

Business recovery & insolvency

The existential challenges facing charities: When a recovery isn't viable

Case study

Our case study involves a **national education charity** that came under **intense financial pressures**, exacerbated by the uncertain political landscape.



The charity enlisted the help of our specialist **business recovery and insolvency team** to explore the options available, **working to find a suitable resolution** that would mitigate spiralling costs and **retain a level of control over the charity's operations** whilst a wind down commenced.



In this scenario, a recovery wasn't a viable solution, but by **helping the charity trade for as long as possible**, our team were able to secure the **best outcome possible in the circumstances**, overseeing repatriation of its asset and maintaining goodwill.



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Background

The case in question involved a national, award winning education charity that provided life-enhancing programmes to almost 15,000 pupils.

Despite its many successes, the charity's delivery model relied on serviced income from schools and the balance fundraised from a range of corporate organisations, trusts and foundations. This model came under intense financial pressures which continued to be exacerbated by the uncertain political landscape despite the implementation of several restructuring and cost saving measures.

How we helped

Smith Cooper conducted an extensive review, following which it was decided that the company would continue to trade under the close supervision of Administrators. Doing so allowed the employee consultation to be undertaken in accordance with statute, thus reducing further liabilities crystallising of c.£240k. Additional claims for breach of contract from schools, who had paid for programmes which would not take place, of c.£95k would also be mitigated; as would claims of c.£30k from leasing companies for early termination of contracts.

By continuing to trade, there was the opportunity to conduct an accelerated Merger and Acquisition (M&A) process, to find interested parties to either rescue the business as a going concern, by way of a substantial cash injection, or to seek a merger with another existing charity/business. In this case, despite extensive marketing efforts, no suitable purchaser could be found. Our team therefore quickly realigned, working to find a resolution.

The result

Unfortunately, Administrators had no alternative but to cease the trading operations of the charity, with the majority of staff being made redundant. A skeletal staff was maintained in the short-term to assist the Administrators close down the company and with the repatriation of its assets.

The careful implementation of the strategy, at this most difficult of times, and the decision to continue to trade to mitigate additional claims crystallising meant we were able to mitigate spiralling costs and retain a level of control over the company's operations, whilst a structured and coherent closure was undertaken.



GET IN TOUCH

We always strive to rescue a company, however sometimes this is not a viable outcome. In such circumstances, maximising the recovery of goodwill, debtors and work in progress can prove crucial. By seeking specialist assistance in determining the future of a company, owners may still achieve a positive outcome and avoid more formal proceedings.

Need expert advice? Get in touch.

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