CCPS
Consortia, Collaboration & Mergers

Thursday 25th March

Roddy Stewart
CEiS
About CEiS

• We are a social enterprise and registered charity.

• Our **Vision** is for communities and individuals who are economically disadvantaged to realise their potential.

• Our **Mission** is to build and maintain a reputation for excellence in our support to enterprises and our services to communities and individuals.

• Our **expertise** is in assisting social economy organisations to develop sustainable enterprises. We have 25 Years experience of providing practical business consultancy and development work.
Business Models for Voluntary Organisations

• Merger
• Working with others
  – Clusters
  – Collaboration
  – Consortia
Mergers

• Merger is where two or more organisations formally combine to form one organisation e.g. CLIC and Sargent Cancer Care for Children.

• The term merger has no precise legal definition and is used to cover a number of different processes.

• Some mergers may also be referred to as takeovers.

• This is an under utilised business model within the third sector.

• Only 9% of charities have considered merging, collaborating or forming a consortium.

Source: ‘Third Economic Survey of Charities
Mergers - Why do it

- Financial opportunity / increase income
- Improved service / pooling of knowledge
- Increased public profile
- Increased capacity and greater efficiency
- Avoiding duplication of service
- Supporting an organisation in difficulty
- Pressure from funders

Source: NCVO Merger – A collaborative Working Model
Merger / Takeover

Key things to consider:

- What is your motivation?
- Is this the right organisation to allow us to achieve our social mission?
- How can we access funding to purchase the organisation?
- Purchase price / valuation of business (if applicable)
  - Net assets basis
  - Profit factor
  - Discounted cash flow
- Goodwill – are current customers loyal to the business or the current owner?
- There should be benefit for both parties

Does your constitution allow it?
You will need professional advice!
Other Considerations

- TUPE (Transfer of Undertakings Protection of Employment)
- Pensions
- Effect on existing customers / service users
- Additional funding
- Branding / identity
Collaborative Working - Forms

**Cluster** “achieving economies of scale in services....organisations usually complement each other in terms of services offered”

**Partnership** “formed between a number of individuals, agencies or organisations with a shared interest. There is usually an overarching purpose for partners to work together and range of specific objectives”

**Consortium** “organisations working together for specific contracts often under a newly formed consortia vehicle”
Collaborative Working

Why do it:

• Pursuing a growth strategy
• Response to public sector policy e.g. CBCs
• Specific contract opportunities arising
• Ability to deliver a better service
• Greater negotiating power
• Reduced overheads
Collaborative Working

Why do it:

Access to contracts that would not normally consider

- Range of skills / specialism
- Size / scale of activity
- Geographic coverage

- Sharing risks and rewards
- Develop long term relationships with other organisations

Source: Burness
“There are so many barriers to prevent small organisations delivering public services. The number of hoops we had to jump through would have proved an almost impossible barrier for the individual organisations.”

Nicky Gelder, Strategic Development Manager
DOC (Developing our Communities)

Source: NCVO collaborative working research
Collaborative Working – Who Should Participate

Organisations who:

• Identify a tangible opportunity
• Perceive a mutual benefit
• Provide complementary services
• Have broadly similar values
• Who are open to working with others

• You must do your research!
Collaborative Working – Points to Consider

• What is the opportunity for you?
• Duration of the contract
• Effect on existing activities
  • Operations – different ways of working
  • Management time – it will take longer than you think
• Compatibility with / selection of partner organisations
• Balance of risk and reward
• Legal structures and governance
Collaborative Working – Points to Consider

- Financial matters e.g. allocation of revenue, shared costs, VAT
- Length of time till cost benefits are realised – make sure funders understand
- Loss of autonomy
- Role of cluster / consortia lead
Successful Groups Have:

- Clear vision & common purpose
- Clear leadership
- Formal written agreements
- Clear terms and conditions
- Focus on Quality
- Common Understanding
- Awareness of cultural difficulties
- Accountability
- Ongoing review

Source: iSE clustering, partnership and collaboration
Realise – Case Study

- Tested benefits of social enterprises operating in themed clusters
- Led by Birmingham Chamber of Commerce
- 2 year programme ending Dec 2008
- Cluster developed around an established “lead” enterprise
- Targeted social enterprises with growth potential
- Business support lead by specialist develop agencies - iSE
- Over 60 enterprises participated

Source: Realise - Lessons from the programme
The clusters:

- Employment & Training (15 members)
- Health & Social Care (12 members)
- Environment & Sustainability (7 members)
- Education, Culture & Sport (20 members)
- Business Support (9 members)

Source: Realise - Lessons from the programme
Realise

- Increase in the number of organisations involved in contracting and competitive tendering (58% - 70%)
- Increased capacity amongst cluster members
- Improved business performance
- Improved business networking
- Over 40 new jobs created
- 5 New business created

Source: Realise - Lessons from the programme
Joint Venture: Social Enterprise Clydebank

- Previously Dalmuir Community Concierge Service
- Joint venture between 5 housing associations and Linkwide Limited
- Formed in April 2004
- High cost of estate maintenance
- Bad local press coverage
- Potential to add value

- Provides community concierge services to housing associations in West Dunbartonshire
- Services include cleaning flats, close and window cleaning, ground maintenance, cleaning, painting, litter pick-ups, removing bulk refuse and removing graffiti.
- Training for young people
- Plans for further expansion and diversification
- Seeking opportunities for replication
- Recycling Centre
Legal Framework

Option 1: Contractual frameworks for service delivery
Option 2: Frameworks involving a corporate body

What is the process for developing the legal framework?
Option 1
Contractual frameworks for service delivery

• Simplest model for forming a consortium
• No new corporate structure
• Detailed set of contractual terms and conditions among the members;
  – “the Consortium Agreement”
Option 2
Frameworks involving a Corporate Body

(assuming delivery of services for a public authority under a single contract)

- Jointly-controlled corporate body takes the role of party to the contract with the authority
- Nature of corporate body depends on:
  - aspirations of the parties as regards financial returns (profit-distributing or not)
  - nature of activities to be carried on by the corporate body (charitable status or not)
  - potential sources of funding (eligibility for support)
- Contractual framework also requires to be put in place – including clear rights/obligations of the parties as subcontractors/service providers to the joint corporate body