration, ensuring effective joint working, appropriate levels of quality and meeting funders' demands, so collaboration increases the cost of delivery rather than reduces it.   This is a hard period in which to seek to extend collaboration.

2. Collaboration adds a whole new set of operational and strategic risks for both partners in the collaboration. Smaller partners face risks of:

    - Losing control of unique skills, techniques or staff to the larger body
    - Being unable to negotiate an appropriate share of the rewards passing under the contract with the lead larger charity retaining significant sums to cover the work and risks involved in sub-contracting
    - Reduction of its visibility and distribution of its brand
    - Reduction of its contacts with and connections to those providing funding for the service
    - Requirements for change, for example to comply with standardised procedures emanating from the larger charity

3. For the larger charity, key risks of collaborating with smaller charities include:

    - Reputational risks e.g. where the smaller charity fails or inadequately delivers services
    - Liability for non-delivery or other problems arising
    - Involvement in disputes not of their making

- Inadvertent cross subsidisation of the small organisation in order to ensure that it meets contact standards in service delivery and reporting

- Large inputs of staff time

The real winner in such collaborations is the public body funding service delivery. As so often happens, what the funding body is doing is shifting risk and cost to the voluntary sector and reducing its own costs. The funder only has to deal with one body and has greater security but is still able to claim that it is supporting diversity within the sector.

In virtually no cases is this shift of risk and cost associated with an increase in the overall funding.

Small charity collaboration is a great thing and often works but it is not an easy or cheap process.

4. Support – Support by larger organisations within the sector has always been common, but it too raises issues and difficulties.

   Property – Larger organisations can make surplus space available to smaller ones, but in doing so, they must still follow complex Charity Act rules about property disposal.

   Services and staff – every charity is strictly bound to only use its staff and resources to help its beneficiaries. Helping another charity may seem like "a good thing" but may breach key trustee governance duties unless the objects and goals of the helper and the helpee exactly coincide.

For more information please contact:

James Sinclair Taylor
Partner
0208 394 6480
James.Taylor@russell-cooke.co.uk