

## current trends



## Third sector mergers

Greater economies of scale, more purchasing power and reduced staffing costs are all viable arguments for smaller charities to merge; but, asks Ben Wittenberg, will society be worse off from the resulting lack of diversity and choice?

Opinion in the sector is fairly well divided on whether there are too many charities, or not enough. Those that feel there are too many cite duplication of efforts, inefficiency, and increased competition for resources as key rationales for restricting the creation of new charities, and for encouraging the merging of existing ones.

At present there is an increasing trend for charities merging to improve their chances of accessing funds, specifically statutory contracts. Nearly 90 Victim Support branches are going to merge into a single charity in order to improve their chances of securing government contracts. Five Cumbrian CVSs have recently merged in order to cut overheads and mitigate funding pressures. But what impact might fewer charities have on the sector, and society as a whole?

The fact of the matter is, when you look at one, two, or a few charities in isolation, fewer of them seems an interesting solution to a number of the problems that they face. Economies of scale, increased purchasing power, and reduced staffing costs are all compelling economic arguments.

DSC's position on this, however, is quite different, and was cemented in our feedback on the Charity Commission's Gateway project early last year. We felt that it changed the way new organisations approaching the Commission for charitable status were treated, very strongly directing them to go and support an existing group and deterring the creation of new charities – something we were very strongly opposed to. Our position then was that there shouldn't be any undue barriers to organisations forming because the underlying action of getting off your backside and doing something was too valuable a motive or essence to be quashing.

Attached to this is the principle that there is a wider benefit to society of more people being engaged in charitable activity. For example, it may make financial or economic sense to have one organisation serving 100 people with 30 staff, than two organisations serving the same 100 people with 20 staff each. However, in the former case there are 10 people with a particular passion with ideas, drive, connections, family etc who if

engaged in supporting their cause directly will have an impact far beyond whatever their day-to-day 'work' might be. Beyond that is the issue of greater choice being better for the beneficiary.

That's balanced by a reasonably pragmatic market approach – if there is no 'need' for an organisation to exist, or that need has declined over time, whether because issues have been solved, addressed, mainstreamed, or addressed more effectively some other way, then of course we wouldn't advocate organisational survival for the sake of the organisation.

The example of playing fields is particularly illustrative. The most cost effective way to manage the UK's tens of thousands of playing fields is to have one massive one somewhere in the Midlands. It would represent huge economies of scale in terms of management, maintenance costs, etc and be no use to anyone because access would be drastically limited, the majority of beneficiaries would lose any element of choice, and the scale of the overall positive impact would be far smaller.

That may sound ridiculous, and to a certain extent it is, but the reality is that small and medium-sized charities are under greater pressure than ever before. The latest figures from NCVO highlight the growing gap between the biggest charities and everyone else, and government's shift towards funding fewer, bigger organisations by contract is increasing the pressure – especially on medium-sized charities.

The Treasury's recent announcement of an £80 million small grants programme will go some way to mitigating the loss of SRB and Community Chest funding, although it comes at a time when the Big Lottery Fund is facing significant threats to its budget. An unintended consequence of significant shifts in how government funds the sector is that for some organisations consolidation and reduced choice for beneficiaries present a more promising future than choice, independence and diversity.

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Trend watch