Manchester Community Central

Collaboration, Merger, Closure

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Supporting our Voluntary and Community Sector

Context for Collaboration

Voluntary organisations need to consider:

- Objects & beneficiaries
- Mission / purpose
- Quality of services
- Value for money
- Sustainability of services

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The Collaborative Spectrum 1

Shallow-End Partnership Working:

- Networking
- Information-sharing & referrals
- Joint events
- Joint strategies & delivery plans
- Co-location of front-line staff

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The Collaborative Spectrum 2

Preparation for joint service delivery:

- Pre-tendering consortia, e.g. Third Sector Health & Wellbeing Consortium for Greater Manchester

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The Collaborative Spectrum 3

Sharing resources (inputs):

- Sharing management or administration (transfer, secondment, contracting)
- Sharing specialist functions (IT, HR, book-keeping, pay-roll etc)
- Sharing premises
- Sharing equipment & other resources

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The Collaborative Spectrum 4

Joint service delivery (outputs):

- Lead contractor / sub-contractor
- Special-purpose vehicle
- Post-tendering delivery consortia, e.g. Manchester Community Central

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The Collaborative Spectrum 5

Organisational merger:

- “Take-over”
- “Reverse take-over”
- New legal entity

Benefits of Collaboration

In-depth collaboration may produce:

- Improved services
- Economies of scale
- Risk-sharing (new / large projects)
- Improved co-ordination
- Greater influence
- Organisational security / sustainability

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Risks of Collaboration

In-depth collaboration may produce:

- Loss of independence / flexibility
- Conflict due to cultural incompatibility
- Mission drift
- Reputational damage if unsuccessful

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Limitations of Collaboration

Outcomes may fail to justify the time and resources invested

Issues for pre-tendering consortia

- Do we share areas of common interest?
- Can we meet the quality standards?
- Are the membership rules acceptable?

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Resource-sharing issues

VAT liability is likely to arise for:

- Administrative resources
- Staff funded by fee income

VAT liability *may* be avoidable by:

- secondment of staff funded by grant income

Take specialist advice!

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Issues for delivery consortia

- Board engagement
- Understanding of the external challenge
- Clear shared aims and identified benefits
- Incentives to promote co-operation
- Disincentives for failure to co-operate
- Confidentiality rules
- Pooling resources (people, knowledge etc.)

Choosing type of consortium

Issues to consider:

- Procurement rules
- Equality v simplicity
- Secondment or sub-contracting
- VAT liability

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Issues for Mergers

- Board leadership essential
- Is there a business case?
- Is there a shared vision?
- Dedicated merger budget
- Appoint merger co-ordinator
- Adopt timetabled plan
- Sound out key stakeholders early

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Business case for merger

- Beneficiary cost-benefit analysis
- Organisational cost-benefit analysis
- Risk analysis of the merger process (disruption, cost, opportunity cost)
- Strategic/cultural/resources fit
- Alternatives (other partner, no merger)

Key deal-breakers for mergers 1

- Clear business case for each partner
- Compatibility of objects
- Agreement on legal structures
- Size & composition of new Board
- New name
- Process for appointing a Chair

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Key deal-breakers for mergers 2

- Process for appointing a Manager
- Dealing with restricted reserves
- Future of existing premises
- Compatibility of organisational cultures
- Pension scheme deficits
- Compatibility of IT systems

Experiential learning: consortia

- Boards need to be engaged
- The external challenge needs to be understood
- Reluctance to change / compromise

Experiential learning: mergers

- Both Boards prepared to lead
- Boards need to meet separately and together from an early stage
- Clear and consistent communication with staff from an early stage

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The last resort: closure

Key action areas in winding up:

- Notify key stakeholders
- Manage staff redundancy
- Plan future of client records
- Terminate leases / service contracts
- Settle debts / distribute assets
- Administer formal dissolution process