

A review of not-for-profit mergers
for 2015/6

THE

GOOD
MERGER

INDEX



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Foreword



FOREWORD

I am delighted to introduce this third edition of our annual Good Merger Index.

For 2015/6, we have tracked merger activity undertaken by charities and social enterprises and give views on the scope, type and drivers of these strategic changes.

Additionally, we have included a feature looking back on noteworthy mergers from the previous years, in order to explore questions we are frequently asked about merger outcomes. While it is by no means conclusive, it gives a decent picture of the early successes – or otherwise – of the mergers undertaken in 2013/4.

This year Eastside Primetimers has also partnered with Big Society Capital and Russell-Cooke Solicitors in order to support the launch of this report. Big Society Capital has brought a particular interest in the role finance and expertise might play in unlocking impactful mergers, while Russell-Cooke has provided legal insights on barriers to merger.

The main finding from our core data is that the level of merger activity remains fairly static in 2015/6 and certainly does not appear to be increasing. We are used to seeing 50 to 70 deals a year now - this is in a sector with over 163,000 registered charities.

Moreover, most charities participating in merger – often local charities with smaller incomes – tend to be in financial deficit at the time when they start considering merger. Others go bust or end up transferring services to another relevant charity only at the point of closure. This confirms the scale of the financial instability these charities are up against, and shows that mergers tend to be forced by financial distress, rather than by sound planning and aims for growth.

Once again it seems that despite financial headwinds, commissioning challenges, arguable duplication and increased discussion around merger in recent years, many organisations are simply not responding to the conditions they face. In fact many more charities go into liquidation each year than successfully seek an alternative home for their services.

We therefore close this report by looking at the factors that consistently seem to thwart charity mergers and offer ideas to stimulate a more favourable policy environment.

This should not be the end of this discussion however, only the beginning. We hope this report adds empirical evidence to inform the debate and invite colleagues to consider how merger and collaboration can be made a much easier choice for those charities who seek it.



Richard Litchfield
CEO, Eastside Primetimers

Acknowledgements

Special thanks to Andrew Studd, Russell-Cooke Solicitors (russell-cooke.co.uk), for assistance and co-authoring chapter 6, and to Big Society Capital (bigsocietycapital.com) for support and ideas on merger finance.

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Executive Summary

This is the third edition of our Good Merger Index, looking primarily at mergers in 2015/6. Across the three years of the Index, we have gained a good picture of the merger activity in the not-for-profit sector and in our conclusion we offer ideas about what is needed to help charity leaders to consider and undertake more mergers successfully.

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Key Findings – 2015/6 merger activity

By our definition 54 merger deals took place this year, broadly in line with the 61 we saw in the previous year. We found that 116 organisations with a cumulative income of £799.4m were involved in these deals. Across these mergers, £158m of income - and £395.9m of assets - were transferred as part of these arrangements (this is our proxy for the size of a charity merger). However, it should be noted the figures are heavily skewed by the single largest deal we have recorded this year – with that case removed, £75.7m of income and £43.7m of assets were transferred.

The vast majority of merger value (92%) continues to be concentrated in the largest 20 mergers, with 59% of it represented by the top two deals alone. This might suggest that much more merger activity could happen between local and specialist charities, where the risk of duplication is arguably greater.

65% of charities making acquisitions (transferees) were in financial surplus in the most recent available accounting year, while 61% of those being taken over or merging with a similar-sized organisation (transferors) are in deficit – this shows that financial hardship is a key driver for mergers.

In the majority of cases (61%), a larger organisation took over another charity, which reflected a loss of identity and service autonomy for the smaller organisation. However, this was similar to last year and this is not the full picture – we noted there is still experimentation with subsidiaries and groups in the sector. Mergers of relative equals represented 24% of cases.¹

Are charity mergers successful?

In chapter 5, we returned to the biggest mergers from our original 2013/4 Good Merger Index, looking at their latest public filings in order to get an indication of the progress they have made.

Most organisations saw their combined income exceed the sum of their parts, suggesting that merger does generally increase the footprint of organisations that merge and diversifies their income streams. However, when we measured income growth against the notional combined value pre-merger, in a couple of cases small reductions in income were seen.

In terms of profitability the financial picture gets more mixed, with about half experiencing decreases in their margin or in deficit outright. This is likely driven by a mix of short-term merger costs and lost income, and sometimes the need to absorb the deficits of smaller partners. However, it is frankly too early to reach conclusive views since we would expect any of the merger gains to be unlocked later. Our analysis therefore shows some promising starts but also the complexities charities face in evaluating their merger outcomes.

We also feature case studies, including interviews on merger finance and the case of St Mungo's in 2014, and look at some of the qualitative benefits of merger based on published accounts.

¹ Our in-house definitions of merger types are explained in section 4.3

What can we conclude from these findings?

We welcomed the emerging evidence from the charity mergers of 2013/4. In the majority of cases, they had increased scale over and above the sum of the two parties pre-merger and in about half of the cases, the new merged organisation was more financially profitable than pre-merger. Given that they are still incurring merger costs we would expect this picture to improve further over the next year.

Sector-wide, though, merger activity is proportionately small, with 116 organisations undertaking 54 deals this year in a sector with 163,000 organisations – about 0.07%.² This is despite increased discussion about merger in recent years, financial pressures on the sector and commissioning demands making collaboration more of a necessity.

Further, many of the mergers we do see continue to be driven in part by financial distress, particularly where smaller or local charities are involved, raising a concern about the quality of charity mergers, on top of the quantity issue.

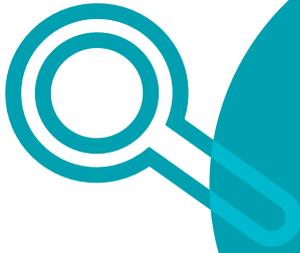
In chapter 6 we have summarised different barriers which thwart mergers. These barriers either prevent merger being considered as a viable option in the first place, such as institutional inertia, or are practical barriers which hinder parties who have started to explore merger, such as an inability to find partners, complexity, lack of expertise, costs and availability of funding or pension deficits. These are separate problems, and different solutions will need to be found to address each.

We conclude that the merger environment – despite many barriers – can be made more favourable and we invite sector leaders and funders to consider a joint effort to coordinate resources and tailor support so that it becomes easier and cheaper for any charity wishing to explore and undertake merger to do so.

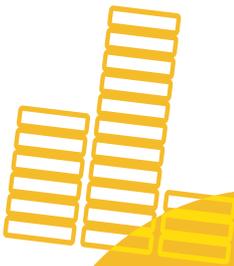
Merger activity is proportionately small, with 116 organisations undertaking 54 deals this year in a sector with 163,000 organisations – about 0.07%

² NCVO UK Civil Society Almanac 2016: <https://data.ncvo.org.uk/a/almanac16/size-and-scope/>

CONSOLIDATION SNAPSHOT 2015/6



Total number of charity and social enterprise deals analysed in detail
54
involving 116 organisations



65%
of charities making acquisitions are in financial surplus

61%
of those being taken over or merging are in deficit

MERGER HOTSPOTS

Health & Social Care
39%

Intermediary
17%

Employment
9%

Community
6%

Education
6%

Justice
6%

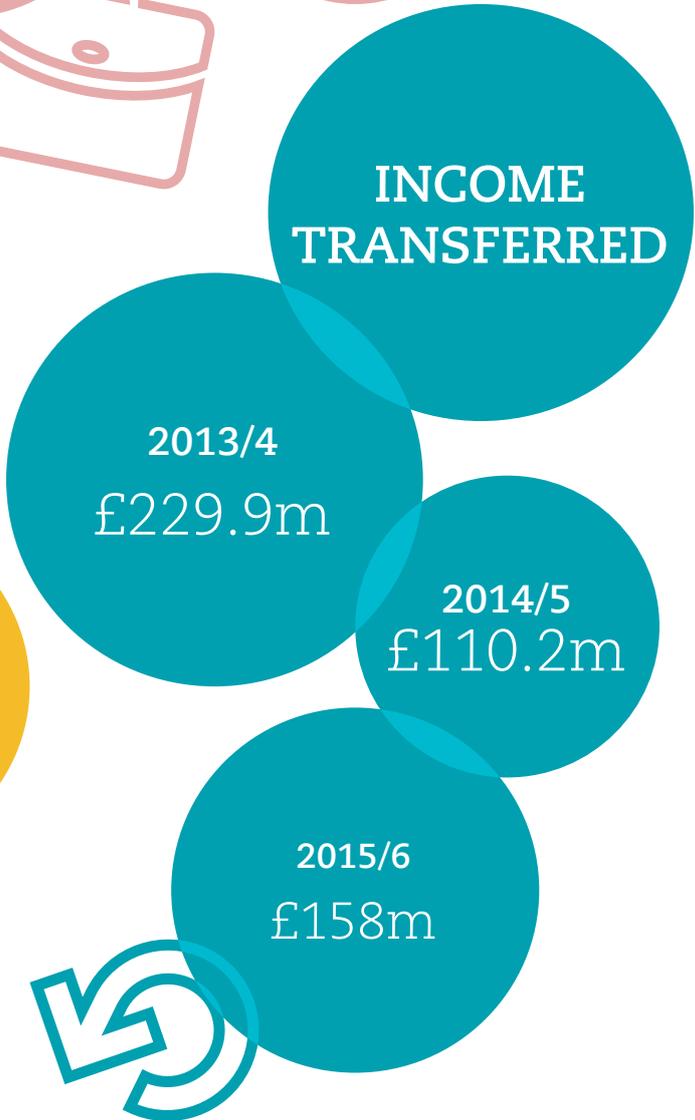
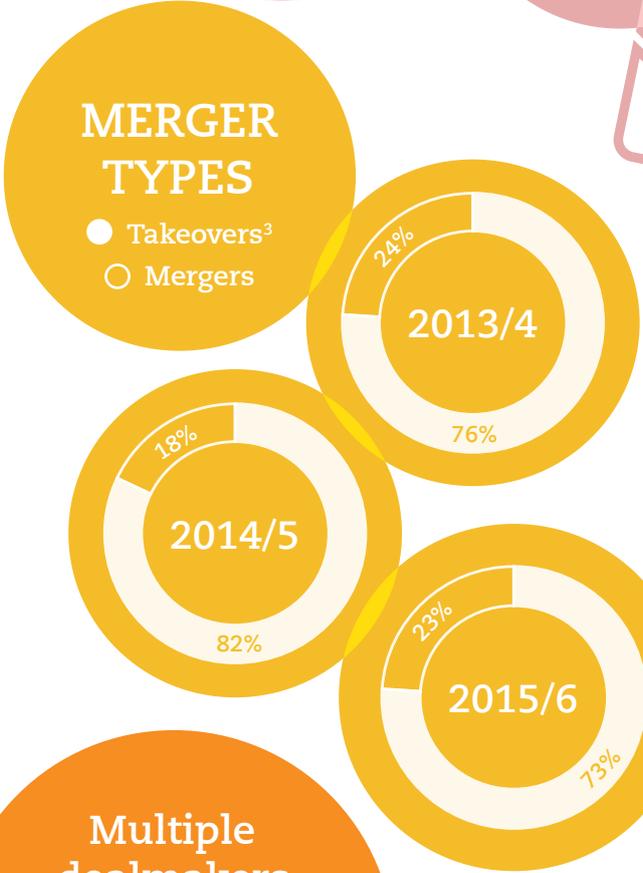


2015/6 saw a net increase of
over 1,060
of entities registered with the Charity Commission, 4,465 organisations were deregistered



The single largest deal featured the formation of the Masonic Charitable Foundation

CONSOLIDATION SNAPSHOT FOR THE PAST THREE YEARS, 2013-2016



Multiple dealmakers include GLL, the NCVO and Richmond Fellowship

3 Combines straight 'takeovers', subsidiary deals and group structures

Methodology

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3

The key points about our methodology

- ▶ This analysis follows on from the previous two years of the Index - our research objective was to identify and collect data on mergers that occurred in the financial year 2015/6
- ▶ As many mergers are announced in early April, we use a 12 month period for this study running from May 1st 2015 to April 30th 2016. This is consistent with the previous edition of the Index
- ▶ We have tried to count mergers only when they had been completed, or when we were confident that they had been. The consequence was that some mergers, although announced, were not counted because they concluded after April 2016
- ▶ Our geographic focus is England and Wales. Most organisations were registered charities and Companies Limited by Guarantee, but there are also Community Benefit Organisations, such as leisure trusts, and local colleges that undertook mergers with/as registered charities
- ▶ As before, the main challenge has been to identify the eligible deals as not all mergers require immediate registration. We used two main sources in order to find merger deals – public registries and media announcements:
 - **Public registries.** The Charity Commission maintains a limited list of registered mergers. However, this only covers situations where the transferring organisation is dissolved in terms of registration. From a list of 125 mergers registered in the 12 months (by asset transfer, comparable to about 160 last year), we removed cases where deals happened in past years but were only now being registered, internal reorganisations and tiny organisations with little publicly available information. This meant that many small benevolent funds are omitted, for example
 - **Media and organisation websites.** We reviewed sector press to find deals at the point of announcement, including deals reported in Third Sector, Civil Society and Charity Times. We also drew on local and specialist publications, social media and charity websites. Many of these transactions had not yet been recorded on the Charity Commission register
- ▶ For each deal we then collected financial and non-financial information by referring to the Charity Commission website, Companies House, press releases, organisation websites and Eastside Primetimers' own records. All figures were the most up to date available at time of writing – accounts often refer to financial year 2015 rather than 2016
- ▶ Key figures are generally provided as percentage breakdowns
- ▶ We use a non-legal framework to classify different types of merger (elaborated in section 4.3). This framework is based on Richard Gutch's work in the 2012 Good Merger Guide and then was adapted through peer-review for the 2013/4 Index, before being further refined in the 2014/5 Index to nuance our thinking around branding and group structures
- ▶ One of the challenges for understanding not-for-profit mergers is language. Terms like 'merger' and 'acquisition' are borrowed from the private sector and sometimes do not fit well with the sector. For the sake of this report, we use 'merger' in two ways: firstly, in a general sense to describe any strategic change that involves the exchange of assets and liabilities, and secondly, in a specific way to describe a genuine 'merger of equals' that is defined in detail in our framework

Past Mergers – where are they now?

- ▶ New this year is a look back at deals from previous editions of the Index (particularly from 2013/4)
- ▶ The intent of this is to begin to explore commonly-raised questions around merger outcomes, and whether they are achieving their objectives
- ▶ It should be stressed that these are only a few cases and involve organisations early on in a process that can take some time to truly complete and yield benefits
- ▶ We have analysed the most recent-available accounts of organisations (generally dating to March 2015) involved in the most prominent deals that we highlighted in the first Index.
- ▶ We have also conducted interviews with stakeholders from two of those deals, in order to get a more qualitative look into these mergers
- ▶ This section is not intended to reach any firm, representative conclusions about merger outcomes, but we hope it can contribute to the debate

2015/6 Charity and Social Enterprise Deals

4

4.1 TOP 20 DEALS

We present here the top 20 mergers of the 2015/6 Index, ranked according to the size of income transferred.⁴ The 20 largest deals continue to represent the vast majority of the financial value of mergers in the sector (92% for 2015/6, compared with 90% in 2014/5).

Two mergers this year involved more than £10m each of income changing hands, and represented 59% of all value transferred (the equivalent two deals in 2014/5 represented 42%). The single largest deal by far was the formation of the Masonic Charitable Foundation from the merger of four central Masons' charities, with a combined value of £82m. This is significantly larger than the next nearest deal we have recorded in the last three years (St Mungo's and Broadway in 2014, with a value of £64m). We do not generally cover benevolent fund mergers as they are often small, but this merger was significant and the largest predecessor entity - the Royal Masonic Benevolent Institution - operates in social care, running 20 homes. Oliver Carrington, previously a policy officer at one of the charities, wrote that the "charities were not facing any funding problems. But they recognised that they all broadly shared the same mission and beneficiary pool, had similar fundraising processes and were already working closely together. It just made sense".⁵

The second ranked merger was the takeover of Totton College in Hampshire (£10.8m) by crime reduction charity Nacro (£41.8m). This is one of a number of mergers this year involving local colleges, demonstrating innovation in the further education sector (WEA Cymru merged with YMCA Wales Community College and Local Solutions took over Oakmere Community College). In the case of Totton College in particular, however, the merger was driven by

financial difficulty and a poor Ofsted rating. Nacro said it was not intending to create a specialist college for ex-offenders, but does aim to restructure the college and bring its Ofsted rating into line with Nacro's.

The third largest deal was conducted by leisure social enterprise GLL, which we previously noted had acquired two trusts in 2014/5. This year, GLL has taken over Tone Leisure in the South West of England, bringing 13 leisure and sporting facilities into its structure. Tone's chair said this was motivated by the changing landscape for leisure trusts and the need to be part of a "robust structure going forwards", but also one like GLL that shared its values as a charitable social enterprise. Leisure trusts are facing stiff competition from for-profit firms for local authority contracts.

The creation of One Dance UK involved four organisations coming together, which took five years of planning. This is a good example of multiple organisations with overlapping aims being rationalised into a larger organisation now able to provide "an improved, joined up service to support everyone working in dance".

Infrastructure continues to be an area of consolidation. This includes often-strained local Community and Voluntary Service (CVS) organisations, represented by mergers in Tameside/Oldham and Southwark, and those concerning the mergers of specialist sector umbrella bodies, such as Ambition with the National Council for Voluntary Youth Services and the Skills Councils for the Health and Justice sectors. Sitra joining Homeless Link as a subsidiary was designed to allow the two to offer unique support, training and consultancy to the homelessness and supported housing sectors.

⁴ For 'mergers of equals', income figures combine both organisations transferring into the new entity. For takeovers, subsidiaries and groups, the figure refers to the income of a single transferor organisation

⁵ 'When two become one: Mergers—an insider's view', Oliver Carrington, NPC, September 2016: <http://www.thinknpc.org/blog/when-two-become-one-mergers-an-insiders-view>

Top 20 Deals Ranking

	Organisation 1	Organisation(s) 2	Type of deal ⁶	Amount of income transferred ⁷	Amount of assets transferred
1	Masonic Charitable Foundation	<ul style="list-style-type: none"> The Freemasons Grand Charity The Masonic Trust for Girls The Masonic Samaritan Fund The Royal Masonic Benevolent Institution 	(1) Merger through existing organisation	£82,267,400	£352,178,565
2	NACRO	Totton College	(2) Takeover	£10,799,000	Not available
3	GLL	Tone Leisure	(4) Group Structure	£7,885,868	£1,310,117
4	WEA Cymru	YMCA Wales Community College	(1) Merger through existing organisation	£7,496,685	£2,711,065
5	United Response	Robert Owen Communities	(2) Takeover	£6,014,969	£4,154,147
6	Skills for Health	Skills for Justice	(2) Takeover	£4,768,974	£1,254,730
7	Royal Marines Charitable Trust Fund	The C Group	(1) Merger through existing organisation	£3,393,066	£11,455,077
8	YouthNet	Get Connected	(1) Merger through existing organisation	£3,529,395	£408,213
9	Action Together CIO	<ul style="list-style-type: none"> Community and Voluntary Action Tameside Voluntary Action Oldham 	(1) Merger through new organisation	£2,135,745	£1,629,676
10	GIPSIL	Renew Leeds	(2) Takeover	£2,033,403	£1,860,173
11	Catch22	Only Connect	(3) Subsidiary Model	£1,959,820	£112,435
12	Big World Impact	Active Communities	(2) Takeover	£1,810,150	£512,930
13	P3 group	Amber Trust	(3) Subsidiary Model	£1,588,638	£3,634,843
14	Local Solutions	Oakmere Community College	(2) Takeover	£1,514,797	£1,376,438
15	Community Action Southwark	Volunteer Centre Southwark	(1) Merger through existing organisation	£1,499,350	£425,244
16	Business in the Community	Scottish Business in the Community	(2) Takeover	£1,342,556	£228,949
17	Homeless Link	Sitra	(3) Subsidiary Model	£1,280,924	£159,105
18	Ascentis	AptEd	(2) Takeover	£1,224,442	£214,035
19	Ambition	National Council for Voluntary Youth Services	(2) Takeover	£1,212,328	£175,525
20	Dance UK (now One Dance UK)	<ul style="list-style-type: none"> Association of Dance of the African Diaspora Youth Dance England National Dance Teachers Association 	(1) Merger through existing organisation	£1,201,179	£567,564

6 This year we have differentiated 'Takeover' and 'Subsidiary Models' in how we have displayed merger types in this top 20 table – last year we included some Subsidiaries as 'Takeovers', regarding them as a subcategory. Merger types are explained in section 4.3

7 'Amount of income/assets transferred' figures are the most recent available annual figures for the transferor organisation(s) in the deal – for mergers of equals, we have combined the income and asset figures respectively of both/all organisations

4.2 FINANCIAL DRIVERS

We have reviewed here the financial position of charities engaging in merger, calculating their surplus/deficit as a percentage of their turnover. ‘Transferee’ charities are typically larger organisations conducting takeovers (including those taking on subsidiaries). ‘Transferors’ are either those joining a larger structure or those transferring their assets as part of a merger of equals.

More than half of transferors were in deficit (61%) in 2015/6 – similar to the 53% in the same position in 2014/5. Meanwhile only 35% of transferees are in loss (although this is up from 24%).

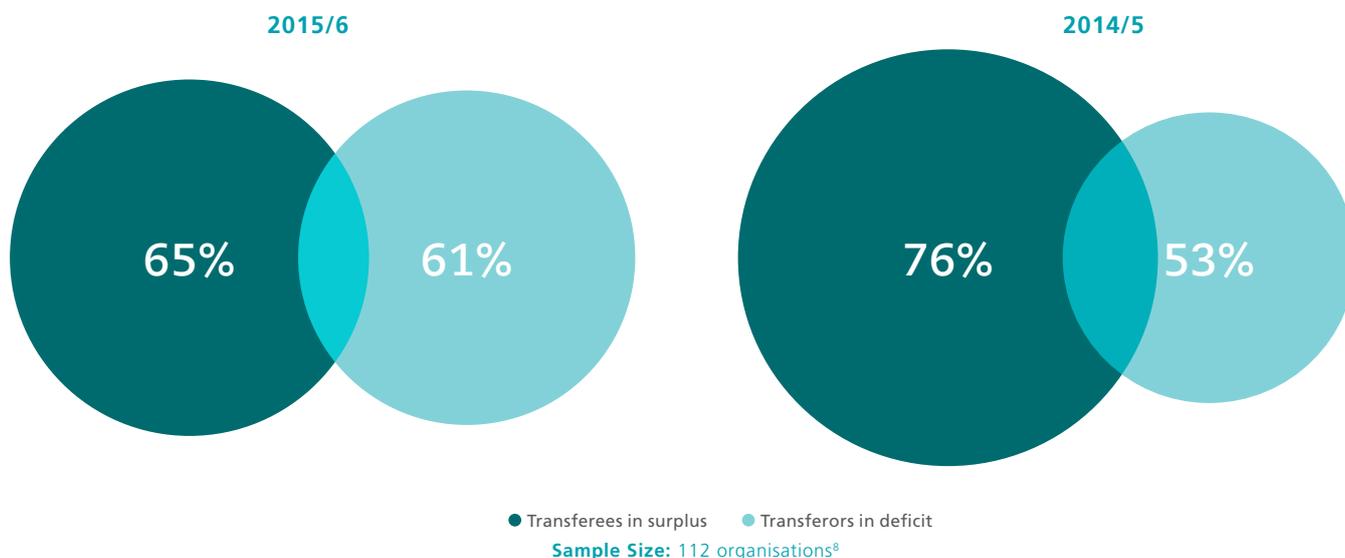
This confirms again our opinion that charity mergers tend to be ‘rescues’ rather the strategic moves, with financially troubled charities seeking merger with a larger entity to ward off closure of services or insolvency. With the funding challenges the sector continues to face, this is not surprising.

However, it does reinforce the need for a sea-change in attitude and planning in the sector, with trustees, the regulator and funders playing more of a role to spot financial storms well

in advance and encourage corrective action ahead of time. When mergers are sought from a position of strength rather than desperation, they will tend to be more balanced, productive partnerships and will be driven by the best interests of beneficiaries. Small charities will be able to survey the landscape and ideally seek external support with their merger, and negotiate for the best possible deal for their organisation and beneficiaries. This will allow organisations with a specialism or a community link to maximise their autonomy and continuity of purpose within a new structure.

However, in some circumstances a larger organisation was also in deficit. The largest deal in which both organisations ran deficits was in the education sector, with Ascentis’ acquisition of AptEd. Ascentis saw a -13% deficit on a £3.1m turnover (AptEd’s was -6%, while earning £1.2m). The motivation for this merger was clearly to improve financial strength with the parties citing the need to afford “stability and significant growth opportunities for those centres running Ofqual-regulated qualifications and Access to Higher Education Diplomas”.

FINANCIAL DRIVERS



8 Manually adjusted so that for merger deals both organisations are counted as transferors – 64% of all organisations are therefore Transferors.

4.3 TYPE OF DEALS

This section looks at 2015/6's deals according to our framework (see next page). Mergers of relative equals accounted for 24% in 2015/6, in line with the 18% in 2014/5 and 23% in 2013/4.

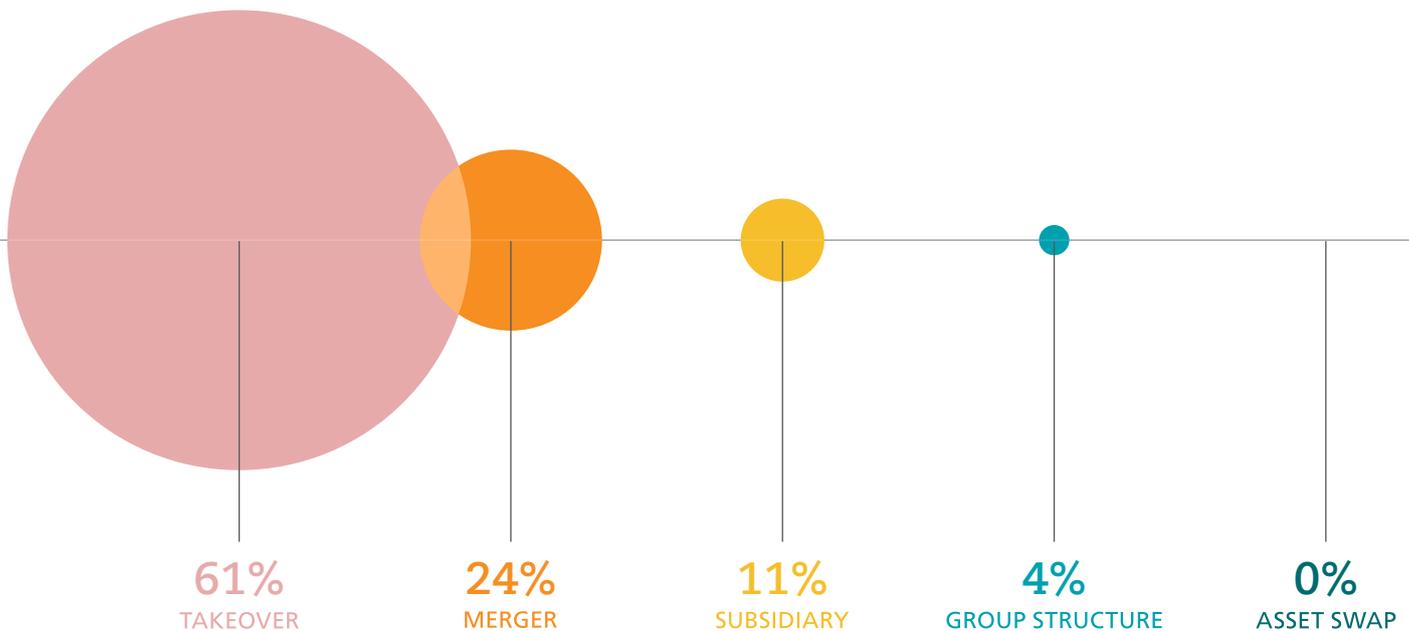
Full takeovers - where a smaller organisation is operationally integrated into a larger one and loses its separate structure and often identity – represented 61% of mergers this year, similar to the 62% share in the 2014/5 Index (though this was a marked increase from 43% in 2013/4).

The proportion involving the retention of a subsidiary was also similar to last year (11% this year, compared to 13% in 2014/5). However, this still represents a decrease from the first year of the Index (23% in 2013/4) and therefore a small shift towards more absolute takeovers. It is possible that if financially vulnerable transferor organisations sought earlier-stage strategic mergers and had access to support as observed in chapter 5.2, more organisations would be retaining their autonomy within new structures.

There is also a measure of interpretation separating the various acquisition categories. Some deals refer to the retention of a “subsidiary” in their initial publicity, while at the same time clarifying this is an interim measure towards complete structural and brand integration within a year or two. We may therefore classify these as full takeovers.

We noted that only two mergers used a group structure (4%) where two or more operationally autonomous subsidiaries form part of a group. In the 2014/5 Index we observed that mature group structures, with an established parent organisation and operational subsidiaries, are more common among housing associations than in the charity sector.

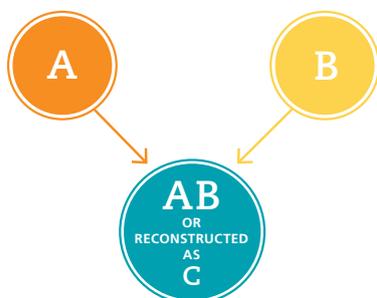
Overall, we are continuing to find that organisations innovate in a variety of ways to find the right structure for them – no two mergers are exactly alike.



Sample size: 54 deals

Types of Merger Explained

1 Merger



SUMMARY

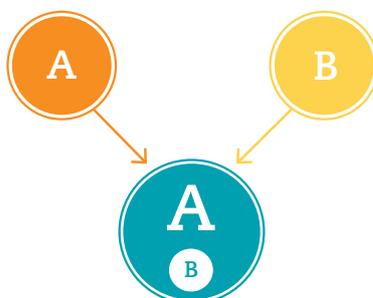
Two or more organisations join to form a new organisation either through:

- i) Organisation A transferring its assets and activities to Organisation B. Organisation B then establishes a new identity with a new leadership team; or
- ii) Organisation A and Organisation B transfer their assets and activities into a new Organisation C and then either dissolve/become dormant (or for housing associations, continue trading as subsidiaries as part of a group structure)

KEY FEATURES

- ▶ Often acknowledgement in the new brand identity of two organisations coming together, or a completely neutral new brand is created;
- ▶ Evidence that the top executive team for the newly enlarged organisation has a balanced representation from the legacy organisations;
- ▶ Governance of the new organisation must be representative of the two merging organisations

2 Takeover



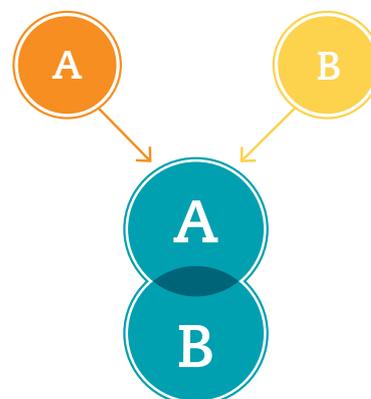
SUMMARY

Organisation B transfers its assets and activities to become part of Organisation A.

KEY FEATURES

- ▶ The transferring organisation is dissolved or exists but remains dormant;
- ▶ The identity of the acquired organisation is either lost after the takeover, or is retained but only as a service or project;
- ▶ Executives from the acquired organisation do not hold roles at the same level of seniority as they did before;
- ▶ The Trustee Board of the acquired organisation is disbanded and stood down

3 Subsidiary Model



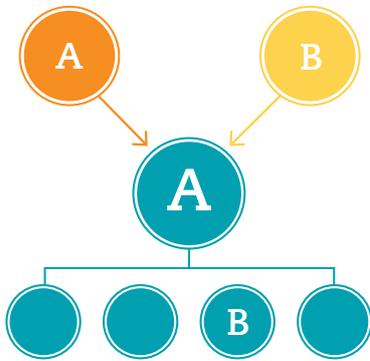
SUMMARY

This type of takeover is achieved by Organisation B becoming a 'wholly owned' subsidiary of Organisation A.

KEY FEATURES

- ▶ The transferring organisation retains a separate Board and identity within a group-wide strategy or business plan;
- ▶ Job losses at management level are minimised;
- ▶ Ultimate control is nevertheless retained by the acquiring organisation;
- ▶ Only a minority involvement, if any, of Trustees from Organisation B on the main board of Organisation A;
- ▶ Could be a step towards the formation of a group structure

4 Group Structure



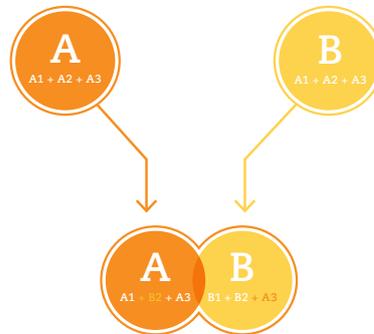
SUMMARY

Two or more organisations transfer activities and assets to become part of a group and operate as one of a number of wholly-owned subsidiaries. In developed groups, particularly among housing associations, front line services and accountability can be pushed down to the subsidiaries and the group company has responsibility for overall management and central services.

KEY FEATURES

- ▶ the parent group owns two or more subsidiaries each with their own governance;
- ▶ the identity and brand of the subsidiaries are retained, but with a reference to being part of a larger group;
- ▶ there is a group CEO and Chair who have key leadership roles and they devolve executive powers to separate individuals who have responsibility for running the subsidiaries;
- ▶ models of governance can be created to allow Trustees to continue to have a role at the subsidiary level;

5 Swapping services or assets



SUMMARY

The transfer or swapping of services, and in some cases assets, in order to help organisations to achieve a more balanced portfolio of activities, income and cost.

KEY FEATURES

- ▶ the identity of the service that is moving is absorbed into the branding of the acquiring organisation;
- ▶ employees will be TUPE'd;
- ▶ no impact on legal structures or the Trustees of either organisation

4.4 SIZE OF MERGING ORGANISATIONS

We present here the income size and geographies of organisations that engaged in mergers in 2015/6. While the top 20 ranking again shows that the largest few deals represent the majority of the value of charity mergers, in the pyramid-like structure of a 163,000-strong charity sector, the smallest charities account for much of the actual activity.

Small charities under £1m represented 50% of merger partners this year (45% in 2014/5). Medium-sized organisations (£1-10m in our classification) represented 37%, almost identical to last year. Geographically, we see that organisations involved in mergers are most likely to be national in scope (47%) or are tightly confined in terms of their local authority geographies (38%), with a lack of regionalisation in between or international presence above.

When we plot transferees (acquirers) against transferors (being taken over or merging at similar scale), we find that transferors tend to be smaller - and transferees larger - in terms of both income and geography. However, of interest is the fact that while transferees are

overwhelmingly likely to be national in scope, a perception we sometimes encounter that acquirers are huge 'corporate charities' is unsupported when looked at in terms of income size - 66% are under £5m, and 94% under £50m.

Relationships between charities of different sizes can also be very productive. One example of a small charity under £1m finding a home in a £5m+ charity this year was the merger of youth anti-smoking charity Cut Films (formerly Deborah Hutton Campaign) into the Roy Castle Lung Cancer Foundation. The merger was prompted by the desire of Deborah Hutton's founder to move on, by a need for income diversification due to an unsustainable reliance on public health commissioning and more generally was to allow the expanding charity to be rehoused in a larger entity that could support its growth. Roy Castle also benefited from having its regional presence in London and its youth operations bolstered by the presence of Cut Films as a project within its structure, demonstrating how small charities can strengthen the offer of a larger partner they merge into.

Income size	Transferee %	Transferor %
£1m	33*	63
£1m - £5m	33*	27
£5m - £10m	10	6
£10m - £50m	19	4
£50m+	6	0

Sample size: 116 organisations

* Though 62% of transferee ('acquirer') organisations are national in scope, 66% of them actually still have incomes under £5m

Geographies	Transferee %	Transferor %
Local	21	52
Regional	10	10
National	62	34
International	8	3

Sample size: 116 organisations

63% of transferor organisations ('acquired' or merging) have incomes below £1m and 52% of them are local

Past Mergers – where are they now?

For a new feature this year, we return to the 10 biggest deals by value from our first 2013/4 Good Merger Index. These provide an indication of how successfully they have turned out. We used the most recent sets of publicly-available accounts, mostly dating to 2015, so this is a relatively early impression for these organisations – most are either 12 or 24 months into the process.

A large, bold, white number '5' is centered in the lower half of the page. The background consists of several overlapping, semi-transparent teal and blue geometric shapes that create a layered, abstract effect.

5.1 TOP 10 MERGERS FROM 2013/4

Income change – larger organisation perspective

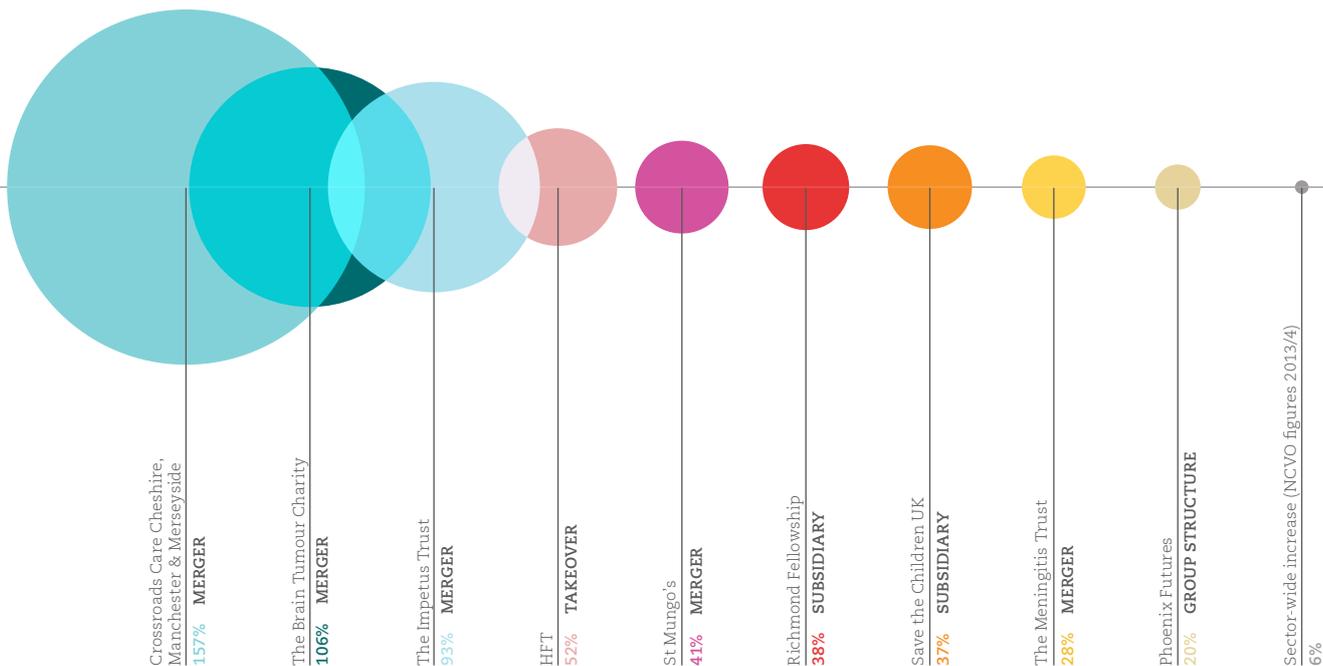
In the private sector, mergers are sometimes said to destroy (shareholder) value, so we sought to investigate if this is true in the not-for-profit sector. First we look at the absolute amount of income growth which each of the larger organisations achieved through merger, using the available financial year before merger as a baseline (2012 or 2013) and comparing against the most recent available figure (2015 in all cases).

From this we see that the nine larger organisations experienced substantial growth, with an average of 64% across the sample. Deals structured as mergers rather than takeovers featured higher on this list - the top three here had all conducted a 'merger of equals' with a similar sized organisation, resulting in a rough doubling in size. We can also clearly see that Crossroads in the North West and the Brain Tumour Charity went on to grow over and above this.

This analysis also shows that takeovers or subsidiary deals are strong ways for charities to grow income. In these cases transferees increased their size by between a fifth (Phoenix Futures) and a half (HFT). Growing rapidly in this way can allow both organisations to combine and expand their geographic footprints, service portfolios for beneficiaries, financial footholds and positions in competitive public service commissioning markets.

Putting this into context, NCVO reported that 2013/4 was the first year in which income notably increased sector-wide following the financial crash, rising by about 6% overall against the previous year. These 9 organisations are seeing much faster growth though – the smallest change is 20% - demonstrating how growth through merger yields much faster gains than organic growth.⁹

CHANGE IN INCOME FOR LARGER ORGANISATION (%)



⁹ NCVO UK Civil Society Almanac 2016, Income: <http://data.ncvo.org.uk/category/almanac/voluntary-sector/income/>

Note that the two acquisitions in this list made by Richmond Fellowship are counted as one entry for the purposes of measuring outcomes'

Income change – ‘additional growth’

Here we have measured the change in growth by comparing the most recent income figure for the merged organisation (2015 in all cases) against a combined income figure for the two organisations pre-merger. This demonstrates the extent to which the merged organisation creates a stronger income generating base than the standalone entities.

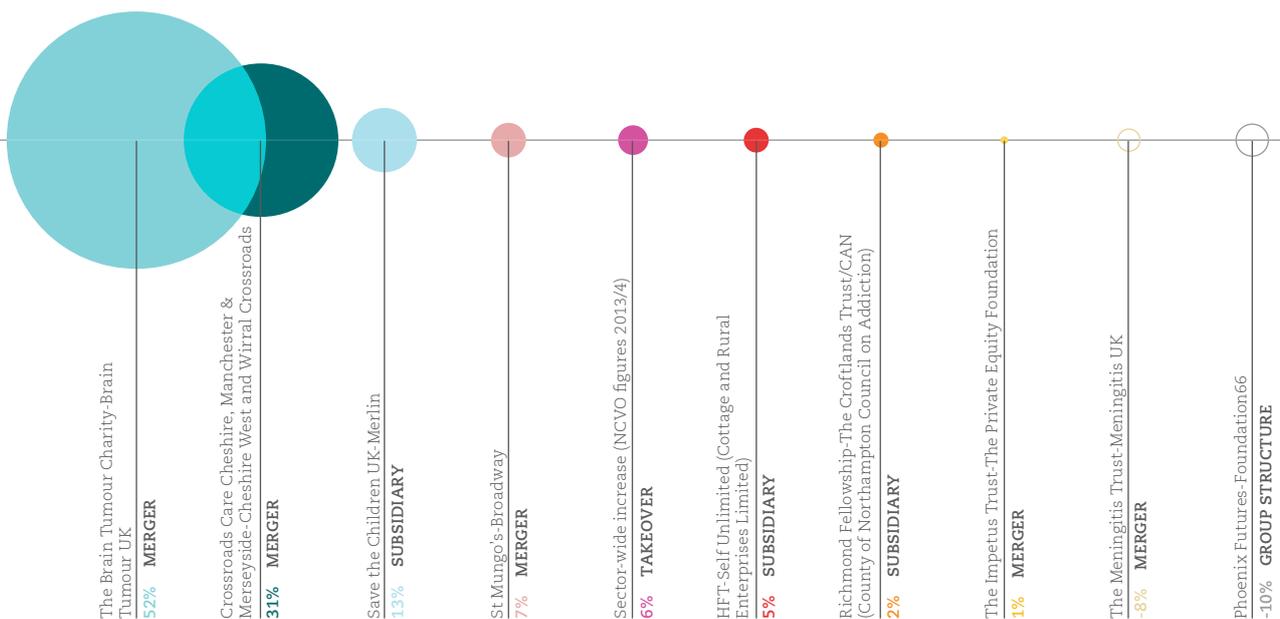
By this metric, in 7 of 9 cases there is growth in excess of the original size of the combined organisations. In just 12 or 24 months, these organisations have become more than the sum of their parts.

There are two exceptions to this rule, the formation of Meningitis Now and the Phoenix Futures/Foundation66 deal. In the case of Meningitis Now, the organisation turned over £3.4m in 2014/15 compared to a combined income of £3.7m for the two entities in April 2013. Their accounts attributed this to the “challenging” economic climate and to “the impact of the merger and overlapping income”. This resulted in an 8% reduction from 2012/3 to 2013/4.

Phoenix Futures meanwhile took Foundation66 into its group structure. On paper we would have expected this to create an organisation with a combined income of over £30m, but due to falls in income at Foundation66 during the merger period, the newly consolidated income statement of Phoenix Futures stood at £28m in 2015. Foundation66’s accounts attributed this to a loss of contractual income during the year, but noted that the organisation was restructuring its central overheads and also expected that Foundation66 would “enjoy financial benefits following the merger with Phoenix House”. Foundation66 also reported new investment made as a result of the new arrangement.

Given our previous finding that transferors in merger situations are often in financial difficulty, it is indeed very positive that 7 out of these 9 deals are posting continued growth over and above the income level of the organisations pre-merger.

ADDITIONAL GROWTH (%)



Margin growth

The first two tables are about growth, but to what extent have the mergers created more financially sustainable organisations? Here we therefore look at the change in the margin which these merged organisations are operating on, taking their current surplus as a percentage of their current income per their 2015 accounts. Our baseline for comparison varies here based on deal type – for takeovers we have compared the change in profitability against the larger organisation’s profitability pre-merger, while for mergers it is against a weighted average pre-merger for both organisations.

Here the financial picture gets more mixed, with five out of nine experiencing decreases in their margin. Moreover, five out of nine are in deficit outright in their most recent available accounts from 2015. This is likely driven by a combination of factors.

The first are short-term merger and integration costs. Acquisition costs of Hft’s takeover of Self-Unlimited were placed at £285,000 in its 2014/5 accounts, in a merger described as “very successful” and a basis for further mergers. Impetus-PEF’s merger in 2013 involved £294,000

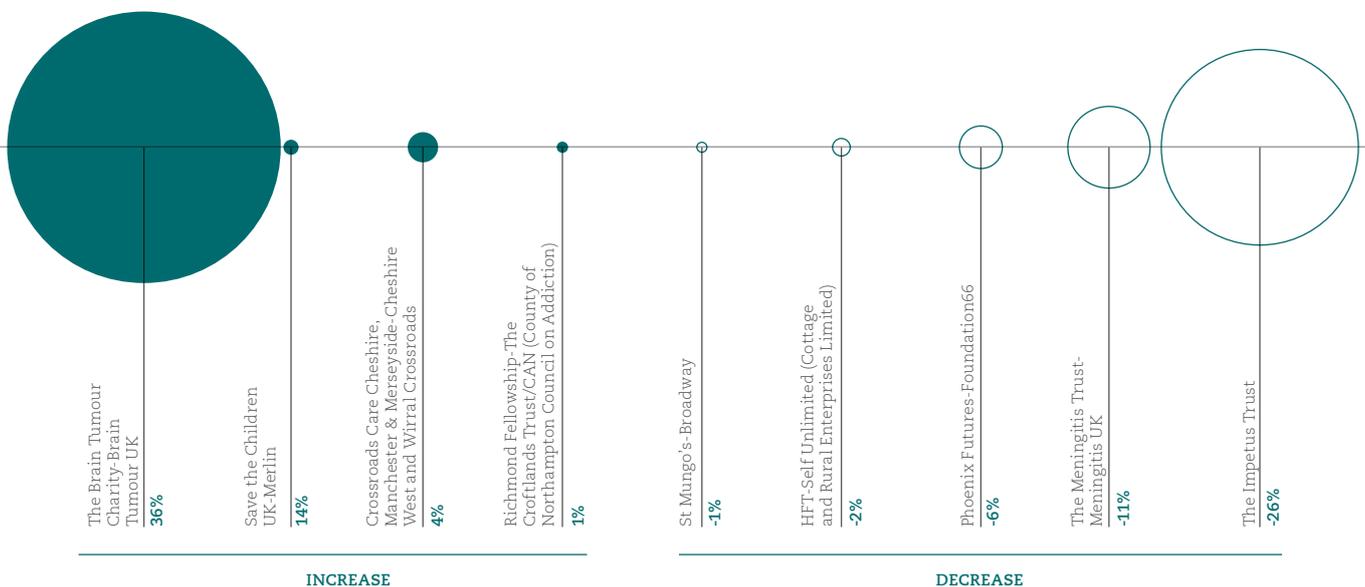
spent on merger integration. Crossroads in the North West spent £77,938 on professional and accountancy costs in 2014.

The second is a hidden cost that is hard to account for but likely to be experienced in many cases – this is the loss of potential income in the short-term due to the temporary prioritisation of the merger process and refocusing of senior managers away from their usual roles.

The third is the possibility that the enlarged organisation must absorb existing deficits, often from the smaller transferor organisation but occasionally on both sides – this was the case in four deals here. It would be interesting to discover in future years whether surpluses grow again once the merger is more embedded.

It also important to remember that this is a sample of just 19 organisations (10 deals) and we are using publicly available data from 2015, so they are only one or two years into a strategic process that may well unlock later gains. But these findings do give a small insight into some of the complex factors organisations must consider in terms of the short-run financial impact and relative gains from merger.

MARGIN CHANGE ACHIEVED POST MERGER (%)



Do mergers improve social outcomes?

We have written here mainly of financial matters thanks to available information but of course, financial position is not the only barometer of value in the context of not-for-profit mergers – service improvements for beneficiaries and social impact should be the ultimate driver for good mergers. These are more qualitative, with the sector still getting to grips with social impact measurement, but it is nevertheless interesting to explore.

Following the creation of The Brain Tumour Charity in 2013, the combined charity has broadened its income streams and refocused more spend on charitable objectives, growing its research portfolio. Foundation66 joined Phoenix Futures in 2014 as a subsidiary, which has enabled investment despite difficult

market conditions – the new ‘group’ has a larger presence in London, social housing and new expertise in substance abuse. Also operating in the substance abuse space is Richmond Fellowship and its five Recovery Focus subsidiaries – combined, this group has expanded geographical presence, diversified service provision and can pursue joint bids. Meningitis Now invested in digital capability and new databases, for the purpose of increasing effectiveness and efficiency – this may in turn explain the downward change in Meningitis Now’s margin.

These are early indicators of the creation of more impactful organisations, but further observation in the coming years would tell us more.

5.2 CASE STUDIES: ST MUNGO'S

ST MUNGO'S

In April 2014, London-based homeless charities St Mungo's and Broadway underwent merger, representing the largest merger we saw in the 2013/4 year. Both provided emergency accommodation and specialist support services. Howard Sinclair, previously chief executive of Broadway, became chief executive of the combined organisation. We spoke to him about his experiences of the process and view of the outcomes, looking back.

Merger talks began around July 2013, partly in response to reductions in council Supporting People budgets. From there the process of agreeing the merger was fairly quick - it went to both boards in September 2013, and the decision to merge was taken at the end of November 2013. About a quarter of staff transferred in April 2014, with the remainder coming across that July.

After being named St Mungo's Broadway for an interim period of about 18 months "to demonstrate the merger", the organisation became known as St Mungo's from January 2016, a reminder that integration is a phased process. Post-merger, St Mungo's has seen its combined income and expenditure increase, with income, assets, leases and liabilities now all appearing on the balance sheet of St Mungo's as a registered charity (though Broadway remains registered for technical reasons).

"Fundamentally, it was about providing better services to homeless and vulnerably housed people; and securing those services into the longer term...but it was also recognition in a funding context. It made sense for both organisations to come together and provide additional capacity - by bringing things together you make more capacity. The primary reason was about clients", Sinclair said.

Formal social impact measures weren't set, which Sinclair explained owed partly to the speed at which the merger was completed, but he looks at the motivations for the merger in terms of "quadrants" – services (for beneficiaries), people (staff), organisational reputation and finances. It is felt that the larger organisation has increased the number of vulnerable people it is able to get off the streets and provide opportunities for. The organisations no longer have to compete against each other for contracts and the new profile is stronger in the eyes of government and commissioners.

Per the most recent published accounts from 2015, the merged organisation projected £1.5m of Value for Money savings within three years and reported "good progress" towards this, with back-office savings made and £1.2m gained from management team streamlining. Beneficiaries also report a 2% increase in service quality compared to the previous year, according to their in-house surveys.

Sinclair said merger costs were not an issue in this case (placed at £213,000 in 2015, in the context of creating a £69m organisation). Staff engagement was however a difficult aspect of the merger, and was reported on at the time. Sinclair said that though they sought to be upfront from the beginning, a more coordinated communications strategy would have improved the process.

Asked if he would consider further mergers, Sinclair said; "I would consider merger again if it benefited our clients, protected services or provided more services or opportunity. That's the only point of doing this".

St Mungo's
Ending homelessness
Rebuilding lives

5.3 CASE STUDIES: MERGERS AND FINANCE

IMPETUS-PEF AND RAPT-BLUE SKY

Created from a merger of Impetus Trust and The Private Equity Foundation in 2013, Impetus-PEF partners with the most promising charities and social enterprises that work with disadvantaged young people. The decision to focus in this sphere, with educational attainment and work readiness at the core of the organisation’s mission, followed a strategic review. Impetus-PEF provides its partner charities with long-term, unrestricted funding, alongside management support from an in-house investment team and pro bono expertise from business professionals. The 2014 accounts for the newly-merged organisation noted that they were able to work with six new charity partners that year, more than the predecessor organisations would have had capacity for.

As well as going through its own merger, the newly formulated Impetus-PEF also went on to support the merger of criminal justice charity Blue Sky into Rehabilitation for Addicted Prisoners Trust (RAPT) in 2014, which we covered in our 2014/5 Good Merger Index. We spoke to Amelia Sussman, the relevant Investment Director at Impetus-PEF, about the deal and their role in backing it.

Impetus Trust had been investing in Blue Sky since 2009, to the tune of £800,000 including co-investors. Impetus-PEF provided pro bono support to Blue Sky’s merger in 2014 – this covered legal costs, a market review and a consultant to handle approach, integration, due diligence and facilitation work. Merger support was funded by four investors under the Reducing Re-Offending Initiative.

Merger discussions began in late 2013. The idea of merger did not come from Impetus-PEF per se, but they supported it. Blue Sky’s senior management and board were in favour, and Impetus-PEF was in agreement regarding the potential benefits. It was felt that the merger was underpinned by long-term sustainability and a strategic rationale. The founder and chief executive Mick May was interested in moving, which also prompted discussion - he remains a patron.

There were not specific social impact measurements attached to the merger itself, but there were under the Reducing Re-Offending Initiative more broadly. Impetus-PEF feel that the RAPT-Blue Sky merger did increase social value and that it was a good example of a merger driven by strategic considerations, not financial distress. They are open to supporting clients through mergers where there is a business case.

The merger was concluded in October 2014. Blue Sky remains an autonomous subsidiary within RAPT, and per its March 2015 accounts, it saw substantial growth between 2014 and 2015. Compared to the same point in 2014, Blue Sky’s income is up by 44% to £2.4m. Its expenditure is up by 43% and its surplus has doubled from £47,000 to £94,000. Blue Sky secured an unprecedented number of new contracts, and repeat work, during the 2014/5 financial year.

“In a time of significant change and volatility for organisations in the criminal justice and welfare to work spaces, the merger affords Blue Sky a level of certainty to be able to develop new activities for increased social impact”, Blue Sky chief executive Kate Markey told us.



Why don't we see more mergers?



Why don't we see more mergers?

By our methodology, 54 merger deals took place in 2015/6, featuring 116 different organisations. This is broadly consistent with the 61 deals we documented in our 2014/5 Index and the equivalent of 67 in 2013/4.¹⁰

After three years, our recurring impression is therefore that charity mergers are very rare. Confounding our initial expectations when we began investigating, merger activity also does not increase year-on-year, despite the financial environment in the sector, commissioning demands and increased discussion of merger. We are now used to seeing 50 to 70 deals involving fewer than 150 organisations in a 12 month period, usually with a spike in activity around March-April when mergers are announced to coincide with the new financial year. This is in the context of a sector with over 163,000 registered charities in England and Wales alone (as well as exempt and unregistered charities, Community Benefit Organisations and Community Interest Companies). Further, our investigation of registration/deregistration activity with the Charity Commission actually found a net increase of over 1,000 organisations in the sector for 2015/6.

This is surprising considering that many charities openly accept that they must build up their financial resilience and effectiveness. Personal egos and resistance to change certainly are to blame for some organisations limping on or folding altogether, rather than partnering with likeminded organisations for increased impact. Some de-registrations are the result of liquidations of charities performing vital work which may have been salvaged if they had explored partnership at an earlier stage. Further, even many of those that do merge in time to be saved may have been able to strike a better deal for their beneficiaries with their partner organisation had it been planned in advance – this is why the finding that 61% of transferor charities were in deficit is a concern.

The following are eight barriers which this report's partners have witnessed as barriers to more merger activity.¹¹

1. **INSTITUTIONAL INERTIA AND ATTITUDINAL BARRIERS**
2. **TRUSTEE ROLE**
3. **RELATIVE PRIORITISATION**
4. **COMMUNICATION OF THE BENEFITS**
5. **FINDING PARTNERS AND MANAGING RELATIONSHIPS**
6. **FINANCE AND COSTS**
7. **PENSIONS**
8. **COMPLEXITY**

1. INSTITUTIONAL INERTIA AND ATTITUDINAL BARRIERS

Merger is a relative unknown to many in the sector – the day-to-day instinct of many charity managers will centre on the preservation and 'sustainability' of their charity as an institution, as opposed to routine consideration of whether its mission and duties to its beneficiaries might best be achieved through merger, partnership or other institutional innovations. In 2009 at the outset of the financial crisis, official research found 64% of charities turning over £1m or more were concerned about their financial stability due to the downturn, but only 3% reported they had even considered merging.¹² This reflected that merger was just not really being thought of as an option, and in some cases there is even active hostility to considering it.

¹⁰ The 2013/4 Good Merger Index looked at a 16-month period rather than the 12-month period in the subsequent two reports, so we have adjusted our figure for the first year to allow comparison

¹¹ This section is jointly written by Eastside Primetimers and Andrew Studd of Russell-Cooke

¹² What place for mergers between charities?, John Copps, NPC, June 2009

2. TRUSTEE ROLE

Trustees generally join a charity because they are passionate about it and its cause. It's often difficult from a trustee perspective to distinguish between organisational sustainability, which is usually a very high priority, and the trustee's primary duty in seeking to achieve the charity's objects. In many cases, immediate issues at board meetings relate to organisational sustainability (fundraising, resources, contracts and cashflow) and solvency.

It is hard, even in charities where trustees are well supported to identify how a merger would be more likely to achieve the charity's objects than going it alone. In the health and social care field, the commissioning environment has been rapidly changing and sources of funding cut. Many charities find that when contracts come up for renewal, the replacement is far too large and/or complex for it to handle alone. In some circumstances this can mean a dramatic loss of income which can have the effect of destabilising the charity. In many cases, charities will still need some back office function to deal with finance, HR, safeguarding and health and safety. Where the charity only has a few contracts, the loss of a single contract can cause a rapid deterioration in financial stability. At this point it is usually too late to start identifying a merger partner and opening merger discussions, especially where it becomes questionable as to whether the charity has any meaningful assets to transfer to a merger partner.

If trustees were able to devote more time to 'strategic' issues such as collaboration and merger, then more 'value' could be preserved within the sector rather than a potential insolvency or winding down of the organisation.

3. RELATIVE PRIORITISATION

It is also clear that there are large parts of the wider charity sector where mergers are very low on the list of needs and priorities – sometimes this will be right, but not always. For example, very local charities thrive on being just that, or why would a large grant maker have any desire to merge with another similar organisation? But charity mergers are important in areas where avoiding duplication or competition for funding, such as in the medical research sector, is important. We saw mergers creating the Brain Tumour Charity and Meningitis Now in 2013/4, and Breast Cancer Now in 2014/5. Rapidly changing commissioning environments and a drive towards economies of scale, such as in many parts of the health and social care sector, also make mergers a higher priority.

4. COMMUNICATION OF THE BENEFITS

It can be a challenge to clearly demonstrate that the benefits of the merger will outweigh the time, effort and cost taken to implement it. Mergers in the private sector are often driven by the price being paid for the shares or assets of the merging company. In the charity world, there is no such driver and convincing trustee boards that the benefits of a combined entity will outweigh the uncertainties and risks can often be difficult. It might be easy to suggest cost savings in terms of rent or employee costs (though considerably more difficult in practice to deliver), but how do you measure or forecast the improved impact the merger can deliver in beneficiaries' lives?

While anecdotally charities that merge often find it a positive experience, clearer and routine quantification of the financial and social impact benefits (and trade-offs) would also make it easier to demystify the practice, focus external support on problem aspects of the merger process and clarify the potential gains for organisations that might benefit. Our investigation of a sample of 10 large charity mergers from 2013/4 in section 5.1 tentatively suggests a positive picture but one that is complex, especially from a short-run financial standpoint, and much greater clarity would benefit the sector.

5. FINDING PARTNERS AND MANAGING RELATIONSHIPS

While fears, myths and unknowns around merger and the general tendency towards institutional inertia is a significant factor in why the sector is not currently rationalised, it is also certainly the case that there are organisations that attempt mergers but struggle with them. Culture, staff, leadership and trustee opposition are frequent issues.

Some organisations also struggle to find partners in the first place, due to a lack of resource or expertise in how best to search according to a criterion that will suit their needs or to approach other organisations and make an attractive proposal. Difficulties building relationships are often heightened by the sensitivities and language barriers frequently encountered around merger.

6. FINANCE AND COSTS

Merger costs are relatively fixed regardless of the size of the organisation. Unlike in the private sector they do not include direct acquisition costs, but professional costs can mount over the various stages of merger. These are exploration (potentially some legal and facilitation costs), planning and due diligence (project management, legal fees, HR advice, pension advice, auditors and consultation/meeting costs) and implementation (project management, redundancies, systems integration, communications and rebranding). These costs can run into tens or hundreds of thousands of pounds.

For large charities that have access to substantial resource, the costs of even transformative mergers are unlikely to be prohibitive. But these fairly fixed costs can feel disproportionately high when creating small-to-medium sized organisations from smaller charities. Organisations generally have to meet merger costs through four sources; internal personnel secondments (hard for small organisations), pro bono help (not always accessible or adaptable to the real needs of

organisations), grant funding (but dedicated support for mergers is relatively rare) and from reserves (only an option for the large and stable charities). Finance alone also may not be enough to secure change for small organisations – linking it directly to support and expertise may make the finance funders and investors contribute more impactful.

7. PENSIONS

Much has been discussed about pension liabilities in defined benefit pension schemes. Many charities have employees historically employed by the NHS or local government with generous pension arrangements. As bond yields have declined and as actuaries assume that pensioners will live longer, a deficit has opened up in many schemes. If a charity is a member of a defined benefit pension scheme, it may well have significant 'off-balance sheet' liabilities that are sometimes triggered on merger. Further, under new SORP rules, liabilities will appear on balance sheet and will become a more day-to-day consideration for charities. While it is possible to avoid a crystallisation of the debt at the point of merger, it is often very difficult for a merger partner to justify assuming that liability especially where there may be very limited assets and only short term funding arrangements and contracts available to meet a long term liability. In March 2016, the community sector support charity Community Matters ceased trading after 70 years due to financial difficulties, and it was reported that a pension deficit of more than £330,000 had scotched two previous attempts at merger.¹³

8. COMPLEXITY

Just as charities take many different forms, mergers can adopt many different structures. Trustees and senior management teams are often confused by the possibilities. Given the way charity mergers usually work, there is also a fairly significant degree of additional work to be undertaken to implement the merger including future business planning, due diligence and legal documentation. This is often a struggle where resources are already stretched.

¹³ Local support charity Community Matters to close', Third Sector, 21 March 2016

Conclusions and Recommendations



Conclusions and Recommendations

After three years of study, we feel we have gained a good picture of the mergers which are undertaken by charities and can offer ideas on how the environment for not-for-profit mergers could be improved.

In chapter 5, we welcomed emerging evidence that charity mergers previously undertaken (in this case from 2013/4) did both increase scale and improve the financial stability of the parties. This corroborates what we have seen anecdotally that the economic case for charities merging – especially where organisations are in a position of strength – is frequently compelling, given there is no financial consideration changing hands as there is in private sector mergers.

This of course does not mean that mergers are easy – far from it, they are difficult and time-consuming to implement – but they are at least worth the investment, in the right circumstances.

It also raises a nagging question about why there are not more mergers. Given that only 50 to 70 mergers are achieved each year in a sector of 163,000 registered charities, many organisations are probably missing opportunities to improve their financial resilience and preserve services through this type of strategic change.

Tellingly, more charities go into liquidation each year than manage to preserve their services through merger – many of these have simply left it too late to give proper consideration to this alternative.

Although merger is frequently discussed at conferences, events and in the sector press, there has not been much investment nor joined up thinking about how to improve the environment for mergers and collaboration. Yet it does not have to be thus. While there are indeed significant barriers – in fact because there are such barriers – it is time that more attention is paid to how the policy environment and available resources can be improved so that a charity merger becomes a quicker and cheaper option than it is today.

We propose 7 recommendations to improve the environment for charity mergers:

1. ATTITUDINAL CHANGE

Rather than being fearful of change, charities should take a more proactive attitude and require that the exploration of mergers and collaboration be included as a routine duty of CEOs, actively encouraged by boards. If the CEO of a private company is required to seek merger and strategic partnerships, why not their charity counterparts? A regular and open dialogue between charity CEOs will sometimes lead to merger, but irrespective, will improve external relationships and lead to other business benefits since collaboration is now often a necessity for success in bidding for contracts.

2. CHARITY COMMISSION GUIDANCE

Charity Commission guidelines around routine consideration of merger could be strengthened to make this a responsibility and the Commission could also keep a more comprehensive record of merger activity, bringing its role somewhat closer to the proactive one the Homes and Communities Agency plays in the housing association sector.

3. VOLUNTARY MERGER CODE

The housing sector's umbrella body, the National Housing Federation, also published a merger code on a purely voluntary basis in order to help housing associations better evaluate the case for merger. The charity sector should introduce something similar, perhaps led by the largest charities and supported by sector bodies like NCVO and Acevo. Charity boards would be asked to consider adopting the code.¹⁴

¹⁴ We need a sensible discussion about housing mergers', Matt Knopp, Eastside Primetimers, 9 March 2016: <https://ep-uk.org/need-sensible-discussion-housing-mergers/>

4. SPREAD SOCIAL IMPACT MEASUREMENT

While some charities are starting to measure the impact they make, the sector is still getting to grips with this agenda. Wider take up of social impact measurement techniques is important because it will allow Boards to shift their attention from primarily matters of financial control to considering how the charity can best deliver impact for its beneficiaries. The case for merger could then be assessed on whether a merged organisation is better able to deliver impact for beneficiaries than the standalone parties.

5. TOOLS AND RESOURCES

Specific guidance, diagnostic tools and workshops should be readily available to charities and boards who are seeking to assess the case for merger and wish to understand the implementation steps. The amount of backing received by the field of social investment shows what could be possible, bearing in mind that charity mergers and social investment deals are approximately the same scale. From the US, we admire The Collaboration Prize – this actively rewards and showcases not-for-profits that have chosen to collaborate permanently for greater impact, and has led to the creation of the Collaboration Hub and Nonprofit Collaboration Database.¹⁵

6. RESEARCH PROGRAMME

As we have tried to demonstrate in this report, the business case for charity mergers is not widely understood even within the sector. The

economic case for two stable organisations coming together is usually very good and much better than for private sector mergers, because there is no cash consideration for the deal. A research programme which aimed to follow the fate of various mergers and transparently report the findings could produce data which is invaluable for others setting about the task.

7. A MERGERS AND ACQUISITIONS FUND

Mergers are costly projects, both in terms of time and money, but the good ones do pay back over time. Charities with deep pockets are much more able to finance a merger, although paradoxically it is often the smaller organisations with weak reserves that need to explore merger the most. Today's sources of merger funding are currently patchy – some foundations offer some support, but there is not much beyond this. Our partner Big Society Capital is currently assessing the need for an M&A fund for charities and social enterprises. This fund would target supporting mergers that deliver greater impact overall, and also aim to enhance the ability of charities and social enterprises to merge in order to provide the financial strength needed to compete for larger public service contracts. Big Society Capital is exploring providing the capital, and crucially also the expertise, required for integration, in projects that could be overseen by a fund manager. It is hoped that this could unlock savings and efficiencies, but crucially also deliver greater impact for beneficiaries.

¹⁵ Grant Space, Collaboration, New York, US: <http://grantspace.org/collaboration>

THE GOOD MERGER INDEX

This study has been prepared in order to understand more about the consolidation activity that charities and social enterprises undertake. A framework is included which describes five different types of not-for-profit deal: Merger, Takeover, Subsidiary Model, Group Structure and Exchange of Services. We report on top deals for 2015/6 and give our impressions of the merger market based on the three years of data we now have, as well as looking back at some past mergers.

ABOUT EASTSIDE PRIMETIMERS

Eastside Primetimers is a management consultancy working exclusively for charities and social enterprises. We advise on: mergers, acquisitions, partnerships, investment, contract readiness, business planning, board recruitment and good governance.

Through our Foundation we support senior professionals who are seeking to work with the voluntary sector. We carefully select individuals for their commercial know-how and their passion to make a difference. We call them our 'members' because they are committed to supporting the sector as consultants, interim managers or Board members.

Our mission is to help charities and social enterprises play an even greater role in society. We have a particular interest in mergers and strategic partnerships because we think they could be more widely used by organisations to preserve and grow what they are doing.

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