



The Social Enterprise Sector in Birmingham & Solihull



Key Facts & Figures

INTRODUCTION

In recent years, social enterprise – businesses that trade in order to achieve a social objective, reinvesting their profits in the business and in meeting their social aims – has become central to government policy. As well as offering key lessons in how organisations can become more financially independent and improve their long term sustainability, the government also believes social enterprises have a much wider role to play in economic and social regeneration, including public service delivery.¹

In order to gain a fuller understanding of the scale and characteristics of the social enterprise sector in Birmingham and Solihull, Be Birmingham (formerly the Birmingham Strategic Partnership), working closely with the Learning and Skills Council and other interested parties, funded a baseline survey. This took place between April and September 2007.

The social enterprise sector in the sub-region is a growth sector, with staffing levels, turnover and levels of earned income all showing healthy upward trends. There are differentials in its development, however. While the baseline survey did not seek to establish the precise geographical distribution of social enterprises

across the sub-region, earlier research has shown that the sector is less well developed in Solihull, partly due to historical difficulties in the sector being able to access appropriate levels of development support.²

This short paper is a summary of the headline findings of the survey. In the interests of ensuring that the social and economic contribution of the social enterprise sector is as widely understood as possible, we hope you will find ways of utilising the information set out here. Further electronic copies of this paper can be downloaded from www.bebirmingham.org.uk or www.lsc.gov.uk as can the full baseline survey report.

1. See: Social Enterprise: A Strategy for Success (2002), DTI, and The Social Enterprise Action Plan: Scaling New Heights (2006), Cabinet Office/Office of the Third Sector:
http://www.cabinetoffice.gov.uk/third_sector/social_enterprise/background.aspx.

2. See Strengthening Social Enterprise: Development support for the third sector, BSSEC (2006).
http://www.bssec.org.uk/pdfs/BSSEC_BULLETIN_rsched_issue.pdf



KEY FINDINGS

Size, income & employment

As a sub-set of the wider third sector,³ there are about 320 social enterprises trading in the sub-region, with around half of these established since 1990.⁴

The sector is of increasing financial significance:

- Just over half of the sample of social enterprises have turnovers between £100k and £1m per year and 30 have turnovers in excess of £1m per year.
- The largest 8 enterprises in the sample have turnovers of over £5m per year.

A net balance of +17% of social enterprises report that turnover has increased in the past year.

Earned income:

Proportion of earned income (as opposed to grant or other sources of income) is also a significant indicator of a social enterprise's sustainability:

- 10% earn 10% or less of their income from sales.
- 21% earn 25%-50% of their income from sales.
- 17% earn 51%-100% of their income from sales.

Public and private sector contracts are a significant source of trading income with almost half of the social enterprises surveyed earning 50% or more of their income from this source. Almost a quarter, however, derive no income from this source.

3. The Government defines the third sector as "non-governmental organisations that are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives." The third sector includes "voluntary and community organisations, charities, social enterprises, co-operatives and mutuals." See: The future role of the third sector in social and economic regeneration: final report, (2007), HM Treasury. The Stationery Office (ref. CM7189).

Download at: http://www.cabinetoffice.gov.uk/third_sector/third_sector_review/Third_sector_review_final_report.aspx

4. Three criteria were adopted as being indicative of a social enterprise business model: engagement in trading or economic activity; a not-for-personal profit ('non-profit distributing') structure; and 25% or more of the organisation's income derived from trading activities. The survey utilised a random sample of 1,000



In addition:

- A significant proportion, 34% of the sample of social enterprises, earn little or no income from sales. There is, however, an issue of terminology that must be considered here: the survey found that some social enterprises, even those regularly servicing major public sector contracts, do not necessarily interpret this as 'sales'.
- 12% earn over half of their income from grants and donations.

Employment levels:

The sector is also a significant employer:

- Social enterprises in Birmingham & Solihull employ almost 12,500 staff.

- Around 60% of these are employed by larger social enterprises (those with 100+ staff).
- The largest employers are housing and social care organisations.
- About a third of social enterprises are branches of larger organisations.

Staff numbers have increased in the past year amongst a net balance of +11% of enterprises and more than a third anticipate employing additional staff in the coming year.

organisations, of which 177 organisations completed full survey questionnaires. 19% of the random sample were identified as being social enterprises that conformed to the three 'filter' criteria. This percentage was weighted downwards to 16% in order to ensure that the proportion of social enterprises represented in the wider third sector was not over-estimated and to reflect the relatively high proportion of non-responses in the survey. The final number of social enterprises is arrived at by applying the figure

of 16% to the overall voluntary and community sector population. There is no single definitive figure for the total number of voluntary and community organisations in Birmingham and Solihull but an analysis of all of the main available sources indicates a conservative estimate of 2,000 organisations. 16% of 2,000 produces 320 social enterprises. For a full account of the survey methodology, see the full baseline survey report.



Services

The main service activities provided by social enterprises are:

- Training 55%
- Counselling/advice services 51%
- Education & research 43%
- Services for people with disabilities 41%
- Health and social care 37%
- Youth services 37%

However, services provided by social enterprises also cover nursery and childcare provision, drug and alcohol counselling, support for homeless people, community publishing, befriending, catering, conferencing and room hire, financial services

and support, furniture recycling, respite care, environmental services, landscaping and horticultural services, mediation, and youth activities.

Beneficiaries:

The main beneficiaries of the services provided by social enterprises are the local community (47%), adults (41%), young people (26%), parents and children (21%) and the disabled (21%). There is a clear emphasis on assisting those who are most disadvantaged or at risk of social exclusion. When mapped against Local Area Agreement outcome targets, social enterprises are having greatest impact in the areas of housing, health, education and, to a lesser extent, worklessness.



Legal structures

While social enterprises can use a number of different legal structures, the survey revealed that in Birmingham and Solihull at least 62% are charities and 51% Companies Limited by Guarantee. In fact, 40% are Companies Limited by Guarantee with charitable status.

Volunteering

Volunteer effort is important to social enterprises, with almost 75% involving volunteers as part of their activities. Almost 10,500 volunteers actively support organisations in the survey sample, although it should be noted that just over half of these (5,500) volunteer with a single organisation. Even allowing for this, it is evident that at a conservative estimate some 5,000 people volunteer in order to assist social enterprises in their work.

Management, performance & quality

There is also a strong commitment to improving management, performance and quality in the social enterprise sector:

- 91% have a written business plan specifying business objectives for the coming year. This compares to 55% for all private sector industries in the West Midlands.
- 68% have a training plan specifying the type and level of training employees will need in the coming year. This compares to 46% for all private sector industries in the West Midlands.
- 79% have a training or staff development budget, compared to 34% for all private sector industries in the West Midlands.
- Over 60% have achieved some form of sector or industry quality standard, such as Investors in People (56%), MATRIX (24%), PQASSO (20%) or ISO9000 (7%).



Assessing impact:

There is also a strong interest amongst social enterprises in assessing and evidencing their social impact. Currently, around 34% formally assess the impact of their activities, but 86% indicate that they would do so if support was available to help them adopt such systems. In direct response to this, Be Birmingham will fund a second phase of activity following on from this baseline survey and this will assist a greater number of social enterprises to learn how best to implement social auditing processes in their businesses.

Skills

While 46% of social enterprises surveyed consider 100% of their employees as being fully proficient at their jobs, a rather higher proportion of social enterprises than private sector companies say there are specific areas where skills do need improving. The most significant of these, showing first the social enterprise figure ('SE') followed by the regional private sector figure ('PS'), are:

- Management skills (SE 64%; PS 33%).
- IT – general user skills (SE 60%; PS 29%).
- IT – professional skills (SE 40%; PS 20%).
- Teamworking (SE 55%; PS 47%).
- Written communication skills (SE 52%; PS 31%).
- Customer handling skills (SE 46%; PS 53%).



CONCLUSION

The social enterprise sector in Birmingham and Solihull is a growth sector, with staffing levels, turnover and levels of earned income all showing healthy upward trends. Having said this, business support and development of a kind that can assist in driving up levels of earned income further is clearly a necessity in terms of growth and long term sustainability for the sector. This is especially the case for those enterprises that currently derive little or no income from sales, or whose commercial potential could be dramatically increased.

There are also skills needs to be addressed across the sector and these are likely to become more acute as the sector becomes more heavily involved in tendering for public service contracts and meeting the requirements of service commissioners. The large number of social enterprises that have achieved some form of quality accreditation, however, is a reason for optimism, as it is likely that such standards will play an increasingly important role in how public sector partners assess the 'investment-readiness' and delivery credentials of the sector.

There is reason for optimism too in the proportion of social enterprises (49%) currently earning 50% or more of their income from public and private sector contracts. The sector needs to see greater levels of success in public and private tendering, however, and this is especially the case amongst those enterprises – almost a quarter – that currently derive no income from this source.



The Baseline Survey of Social Enterprise in Birmingham & Solihull was funded by Be Birmingham, the Birmingham Strategic Partnership. It was commissioned by the LSC. The work was overseen and managed by a steering group comprising.

Advantage West Midlands
www.advantagewm.co.uk

Birmingham & Solihull Social Economy Consortium
www.bssec.org.uk

b:CEN
www.bcen.net

Localise WM
<http://www.localisewestmidlands.org.uk/>

LSC
www.lsc.gov.uk/regions/WestMidlands/

The survey was conducted during April-September 2007 by Local Economy Solutions Ltd.

This key findings summary produced by BSSEC for Be Birmingham ©2007. It can be reproduced in part or in its entirety without further permission as long as this source is acknowledged.

