

Workshop 6 Notes

Where To Get Help For Externalisation

Facilitators: Howard Bines (YES), Geof Cox (EPL), Marion Summers (Newco) and Deborah Fox (RNIB)

Howard Bines introduced YES (Your Enterprise Solutions), gave an understanding of 'externalisation' and resources. He introduced workshop participants and gave an outline of the session. He then introduced the resources and gave an overview of the VISAGE manual and VISAGE project (see Howard's powerpoint slides).

Geof Cox introduced the Social Firms UK guides, their background and content, including key strategic questions that need to be considered by charities. He introduced a discussion point for later in the session: 'what is a good starting point – not public sector!'

The Charities Guide to Developing Social Firms was written in acknowledgement that, whilst charity CEOs thought they had a strategic grasp of the issues re. setting up a trading subsidiary, they often didn't! The guide covers 3 main areas:

- the charity wants:
 - o an income stream
 - o to create employment
 - o to include service users and empower them

there is often a conflict as a result of these aims.

- Risk: charities and public sector are risk-averse. Esp. in health. Set up a trading company helps it to become at arms length.
- Capacity: managers didn't know what skills you would need and who in these organisations had these skills.

Geof stated that there is lots of knowledge on why and how to do it. Geof and Sally Reynolds of Social Firms UK got the guides together and there were many disagreements in the process! Geof was very cautious about claiming success – only Pack-IT had externalised fully at the time of producing the guide (they've been trading independently now for 10 years).

A point was made that councils operate on budgets, not revenue. Costs will be high compared to the private sector. The observation was made that older people are less keen to externalise than younger people.

Marion Summers presented Newco Products (see powerpoint slides). Newco is embedded in the London Borough of Newham and was set up in 1922 as a workshop for blind ex-servicemen.

Newco has 90 employees over 3 factories; 47 of the staff are disabled (pan-disability). They make kitchen units, PVC windows and operate a training centre. They have a £3.5m turnover. Disabled staff are totally integrated at all levels of the Social Firm.

Externalisation was first considered because of the potential loss of existing business (only 1 main customer = 95% of turnover). Newco had to review its competitiveness (prices, costs etc.). It was interested in the Social Firm model and felt it fitted the ethos/direction of the company. There were restrictions in trade/procurement/services they could offer because of being in a local authority. A simple example was that the council says all staff must attend a 'values day' (all 90 people out of work for the day!)...not compatible with business ethos.

The situation at present is:

- the council is still worried about closing/externalising Newco (Newco helps them meet their disability employment target, for example!);
- there are staff issues – why give up status and be ‘tuped’
- they currently don’t ‘do’ cashflow – all financial systems are reliant on the council
- questions about the existing plant.

Re. the new board, they are beginning to get the right people interested. The next step is to establish:

- have we a business?
- Sort out the legal issues
- Keep everyone happy

The maybe in 2008 they will actually externalise!

Deborah Fox presented RNIB and introduced the Concept Project (see Deborah’s powerpoint slides).

The two guides ‘Charities Developing Social Firms’ and ‘A Guide For Bringing Social Firms Out Of Public Authorities’ are available from Social Firms UK (www.socialfirms.co.uk) ; The Externalisation Manual produced by the EQUAL Visage Project is available from the Visage website.