A review of not-for-profit mergers for 2019/20

THE GOOD MERGER INDEX

Eastside Primetimers

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1. FOREWORD

I'm proud to introduce this seventh edition of our annual Good Merger Index, a landmark study of consolidation in the charity and not-for-profit sector from specialist sector consultants Eastside Primetimers.

It starts by addressing the year 2019/20 in line with our longstanding methodology. But we of course publish it following the difficult year that was 2020, and against the backdrop of a pandemic that is set to have an impact well into 2021 and beyond. COVID-19 has represented an unprecedented challenge for the sector – forcing charities to reformulate their operations, seek greater collaboration and in some cases sadly close – and it was not something that we felt could go unaddressed. Therefore, our Index this year features two sections: as well as analysing 2019 to April 2020 to pick up where our last edition left off, we also analyse May to October of 2020 in its own right, in order to get a sense of the early impact of the crisis.

Broadly speaking, we find that COVID did not lead to an initial uplift in mergers above what we would expect in a normal year – the direct contrast between our twelve months of core 2019/2020 data (68 mergers) and our additional six months in 2020 (31 mergers) demonstrates this. But we also seek to explore what this initial finding means, and what the sector can do going forward.

Mergers can take 6-18 months to come to fruition (sometimes more), so the early 'COVID mergers' will mostly be stories of plans already in train that were carried out in spite of the crisis, not necessarily because of it. This in itself remains a feat for the sector, however, as the temptation for charity managers and trustees to shelve or abandon these well-laid plans will have been strong in many cases. This demonstrates that these mergers were still judged to be operationally or strategically vital when it came down to it, despite the sudden complications these teams faced.

In the months and years ahead, we will find out whether the rising demand and financial difficulties that the crisis has brought will have pushed more organisations towards consolidation, but this too is not a given – charities largely defied speculation in the 2010s that austerity would lead to more mergers, for a range of reasons.

It is true that merger is not the right option in all cases and quality matters more than quantity, but we continue to believe that merger should be in every charity chief executive's strategic toolbox. This is due to many cases we've seen over the years where managers who have taken their organisations through it have found clear benefits, be it greater reach and social impact, more holistic services for core beneficiaries, new specialisms and income streams, or enhanced capacity. This is now truer than ever, when charities need every possible instrument at their disposal as they seek to 'Build Back Better'.

As always, we hope our Good Merger Index contributes to this debate and helps normalise discussion of it.

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Methodology & Merger Types

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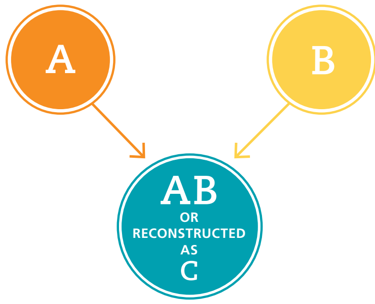
2. METHODOLOGY & MERGER TYPES

The key points about our methodology:

- Building on the previous six years of this Index, our initial research objective was to identify and collect data on mergers that occurred in the year 2019/2020
- As many mergers are announced in early April, we use a 12-month period for this study running from 1st May 2019 to 30th April 2020, rather than a traditional financial year. This is consistent with previous editions
- To explore the initial impact of the COVID-19 pandemic on charity consolidation, this year we also extended our research window from May 1st 2020 to October 31st 2020 – this data is separated out from the core 2019/20 period for comparability. We analysed news items about these mergers for indications as to whether the pandemic was a factor in them
- Our geographic focus is England and Wales. Most organisations were registered charities, but our data can include e.g. Community Benefit Societies, Community Interest Companies and Limited Companies, where relevant. We do not count housing association mergers, however
- A key challenge is to identify mergers, as not all mergers require immediate registration. We use two main sources:
  - The Charity Commission maintains a register of mergers, but this only covers situations where one organisation is formally dissolved. We also remove a variety of cases where deals happened in the past but were only now being registered, internal administrative reorganisations, and tiny legal entities with no publicly available information
  - Announcements in the media and on organisation websites - many of these transactions had not yet been recorded on the Charity Commission register
- We collect financial and non-financial information from the Charity Commission, Companies House, the sector press, and organisation websites and accounts. Figures are the most up to date available at the time of writing
- We use a long-established non-legal framework to classify different types of merger (see right)
- For the sake of this report, we use "merger" in two ways: in a general sense to describe any strategic change that involves the exchange of assets and liabilities, and in a specific way to describe a genuine "merger of equals" that is defined in detail in our framework

TYPES OF MERGER

1 Merger



SUMMARY

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

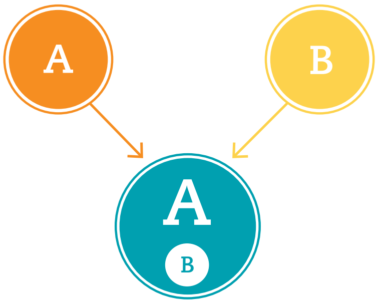
i) Organisation A transferring its assets and activities to Organisation B. Organisation B then establishes a new identity with a new leadership team; or

ii) Organisation A and Organisation B transfer their assets and activities into a new Organisation C and then either dissolve or become dormant

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



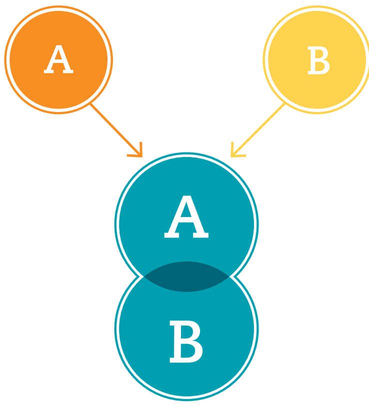
SUMMARY

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

KEY FEATURES

- The transferring/acquired organisation is dissolved or becomes dormant;
- The identity of the acquired organisation is either lost, 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



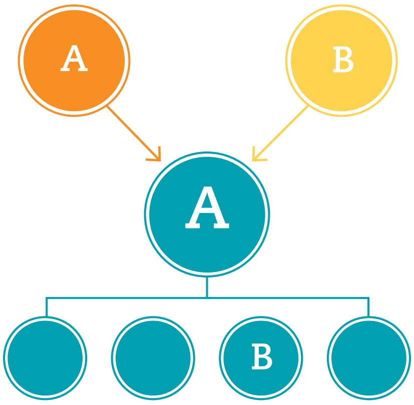
SUMMARY

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



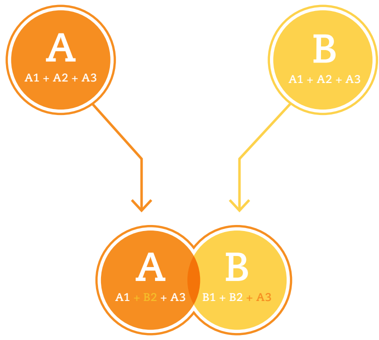
SUMMARY

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 more developed groups, particularly those in the housing association sector, front line services and accountability is largely pushed down to the subsidiaries and the group company has responsibility for overall management and central services. This is similar to a Conglomerate or Holding Company model in the private sector.

KEY FEATURES

- The parent group owns two or more subsidiaries, each with their own governance;
- The identity and brand of the subsidiaries are retained, and distinct to the parent, 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;
- Different models of governance can be created, which means that it is possible for Trustees to continue to have a role at the subsidiary level;

5 Swapping services or assets



SUMMARY

The voluntary and planned 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

2019/20 mergers

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Summary

We find that the year to April 30th 2020 saw 68 mergers take place, involving 138 organisations[1] (0.08% of the 170,000 registered charities in England and Wales).[2] This figure was up slightly from 2018/19 (58 mergers), but within the 'normal' range of around 55-75 mergers per year that we have seen since we started the Good Merger Index in 2014.[3] There remain significant structural barriers to mergers in the social sector, including a systemic lack of knowledge and awareness of merger processes, limited funds available to support mergers, and an absence of immediate motivation for boards to consider merger unless as a result of external (usually financial) pressure.

The organisations involved in merger activity were predominantly smaller organisations with incomes of less than £1 million. The breakdown of merger activity by size of organisation continued to broadly reflect the 'pyramid' that is the voluntary sector - 61% of organisations merging were under £1m, 22% between £1-5m, 7% between £5-10m and the remainder over £10m.

The combined income of the 138 organisations was £583.3m. We estimate that £175.5m of 'value' was transferred from one organisation to another, either through an existing organisation being taken over or becoming a subsidiary, or through the formation of a roughly balanced organisation from two equal merger partners.

10% of mergers involved local organisations belonging to federated national charities, including Mencap, Age UK, Mind and the YMCA – this compares with 12% in the 2018/19.

Financial Drivers of Mergers

The financial health of organisations engaging in merger gives us a sense of the reasons they are undertaking them, and in particular whether mergers are a financial necessity or a strategic choice. To do this, we collect information on whether each organisation was in surplus or deficit at the point of merger. Findings for 2019/20 are consistent with what we have seen in previous years, in which transferees (acquiring organisations) tend to be in a surplus position (72%), while decisions by transferers to be taken over or to merge with a similar-sized organisation correlate with just over half being in deficit (52%).[4]

	Transferee (%)	Transferer (%)	All Organisations (%)
Surplus	72	48	57
Losses	28	52	43

Sample size: data on 106 out of 138 organisations merging in 2019/20

Types of Mergers

In 2019/20, merger activity was still dominated by takeovers (60%) and mergers (33%), with clear examples of deals involving subsidiaries, group structures or limited asset/service transfers remaining a rarity. However, the predominance of outright takeovers over subsidiary arrangements can be a consequence of charities entering into belated mergers from a position of financial weakness, leaving them dependent on rescue and unable to secure more favourable merger terms.

Type of Deal Code				
Merger **33%**	Takeover **60%**	Subsidiary Model **7%**	Group Structure **0%**	Asset/service Swap **0%**

Sample size: 68 mergers involving 138 organisations in 2019/20

[1] Some mergers involved three charities coming together (e.g. the formation of Mid & South Essex Hospitals Charity from the merger of three separate hospital trust charities for Southend, Basildon and Mid Essex, due to a merger of their respective NHS hospitals) and some charities carried out more than one 'takeover' within 2019/20 (notably METRO Charity, Wembley Educational Charitable Trust and Street Child)

[2] https://register-of-charities.charitycommission.gov.uk/sector-data/sector-overview

[3] Previous editions are accessible here https://ep-uk.org/publications/charity-mergers-good-merger-index/

[4] 'Transferee' organisations are organisations making acquisitions, while 'transferers' are those either joining a larger structure (i.e. being taken over) or merging with an equivalently-sized organisation in a 'merger of equals'

Top 20 Mergers

The top 20 largest mergers accounted for 92% of the financial value transferred in mergers, though this reflects the size of the difference in scale between the largest and smallest charities merging, not a dominance of larger charities in terms of the number of merger deals carried out. This figure is also in line with previous years (94% in 2018/19, 92% in 2017/18).

	Organisation 1	Organisation(s) 2	Merger Type	Transfer Value[5]
1	Breast Cancer Now	Breast Cancer Care	Merger	**£61,325,000**
2	Asthma UK	British Lung Foundation	Merger	**£16,948,000**
3	Certitude	Yarrow	Subsidiary Model	**£9,962,878**
4	Sustainable Harvest	Twin and Twin Trading	Takeover	**£9,574,655**
5	Humankind	EDP	Subsidiary Model	**£9,198,443**
5	Norwich and Central Norfolk Mind	Great Yarmouth and Waveney Mind / West Norfolk Mind	Merger	**£7,343,164**
7	YMCA Bath Group	YMCA Mendip and South Somerset	Merger	**£6,745,317**
8	YMCA Birmingham	YMCA Coventry and Warwickshire	Merger	**£5,903,283**
9	Age UK	The Silver Line	Subsidiary Model	**£3,729,576**
10	Age UK West Sussex	Age UK Brighton and Hove	Merger	**£3,703,605**
11	Street Child	Lessons for Life	Subsidiary Model	**£3,547,827**
12	Wembley Educational Charitable Trust	French Education Charitable Trust	Takeover	**£3,198,000**
13	Walsingham Support	Hoffmann Foundation for Autism	Takeover	**£2,886,915**
14	Mind in Cambridgeshire	Peterborough and Fenland Mind	Merger	**£2,878,561**
15	Southend Hospital Charity	Basildon and Thurrock Hospital Charity / Mid Essex Hospital Charity	Merger	**£2,368,874**
16	Bowel & Cancer Research	Bowel Disease	Merger	**£2,295,423**
17	Street Child	Build Africa	Takeover	**£2,161,379**
18	Coastal West Sussex Mind	The Corner House	Merger	**£2,053,577**
19	Wellspring Healthy Living Centre	Barton Hill Settlement	Merger	**£1,891,630**
20	Coram Group	Shakespeare Schools Foundation	Subsidiary Model	**£1,835,863**

[5]Based on last reported income before merger – equals organisation 1 + organisation(s) 2 incomes for "merger" types, organisation 2 incomes only for takeovers or subsidiary deals.

Sectors

Organisations involved in provision or campaigning around health or social services made up 52% of those merging in 2019/20, particularly those involved with physical conditions, mental health, disabilities and homelessness.

Main Sector	%
Health and social care	52
Employment	2
Housing	3
Community	10
Environment	1
Justice	1
Education	9
Culture	1
Sport	0
International	9
Intermediary	6
Faith-based	1
Veterans	3

Sample size: 138 organisations merging in 2019/20

Health and Social Care - Sub-Sectors	%
Physical Health	31
Mental Health	15
Disabilities	21
Hospices	6
Residential Care	0
Domiciliary Care	0
Carers	3
Homelessness	11
Substance Abuse	1
Relationships	0
Other	13

Sample size: 72 primarily H&SC organisations merging in 2019/20

2019/20 mergers: conclusions

The seventh full year of our Good Merger Index data shows that the number of merger deals and organisations participating in them continues to be very small and stable, with 68 deals involving 138 organisations. However, quantity is not as important as the outcomes and quality of what mergers may mean for the sector's beneficiaries. Potential benefits to charities from past mergers we have explored include:

- Synergy in services and 'whole-person' approaches to delivery (especially in health and social services)
- Geographic expansion and reach
- New or diversified income streams
- Gaining new specialisms or functions
- Obtaining assets
- Greater profile for relationships with funders, commissioners and government
- Economies of scale
- Back office savings

However, common barriers to merger activity in the charity sector also remain, and likely explain the consistent picture we see. From our past research, these can include:

- Institutional inertia and attitudinal barriers
- Trustee opposition
- Relative prioritisation
- Communication or consideration of potential benefits
- Finding partners or managing relationships
- Finance and costs
- Pension liabilities
- Complexity

The Charity Governance Code nevertheless makes clear that merger should still be an option all managers and trustees should consider, if it is a potential way to better meet their organisation's goals and obligations to beneficiaries.[6] Mergers are by no means a solution to all challenges or the best option for all organisations, but they should be routinely discussed as an option and can be used strategically to improve the health and impact of organisations and the sector as a whole.

[6]https://www.charitygovernancecode.org/en/1-organisational-purpose

May-October 2020

What impact did COVID-19 have on charity mergers?

4

4. MAY-OCTOBER 2020: WHAT IMPACT DID COVID-19 HAVE ON CHARITY MERGERS?

We also collected data on mergers from May 1st to October 31st 2020, to start to address the potential impact on mergers from the COVID-19 pandemic. The pandemic has put huge financial and operational strain on charities and led to a wide variety of partnerships being forged, but there has also been speculation about whether more charities would need to formally merge in order to survive, find operational efficiencies or develop joint services.[7]

Our research found that in the additional six-month period studied, 31 mergers were undertaken involving 65 charities.[8] [9] This is roughly half the number we would expect to find in a 'normal' 12-month year (or 46% of the 67 we found in the 12 months prior), suggesting there had not yet been a marked increase as a result of the pandemic.

Moreover, the financial footprint of these mergers were smaller. These organisations had a combined income of £300.8m, but only about £18.4m of value was transferred (about 11% of the total equivalent figure for 2019/20).[10] This is linked to 92% of the organisations engaging in merger in the period having an income of less than £5m, compared to 85% in 2019/20. The largest merger by transfer value involved the European School of Osteopathy (ESO) and British College of Osteopathic Medicine (BCOM) announcing the formation of a £4.5m charity in October, in order to create a "dynamic and forward-thinking institution with courses that widen the scope of health education and osteopathy, nationally and internationally".[11]

Types and financial drivers

The financial health of organisations engaging in merger gives us a sense of the reasons they are undertaking it, but the initial data for mergers carried out after the onset of the pandemic suggests financial distress wasn't a lead factor in many deals we did see, with even many 'transferer' organisations tending to be in surplus.[12]

	Transferee (%)	Transferer (%)	All Orgs (%)
Surplus	67	60	63
Losses	33	40	38

Sample size: data on 56 of 65 organisations merging, May-Oct 2020

However, merger activity was still dominated by takeovers (65%) and mergers of equals (29%), with fewer examples of deals involving subsidiaries or limited asset/service transfers.

Type of Deal Code				
Merger **29%**	Takeover **65%**	Subsidiary Model **3%**	Group Structure **0%**	Asset/service Swap **3%**

Sample size: 31 mergers involving 65 organisations, May-Oct 2020

[7] https://www.civilsociety.co.uk/finance/it-is-about-finding-a-set-of-relationships-that-are-sustainable.html

[8] The Charity Commission register records 52 formal "mergers" in this period by assets transferred (or 175 by time of registration) – however our definition excludes tiny or purely administrative mergers from this list, and also includes mergers from public announcements per our established Good Merger Index methodology. https://www.gov.uk/government/publications/register-of-merged-charities

[9] Some mergers involved more than one charity joining forces. This included the creation of Eastside Community Trust in May 2020 from the merger of Bristol charities Easton Community Centre, Felix Road Adventure Playground and Up Our Street. **Eastside Community Trust produced an informative video about their merger, which can be viewed here**: https://eastsidecommunitytrust.org.uk/news/stronger-together

[10] The income of organisations engaging in merger proportional to value transferred was skewed upwards by the incorporation of Bounce Back into CGL in July 2020 – CGL had an income of £219.1m, while the income value of Bounce Back Foundation was £2.1m at the point of the deal

[11] https://www.bcom.ac.uk/college-news/bcom-and-eso-to-merge-to-become-leaders-in-osteopathic-education/

[12] 'Transferee' organisations are organisations making acquisitions, while 'transferers' are those either joining a larger structure (i.e. being taken over) or merging with an equivalently-sized organisation in a 'merger of equals'

COVID-period mergers: sectors

We also know that some specific sectors and types of organisations have been more affected by the pandemic than others. For example, social enterprises or charities oriented towards trading – most prominently leisure trusts and arts establishments such as theatres – have been vulnerable. Government support and fundraising trends in the early stages of the first lockdown benefited hospice and hospital charities, while it was reported that animal welfare, children's, disability, homelessness and broader health/medical research charities had all seen proportionate falls in fundraising income. [13]

In practice, the vast majority of mergers in our COVID-era data continued to be broad health and social care charities.

Main Sector	%
Health and social care	62
Employment	0
Housing	0
Community	5
Environment	0
Justice	12
Education	0
Culture	0
Sport	0
International	6
Intermediary	3
Faith-based	9
Veterans	3

Sample size: 65 organisations merging

Health and Social Care - Sub-Sectors	%
Physical Health	25
Mental Health	20
Disabilities	5
Hospices	10
Residential Care	0
Domiciliary Care	0
Carers	5
Homelessness	10
Substance Abuse	10
Relationships	0
Other	15

Sample size: 40 H&SC organisations merging

Stated influence of COVID on merger plans

Where available, we sought to analyse statements published by charities or press coverage for direct explanations as to whether COVID-19 was a factor in their decisions to merge.

COVID referenced as a factor in merger	
Yes	6 (19%)
Denied	2 (6%)
No information/no mention	23 (74%)

Sample size: 31 mergers conducted after May 1st

Some charities publish Q&As as a means of explaining the decision to merge to staff, beneficiaries and supporters – this is good practice. In two cases, Q&As directly addressed whether COVID was a factor in the decision and explained that they did not feel it was, rationalising that discussions or planning towards the merger predated the pandemic. Quaker Social Action and Quaker Homeless Action merged in October 2020 but explained "No, the two organisations had been discussing the merger for a year, so before the pandemic", while international development charities Kindu Trust and Link Ethiopia similarly said "No, the merger was planned before the coronavirus pandemic and it has not affected our plans" when they announced in September.[14][15]

[13]https://www.civilsociety.co.uk/news/donations-to-nhs-and-hospices-on-the-rise-while-giving-to-other-causes-falls.html
[14]https://quakersocialaction.org.uk/taking-social-action/news/merger-quaker
[15]https://kindutrust.org/2020/09/23/the-kindu-trust-is-merging/#faq3

This rationale will have been true for most mergers carried out in 2020 during the pandemic, as mergers typically have a lead-in time of many months including initial discussions, planning and due diligence, and internal and external consultations. However, other announcements nevertheless referenced COVID as a relevant or even accelerating factor in their conversations, due to financial or operational imperatives:

Organisation 1	Organisation(s) 2	COVID-19 a factor?
Emmaus Greenwich	Coombe Trust/Street Souls	"Homelessness charity Emmaus Greenwich has joined forces with front line project Street Souls to help more people, as the number of rough sleepers in London has surged by a third during lockdown" – news coverage [16]
League of Friends of Budleigh Salterton Hospital	Age Concern Budleigh Salterton	"Dr Graham Taylor, chairman of Age Concern Budleigh Salterton, said that the Covid-19 pandemic 'played its part'" – news coverage [17]
Blythe House Hospicecare	Helen's Trust	They had "been discussing their organisational compatibility for over 12 months", but "the charities have been working closely together since April throughout lockdown, delivering over 1,800 hours of care to patients". Dr Louise Jordan, founding trustee of Helen's Trust said "The COVID-19 pandemic has hit us like a tornado but a clear sentiment between the two charities is that together, we are stronger" [18]
Helen Bamber Foundation	Consonant/Asylum Aid	"Consonant (the merged organisation of Migrants Resource Centre and Asylum Aid) launched a Crowdfunder emergency funding appeal in April as we had found ourselves in significant financial difficulties which were exacerbated by the COVID-19 crisis" [19]
The Brain Tumour Charity	Meningioma UK	"Accelerated by the impact of COVID-19 which has seen demand for support services soar, the merger is the latest move towards consolidation in a sector historically populated with small charities, many of them founder-led" [20]
Age UK West Sussex, Brighton & Hove	Age UK Horsham District	"Although merger discussions were ongoing prior to the pandemic, the impact of Coronavirus on income across the charity sector emphasises how important it is for charities to work together to reduce overheads. One larger charity can be run more efficiently and the money saved will mean more of each donation can be directly invested in frontline services" [21]

[16] https://londonnewsonline.co.uk/homeless-charities-combine-to-get-people-off-streets/

[17] https://www.exmouthjournal.co.uk/news/age-concern-hospital-league-of-friends-merger-6736956

[18] https://blythehousehospice.org.uk/stronger-together-blythe-house-and-helens-trust-join-forces-to-provide-more-hospice-at-home-care-to-dying-patients/

[19] https://consonant.org.uk/

[20] https://www.thebraintumourcharity.org/media-centre/news/charity-news/brain-tumour-charity-and-meningioma-uk-are-merge-d/

[21] https://www.ageuk.org.uk/westsussexbrightonhove/about-us/news/articles/2020/charity-merger/

COVID-19 and mergers: what do our findings mean?

COVID-19 has brought immense change for the social sector, but our figures appear to show that the number of mergers was static between May and October 2020, within the normal trend we saw in 2019/20 and previous years.

However, this nevertheless suggests that the onset of COVID-19 has largely not thwarted existing merger plans. This was by no means a given in the context of COVID in 2020, when charities were understandably concentrating heavily on the frontline and the pandemic was causing seismic shifts to charities' strategic and financial foundations.

For example, on March 11th 2020 it was announced that the £13m Douglas Macmillan Hospice in Stoke-on-Trent planned to take over a regional hospice charity also based in the city, the Donna Louise Trust (£7m income), only for these plans to be publicly put on hold on March 26th as coronavirus-related pressures significantly worsened the financial situation of Donna Louise.[22] This mirrors the delay or collapse of some merger deals in the private sector due to the pandemic.[23] When Sussex Oakleaf merged into Brighton Housing Trust on April 1st 2020, their announcement specifically noted "this has been achieved in spite of the coronavirus pandemic and has followed eighteen months of negotiations".[24] Research has also found that small charities in particular have faced the threat of closure due to COVID-19, and we know that the last serious UK recession in 2008-2009 saw a sharp increase in the number of non-merger deregistrations with the Charity Commission.[25][26]

In terms of how COVID-19 may be influencing the exploration of new mergers, we may see a split emerge that exacerbates the sector's existing tendency to treat merger as an option of last resort, rather than a matter of strategic planning. With the pandemic putting a widespread strain on charities in terms of finances, rising demand and availability of staff, many charity managers and boards will be focusing on essential operations. This could reduce the scope for strategic planning or aspirations for growth, meaning that charities that do not feel the need to explore merger as a matter of immediate survival may be even less likely to do so.

Meanwhile, charities facing imminent financial collapse may be pushed towards merger – the need to consider merger is explicitly mentioned in insolvency guidance published by the Charity Commission, NCVO and Bates Wells.[27] Those sub-sectors and organisation types that we know to be under disproportionate financial strain will be the most logical candidates for this. Charities still seeking merger should consider these factors in terms of their mapping of prospective partners, and these sub-sectors should be watched for potential increases in merger activity in the next year or more.

However, longstanding reticence in the sector about merger could mean that those organisations that remain somewhat viable may opt to continue operating independently, while at a reduced scale. Our research since 2014 has consistently found that despite speculation, the austerity that defined the 2010s did not lead to a particularly marked increase in mergers in the charity sector, and we may see the same pattern again here.

Charities always retain the option to scale back their operations, even though this is a decision no trustee or manager ever wants to make. However, from the standpoint of their obligations to beneficiaries, the onus is on trustees and managers to think proactively about whether other options can be taken to avoid this, including merger with a complimentary organisation to jointly diversify income streams, find savings, and safeguard or scale-up services. Proactive consideration of mergers (or other forms of collaboration) should be one of six pillars of any Build Back Better agenda for the sector.[28]

Finally, commissioners and sector bodies can also play a role in coordinating any necessary consolidation in the sector, providing advice or introductions to organisations that might need help. Organisations could also benefit from drawing up a partner development plan and a process for evaluating potential approaches to or from organisations in their field – after all, the most transformative mergers are always those with a clear strategic rationale, not those carried out as a last minute 'rescue.'

[22] https://www.stokesentinel.co.uk/news/stoke-on-trent-news/dougie-mac-take-over-financially-3939065
https://www.stokesentinel.co.uk/news/stoke-on-trent-news/childrens-hospice-desperate-pleas-help-3981574

[23] https://www.cityam.com/lsl-abandons-countrywide-merger-amid-coronavirus-concerns/

[24] https://www.sussexoakleaf.org.uk/bht-and-sussex-oakleaf-complete-merger/

[25] https://www.civilsociety.co.uk/news/over-60-of-community-groups-have-closed-or-decreased-services-during-covid-19.html

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ABOUT EASTSIDE PRIMETIMERS

Eastside Primetimers is a social sector consultancy delivering social impact through strategy, advisory and recruitment services for charities and social enterprises.

Our mission is to increase the capacity and effectiveness of social sector organisations. Therefore, we aim to find and support exceptional individuals (both business and charity professionals) who have the skills, experience and temperament to make a difference in the social sector.

We are motivated by a strong commitment and passion for organisations delivering social objectives and the causes they serve. Our vision is for a vibrant social sector which enriches our communities and enables individuals to fulfil their potential. In this way, we aim to be a critical friend and partner for those that work with people most in need.

We advise and implement on strategic business planning, governance, mergers, acquisitions, partnerships, investment and social impact. We provide senior interim, board and permanent staff and recruitment services for senior staff, chairs, and trustees.

Find out more at: **www.ep-uk.org**

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