

VOICE OF THE BOARD: DAVID WRATHMALL, CFO, GÉANT



It's almost five years ago that David Wrathmall joined GÉANT as Chief Financial Officer. Since then, David has been responsible for GÉANT's Financial, Procurement, Human Resource and Facility Management operations, and oversees all aspects of statutory and legal compliance. He is also Company Secretary and supports the Association's Members, Board and Audit and Risk Advisory Committee to ensure effective governance. As a result David has been at the centre of the DANTE – TERENA merger and legal restructure from the start. CONNECT spent time with him to talk about this and the finalising of the legal restructure of GÉANT.

What were the original drivers of the merger and subsequent legal restructure?

It was the community's desire for a single organisation to bring greater coordination

and less overhead, that originally drove the merger between DANTE and TERENA.

At the time DANTE had 15 shareholders – a subset of the TERENA membership. However as not all members of TERENA were legally able to become shareholders in a UK

company, so the transferring of shares from DANTE to TERENA was perceived to be the optimal way to merge the two organisations. The share transfer process started in 2013 and by 2014 – under the trading name of GÉANT – the two legal entities of GEANT Limited in Cambridge

and GÉANT Association in Amsterdam were established.

Over time the organisation evolved to a position where in 2017 it was operating well under a single CEO and an Executive Team overseeing departments that spanned the two offices.

The maintaining of two legal entities during this time remained the optimal approach from the perspective of taxation. Under advice from several external advisers the Board accepted this approach, as moving to one legal entity was a considerable task requiring significant investment in time and resource.

However in March 2017, in order to build on the progress made since the 2014 share transfer and to further reduce overheads and strengthen the value proposition for GÉANT's stakeholders, a resolution was put to the members to complete the consolidation process and create one legal entity.

Furthermore, as a result of the UK referendum and the UK government's intention to leave the European Union it was considered that there was a material risk of GEANT Limited becoming ineligible for ongoing EU funding following the expected completion of the BREXIT process.

This meant a change of focus from an entirely tax-optimal position to one of safeguarding the continued successful operation of the GÉANT (GN4) project upon which research and education communities across Europe rely every day.

The Members agreed that it was in the best interests of all stakeholders to accelerate the process of legal restructuring and that the most risk-averse approach was to transfer ownership of GEANT Limited's networking equipment and staff contracts to the GÉANT Association – which is incorporated in the EU – whilst establishing a UK branch to continue UK operations.

So where are we now?

Well, in Q1 2017 we carried out a procurement exercise and as a result appointed Ernst & Young to advise us throughout the process on legal and taxation aspects.

Work on the legal restructure was fully underway by June 2017 with a 12 month timeline, and I'm pleased to say that with huge effort on all sides the process was completed early within just 9 months and finalised on 31 March 2018.

We are now GÉANT Association – headquartered in Amsterdam – with a UK branch in Cambridge. We now have a permanent CEO in Erik Huizer supported by an established Executive

Team, members of which have clear responsibilities and reporting lines, and a fully integrated staff.

There is still much work to be done as a result of this however, for example we are continuing to work with tax authorities with regards to the transfer of ownership of our extensive network equipment across Europe, and our procurement processes must now reflect Dutch procurement rules.

It's important for me to stress that the recent legal restructure has demonstrated an excellent collaborative spirit within GÉANT. Achieving the end result ahead of schedule is largely due to the commitment of staff across various departments – particularly Finance, Procurement, HR, Operations and Project Management. Staff involved have worked long hours on the legal restructure at times when there was other important work going on, such as the 2017 financial audit. So I want to take this opportunity to give a big shout out to my colleagues for their support in getting us to this point.

What are the expected benefits of the new legal structure?

First and foremost, completing the new legal restructure has ensured the viability of GÉANT's funding model post-Brexit, which in turn means the continued successful operation of the GÉANT (GN4) project. This is welcome news for the 40+ project partners and 500+ project participants, as well as for the thousands of institutions and organisations reliant on the project.

There are also many expected operational benefits. For example our members are now billed from a single organisation reducing administration efforts. All GÉANT contracts (and there are thousands across Europe) are now with a single organisation. Many internal policies and systems can now be more closely aligned leading to more timely and accurate reporting – which in turn feeds quicker decision-making. And as part of the process we have implemented new, more responsive procurement processes which also reflect procurement compliance in The Netherlands.

It also further builds on the original merger process, and brings together more closely the people and projects across GÉANT under a clearer governance structure, benefiting all our stakeholders. We are currently working on the first budget (for 2019) created under one legal entity and it feels like a final step towards achieving a closely integrated organisation.

What difference does this restructure make for the GÉANT users, support to scientists and educators?

In the best possible way, we hope the research and education communities don't notice a difference! We want the projects we manage, coordinate and participate in to continue operating successfully and seamlessly. That means no disruption to service, and activities continuing to support development and innovation.

We have seen cases recently in the UK where the scientific and research community is already being impacted by potential implications of Brexit. Our work over the past few years has provided us with options to successfully minimise that risk. However, we are not complacent and continue to work to ensure continuity of operations for the benefit of all our stakeholders. It is the avoidance of any disruption to this which has the biggest impact – and benefit – of the restructure.

Having delivered the restructure – which big project is next on your horizon?

The considerable time and resource expended on this process – and in particular in finalising the legal restructure 3 months early – has been well spent, but it has understandably impacted other activities. So although there remains much to do, we are now in a position to prioritise other projects.

These include enhanced back-end systems to aid faster reporting; automated internal systems to reduce the administration burden for our staff and project participants; and new portals to streamline our recruitment processes and better support our workforce.

In addition, with the next round of EC funding (€128M) commencing in 2019, there is the important task of ensuring there is appropriate financial analysis and planning information to support the GN4-3 decision-making process, in terms of funding allocation and impact on cost share and EC rebates over the next 4 years, to the end of the Horizon 2020 programme.