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MERGER AND COLLABORATIVE WORKING

Introduction



Why merge?

- Wider geographic spread/scale/reach
- Better/more efficient service delivery
- Reduce overheads/loss of income/cost savings
- Future funding uncertainty
- Brand and cost of fundraising
- Louder “voice” in campaigning
- From grants to larger commercial contracts and payment by results
- Funders requiring partnership working
- Governance
- Staff retention/skills
- Crisis

Why not merge - alternatives

- Informal arrangements/networks
- Resource sharing arrangements
- Prime/sub-contractor arrangements
- Joint ventures
- Affiliations/federated structures

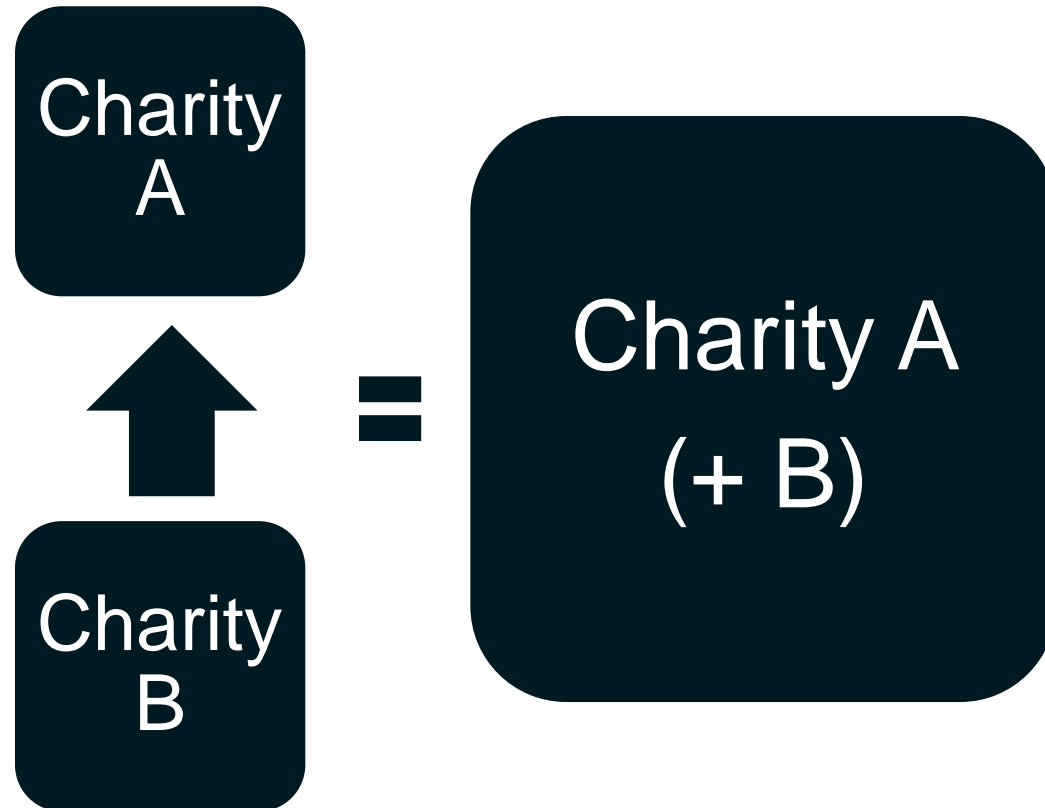
Barriers & how to overcome

- Language
- Culture
- Trustees
- Staff
- Brand
- Supporters
- Communications

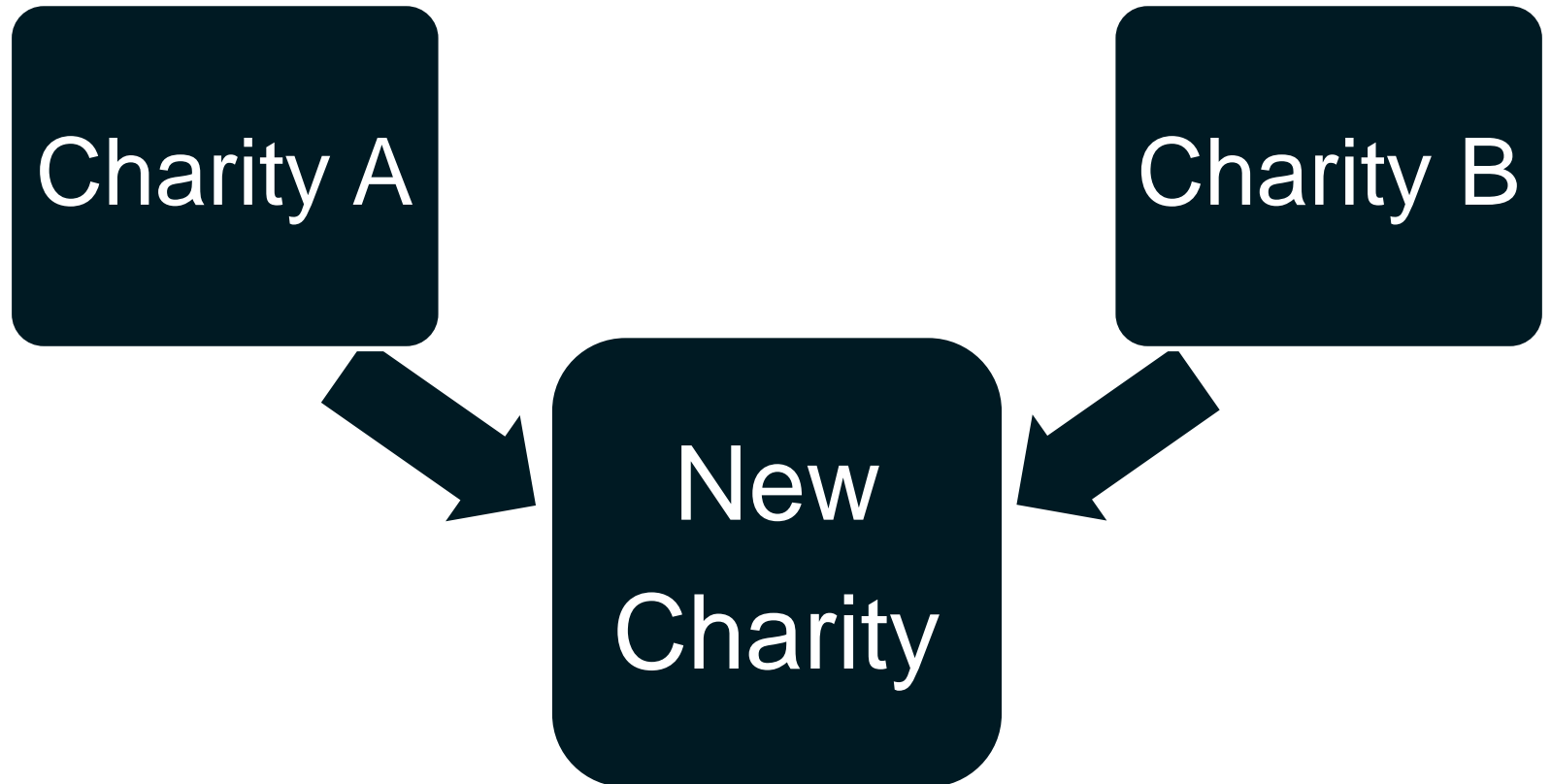
Choosing the right structure

- Transfer of assets or change of control?
- Factors include the size of the charities, what's driving the merger and technical issues like property ownership, data, pensions
- Legal forms of partners
- Membership and stakeholder influences
- Assumption and management of risk
- Control and future governance
- Enforcement of key issues and concerns
- Timing and costs

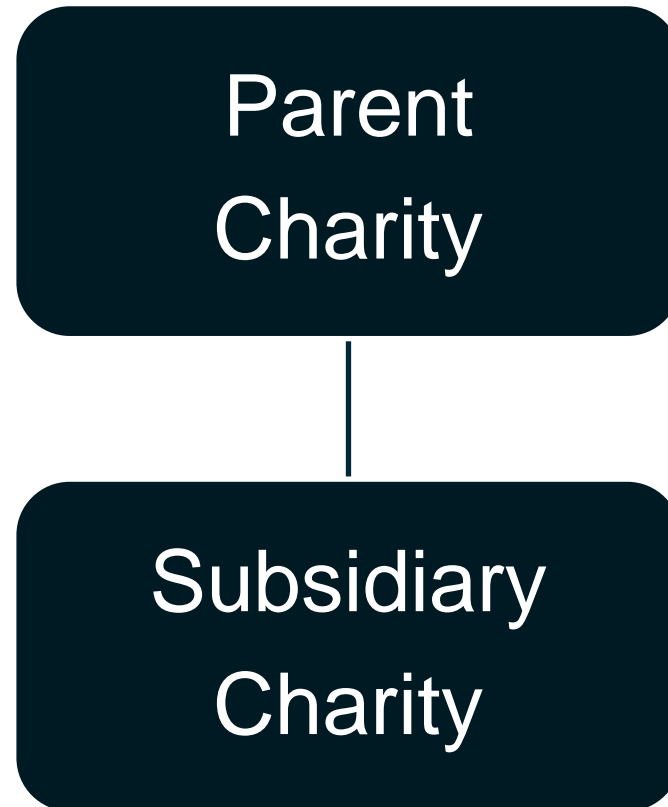
Transfer of assets and liabilities from one charity to another



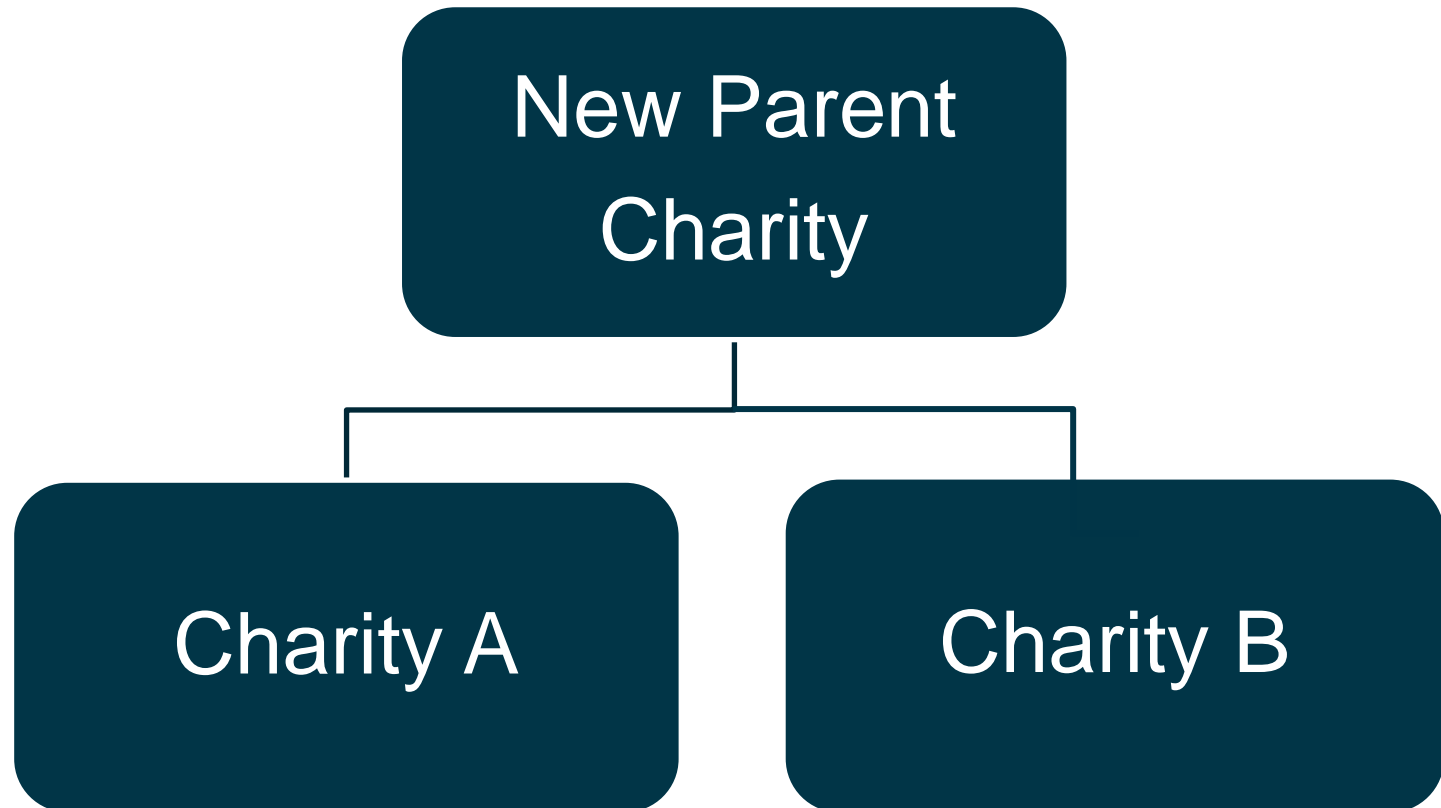
Creating a new charity



Establishing a group structure



Establishing a group structure



Process - Merger

- Identification and consideration of major issues and deal breakers
- Delegated authorities – steering committee?
- Costs if merger fails?
- Heads of terms?
- Confidentiality agreement
- Timetable and project plans
- Communication – v - confidentiality
- Choosing a structure
- Due diligence is key

Legal due diligence – some key issues

- Who, How, What
 - Identify issues, costs and liabilities
 - Avoid triggering them on merger
- Both charities may carry out due diligence
- Objects and powers
 - Are they compatible?
 - Do the objects need to be changed?
 - Members vote?
- Restricted funds and permanent endowment

Risks to manage

- TUPE and Pensions
- Funding agreements and Grants (claw back)
- Data protection and PECR – consider a data audit
- Property – how held? Mortgages and security. Landlord consent needed?
- Restricted funds
- Assignment or novation of contracts
- Do you need to involve the Charity Commission? Other regulators?

After the merger

Work has only just begun:

- Bringing both teams together
- Integrating systems/approaches
- Bedding in a new Board
- Delivering the business case

What next?



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