

TO: Council for Economic Renewal,
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SOCIAL ENTERPRISE IN WALES

Summary

As agreed at the last Council for Economic Renewal this paper is intended to provide information about the co-operative and social enterprise sector in Wales and its role in Wales's economic renewal.

The sector welcomes the fact that responsibility for social enterprise has been transferred to the Minister for Business, Enterprise, Technology and Science. Whilst the social enterprise sector does feature in the Welsh Government's Economic Renewal Programme document, there is now an opportunity to integrate the sector more fully into supporting the delivery of Welsh Government economic objectives.

What is a social enterprise?

A social enterprise is a business with primarily social objectives. Like a private sector business, a social enterprise exists to make a surplus. The main difference is that the surpluses of social enterprises are principally reinvested in the business or used for social good within the community, rather than being driven by the need to maximise profit for shareholders.

Co-operatives and mutuals have enabled people to take action for their communities for almost two hundred years, from retail societies to employee owned business. Social enterprise models have joined the movement and many are pioneering new and exciting ways of approaching social concerns.

The Welsh Government's Economic Renewal Programme and Social Enterprise Action Plan (2009) recognised the positive contribution social enterprises make to a strong, diverse and sustainable economy. The document stated that social enterprises are becoming more, not less relevant in the modern economy in delivering economic, social and environmental objectives.

There is a rich diversity and breadth of scale of social enterprises in Wales all contributing to the economy in a range of ways from village shops and halls and individual community enterprises to development trusts, social firms, recycling and renewable energy companies, employee owned co-operatives housing organisations, credit unions and large enterprises such as Welsh Water. A number of social enterprise case studies are included at appendix A.

Economic contribution of the sector

The sector plays an important role in generating Wales' GDP. It is a significant employer and could become more significant in the future.

It is difficult to quantify the exact size of the social enterprise sector in Wales, partly because social enterprises can adopt different organisational and legal models. They can be community interest companies (CICs), industrial and provident societies, companies, charities with trading arms or other legal forms.

A mapping exercise by the Welsh Assembly Government in 2008/09 identified 3,056 organisations undertaking social enterprise activity in Wales.

Interviews with over 600 of these organisations have resulted in estimated figures of around £2.2 billion turnover for the sector, based on figures for the financial year 2007-08. This would suggest that the social enterprise sector contributes 2.6% to the turnover of all enterprises in Wales.

Social enterprises often employ a high proportion of people that are furthest away from the labour market and many are involved in intermediate labour market schemes. A social firm is a good example of a social enterprise that offers a supportive work place for people who are traditionally discriminated against in the labour market. These businesses provide important opportunities to disabled people, people with mental health problems, ex-offenders or people recovering from substance misuse. One example is the award winning Pack-IT group based in Cardiff, which is a social firm in the storage, distribution, fulfilment and mailing sector

Social enterprises contribute to the local economy (often in the most deprived areas) and national economy through delivery of services, employment, local procurement and wealth creation, skills and training development, growing new enterprises in areas of market failure, building sustainable communities through community ownership and assets and encouraging entrepreneurship and innovation.

A recent economic impact assessment by Arad Consultants in 2010 of Galeri , a development trust in Caernarfon North Wales , demonstrated how they contributed £2.5 million to the economy of the region each year and additional spend and economic impact as a result of activities within their Creative Enterprise Centre of £1.3 million. They have a substantial asset base of 39 properties, in addition to Galeri itself, worth more than £10 million in total. Galeri was also recognised as the primary catalyst for an adjacent housing , retail, hotel and commercial development, supported by £4.3 million of Welsh Government funding and £23 million private finance.

Of course the sector is not just a significant economic player contributing to employment, economic development and renewal, it brings wider benefits, benefits which flow from its business model: namely to operate for community benefit, informed by social goals and for social profit.

Support to the Sector

There are a number of organisations providing specialist business support and advice to the sector including the Wales Social Enterprise Coalition, the Development Trusts Association Wales, Social Firms Wales, Cylch, WCVA, CVCs as well as the Wales Co-operative Centre. These organisations are working closely together to make the most effective use of public money, for example through joint events and networks, and to ensure social enterprises are properly signposted to the right organisation to support them.

Social enterprise support agencies are providing business support to social enterprises across the six priority sectors, identified in the Welsh Government's Economic Renewal programme as well as in other emerging and growth areas.

Growth areas

The social enterprise sector has the potential for growth and to become a more widely used alternative business model. Growth areas might include the housing, energy, environment and social care sectors.

Many third sector organisations are increasingly looking to the social enterprise model as a way to help their sustainability or to diversify their income and asset base. The potential for social enterprises to deliver public sector contracts has been recognised for some time. Funders often view social enterprises favourably as a sustainable way of financing the delivery of social and environmental objectives and returns.

Many private sector companies are looking at the social, community, and environmental impact of their businesses and developing more ethical and fair trade approaches, influenced by the growth of social enterprise. Whilst this is to be encouraged, their primary aim remains to maximise their profit, and it is this element (along with what they do with that profit) that provides the distinction.

Barriers to growth

Social enterprises have identified that there are a number of barriers to their growth. These include:

Awareness

The lack of awareness about the purpose, scale, value and potential for growth of social enterprise is deemed to be a recurring barrier. For instance social enterprises believe that parts of the public sector have a limited understanding of social enterprise, which makes it more difficult for them to secure opportunities to bid and compete to deliver contracts or supply goods and services. They share many of the concerns that private sector SMEs have expressed.

Skills and capacity

It is certainly the case that there are skills needs within the sector, as in other sectors, in particular the financial and commercial skills associated with running a business. Many social enterprises need help to build their business model, to market their products, to compete through a procurement exercise and to become investment ready. Many struggle with demonstrating their impact and the added value they bring to communities.

Capacity is also an issue. Whilst many social enterprises have already recognised the need to work in partnership in order to deliver larger pieces of work or contracts, this willingness to work together will need to increase and can now be supported by specific projects such as the Wales Co-operative Centre's consortia project.

Finance

Social enterprises often state that financial institutions fail to properly understand their business model, making finance more difficult to obtain. Social enterprises have also indicated that there is a need for a start-up fund that would be available to social enterprises that can produce a viable business plan .

Some of the above issues are being addressed by the work of the social enterprise support agencies. However the Welsh Government could complement this work by agreeing to the recommendations below.

Recommendations

The social enterprise sector welcomes the fact that policy makers are increasingly turning to social enterprises, co-operatives and mutuals to help with issues facing the economy, society and the environment today. In order to support the continued growth of the sector we make the following recommendations:

- Representatives from social enterprises organisations should meet with Welsh Government officials to discuss how the social enterprise sector can support the delivery of Welsh Government commitments, such as to establish a Welsh Jobs Fund and to provide robust business advice to the sector;
- A programme of visits to social enterprises and co-operatives across Wales and elsewhere in UK to be led by the Minister for Business, Enterprise, Technology & Science with Welsh Government senior officials. The purpose would be to understand what the businesses can offer to support the Government's agenda and to help raise awareness of social enterprises amongst funders, public bodies and the wider public;
- Welsh Government officials should consider how policy affecting social enterprise can be co-ordinated across Welsh Government

departments, for example to maximise opportunities in other policy areas;

- Research is carried out to identify the financial restraints faced by the social enterprise sector that could inhibit its growth. This work could then be shared with funders, such as the Big Lottery Fund, Big Invest, as well as a number of social investment banks and lenders to inform future funding programmes;
- Further investment is provided by the Welsh Government, alongside the Big Lottery Fund to extend the Community Assets Transfer Fund, which has helped a number of social enterprises across Wales to secure and develop buildings and land in order to build their enterprises, increase their impacts and underpin their financial sustainability;
- The Welsh Government continues to encourage public sector bodies to recognise the extra added-value that social enterprises can deliver by including social and environmental accounting clauses in all public contracts and by encouraging public bodies to engage with social enterprises at an early stage of commissioning.

Appendix 1 - Case Studies

The sectors in which social enterprises and co-operatives operate are diverse from recycling and renewable energy to media and arts to managed workshops and enterprise support, tourism, leisure, housing and agriculture. There are many social enterprises across Wales creating jobs and providing services.

A number of examples are listed below:

Crest Co-operative was established in 1998. The company evolved from a project run by Scope. This project was established as a community co-operative to help disabled and unemployed people increase their skills and gain employment – either within the co-operative or to move on to sustainable employment within the community. Crest now runs a number of enterprises including: a service to provide a wide range of opportunities for personal development to unemployed people, adults with a learning disability, adults and young offenders; a commercial waste collection service to companies throughout North Wales; and a community store that stocks everything for the home and garden.

Dulas Ltd is an employee owned business founded on co-operative principles. It is a renewable energy company offering professional services for clients wishing to implement renewable energy. The company has expertise in the following technology areas: biomass, wind energy, solar, and hydro. In addition, they offer consultancy services and renewable energy products. Dulas has now over 80 employees.

Grow Enterprise Wales was set up by RCT Homes to provide accredited training and work experience for individuals disadvantaged in the labour market. This successful social enterprise offers services such as recycling old uPVC doors and windows, cleaning communal areas in blocks of flats and cost-effective gardening services to customers all over the Rhondda. 22 staff are now employed, training has been provided for almost 500 future jobs placements and 2,800 training certificates have been awarded.

New Sandfields, Aberavon Sustainable Regeneration was established as in October 2001 and is a development trust that employs 41 staff in community enterprise and regeneration activities, including the Communities First team, in a housing area of 24,000 residents living in 8,500 households.

NSASR has developed a wide range of community enterprises and services which break down barriers towards employment and further education through the provision of work based skills and provide support for 5,000 young people through its youth action centre. Through its PC Care project, the Trust provides in-house and community IT support and the opportunity to buy new IT equipment at affordable prices, for home and business users. NSASR has developed proposals for a new Social Enterprise centre on Aberavon seafront, in partnership with the local authority and other stakeholders.

Menter Môn

Menter Môn is comprised of two companies Menter Môn Cyf which works closely with many partners to foster enterprise on Anglesey and Annog Cyf its trading company.

It undertakes two kinds of trading activity, firstly traditional enterprise agency contracts and secondly through trading social enterprise businesses. Surpluses are reinvested into new service provisions. With a 2007 turnover of £2.3m, it employs 35 staff.

Newport Wastesavers runs the kerbside collection of recyclables in partnership with Newport City Council, as well as operating recycling services for businesses in Newport and Cardiff. Wastesavers also run training , employment and educational projects and a furniture reuse scheme.

Wastesavers began life in 1986 as an environmental Charitable Trust and then established a trading subsidiary, Wastesavers Recycling Ltd. Wastesavers recycles more than 11,000 tonnes of material a year and 5,000 tonnes of paper and has a turnover in excess of £1 million a year.

Pembrokeshire FRAME Limited has recently been awarded Star Social Firm status for the quality of their business and the employment they provide for severely disadvantaged people. FRAME promotes and provides education, training and employment opportunities to people with, or recovering from, mental ill health and or a learning disability. Last year they collected and reused more than 35,000 unwanted items of furniture and employ 26 people some of whom are severely disadvantaged in the job market.

Pembrokeshire Produce Direct is a co-operative of food producers. It is an online farmers market selling high quality produce from Pembrokeshire involving 55 food producers offering more than 2,000 products.

Pack-IT Group is a multi-award winning social firm and social enterprise based in Cardiff and was established in 1988. The organisation evolved from a Cardiff City Council day centre and is now recognised as one of the UK's leading social enterprises, supplying storage, distribution, warehousing, mailing and online fulfilment services and employing a staff of 21 that includes disabled people and ex-offenders. Voted as the top Welsh, UK and European social enterprise and social firm in 2009, the company recently moved to a new, 45,000 sq ft warehouse in the north of Cardiff.