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working together for the Birmingham and Solihull social economy



Delivering Social Enterprise in Birmingham & Solihull

A JOINT STRATEGY

For circulation

1.0 INTRODUCTION

“A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners...”

– *Social Enterprise: A Strategy for Success (DTI 2002)*

Social enterprises are businesses which trade in order to achieve a range of social and environmental objectives, reinvesting their surpluses for this purpose in the business. The establishment in 2001 of a Social Enterprise Unit (in the DTI, since relocated to the Small Business Service) and the launch of the national social enterprise strategy in 2002¹ marked out social enterprise as one of the Government’s ‘big ideas’.

However, delivering successful social enterprise growth and ensuring that the sector can achieve its full potential in Birmingham and Solihull will require a far more co-ordinated and “joined-up” approach to the sector’s development. This involves the active collaboration of policy-makers, practitioners and fund-holders to ensure that the sub-region’s aspirations for social enterprise are translated into practical action. For this reason, this strategy, drafted by members of Birmingham & Solihull Social Economy Consortium,² has a strong practical emphasis. It is about

- Growing the sector and increasing its sustainability
- And ensuring it can access the development and support services it requires in order to achieve its full potential.

For the sake of brevity, we have chosen not to include a lot of background detail about social enterprise or social enterprise policy in this document. **Appendix 1** includes some information on the *defining characteristics* of social enterprise, their *organisational forms* and what the sector looks like in Birmingham. Readers wanting to know more than this will find BSSEC’s presentation on social enterprise to Birmingham Strategic Partnership a good starting point (December 2004). This provides more detail regarding the national and regional policy context, a full list of information sources on social enterprise, and links to three very different case studies. The presentation report can be downloaded from the BSP’s website.³ Direct links to the case studies in the report are also included in Appendix 1.

¹ *Social Enterprise: A Strategy for Success*, DTI [2002]. See: <http://www.sbs.gov.uk/default.php?page=/socialenterprise/default.php>

² See Appendix 2 for list of BSSEC members.

³ See: <http://www.bhamsp.org.uk/index.php?page=6&catid=13>.

2.0 SOCIAL ENTERPRISE – THE LOCAL DIMENSION

Since the establishment of the Social Enterprise Unit within the DTI in 2001 and the publication in 2002 of the national social enterprise strategy, social enterprise has climbed rapidly up the Government's policy agenda and currently occupies a place centre-stage as part of wider policy objectives on voluntary sector income-generation and trading, diversifying public procurement and building more cohesive neighbourhoods. This is to be welcomed.

But social enterprise offers a business model capable of making a social and economic contribution in the Birmingham and Solihull sub-region **that has a distinct local flavour**, strongly allied to Birmingham's key objectives of:

- ✓ Developing Birmingham as a city of vibrant local centres.
- ✓ Improving services and developing ways of meeting unmet service needs.
- ✓ Building stronger and more sustainable local communities and regenerating local areas.
- ✓ Increasing levels of economic activity and making that economic activity more inclusive.
- ✓ Generating and retaining wealth and investment.
- ✓ Increasing access to employment for Birmingham residents, especially amongst those currently under-represented in the labour market, and ensuring that local regeneration creates economic and social opportunities for local people.
- ✓ Ensuring that social enterprise, through new formation and sustained long-term economic and social activity, can make a contribution to business growth, wealth retention and investment in Birmingham's priority local centres and for all of its communities, especially vulnerable and disadvantaged groups.⁴

⁴ This is aligned with *Developing Birmingham: An Economic Strategy for the City 2005-2015*, Birmingham City Council [April 2005].

3.0 KEY OBJECTIVES OF THIS STRATEGY

In keeping with the three core principles of the Government's national strategy for social enterprise⁵ our key objectives and the outcomes against which this strategy should be tested are:

- a) **Growth:** A growing and more sustainable social enterprise sector, with greater numbers of social enterprises offering local employment opportunities in all trade sectors and localities.
- b) **Targeted intervention:** More targeted support intervention, backed up with more effective market intelligence, to encourage greater numbers of social enterprise start-ups in new, emerging or growth sectors.
- c) **Inter-agency working, co-ordination and 'mainstreaming':** Better co-ordinated signposting, referral and inter-agency working at all levels, including more effective *caseload management*, to ensure that service-users can access, be navigated through and utilise all parts of the support environment easily and efficiently. This should also include *combined database access* to ensure that support providers can access common caseload histories, map developmental progress and begin the process of building up far better sector information to inform social enterprise and voluntary sector *purchasing guides*, public procurement arrangements and other actions which will help develop and extend the marketplace for social enterprise. This will also assist in the integration of social enterprise into the mainstream business environment.
- d) **More effective marketing of the sector:** A higher profile for and a better understanding of social enterprise both at a community level and amongst policy-makers, other professionals and potential customers and purchasers of social enterprise goods and services.
- e) **Integration:** More effective and better planned integration of social enterprise support into broader regeneration efforts, including community plans, neighbourhood renewal, health, education, training and skills etc.⁶
- f) **Growing the marketplace:** Growing and extending the marketplace for social enterprise by more effective utilisation of demand-side opportunities, community need and public policy opportunities, especially public procurement, where BSSEC will continue working with other public purchasers to help reshape the procurement environment.
- g) **Investment-readiness and procurement-readiness:** More social enterprise business cases coming forward for investment and social loan

⁵ "Creating an enabling environment for social enterprise"; "making social enterprises better businesses"; "establishing the value of social enterprise". Executive Summary, *Social Enterprise: A Strategy for Success* (p.9), DTI [2002].

⁶ This is directly called for in *Enterprise and economic opportunity in deprived areas: A consultation on proposals for a Local Enterprise Growth Initiative* (ibid).

finance and greater numbers of social enterprises and trading VCOs winning public service contracts.

- h) **Private sector engagement:** More concerted efforts to ensure that the private sector engages with social enterprise both as customers and partners and that wherever possible and appropriate the wider CSR agenda is harnessed in support of social enterprise.
- i) **A sustainable support infrastructure:** A better resourced and more sustainable support infrastructure for social enterprise offering more effectively 'joined up' support irrespective of who provides it.

4.0 GROWING THE SOCIAL ENTERPRISE SECTOR – WHAT SUPPORT IS REQUIRED?

As practitioners we know that an aspiration to grow and strengthen the social enterprise sector is not in itself enough. There is a direct correlation between the availability of accessible, quality support services and the health of the social enterprise sector. Research has demonstrated that where quality support and development services exist, the sector flourishes; where there are no support services the market place is largely undeveloped and there are few and sometimes no social enterprises.⁷

This aspiration, then, must be backed up with practical, coherent strategic development and support measures offering:

- Appropriate business development models that combine an understanding of community activism as well as business expertise.
- Specialist technical assistance that reflects an understanding of the values and legal structures prevalent in the sector.
- And access to appropriate forms of finance.

Experience also shows that social enterprises, like conventional businesses, have different developmental needs at various stages of the business life cycle. As a cornerstone of this strategy, we believe that **six distinct support measures** are required in order to see a widespread flourishing of the sector, especially in priority areas. These can be described as follows:

- a) **Pre-start support:** that utilises community development approaches to assist groups and/or communities achieve 'enterprise readiness'. This is vital, especially in areas where there is little history of social enterprise activity: pre-start support provides the foundation on which longer-term social enterprise activity can be built.

⁷ Executive Summary, *West Midlands Social Enterprise Support Infrastructure*, cbc for WMSEP [2004].

- b) **New start and trading support:** tried and tested social enterprise business development that assists groups with market and feasibility research, trial trading, incorporation and appropriate legal structure advice, training and capacity building for Boards, Directors and other required post-holders, financial and management systems and the early stages of trading.
- c) **Continuing support:** historically, social enterprise support has differed from that of mainstream agencies serving the 'for profit' sector in that it recognises long-term continuing support and development as a crucial factor in strengthening individual enterprises and the wider sector. Social enterprise groups will often require periodic support for fine-tuning of their business plans/strategies, especially as their trading life progresses and training and skills may need to be renewed too. Access to continuing support throughout the business life cycle should be a central feature of service configuration.
- d) **Advanced development:** where social enterprise support has been less successful – and perhaps the area in which it has been least resourced hitherto – is in more advanced development and assistance aimed at identifying high growth potential enterprises (or business ideas) where more intensive development support can assist directly in promoting growth, expansion, and progress towards investment- and procurement-readiness. In future these areas of development – especially procurement, where the potential exists for public authorities to use their purchasing power to 'kick-start' new market opportunities for social enterprise – should be a focus of specific support programmes.
- e) **Business support for the VCS:** A number of external drivers, including policy and funding availability, are creating a pressure on increasing numbers of VCOs to adopt social enterprise business models. These 'hybrid' enterprises have complex support needs and yet business development for the VCS – which emphasises contracting and procurement skills and income generation and diversification – is currently not resourced (other than on a limited pilot project basis) as a specific area of support for the sector. In the past two years BSSEC member agencies have seen demand for VCS business support climb to over 50% of caseloads. Future service configuration should include adequately resourced VCS-specific programmes of support.
- f) **A deveelopment fund:** In addition, there is a gap in the market for a Birmingham and Solihull **social enterprise development fund**. We believe that this could be fundamentally important to new-start enterprises in the most disadvantaged communities, especially where initial trading is likely to be at a modest level and borrowing from CDFIs or other sources may be premature. But while this may technically be a 'grants fund', its purpose is not simply the distribution of grant funding. **It should be aimed primarily at emerging or developing social enterprises that are embarked on a structured business development process and whose**

business plans demonstrate their potential to earn a majority of their revenue from trading (51% or more). Appropriate uses of the fund might include contributions to start-up costs, product or service R&D, investment for expansion and growth, and assistance that can help enterprises improve their social and/or business performance. An appropriately structured fund, along with a targeted business development package, could offer a specific focus for a Birmingham bid to the Government's proposed *Local Enterprise Growth Initiative* fund.⁸

5.0 CONCLUDING REMARKS

We believe that this vision for the growth of the sector, when coupled with our practical experience and expertise in meeting social enterprises' business development needs, offers a firm foundation on which Birmingham can build.

This strategy also offers a strong focal point around which supporters of the sector – in whatever capacity they may be acting – can unite their efforts with a clear sense of shared purpose.

We hope you will join us in adopting this strategy as the guiding framework for social enterprise development in Birmingham. Together we can make the sub-region's social economy second to none and in so doing create a new tier of opportunity for local people and local communities.

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⁸ *Enterprise and economic opportunity in deprived areas: A consultation on proposals for a Local Enterprise Growth Initiative*, HM Treasury/SBS/ODPM [March 2005 consultation paper: consultation runs until 8th June 2005].

See:

http://www.hm-treasury.gov.uk/budget/budget_05/assoc_docs/bud_bud05_enterprise.cfm

APPENDIX 1

Social Enterprise: Organisational Forms & Defining Characteristics

It is generally agreed that social enterprises have a number of *defining characteristics*. These can be described as follows:

- They have **social aims** and trade as a means of achieving these
- They are “**non-profit distributing**” – profits are reserved for reinvestment; social enterprise is not about amassing personal wealth
- They exercise some form of “**common ownership**”, being owned in common by members and/or stakeholders.
- They often have some form of **democratic involvement** in management/decision-making
- They often exercise **wider accountability** and may be answerable to a ‘constituency’ of users, members, or stakeholders – sometimes a mixture of all three

Social enterprise – organisational forms

While social enterprises use a relatively restricted number of different legal forms to register – such as Industrial & Provident Society or Company Limited by Guarantee – they can take a wide range of organisational forms. When we talk about social enterprise in Birmingham we are usually referring to:

- **Co-operatives** – owned and operating for benefit of members/users
- **Credit Unions** – savings/loans co-operatives
- **Social Firms** – providing employment/training opportunities for people with disabilities or other disadvantages in the labour market
- **Community enterprises** – owned/managed by community volunteers and often having a geographical focus or a distinct community of interest
- **Development Trusts** – which acquire, develop and manage assets in trust for local community
- **Trading arms** of charities, voluntary organisations, community groups – earning income for their parent organisations, diversifying income, increasing sustainability

Scale of the sector in Birmingham

It is estimated that between 200-300 social enterprises are trading in Birmingham providing, amongst others, the following services:

- Food/access to fresh food
- Gardening and maintenance services
- Childcare
- Homecare & elderly support
- Fostering
- Training, employment advice & counselling
- Recycling & environmental services
- Health care
- Funeral services
- Cleaning
- Retail
- Financial services – business and personal
- Sports and fitness

Case studies

BSSEC's presentation on social enterprise to Birmingham Strategic Partnership in December 2004 offers an excellent starting point for further background reading and information sources. Download the report from: <http://www.bhamsp.org.uk/index.php?page=6&catid=13>.

Case studies contained in the report can be downloaded directly from the following links:

- 'Waste is a Resource': the recycling enterprise, Brumcan
<http://www.bhamsp.org.uk/admincp/downloadddb/Lorna's%20slides.ppt>
- 'Jobs & Training in a Social Enterprise Setting': Jericho Community Business
<http://www.bhamsp.org.uk/admincp/downloadddb/Ben's%20slides.ppt>
- And 'Social Finance for Small Businesses & Social Enterprises': Aston Reinvestment Trust
<http://www.bhamsp.org.uk/admincp/downloadddb/Steve's%20slides.ppt>

APPENDIX 2

BSSEC Members

Aston School for Social Entrepreneurs
Aston Reinvestment Trust
Birmingham City Council Economic Development
Birmingham Credit Union Development Agency
Birmingham Voluntary Service Council
Brumcan
Business in the Community
Business Link Birmingham & Solihull
Co-Enterprise
The Colebridge Trust
The Digbeth Trust
Diocese of Birmingham
Groundwork Birmingham
Initiative for Social Entrepreneurs
Jericho Community Business Ltd
Kajans Productions
Solihull Metropolitan Borough Council