Collaboration – strength in numbers?

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“If a full merger sounds too drastic, then it is worth exploring a looser arrangement for working together”

We know that many trustees will be sitting in (Zoom) board meetings, reflecting on sobering financial forecasts, faced with the difficult task of deciding where their charity should go from here. If this is you, then the possibility of collaborative working should definitely be on your radar.

Collaboration can be a critical part of maximising impact – as illustrated by the work of the People’s Health Trust, described in our client focus article on page 25. Collaborative working – done well – also has the potential to bring about useful cost savings.

Could you share your back office services with another charity and split the costs, for example? Or find another charity with which you could jointly deliver one or more of your projects? Collaboration might also help open up new funding opportunities and access to your beneficiaries.

Often when we think about charities coming together, we picture a merger. In some circumstances this can be an excellent solution and Lawrence looks at this in more detail on page 9.

But if a full merger sounds too drastic to you, then a looser collaboration arrangement might be worth exploring, potentially a step to a future merger down the line.

Options for collaborative working vary in terms of levels of formality and integration between the parties:

- At one end of the spectrum, you could have an informal alliance – with or without an agreement in place.
- One step up from this would be a more formal contractual alliance under a collaboration agreement.
- Or you could take it further and set up a jointly owned joint venture company.

To choose the right structure you will need to consider things like the size and complexity of the venture, the risks involved and the anticipated length of the collaboration – as well as tax and employment considerations. More detail about the pros and cons of the different options for collaboration can be found in our Brief Guide to Collaborative Working.

Protect yourself

This is not to say that collaborative working is a magic bullet that can solve all your financial problems. There are pitfalls to be wary of and a badly executed collaboration could end up costing you more than you stand to save.

Carry out due diligence at the outset, make sure you understand your potential partners' financial position and ensure that your objectives for the collaboration are aligned.

Take time at the beginning to make sure you are all on the same page.

Make absolutely sure that you have a proper agreement in place covering key issues such as who does what, who owns what, how risk is shared between the parties, how to end the collaboration and how parties leave or join.

And get legal advice at the outset – a good set of heads of terms can save a lot of time in drafting the agreement later!

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