

Best Value Service Review
Promotion of Independence of Young Disabled Adults

Report of the observational visit made to Senscot Social Entrepreneurs
Network, Scotland and to Social Firms, Scotland on 6 May 2004

Report of the visit made to Forth Sector, Edinburgh on 7 May

The delegates on both visits were:

Councillor Chris Baron	-	Chair of Select Committee, Social Services
Alan Pryke	-	Project Manager, Modernisation of Learning Disability Day Services
Janice Knight	-	Voluntary Sector Officer
Joe Pidgeon	-	Service Standards and Business Development Manager

Senscot

Background

Some broad definitions: A social firm is only one form of social enterprise. Social enterprise is an umbrella term that has been given to a broad sector, but social enterprises are generally defined as “businesses that trade for a social purpose”.

Senscot arose in 1999, sponsored by the Big Issue magazine, as a result of a meeting of some 30 people from across Scotland. What they had in common was a community leadership role and a belief that successive programmes to tackle poverty had had limited impact because they didn't involve local people and didn't create sustainable, locally-owned agencies. Senscot talks of its members as being “social entrepreneurs” often originating in local communities, businesses and local government and, particularly, the voluntary sector.

Senscot works in 3 main areas:

1. It has established an electronic network of some 3000 contacts across Scotland through which is disseminated a weekly bulletin giving information and comment on social entrepreneurship and social enterprise. Senscot estimates that some 60% of these contacts are actually working as social enterprises with the remainder being intermediary firms, local authorities, private businesses or statutory agencies.
2. Senscot encourages and promotes face-to-face meetings among members across Scotland to further develop the network. Some 30-40 regional meetings are held every year, often co-hosted with

local voluntary organisations.

3. Development of new services. One source of funding is the Scottish Executive's launch of the Social Economy Action Plan with some £6 million of funds to be invested in social enterprise. The aim is to achieve more "social return" from investment in business, particularly targeting small, community-focussed organisations. This fund is the equivalent of the "Future Builders" fund in England (which is a £125 million government investment fund).

Implications for Promotion of Independence in Nottinghamshire

Social Enterprise East Midlands (SEEM) has been developed by a partnership of organisations from the community, voluntary, enterprise, government and regional development sectors of the East Midlands.

SEEM's aims are:

- Realising the potential of social enterprises to contribute to addressing public policy goals;
- Realising the potential of social enterprises to contribute to local economic renewal and regeneration
- Realising the potential of social enterprises to contribute to a more equitable and inclusive regional economy.

Nottinghamshire County Council Strategic Framework on Social Enterprise (October 2003)

The Nottinghamshire Action Plan focuses on 4 areas for development:

- Leadership/ Advocacy/ Promotion Roles of NCC, including the development of SEEM
- Practical Advice and Support offering a business development advice function
- Finance for Development and Growth –with NCC grants of up to £5000
- Public Services and Procurement – the potential for developing social enterprise in the voluntary and community sector

Social Firms, Scotland.

Background

Social Firms, Scotland has been in existence for some 3 years having grown out of Forth Sector social firm (see below). It now acts as the national Scottish support agency for social firm development. It consists of 6 staff and has an annual budget of £680K

Social firms are a particular form of social enterprise in that they are competitive businesses specifically created to employ people with a disability or other disadvantage in the job market. They are seen as offering part of the

solution, and certainly not the whole solution, to the problem of disadvantage and prejudice that disabled people face in the labour market.

How Many Social Firms are there?

Social firms exist in all European countries, but most are in Italy and Germany. In Italy for example, 16,000 disabled people (out of a total workforce of 45,000 in social firms) are employed in 2000 social firms (1998). The estimated sales turnover of these is approaching £500 million. In Germany 248 social firms exist employing 3,100 people with disabilities (1996).

In Europe, social firms operate in just about every area of economic activity: tourism, manufacturing, IT, catering, horticulture, retail, etc. However, it was suggested on our visit to Social Firms that the level of public subsidy in Europe may be higher than would be expected in the UK equivalent. Since 1998 numbers of social firms in the UK has risen from 7 to 21, providing jobs for over 230 people with disabilities. A further 46 emerging social firms have also been established.

Key Characteristics of Social Firms:

- Social Aims - The “welfare” element of social firms can be useful in winning contracts from appropriate welfare agencies
 - Income Generation - At least 50% of the income generated will come through sales of goods or services in the market.
 - Integration – A significant number of the employees (at least 25%) will be people with a disability who are integrated into the staff of the business and employed on the same terms and conditions as other non-disabled staff, having the same rights and responsibilities
 - Having a Good Business Idea and knowing the market - It was made very clear to us on all our visits that the focus and skills of the managers and Boards of social firms need to be in the area of business management, commercial skills and marketing rather than in the area of social or health care or community development. The Scottish experience of social firms is that business entrepreneurialism with a participative management style is a surer route to success for a social firm than having participative and empathetic managers who are having to learn business skills and marketing as they go. It is also important to recognise when a social firm is not working and close it.
 - Fundamental Change in Organisational Culture
- It was said to take an average of 2-3 years to develop a social firm. If a social firm is being developed from an earlier project its workers and

managers must move from a reliance on an annual budget, grant aid or subsidy dependence to an acceptance of the pre-eminence of social firm productivity, cashflow and marketing. Risk aversion has to be balanced by an entrepreneurial approach which can accept business failure. "Project" mentality has to make way for more of a business mentality.

Implications for Promotion of Independence in Nottinghamshire

The employment situation of disabled people in Nottinghamshire is not likely to be significantly different to the national picture where disabled people are three times likely to be unemployed as non-disabled people. In Nottinghamshire the independent research and consultation undertaken for the best value service review has highlighted barriers to work as a major cause of exclusion for young disabled adults.

The County Council's best value review methodology highlights the importance of considering the principles of sustainability and the longer term impacts of service change. The Government's definition of "Best Value" is *"the optimum combination of whole life costs and benefits to the meet customer's requirements"*

Social Firms, Scotland is commissioning research into how it might be possible to quantify the wider and longer term "social returns" arising for disabled people from working in social firms, and also for funders and the local economy. Meanwhile, research into the impact of German social firms, whilst not directly comparable because of the greater number of hours disabled people are able to work before benefit cut-off, is nevertheless indicative of improved whole life costs and benefits.

The German research demonstrates that social firms create significant numbers of sustainable jobs for people with disabilities. It further reveals a net cost saving to the German benefit system - subsidies across the social firm sector were approximately one third of the cost of keeping someone unemployed. Further studies in that country have indicated the cost benefit of social firms over other provision such as sheltered workshops, day centres, vocational training.

Studies carried out at the Irish Social firms initiative (*a mental health project*) showed similar longer term social and health gains.

The study looked at the health gain and the reduction of use of mental health facilities and medication by people with mental health problems working full time in social firms over a two year period. The results, when compared with the two years prior to the project beginning, were positive:

- 64% reported improved mental health
- 40% improved social functioning
- 44% less social isolation
- 47% reduction in medication
- 67% reduction in psychotherapy

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- 60% reduction in use of in-patient facilities
- 98% drop in use of day centres and day hospitals
- 31% of the participants in the project moved into jobs within the open employment market

Forth Sector, Edinburgh

Background

Originally formed in 1981 and then called the Edinburgh Community Trust, the Forth Sector now aims “to make a positive contribution to the lives of people with mental health problems by providing supported learning, training and employment opportunities and to encourage community initiatives by sharing our expertise and knowledge of social enterprise development”.

Its organisational structure is threefold with a Central Services Unit (marketing, accountancy, consultancy and management) for which the 5 businesses pay a management charge. There is Training and Development (work experience, counselling, group work) and then the 5 Businesses located around Edinburgh.

Forth Sector has an annual turnover of some £1.2 million of which approximately 60% derives from sales from its five social firms. Only some 6 % of income derives from Edinburgh Council (Social Services) grants. The remainder comes from fund-raising (e.g European Social Fund, National Lottery, Tudor Trust)

At any time Forth Sector will have approximately 70 employees on the books. Of these about 50% will be people who have experienced mental health problems. In addition it will have some 60 unwaged “trainees”, also people with mental health problems.

The 5 businesses consist of:

- Six Mary’s Place Guest House started in 1991
- Parkview Laundry started in 1996
- Edinburgh Embroidery Services. Turnover £90K – 75% from sales
- Rolls on Wheels started in 1991, and now with a turnover of £125K and some 23 trainees.
- Ithos IT Training with a £200K turnover, 9 staff and 18 trainees

It is intended to develop two new businesses over the next two years.

Relevance to Promotion of Independence in Nottinghamshire

At first sight it would appear that Edinburgh has considerable advantages over a Shire County for the development of a social firms sector. It has a large but compact urban area with a sizeable population and a vibrant tourist economy (particularly relevant to the Guest House) which gives considerable opportunity for diverse businesses as reflected in the 5 social firms described

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above. It is also a Capital City, giving access to, for example, contracts with Scottish Rugby Union for “Edinburgh Embroidery” and also access to government policy makers.

In Nottinghamshire the management of the Council's Supported Employment scheme supports the general proposition that social firms should ideally employ not more than 25% disabled people. It is also argued that social firms should have as their emphasis, “real work, real jobs and real money”. The individualised support to disabled workers that social firms can provide may also be more effective in a number of ways than “segregated pre-vocational training, endless work experience, sheltered work, or special arrangements for wage subsidy”.

One of the difficulties envisaged for social firm development is the progression of employees from social firms to full open employment in order to release places for other disabled people to enter the social firm. A way of managing this would be to have a tiered scheme consisting: permanent social firm work places, training places and transitional work places.

Joe Pidgeon 25 May 2004

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