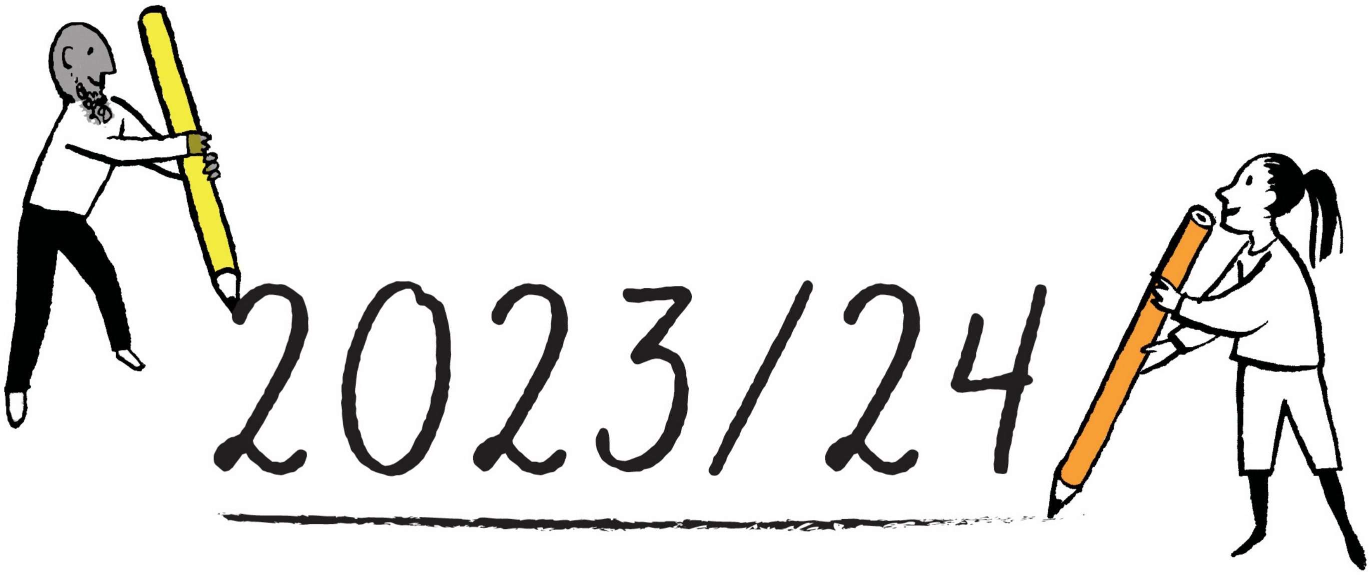
A review of not-for-profit mergers

The Good Merger Index



Eastside People

Bringing Change Together

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Foreword

Welcome to the 11th edition of the Good Merger Index (GMI). Over the past 11 years, we have reviewed merger data in the charity sector, and learned a great deal about mergers and partnerships. This report focuses on mergers during 2023/24 and completed by April 30 2024. More details on our methodology can be found on page 5.

Mergers often take time with decisions made a year or more before completion. Our analysis uses financial information from the year prior to the merger, so this report reflects conditions and decisions made before 2023, following the aftermath of COVID-19 and the financial challenges that we were all facing.

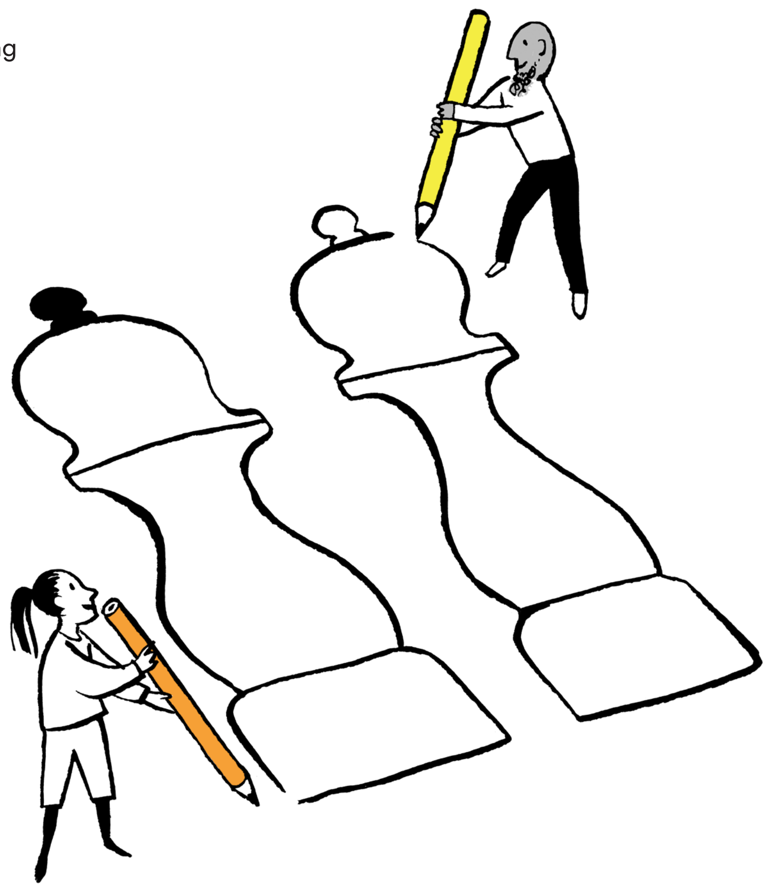
Last year I talked about my mission to change the perception of mergers. From personal experience I know how daunting the word 'merger' can be. However, I believe we are beginning to see a shift in how organisations view and are engaging in discussions around mergers and acquisitions.

In the past 18 months I've learned that each merger is unique with various factors influencing success including the positions and beliefs of the Chair and CEO, financial status, Board motivations a nd, crucially, timing. This year I'm so pleased to see a significant increase in mergers showcasing once again the sector's resilience and ability to find solutions.

In recent months we have seen some high-profile mergers, like Humankind and Richmond Fellowship leading the way in bringing their services together in the newly formed Waythrough, and last-minute negotiations with the recent intervention of Family Action supporting Relate. Our case studies highlight the benefits that mergers can bring to organisations. We don't shy away from the challenges: we know difficult things are never easy, but they are so worth it.

At Eastside People, we've seen a 30% increase in merger-related projects for the second year running. Our December 2024 Roundtable had the highest attendance in five years. Additionally there's been a 75% increase in clients requesting merger searches. We believe organisations are considering mergers more strategically for growth and diversification, and we hope this trend continues as a viable solution to the ongoing challenges across the sector.

Cara Evans
Head of Partnerships and Mergers
Eastside People



Summary

After two years of decreasing numbers, this year we are able to report an increase, both in the number and the value of charity mergers.

In 2023-24 we identified 63 mergers, involving 131 organisations.

This marks a significant break from the previous two years, which were characterised by generally low levels of activity, among charities of all sizes.

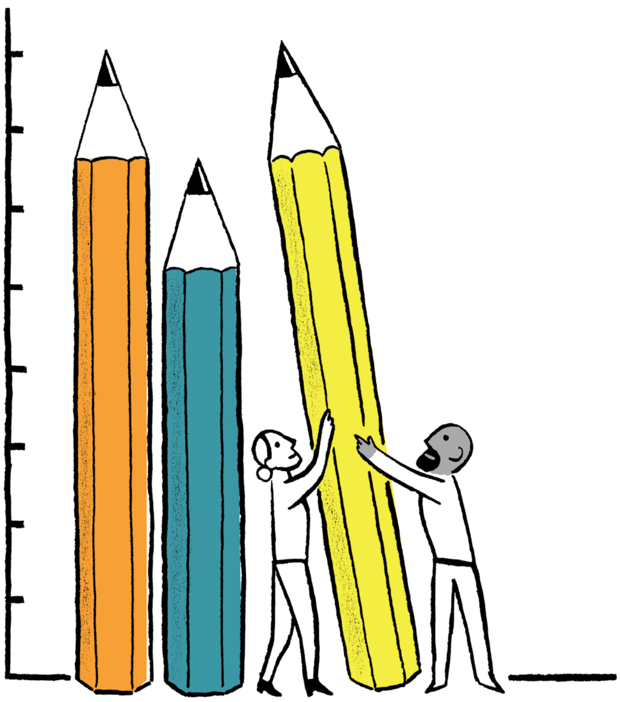
The total number of mergers we have recorded has increased by 31% compared to 2022-23, and 24% compared to 2021-23. In addition, we are continuing to see the size of the 20 largest deals rise again to pre-COVID-19 levels.

Looking at the surplus or deficit of organisations involved in mergers can give us an indication of whether there are significant financial drivers for the mergers taking place. Historically, the larger organisation in a merger of two tends to be in surplus, while the often smaller organisations that merge into a larger organisation tend to be in deficit. This year, we see a post-COVID-19 reversal of this trend continuing, with the number of acquiring/ larger organisations in deficit increasing, from 16% last year to 22% this year. This indicates that financial necessity may be becoming a key driver for all organisations, whatever their role in the merger.

Another interesting story from the data is independent school mergers. While this data captures mergers prior to the VAT change and the certainty it would happen, there are nine school mergers in the top 20 (compared to 1 last year), indicating a clear trend towards consolidation in this sector. We can only speculate but the reasons may be the impact of VAT, the rise in the cost of living, and the continuation of a trend where independent secondary schools are taking over their feeder schools. These are high-value mergers. We are already seeing private companies taking over school trusts and have every reason to expect to see that trend continue in the coming years.

What does this tell us about the state of the sector?

It is widely acknowledged that the charity sector is facing numerous financial challenges such as the cost of living increases, recruitment difficulties and issues with securing contract uplifts. Many charities are considering mergers, and this data tells us that they have taken the next step to develop and implement them. There are also the positive and strategic outcomes to consider. Merger and partnerships are tools for growth and diversification. Many CEO leaders and Chairs are likely thinking this is an option to provide a high-quality service more efficiently and effectively for their beneficiaries. The data can only tell part of the story. Our case studies will give you an insight into what is involved in deciding to merge and the key things you need to consider before you embark on this journey. Please do review them on pages 12-17.



Methodology

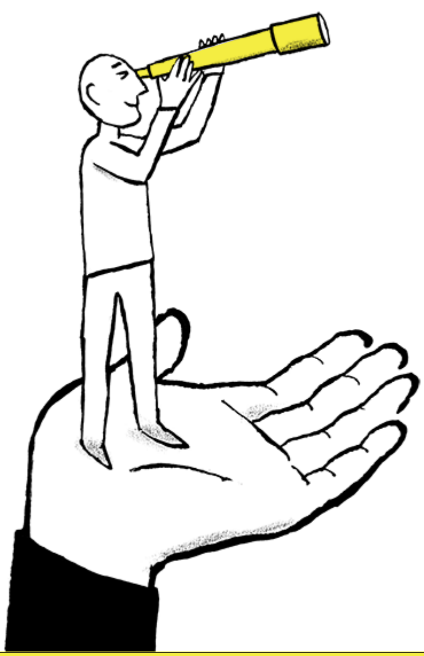
Our research objective has been to identify and collect data on mergers that occurred in the year 2023-24. We have analysed that data in the context of the previous ten years of this Index.

Because many mergers are announced in early April each year, we use a 12-month period running from 1st May 2023 to 30th April 2024.

We have included mergers only where we are confident they have been completed. Some mergers, although announced, are not counted because they concluded after April 2024.

Our geographic focus is England and Wales, although we include significant mergers where organisations involve others from outside these nations[1]. Most organisations were registered charities and companies limited by guarantee although our data can include community benefit societies, registered providers and community interest companies. We do not generally include multi-academy trusts (MATs), universities (regulated by the Office for Students) or pure housing association mergers, except when one party is a registered charity[2].

Identifying mergers is a key challenge for this research, as there is no definitive definition or list of mergers across the social sector, and many mergers that are listed are a result of internal reorganisations. For charities, not all mergers require immediate registration. Other organisations may not be recorded in any formal register. Therefore, identifying relevant mergers requires careful investigation of a broad range of information which is not available in a consistent form.



We use two main sources for our research:

Public registries
The Charity Commission maintains a register of mergers, but this only covers situations where one organisation is dissolved. From the Charity Commission register for the 12 months, we removed cases where deals happened in the past but were only now being registered, internal reorganisations and tiny organisations with little publicly available information.

Media and organisation websites
We reviewed the charity and housing sector press to find deals at the point of announcement and 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 collected financial and non-financial information by referring to the Charity Commission website, Companies House, Financial Conduct Authority (FCA), press releases, organisation websites and our own records.

When assessing income and expenditure for each organisation, we use the most up-to-date figures available at the time of writing. Mergers can significantly skew the income and expenditure of organisations, so we take information for the last available complete 12 months before the year of the merger. Occasionally, charities extend their financial year before the merger so, where this happens, we take the previous 12-month year's figures.

Where finances are occasionally not available (for example, where abbreviated accounts have been submitted to Companies House and exclude income and expenditure), we do not include these organisations in our financial summaries.

[1] See the Top 20 mergers table below, which includes the merger of Inspire (a Registered Scottish Charity) into Community Integrated Care.
[2] Housing Associations, MATs and HE establishments are not regulated by the Charity Commission and are also very large, which would significantly distort the data.

Methodology ctd.

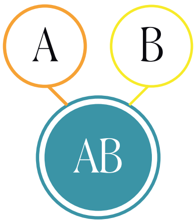
Types of merger

As there is no definitive framework for defining mergers, we use a framework based on Richard Gutch's work in our Good Merger Guide which has been adapted through peer review.

We detail this framework in the appendix on page 6 of this report, but for quick reference, we include brief thumbnails here.

1. MERGER

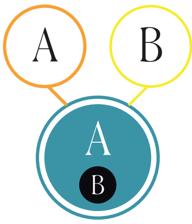
Two or more organisations join to form a new organisation



or reconstructed as C

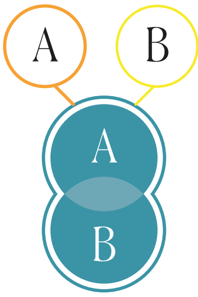
2. TAKEOVER

One organisation transfers its assets and activities to become part of another



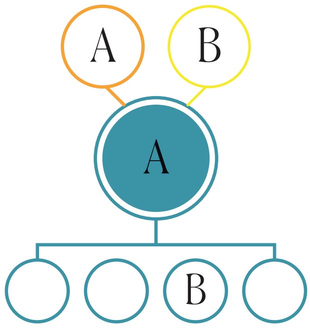
3. SUBSIDIARY MODEL

One organisation becomes a 'wholly owned' subsidiary of another



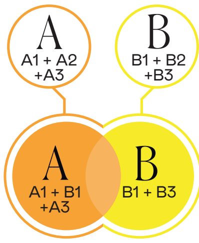
4. GROUP STRUCTURE

Two or more organisations transfer activities and assets to become part of a group



5. SWAPPING SERVICES OR ASSETS

Transfer or swapping of services, and in some cases assets



Linked charity mergers

Our figures do not include a substantial amount of internal reorganisation activity at Great Ormond Street Hospital (GOSH) Charity. In 2023-24, 111 linked charities merged into GOSH. This activity was reported in the press, as it came at a time of considerable increase in GOSH Charity's income. We have excluded all activity relating to these linked charities as we consider them internal reorganisations, which our methodology excludes.

For similar reasons, we have excluded a substantial amount of merger activity by the City of London Freemen's School (CLFS). In 2023-24, CLFS consolidated 24 linked and unregistered charities into its CLFS Prizes Fund. Again, we consider these internal 'reorganisations', which our methodology excludes.

Trends

For the year 2023-24, we have taken the data found and placed it in the context of the previous ten GMI years to help us understand the significance of year-on-year changes.

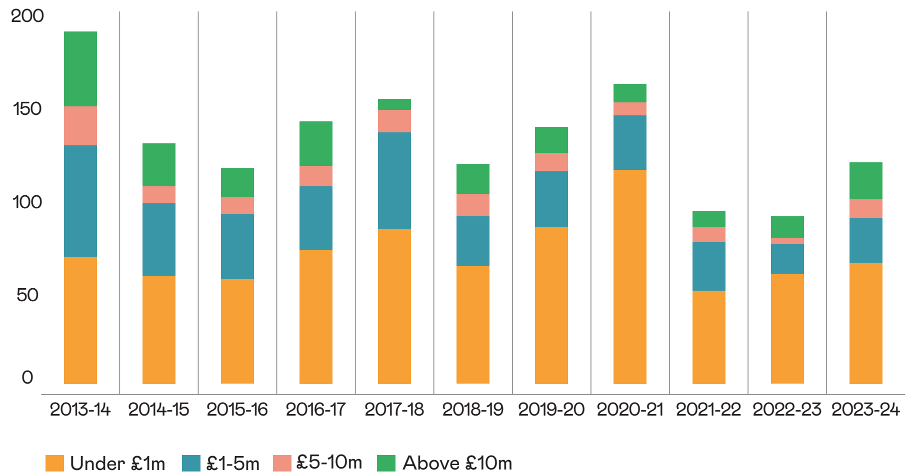
A return to pre-COVID-19 levels of merger activity

Merger activity 2013-2023

After two years of record low levels of activity, the number of mergers recorded (63) and the total number of organisations involved (131) marks a return to pre-COVID-19 levels of activity.

At the time of writing, there are c170,700 main charities and c14,000 linked charities in England and Wales[3]. This is an increase on last year's figure (c.169,000), after three consecutive years of declining numbers. Together with this year's uptick in merger numbers, this growth points to a changing sector landscape in 2023-24, with new charities emerging, alongside increased consolidation activity among pre-existing charities.

Number of organisations involved in merger 2013-2023 by size



This year's data shows higher numbers of relatively larger organisations involved in merger. Again, this marks a shift away from the post-COVID-19 trends of the past two years. As the graph shows, the number of organisations above £10m involved in mergers this year represents a return to levels not seen since 2016-17.

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

Trends ctd.

The notable increase in activity among larger organisations indicates that current economic challenges and societal changes are affecting charities of all sizes, leading to consolidations right across the sector.

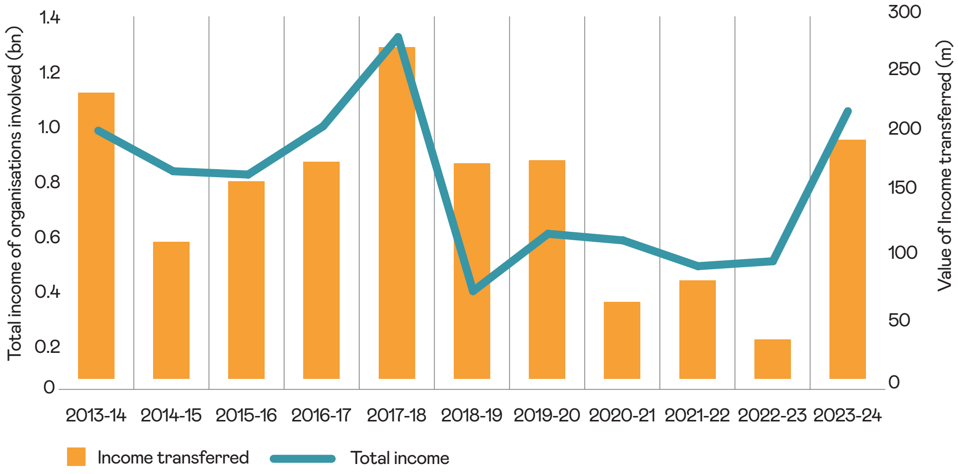
While mergers among smaller organisations also increased this year, this increase was proportionally far less significant than for larger organisations. This year, 65 organisations under £1m were involved in mergers, compared to 59 in 2022-23 and 50 in 2021-22. By contrast, 115 were involved in mergers in 2020-21 and 84 in 2019-20. As this shows, activity among these smaller organisations remains relatively low this year.

A significant increase in the value of income transferred

This year's higher number of larger organisations involved in mergers has caused a notable increase in the total value of the organisations involved in mergers. This year, the figure was £1,030 million[4], a rise of £547 million on the previous year. This translates as a 113% increase in total value from 2022-23 to 2023-24, in the context of a 31% increase in the number of mergers.

The relatively high number of larger organisations involved in mergers this year has also resulted in a striking year-on-year increase in the total value of deals. In 2023-24 the total value of deals was £192million[5], a more than 500% increase on last year's figure.

Total income and value of deals per year



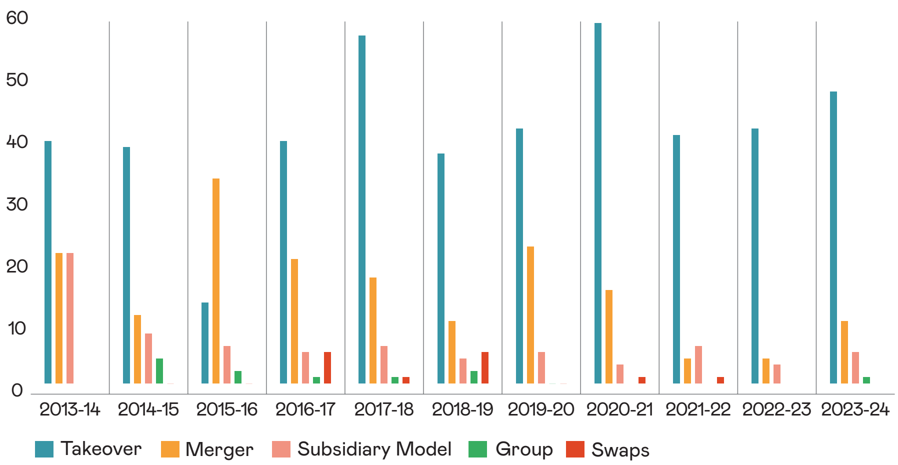
[4] This is the total income of the 119 organisations for which data was available.
[5] This is the total value of the 56 deals for which complete data was available.

Trends ctd.

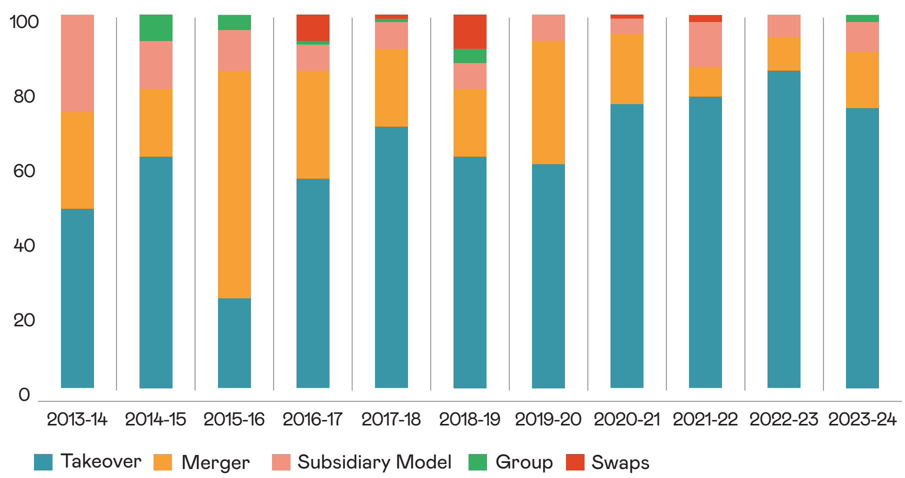
Takeovers remain dominant

Takeovers continue to dominate as the most prevalent merger type, though there has been a proportional increase in the number of mergers (of equals), group structures and subsidiary models in 2023-24. Most notably, mergers of equals represent 16% of all mergers this year, compared to just 8% last year.

Number of mergers by type 2013-23



Proportion of mergers by type 2013-23



Mergers of equals, group structures and subsidiary models are all types of mergers typically involving larger organisations. The former because they are more complex and costly, and the latter because larger organisations are more likely to adopt smaller organisations as subsidiaries. Given the higher proportion of larger organisations involved in deals this year, it is understandable that we see an increase in the number (and proportion) of mergers of equals and, to a lesser extent, subsidiary models and group structures.

Trends ctd.

Financial drivers for merger

For this section, ‘transferee’ organisations are organisations making acquisitions, while ‘transferors’ are those either being taken over or taking part in a “merger of equals”. This is consistent with how we classify income transferred by merger.

By looking at the surplus/deficit of transferees and transferors, we may gain an indication of whether mergers are of “financial necessity” or driven more by a desire for increased impact.

Historically, most transferees have tended to be in surplus whilst most transferors tend to be in deficit. In 2021-22 and then again in 2022-23, we saw a lower than usual proportion of transferring organisations in deficit. This year we have seen a return to pre-COVID-19 norms among transferors.

NOTE: we have included all figures available, however where organisations do not report their income this cannot be included, therefore these figures can only be indicative.

Financial performance of transferees and transferors

Among transferees, we see a contrasting trend, with the number of transferees in surplus decreasing for the third year in a row. Taken together with the increase of transferors in deficit, this might point to challenging economic conditions across the sector as a whole. However, this does not appear to be deterring transferee organisations from seeking merger. Indeed, we know that some organisations pursue strategic growth as a route to greater economic resilience. We also know that both transferees and transferors often have multi-faceted reasons for seeking merger and determining a suitable merger partner.

Trends ctd.

Top 20 mergers

By the amount of income transferred, these were the twenty largest mergers in 2023-24. These mergers represent £182,200,000 of income transferred. This is significantly higher than in 2022-23 (£30,900,000). This change highlights this year's considerable increase in higher-value mergers involving larger organisations.

The top 20 mergers represent 95% of the total financial value transferred in mergers this year. This figure is lower than last year's (98%), but still higher than the more typical values, closer to 90%, that we saw in the years before COVID-19 (up to 2020-21). As we noted last year, this reflects a "long tail" of smaller organisations involved in merger.

	Organisation 1	Organisation/s 2	Type of deal	Income transferred
1	The Orders of St John Care Trust	The Fremantle Trust	Subsidiary Model	44,300,000
2	Kisharon	The Langdon Foundation	Group Structure	21,600,000
3	Rennie Grove Hospice Care	Peace Hospice Care	Merger	20,180,000
4	Community Integrated Care	Inspire	Takeover	15,800,000
5	Ambitious about Autism	St John's School and College, Brighton	Takeover	15,140,000
6	Southern Hospice Group (St Barnabas Hospice)	Martlets	Takeover	8,860,000
7	The Avenues Trust Group	Autism Hampshire	Subsidiary	7,540,000
8	Choice Support	Three C's Support	Takeover	6,750,000
9	St Andrew's (Woking) School Trust	Halstead Educational Trust	Merger	6,660,000
10	Eltham College	Blackheath Prep	Takeover	6,360,000
11	Effingham Schools Trust	(Little Bookham) Manor House School	Subsidiary	4,340,000
12	Birkdale School	S. Anselm's School Trust	Takeover	3,830,000
13	Dogs Trust	Worldwide Veterinary Service Mission Rabies	Subsidiary	3,280,000
14	Inspired Learning Group*	Derby Grammar	Takeover	3,130,000
15	Sherborne School for Girls	Hanford School Charitable Trust	Takeover	2,740,000
16	Demos	Engage Britain	Takeover	2,630,000
17	Prep Schools Trust	Beeston Hall School Trust	Takeover	2,500,000
18	South Somerset Citizens Advice Bureau	Citizens Advice Mendip Sedgemoor Citizens Advice Bureau Taunton and District Citizens Advice Bureau	Merger	2,460,000
19	Inspired Learning Group*	Sunninghill Preparatory School	Takeover	2,060,000
20	Mill Hill School Foundation	St Joseph's in the Park	Takeover	2,000,000

Notes to the table above:
Values reflect turnover of transferred organisations where figures were available.
For mergers of equals the combined turnover of all organisations is used.
* Inspired Learning Group is a private company, limited by shares.

Case study

The case studies illustrate the stories of three mergers, all undertaken with strategic considerations at the forefront of decision-making, and all carried out in different ways and with different outcomes.

Notably, timescales for mergers such as these are measured in years and not months and, whilst the time and effort required are considerable, the rewards have been immense.

Kisharon and Langdon – Merger

Kisharon and Langdon embarked on a journey to create a brighter future for individuals with learning disabilities and autism. Kisharon, a beacon of hope in London's Jewish community for nearly 50 years, and Langdon, a stalwart in Manchester with over three decades of service, shared a common vision: to empower and support their communities through inclusive, values-driven care.

In 2019, the leaders of these two organisations began to think about a unified future. They envisioned a merger that would combine their strengths, streamline operations, and expand their reach. Initial discussions set in motion a rigorous two-year process, filled with discussions, feasibility studies, and stakeholder consultations. By Autumn 2022, the path was clear, and the merger received the green light.

However, the journey has not been without its challenges. The in-house teams of Kisharon and Langdon realised they needed expert guidance to navigate the complexities of merging two established entities. Eastside People, a consultancy with an extensive understanding of charity mergers, led by Tracey O'Keefe, with HR support from Jenny King and merger guidance from John Gibbons, were deployed to support the merger.

Together, they tackled cultural and operational integration, governance, and HR transition, and ensured that the merger was completed. By August 2023, Kisharon Langdon was born: a unified charity with a £24 million annual budget, ready to serve more people with enhanced and personalised services.

The merger brought tangible benefits: increased beneficiary reach, a stronger and more capable staff team, improved fundraising, and unified operations.

Key achievements post-merger:

- Greater ability to make improvements and strength of oversight across the education portfolio, with specific benefits to the College during this period of necessary improvement.
- Improved employment offering with a broader portfolio of opportunities and support, including wider connections to families, businesses, and supporters.
- Increased opportunities for programmatic activity with members and people the charity supports connecting to new and diverse audiences. Many members stated that meeting new people had a positive impact over the last year. They held more events across services, including informal social gatherings, and engaging more groups of people they support.
- Increased staff development/pathway opportunities through broader roles and base. Recently, staff have moved into operational roles from care/support into central team roles such as the Social Work team and Facilities team, bringing different skills and perspectives into Head Office teams.
- Excellent staff engagement scores from surveys, noting positive motivation and aspiration. There was a 71% participation rate with a 70% engagement score, which are high scores compared to wider social care benchmarks.

Kisharon and Langdon – Merger continued

- Donor base increased with the largest combined crowd fundraiser in 2024, and a combined dinner planned for 2025, with an additional 300 major donors attending, many more than at either of the legacy organisations' historic dinners.
- Cohesion between services and life stages, with more potential to join up in the future. Ensuring the transition between school to college and college to adult services is as smooth and supported as possible with familiar systems, teams, and processes.
- Wider remit of teams including Facilities Management and Finance, leading to savings and increased efficacy. Central H&S, Facilities, and Finance teams are all working cohesively across all entities.
- Ability to take advantage of greater economies of scale for items such as utilities across locations and services, which will filter through over the next 12 months.
- Move to a single multi-purpose Head Office premises has allowed greater opportunities for interaction between staff teams alongside programmatic activity. There are regular programmatic sessions for people they support, an ability for them to join staff gatherings, and for staff to meet them, as well as training and development opportunities from the employment team. A number of people we support are on the welcome/reception desk each week as part of their working week.
- Increased opportunities for cross-organisational working, such as Safeguarding forums, complex case forums, IT working groups, and impact measurement, which benefit overall efficacy.

The journey was challenging, but the perseverance of the CEOs, senior leadership, and trustees led to a successful conclusion. This was much-needed given present challenges, which both organisations would have struggled to deal with prior to the merger. Richard Franklin, CEO of Kisharon Langdon, praised Eastside People for their professionalism and support. Parents of those supported by Kisharon Langdon felt reassured about the future, with 85% expressing confidence in the charity's long-term impact. The merger not only transformed the charities but also brought a higher quality service to the community.

"We firmly believe that together we will be a stronger organisation, able to provide a wider range of choices and services to the 450 people who now rely on us every day. Hopefully over time, as our vision turns into reality, Kisharon Langdon will serve as a model for other organisations across the community to show the benefits of cooperation, collaboration, and the pooling of resources for the greater benefit for all."
Trustee Andrew Loftus

Case study

National Children's Bureau (NCB) and Research in Practice Partnership (RiP)

The National Children's Bureau (NCB) was founded in 1963 to build better childhoods and forge closer links between Government, professionals, charities, communities, and children and young people. For 60 years, its evidence-informed approach has brought people together, giving a voice to those with lived experience and enabling children to thrive.

Background

In 1968, the Social Research Unit moved from Cambridge to Dartington Hall in Devon as part of an agreement with the charity Dartington Hall Trust to work on issues of social justice. Research in Practice was launched in 1996 and Research in Practice for Adults in 2005, coming together as one to form Research in Practice in 2020. The organisation works with and for professionals in the social care, health, criminal justice and higher education sectors offering resources, learning opportunities and specialist expertise. Research in Practice was a successful organisation, growing year-on-year. In 2023, Dartington Hall Trust reviewed its strategy and decided that Research in Practice needed to find a more suitable home.

Project

Initial conversations between NCB and Dartington Hall Trust about the future of Research in Practice started in the summer of 2023.

With significant expertise and experience in developing practice and policy across social care, safeguarding, youth justice, special educational needs and disability (SEND) and health, NCB and Research in Practice soon realised that closer collaboration would strengthen their position as sector leaders.

Both organisations know that the people they serve do not become fully-fledged adults at 18 or 25. Bringing Research in Practice into the NCB family would widen the organisation's expertise in reaching and supporting adults, parents, families and carers, whose welfare often directly impacts the lives of children and young people.

Once it was agreed that there was a mutual interest and potential benefit in the two organisations coming together, NCB brought in Eastside People to manage the due diligence stage.

The due diligence evaluation and report, managed and produced by Eastside People consultant and merger and partnership expert Dave Garratt and strategic financial and business planning consultant Danielle Neale, aimed to:

1. Help the NCB and Research in Practice leadership teams to understand the risks of the collaboration.
2. Define the scope of the merger project.
3. Highlight any risks and concerns.
4. Review and assess all relevant organisational documentation and processes.
5. Identify and articulate any synergies that would result for either or both parties.
6. Verify the information given by the Board of Trustees and the Senior Leadership (e.g. review Intellectual Property, stand-alone finances and the scope of operation and practices).
7. Produce a due diligence report.

The due diligence exercise helped NCB to fully understand the levels of risk involved (including from a financial perspective), identify potential synergies and benefits and make an informed decision on whether to go ahead.

"Dave Garratt of Eastside People was brilliant because he was always open and honest about what the due diligence found, rather than telling me what he thought I wanted to hear. I particularly appreciated his willingness to share an early 'heads up' on potential challenges before having worked them through in detail. This felt like a mature and collaborative approach and helped to ensure there were no surprises", said Rachel Rand, Chief Operating Officer at NCB. "In addition, Danielle Neale was very thorough at seeking out and analysing all the information needed to make an accurate assessment of the situation."

National Children's Bureau (NCB) and Research in Practice Partnership (RiP) continued

Solution
Research in Practice officially joined NCB on 1st February 2024 and became the newest member of the NCB family. As NCB approaches its first anniversary, the relationship is a great success. Both organisations have been able to increase their impact in alignment with the overall new NCB strategy, which incorporates RiP.

"As a result of the partnership, we have been able to include input from Research in Practice staff and utilise information and data from their extensive resource library to support our business development." Said Rachel.

"Being able to draw on expertise from Research in Practice and learn from their experience in areas, such as trauma-based practice and challenging ourselves on areas of integration, for example, has enabled the whole NCB family to develop and learn with positive results."

Going forward, they hope that their compelling voice, increased scale and financial strength will enable them to grow their support offer for adult social care provision and diversify income streams. Through their strengthened partnership, they are also aiming to amplify the impact of Research in Practice research.

"The partnership with NCB means that our ability to achieve our goals is significantly strengthened", said Dez Holmes, Director of Research in Practice. "As part of the NCB family, we have the infrastructure and resources we need to focus on building a more just and inclusive society in which the children and adults being supported feel confident that those helping them are really well skilled and knowledgeable."

"Our proud history of bringing together sector specialists under the National Children's Bureau umbrella, enables us to continue to deliver on our mission to solve the growing number of challenges facing children today", said Anna Feuchtwang Chief Executive of NCB

"Merging Research in Practice into the NCB family, is another exciting chapter in this tradition. It pools collective expertise in developing practice and policy within social care, safeguarding, youth justice, SEND and health. In addition, we have identified some fantastic learning opportunities and areas of synergy that will strengthen sector leadership and maximise our impact."

"If anyone in any not-for-profit organisation is considering a similar sort of partnership, collaboration or merger, I would strongly recommend that they speak to Eastside People."
Rachel Rand, Chief Operating Officer, NCB.

Case study

Waythrough
(Humankind and Richmond Fellowship Merger)

Background
In December 2023, Humankind and Richmond Fellowship announced the decision to merge to form a new national charity that would better support people facing multiple disadvantages.

Humankind was one of the largest substance misuse service providers in England. They delivered an integrated approach to tackling challenging issues and provided innovative service models enabling their communities, families and service users to achieve their full potential. Their core service was substance misuse, complemented by housing, children and young people, and employment services.

Richmond Fellowship supported people to overcome mental ill health by providing crisis, community, employment, housing and domestic abuse services and social enterprise projects. They also helped people experiencing domestic abuse. Richmond Fellowship's subsidiary organisation, Aquarius, supported people affected by alcohol, drugs and gambling.

Much of Richmond Fellowship's money came from local authority contracts with up to 50 services being funded at any one time. While clearly successful in winning contracts to deliver mental health services, the bidding process was becoming ever more competitive and cost-conscious, and it was increasingly difficult to sustain the services they delivered and to retain staff.

The formation of Integrated Care Systems (ICS) in January 2022 also meant that scale would help support the new requirement to provide a wide range of services on a regional basis and to work as part of a consortium with other partners.

The combination of all these factors created a financial and operational imperative for both organisations to merge and bring their services together under one roof.

Project
Eastside People had been working with Richmond Fellowship on their strategy for an extended period. While the charity was running effectively, the management team and board acknowledged that any unforeseen external changes could have a potentially severe impact on their long-term sustainability.

They also had a dependence on mental health service delivery and wanted to diversify to meet the broader complex needs of their service users. This was also true for Humankind.

In addition, significant people changes were taking place at Richmond Fellowship. Derek Caron, CEO of Richmond Fellowship, was close to retirement and Helen Edwards, the Chair, was reaching her 9-year tenure limit and handing over to a new Chair.

Richmond Fellowship initially engaged Eastside People to help them develop a new strategy for partnership or merger. After a break in planning during the COVID-19 pandemic activities resumed in January 2022 when our merger experts started working with Richmond Fellowship's management team. Our team's role was to bring an independent view on the best partners in the sector, and to map what a merger might look like, and the potential risks and benefits.

As a result, Richmond Fellowship and Humankind began discussions. Humankind CEO Paul Townsley and others in his leadership team, had extensive experience with mergers and brought a collective belief that a merger was a beneficial option.

Waythrough
(Humankind and Richmond Fellowship Merger) continued

Humankind and Richmond Fellowship had a lot in common: a determination to support people to get their lives back on track, approaches that started with people's strengths and a belief that people's needs don't fit into neat boxes. They also shared a joint aim to help people unlock the sometimes closed doors of Health and Social care services.

After initial meetings between the key people of both organisations, Eastside People was then jointly commissioned to project manage the pre-merger programme including:

1. Creating a merger working party with terms of reference
2. Managing continuous engagement and review with both boards
3. Developing a merger plan, strategy and timeline
4. Building the business case
5. Evaluating potential legal structures
6. Supporting the due diligence of both parties
7. Facilitating the decision-making process by both boards
8. Establishing an integration plan

Eastside People acted as an independent 3rd party throughout the large complex process to make sure that everyone was represented. All negotiations and agreements were handled as a genuine partnership of equals.

The journey from agreeing to merge to completing the merger was challenging. The two parties needed to agree the service model, governance changes, any staff implications, the merger implementation plans, and ensure that during the transformation business was delivered as usual. Eastside People was pivotal in ensuring all these balls remained in the air and were completed as agreed.

This included involving the service users who were part of a service user group for the merger contributing to the design of the services to be delivered via the merged organisations. The group were also involved in the creation and development of the new identity including the brand, website and communications.

Solution
The organisations legally merged in June 2024 with Aquarius as a subsidiary. Paul Townsley, CEO of Humankind became the new group CEO, and the chair of Richmond Fellowship Carolyn Regan became the group chair.

In October 2024 they became Waythrough, a new charity that brings together the best of both organisations. Its vision is to break down the barriers that stop people getting the support they need to live a life they value, helping more people where they are, whatever their needs.

"We very much wanted this to be seen as a merger not a takeover. Rebranding to become Waythrough was part of this process. It was critically important for Humankind and Richmond Fellowship to have a new name."

"It was good to have an independent 3rd party in this large complex process to make sure that everyone was represented and that knotty problems such as roles and responsibilities were discussed and resolved. The Eastside People consultants had a wide range of expertise and were able to provide someone with the skills to manage every area of the project".

"Completing a merger is by no means the final step. There is always so much work to do to bring everything together and there is still a massive programme of internal work for us to manage. Don't assume that when the legal merger is completed that the process has finished."

"Eastside People provided invaluable independent support for Richmond Fellowship and Humankind throughout the merger discussions, development of the case for merging and the ongoing integration. As a large and complex merger, we could not have done this without their support. In all conversations, they helped us to stay focused on improving impact for the people who we work with."

Paul Townsley, CEO and Carolyn Regan, Chair Waythrough (Humankind and Richmond Fellowship).

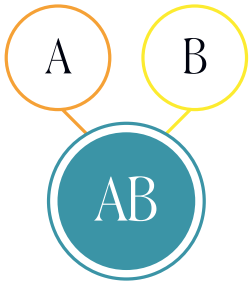
Appendix: Types of merger

There is no definitive objective set of merger definitions so, as with previous years, we use a framework based on Richard Gutch's work in our Good Merger Guide, which has been adapted through peer review.

One of the challenges in 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 this sector.

For the sake of this report, we use 'merger' 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 our framework. Our technical application of these terms should not be interpreted as making a value judgment about the importance of any partners involved in a merger of any type.

1. Merger



or reconstructed as C

SUMMARY

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

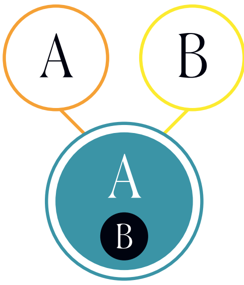
i) Organisation A transferring its assets and activities to Organisation B. Organisation B then establishes a new identity with a new leadership team; or

ii) Organisation A and Organisation B transfer their assets and activities into a new Organisation C and then either dissolve or become dormant (or for housing associations, continuing 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 whilst most transferors tend to be in deficit.

2. Takeover



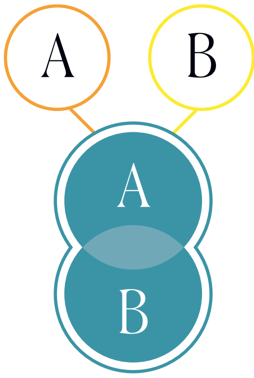
SUMMARY

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



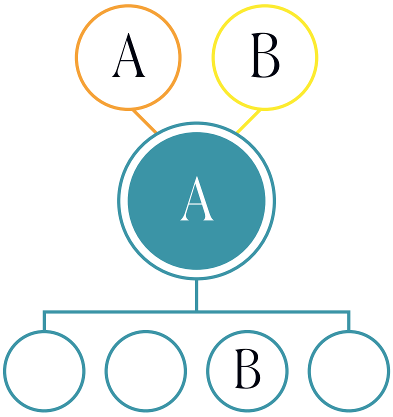
SUMMARY

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 groupwide 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



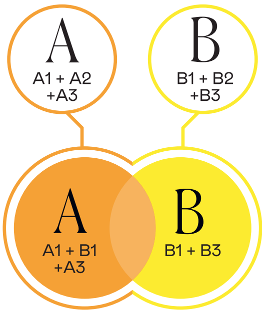
SUMMARY

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 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.

Acknowledgements
Writer and researcher: Rebecca Hammond
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About Eastside People

Eastside People is a community of experienced professionals from diverse industries and backgrounds focused on helping social sector leaders to build the capacity and impact of their organisations.

For over a decade we have sought out highly skilled individuals from diverse backgrounds who are passionate about using their skills and knowledge to bring about social change. These people are committed to advising social sector organisations as consultants, interims and mentors or taking on leadership roles themselves as senior executives and trustees.

We care passionately about results and what gets implemented in the real world recognising that the difference we make is the change that sticks.

We build an evidence base drawing on our own experiences and lessons from 2,234 consulting and recruitment projects, so that our clients gain access to better insights about how to make organisational change sustainable.

Eastside People have helped with over 40 mergers in the last decade and we have a pool of over 20 merger experts that can help with: finding a partner, conducting a feasibility study or a due diligence report and finally with merger implementation.

We are recognised as one of the top social enterprises in the country featuring within the Natwest SE 100 Index of the UK's 100 most impressive social enterprises and have a Foundation which provides an alignment of purpose with the clients we serve.

Find out more at: www.eastsidepeople.org

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