A charity turnaround follows the rules of business and, in doing so, gives more back to their community

THE BUSINESS

Groundwork Pennine Lancashire (GWPL) is one of the largest environmental regeneration charities in the North West of England. It operates as a social enterprise through a community interest company, Newground CIC, to deliver services that have environmental and community objectives, including landscape design and build, environmental business support, corporate social responsibility support, youth work and community wellbeing projects. Profits made from these programmes are transferred to the charity and reinvested in further programmes of improvement. Its mission is to build sustainable communities, working with partners to improve people’s lives, their prospects and potential, and the places where they live, work and play.

GWPL started out as three charities (that were already working on providing environmental and community programmes) that merged in 2007 after a particularly difficult financial period. Peter Neill, a manager with long experience in the sector, was brought in as Executive Director to turn the situation around.

THE IDEA

The underlying idea was simple, but not one that is common in the charity sector. Charities tend to focus on the work they do, but not so much on the resources that allow them to do that work. Neill turned that culture on its head. By becoming a community interest company, a business model midway between a for-profit company and a charity, it was possible to change the culture. ‘We started working on the principle that you can’t be a charity without having the income to be charitable with’, he says. ‘The idea was to focus on environmental services to sell to the public and private sectors and use the profit to put into the charity and extend the work it could do’.

THE INNOVATION

Change came about through a combination of measures: removal of the charity culture; reduced reliance on grants; and transforming into a new community interest company. The key was to start behaving like a company in order to achieve their goals as a charity. They had to apply good corporate management, in the form of financial, procedural, marketing and quality standards, so they could work towards the charity’s objectives. ‘It took a while’, says Neill, ‘but we got to a solid balance sheet’. Part of this was down to
changing the culture. ‘The charity had really good staff’, he says, ‘but they felt profit was a dirty word. So we had to change the culture so they understood that profit was something that enabled you to do more in the future. We stopped using euphemisms about profit and instead talked about profit’.

As a result of this change in culture, the private sector can now see the organisation as commercial. As a result, nearly 70% of income now comes from the private sector. The team now operates as business professionals. They wear suits, network, sell, monitor, forecast and create strategies. But they are careful not to lose sight of the original aims of the organisation. ‘Staff turnover is very, very low’, says Neill, ‘and the cost benefit of that is huge’. And they can leverage the support from local companies. ‘We can draw local employers onto our board’, says Neill, ‘and use them as mentors for our people. That worked a treat. The marriage of the two just clicked’.

FINANCE FUNCTION LEADERSHIP

‘The finance staff were crucial’, says Neill. ‘We needed to operate on sound financial principles’. It was about both financial rigour and changing the culture. ‘The finance function implemented all the functions that you would find in a normal company, which, in a company full of environmentalists was quite a challenge’, he says.

All three of the charities had been financially unstable and had uncertain futures, with one of them facing the possibility of going into administration. The finance department had to analyse risk and implement strict cash flow procedures. They created a pre-approval system for grants and contracts with built-in margins for profit and overhead recovery. They created expenditure controls with set levels of authorisation and approval. They installed recruitment authorisation procedures and credit control procedures and continual cash flow measurement and monitoring. As a result, the cash flow stabilised and the cash balance, which acts as a buffer for the charity, is now £1.6m.

It was also important to show a solid commercial face to the companies that they dealt with. ‘We needed to speak in a language that our clients would understand’, says Neill. ‘We built the balance sheet to implement the three ISO quality systems. The business took off quite rapidly after that. We could talk to them about how we could run their services for them’.

This transformed the way that clients perceived the charity and its objectives. And new business was created as a result of this combination of a profit model with the objectives of a charity. ‘Just imagine you can have a charity that is operating your waste and energy-efficiency needs’, says Neill. ‘Instead of the profit going into a Bentley for the chairman it is going into social projects that help society’.

People are supportive as a result. ‘To be making profit in a socially responsible way is very much the way to go’, says Neill. ‘People end up making more money. Businesses do want to be closer to their communities and they don’t necessarily know how. Using the social enterprise model is about finding a way’, he says. ‘People believe in the company and its objectives and paradoxically the more money you make, the closer you are to the community’.

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More recently, GWPL has become a member of a social housing group, the Together Housing Group. ‘We persuaded them to double the amount of funds in the charity overnight’, says Neill. ‘We will service the environmental side of their organisation, for example grounds maintenance, border fencing and so on, and we will take unemployed youngsters from the estates, give them training and employ them on these schemes’.

POSITIVE LONG-TERM IMPACT

The first aim is to create long-term financial stability. Last year, the business supported 600 businesses and created or safeguarded 50 jobs. Environmental and community projects brought in a turnover of £3.6m. The second aim is to create long-term environmental sustainability. Last year, 180 trees were planted, 739,000m² of land was improved or maintained, and 15 teachers were trained in sustainable development. The third aim is to create long-term social sustainability. Last year, 4,500 young people and 3,000 adults were engaged in projects, 40 schools were engaged with projects, 500 weeks of training were provided, and 150 formal qualifications were facilitated. All this creates a rolling model of long-term sustainability. ‘Our organisation has to be mission-driven’, says Neill. ‘Our mission is to use environmental action to bring about improvements in social cohesion and improvements in the community’.

LESSONS FROM THE CASE STUDY

Culturally, charities need to change their mindset. ‘You can’t be charitable without something to be charitable with’, says Neill. ‘The problem with charities doing something useful in society is that they miss out on the business disciplines. They have to arrive at a situation where the cash is coming in quicker than it is going out. And the tendency is not to do that’.

And you have to change the public perception that charities are well-meaning, but not terribly effective. ‘You have to overcome the barrier that people expect you to do very little and not very well’ says Neill.

Embrace the fundamentals of business. ‘Don’t be afraid of the business basics’, says Neill. ‘The big difference is what we do with the profits. Employ the best people’.