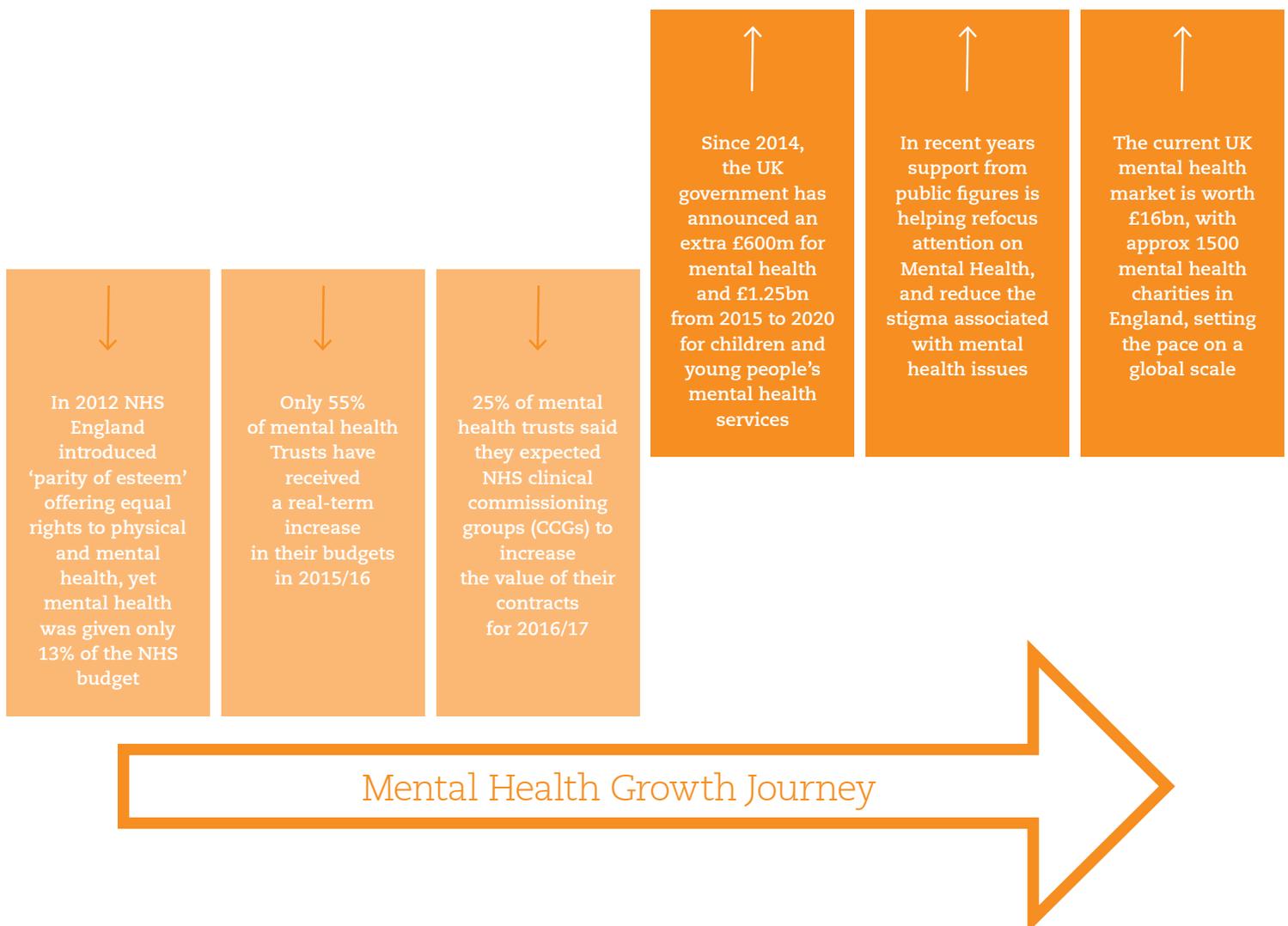

Mergers and Partnerships: Mental Health sector

Time to grow.

A spotlight on mental health activity...

Despite a challenging commissioning environment and, historically, a lack of funding, the tides are changing for mental health organisations. With greater awareness, understanding and refocused attention, the mental health sector is gaining momentum.



Recent deal activity

A selection of transactions in the mental health sector

Date	Organisation 1	Organisation 2	Type of acquisition
2015	Addaction	KCA	Takeover
2015	Richmond Fellowship	Aquarius	Group Structure
2015	P3	Amber Trust	Subsidiary Model
2015	Gofal	Esgyn	Subsidiary Model
2015	Advonet	Advocacy Support, Leeds Advocacy, Advocacy for mental health & Dementia	Merger*
2015	Mind in Salford	Salford mental health Services	Takeover
2016	Mind	Depression Alliance	Takeover
2016	Colchester Mind	Mid Essex Mind	Merger
2016	Salvation Army Housing Association	Chapter 1	Takeover
2017	Hafal	Crossroads Mid and West Wales	Merger
2017	Mind in Cambridge	Peterborough & Fenland Mind	Merger
2017	Hull & East Yorkshire Mind	Grimsby, Cleethorpes & District Mind	Takeover
2017	Southern Brooks Community Partnerships	Community Ignite	Takeover

Failures and Closures

- ▶ Mental health and employment charity Bolton Steps closed in December 2015 after 17 years, having served 70 people a week.
- ▶ PACE was a specialist LGBT mental health charity providing counselling, advocacy, training, research and support services – but services closed in January 2016, after 31 years in operation.
- ▶ Bank House was left facing closure after losing a council contract for the county’s Recovery and Peer Support Service.

“We believe that joining forces will allow us to offer a wider range of services, develop more innovative ways of providing support and reduce our costs. Aquarius brings with it a lot of expertise in the field of addiction services that will benefit the rest of our organisation”

Richmond Fellowship

“Together we’ll be able to provide radically better outcomes for our service users and act as a stronger national voice on their behalf”

Addaction

“P3 would benefit from the Amber Trust’s established name and expertise in mental health services, while the Amber Trust could proactively seek bigger contracts and expand beyond Derbyshire”

P3

*Merger of 3 organisations to form Advonet

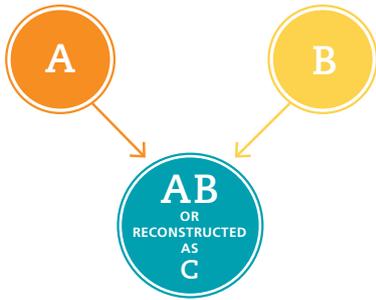
Benefits of Partnership

Collaborative partnerships allow both organisations to excel, and achieve an even greater impact in their communities.

- ▶ The opportunity to co-bid on upcoming contracts and the benefits this brings
- ▶ Mutual benefits result from economies of scale (for example, rationalisation of the central services, management, premises)
- ▶ Benefits of adopting the best processes and systems from partner organisations
- ▶ Opportunity to leverage expertise across a wider breadth of internal infrastructure
- ▶ Access to a broad network providing connections across multiple service sectors, as well as with local authorities and funders in the region
- ▶ Rationalisation through cost savings and elimination of duplication allows a greater percentage of income to be spent on frontline services, thereby benefitting more people

Types of Partnership models explained

1 Merger



SUMMARY

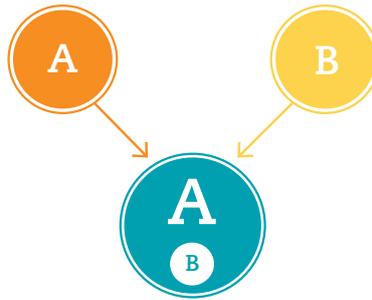
Two or more organisations join to form a new organisation either through:

- 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



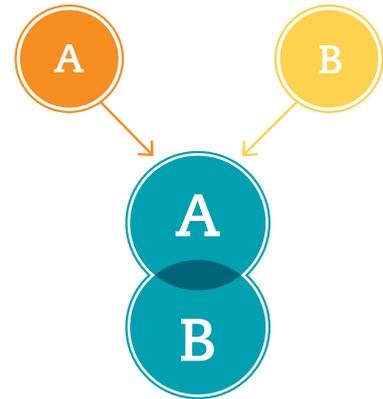
SUMMARY

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

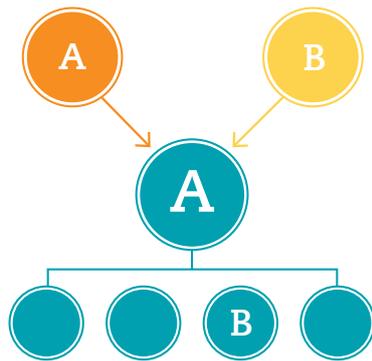
This type of takeover is achieved by Organisation B becoming a 'wholly owned' subsidiary of Organisation A.

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

Types of Partnership models explained

4 Group Structure



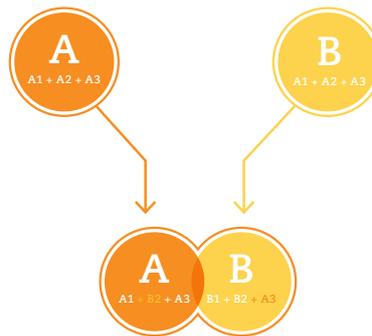
SUMMARY

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, 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

How EP can help your organisation

Eastside Primetimers is a management consultancy with a difference. Working exclusively on behalf of not-for-profits, we provide professional support for CEOs and Boards who are seeking to transform their organisations to be fit for the future.

- ▶ Eastside Primetimers provides professional advice and thought leadership around mergers and partnerships.
- ▶ Our advisory service has been honed through more than 80 projects for charity mergers and housing association mergers.
- ▶ Successful mental health mergers we have worked in include: Addaction added mental health services through the acquisition of KCA.
- ▶ We offer a holistic approach to provide support at each stage of the merger process: Partner Search, Deal Facilitation and Integration.
- ▶ To explore our thought leadership further please see our [Good Merger Index](#), looking at merger activity in the charity sector, and [Good Merger Guide](#), outlining the stages of merger.

Let's discuss how we can help your organisation make a transformational change by providing specialist advice and support.
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