

Community Enterprise Derby



Main theme: Use of a trading arm

Community Action, formerly known as Derby CVS, is an infrastructure body based in Derby that supports the voluntary and community sector in Derby. Recently the organisation created a trading arm called Community Enterprise Derby to deliver services supporting unemployed people back into work. The profits will be reinvested into Community Action to ensure its long-term sustainability. Rachel Hayward, the Managing Director of Community Enterprise Derby explains why the trading arm was set up...

"We have been delivering services to support unemployed people back into work for 11 years. In the past, the CVS (now known as Community Action) drew down money through the government and sub-contracted the work to our member voluntary and community organisations. However as part of the Flexible New Deal the government changed the rules. Now sub-contracting the work is no longer possible. Furthermore it has become harder and harder to secure funding. This and the change in the rules presented us with the ideal opportunity to create the trading arm."

"Community Enterprise Derby supports unemployed people back into work through a variety of programmes that we have secured either as a grant or contract. Community Action engaged with the funders and prime contractors to make the applications, but once secured the work was transferred to the trading arm. Any surplus we make will be transferred back to Community Action for any purpose they see fit."

Rachel explains that although creating the trading arm has clear advantages some members of the organisation still have their concerns ...

"The senior managers were very comfortable about setting up the trading arm because we still work in the same office and they can see us everyday. However there was some concern from the board. They were concerned about the risk of having two organisations to manage and were afraid that the trading arm could go off on its own. So we had a selling job to do but ultimately because the trading arm is 100% owned by Community Action it can't take off on its own. In addition some Community Action board members also sit on the board of Community Enterprise Derby."

Although Community Enterprise Derby has been successful in securing contracts there have been some other challenges...

"The most significant challenge we have faced is coping with the rapid growth. We are lucky that we have found good members of staff to join our team. Another challenge has been the misconception that by creating the trading arm and delivering services we are sitting in competition with the member organisations of Community Action. We haven't had any major problems in this area but it could be a problem in the future. However our intention is not to set up in competition with member organisations unless we believe we can offer a better service. Ultimately the reason we are here is to make a profit for Community Action so they can continue to provide other services to the community."

I would like Community Enterprise Derby to be an example of what you can do when times are hard and only going to get harder. It means you have to be more creative and think outside the box. I would like more infrastructure bodies to think differently about how they do their work. I think there is a lot we can learn from the world of private business without giving up

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the ethical principles that we hold dear.”

“I’m a firm believer in competition and choice. I think it keeps you on your toes and keeps reminding you what you have to do. I am very proud of Community Enterprise and Community Action, especially the time and effort we have put into really thinking about our purpose and our structure. Although we will face cuts like everyone else I think we are in a good position. I think that separating out the enterprise activities in the trading arm will allow Community Action to keep focussed on providing services for the community.”

Rachel offers the following advice for other voluntary and community organisations that are considering developing trading activities...

“I think we were very fortunate because the ground was set for us. We were courted for our past experience of delivering against contracts rather than having to go out and look for it. It was not as if I was starting something new – I was just changing the name over the door. However my advice to anyone who is starting out would be to really know your product and start off with something that is easily marketable. We found that there were lots of services we could potentially sell but often even if there was a demand there wasn’t any money to pay for them. In the future our focus will probably shift towards the private sector because often the third sector doesn’t have the money to pay and the public sector will be facing big spending cuts.”

“I think it’s significant that we didn’t have a formal business plan for Community Enterprise Derby. We had an overall idea of the outcomes we were trying to achieve but no specific business plan. We didn’t get too bogged down with this because I think that most problems can be solved by good communication. Because our business plan is yet to be written it means the world

is our oyster. Now that we have secured contracts and become sustainable we can make strategic decision with a lot more information. For example we can decide whether to concentrate on providing services for unemployed people or to expand into other areas. I think this make more sense than committing to a detailed business plan up front.”

Key lessons:

- Setting up a trading arm can streamline an organisation by containing trading activities within a separate legal entity
- Undertaking trading activities can subsidise areas where funding is limited
- The market must have the ability to pay for your services as well as the need for them
- You do not need to make all of your strategic decisions at the commencement of trading.

Legal structure: Community Interest Company
Main activity: Unemployment contracts
Number of employees: 12
Turnover: No full year yet
Location: Derby, Derbyshire
Date formed: October 2009
Percentage of generated income: 100%
Date written: February 2010
Website:

www.communityenterprisederby.co.uk

This case study is one of a series produced by the Capacity Builders funded ‘Stepping Up To Enterprise’ project in the East Midlands.

The case studies tell the stories of voluntary or community organisations and how they moved to developing trading. The case studies are available on the website

www.oneeastmidlands.org.uk/sute.