

Collaboration Advice Notes: Sharing Back Office Services



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Sharing back office services

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

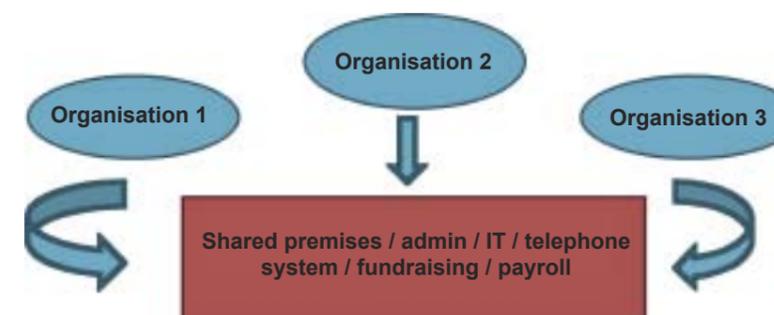
Purpose of this advice note

The advice note introduces possible structures for sharing back office services and describes areas to consider before going ahead. Figure 1 below illustrates the different forms in which organisations can share back office services. Case studies illustrate the variety of options. It is useful for organisations considering:

- Which back office services can be shared?
- What are the structures for doing this?
- What should be considered before starting to share services?
- What are the advantages and risks?

This guidance is no substitute for legal advice.

Figure 1: Shared services



What do we mean by shared services?

Traditionally the development of a shared service model is an **attempt to reduce costs, attempted through economies of scale**, and/or standardised processes, through centralisation. Sharing services has evolved into a comprehensive and flexible tool for improving processes, enabling technology investment, generating profit and reducing costs.²

Sharing back office services in the voluntary and community sector

Collaboration to deliver public services in the voluntary and community sector is nothing new. Organisations can use collaborative working to share premises and/or back office services, the supporting functions which enable organisations to carry out

“Shared services is a business model whereby multiple organisations converge and streamline some of their business functions in order to deliver services as effectively and efficiently as possible.”
Learning and Skills Council 2008¹

¹ <http://www.jiscinfonet.ac.uk/infokits/shared-services>

² Learn to share, Mark Henricks, Entrepreneur, 2001

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 decision to share services is usually a strategic one, with organisations deciding if sharing services is a viable option and one that can help sustainability of the organisation.

Which functions can be shared this way?

- Fundraising
- Purchasing
- Premises/administration
- Human resources, recruitment and staff development
- IT
- Finance services
- Payroll services

Key levers that enable organisations to realise the benefits of shared services are:

- Centralisation of effort, expertise and costs thereby reducing or eliminating duplication across organisations
- Standardisation of processes and systems, leading to enhanced services
- Enhanced ability to share best practice, knowledge and experience across organisations leading to improvements in productivity
- Improved utilisation of resources (hardware, software and people) leading to reduced requirements at an aggregate level³.

How can organisations share back office services?

Organisations can collaborate on 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 a new organisation 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 to deliver back office services

Two or more 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 the 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.

³ A structured approach to establishing shared services, <http://www.infosys.com/global-sourcing/white-papers/Documents/structured-approach-shared-services.pdf>

- 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.

Opportunity to develop joint projects as a result of sharing premises

The development of shared services can lead to more than efficiency savings with organisations sharing back office functions and utility costs. It can also lead to organisations interacting more with each other creating the opportunity to work on joint projects.

Fermanagh House – Sharing physical space encourages collaboration

Fermanagh House is a social enterprise owned by the Fermanagh Trust. The building is a resource for the community and currently nine voluntary and community organisations are based there. As well as providing office space, Fermanagh House provides first class training, meeting and conference facilities which are accessible to resident organisations and are also offered to other groups for hire. Fermanagh House provides a central reception and kitchen area for nine organisations. Formal meetings are held within Fermanagh House attended by representatives from each of the resident organisations. In addition through daily interactions in the central reception and other shared areas a number of organisations have engaged in joint projects.

Reasons for developing Fermanagh House

A range of voluntary and community organisations including Fermanagh Trust were operating out of poor office accommodation in the Enniskillen area and paying high rent.

Fermanagh Trust moved accommodation several times but because of the size of the accommodation the organisation had to hire meeting, training and conference facilities on an ongoing basis. Fermanagh Trust considered the opportunity of linking with other organisations for better accommodation with excellent training, meeting and conference facilities onsite.

“We thought, is there something there in terms of collaborating with others? We started to think about wouldn't it be interesting to bring organisations together under one roof, utilising the budget lines they have in terms of rent and office costs such as heat, light and photocopying.”

**Lauri McCusker, Director,
Fermanagh Trust**

“As Enniskillen is the centre of County Fermanagh rents are very high so organisations such as the Fermanagh Trust were based in inappropriate space and paying quite a bit of money for it.”

**Lauri McCusker, Director,
Fermanagh Trust**

Fermanagh Trust contacted organisations to explore if the opportunity for a shared building and services was appealing and there was a general view this would be beneficial to all organisations.

Fermanagh Trust then secured a site from

Fermanagh District Council and secured resources from the International Fund for Ireland, OFMDFM, the Irish Government, charitable trust money and match funding from Fermanagh Trust itself. Fermanagh House was built and opened in 2007. Shared areas and utility costs were included in their rent and service charge.

Sharing information is also one of the benefits of the shared premises with organisations often circulating information about other organisations' events if numbers are low. The circulation of information to their members and/or beneficiaries helps to both promote and support each other's work, and widens the circle of influence.

"It's a supportive environment. For many small organisations that is a bonus."

**Lauri McCusker, Director,
Fermanagh Trust**

"The charities do not have to worry about ordering oil, or catering, caretaking or cleaning. Nine different organisations do not have nine building insurance, electricity or oil bills having to be paid. Organisations come to work to provide the services that they have been set up to provide. Also there is one reception. It's a shared service and its costs are covered in the rent. It is one point of contact for everyone coming into the building. There are not nine organisations with nine different reception services there is one."

Lauri McCusker, Director, Fermanagh Trust

Example of joint working

Through using the central reception area a number of the organisations in Fermanagh House have interacted with each other and developed joint projects. For example Liveability Ireland is part of a Disability Awareness project with other disability development groups throughout Ireland. As part of this, a joint project was developed and Development Media Workshop, a not-for-profit organisation that produces films and educational resources with a focus on social development and environmental issues, was invited and agreed to become a partner in the project. Both Liveability Ireland and Development Media Workshop are located in Fermanagh House. This partnership came about through a conversation about work Development Media Workshop had undertaken with schools in the local area and this was redesigned to suit the needs of the Disability Awareness project.

CAB and Bryson Energy are also based in Fermanagh House and they too have worked collaboratively in terms of joint projects on energy advice and debt.

"There is a lot of information sharing and it's amazing what happens over a cup of coffee in the kitchen or a chat over lunch in the reception area including idea development."

**Lauri McCusker, Director,
Fermanagh Trust**

Create a new voluntary organisation?

Some organisations that come together set up new organisations so that they can separate the collaborative working element from the continuing activities of each organisation. 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.

- 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. But partners' input into management may be looser than this.
- 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 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.

Will to Give

Coming together and creating a new organisation: In March 2008 the Institute of Fundraising NI hosted a session in NICVA on legacy giving. During this event two local fundraisers proposed that charities in Northern Ireland needed to look more strategically at legacy giving. NICVA organised a meeting to discuss legacy promotion and a steering group was formed to meet with representatives of the legacy promotion initiatives already established for the whole of the UK and the Republic of Ireland; namely Remember a Charity and Legacy Promotion Ireland. A decision was taken that these national initiatives did not fully meet the needs of regional and local charities in Northern Ireland.

Process

The Northern Ireland Legacy Promotion group, as it was first called, considered setting up a new organisation but instead choose to function against terms of reference for its early development. As the group developed and plans became more certain the need to manage and apply for funding became more of a driving force for forming a new organisation. A term of reference was created and 21 organisations signed up to the group and paid £50 in way of commitment. The promotion group knew recognition of the initiative was important so it decided to become a new independent organisation which became constituted, received charitable status and was formalised in January 2011.

Benefits to member organisations - each member organisation pays an annual fee of £250 and in return receives:

- Promotion and marketing materials including a presence on the Will to Give website.
- Use of Will to Give logos - materials and press releases
- Advice on legacy fundraising
- Reduced or free access to events and training organised by Will to Give
- Will to Give leaflets bundle
- Contribution to the develop of the campaign
- Reduced costs for the will notification service in Northern Ireland

One benefit of this collaboration is that donors can support a range of causes. What also has worked well is that by working together Will to Give organisations have enhanced their fundraising capacity. Smaller organisations do not have the same capacity as larger organisations but will be able to advertise and promote legacy giving with respect to their organisation through Will to Give. It gives them the opportunity to be creative about income generation.

Another benefit was that some organisations came with no idea about legacies but by being involved in Will to Give they learned about legacy giving from other more experienced fundraisers in this field.

"All the charities have a stronger voice by working together on this initiative,"

**Neil Irwin, Secretary,
Will to Give**

Area based

Within a geographic area, there are opportunities for sharing many types of services which require close proximity⁴.

The Skainos Project

For some time, the inner East Belfast area had been neglected and in need of regeneration. East Belfast Mission (EBM) developed the concept of an 'urban village' made up of voluntary and community organisations, a mix of owner-occupied, privately rented and social housing, an auditorium to serve as the worshipping space for the Methodist Congregation at East Belfast Mission, an onsite hostel, and retail units. This urban village, the Skainos Centre, is a regeneration project providing shared space for community transformation and renewal. The Centre opened in October 2012 and has been funded through the International Fund for Ireland, SEUPB PEACE III programme, the Department for Social Development and East Belfast Mission.

Initially EBM considered renovating its existing building in the Ballymacarret area of East Belfast however a decision was taken to develop a new building. As well as moving all its own operations over to the Skainos centre, EBM has linked in with a range of partnering organisations over the regeneration of the area and has had great success attracting them to the new building. These organisations include:

- Belfast Metropolitan College, which will have a satellite unit of six classrooms to the main campus
- AgeNI, which will have a day centre for older people
- Oaklee Housing Association in partnership with EBM for the provision of a homeless hostel
- Northern Ireland Association for Mental Health will have a day centre for people with mental health problems
- Tear Fund NI, office headquarters
- Replay Theatre Company, office and rehearsal space

EBM has attracted its partnering organisations through word of mouth, however, for the commercial and private rentals the organisations have used estate and commercial agents to assist in the process.

Shared services include:

- Cheap bulk buying
- Utility costs will be lower due to a district heating system which will be supplied to all tenants at 10% less than market place rates
- WIFI in all common areas
- Use of a family centre, IT suite, classrooms and drop in centre, seminar rooms, a board room, a dance studio and five counselling and mentoring rooms, auditorium and community hall available at a competitive rate.

⁴<http://www.jiscinfonet.ac.uk/infokits/shared-services/develop>

Like-minded

There are some organisations that have a similar remit or who provide similar services that collaborate by sharing premises and/or back office services.

Cara Friend, The Rainbow Project and Here (formerly LASI)

Sharing premise: In 2009 the Director of Cara-Friend realised that the building in which the organisation was located did not fully meet the needs of disabled beneficiaries. As a result the Director spoke to colleagues in the LGBT sector and, along with the Directors of The Rainbow Project and Lesbian Advocacy Services Initiative (LASI), identified the Memorial Building in Waring Street, Belfast, as a suitable new location.

One of the positive outcomes of the organisations sharing premises was that they reviewed their administration and services and stopped duplication. It became apparent that the previous arrangement of operating from different buildings had led to a situation where each organisation was not fully aware of the services and support the others provided.

This has developed further. The Directors of Cara-Friend, The Rainbow Project (TRP) and LASI now meet on a monthly basis to discuss services and opportunities. The management boards of Cara-Friend and TRP have also met as both organisations are planning their next three year strategies and are interested in how they can link into their strategy and business plans.

"We stopped duplicating, we examined what areas we worked in and decided if we could co-operate in some and be open that we were competing in some. If we couldn't co-operate we would try to see who was best placed to provide a service."

**Steve Williamson, Director,
Cara-Friend**

Cultúrlann

Sharing premises: In 1991 Cultúrlann opened to accommodate an Irish-medium second level school and since then the centre has been the springboard for many Irish language initiatives and enterprises that subsequently spread out around the area to create the Belfast's Gaeltacht Quarter. As the popularity of the centre grew, different Irish language organisations including Pobal, Aisling Ghéar, Aisling Ghéar films and Raidió Fáilte became attracted to the centre and applied to set up premises become resident within it.

These organisations had visions which were similar to that of Cultúrlann in their support of Irish language and culture.

The relationship between the organisations developed organically. Each had a desire to further develop and support Irish language, art and culture and in their effort to do so worked together to promote the centre and its services. The running costs of the centre are shared and a representative from each organisation sits on the management committee of Cultúrlann, however, Cultúrlann has now become a company limited by guarantee and its governance is not solely made up of individuals from organisations within the building. Since then a tenants group has been established so that representatives can discuss issues which fall outside the remit of the management committee.

'Our common goal was to promote Irish culture in Belfast however this has led for organisations that reside in Cultúrlann to share other resources as well.'

**Eimear Ní Mhathúna, Director,
Cultúrlann**

The building has recently undergone renovation and most of the initial organisations moved out while the work was completed. Some have grown and have relocated within the Gaelic Quarter. The centre is now home to Caife Feirste, Oifig Fáilte tourist information point, the Siobhán McKenna theatre, the Dillon Gallery, Na Ballaí Bána Gallery, An Ceathrú Póilí book/craftshop, Raidió Fáilte, Aisling Ghéar theatre company, the design company; Dúch Dúchais, Taca who support Irish medium education and Tobar, a television production company. Since the renovations have taken place a centralised telephone service has been installed with each organisation contributing to its cost and maintenance. The Director hopes that now tenants have returned there will be even more opportunity to work in collaboration.

‘We are trying to work closer together in marketing, we already do quite a bit at the minute but once everyone moves back in there will be a more strategic approach to pooling resources.’

Eimear Ní Mhathúna, Director, Cultúrlann

Geographically independent

Services can be developed for organisations which are not naturally associated with reach other due to geography.⁵

Advantages of sharing services – why do it?

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 activities⁶.

“It’s about raising standards as well as cutting costs.”

Adele Blakebrough, Community Action Network Chief Executive on Mezzanine 2

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
- Ensuring improved and more up-to-date IT and communication systems
- 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.

⁵ <http://www.jiscinfonet.ac.uk/infokits/shared-services/develop>

⁶ http://www.ncvo-vol.org.uk/uploadedFiles/NCVO/What_we_do/Collaborative_Working_Unit/Models_of_collaborative_working/Sharing_back_office_services_PDF.pdf

Confederation of Community Groups

Sharing premises: Ballybot House and An Storás is a social enterprise developed by the Confederation of Community Groups (CCG). It provides premises and several discounted support services to a range of voluntary and community organisations. In addition to organisations from the voluntary and community sector, CCG leases units to a number of retail businesses to ensure a diverse income. Before renting a unit organisations sign a tenancy agreement. Ballybot House is at 95% occupancy and An Storás has full occupancy. This means that the social enterprise is financially sustainable. CCG uses the income generated through this social enterprise to support its own projects so that it is not solely reliant on funding grants. In addition it means that the rent for each unit is at a very competitive rate. Rent has not increased in over four years.

“We haven’t increased costs of rent or discounted resources in four years. We haven’t changed terms and conditions. We have on occasion reduced rents when organisations are waiting on funding, and then made the difference up when the funding comes in. We are very flexible as we are not a private landlord; we are here to contribute money to projects, and to help organisations reduce costs through shared premises”,

Raymond Jackson, CEO, The Confederation of Community Groups.

The tenancy agreement covers the unit space and distribution of post, cleaning, caretaking and maintenance and use of WiFi in common areas. Charges are made for photocopying and faxing and there is a discount on the charges for meeting rooms, however the charges for these have not increased in four years.

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
- Release of staff time from 'commodity' activities for more added-value/customer-facing activities⁷.

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
- Gaining competitive advantage.

Improvement and sustainability of services

- Continuity and resilience of service
- Raising quality and improving the flexibility and agility of existing services
- Ability to offer otherwise unsustainable services.

⁷ <http://www.jiscinfonet.ac.uk/infokits/shared-services/benefits>

Accessible and appropriate accommodation

- Access to better accommodation which meets the needs of the organisation
- Access to appropriate meeting and conference facilities at a reasonable cost
- More central location for the benefit of beneficiaries.

What 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?

Finding potential partner(s)

Sharing services is a non-starter unless you can find the right organisation(s) to share with. The best way to do this is to link in or network with potential organisations who are interested in sharing services. Organisations do not have to have similar services for such a partnership to work; they simply need to focus on what back office services they are able to share. Organisations also need to be able to trust each other if they are going to be sharing resources.

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.

The risks

While sharing services is very popular and considered by many as good practice there is a fear that the driving force behind collaborative working such as shared services, and the use of language when discussing it, does not fully address the risks involved. Voluntary and community organisations can be resistant to change, however before deciding to make such changes the organisation must decide if the delivered benefits outweigh the risks⁸.

Voluntary and community organisations face challenging times. A volatile financial environment is impacting funding opportunities, while demand for services and operating expenses are increasing. For the majority of organisations with already limited resources, these challenges indicate a need for innovative change⁹. For many organisations, the solution comes in the form of collaboration and consolidating their "back office" operations

⁸ <http://www.jiscinfonet.ac.uk/infokits/shared-services/risks>

⁹ http://www.tsne.org/site/c.ghLUK3PCLoF/b.6034927/k.2759/Nonprofit_Publications__Shared_Services_A_Guide_to_Creating_Collaborative_Solutions.htm

to streamline their efforts. Joint efforts allow voluntary and community organisations to share space, technology, and financial and human resources operations. Shared services increase purchasing power and reduce costs, increase operating efficiency and reduce risk, improve access to high-quality services and foster the collaborations that lead to programme innovation. Experiences in the private, public, and non-profit sectors prove these gains are possible when shared services are designed effectively.

Sharing back office services does not always successfully reduce costs in the short to medium term. Sometimes the real benefits are more difficult to measure such as networking opportunities and opportunities to share and learn. An example of this can be seen with regard to the pooling of resources across Whitehall which has cost £500m more than expected.

The voluntary and community sector needs to be aware that while there is potential to make savings from shared services, it is important to be aware of the potential risks including:

- Time and resources can be drained from existing work, particularly when setting up the running of 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.¹¹

Further advice and information

Collaboration NI

<http://www.collaborationni.org/>
028 9087 7777

¹⁰ <http://www.egov.vic.gov.au/focus-on-countries/europe/countries-europe/united-kingdom/trends-and-issues-united-kingdom/information-and-communications-technology-united-kingdom/shared-services-united-kingdom/sharing-back-office-services-cost-more-than-it-saved.html>

¹¹ http://www.ncvovol.org.uk/uploadedFiles/NCVO/What_we_do/Collaborative_Working_Unit/Models_of_collaborative_working/Sharing_back_office_services_PDF.pdf

"A key part of the new civil service reform plan to save money by sharing back office functions in Whitehall cost hundreds of millions pounds more than it saved according to the Commons public accounts committee (PAC)¹⁰.

Kathryn Dobinson, Guardian Professional, July 2012



CollaborationNI

working together, stronger together

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