

International Social Enterprise Business Models Conference – Mergers, Acquisitions & Partnerships



Session 3

Mergers and Partnerships



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P3



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Clustering for social enterprise growth



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Clustering - what is it?

What is Clustering?

- Where groups and organisations work together on a issue, theme, contract, programme or project.
- Can be long term or task and finish.

- Two or more organisations working together either for a fixed term or within a permanent relationship
- Organisations can cluster on any aspect of their work from sharing office services to delivery of programmes.

Types and terminology

- Collaborative working
- Partnership working
- Clustering
- Micro clusters
- Joint bidding

Who works in clusters?

- There are collaborative projects across all sectors - private; public and voluntary sectors.
- Increasingly we see cross-sector partnerships – some large partnerships for example health services with PFI's
- Within education – academy's for example

Why cluster?

- Reduction in grants and move to contracts
- Contract model of prime contractor/large contracts
- Building seamless service
- Offer higher quality
- Offer broader more inclusive services
- Lack of track record
- Access to new markets

Are these partnership driven or tender driven?

- Either!

Realise Programme tested the model – [partnership driven]

- 4 clusters comprising 8-16 members [over 2 yrs 68 orgs working together]
- £2.95 million new sales
- 41.5 jobs created
- 5 new Social Enterprises started
- All received business support linked to procurement

Private sector building company

– [contract driven]

- Wants to include at least one social enterprise in every contract they deliver – board approval
- New cluster for building and related social enterprises [bricklaying, painting & decorating, sandwich suppliers, landscaping etc]
- Different SE's will be sub-contracted dependant upon the main contract
- This way of working means SE has access to new markets!

WNF – £28 million resources for access to employment [both!]

- Public sector driven geographically based clusters
- 10 constituencies, 89 3rd sector orgs engaged
- Some pre-existing clusters, some formed for the purpose
- Some brokered in private sector agencies [contract values high!]
- 9 providers – 6 led by 3rd sector = 12 of 34 contracts – many more will be sub-contractors!

What have these clusters learnt?

- Do
 - Research your topic
 - Organisations
 - Track record
 - Legal issues
 - Ensure working agreements – (written)
 - Monitoring framework
 - Be prepared to pull out

Remember ...

- Don't
 - Underestimate the time and resource involved
 - Assume you can work without written agreements
 - Assume you won't need legal or professional advice
 - Allow mission drift
 - Chase the money

Successful clusters have...

- Shared vision
- Clear leadership
- Formal written agreements
- An agreed approach to quality
- Common understanding & conflict resolution
- Awareness of cultural differences
- Accountability
- Ongoing review

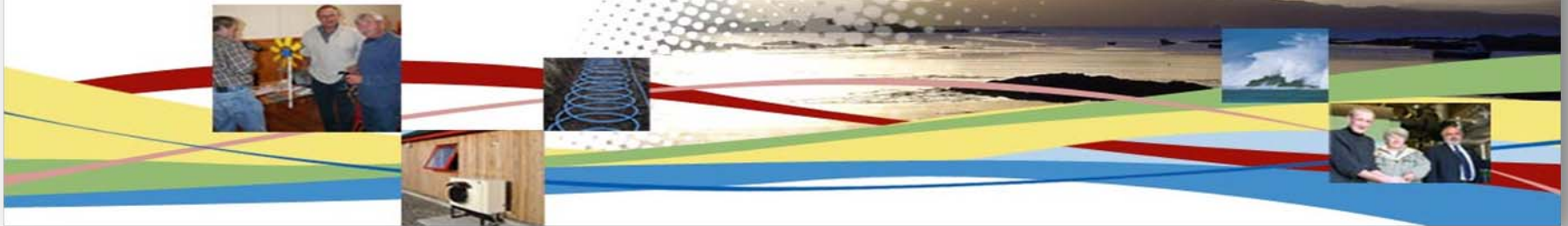
Finally

- From our learning we have produced a toolkit available from www.i-se.co.uk
- Its not easy to do but it provides real opportunities for the SE sector to work in new markets at scale!

Nicholas Gubbins

Community Energy Scotland





The Business of Community Energy Development

International Social Enterprise Business Models Conference

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Scottish Charity Number: SC039673



Who are we?

- New Scottish Charity, Company Ltd by Guarantee + trading company
- *To build confidence, resilience and wealth at community level in Scotland through sustainable energy development*
- Membership based – non-profit distributing community groups (80 so far)
- Voluntary Board
- Opened for business August 2008

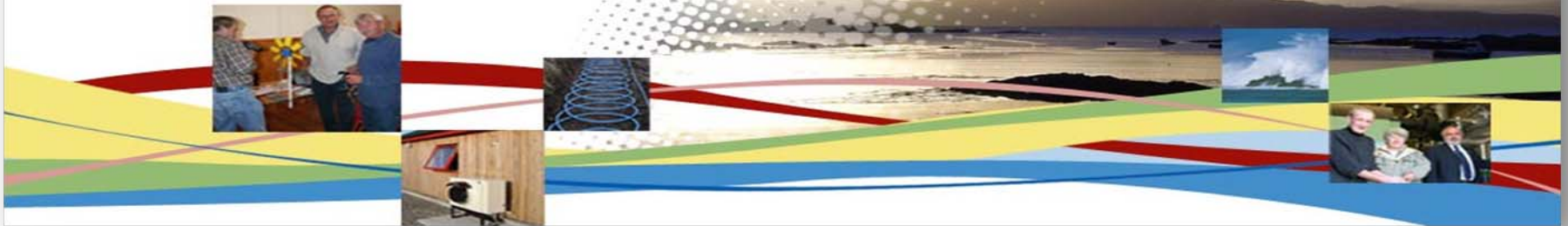


Origins

2002 Community Energy Unit, HIE core

2004 Highlands and Islands Community Energy Company – HIE subsidiary

2008 Community Energy Scotland – independent company

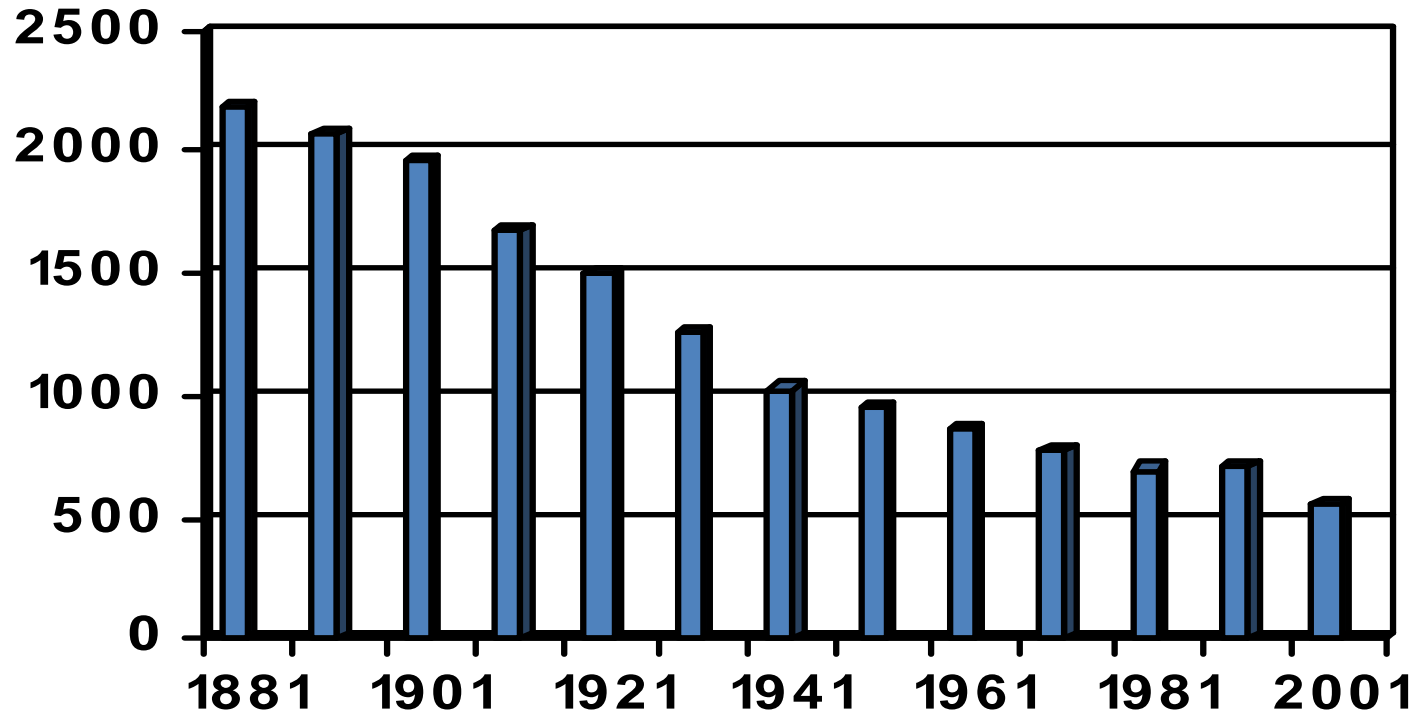


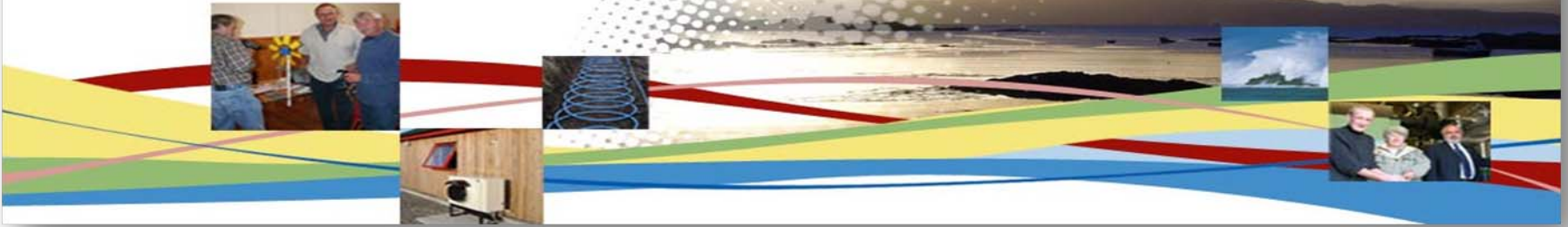
What we do

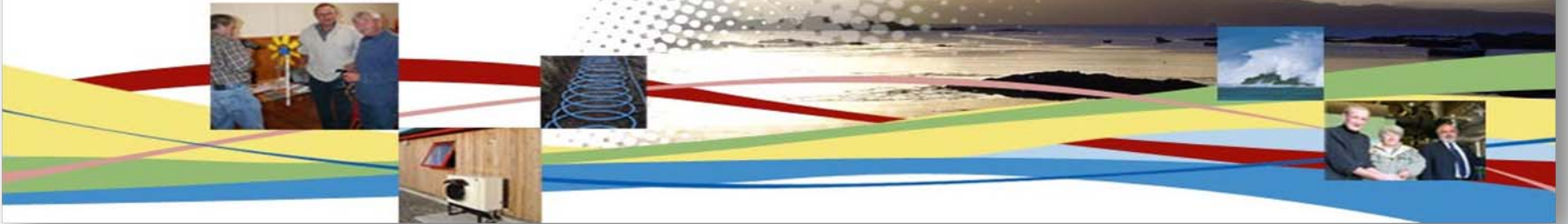
2 stories

- *Westray Renewable Energy Ltd, Orkney – a 5 year story, the last 4 weeks*
- *Averon Leisure Centre, Alness, Highland – ‘More People, More Active, More Often’*

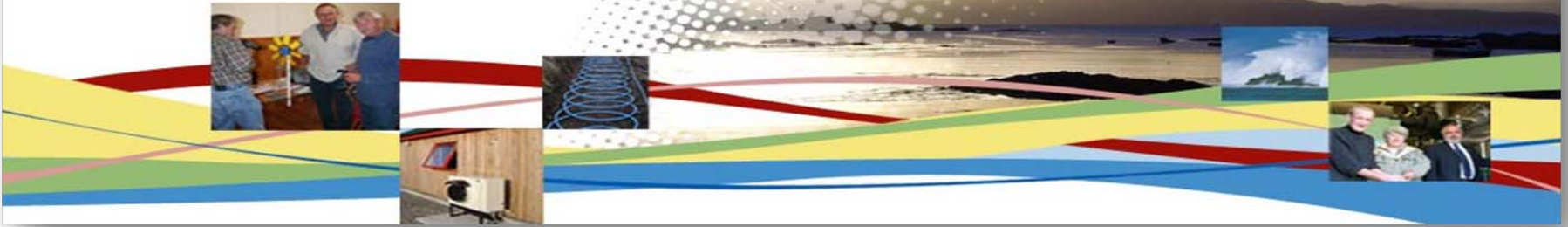
WESTRAY'S POPULATION

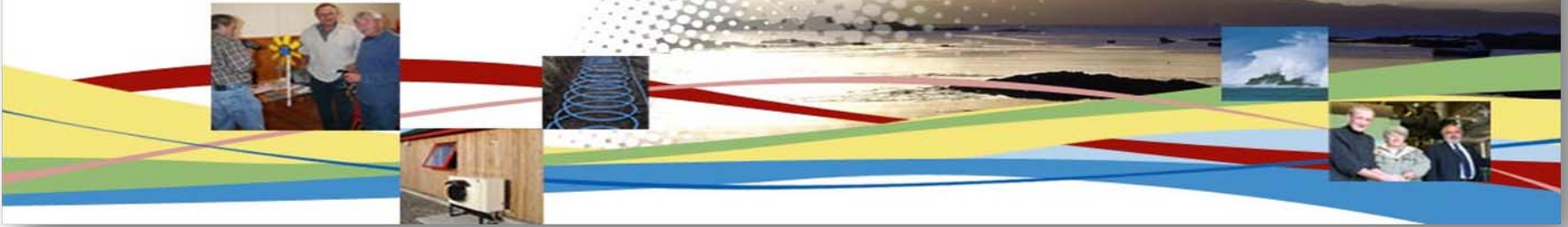


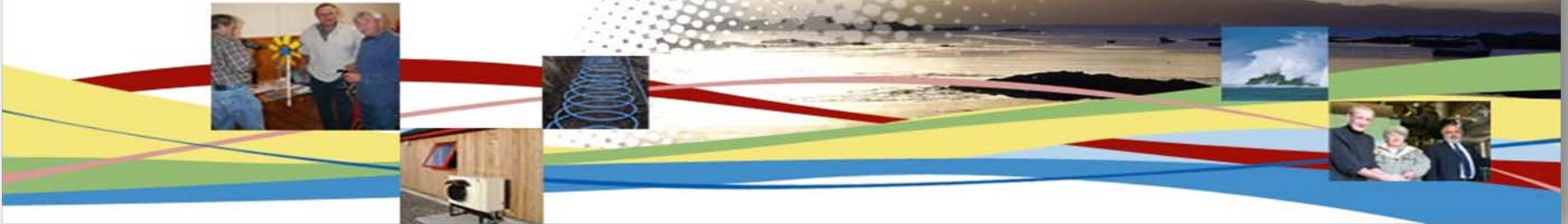












900kW

£300k gross income
pa

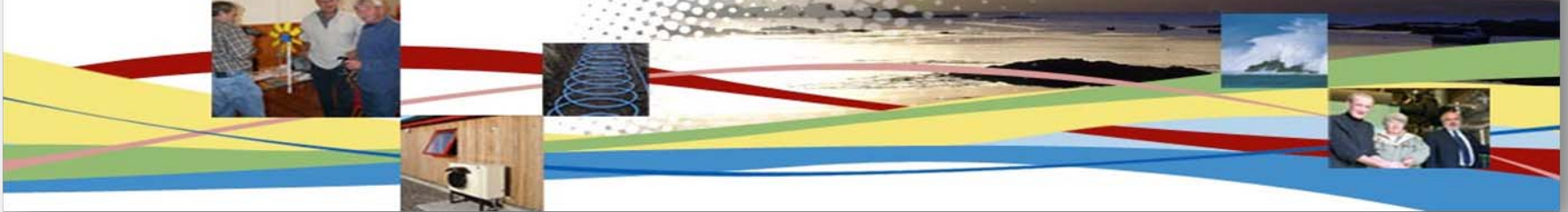


CES: Advice
Funding
Strategic action
Friend

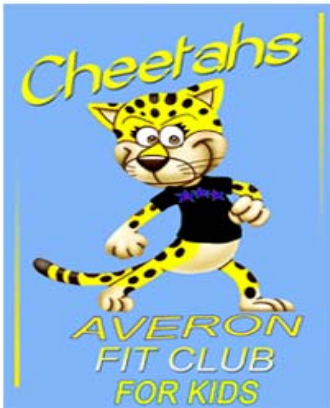


Community Energy Scotland
Cumhachd Coimhearsnachd na h-Alba



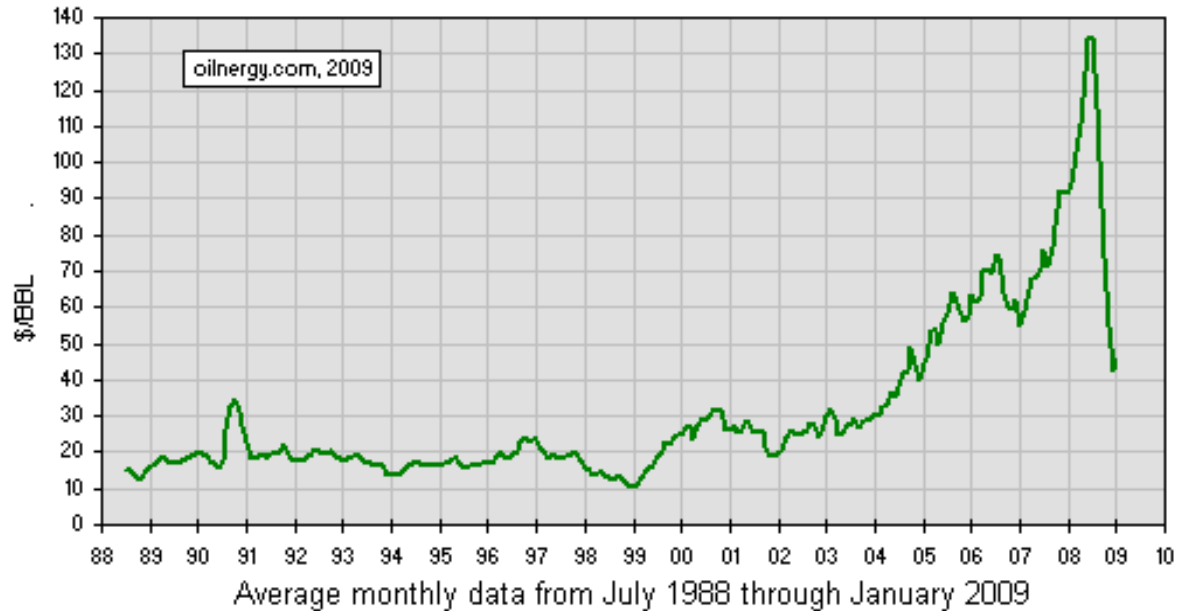


NEW NEW NEW



Heated by oil – 300kW boiler

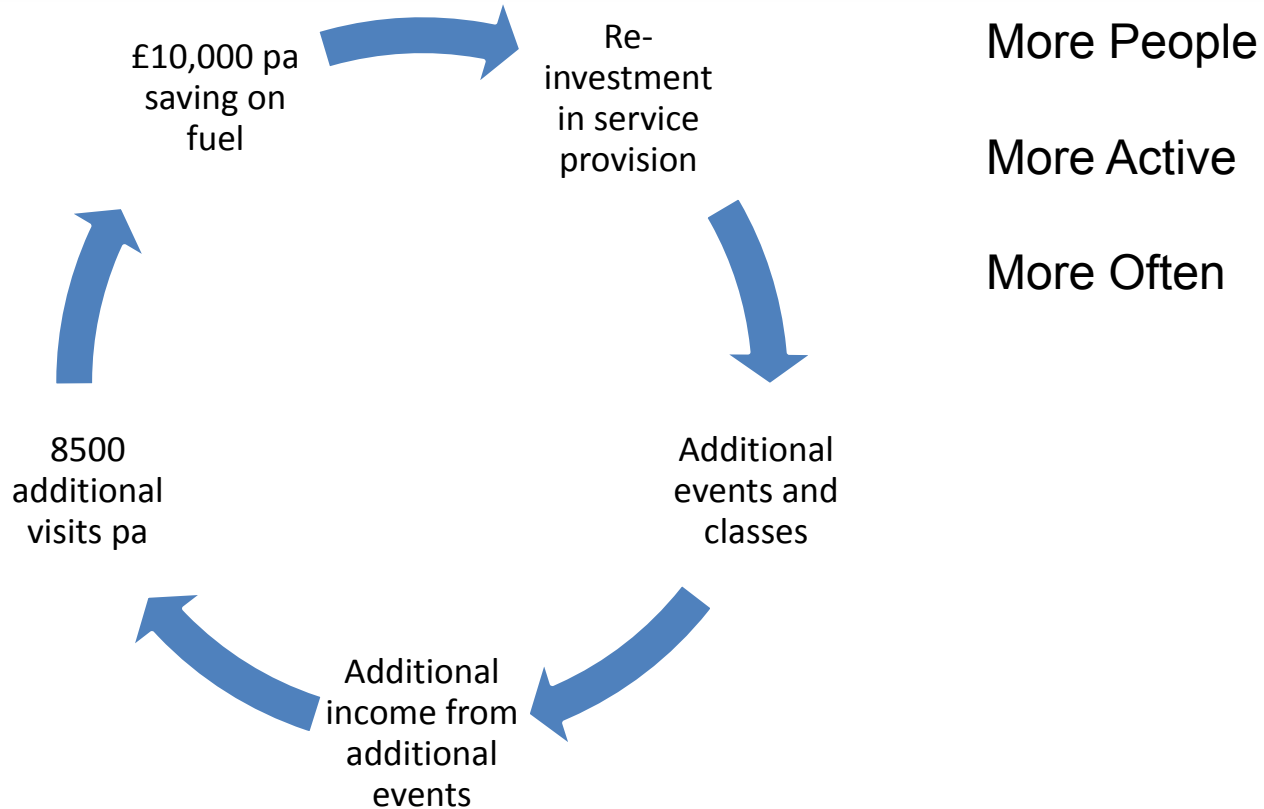
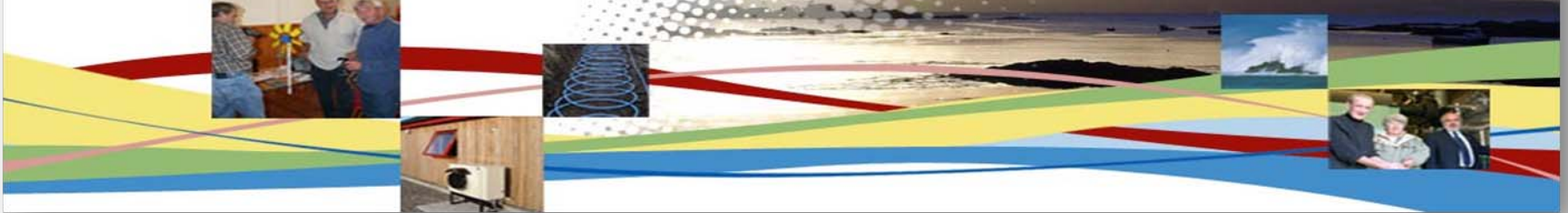
ICE Brent Crude Oil Closing Price (begin July 1988)





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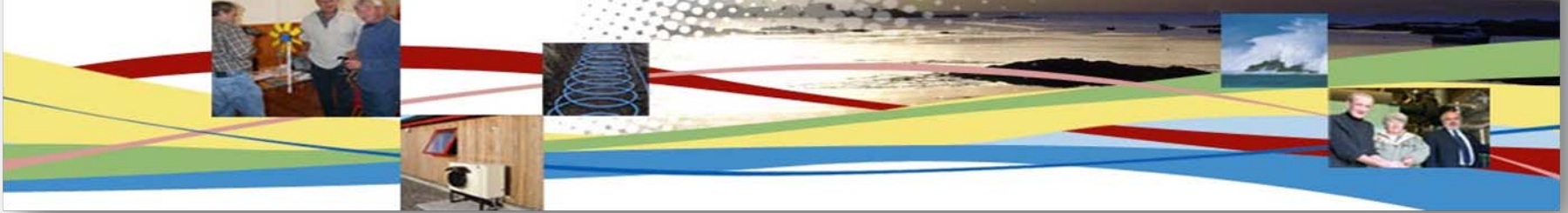






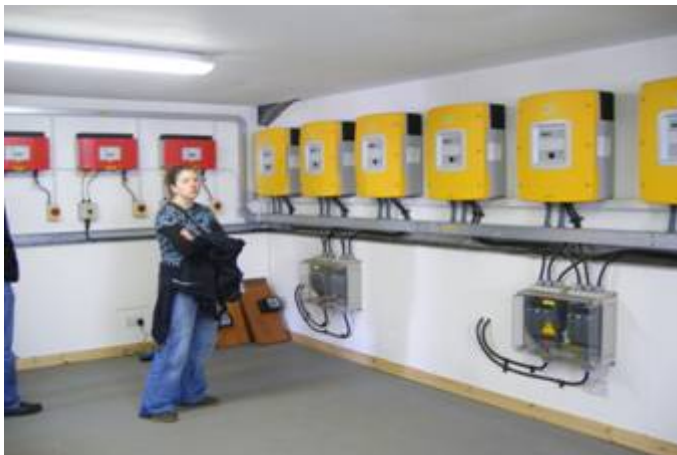
Why change...?

- constantly growing stream of requests from communities elsewhere in Scotland
- specialised and growing role beyond the role of a public development agency
- a wish to be able to represent a new sector
- a sense that we could make it work and add real value
- realise a vision – empowering communities across Scotland



Strategy

Real projects
Track record
Market driven
Policy influence





Strategy

- set up as independent voluntary body
- start up funding from HIE
- TUPE transfer of all staff – 6 months work
- bid hard for key contracts only – high risk



Main Commercial Contracts



Scottish Government Community and Renewable Energy Scheme – advice service and grant provision



Highlands and Islands Enterprise
Advice service and grant provision – project >1MW

Other contracts: Growing Community Assets (BLF), Community Powerdown (Climate Challenge Fund Grant), Scottish Government – Schools Renewables; Scottish Government – Pilot wind project, Registered Social Landlords (grant)



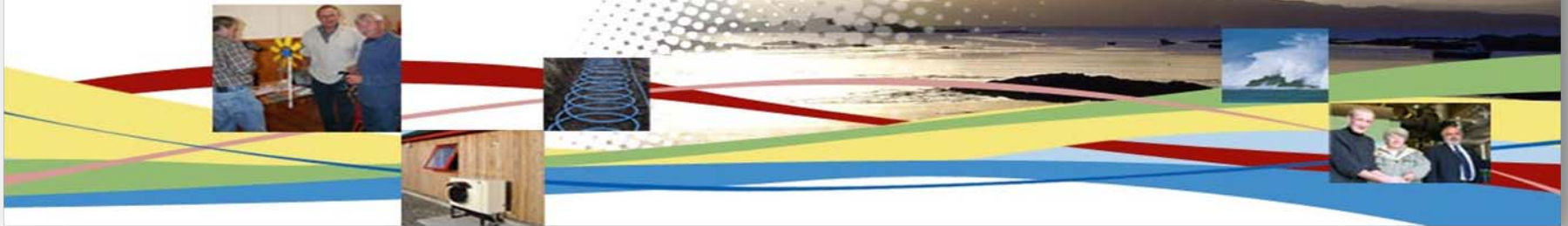
Business Model

- provision of a free service to the non-profit distributing sector in Scotland
- funded **now** through service contracts
- funded **in the future** through service contracts and revenue-generating energy projects
- forecast turnover 2009-2010 ~ £7.5m including restricted and unrestricted funds
- *core elements: commercial contracts and partnerships*



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Main Partnerships

- deep and lasting relationships with client groups, tend to be incremental – building capacity and enthusiasm
- growing partnerships with some strategic bodies with complementary, not competitive purposes (eg Development Trusts Association Scotland)
- discussion with energy utilities
- some possible joint ventures



Trading Company - revenue generating energy projects

- wind and hydro projects
- 10MW
- £350k development cost
- £16.6m capital cost
- 30% equity / 70% debt
- £776k net revenue during loan period (10 years)





What we have learned

- we were lucky to be able to play a role in setting a new agenda – community renewables
- committed and enthusiastic staff required
- need to be v adaptable : respond quickly to opportunities
- procurement process for contracts – v challenging: plan for more time than expected
- we are only just starting out.



Future Directions

- 1000s of 'distributed' community energy projects
- potential for significant independent revenue
- potential for CES to fund its own (free?) service over the long term
- potential for JVs, partnerships to help underpin community and social enterprises