

The potential for Social Enterprise to reduce social exclusion and promote regeneration in Carmarthenshire, Ceredigion and Pembrokeshire.

John Gossage
Coedcanlas Enterprises

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Acknowledgements

I should like to thank all the many people in the Third Sector who have given generously of their time and expertise. In particular I should like to mention the late Sian Johnston of Antur Teifi who helped me to break through a mental block I had developed after the original research methodology had been rejected. They have made a huge contribution to whatever is of merit in this report. The errors and misunderstandings that remain are only attributable to me.

JG
Coedcanlas
31st March 2008

Introduction

This research has been funded by the Welsh Assembly Government through the Department for Social Justice and Local Government's New Ideas Fund. The Fund supports small scale research projects linked to the department's interests. In November 2006 a partnership of Coedcanlas Enterprises and Pembroke 21C Community Association Ltd. was awarded a grant to investigate social enterprise and social accounting in the Three Counties of Carmarthenshire, Ceredigion and Pembrokeshire.

The aims and objectives identified in the original proposal were to investigate social enterprise as conventionally defined in the context of the social economy in the Three Counties using a test based approach. The test for the social economy was to be whether the value being created addresses social exclusion and regeneration. The test for qualifying as a social enterprise was to be whether the organization is registered with Companies House, derives at least 50% of its income from trading activities, including contracts and service level agreements, and has a social aim. An enterprise is deemed to have a social aim if it pursues a social or environmental objective and re-invests its surpluses either in the business or in the community.

In particular the aim was to deepen the evidence base with respect to the diffusion of social accounting and social audit within the social economy and the incidence of social enterprise within that economy. So far research has concentrated upon urban rather than rural areas. Such results would help to scope further research in this field.

The objectives were to

- 1) Construct a database of voluntary sector organisations that might meet the test for membership of the social economy and organisations registered with Companies House which might meet the test for being a social enterprise.
- 2) Take a stratified sample to identify:
 - a. The diffusion of social accounting and social audit amongst voluntary sector organisations involved in the social economy;
 - b. Existing social enterprises;
 - i. Collect standard information according to dti guidelines¹;

¹ *Collecting Data on Social Enterprise: a guide to good practice*, dti, 2004

- ii. Investigate methods uses to assess social impact and communicate this to stakeholders;
- 3) Identify voluntary organisations with the intention and capacity to establish social enterprises.

These aims and objectives became modified during the course of the research. A wide database of organisations operating in the social economy was constructed but the Assembly Government did not want an exhaustive mapping exercise to be conducted since this was likely to duplicate work being commissioned elsewhere. Without such a comprehensive baseline it would be impossible either to construct a stratified sample or to begin to make any informed judgements about the flow of start ups and failures within the social enterprise sector. So instead it was decided to proceed with a series of case studies to provide a series of narratives to illuminate the operation of social enterprise in the Three Counties. The selection of the case studies was influenced by guidance that the Assembly Government already had a good evidence base with respect to registered social landlords and credit unions. Those that have been selected are a mixture of old and new. Some are growing and others are contracting. Some are well capitalised and others are not.

Social Enterprise, Social Accounting, the value added process and innovation

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 or owners.²” It is generally accepted that social purposes include environmental objectives.

Social enterprise is not new but there is growing recognition of its potential. In 2002 HMG identified five key roles:

- *Helping drive up productivity and competitiveness;*
- *Contributing to socially inclusive wealth creation;*
- *Enabling individuals and communities to work towards regenerating their local neighbourhoods;*
- *Showing new ways to deliver and reform public services; and*
- *Helping to develop an inclusive society and active citizenship.*

In June 2005 WAG published a *Social Enterprise Strategy for Wales* setting out the following aims:

- The creation of an environment that encourages new social enterprises and capitalises on opportunities for growth;
- The establishment of integrated support for the sector involving mainstream and specialist agencies leading to;
- The creation of a thriving social enterprise sector in Wales.

Social enterprise offers at least three advantages to public authorities:

1. better outcomes by giving greater agency to beneficiaries than public sector providers,
2. greater efficiency is so far as social enterprises are likely to deliver more output for less money, and;
3. engagement with communities to win acceptance of controversial measures (e.g. heat from waste plants).

Social enterprise offers at least four advantages to the Third Sector:

1. reduced dependency upon grants,
2. an ability to raise capital from the community,
3. a way to encourage volunteering/ commitment from the community, and:

² *Social Enterprise; a strategy for success*, dti, 2002

4. a means of overcoming market and policy failures.

In principle the process by which social value is created does not differ from the normal process of value creation in a market economy. Inputs are processed to produce outputs which are demanded for their outcomes.



Innovation occurs whenever:

1. the efficiency of the production process is improved,
2. new types of output are introduced which meet new demand or which better meet existing demand,
3. a new institutional structure is created that allows risks to be shared more efficiently or information conveyed more effectively.

In practice the transparency of the relationship between outputs and outcomes is much greater when it can be demonstrated by willingness to pay in an open market. The private sector has to deal with situations which lack this transparency. For example a property developer has to price units to be offered for sale which vary in value according to their location. Typically market research will use techniques such as conjoint analysis derived from mathematical psychology to arrive at a pricing strategy. In this case the accuracy of the ex-ante appraisal can easily be evaluated ex-post by the success or otherwise of the sale. The voluntary sector faces a considerable challenge in adopting such quantification techniques to guide its appraisal and evaluation of projects because it generally lacks this feed-back mechanism. Cost-utility measures, such as £/QALY widely used by health economists, could be developed but they would require a substantial investment in validating research. The techniques being developed by Pembrokeshire FRAME to quantify certain types of soft outcome may provide a more promising way forward. These will be outlined later.

Social Accounting sets out to identify and where possible quantify the social, environmental and economic outcomes and impacts of an organisation; and to report these in a transparent manner subject to the discipline of independent audit.

There has been a widespread desire for voluntary sector organisations and social enterprises to improve the reporting of their outcomes. The 2005 Statement of Recommended Practice issued by the Charity Commission expects Trustees to comment each year upon the extent to which they have delivered upon their stated aims and objectives. The

Community Interest Company (CIC) Regulator requires each set of Annual Accounts to be accompanied by a statement covering a general description of the company's activities, consultation with stakeholders, director's remuneration and transfers of assets. However the first two requirements can be met simply by including a set of Social Accounts.

The social enterprise strategy of the Welsh Assembly Government aspires to the production of 20 sets of social and environmental accounts in 2007 and 30 annually from 2008 onwards. The Social Audit Network is a key body for setting standards and promoting Social Accounting amongst social enterprises and voluntary sector organisations in the UK. Its website currently lists eleven organisations in Wales that have produced such accounts. So it seems likely that the targets set out in the social enterprise strategy will be missed. This highlights the need to consider the barriers that exist to the adoption of Social Accounting.

Two of the eleven Welsh organisations identified by the Social Audit Network are located within the Three Counties; Pembrokeshire FRAME and Ymlaen Ceredigion. Both have been included as case studies. In addition amongst the case studies Craft is an example of a social enterprise that has considered but rejected Social Accounting, Mentro Lluest is starting work towards adopting the approach and Constitution Hill has, in the past, conducted a one-off Social Audit in conjunction with the Wales Co-operative Centre.

The Social Audit Network's approach to Social Accounting requires organisations to identify and concisely state their mission, values, objectives and activities. This can take some time and may involve some heated internal controversy. Having achieved this starting point it is then necessary to map the organisations stakeholders and agree both the scope of the social accounting exercise and the requisite indicators. Once this has been completed existing relevant data is collated, new data collected and stakeholders consulted. From the analysis of these inputs, conclusions about the degree to which objectives have been realised and stakeholder expectations satisfied can be drawn. The next cycle can also be planned, which may involve restating some parts of the original starting point. Both Pembrokeshire FRAME and Ymlaen Ceredigion have revised their objectives between the first and second iterations of the Social Accounting cycle. It only remains for the draft report to be critically examined by a Social Audit Panel and the approved version disseminated.

The benefits of social accounting are easier to identify than quantify.

1. It provides a basis for corporate planning and continuous improvement. However corporate planning could be pursued as an end in itself without adopting Social Accounting. Ymlaen Ceredigion have introduced a three year corporate planning

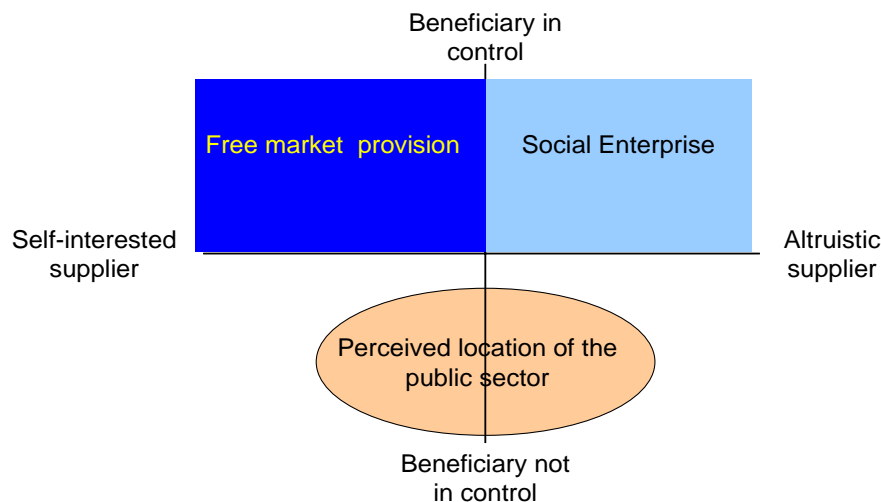
cycle as a direct result of their experience of Social Accounting. Mentro Llest has downsized and is restructuring because of the loss of a key grant and is pursuing Social Accounting partly because it needs to establish better corporate planning. As an organisation they have responded to a major crisis in precisely the opposite way to Craft.

2. It is a tool for marketing and fundraising because it builds trust and signals general competence. Pembrokeshire FRAME has recently succeeded in securing a three year service level agreement from Pembrokeshire County Council. Three year SLA's are rare and most social enterprises supplying public authorities have to rely upon spot contracts. It would be hard to claim that Social Accounting was decisive in winning this contract, but it probably helped. However there are other indicators of competence including quality marks such as PQASSO provided by *Charities Evaluation Services (CES)*, which is being heavily promoted by Carmarthenshire Association of Voluntary Services (CAVS). CES have also pioneered an *Outcomes Approach* which directly addresses the problem of identifying and quantifying the value added process.
3. Social Accounting helps to embed the ethos of the organisation. Constitution Hill has expressed some interest in this aspect since several of the Directors involved from the outset a decade ago are considering retirement.
4. A potential benefit, yet to be realised, would be if funders were prepared to introduce a lighter touch in terms of bespoke reporting requirements in return for receiving the Social Accounts. This is unlikely to happen unless and until social accounting becomes much more widespread. As such it could be considered as a network externality.

The costs of social accounting are material for social enterprises operating in the Three Counties and elsewhere in Wales. Pembrokeshire FRAME estimated that their first set of Social Accounts cost them £8,000. FRAME started with a very good management information system that was already producing a lot of the data required for the accounts and their estimate probably omitted certain in-kind costs. The Coedcanlas Enterprise estimate delineated in appendix 1 suggests a cost of £12,500. Most social enterprises operating in the Three Counties do not consider this to be cost effective. Craft certainly did not when they undertook the same training course provided by CYLCH as that undertaken by Ymlaen Ceredigion. Moreover even if social enterprises were to see it as cost effective, balance sheet weakness in many instances would preclude its adoption.

It is not unknown for organisations to provide goods or services without considering the preferences of their customers or beneficiaries. This

tends to diminish the agency that beneficiaries can exercise and to put the interest of the producer first. The figure below illustrates how this is sometimes conceptualised in terms of producer motivation and customer agency.



For this reason Social Accounting emphasises stakeholder consultation. Although there are many ways to consult stakeholders, in practice heavy reliance is placed upon questionnaires. These can give a broad but superficial coverage at the expense of more in-depth insight. It can also divert attention from the attempt to pin down the value added process.

Outputs are valued only as a means to providing the outcomes that are desired. They are generally harder to quantify than outputs and there is moreover, a general confusion about the distinction between outcomes and impacts. The Charity Commission explains the difference as that between what an organisation achieves and the difference it makes. An economist is more likely to express this in terms of an impact being equal to an outcome less its dead weight loss.

If outcomes are hard to quantify, dead weight losses are even more difficult. Essentially a comparison has to be made between the state of the world actually observed and the state of the world that would have existed if the production had not taken place. To give a concrete example, a Social Firm might provide a scheme that trains 10 unemployed individuals of whom 8 subsequently find and retain employment. The output would be the training programme and the outcome would be that 8 participants find work. However a probit analysis might indicate that of that cohort of 10 unemployed persons two would have found employment anyway. So the project would have

a dead weight loss of two and the impact would be that six people found employment because of the Social Firm's activities.

There is also in practice a tendency to count both inputs and outputs indiscriminately as indicators of economic impact, potentially leading to double counting. Voluntary organisations are justifiably proud of their ability to raise grants for the benefit of local people but these simply finance inputs into the value creation process. To add salary costs as another measure of economic impact simply double counts the inputs. The confusion is compounded by some non mainstream economic approaches that emphasise the importance of local demand.

The Three Counties

Carmarthenshire, Ceredigion and Pembrokeshire are amongst the most rural counties in Wales, despite the incursion of the greater Swansea conurbation into eastern Carmarthenshire and the South Pembrokeshire conurbation of 50,000 inhabitants centred upon Milford Haven.

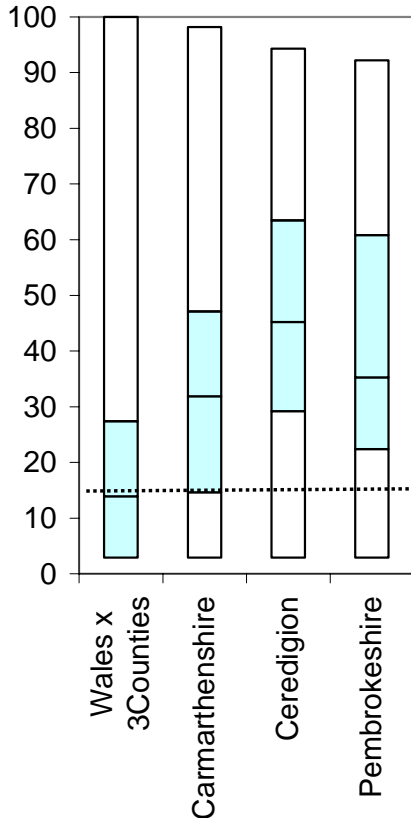
The table below summarises the Welsh Index for Multiple Deprivation 2005. It shows that the Three Counties have very high deprivation in terms of Access to Services and Housing, which have a comparatively low weighting within the overall index.

Domain	Weighting	Median Score				Deviation from Wales ex Three Counties Median		
		Wales ex Three Counties	Carmarthenshire	Ceredigion	Pembrokeshire	Carmarthenshire	Ceredigion	Pembrokeshire
Overall	100%	18.2	19.2	14.8	17.0	+0.9	-3.4	-1.2
Income	25%	15.9	17.0	10.7	15.3	+1.1	-5.2	-0.6
Employment	25%	15.6	21.5	11.4	12.4	+5.9	-4.2	-3.2
Health	15%	16.3	17.9	3.7	11.5	+1.6	-12.6	-4.8
Education, skills & training	15%	17.0	13.3	7.0	10.1	-3.7	-10.0	-6.9
Access to services	10%	13.9	31.9	45.2	35.3	+18.0	+31.3	+21.4
Housing	5%	14.8	12.9	29.1	27.2	-2.0	+14.3	+12.4
Physical Environment	5%	17.4	10.7	7.2	3.4	-6.7	-10.2	-14.0

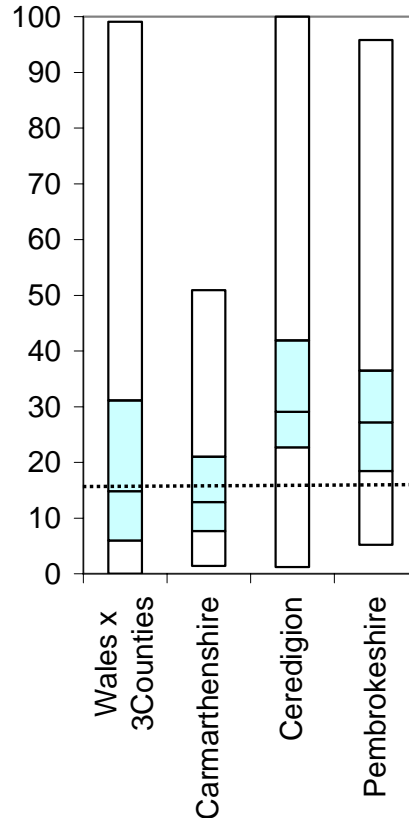
The scale of the deviation of these two domains only becomes truly apparent when it is taken in the context of the dispersion of the scores within each domain across the Three Counties. This is shown in the charts below. It will be seen that the lower quartile of most of the distributions in these two domains is higher than the median for the rest of Wales.

Deprivation in terms of income and employment do not tend to cluster spatially in rural areas in the same way as they do in urban area, so low incomes and difficulty in finding employment tend to be hidden by the averages.

WIMD Access to Services domain
Median, Quartiles and Range



WIMD Housing domain
Median, Quartiles and Range

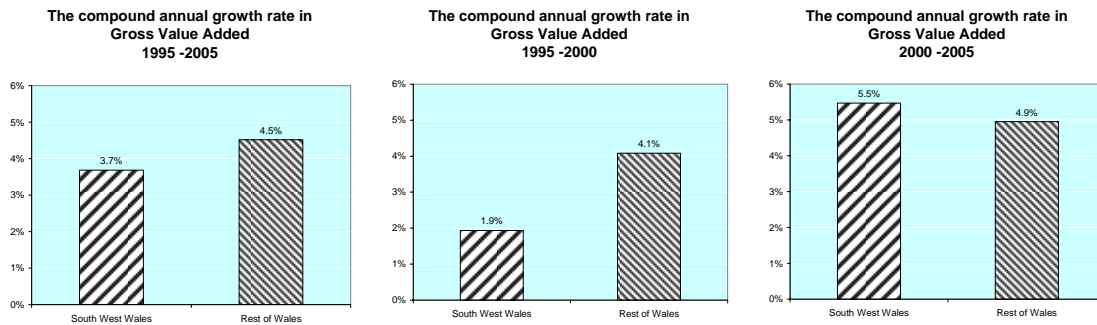


The Wales Rural Observatory has noted a pronounced east-west gradient in rural Wales with the east having higher disposable incomes and greater vibrancy in the labour market. Over the decade to 2005 growth in South West Wales has lagged behind the rest of Wales, and GVA per head has declined from 86.7% to 79% of the Welsh average. However this divergence occurred during the first five years of the decade. In the second period growth actually exceeded that experienced in the rest of Wales and GVA per head stabilised. It is tempting to speculate that this might have something to do with the disbursement of European Objective 1 funding and the creation of new social enterprises.

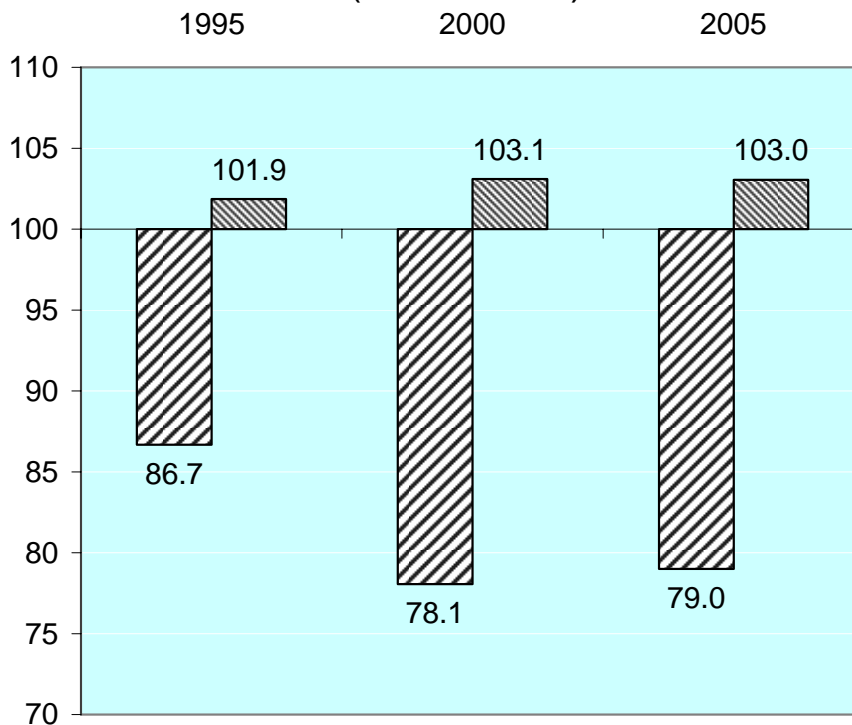
The Solow growth model³ predicts that areas with relatively low GVA per head should grow more rapidly until they have caught up with areas that have higher productivity and greater prosperity. Empirical evidence for such convergence is mixed and the emerging sub-discipline of

³ Often described as one of the work horses of neo-classical macroeconomics.

spatial economics⁴ is devoted to trying to understand why there are geographical disparities in social and economic outcomes. Such an understanding would involve an analysis of the contribution of market and policy failure, as well as consideration of any path dependencies that may emerge.



GVA per head index (Wales=100)



▨ South West Wales ▩ Rest of Wales

Source: Stats Wales

⁴ The Economic and Social Science Research Council established a Centre for Spatial Economics in February 2008

The Case Studies

Overview

These were drawn from 40 social enterprises that had originally been identified. They were picked to give a range of activities, to include those that were prospering as well as those that were in difficulties, and to give a geographic spread. A few declined to participate, which required some substitution. Of the original 40 a quarter were new. Some were so new that they had not published their first financial statements. Sixty percent of the new companies were CICs.

Because small companies are allowed to file abbreviated accounts balance sheet information is more widely available than income statements. Those that follow the Statement of Recommended Practice (SORP) produced by the Charity Commission tend to provide the most transparent and informative accounts. Financial accounts simply tell a story according to a prescribed set of rules. They have been included in the case studies precisely because they inform the narratives that are presented.

The original empirical work identified balance sheet weakness as a widespread though by no means universal phenomena amongst social enterprises. In particular working capital, defined as current assets less current liabilities, is often inadequate.

Many Third Sector organisations prefer to focus upon cash flows rather than balance sheets, and in so far as they do look at balance sheets they tend to be more interested in the size of unrestricted reserves. So much so, in fact, that they sometimes report a worse working capital position than is in fact the case (for example Narberth Community and Sports Association initially reported a loan from Finance Wales as a Current Liability). This is because funders focus upon reserves. If they are too low then the organisation may not be able to deliver the project, if they are too high the organisation could use its own resources. Working Capital is a concern of shareholders because they want to be sure that they remain in control of a company and not its creditors. However the connection between unrestricted reserves and working capital is strong.

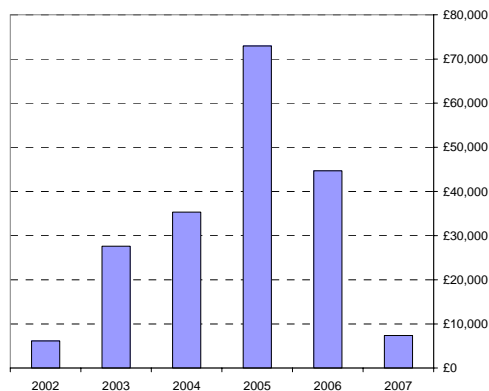
For those interested in the Standard Industrial Classification (2003) and the registration information relating to the case studies these have been included in Appendix 2.

Amman Valley Enterprises

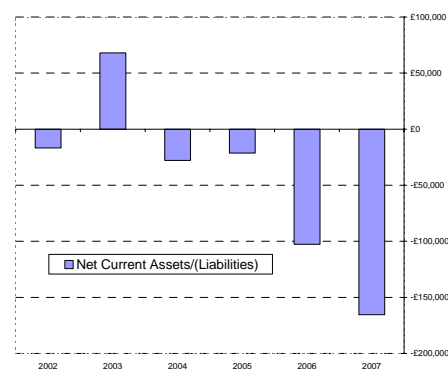
AVE considers itself to be a community enterprise with substantial trading income which aims to provide services for the local community such as lifelong learning, training and childcare that will combat social exclusion and promote regeneration by encouraging sustainable economic activity. The Mountain Gate is intended to be a stand alone social enterprise that was developed out of AVE's catering business. It was known as Amman Valley Community Business Ltd until 14th September 2005.

The charity is retrenching in the face of funding cut backs and a weak financial position. There is an acute shortage of unrestricted reserves and working capital against which background AVE ran a deficit of £58,557 in 2006-07.

AVE Parent Charity Unrestricted Reserves



AVE Working Capital (Parent Charity)



The charity reported employing 28 people in the year to March 2007, this fell to 23 in January 2008 and is likely to decline further by the end of the financial year. Its community development activities have always been very grant dependent, and these are now highly vulnerable. The Mountain Gate already employs more people than the parent charity, and serious consideration is being given to the benefits for both parent and subsidiary of establishing it as a completely separate entity. In the accounts to 31st March 2007 the subsidiary was de-consolidated for the first time. This had the effect of reducing headline incoming resources to beneath £1 million, which is a cut off point for several major funders.

Brief History

AVE was started in 1987 by five women with children at school who wanted to take adult education courses. They found a derelict building with ten rooms in which to hold the courses and struggled for the first two years until they managed to secure some funding. It soon became

Amman Valley Enterprises

apparent that other women with younger children would benefit from the courses if childcare could be provided, so AVE started providing childcare. The part time building development manager realised that the next step should be the provision of catering facilities, so a café was developed.

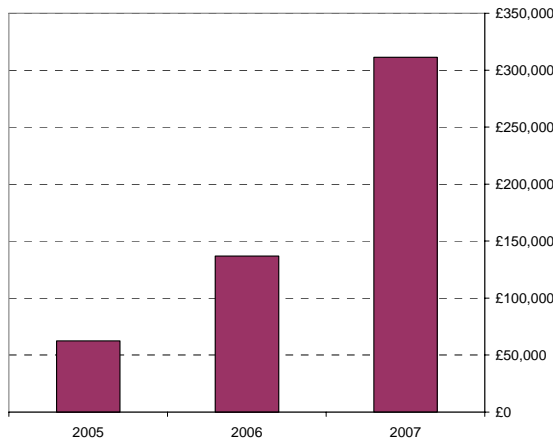
AVE has been delivering courses in both Neath Port Talbot and Carmarthenshire. This has required occupying buildings in each jurisdiction and seeking separate funding. The segregation of funding streams from the two local authorities has been a big problem and though in recent years these problems have eased they have not gone away. Funding for a New Learning Network project in Neath Port Talbot has now ended, and the operation there is under intense pressure.

The Steer Studio was a community recording facility established in a building provided rent free by Celtic Energy. It was fitted out with state of the art technical equipment. Unfortunately Celtic Energy recently required the building back and whilst an attempt was made to continue operations in a temporary structure this proved impossible because of the lack of sound insulation. The activity was discontinued in the 2007-08 financial year. Regrettably recording equipment quickly becomes obsolete, so there was no residual value to be realised.

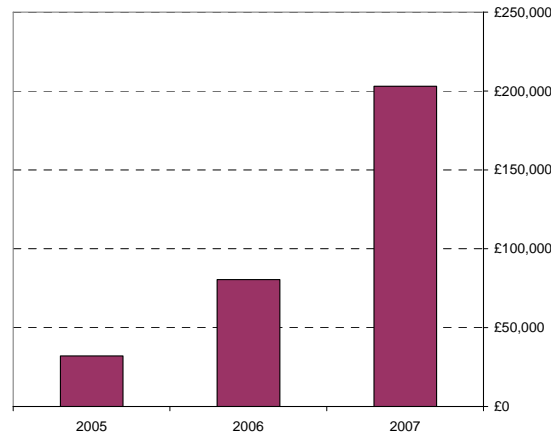
The Mountain Gate is a hotel which was purchased by AVE in the 2003-04 financial year for £284,540 with a view to refurbishment as a home for their catering business. The purchase was financed by a commercial mortgage arranged by Lloyds TSB. The initial estimate for refurbishment was £780,000, which was too high to be afforded. So it was decided to limit attention to the ground floor only, and this was estimated to cost £500,000. Loans were arranged from Lloyds and Charity Bank to finance the refurbishment. Capital expenditures of £17,961, £340,000 and £41,545 were incurred in the financial years 2004-05, 2005-06 and 2006-07 respectively. Financial constraints also meant that the new kitchen equipment had to be leased, which has depressed margins. In general overheads have been higher than anticipated in the business plan, and so the anticipated surplus in the fourth year of trading is likely to be delayed. Gross margins have nevertheless risen from 51% in 2004-05 to 65% in 2006-07 against a rise in turnover of 123% per annum over the period.

Amman Valley Enterprises

The Mountain Gate Turnover

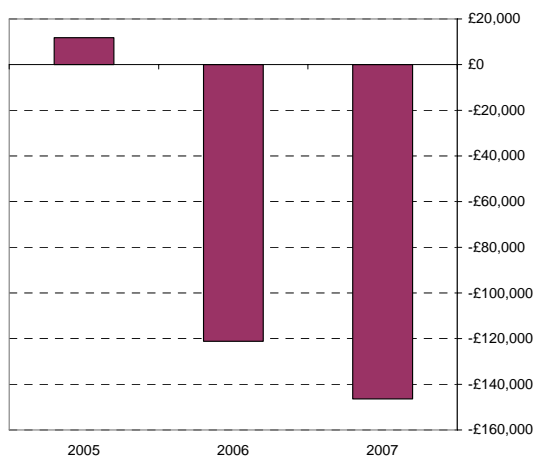


The Mountain Gate Gross Profit

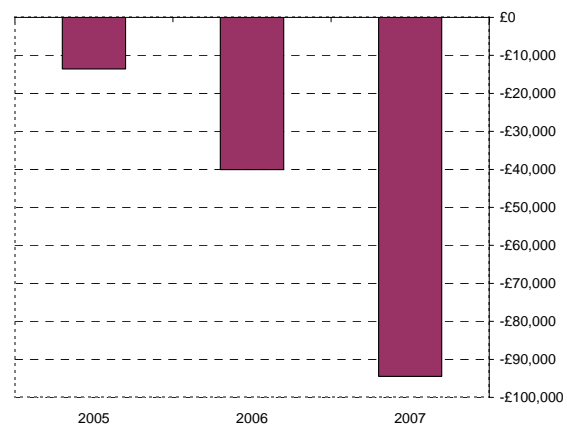


The balance sheet was never adequately capitalised so net current liabilities had reached £146,419 by March 2007, having run at a loss of £54,394 during the preceding financial year.

The Mountain Gate Working Capital



The Mountain Gate accumulated Profit and Loss Account



Set against this is the appreciation in the value of the building which is now estimated to be able to command £1 million in the market.

Governance and Social Accounting

The Trustees have considered undertaking Social Accounting but they are not proceeding at present. Attention is focused upon turning around the fortunes of the parent and subsidiary. The governance structure has been simplified by abandoning the subcommittee structure and increasing the frequency of full board meetings from quarterly to monthly. This has increased efficiency by reducing the need to repeat information and it has ensured that all Trustees are clear about the

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situation. The old structure helped people with particular interests, for example life-long learning, to become immersed in that particular aspect of the organisation. The new structure is intended to make Trustees focus upon the organisation as a whole and the interdependence of its parts.

Accounts

		Amman Valley Enterprises								
		2007*	2006	2005	2004	2003	2002	CAGR	CAGR	
		£	£	£	£	£	£	2002-2006	2002-2007	
Incoming resources										
Voluntary Income										
	Donations, Legacies etc	U	0	0	0	0	0			
Charitable Activities										
	Sales	U	86,697	89,216	48,239	27,683	24,024	15,223	56%	42%
	Sales	R				7,495				
	Childcare	U	86,923	87,972	73,399	92,528	91,616	71,858	5%	4%
	Courses and Exam Fees	U	19,797	27,795	58,352	69,884	63,955	21,072	7%	-1%
	Registration Fees	U	683	15	965	1,658	1,333	1,295	-67%	-12%
	Room Hire	U	61,765	15,636	26,102	11,841	4,451	869	106%	135%
	Income from Café	U	11,845	12,805	19,882	14,158	16,249	7,827	13%	9%
	Bar/Lounge Sales	U		136,906	24,331	44,000	37,724	36,382	} 17%	
	Dining Suit	U		-	34,914	43,514	37,169	37,939		
	SLA Contract	U		0	2,525	2,500	64,738	44,405		
Grants										
	Revenue	U	51,276	47,860	23,230	57,000	23,000		} 2%	-2%
	Revenue	R	438,157	407,198	424,544	433,753	326,604	610,014		
	Capital	R	50,000	200,000	61,410	88,258	136,894			
	Investment income	U	217	364	575	721	208	84	44%	21%
	Consultancy income	U	3,796	11,180				2,070	52%	13%
	Other	U	8,254	2,785	7,032	1,680	3,715	4,173	-10%	15%
	Total		819,410	1,039,732	805,500	889,178	839,175	853,211	5%	-1%
<i>Add</i>										
	Opening grants in advance	R		5,448	17,395	22,446	17,428	0		
<i>Less</i>										
	Closing grants in advance	R			5,448	17,395	22,446	17,428		
	Total Incoming Resources		819,410	1,045,180	817,447	894,229	834,157	835,783	6%	0%

* in 2007 The Mountain Gate was not consolidated in the accounts which required the comparison for 2005-06 to be restated. The figures above for 2005-06 do not reflect this restatement.

Amman Valley Enterprises

Resources Expended

Cost of generating funds										
Grant applications	U			43,769	38,341	32,007	35,913			
Grant applications	R	40,680	39,738						3%	3%
Charitable Expenditure										
Catering	U		170,143	80,483	87,508	59,032	74,768			
Education and training	U	46,942	53,625	54,894	52,100	57,340	49,607		2%	-1%
Lots of Tots	U	91,698	92,295	88,581	76,419	68,435				
Lots of Tots	R	4,195	4,210	4,840	7,942	8,533	71,092		8%	6%
fforestwr	U				1,695	(151)				
fforestwr	R						34,250			
Steer Studios	U	75,275	59,100	61,423	59,810	26,271				
Steer Studios	R	13,500	50,625	38,282	75,892	79,218	94,282		4%	-1%
Gwyliau Hwylus	U				15,176	18,137	17,535			
Amman Valley Enterprise Scheme	U	214,944	167,918	309,518		16,870				
Amman Valley Enterprise Scheme	R	379,782	318,073		337,345	184,307	126,372		40%	36%
Support costs	U			9,106	55,552	69,304				
Support costs	R			83,851	19,333		75,931			
Management & admin costs	U			30,986	24,962	23,101	25,310			
Governance	U	10,951	10,875							
Total Resources Expended		877,967	966,602	805,733	852,075	676,654	598,109		13%	8%
Surplus/(Deficit) of Incoming over Outgoing Resources		(58,557)	78,578	11,714	42,154	157,503	237,674		-24%	-176%

Amman Valley Enterprises

		2007	2006	2005	2004	2003	2002
		£	£	£	£	£	£
Current Assets							
Stock	Charity	850	850	850	850	850	700
	Group		6,950	3,559	3,033	2,164	2,691
Debtors	Charity	198,577	89,982	50,160	17,022	28,894	68,976
	Group		157,024	53,212	20,483	31,487	64,594
Cash	Charity	3,759	522	6,485	41,206	92,788	27,560
	Group		7,534	12,661	41,473	93,054	27,826
Total	Charity	203,186	91,354	57,495	59,078	122,532	97,236
	Group		171,508	69,432	64,989	126,705	95,111
Fixed assets							
Tangible	Charity	1,288,857	1,167,544	803,568	864,507	555,764	470,039
	Group		1,395,772	832,148	871,554	561,778	478,793
Investments	Charity	2	2	2	2	2	2
	Group						
Total	Charity	1,288,859	1,167,546	803,570	864,509	555,766	470,041
	Group		1,395,772	832,148	871,554	561,778	478,793
Total Assets	Charity	1,492,045	1,258,900	861,065	923,587	678,298	567,277
	Group		1,567,280	901,580	936,543	688,483	573,904

Amman Valley Enterprises

Current Liabilities	Charity	368,652	194,044	78,760	87,047	54,583	113,913
	Group		395,363	78,862	104,583	68,286	127,919
Long term Liabilities	Charity	521,280	404,186	185,399	206,318	36,709	20,000
	Group		456,020	185,399	206,318	36,709	20,000
Total Liabilities	Charity	889,932	598,230	264,159	293,365	91,292	133,913
	Group		851,383	264,261	310,901	104,995	147,919
Net Current Assets/(Liabilities)	Charity	(165,466)	(102,690)	(21,265)	(27,969)	67,949	(16,677)
	Group		(223,855)	(9,430)	(39,594)	58,419	(32,808)
Net Assets	Charity	602,113	660,670	596,906	630,222	587,006	433,364
	Group		715,897	637,319	625,642	583,488	425,985
Represented by:							
Unrestricted fund	Charity	7,398	44,666	72,945	35,332	27,617	6,164
Restricted Income fund	Charity			489	1,972	29,113	6,340
Restricted Capital fund	Charity	594,715	616,004	523,472	592,918	530,276	420,860
		<u>602,113</u>	<u>660,670</u>	<u>596,906</u>	<u>630,222</u>	<u>587,006</u>	<u>433,364</u>
Unrestricted fund	Group		4,598	59,358	30,752	24,099	(1,215)
Restricted Income fund	Group			486	1,972	29,113	6,340
Restricted Capital fund	Group		711,299	577,472	592,918	530,276	420,860
			<u>715,897</u>	<u>637,316</u>	<u>625,642</u>	<u>583,488</u>	<u>425,985</u>

The Mountain Gate Ltd

Year ending 31st March:	2007	2006	2005	2005-2007
	£	£	£	CAGR
Turnover	311,322	136,905	62,513	123%
Cost of Sales	108,369	56,460	30,477	89%
Gross Profit	202,953	80,445	32,036	152%
Administrative Expenses	294,877	125,224	50,006	143%
Other Operating Income	38,000	18,705	9,000	105%
Operating Profit/(Loss)	<u>(53,924)</u>	<u>(26,074)</u>	<u>(8,970)</u>	145%
Interest receivable and other non-operating income		51		
Interest payable and other non-operating expenses	470	459		
Pretax Profit/(Loss)	<u>(54,394)</u>	<u>(26,482)</u>	<u>(8,970)</u>	146%
Taxation	0	0	0	
Net Profit/(Loss)	(54,394)	(26,482)	(8,970)	146%
Surplus/(Deficit) brought forward	(40,069)	(13,587)	(4,617)	
Surplus/(Deficit) carried forward	(94,463)	(40,069)	(13,587)	164%
Gross Profit Margin	65%	59%	51%	

Amman Valley Enterprises

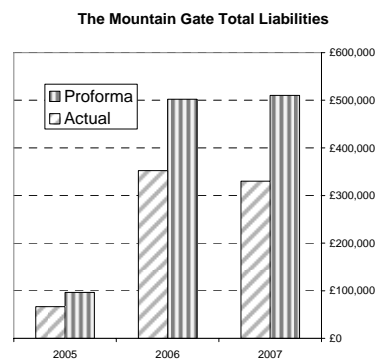
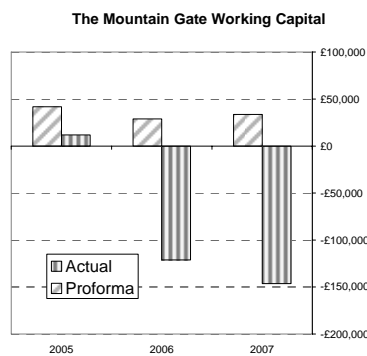
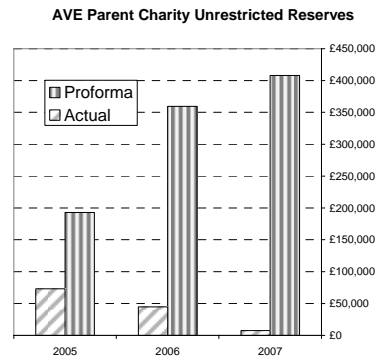
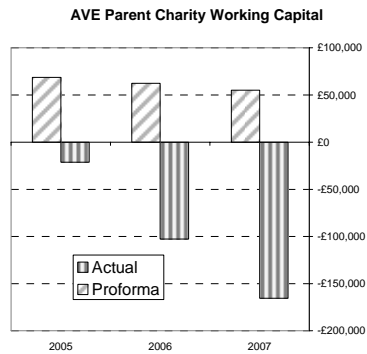
The Mountain Gate Ltd

Year ending 31st March:	2007	2006	2005
	£	£	£
Current Assets			
Stocks	4,729	6,101	2,709
Debtors	72,712	70,625	15,508
Cash	5,724	7,011	6,176
	<u>83,165</u>	<u>83,737</u>	<u>24,393</u>
Fixed Assets			
Tangible fixed assets	152,386	228,227	28,580
Total Assets	<u>235,551</u>	<u>311,964</u>	<u>52,973</u>
Current Liabilities			
Creditors	229,584	204,903	12,558
Long Term Liabilities			
Creditors	43,133	51,833	
Accruals and deferred income	57,295	95,295	54,000
Total Liabilities	<u>330,012</u>	<u>352,031</u>	<u>66,558</u>
Net Current Assets/(Liabilities)	(146,419)	(121,166)	11,835
Total Net Assets	(94,461)	(40,067)	(13,585)
Capital and Reserves			
Called up share capital	2	2	2
Profit and Loss Account	(94,463)	(40,069)	(13,587)
	<u>(94,461)</u>	<u>(40,067)</u>	<u>(13,585)</u>

Key Findings

Amman Valley Enterprises has expanded beyond its ability to sustain its operations, and it is now retrenching and re-evaluating its strategy. Unrestricted reserves peaked in 2005, by which time working capital had already fallen into deficit. AVE would have required extra unrestricted income of about £120,000 in 2004-05, £195,000 in 2005-06 and £85,500 in 2006-07. Had this been available working capital would have stabilised at acceptable levels and unrestricted reserves would have grown to over £400,000 as can be seen in the proforma calculations charted below.

Amman Valley Enterprises



The total liabilities of The Mountain Gate would have been nearly £200,000 higher, but the structure of the balance sheet would have been much stronger.

In this case the social enterprise, far from benefiting the charity by providing a stream of unrestricted income, has damaged it by stressing its balance sheet, absorbing resources and closing off sources of funding.

Apart from balance sheet weakness AVE has also suffered from straddling administrative boundaries and potentially from delays in introducing Convergence funding.

Cardigan Youth Project

The premises of the Cardigan Youth Project are located at 1 Pont y Cleifion. The ground floor is used as a drop in centre for young people aged 16 to 25 whilst the rooms upstairs have restricted access and are used for counselling, training and delivering other projects. About 450 young people use the facilities and services each year, making around 3,500 visits. The reception area has a resource section used for information and advice purposes, behind this is a kitchen and a room with internet facilities used for free association.

Overall the Cardigan Youth Project has 8 or 9 revenue streams which are all of a contractual or quasi contractual nature (for example the Area 43 is one year into a three year programme sponsored by the Electoral Commission which is described as a grant although in practice it is payment against the delivery of agreed outputs).

Brief History

The origins of the organisation lie in a group of people who realised in the mid 1990's that there was no provision for young people aged over 15 in Cardigan and that there was a group of young people living in fractured families who were receiving no daytime support. They identified the need for a safe place for these youngsters to meet, the need for positive role models and the need for information, advice guidance and counselling facilities. An action group was formed with the intention of securing a property and meeting these needs, together with a programme of fun things for the young people to do including arts and crafts. The group adopted a constitution and registered as a charity in 1996. A lottery board application secured funding of £200,000 used to buy the freehold of 1 Pont y Cleifion. A small grant was obtained from the local authority to fund development work and the Project opened in September 1997. The project also received support from Esmée Fairbairn but early on it was decided to aim for sustainability by operating as a social enterprise (or, as they prefer to see themselves, as a self funding charity). It soon became apparent that more emphasis needed to be given to meeting basic needs with housing and health issues prominent. Correspondingly less emphasis was given to arts projects.

The trading subsidiary, Area 43 Enterprises, was formed to facilitate a project to run the café at Theatr Mwldan. It was envisaged that the project could provide training opportunities for young people as well as provide a needed service for the Arts Centre. In practice the conflict between the training goals and the customer service goals proved intractable and the project was closed after about eighteen months.

Cardigan Youth Project

Area 43 Enterprises continues to trade and to receive certain SLA contracts, for example for mentoring, that are associated with its original purpose. As a matter of policy no reserves are maintained in Area 43, with all surpluses transferred to the parent charity.

Area 43 Enterprises Limited Balance Sheet

	2007	2006	2005
	£	£	£
Assets			
Current Assets			
Debtors	5,850	1,350	4,050
Cash	15,051	15,125	14,548
	20,901	16,475	18,598
Liabilities			
Current Liabilities			
Creditors	20,899	16,473	18,596
Net Assets	2	2	2
Represented by:			
Shareholders Funds	2	2	2

Four years ago the premises were expanded using funding from the Ceredigion Regeneration Fund and CFAP. The ground floor rear extension was demolished and a larger room with two floors above was added.

Growth

Cardigan Youth Project maintains a liquid balance sheet with working capital balances in excess of seven months expenditure. So unlike many of the social enterprises investigated there is no balance sheet constraint to growth. Incoming resources have been growing at a compound annual growth rate of 28.9%, driven by the parent charity rather than by Area 43 Enterprises, and charitable expenditure by 26.9%. Overall expenditure growth has been constrained to 12.5% by squeezing spending on Management and administration.

Cardigan Youth Project

Accounts

Cardigan Youth Project

		2006	2005	2004	2003	2003-2006
		£	£	£	£	CAGR
Incoming Resources						
Sundry Income	U	74,514	69,330	66,004	47,473	16.2%
Grants	R	30,032	106,398	6,130		
Bank Interest	U	3,580	3,763	2,186	2,982	
Total	U	78,094	73,093	68,190	50,455	
Total	R	30,032	106,398	6,130	0	
Grand Total		<u>108,126</u>	<u>179,491</u>	<u>74,320</u>	<u>50,455</u>	28.9%
Resources Expended						
Direct Charitable	U	12,823	11,894	7,225	6,280	26.9%
Management & administration	U	70,936	100,947	79,574	73,953	
	R	30,032	396			
Governance	U	517				
Total	U	84,276	112,841	86,799	80,233	
Total	R	30,032	396	0	0	
Grand Total		<u>114,308</u>	<u>113,237</u>	<u>86,799</u>	<u>80,233</u>	12.5%
Net incoming/(outgoing) resources before transfers	U	(6,182)	(39,748)	(18,609)	(29,778)	
	R	0	106,002	6,130	0	
		<u>(6,182)</u>	<u>66,254</u>	<u>(12,479)</u>	<u>(29,778)</u>	
Sundry Income						
Gifts		200	2,000	32	82	
Sundries		47,314	34,330	34,472	14,391	48.7%
Area 43 Enterprises Ltd		27,000	33,000	31,500	33,000	-6.5%
		<u>74,514</u>	<u>69,330</u>	<u>66,004</u>	<u>47,473</u>	

Cardigan Youth Project

	2006	2005	2004	2003	2003-2006
	£	£	£	£	CAGR
Current Assets					
Cash	71,486	86,000	51,366	62,433	
Debtors				194	
Total	<u>71,486</u>	<u>86,000</u>	<u>51,366</u>	<u>62,627</u>	4.5%
Fixed Assets					
Tangible Fixed Assets	121,529	123,766	80,812	82,270	13.9%
Total Assets	<u>193,015</u>	<u>209,766</u>	<u>132,178</u>	<u>144,897</u>	10.0%
Current Liabilities					
Creditors	1,182	11,751	417	657	
Long Term Liabilities	0	0	0		
Total Liabilities	<u>1,182</u>	<u>11,751</u>	<u>417</u>	<u>657</u>	
Net Current Assets	70,304	74,249	50,949	61,970	4.3%
Net Total Assets	191,833	198,015	131,761	144,240	10.0%
Represented by:					
General Fund	53,769	(25,728)	14,020	2,629	173.5%
Other Designated [Restricted] Funds	138,064	223,743	117,741	111,611	
Premises extension				30,000	
Total	<u>191,833</u>	<u>198,015</u>	<u>131,761</u>	<u>114,240</u>	

Outcomes and Social Accounting

Cardigan Youth Project have not considered Social Accounting and are not sure what it entails, however they do give considerable thought to ways of monitoring soft outcomes and measuring progress on a project by project basis. They also ensure monitoring and evaluation through the use of daily staff meetings the minutes of which provide a record of daily activity. One approach they use is to ask clients to undertake a self evaluation using "Richte cards" which ask up to ten questions against which the client enters a score. This process can be repeated after the completion of the course and progress can be evaluated from the change in scores. They also monitor achievements such as the completion of OCN courses.

Cardigan Youth Project

Future Plans

Cardigan Youth Project would like to develop its skills training work. It has two projects under development. One is targeting the Ceredigion Rural Development Plan and would cost about £130,000 spread over 2½ years. It would be based in their existing premises. The other would be more ambitious and involve participation in a consortium to deliver a Convergence funded project. It would involve establishing a business operating in the recycling area. They are talking to CRAFT about the project.

Key Findings

Cardigan Youth Project has managed its resources carefully. The organisation demonstrates that it is possible to secure contracts and grants whilst simultaneously maintaining a strong balance sheet.

Trading income and contractual earnings are growing strongly. This growth is not coming from the social enterprise originally established to run the café at Theatr Mwldan, nor is Area 43 Enterprises allowed to retain any of its earnings. It is not entirely clear what strategic purpose the subsidiary fulfills. A clue may lie in the way the title has become a brand. The entire youth project is often now referred to as Area 43.

Celtic Blue Rock Festival, Cymdeithas Cwm Arian Association, and Hermon Community Resource Centre Ltd.

Whilst these are formally separate organisations they share common members and the narratives for each closely intertwine.

The Celtic Blue Rock Festival

The event is deliberately modelled upon the Glastonbury Festival. It takes place upon land owned by Mr Bill Lewis. He took out a concession at the Glastonbury Festival in the late 1990's to sell Welsh "Tea and Toast." By 2003 he had decided to organise something similar in West Wales. His first attempt proved somewhat disappointing but he was urged by friends to persevere.

The initial response of the wider community was more mixed and the police and licensing authorities were sceptical. However news that the campaign to save the local school had ultimately failed broke just before the second festival was due to begin. Many of the parents involved in the campaign had volunteered to be stewards and the school choir had been booked to launch the festival. This added enormous emotional charge to proceedings and the event took off.

The association running the Festival incorporated on 17th June 2005. The board intends to register with the Charity Commission. In the meantime they have made substantial donations to charity. In 2007 the local charity selected was the *Steffan Teifi Trust* and the regional charity was the *Joshua Foundation*.

In addition to these children related charitable activities the festival, like Glastonbury, has a green theme. One of the five areas in the festival is devoted to green technologies and products and the main corporate sponsor in 2007 was RES (Renewable Energy Systems) a subsidiary of Sir Robert Mc Alpine Enterprises Ltd. RES bought the nearby Dyffryn Brodyn wind farm which started operations in 1994 in 1997, although the company mainly constructs new farms rather than buy existing facilities.

Circus Malarky, and more recently Tidy Like Records CIC, have been closely involved in providing services to the Festival. Rebecca Angharad Beechey is a founding director and she is married to Robin Benson who founded Circus Malarky and Tidy Like Records CIC.

Membership of the company costs £10 per year, with a discount for children under 13 who only need pay £2 per year. Tickets to the festival are free but can only be booked by members.

Celtic Blue Rock Festival

An £80,000 CFAP application has been made for a storage shed to serve the Festival.

Turnover is forecast to rise and exceed £100,000 by 2009-10 accompanied by a substantial expansion in net margins. In the year to 30th June 2006 the Celtic Blue Rock Festival took £20,556 and spent £20,858, leaving an accumulated loss of £302. The organisation had no long term assets or liabilities and a cash balance of £3,528.

Cymdeithas Cwm Arian Association

The Association is constituted but not incorporated. The inaugural meeting was held in January 2005. The organisation has no plans to register as a charity. It arose out of the Community Action Plan steered by PLANED in 2004. The Action Plan called for the establishment of a Community Forum and for the creation of a brand with which to market the area. However the plan has to be seen in the context of the events which preceded it.

In 1999 the village pub closed after poor trading and when it proved impossible to keep it open the community invested in a marquee. The millennium committee used it to house a community feast on 31st December 1999 which was very well received. The next year a Community Appraisal report was commissioned by The Hermon and District Welfare Association in partnership with Menter Preseli. The work was undertaken by Dr Lyneth M Davies of Aberystwyth University and the chief finding was that local people wanted a village hall. This did not fit with Pembrokeshire County Council's strategy of providing services in Crymych, so no funding was forthcoming.

In 2002 rumours started to circulate that the village school would be closed. A campaign to oppose this was organised which reached a crescendo in 2003. Cris Tomos took a prominent role in this. The whole community was galvanised into action and the case was taken to the High Court where victory was achieved on two occasions but eventually the motion to obtain a judicial review of Pembrokeshire County Council's decision was lost on 27th July 2004. This saddled the campaign with legal costs of £79,000 but relief was successfully obtained from HM Treasury on the VAT portion on the grounds that the costs represented the trading costs of an embryonic social enterprise and 50% of the costs were covered by a legal aid certificate.

So when the Community Action Plan process began people were mobilised, and there was already a commitment to create a social enterprise. Three or four workshops were held before the Action Plan was drafted and presented to the community. The replacement school in Crymych was completed in 2005, twelve months behind schedule,

Cymdeithas Cwm Arian Association

and the community immediately registered its interest in buying the old school building. Despite this PCC cut off all the services in June 2006 and left the building to deteriorate. It was decided to form a co-operative to buy the building, and this is the origin of Hermon Community Resource Centre Ltd, a company registered with the FSA under the Industrial and Provident Act 1965 on 17th May 2007.

The Association has the following working groups:

- Environment
- Heritage
- Transport, Traffic, Rights of Way
- Housing
- Renewable energy
- Community Facilities & Development
- Tourism
- Business
- Activities

The Association meets quarterly with the groups meeting beforehand to a set cycle. The effectiveness of the Association is limited due to time constraints and lack of resource. It does, however, have a good delivery network and publishes a monthly calendar of events. This is distributed by the milkman and two teams of six people who take alternate months. In addition there is a Welsh language magazine that is distributed locally.

The Activities Committee has obtained a £4,800 grant from Awards for All Wales to replace the marquee bought in 1999. A team of 14 people take turns to take it out and erect it for community events. In addition people can rent it for £450. Other fund raising activities include a Bonus Ball scheme which at times has had up to five competitions running simultaneously. A series of banners were bought with funds from the Community Chest Sports and Pembrokeshire Tourism. These are recycled by the simple device of painting out the dates shown and replacing them with a new set.

The environment group comprises Cris Tomos (Secretary of the Blue Rock Festival) , Bill Davies (who hosts the Celtic Blue Rock Festival), Mike Parcell and Aidan Langton, Their mission is to:

Establish the Silver Valley area of North Pembrokeshire as an area of best practice for energy efficiency by providing a clean renewable energy source.

The environment group commissioned an Energy Feasibility Study conducted by Dulas Ltd having obtained a grant of £8,000 from

Cymdeithas Cwm Arian Association

Pembrokeshire Coast National Parks' Sustainable Development Fund and a further £1,000 from PLANED. Dulas reported three months later in March 2006. On the basis of this document and two subsequent public meetings it was decided to proceed with a project comprising two 1.2 MW turbines which will be purchased second hand.

After a lengthy delay the planning authority has decided that a full blown Environmental Impact Study would not be required (which will save about £40,000). Some additional data on wind speeds were requested but the group anticipate being able to obtain this from RES who run the Dyffryn Brodyn wind farm nearby.

Although the project could be debt financed using Finance Wales (£600,000) and Charity Bank (£500,000) it is likely that a share offer will be made to local people to help cement community support. No decision has yet been made, but since the Hermon Community Resource Centre Ltd used an Industrial and Provident Company structure this is likely to be top of the list, rather than establishing a CIC. The planning application will only cost £360.

The project should generate substantial revenues. Some will be used to support the Hermon Community Centre but there should be sufficient to also fund some new projects. One being considered is a Community Land Trust to provide both affordable housing and incubator units for Social Enterprises and SME's. There is already one social enterprise lined up which plans to build domestic wind turbines. The strategy is to reduce over-dependence upon Mansell Davies for local employment. The association has been studying Community Land Trust schemes in Powys and Gwynedd and Cris Tomos has been invited to become a Director of *Land for People*. It is also thought possible that the trust could build affordable low impact houses. A builder in Welshpool can deliver three bedroom homes with a turf roof for a construction cost of about £70,000.

The Association does not intend at present to embark upon social accounting for the time being. They do not have the resources.

Hermon Community Resource Centre Ltd

Mission statement:

"To create a thriving, social enterprise, non grant dependant community centre offering opportunities to improve the skills and leisure time activities of the community"

Pembrokeshire County Council agreed to sell the old school building to the community for £120,000, with half to be paid by March 2007. The community set about raising the first installment and put in an

Hermon Community Resource Centre Ltd

application to CFAP for £180,000. A deal was struck with Credcer (a fairly new Credit Union based in Cardigan) to help people finance the purchase of shares which were sold at £250. The total amount raised by this method grew from £26,500 in September 2006 to £64,250 in February 2007.

By February it was clear that the group could pay the full consideration so there was no need to pay Pembrokeshire County Council by instalments. It then transpired that Pembrokeshire County Council had not established good title to the building so the transaction was delayed. During the delay a license was obtained at a nominal cost (£1 a year) and the community were thus able to use the building. Architects plans have been drawn up for a substantial development and some tenants have already been signed up. The total project cost will be £490,000. An application has been made to the Department for Enterprise Innovation and Networks for funds to cover the salary cost of a manager.

There are already 14 community groups using the centre including the Cwm Arian Heritage Group and the Cwm Arian Renewable Energy Group. Interest has been expressed by three organisations in renting up to five desks within the community office. Grant funding is being sought for the second phase of the project that will involve the erection of an extension adjacent to the old school building which will roughly double the floor area available. This will allow more groups to use the facilities and will enhance the recurrent income stream supporting the centre.

Key Findings

The success of the Hermon Resource Centre Limited in raising capital from the community demonstrates the ability of social enterprises to engage with people. The arrangement with Credcer Credit Union also demonstrates their ability to innovate. The ultimate success in providing a village hall despite the failure of the 2000 Community Appraisal report shows the ability of social enterprises to overcome policy failure. It also shows the importance of having plural sources of information, advice and support since the PLANED process was able to succeed in establishing the Cwm Arian Association where the Menter Preseli process failed to secure the main recommendation of the earlier Community Appraisal.

The Celtic Blue Rock Festival initially met with resistance from local people which they were able to overcome by closely identifying themselves with the ultimately unsuccessful but very popular campaign to save the local village school. The organisation still encounters resistance from licensing authorities and the police.

Clouds Living Centre

Clouds Living Centre is a social enterprise dedicated to meeting the needs of people facing social exclusion founded by a lady named Julie Rice-Monroe. The organisation has a strong Christian ethos and recruits substantial numbers of volunteers from within disadvantaged communities in Pembroke and Haverfordwest. Its core activities include:

- *The Lord's Larder*, which distributes food clothing and equipment to those in pressing need;
- healthy eating style cafés;
- a catering service;
- a box scheme for fresh vegetables augmented by leaflets carrying helpful cooking suggestions;
- youth work;
- ICT training;
- training in catering skills from OCN to NVCII; and,
- information and advice including legal advice, tenancy support and debt counselling.

The approach has been described as “welfare in the round.” The company intends to register as a charity.

Clouds began by establishing a community café in Monkton, a Communities First Ward within the town of Pembroke. This opened on 25th January 2006 in a former public house. A similar venue was opened in Haverfordwest on 17th September 2007 called Clouds West. The original location has since been temporarily closed for refurbishment.

Brief History

Julie Rice-Monroe is a professional chef with a strong interest in healthy living and other social issues. When she moved to Monkton in 2003 she joined the King's Christian Fellowship, an evangelical church that was using the former Old Priory Inn for outreach work. She suggested opening a community café there and gave up her job to run it on a voluntary basis for a year before funding was obtained which allowed her to draw a salary. The café started with seven people around a lunch table, but numbers soon swelled to fifty. The church then abruptly decided to pull out and the building was stripped of fixtures and fittings. Julie decided to approach the landlord to suggest restarting the café. This was agreed and the building was offered on a rent free basis.

The start up was enormously helped by a group of local Bikers and the Local Health Board (LHB). The Bikers provided £400 to buy paint and

Clouds Living Centre

decorating materials, but more importantly they helped decorate and fit out the building. Even young children little older than toddlers participated by painting the walls as far as they could reach. Adults helped higher up and with the plumbing and electrics. The LHB provided £2,037 to buy moveable equipment, crockery and cutlery. Unfortunately this grant excluded fixtures such as cookers, so for the first eight months the team had to rely upon steamers and slow cookers. An open day was held on 25th January 2006 to present what had been achieved to the community. This went very well.

A lot of office equipment was provided by the Pembrokeshire Action Team when they left their offices in Haverfordwest. Pembrokeshire College gave redundant chairs and tables. Texaco gave a computer. Members of the community provided a telephone, plants, furniture etc.

The opening of Clouds West has helped the enterprise make links with new organisations like Pembrokeshire Care Society and FRAME. Clouds West has established a very good working relationship with the Police Community Support Officers and the Mental Health Team has started to use the facilities both for their clients and for their internal meetings. Some of their clients are now coming independently of their own volition.

Switching the focus of attention to the new branch precipitated a rapid decline in standards at the original Monkton location. This, coupled with the realisation that a market exists for facilities of a somewhat higher standard, precipitated the decision to temporarily close the Monkton facility. Refurbishment is underway including re-flooring and the provision of new seating, and volunteers are being trained at Clouds West to run the Monkton community café when it reopens.

Current trading and future possibilities

The catering business is performing very strongly with demand for at least three buffets per week stretching forward to the summer. Clouds has been invited to join the Convergence bid being put together by Pembrokeshire FRAME and Mind. An Art club, Fishing club and Photography club have been formed, and Clouds are trying to obtain a van and minibus to help them operate properly. Clouds is also building up its network with other Christian organisations and is preparing to support various mission initiatives.

Clouds Living Centre

Key Findings

Clouds has been very successful in providing services and mobilising the local community to help, including some very marginalised people. Nevertheless the organisation has difficulty in matching its ability to deliver products and services with its capacity to maintain internal records. The Social Enterprise Coalition for Pembrokeshire (especially Pembrokeshire Business Initiative) has provided a lot of support in this area, but it is unclear whether funding for this initiative will continue. Companies House has returned the set of accounts that were supplied by Clouds and the enterprise is somewhat at a loss as to know how to proceed. Clouds is very dependent upon the imagination and drive of its founder, but her many and various skills do not include accountancy.

Constitution Hill Limited

Constitution Hill forms the north cliff at Aberystwyth. The Cliff Railway was opened in 1896. Initially the funicular operated on a water balance system until electrification in 1921. A café and *camera obscura* were constructed at the top to attract visitors.

By the early 1990's the infrastructure, much of it grade II listed, had substantially decayed with the exception of the actual funicular mechanism which had to be maintained to a high standard for safety reasons. The owner lacked capital to invest and only employed people on a seasonal basis. Locals stayed away but visitors were more adventurous. However they were usually deeply disappointed. The Cliff Railway had become an embarrassment to the town.

Prospects for People with Learning Disabilities is a Christian Charity (No. 1060571). Its mission is based upon what it terms the *Principle of Personal Value* which has six dimensions:

- | | |
|----------------------|--|
| Individuality | Each person is to be affirmed as an individual and enabled to express and develop their unique personhood. |
| Integrity | People with learning disabilities should be free to initiate choices and at all times be involved in decisions which affect their lives. |
| Dignity | People with learning disabilities should be regarded with respect and treated appropriately, with recognition of their age and life experience. |
| Independence | People with learning disabilities should be encouraged and enabled to move towards greater independence. |
| Inclusion | People with learning disabilities should be enabled to participate fully in the ordinary life of society. |
| Spirituality | People with learning disabilities have spiritual needs and the capacity for spiritual understanding. They should have the opportunity for spiritual development. |

The Charity operates a sixteen bed Care Home at Plas Llust, Llanbadarn Fawr, Aberystwyth; and Plas Llust Day Services managed by Pamela Marsden. This organisation has seeded at least two projects which are now functioning as Social Enterprises, a horticultural project named Mentro Llust and Constitution Hill Limited – better known as the Aberystwyth Cliff Railway. Pamela Marsden is also the company

Constitution Hill Limited

secretary of Constitution Hill Limited and Constitution Hill Trading Limited.

After ten years Constitution Hill has replaced the café with an environmentally friendly building of similar external appearance, revenues are growing rapidly, a trading subsidiary has been established and permanent jobs are being generated. The project combines physical and economic regeneration with social inclusion.

Brief History

The genesis of the idea:

People associated with the Charity saw the potential of the café as a venue for a social firm to provide employment opportunities for those with learning disabilities. However in order to be able to achieve this it would be necessary to regenerate the Cliff Railway. Local people, including Ceredigion County Council, were initially sceptical that they had the expertise to run such an undertaking.

Winning acceptance:

Trust had to be carefully built up and a qualified engineer found to manage the funicular. Quick wins were identified, such as painting the buildings and rolling stock, but opinion only decisively swung behind the project once the café had been replaced. The recruitment of two local cooks, each with a personal following locally, helped the café take off very strongly. This had not been anticipated. It is now a sought after eating venue. So much so that Constitution Hill is having to upgrade the facilities to cater for an unexpectedly discerning clientele. For example having replaced a derelict outside toilet block with a new facility designed for walkers, it became necessary to replace the new facility with something a little more luxurious. Likewise the visitors centre had been furnished with wooden chairs which were fine for people who are sitting for a short time during the day but again are not the sort of seating people want to use when going for a night out.

Another element in the success of the café is the emphasis put upon high quality service. Although the venture is run as a social firm it was always intended that customer service would not be allowed to suffer as a result. So for example some employees are allowed to operate the tills when things are quiet but they understand that when it is busy they will have to undertake different tasks. The cooks, although not trained to work with people with disabilities, are very good. On their own initiative they think up strategies to include people in tasks.

Constitution Hill Limited

The need for a trading subsidiary:

Once trading income came to exceed the VAT threshold it became necessary to establish a subsidiary, Constitution Hill Trading Limited in November 2005. This is a company limited by shares which has received programme investment of £15,453 from Constitution Hill Limited in the form of a loan for £15,451 and the purchase of two £1 shares.

The use of loans:

Constitution Hill Limited used bank loans to finance the expansion of the trading activity, which is unusual for reasons the Bank of England has analysed in some depth⁵. The trustees were not aware that their approach is unusual. At the outset financing also relied on a loan from the Industrial Common Ownership Fund and the agreement of the owner to receive his consideration over a protracted period.

Avoidance of funding dependency and barriers associated with Objective One:

From the outset it was intended to achieve financial sustainability from trading, although grants were actively sought to finance the physical regeneration of the infrastructure.

The project applied for and received Objective One Funding, however the reporting requirements proved to be very burdensome and the Trustees are not sure that they will make any bid under Convergence Funding. WEFO was very inflexible, and whilst a larger project would have been able to supply generic details, for example the number of FTE posts being funded, Constitution Hill had to give details of named individuals, so whenever there was any staff turnover problems were encountered with WEFO. Difficulties were also experienced with the timing of the construction since unusually severe winter weather was experienced which closed the site. The Coast Guard has the authority to close the site without reference to Constitution Hill at all, so such matters were completely out of their hands. At one stage WEFO quibbled about the building specification until they were invited to visit the site in order to realise the wind conditions that it was capable of experiencing. WEFO was very inflexible about necessary design changes as the project progressed.

A hiccup along the way:

The Trustees found themselves facing an Industrial Tribunal. They settled before the case was heard. It cost £7,000. The person concerned had been employed as project manager. Although they had

⁵ *The Financing of Social Enterprises: A Special Report*, Hilary Brown and Emma Murphy, Bank of England, May 2003.

Constitution Hill Limited

resigned they nevertheless claimed to have been subject to constructive dismissal.

There had been faults on both sides, stemming from a misplaced desire to avoid confrontation. The employee was very capable with people but did not handle the paperwork so well. This was not helped by the fact that the accountants being employed were a big firm which did not see it as its duty to push for returns to be submitted on time. They were replaced by a smaller, local and more hands on practice which ensured that WEFO's requirements were fully met.

The replacement manager was given a more carefully constructed job description which gave more weight to administrative functions. The systems put in place seem to be working well.

Growth

Unrestricted incoming resources grew at a compound annual rate of 26.8% between 2002-03 and 2006-07, and unrestricted outgoing resources by 34.3%. Between 2004-05, when the new café was completed, and 2006-07 trading income has grown at a compound annual rate of 106% and it now constitutes 92% of all incoming resources. Over the past year total employment has grown from 11 to 19, with 8 retained on a full time basis and 11 on a seasonal basis.

Year to 31st March	2007		2006		2005	
	£		£		£	
Incoming Resources						
Trading						
Cliff railway	101,984	46.6%	93,177	55.5%	47,592	60.2%
Café	93,527	42.7%	68,158	40.6%		
Camera obscura	6,050	2.8%				
Non-trading	17,485	8.0%	6,449	3.8%	31,452	39.8%
	<u>219,046</u>	<u>100.0%</u>	<u>167,784</u>	<u>100.0%</u>	<u>79,044</u>	<u>100.0%</u>

Constitution Hill Limited

Year ending 31st March		2007	2006	2005	2004	2003	2003-2007
		£	£	£	£	£	CAGR
Incoming Resources							
Voluntary Income	U	10,000	5,843		3,758	225	
	R			30,000	5,569	207,000	
Activities for generating funds	U	201,561	161,335	62,664	86,319	80,577	25.8%
Investment Income	U		606	1,452	3,301	4,001	
Other	U	7,485					
Total	U	<u>219,046</u>	<u>167,784</u>	<u>64,116</u>	<u>93,378</u>	<u>84,803</u>	26.8%
	R	<u>0</u>	<u>0</u>	<u>30,000</u>	<u>5,569</u>	<u>207,000</u>	
Grand Total		219,046	167,784	94,116	98,947	291,803	-6.9%
Resources Expended							
Cost of generating funds							
Voluntary Income	U	6,677	2,286	3,000	1,400	4,772	8.8%
Trading, cost of goods sold and other costs	U	122,543	112,453	47,111			
Charitable activities	U	91,012	68,709	44,141	98,299	69,708	
Governance	U	22,399	19,036	7,799			
Other	R				6,554		
Total	U	<u>242,631</u>	<u>202,484</u>	<u>102,051</u>	<u>99,699</u>	<u>74,480</u>	34.3%
	R				<u>6,554</u>		
Grand Total		242,631	202,484	102,051	106,253	74,480	34.3%
Surplus/(Deficit) of incoming over outgoing resources before transfers	U	(23,585)	(34,700)	(37,935)	(6,321)	10,323	
	R	0	0	30,000	(985)	207,000	
		(23,585)	(34,700)	(7,935)	(7,306)	217,323	

Reserves Policy and Balance Sheet

For the trading arm the Trustees want to have at least three months salaries in reserve so that if things go badly wrong they can meet their employment obligations.

For the Cliff Railway a reserve is required to cover spare parts, which are currently being accumulated, and to cover the replacement of cables. An interruption of the Cliff Railway service is the biggest business risk since profits from the visitor centre (Café) depend upon its uninterrupted operation. Commercial organisations usually have a policy of replacing lift and funicular cables every three years. Statistically the probability of failure before ten years is low, and this is the current duration of the replacement cycle at Constitution Hill. Although the cable is regularly checked it is difficult to spot wear since cables usually degrade from the inside. The spare parts are hand made, so there are long lead times if a part needs to be replaced – hence the policy of building up a stock of spares.

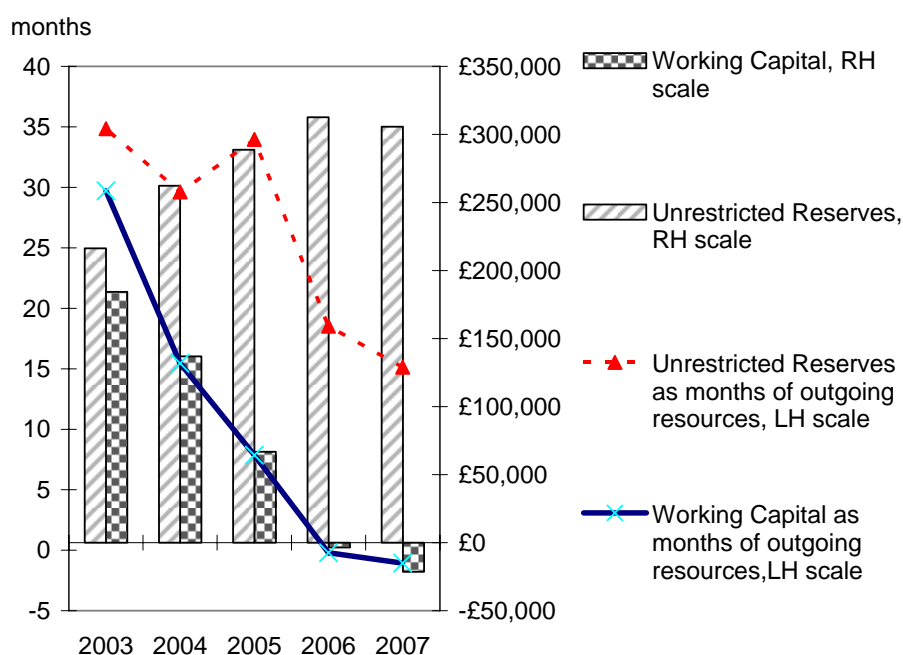
The persistent deficits have eroded working capital despite the use of loans to strengthen the balance sheet. Unrestricted reserves look healthier, but these are not liquid.

Constitution Hill Limited

Balance Sheet

31st March:	2007	2006	2005	2004	2003	
	£	£	£	£	£	
Current Assets						
Stocks	4,000					
Debtors		2,496	26,375	15,134	4,719	
Cash	213	9,530	58,372	139,298	207,967	-82.1%
	<u>4,213</u>	<u>12,026</u>	<u>84,747</u>	<u>154,432</u>	<u>212,686</u>	-62.5%
Fixed Assets						
Tangible fixed	409,880	409,275	331,267	271,911	239,919	14.3%
Total Assets	414,093	421,301	416,014	426,343	452,605	-2.2%
Current Liabilities						
Creditors	25,603	15,503	17,962	17,581	28,292	-2.5%
Long-term Liabilities						
Loans	55,373	57,899		2,770	11,021	49.7%
Total Liabilities	80,976	73,402	17,962	20,351	39,313	19.8%
Net Current Assets/(Liabilities)	(21,390)	(3,477)	66,785	136,851	184,394	
Net Assets	333,117	347,899	398,052	405,992	413,292	-5.2%
Represented by						
Restricted Funds	27,320	35,301	109,333	143,664	197,009	-39.0%
Unrestricted Funds	<u>305,797</u>	<u>312,598</u>	<u>288,719</u>	<u>262,323</u>	<u>216,283</u>	9.0%
	<u>333,117</u>	<u>347,899</u>	<u>398,052</u>	<u>405,987</u>	<u>413,292</u>	

Constitution Hill Working Capital and Unrestricted Reserves



Constitution Hill Limited

Social Accounting

Constitution Hill had a social audit conducted by the Wales Co-Operative Centre some time ago. The Trustees have not considered adopting Social Accounting. Were they to give this serious consideration their primary objective would be to use it as a way to entrench the mission and values of the organisation. Up to now most of the Board have been involved in the project since inception. Going forward this continuity is likely to become increasingly attenuated.

Why did Constitution Hill choose to become a company limited by guarantee rather than an Industrial and Provident Company?

The decision to incorporate as a Company Limited by Guarantee predated the decision to apply to become a Charity, so this did not colour the decision. Given the close involvement of the Wales Co-Operative Centre at the outset it is perhaps surprising that this form of incorporation was chosen.

Key Findings

Constitution Hill is unusual in combining substantial achievements in physical regeneration and social inclusion. It has overcome initial scepticism and hostility in the community. Despite a willingness to use loan finance the balance sheet is stretched. This poses the biggest constraint on growth and the largest threat to financial sustainability. Having been in operation for a decade succession issues will become increasingly salient. The organisation has benefited from being able to draw upon a pool of skilled local people to serve as Trustees. There is no reason to believe that such people will not be forthcoming in the future, but care will need to be taken to ensure that the values of the organisation, for example with respect to being a social firm, are preserved.

CRAFT

CRAFT runs a furniture re-use and recycling business from new premises built on a disused platform at Aberystwyth railway station and a modern workshop built in the old marshalling yard. Apart from a short period when CRAFT received money from the landfill tax they have had little financial support from the public sector. They have no SLA's either with the waste disposal department or social services. Two vans are used to collect items and each is driven by a paid employee with one or more volunteers to help. In the past the custom was that volunteers would be offered paid employment if funding could be obtained. Now volunteers must compete with outsiders on a level playing field if a vacancy arises and employees are recruited solely on merit.

CRAFT does not monitor the volume and weight of goods it collects but it does monitor the volume and weight of goods it sells or disposes of in other ways, so with some allowance for fluctuations in stocks it is able to assess the amount it is saving from landfill.

There is buoyant demand for pre-used household goods and the advent of re-use websites has not eaten into their business, although there is some indication that demand for reused furniture may be approaching a plateau. Part of the high demand comes from students and student landlords. Some items regularly arrive at the end of the academic year and are resold at the start of the next. CRAFT's pricing strategy has evolved. They used to charge the same price irrespective of the quality of the goods but as the supply of high quality items has grown so has their ability to charge higher prices for them. It is not clear whether margins have risen as a result since accommodation costs (despite the high thermal efficiency of the new building) are also higher

Most customers come to CRAFT of their own volition, however the organisation does maintain contact with welfare organisations who occasionally refer people (these include Ceredigion Care Society, Wallich Clifford, Womens Aid and Social Services). About 7% of customers qualified for a 25% discount because they were in receipt of benefits. However although CRAFT do not advertise the practice they do on occasions give items away in cases of desperate need.

Craft

Brief History

CRAFT was started by a small group of people with backing from the Salvation Army and Ceredigion Social Services. Its original three aims were to provide affordable goods for those on low incomes, to provide volunteering opportunities for those excluded from the labour market, and to reduce land fill by promoting the reuse of household goods. These social and environmental goals were not equally important to each stakeholder. Neither the Salvation Army nor Social Services were particularly interested in the environmental goal.

CRAFT obtained premises from the County Council on a peppercorn rent but a short lease. They were in a very poor condition and some parts of the building were not safe to use. The short lease prevented CRAFT from obtaining funding to improve the building. It had originally been hoped that Social Services might fund a post, but council financial constraints prevented this. The group then became increasingly identified with the Salvation Army, but this caused problems over the importance of the environmental objective. So it was decided to break away from the Salvation Army and form a Company Limited by Guarantee. Environment Wales funded a post for three years and in addition to income from sales CRAFT received a lot of money for one year only from the proceeds of the Landfill Tax. CRAFT has always received substantial moral support from the Waste division of the local authority.

The development plan

The poor premises were proving a constraint on growth and finding ways to cover core costs was a problem despite accumulating retained earnings. CRAFT prepared a business plan based upon growth in the business and relocation to much better, environmentally friendly premises. The plan proved to be much too optimistic. It involved recruiting staff and at its peak CRAFT was employing 19 people, it currently employs just 10. Although the organisation has had to retrench severely to survive, the history does demonstrate that the old premises were a major constraint. The planned growth has come through, but only after the move had taken place.

The flawed business plan was partly underwritten by a revenue grant from the National Lottery's Cleanstream programme. On the face of it this seemed like just the sort of core funding CRAFT felt they desperately needed. It underwrote the existing four posts for one year and helped them gear up recruitment in order to drive forward the business expansion. Internal politics in the funding organisation appeared to be responsible for the unclear and contradictory expenditure guidelines. The capital cost of the building programme was

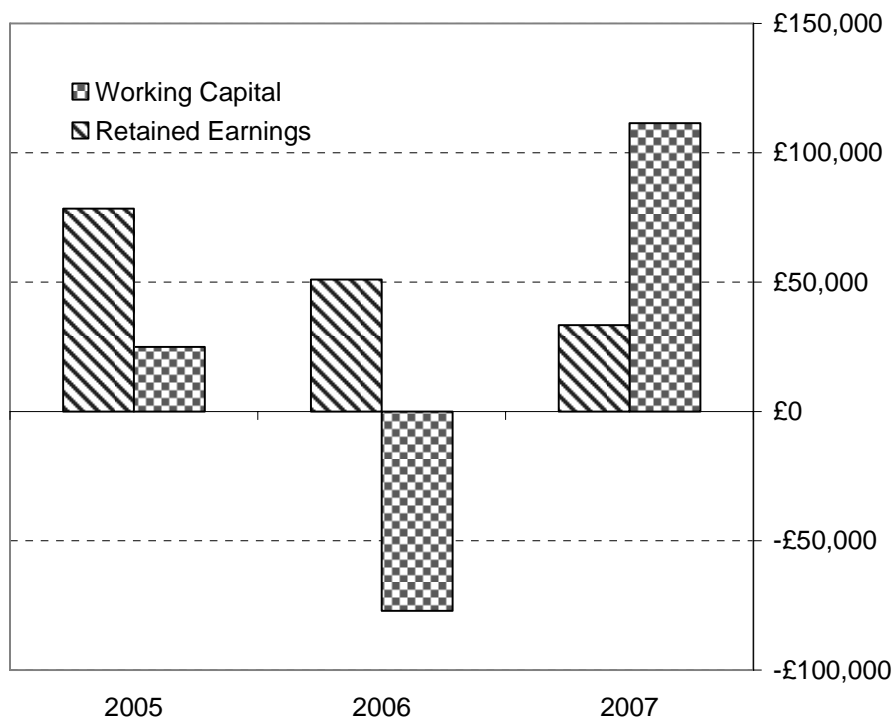
Craft

£2.8 million, and for a while they suffered an embarrassment of riches. The team underwent a very steep learning curve and in retrospect it was an extraordinarily bruising experience out of which was born the conviction that they would in future run the business purely on a social enterprise basis without recourse to grant funding to cover ordinary operating costs.

Accounting, Social Accounting and Quality Marks

The accounts do not conform to the Charities SORP and are deposited in abbreviated form, so they provide no details of income and expenditure. By implication CRAFT reported a net loss of £27,455 in 2005-06 and a net loss of £17,539 in 2006-07. This would have been after charging depreciation of £13,472 and £12,885 for each respective year. Because of funding uncertainties CRAFT has been obliged to focus more on its cash flow than on balance sheet or even upon its profit and loss account. This is assessed on a rolling six month basis. Its working capital position has improved in the last financial year. Having reported net current liabilities of £77,064 in March 2006 this has swung to show net current assets of £111,437 in March 2007.

CRAFT Working Capital and Retained Earnings



CRAFT have considered and rejected the adoption of Social Accounts. They have also decided to abandon their accreditation with *Investors in People* and *Green Dragon*.

Craft

CRAFT were invited by Cylch to participate in a series of seminars designed to explain what was involved in Social Accounting and help them to implement the approach. The management felt that it was the sort of thing CRAFT should do. However as the seminars proceeded their doubts grew. The process did not seem to be particularly rigorous and the resource implications, though hard to assess, were obviously going to be substantial. So they decided to drop out.

The management have since also abandoned *Investors in People* and *Green Dragon*. They found that *Investors in People* were pushing them into structures that were both bureaucratic and which undermined clear accountability. Meetings with minutes were set up for operatives, supervisors, managers and senior managers which started to operate as a parallel organisation. CRAFT were required to demonstrate that people were being trained but the courses which were recommended proved to be very poor. For example the management team were sent on an eight day team leadership course at the end of which they did not feel any more competent than when they had started. The point really came home when it became necessary to make people redundant and they were asked by those losing their jobs why so much money had been wasted sending them on training courses for jobs that could no longer be afforded. *Investors in People* had not suggested training in making people redundant. This, in the circumstances, would have been really useful. Likewise *Green Dragon* conspicuously failed to recognise the improvement in environmental performance associated with the move to the new environmentally friendly buildings and seemed mired in requiring the organisation to place notices by kettles to encourage efficient usage.

Ceredigion Recycling and Furniture Team

Year to 31st March:	2007	2006	2005
	£	£	£
Assets			
Current Assets			
Stocks	2,835	1,500	8,551
Debtors	45,036	57,702	218,413
Cash	75,272	53,277	73,130
	<u>123,143</u>	<u>112,479</u>	<u>300,094</u>
Fixed Assets			
Tangible fixed assets	2,519,310	2,466,408	712,341
Total Assets	<u><u>2,642,453</u></u>	<u><u>2,578,887</u></u>	<u><u>1,012,435</u></u>
Liabilities			
Current Liabilities			
Creditors	11,670	189,513	275,177
Long Term Liabilities			
Mortgage	6,696	22,668	24,668
Deferred Income	2,565,749	2,290,829	609,258
	<u>2,572,445</u>	<u>2,313,497</u>	<u>633,926</u>
Total Liabilities	<u><u>2,584,115</u></u>	<u><u>2,503,010</u></u>	<u><u>909,103</u></u>
Net Current Assets/(Liabilities)	111,473	(77,034)	24,917
Net Assets	<u><u>58,338</u></u>	<u><u>75,877</u></u>	<u><u>103,332</u></u>
Represented by			
Profit and Loss account	33,415	50,954	78,409
Other Reserves	24,923	24,923	24,923
	<u>58,338</u>	<u>75,877</u>	<u>103,332</u>

Key Findings

Craft have been successful in reducing their current liabilities and thereby improving their working capital but the downtrend in retained earnings needs to be reversed for them to achieve financial sustainability. They have developed a substantial asset base and the basic business seems well grounded.

Craft's repudiation of social accounting and quality marks is clearly linked with the trauma of retrenchment they underwent. However if more tangible partnerships had been built with public bodies such as the County Council that had developed beyond "substantial moral support" they might have viewed matters differently.

Green Links CIC

Green Links provides vocational training for school children, disaffected young people and adults through sustainable environmental projects. The social enterprise is based at Pembroke School where it has the use of facilities on a rent free basis. In return the CIC maintains the woodland areas and it has set in place an asset lock⁶ to the Friends of Pembroke School, which is a registered charity. HMRC has issued a letter confirming Green Links exemption from corporation tax.

The organisation has expanded rapidly and is currently substantially ahead of the position envisaged in its business plan. This had envisaged that the CIC would be primarily focused upon providing courses for disaffected young people, but it has been increasingly drawn into provision for the mainstream pupils who opt for vocational courses.

Brief History

Pembroke School was finding the provision of vocational courses increasingly expensive as students were having to be sent off site to undertake them. It was therefore decided to reduce the need for offsite instruction. A grant for £85,000 was secured from Cydcoed to improve access to woodland on the school site, and it was decided to form a CIC to deliver the project. The intention was to use the woodland for basic training and at the same time put in new bridges and paths and plant additional trees. In 2006-07 100 metres of path were completed, together with additional steps and bridge and seating area. In addition 30 students from Pembroke School and 15 from Greenhill School, Tenby, received training.

During 2007-08 Construction Skills were added to the curriculum as a year 10 option. The take up was surprisingly high, and the CIC set about organising the courses. Demand for these courses will rise next year because they will be offered in both year 10 and year 11. The CIC has started to undertake projects outside Pembroke School, including the Mount Estate and in the Pembrokeshire Coast National Park. After school clubs have been started in organic gardening, boat building and carving.

⁶ Asset locks are in principle available to any social enterprise but they are a particular feature of Community Interest Companies. The asset lock specifies where surplus assets are to be transferred in the event that the company is wound up.

Green Links CIC

Future Developments

A saw mill has been acquired opportunistically and it is intended to build an enterprise project for students around it, initially supplying fence panels.

A new skills centre is to be constructed on the school site for completion in September 2008. The CIC will use it to deliver courses in areas such as:

- hair and beauty,
- construction,
- plumbing, and;
- office skills.

There is a Farm on the school site which used to be used to teach agricultural skills. When these disappeared from the curriculum it was let to a third party. Consideration is being given to bringing it back into use by the CIC to provide a community farm and rural skills centre. The farm would require substantial upgrading including the removal of the asbestos roofing.

Accounts and Social Accounts

The CIC has not considered undertaking social accounting. At present Pembroke School is providing some limited administrative support. The CIC is only just managing with this level of administration, and it would require the recruitment of a dedicated member of staff before there would be sufficient capacity to even begin to contemplate something as onerous as social accounting.

Green Links Community Interest Company		Net Assets	1,130
Abbreviated balance sheet as at 31st July 2007		Represented by	
	£	Reserves	
Assets		Profit & Loss Account	1,130
Current Assets		Tangible Fixed Assets	
Debtors	895	Opening book cost	0
Cash	<u>13,747</u>	Additions	<u>2,980</u>
	14,642	Closing Book Cost	2,980
Fixed Assets		Opening accumulated depreciation	0
Tangible assets	2,694	Charge for Period	<u>289</u>
Total Assets	17,336	Closing accumulated depreciation	289
Liabilities		Written down values	
Current Liabilities		Opening	<u>0</u>
Creditors	16,206	Closing	2,691
Total Liabilities	16,206		
Net Current Assets/(Liabilities)	(1,564)		

Green Links CIC

Key Findings

Green Links has established a very close partnership with Pembroke School. It is growing strongly but facing constraints from a shortage of staff and a weak balance sheet.

Lammas Low Impact Initiative

Lammas is a co-operative formed to bring low impact living into the mainstream.

“The Society shall develop, research, promote, demonstrate and educate as to how low impact development can play a valuable role in the move toward a more sustainable society”. Mission Statement

The members want to build a flagship eco-village in Pembrokeshire to draw attention to the feasibility and attractiveness of a low impact life-style. The initiative has attracted world wide attention. About eighteen people a month are buying a £50 share in the company and some are living as far away as North America and East Asia⁷. The planned village will only accommodate nine households. The original planning application, the first to test Pembrokeshire’s innovative planning policy for Low Impact Development, was turned down on the recommendation of Officers in 2007. A new application was submitted in March 2008. Four of the original nine applicants have been forced to drop out by the delay, but there has been no difficulty in recruiting replacements.

Earlier public consultation had revealed widespread disquiet about the initiative amongst local residents. Many claimed to be broadly supportive but opposed to certain details, such as the potential for generating unacceptable levels of traffic. A small vociferous group were wholly opposed and completely irreconcilable.⁸ The co-operative believes it has addressed the concerns raised then and the reasons subsequently put forward by the Planning Committee for turning down the original application. The full revised application has been posted on the company’s web site so that everyone can read it and form their own opinion.

Brief History

Lammas was formed in response to the inclusion of a Low Impact Policy in the draft Joint Unitary Development Plan for Pembrokeshire. The origins of this policy lay in a series of consultations conducted by the local authority as part of the Agenda 21 process which followed the Earth Summit in Rio. Given the pre-existence of a strong smallholder movement in Pembrokeshire these consultations highlighted the need for a low impact policy. Those who formed Lammas were actively involved in the JUDP consultation process and sought successfully to influence the final policy. For example the draft proposal had envisaged that 75% of the household’s income should come from the land. Lammas felt this would create a poverty trap. Instead they proposed a method which evaluates households needs (food, fuel, clothes, water).

⁷ There are currently 115 members.

⁸ See *Report on Lammas public meeting, Glandwr, 10th June 2006* by Jenny Pickerill, Leicester University

The final policy approved in 2006 requires 75% of household needs calculated in this way should come from the smallholding.

Hitherto low impact projects have been left to muddy activists using temporary, low cost structures. This is a product of a planning system which has denied low impact dwellings long term planning permission. It is only with long term planning permission that it becomes sensible to invest in more costly and permanent structures. Moreover the group felt that having achieved a positive planning policy it was important not to let it languish without being used.

Key Findings

Lammas Low Impact Initiative demonstrates the ability of social enterprises to mobilise communities of interest. The vast majority of its members will never be able personally to benefit from the project, but they support it because it promotes their beliefs.

The organisation is facing some formidable hurdles. Some local residents and their elected representatives are implacably opposed to what they see as an unacceptable lifestyle. Leaving this aside the biggest barrier perceived by the co-operative has been bureaucracy. The planning process, even after the establishment of a favourable policy, has been difficult, costly and time consuming. Agricultural regulation has also been unhelpful. It is designed for large agri-businesses rather than smallholdings. For example each household is being treated on an individual basis whereas it is planned to run the smallholding on a communal basis. This means that adjacent parcels of land nominally attached to different households will be required to conform to movement restrictions and movement documentation. It is also anticipated that building regulations may prove difficult, although this remains to be seen.

The Lawrenny Village Shop Association

The Association provides a community store in the small village of Lawrenny, Pembrokeshire. The polling district, which is larger than the village envelope, contains 150 people living in 90 households. Membership currently stands at 49, each of whom pays £25 a year. Its mission is to:

“promote, in partnership with others, a community that is sustainable, healthy and socially inclusive.”

The aims of the Association are to:

- Combat loneliness and isolation by providing a village shop where people can meet, talk and see a friendly face,
- Avoid local people and visitors having to travel long distances to a supermarket every time they need to buy something,
- Enable residents and visitors to buy local produce, and;
- Enable residents and visitors to buy fairly traded products.

The shop is trading profitably and has attracted more customers than expected, given the low density of population. A craft section was pre-viewed at the beginning of December 2007 and has remained open because of demand (it had originally been planned to open it properly in time for the tourist season in 2008)

Brief History

The sub-postmistress at Lawrenny who also ran the village shop decided to resign in 2006. Several people volunteered to take over the Sub-Post Office and the business but the Post Office decided to close the branch and the stock, fixtures and fittings of the shop were removed. The local community mounted a vigorous campaign to retain the Sub-Post Office, and at the eleventh hour the Post Office agreed to a compromise by offering a two hour per week outreach service based in the former building and retaining a full set of equipment *in situ*. It was apparent at a well attended public meeting during the campaign that the community wanted to retain the shop as well as the Post Office.

In view of a history of failure to sustain a privately run shop it was felt that a different business model was required to re-allocate risk from the retailer to the community and to enable the community to make a commitment to the viability of the operation. It was therefore decided to establish a social enterprise. Advice has been sought from the *Social Enterprise Coalition for Pembrokeshire*, and a visit was made to the Bryn Community Shop Ltd in Brechfa, Carmarthenshire, to learn about their experience. The EGM of the Association was held immediately after a public meeting at which the plans were discussed. The store began trading in May 2007.

The committee decided to enter the Village in the Calor Village of the year competition, which it eventually won.

Accounts

The accounts do not reflect the trading of the shop because it is managed by a local resident on a franchise basis. Nor do they reflect any in kind income such as the provision of the premises to the Association on a rent free basis. It is anticipated that the operation will exceed the VAT threshold within the next twelve months. The Association owns the fixtures and fittings and provides volunteers who help staff the store and undertake maintenance tasks.

Lawrenny Village Shop Association

Treasurers Report 27th March 2008

	Restricted £	Unrestricted £	Total £
Incoming Resources			
Voluntary Income			
Subscriptions		1,225	1,225
Individual Donations		625	625
Corporate Donations		4,000	4,000
Total Voluntary Income	0	5,850	5,850
Charitable Income			
Grants	2,075		2,075
Franchise Payments		200	200
Total Charitable Income	2,075	200	2,275
Total Incoming Resources	2,075	6,050	8,125
	Restricted	Unrestricted	Total
Outgoing Resources			
Repair & Redecoration of Shop	688		688
Fixtures & Fittings	1,624		1,624
Appliances	1,228		1,228
Electricity (Prior to letting of franchise)		87	87
Expenses for Party to celebrate Calor win		420	420
Grants disbursed		1,050	1,050
Craft preview 8/12/07		87	87
Meeting in Cardiff 12/12/07		40	40
Total Outgoing Resources	3,540	1,684	5,224
Surplus/(Deficit) of Incoming over Outgoing resources	(1,465)	4,366	2,901
Designated reserves			1,700
Other reserves			1,201

The Association has not considered adopting social accounting. Its current priorities are to become incorporated as a company limited by guarantee and to negotiate a partnership arrangement with the Post Office.

Key Findings

The Lawrenny Village Shop Association demonstrates the ability of social enterprises to raise capital from the community and the benefits for the organisation of being able to draw upon committee members with professional or managerial expertise. It has been innovative in the way it has sought to re-allocate risk between the community and the franchisee running the shop.

Mentro Llest

Mentro Llest started out as a therapeutic horticultural project associated with the 16 bed Care Home run by *Prospects for People with Learning Disabilities* (Charity No. 1060571) at Plas Llest, Llanbadarn Fawr, Aberystwyth, although the links between the two organisations have now been severed.

Brief History

A trading subsidiary was established in 1999 and the modest annual profits this made were accumulated until the last reported financial year when the bulk of them were transferred to meet a shortfall in income. The subsidiary has derived income from the sale of plants to the public, from an organic box scheme and from contracts to supply a local hotel and several restaurants. The development of the trading activity was subordinated to the education and training work associated with a European Social Fund project that was funded for many years.

Between 2003 and 2007 incoming resources grew at an annual compound rate of 4.8% and outgoing resources by 7.1%. In 2005-06 this resulted in a shortfall of £18,517, and a similar shortfall in 2006-07 was only avoided by transferring £11,804 from Mentro Llest Trading.

		Mentro Llest					
		2007	2006	2005	2004	2003	2003-2007
		£	£	£	£	£	CAGR
Incoming Resources							
Voluntary Income	U	2,250	2,250	921	324	410	53.1%
	R		1,350				
Fund Raising	U		280				
	R						
Interest	U	21	268	827	264	285	
	R						
Charitable Activities	U	5,087	3,600	16,715	60,395	61,477	-46.4%
	R	126,130	134,849	127,343	56,293	56,696	
Other	U	702	1,279	973	1,682	1,960	-22.6%
	R		733				
Transfer from Mentro Llest Trading	U	4,886					
	R	6,918					
Total	U	12,946	7,677	19,436	62,665	64,132	-33.0%
	R	133,048	136,932	127,343	56,293	56,696	
Grand Total		145,994	144,609	146,779	118,958	120,828	4.8%
Outgoing Resources							
Total	U	26,281	22,121	16,374	65,326	6,252	43.2%
	R	122,207	141,418	119,544	46,792	104,613	
Grand Total		148,488	163,539	135,918	112,118	110,865	7.6%
Surplus/(Deficit) of incoming over outgoing resources before transfers	U	(13,335)	(14,444)	3,062	(2,661)	57,880	
	R	10,841	(4,486)	7,799	9,501	(47,917)	
		(2,494)	(18,930)	10,861	6,840	9,963	

Current Crisis

In 2007-08 the ESF funding ended, despite it having previously been successfully rolled over. This has resulted in the loss of matched funding, and drastic measures have had to be taken. Staffing has been reduced from 9 to 2, and many activities, including the organic box scheme, have been terminated or suspended.

The strategic direction for Mentro Llest and its trading subsidiary are under review by the Trustees. Whilst continuing the main ethos of the organisation to use horticulture and creative activities for therapeutic purposes and to help disadvantaged people it is envisaged that additional projects may be undertaken to provide learning in horticulture thus enabling the chance for people to gain skills to help them back into the work place. Community value of the site is being planned for more visitors to be able to access the garden areas and an income may be derived from instructional visits and the sale of plants and produce to the general public. There are plans to establish a series of gardens with themes such as wheelchair access, sensory planting, wildlife planting and composting. Funding streams are being investigated and applications are being made to many funding bodies. Additionally there is the offer of Private Sector support which is under positive negotiation.

Social Accounting

Funding has been secured to carry out a set of Social accounts under the auspices of Cylch and with the consultancy support from Ymlaen Ceredigion. Mentro Llest have become members of Cylch thereby gaining access to their free support and guidance in the preparation of a set of audited social accounts together with all the other services Cylch offer.

Structural Weaknesses

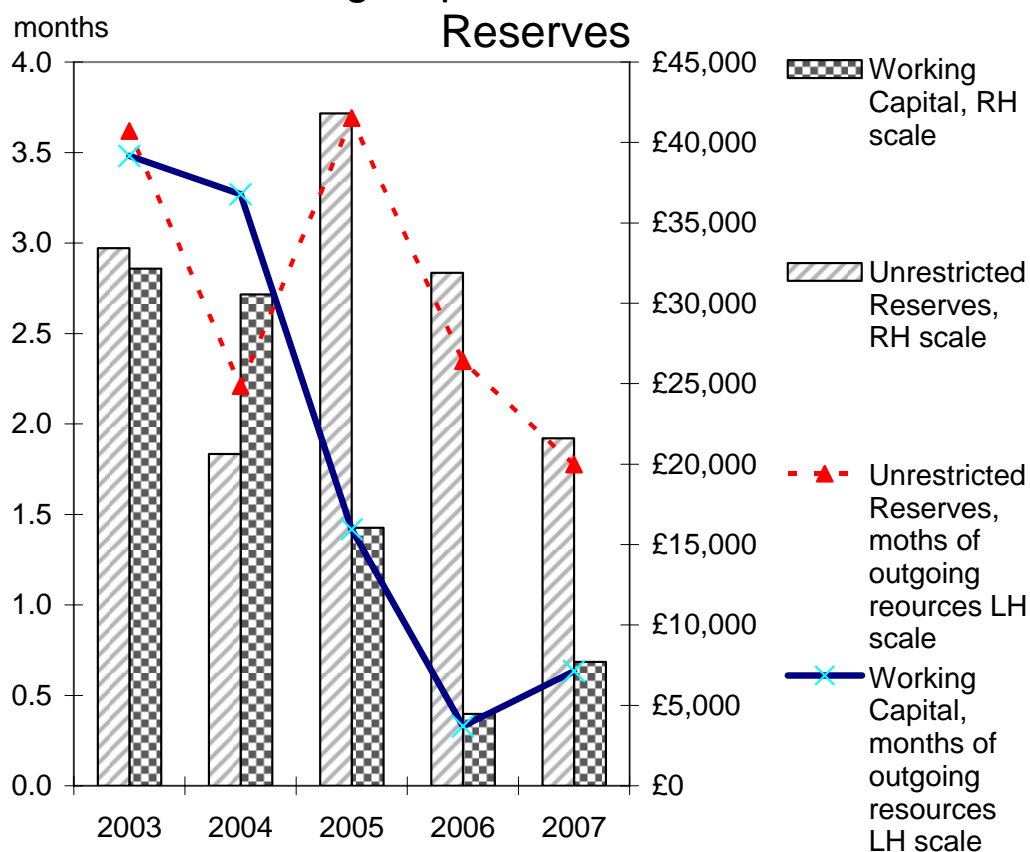
The loss of the ESF funding illustrates the danger of becoming heavily dependent upon a single source of funds. However the balance sheet had already begun to weaken from 2005-06 onwards.

Balance Sheet

	2007	2006	2005	2004	2003	2003-2007
	£	£	£	£	£	CAGR
Assets						
Current Assets						
Debtors	20,598	12,141	14,211	14,506	11,564	15.5%
Cash	3,910	11,073	16,739	33,997	29,105	-39.5%
	<u>24,508</u>	<u>23,214</u>	<u>30,950</u>	<u>48,503</u>	<u>40,669</u>	-11.9%
Fixed Assets						
Tangible Fixed	16,012	21,743	29,093	3,732	5,827	28.8%
Total Assets	40,520	44,957	60,043	52,235	46,496	-3.4%
Liabilities						
Current Liabilities						
Creditors	16,801	18,744	14,900	17,953	8,509	18.5%
Total Liabilities	16,801	18,744	14,900	17,953	8,509	
Net Current Assets/(Liabilities)	7,707	4,470	16,050	30,550	32,160	-30.0%
Net Assets	23,719	26,213	45,143	34,282	37,987	-11.1%
Represented by:						
Restricted Funds	2,116	(5,691)	3,346	13,643	4,558	-17.5%
Unrestricted Funds	21,603	31,904	41,797	20,639	33,429	-10.3%
	<u>23,719</u>	<u>26,213</u>	<u>45,143</u>	<u>34,282</u>	<u>37,987</u>	-11.1%

Mentrol Lluest

Working Capital and Unrestricted Reserves



Although the ESF project was a success in outcomes and for the beneficiaries it has been recognised that the ESF funded project and the sole reliance on this project has created problems for the organization which are being addressed.

Key Findings

Mentro Lluest has been hit very hard by the withdrawal of ESF funding. The accumulated reserves of its social enterprise have been largely spent supporting the retrenchment and restructuring of the parent organisation. Unlike Craft, Mentro Lluest is seeking to embrace social accounting as a way of improving corporate planning at a time of crisis.

Narberth and District Community & Sports Association

The Bloomfield House Community Centre is run by the Narberth and District Community and Sports Association. The centre is open seven days a week and hosts a large number of community groups who meet there, as well as providing a venue for adult education classes; exercise classes; sports such as karate, tennis, football and bowls; workshops and training events. There are about 2,000 user visits each week. The centre runs a 14 seat minibus which is also available for hire. More than half its income comes from its trading activities (such as room hire) and an eighth from contracts and service level agreements. It was the venue for the launch of the Wales Social Enterprise Strategy.

Apart from the 9 FTE staff employed directly by the centre the activities there support approximately 50 people in full or part time employment.

Brief History

Bloomfield House was originally a detached home built for local gentry in 1811. It was sold to Narberth District Council in 1953 and used for offices. Following the local government re-organisation in 1974 the building became the property of South Pembrokeshire District Council which had no use for it. By 1979 it had become semi-derelict and the District Council decided to sell.

Members of the local community campaigned against the decision and presented alternative plans to a public meeting. The Narberth Action Group was formed which conducted research into the demand for community and recreational facilities with the help of the National Federation of Community Organisations (NFCO). Having established that there was demand for a community facility in Narberth proposals were worked up which were presented to the District Council, the Town Council and other local organisations. An agreement was reached that the District Council would sell Bloomfield to the Town Council for £8,000, which was beneath the price estimated by the District Valuer, on the understanding that the Town Council would then lease the building to a community association that would convert the building into a community association. The arrangement was endorsed by the Secretary of State for Wales, who needed to approve the discount given by South Pembrokeshire District Council.

The Narberth and District Community Association was formed using a model constitution provided by the NFCO which allowed the Association to register as a charity and access grants. The lease and trust deed were registered on 4th August 1980 and the registration with the Charity Commission was completed on 19th November 1981.

Narberth and District Community & Sports Association

Since then the facilities have been continuously expanded and upgraded. The Association merged with the Narberth Sports Association in 1985 and in the following year the South Pembrokeshire District Council agreed to make adjoining land available for sports usage. A day centre for older people was opened in 1987 in partnership with Dyfed County Council. This has subsequently been extended and refurbished. The Association established the first parents and toddlers group in Pembrokeshire during the 1980's. It also established the first after school club in Pembrokeshire during the 1990's.

Information and Communication Technology arrived in 1992 when SIMTRA (Scheme for the Introduction of Modern Technology in Rural Areas) took two rooms. This started a tradition which continues to the present of offering ICT courses to local people under the umbrella of Learning Pembrokeshire Community IT (LPCIT).

An Air Hall was added in 1997 to cover the outdoor multi-purpose area. This is now more than half way through its designed life and is proving expensive to run because of the heating needed to prevent condensation on the floor, although it is very well used. The Association would like to replace it with an innovative and environmentally friendly building.

A two storey Resource Centre was built in 2005 to house a seminar room, kitchen and dining area, and a suit of offices and classrooms for LPCIT. A nursery was established in the rooms vacated by LPCIT and a new, more efficient, heating system was installed throughout the Community Centre. Since then a reception area has been created in the foyer which is now much more welcoming to users and the car parking facilities have again been upgraded to cope with the continued expansion in the usage of the centre using a grant from DEIN.

Social Accounting and Quality Assurance

No decision to adopt Social Accounts has yet been made. Nevertheless great effort is made accurately to appraise community needs and to evaluate the projects and programmes that are put in place to meet those needs. For example two years ago a questionnaire was circulated to all local households and copies of the questionnaire have since been available in the foyer. Stakeholder consultation is an ongoing process, and feedback is sought from hirers.

A number of activities such as the nursery are subject to quality assurance schemes with outside inspection regimes. The Association has also actively sought to enrol in voluntary quality assurance schemes. For example in 1996 the community centre was given a

Narberth and District Community & Sports Association

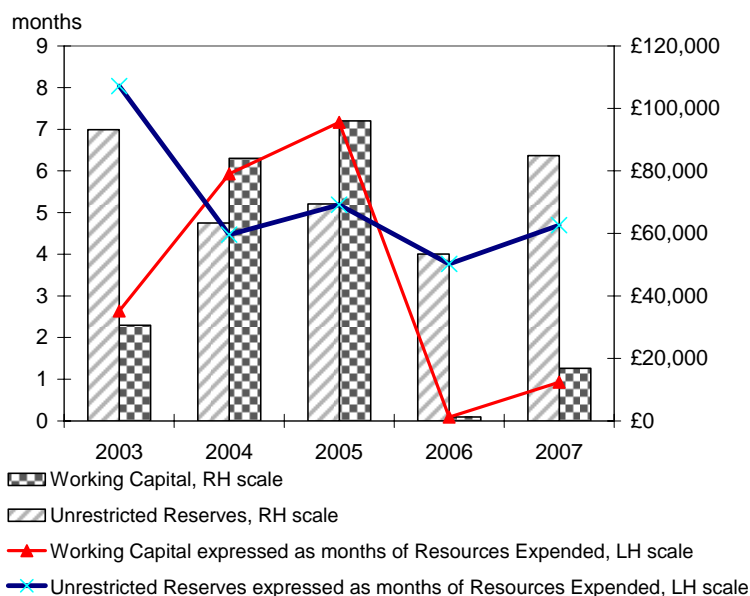
Quest-Quality Management Award by the Sports Council for Wales, becoming the first community centre in Wales to achieve this distinction. The centre has been recognised as an example of good practice for many years.

Growth

Between 2002-03 and 2006-07 incoming resources have grown at a compound annual rate of 16% a year and outgoing resources by 12% a year, resulting in a 38% annual growth in net assets. A surplus has been achieved every year and the balance sheet is relatively strong, although working capital was very low at the end of 2005-06, coinciding with the capital expenditure on the Resource Centre and heating upgrade. Loans have been used to extend the term of liabilities.

The Association has grown and prospered because of its close ties with the local community. It started by identifying unmet need, and it has continued in a similar way. Income generation is constrained by a shortage of core staff and a priority in the new corporate plan is to recruit a development officer.

Narberth & District Community & Sports Association
Working Capital and Unrestricted Reserves



Narberth and District Community & Sports Association

Year to 31st March:		2007	2006	2005	2004	2003	2003-2007
		£	£	£	£	£	CAGR
Incoming Resources							
Voluntary Income	U	7,222	6,437	6,485	8,545	1,416	
Investment Income	U	1,013	1,848	2,584	1,691	4,178	
	R		415	1,580			
Charitable Activities	U	227,355	170,187	145,295	123,004	100,008	
	R	33,988	72,558	294,083	91,282	43,866	
Other	U		(1,000)				
Total Incoming Resources	U	235,590	177,472	154,364	133,240	105,602	
	R	33,988	72,973	295,663	91,282	43,866	
		269,578	250,445	450,027	224,522	149,468	15.9%
Resources Expended							
Charitable activities	U	211,543	155,036	148,290	163,095	134,302	
	R	4,859	14,272	12,361	6,847	4,850	
Governance	U	518	504				
Total Resources Expended	U	212,061	155,540	148,290	163,095	134,302	12.1%
	R	4,859	14,272	12,361	6,847	4,850	
		216,920	169,812	160,651	169,942	139,152	11.7%
Surplus/(Deficit) of incoming over outgoing resources	U	23,529	21,932	6,074	(29,855)	(28,700)	
	R	29,129	58,701	283,302	84,435	39,016	
		52,658	80,633	289,376	54,580	10,316	
Other recognised gains/(losses)	U	8,000	2,000				
		60,658	82,633	289,376	54,580	10,316	
Balance Sheet							
As at 31st March		2007	2006	2005	2004	2003	2003-2007
		£	£	£	£	£	CAGR
Assets							
Current Assets							
Stock		469	934	2,067	2,444	2,514	
Debtors		24,789	19,052	30,309	15,581	16,204	
Cash		61,008	41,491	116,956	107,183	144,546	
		86,266	61,477	149,332	125,208	163,264	-14.7%
Fixed Assets							
Tangible assets		640,901	604,442	417,935	141,188	142,599	45.6%
Total Assets		727,167	665,919	567,267	266,396	305,863	24.2%

Narberth and District Community & Sports Association

Liabilities						
Current Liabilities						
Creditors	66,637	57,380	53,361	41,225	132,676	
Current portion of loan	2,823	2,823				
	<u>69,460</u>	<u>60,203</u>	<u>53,361</u>	<u>41,225</u>	<u>132,676</u>	-14.9%
Long-term Liabilities						
Loan	9,510	12,177				
Lease				641	3,237	
DB Pension scheme	31,000	37,000				
	<u>40,510</u>	<u>49,177</u>	<u>0</u>	<u>641</u>	<u>3,237</u>	88.1%
Total Liabilities	109,970	109,380	53,361	41,866	135,913	-5.2%
Net Current Assets/(Liabilities)	16,806	1,274	95,971	83,983	30,588	-13.9%
Net Assets	617,197	556,539	513,906	224,530	169,950	38.0%
Represented by						
Restricted Funds	532,309	503,180	444,479	161,177	76,742	62.3%
Unrestricted Funds	<u>84,888</u>	<u>53,359</u>	<u>69,427</u>	<u>63,353</u>	<u>93,208</u>	<u>-2.3%</u>
	<u>617,197</u>	<u>556,539</u>	<u>513,906</u>	<u>224,530</u>	<u>169,950</u>	

Key Findings

The Bloomfield Centre has been innovative, for example by promoting ICT in rural areas and piloting activities like mother and toddler groups and after school clubs. It has achieved good asset growth by carefully selected investment to meet identified community needs. Growth is constrained by a shortage of staff and by a tight working capital position. The former certainly is being addressed by the new business plan.

Pembroke 21C Community Association

The mission of Pembroke 21C Community Association is to:

“Work closely with all sectors of the community to achieve sustainable development and community regeneration in Pembroke.”

The association has several sub-groups⁹ that focus upon implementing key projects identified by the community. A number of these generate trading income, including the annual Pembroke Festival and the twice monthly Pembroke Farmers Market. The association also receives letting income from the Community Centre it runs. Nevertheless Pembroke 21C is acutely aware of its grant dependency and so a social enterprise was established in 2007. Its mission is to ensure the financial sustainability of the charity by generating for it a sufficiently large stream of unrestricted income.

Membership of the CIC is contingent upon membership of the Association, which is open to all individuals who live and/or work in Pembroke as well as to local groups that wish to affiliate. The assets of the CIC are locked to the charity. The CIC began by launching a community cycle scheme, followed by a successful bid to install a car park required by a community woodland project in Holyland Wood being undertaken by the charity in partnership with Cydcoed. It is currently working up a coppicing project based on the experience 21C has gained from Holyland Wood and its work to upgrade the adjacent Local Nature Reserve.

Communication with the community is maintained through the quarterly publication of a Newsletter delivered to all households and a website. Public meetings are held on particular topics and there are quarterly meetings for members. Presentations and discussions are regularly conducted with other key stakeholders such as the Town Council.

Brief History

A community action plan was piloted by SPARK (now called PLANED) in 2000 which led to the establishment of a community association the following year. In 2003 PLANED secured funding on behalf of the association for it to employ a development officer to put the plan into action. Former school premises at the Eastgate were secured on a short lease from the County Council and the association opted to become incorporated as a company limited by guarantee and to register with the charity commission.

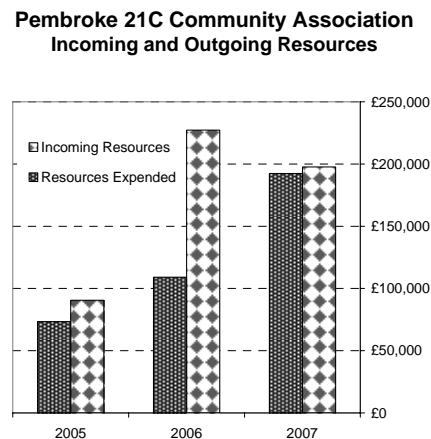
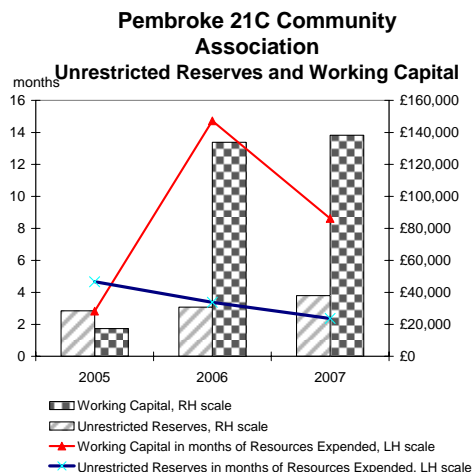
⁹ Environment & Heritage; Farmers' Market; Museum; Pembroke Festival; Pembroke Mill Ponds; Sustainable Energy.

Pembroke 21C Community Association

In 2005 the County Council decided to close and sell Foundry House which had been in community use for many years. Having consulted with the user groups of both the Eastgate Centre and Foundry House and with the wider community the association mounted a campaign to retain Foundry House for use by the community and purchased it early in 2007 with the help of Communities Facilities and Activities Programme (CFAP) funding as well as money raised from the individuals and businesses in the community. The association moved to Foundry House several months before completion (because of delays by the County Council in establishing their own title to the property) and it has embarked upon a major project to refit and upgrade the building which has low thermal efficiency, roofs with limited future life and a poor pattern of internal circulation. Architects have been appointed and planning permission secured.

Accounts and Social Accounting

Over the period 2005 to 2007 incoming resources grew at a compound annual rate of 48% and resources expended by 62%. Net Assets increased by 183% a year. Working Capital is currently very comfortable but it is projected to decline hand in hand with the delivery of existing projects. Unrestricted reserves over the period grew by just 16% a year, and so are declining relative to expenditure. They stood at just over two months of outgoing resources at the end of August 2007.



Employment by the association is growing although continued use is being made of contract labour to limit ongoing salary commitments and to maintain flexibility.

The association is considering social accounting. Nevertheless its current priorities are to:

Pembroke 21C Community Association

1. change the financial year to end on December 31st,
2. upgrade its internal systems to provide better management information and to cope with the growing complexity of its projects and programmes,
3. create the evidence base for proper full cost recovery, and;
4. introduce a robust environmental management system.

Stakeholder mapping has been introduced as part of the annually reviewed fundraising strategy, and it is likely that the association will conduct a major stakeholder consultation to coincide with the tenth anniversary of the community action plan. If time permits the Trustees may consider a statement of values to stand alongside the agreed mission statement.

Pembroke 21C Community Association

Year to 31 st August		2007	2006	2005	2005-2007
		£	£	£	CAGR
Incoming Resources					
Statutory grants & contracts	R	140,621	133,570	32,960	107%
Donations, legacies & similar incoming resources	U	2,829	106	4,050	-16%
Other activity to further the charity's objects	R	8,731	40,034	6,080	20%
Activities for generating funds	U	10,942	2,485	1,865	
Investment income & Other income	R	30,082	42,660	16,621	35%
	U	4,517	1,188	145	458%
	U		1,263	28,916	
	U	<u>18,288</u>	<u>5,042</u>	<u>34,976</u>	-28%
Total Incoming Resources	R	<u>179,434</u>	<u>222,226</u>	<u>55,661</u>	80%
		<u>197,722</u>	<u>227,268</u>	<u>90,637</u>	48%
Resources Expended					
Direct charitable expenditure	R	157,203	42,557	45,060	87%
Cost of generating funds	R	4,214	40,406	5,904	-16%
Activities in furtherance of the charity's objects	U		2,500	5,678	
Support costs	R	2,016	11,032	10,417	
Management & administration of the charity	U	10,967	282		
	R	71	8,868		
	U	42			
	R	<u>17,909</u>	<u>3,447</u>	<u>6,295</u>	69%
	U	<u>11,009</u>	<u>2,782</u>	<u>5,678</u>	39%
Total Resources Expended	R	<u>181,413</u>	<u>106,310</u>	<u>67,676</u>	64%
		<u>192,422</u>	<u>109,092</u>	<u>73,354</u>	62%

Pembroke 21C Community Association

Balance Sheet

As at 31 st August	2007	2006	2005	
	£	£	£	
Assets				
Current				
Cash	139,656	143,651	18,182	
Fixed				
Tangible	145,638	1,598		
Total Assets	285,294	145,249	18,182	296%
Liabilities				
Current				
Creditors	1,459	9,791	900	
Long term				
Deferred Income	143,077			
Total Liabilities	144,536	9,791	900	1167%
Net Current Assets/(Liabilities)	138,197	133,860	17,282	183%
Net Assets	140,758	135,458	17,282	185%
Reresented by				
Restricted Funds	102,730	104,709	(11,207)	
Unrestricted Funds	<u>38,028</u>	<u>30,749</u>	<u>28,489</u>	16%
	140,758	135,458	17,282	

Key Findings

The rapid growth of the Community Association has been facilitated by WDA/DEIN toolkit funding which is unlikely to be extended beyond September 2008. For this reason a CIC has been established to provide an unrestricted voluntary income for the charity. The Association aims to go beyond the traditional focus upon regeneration based upon the provision of community facilities and improvements to the built environment by linking it with sustainable economic development. It has made use of short term contracts to build community capacity and limit exposure to fixed wage costs.

Pembrokeshire FRAME Limited

Pembrokeshire FRAME is a Social Firm ultimately controlled by those who volunteer to work there. They are proud that it is the first and so far only fully accredited Social Firm in Wales. The core activity of the enterprise is to collect unwanted furniture for the purpose of re-using it by selling it to the general public and by offering discounts of up to 100% to those experiencing social exclusion. FRAME offers meaningful activity and training for people with learning difficulties, mental health problems or who lack the confidence and skills to compete in the labour market.

The firm offers membership to its volunteers and has a representative structure that can call an extraordinary general meeting with the power to sack the Directors. This procedure has been used and ensures that the enterprise remains focussed upon achieving the outcomes desired by those who volunteer to work there. FRAME have recently succeeded in winning a competitive tender for the collection and disposal of bulky household waste over a three year period, having previously pioneered the approach in partnership with Pembrokeshire County Council,

In the year to March 2007 FRAME collected 970 tonnes of material of which over 500 tonnes was recycled. The organisation provided over £340,000 worth of unfunded day care provision and work experience or training to 147 people. Twenty four people found paid employment in the labour market with continuing support provided by FRAME and the organisation itself employed 9 individuals with a disability or disadvantage in the workplace. Of the 3,141 transactions with customers, 999 were subject to a discount for social reasons (and 53 of these received a full 100% discount).

Brief History

Origins and early development:

The genesis of FRAME pre-dates the inception of the current registered charity (2002) and the Company Limited by Guarantee (2000). The ethos of the organisation can be traced back to this period. The undertaking started in the early 1990's as an activity undertaken by a day centre for people with learning difficulties. The centre had been established as part of the movement towards care in the community and it was supervised by Jenny Simms (the current Chief Executive of FRAME) who ensured that those attending should determine the activities that were undertaken. This approach contrasted to the risk

Pembrokeshire FRAME Limited

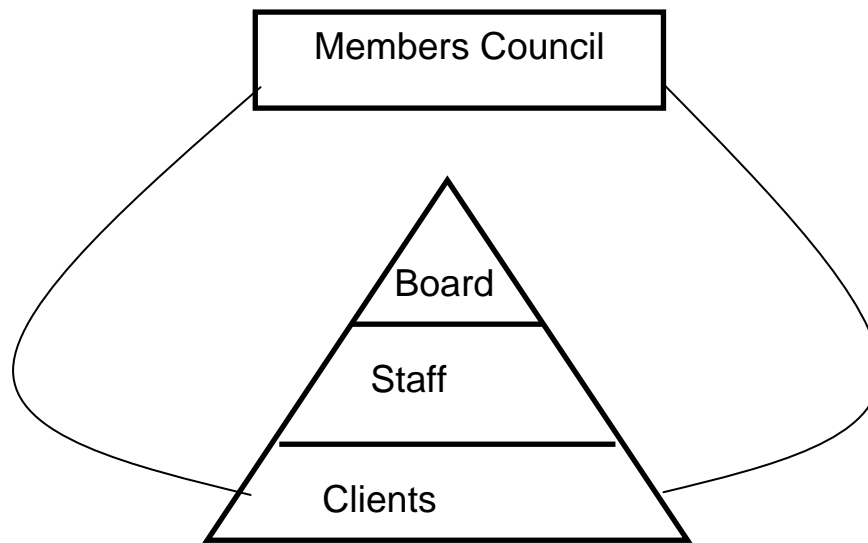
averse regime the clients had previously experienced in which they were not even allowed to prepare their own food.

Jenny admits that she was starting to become bored before the furniture recycling idea struck. The centre was largely running itself and she trusted the competence of the users' committee to arrange a varied programme of social events. Then they were given some good quality bedroom furniture which they could not use and shortly afterwards Pembrokeshire Care Society, which helps the homeless, told Jenny of the difficulties they were having in sourcing second hand furniture for their clients. She immediately saw the potential and suggested to the people using the day centre that they collect unwanted furniture that could be sold or if appropriate given to those who could not afford new items. In September 1993 they put an advertisement in the Western Telegraph and arranged for the use a double garage at a residential home to store the donations. Initially they even used a van owned by one of the people attending the day centre.

The first constitution for FRAME was approved in April 1994 and the organisation registered with the Charity Commission. From the outset it aimed for sustainability. It was independent of the local authority but it received material support from the Social Services department, who still employed Jenny. Her work was done on a voluntary basis although a grant was obtained for three years to fund a co-ordinator which did ease some of the burden on her. By 1999 the Trustees had come to the conclusion that they needed to incorporate to reduce their personal liability. Three Trustees volunteered to become Directors of the new Company Limited by Guarantee on condition that Jenny resign her job to become the paid chief executive.

All did not go smoothly. The new Directors sought to water down the governance structure that was in place. Eventually the members convened an extraordinary general meeting and replaced the Directors. The structure survived. Each area of FRAME elects one or two representatives who are members of the company to the Members Council which meets monthly.

Pembrokeshire FRAME Limited



Like the original day centre FRAME continues to organise social events for its volunteers.

Current Activities

FRAME has 24 staff and 150 clients. The clients receive a payment of between £3.00 and £4.50 per day to cover out of pocket expenses plus a modest travel allowance of 25p per mile or reimbursement of bus fares incurred. The organisation has a standard letter to send to the DWP when these arrangements are queried by benefit staff and the management admits that they had many fewer inquiries when the DWP office was based in Haverfordwest.

Furniture re-use and recycling remains the core activity although a horticultural project (Blue Sky) and a work placement project (Key Steps) have been added recently. The main site is at Johnston where a collection of Nissan hut like structures and portacabins extend along both sides of an access road on a small industrial estate. The structures are in varying states of decorative repair but none of them could be described as luxurious. It is impossible to segregate the vans used for collection and delivery from the vehicles used by customers, staff and volunteers. It is not even possible to arrange the flow of material through the various workshops in a continuous manner. There is a recognised need for new facilities and a plan had been produced to establish an environmentally friendly purpose built building nearby as part of a local authority sponsored scheme but local opposition scuppered the project.

A retail shop in Haverfordwest used for several years has been closed because changes in parking regulations substantially reduced the

Pembrokeshire FRAME Limited

footfall at the premises. The customers who would have gone to Haverfordwest now need to go to Johnston. The shop in Pembroke Dock remains to serve customers living south of the Cleddau.

FRAME has withdrawn from recycling electrical goods because of the attitude adopted by local trading standard officers who have effectively insisted that items be tested to destruction. Whilst this approach makes sense for batch sampling by manufacturers it makes no sense as an approach to PAT testing heterogeneous electrical items.

Quality standards and social accounting

FRAME has always sought to achieve the highest professional standards, so it has adopted a number of quality assurance schemes and has become the first voluntary organisation in Pembrokeshire to produce a set of social accounts. In part this reflects the close partnership working which FRAME undertakes with the public sector where it has been useful in establishing trust and allowing FRAME to chart an independent course.

The first quality mark achieved, perhaps understandably, was the disability tick. This was followed by *Green Dragon*, where FRAME remains at level 2 because of the unmet need of moving to better premises, and *Investors in People* where FRAME will undergo re-certification in 2008.

Nevertheless despite this background and the creation of a sophisticated ICT system to provide management information, FRAME still estimate that the adoption of social accounts cost them £8,000 in the first year. Having made this investment the cost will fall in subsequent years, but it does illustrate the height of the barrier facing voluntary organisations who may wish to adopt social accounting. It makes substantial claims upon pre-existing capacity and requires a significant commitment of new resources.

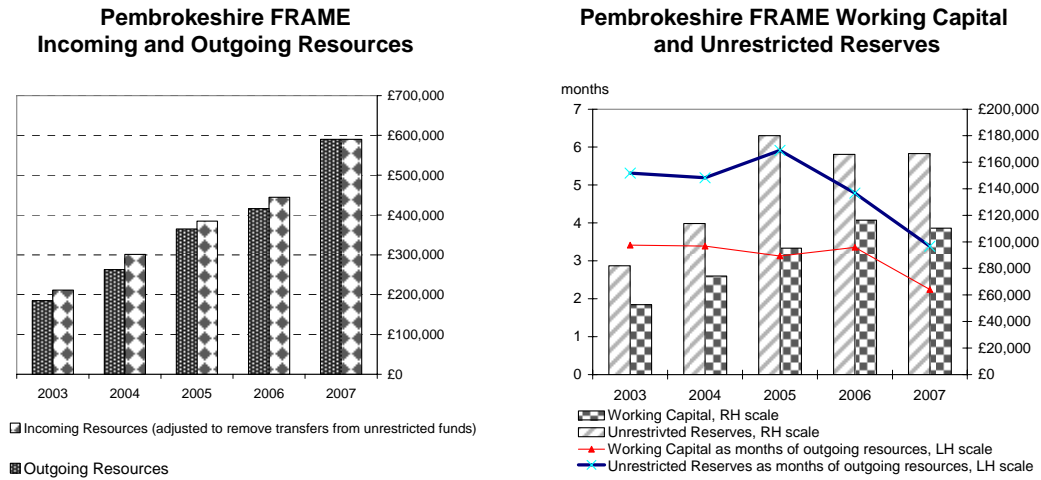
FRAME has now completed two cycles of Social Accounts. The mission statement has not been altered, but the Memorandum and Articles of Association have been amended better to reflect it. There have been some minor textual alterations to the value statement and the objectives have been shortened and somewhat recast to improve their testability against evidence.

Growth and Balance Sheet Strength

Pembrokeshire FRAME has been growing rapidly and has maintained a sound balance sheet. Between 2002-03 and 2006-07 incoming resources have grown at a compound annual rate of 29.2%,

Pembrokeshire FRAME Limited

underpinned by a growth in contract and SLA income of 110.7% a year. Resources expended have grown by 33.6% a year and net assets have accumulated at a rate of 19.5% a year.



The growth in income and expenditure has underwritten a doubling of total funds between 2003 and 2006. Working capital has more than kept pace with this and has exceeded the equivalent of three months expenditure for the last three years.

In the year to March 2007 there was an unexpected shortfall in the domestic bulk waste collection contract let by Pembrokeshire County Council resulting from the imposition of a charging regime for bulk collections (set at £10 per collection) that cut demand substantially beneath the level envisaged in the contract (from 10,500 collections to 6,000). It is not known whether there has been an increase in fly tipping associated with this change in policy. FRAME has negotiated a compensation payment which is payable in this financial year.

The table below shows that 65% of Incoming resources in 2005-06 were provided by trading income or contracts (adjusting for the transfer from unrestricted funds). Before the successful bid for the three year household bulk collection contract the arrangement with Pembrokeshire County Council had been provisional and experimental. FRAME admits that this arrangement was probably more generous to them than necessary, but this generosity had been used to cross subsidise provision for those with mental health problems which falls far short of full cost recovery.

Pembrokeshire FRAME Limited

		Pembrokeshire FRAME Ltd					
Year ending 31st march:		2007	2006	2005	2004	2003	2003-2007
		£	£	£	£	£	CAGR
Incoming Resources							
Voluntary Income							
Donations	U	7,317	2,326				
Activities for generating funds							
Shop & training	U	177,563	167,772	136,024	137,905	133,524	7.4%
	R			3,732			
Investment income	U	1,697	1,846	1,467	427	498	35.9%
Charitable activities							
Grants	R	200,277	62,911	50,110	38,662	67,345	31.3%
	U			5,966	18,700		
Transfer from unrestricted funds to meet project revenue shortfall	R	37,149	59,678				
Contracts and SLA's	U	203,470	181,005	187,403	105,537	10,327	110.7%
Other							
VAT claim	U		28,975				
	U	390,047	381,924	330,860	262,569	144,349	28.2%
Total	R	<u>237,426</u>	<u>122,589</u>	<u>53,842</u>	<u>38,662</u>	<u>67,345</u>	37.0%
		627,473	504,513	384,702	301,231	211,694	31.2%
<i>Adjusted to remove transfer from unrestricted funds</i>		590,324	444,835	384,702	301,231	211,694	29.2%
Resources Expended							
Fundraising trading							
Cost of goods sold & other costs	U	159,609	90,826	139,287	149,743	116,280	8.2%
	R	237,426	121,536	101,521	32,927		
Charitable activities	U	152,968	174,816	120,717	80,459	68,733	
Governance	U	40,295	28,772	3,500			
	U	352,872	294,414	263,504	230,202		
Total	R	<u>237,426</u>	<u>121,536</u>	<u>101,521</u>	<u>32,927</u>		
		590,298	415,950	365,025	263,129	185,013	33.6%
Balance sheet							
As at 31st March:							
		2007	2006	2005	2004	2003	2003-2007
		£	£	£	£	£	CAGR
Current Assets							
Debtors		42,831	33,175	31,032		8,390	50.3%
Cash		101,361	113,699	91,264	82,237	51,431	18.5%
		<u>144,192</u>	<u>146,874</u>	<u>122,296</u>	<u>82,237</u>	<u>59,821</u>	24.6%
Fixed Assets							
Tangible fixed		68,673	57,864	45,057	46,261	30,310	22.7%
Total Assets		212,865	204,738	167,353	128,498	90,131	24.0%
Current Liabilities							
Creditors		33,853	30,515	27,082	7,903	7,177	47.4%
Long Term Liabilities							
		9,830	5,067				
Total Liabilities		43,683	35,582	27,082	7,903	7,177	57.1%
Net Current Assets/(Liabilities)		110,339	116,359	95,214	74,334	52,644	20.3%
Net Assets		169,182	169,156	140,271	120,595	82,954	19.5%
Represented by:							
Unrestricted Funds		166,531	165,898	179,952	113,865	81,959	19.4%
Restricted Funds		2,651	3,258	(39,681)	6,730	995	27.8%
		<u>169,182</u>	<u>169,156</u>	<u>140,271</u>	<u>120,595</u>	<u>82,954</u>	

Future Projects

FRAME is in an advanced stage of perfecting a system to measure soft outcomes. The system takes data collected by the management information system covering each individual's progress through 50 measures (described as critical success factors) that inform their personal development plans. This information is condensed into about five dimensions related to the basic competences required by employers that can be represented graphically in a spider diagramme. Progress can be observed by comparing the shape of the figure described by diagrammes produced at different dates, or measured using Euclidian distances.

FRAME has built a strong partnership with Pembrokeshire Mind which makes use of the output from the Blue Sky horticultural project in their healthy eating scheme. They are now jointly developing a Convergence Funding bid.

Key Findings

Pembrokeshire FRAME is well run and growing strongly. It is not constrained by balance sheet weakness, although liquidity has deteriorated. Its development has been constrained by local opposition to plans that would have enabled it to move to a new, environmentally sound building. It has also been forced to abandon selling refurbished electrical goods because of the stance adopted by local trading standards (unlike Craft which has no such difficulty). Nevertheless it is developing new services and new ways to measure soft outcomes. Its key partners include Pembrokeshire County Council and Pembrokeshire Mind.

PMR Ltd., The Machinery Ring

PMR is a social enterprise which provides a brokerage function¹⁰ for farmers and land owners wishing to both rent out and rent in capital equipment. The co-operative has also developed a number of business lines where it operates as a principal rather than an agent and these were consolidated into a subsidiary, PMR Direct, in 2007-08. PMR also collaborates with a social enterprise dedicated to the production and sale of energy crops. There are no structural links between the organisations but two directors of PBE (Pembrokeshire Bio Energy) are active members of PMR. PBE has administration services delivered by PMR from its office.

The Machinery Ring business model

The concept was originally developed in Germany in the aftermath of the Second World War. Members share expensive capital equipment and other agricultural and rural resources, by the use of a central database and invoicing system, maintained and administered by the Machinery Ring staff. There are two machinery rings operating wholly within Wales, roughly dividing Wales on a north-south basis. Ceredigion is divided between the two Rings.

Members of PMR are required to purchase a share costing £10 and pay an annual subscription of £100. Discounts are available to reflect high volumes of usage or the introduction of new members. About half of all members are located within Pembrokeshire with the remaining members located evenly in numbers between Carmarthenshire and the remaining area covered by PMR, including South East Wales. Here the number of lenders/borrowers is still too small for this area to be economically self sufficient. PMR received funding from the Assembly for three years to promote and develop the concept of machinery rings, throughout south Wales. This has now ended and PMR is adjusting to its new, more commercial circumstances.

Diversification and Collaboration

PMR Direct is a company limited by Guarantee that offers training, recruitment of workers (it is a registered gangmaster), administration (including payroll and bookkeeping), fulfilment of maintenance contracts (for example it has a number of SLAs with Pembrokeshire County

¹⁰ The role of social enterprises as brokers has previously been examined by Ms Penny Byrne, Professor Dave Adamson and Dr Richard Bromiley in *Towards a 'New Mixed Economy: An exploration of the relationship between social enterprise and private sector SMEs in Wales*, a New Ideas Fund Report, December 2006

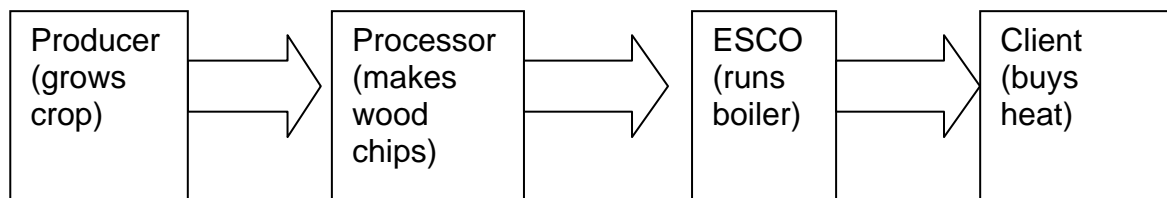
PMR Ltd, The Machinery Ring

Council), provision of specialist equipment (for example its “dial a chopper” service), logistics and project management.

PMR Direct has been developing a costing model for machinery use based upon its impact on the NPV of cash flows rather than the traditional metric of cost per acre, and is looking for opportunities to supply this on a contractual basis.

The training department was very active during 2007 because of the introduction of written assessments for persons who transport livestock. They were inundated with demand. Their main competitor was Gelli Aur Farming College in Carmarthenshire. This is unlikely to be sustained since once the stock of people requiring the certification has been addressed the annual demand will slow down to the rate of inflow into that particular activity. However it is likely that further health and safety requirements will provide fresh demand for broadly similar training. In the meantime, the training department will revert back to the delivery of wider and more general range of courses as previously delivered.

PBE was established to encourage the production and sale of energy crops for biomass. One of the catalysts for this was the Bluestone project¹¹ which will establish a regular demand for bio-energy. PBE is run on a co-operative basis, some members are also members of PMR and some are not. Essentially PBE is co-ordinating the growing of Miscanthus with the aim of providing the suppliers with a degree of control over the supply chain.



Barriers to sustainability

PMR perceives there to be three main barriers they need to overcome. The first is to persuade farmers to join. This is a core marketing issue and the strategy being used is to promote training courses and then try to sell membership after take up of the training services. The second is to build critical mass in areas like the Vale of Glamorgan and Monmouthshire. This is very much a tipping point issue, so the strategy to overcome this has been to try to develop hubs with sufficient critical mass to work within smaller areas inside these two counties. The third is to overcome the mindset that was built up during the period of Assembly grant funding and to make everybody within the organisation

¹¹ Bluestone is a Centreparks type development being constructed by McAlpine on land near Canaston Bridge in an important historic landscape, part of which resides within the Pembrokeshire Coast National Park

PMR Ltd, The Machinery Ring

become aware of the new commercial business model, rather than requiring them to 'promote and develop' the concept of the Ring as in the past, and the need to sell specific services and products rather than selling an idea as in the past.

Accounts and Social Accounting

PMR has not considered producing social accounts and sees little likelihood of supporting such a development in the future.

As PMR operates a brokerage the agency turnover is high because it measures the consideration of all the transactions between members, upon which a small commission is charged. So in 2006-07 £29,669 was charged on £2,313,461 worth of business. It will be seen that grants then accounted for about 40% of total operating income, but these grants have now ceased.

PMR Ltd - The Machinery Ring

Summary of Financial Accounts

Profit and Loss Account

Year to 31 January	2007 £	2006 £	change %
Agency turnover	<u>2,313,461</u>	<u>1,971,913</u>	17%
Trading income	201,552	118,290	
Direct costs	<u>65,604</u>	<u>14,672</u>	
Trading surplus/(deficit)	135,948	103,618	31%
Overheads	<u>208,494</u>	<u>213,963</u>	-3%
Net surplus/(deficit) before grant funding	<u>(72,546)</u>	<u>(110,345)</u>	-34%
Grant funding to extend geographical reach	139,992	139,992	0%
Net surplus/(deficit)	<u>67,446</u>	<u>29,647</u>	127%

Balance Sheet

At 31 January	2007 £	2006 £
Net assets	<u>186,689</u>	<u>118,513</u>

Key Findings

PMR, like Craft, is seeking to cope with the after effects of having received grants and the corporate culture that this encourages by emphasising to employees the need to work commercially. The discontinuation of the grant to spread operations more widely across

Wales has presented PMR with a dilemma; should it cut the operations that have failed to reach critical mass, thereby blighting any chance of establishing a similar scheme probably for a generation, or continue to subsidise a non-commercial operation? The development of a cash flow based model to evaluate the effectiveness of hired agricultural machinery is innovative and it provides an interesting example of a social enterprise offering a brokerage function to the private sector. It is well positioned to benefit from anticipated growth in the environmental goods and services sector.

Symud Ymlaen and Alpha Business Works CIC

Symud Ymlaen is a Community Regeneration organisation based in Drefach Felindre, a village in Carmarthenshire. The Community Office is on the ground floor of a building adjacent to the Red Lion Pub. A key element of the philosophy underlying the organisation is that community regeneration cannot be dissociated from sustainable development.

Almost all of Symud Ymlaen's income is derived from grants. In order to escape from this grant dependency it was decided to establish a social enterprise, Alpha Business Works CIC. The original concept was to take more space in the building housing the Community Office to provide "a sustainable, income generating, community hub engaged in developing and managing social enterprises, offering long term employment and opportunities for the community."

Brief History

Symud Ymlaen arose out of a community development action plan that resulted from a "Planning for Real Consultation" exercise in 2001. The group was incorporated as a Company Limited by Guarantee on Christmas Eve 2003 and after amending its Memorandum and Articles of Association in April 2005 became registered by the Charity Commission the following June.

One of its first projects was to establish a community newsletter which is published six times a year. From the Community Office existing community groups have been nurtured and new ones formed, such as a history society and a drama group.

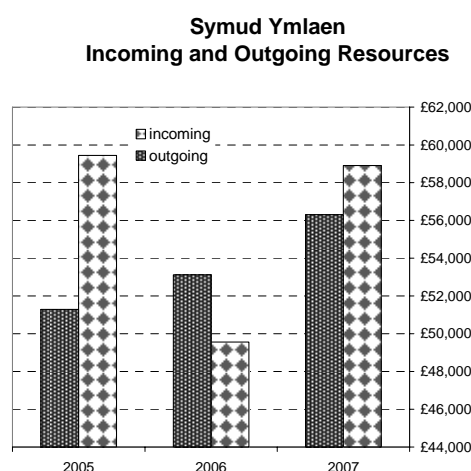
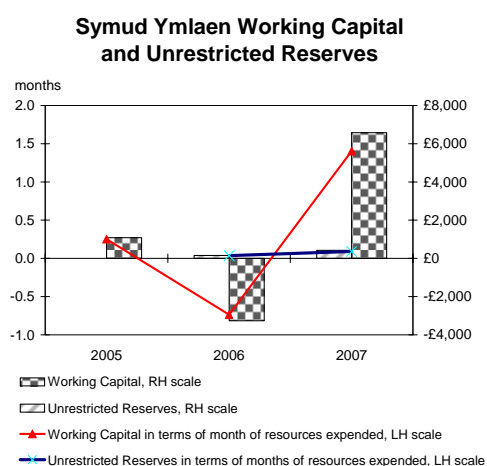
Building capacity

Symud Ymlaen has augmented its two paid members of staff with a growing body of local people who have worked on particular projects on short term contracts. The model has been based on that used by Consultancy Firms who retain a group of associates which are employed as and when their particular talents are required. It is likely that one member of staff will be transferred to Alpha Business Works in due course.

Growth

Resources expended have grown by just under 5% a year between 2004-05 and 2006-07, but incoming resources have slightly declined and net assets have contracted by a slightly more than 4% a year. Working Capital is very tight and unrestricted reserves are low.

Symud Ymlaen and Alpha Business Works CIC



Symud Ymlean

Year ending 31st March	2007	2006	2005	2005-2007
	£	£	£	CAGR
Incoming Resources				
Voluntary Income	R 54,215	45,256	59,396	
Activities for generating funds	U 4,685	4,292		
Investment Income	U 7	13	52	
	U 4,692	4,305	52	
Total Incoming Resources	R 54,215	45,256	59,396	
	<u>58,907</u>	<u>49,561</u>	<u>59,448</u>	-0.5%
Resources Expended				
Costs of generating voluntary income	R 51,878	53,122	51,287	
	U 4,425			
Total Resources Expended	<u>56,303</u>	<u>53,122</u>	<u>51,287</u>	4.8%
Surplus/(Deficit) of incoming over outgoing resources	2,604	(3,561)	8,161	

Symud Ymlaen and Alpha Business Works CIC

Balance Sheet

As at 31st March:	2007	2006	2005	2005-2007
	£	£	£	CAGR
Assets				
Current assets				
Debtors	895	42	512	
Cash	14,709	100	3,974	
	<u>15,604</u>	<u>142</u>	<u>4,486</u>	86.5%
Fixed assets				
Tangible	10,765	11,009	10,226	2.6%
Total Assets	26,369	11,151	14,712	33.9%
Liabilities				
Current liabilities				
Creditors	9,023	3,409	3,409	62.7%
Long term liabilities				
Loan	7,000			
Total Liabilities	16,023	3,409	3,409	116.8%
Net Current Assets/(Liabilities)	6,581	(3,267)	1,077	147.2%
Net Assets	10,346	7,742	11,303	-4.3%
Represented by				
Restricted funds	9,928	7,591		
Unrestricted funds	418	151		
	<u>10,346</u>	<u>7,742</u>	<u>11,303</u>	

Alpha Business Works CIC

The CIC was incorporated on 1st August 2007 and was immediately presented with the opportunity to take over the running of four after school clubs. Each had difficulties and all had been stranded by the sudden withdrawal of support services by another organisation. The registrations with the Care and Social Services Inspectorate Wales were put in place as soon as possible and the four clubs were ready to go at the start of the new Academic year. A process which normally takes twelve weeks was achieved in three!

The margins on this business are thin, so there is a focus upon achieving efficiency gains. Systems have been standardised and working practices, such as the introduction of local banking of receipts, are being changed. There is scope to add further after school clubs, and this will spread fixed costs over a greater revenue stream. Other

Symud Ymlaen and Alpha Business Works CIC

opportunities being explored include training courses, Saturday Schools, specialist horticultural and permacultural projects for children with special educational needs, summer play schemes and clubs in Ceredigion.

In addition to these child orientated developments Alpha Business Works is also providing support to local SME's by providing a range of services including typing, pay roll, VAT registration and company house returns. These services, particular the higher value assed professional services, are not usually available outside market towns or even larger urban centres. As Alpha builds a portfolio of social enterprises an option to be explored would be to transfer one of the persons employed by Symud Ymlaen to the company.

Key Findings

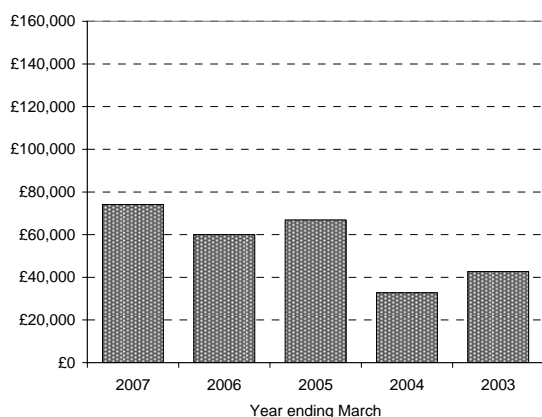
Symud Ymlaen seeks to link regeneration with sustainable development. This approach reflects links it maintains with Trinity College Carmarthen (see Trysordy CIC for more details of these). It has made extensive use of short term contracts to build community capacity and limit exposure to fixed labour costs. Alpha Business Works has been established as a CIC to provide a stream of unrestricted voluntary income to the charity.

Theatr Mwldan

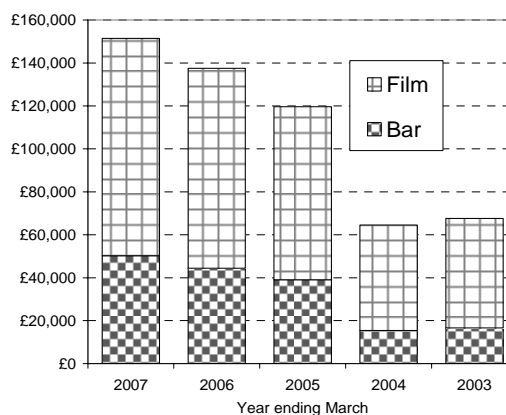
Theatr Mwldan has successfully developed a wide audience and a growing professional production company. The arts centre houses two large auditoria, a smaller studio with a sprung dance floor, and an art gallery. The community enterprise that runs the facility has also established the nucleus of a creative arts cluster in Cardigan and is recognised as a strategic partner by the Arts Council of Wales. However to begin with the project received no support from arts funders. Its origins in the 1970's lie in the amateur Cardigan Theatre Group and its first backers were the Manpower Services Commission and the Development Board for Rural Wales. Both organisations saw the project as a way of addressing long-term unemployment and stimulation community regeneration.

In addition to ticket sales from live performances the business model has relied heavily upon cross-subsidising this activity with profits from cinema screenings and the bar.

Direct cost of live events



Gross Profit from Bar and Film



This strategy has proved very successful, although efforts to run a café in a similar vein have not so far met with success. Theatr Mwldan describes this approach as community enterprise, and they rely upon a core funding grant from the Arts Council of Wales to maintain the current balance between live performance and the cinema. In addition they have established Theatr Mwldan Media Developments Ltd as a social enterprise to generate a creative arts cluster and eventually to provide profits to support the arts centre. Ten years ago there were 8 people employed in the arts, today there are nearly 50. The Small World Theatre adjacent to Theatr Mwldan has not yet been finished and the production company is still growing. So the development of the cluster is not yet complete.

Theatr Mwldan

Excluding capital grants, which seriously distort the picture in FY 2002 - 2004, revenue grants as a percentage of total income have varied between 21% and 28% over the last five financial years. More than two-thirds of the ordinary revenue of the arts centre is thus derived from trading. The project is well established and has had to face the challenges of growing from a small amateur undertaking to a substantial professional endeavour.

Brief History

The genesis of the idea

The Cardigan Theatre Group is an amateur company that mounts a number of productions each year including a Christmas pantomime. In the early 1970's these productions were usually staged at the Guildhall, which was far from ideal. Around 1980 the company found premises at the Mission Hall, a small building in the middle of a car park run by the local authority. This building was too small, so the group worked up a plan to make it bigger. The proposal would have meant the loss of car parking spaces that were generating revenue, so the local authority was not very keen. Realising that the situation was probably intractable some members produced an alternative vision to develop an arts centre that would provide a home for the Cardigan Theatre Group and much else besides. Three potential sites were identified, including an abattoir that was scheduled to close. This was the building eventually purchased.

Overcoming opposition

The received wisdom in the town about the proposal was described by Anthony Stevens, who became the first paid member of staff on the project, as somewhere between sceptical and hostile. Many people involved were incomers and because much of the early fundraising involved musical events it was easy to dismiss them as simply a bunch of hippies. Arts funding bodies had no interest in the project but both the Manpower Services Commission and the Development Board for Rural Wales saw the potential to generate sustainable development and community regeneration in an area of high unemployment. The DBRW supplied a vital capital grant of about £78,000 out of a required outlay of £100,000 to convert the building, and the MSC provided grant aid to cover running costs. The initial building project was begun in September 1984 and was officially opened in April 1988 by Sir Geraint Evans.

Barriers to early development

The initial strategy involved establishing a film society to attract a wider audience and to invite professional companies to perform to build the

Theatr Mwldan

audience for live theatre. It is unusual to find amateur groups that are prepared to host professional productions. Amongst the members of the Cardigan Theatre Group there were a number of competing visions for the future. It required skill to negotiate a way forward around which people could unite. New projects were agreed. A dance group was launched and the association played a key role in the creation of *The Circuit*, an organisation that aims to help professional companies tour. *The Circuit* has evolved considerably over the years in response to the changing needs of members.

Mid life crisis

By the early 1990's a continuation of the *status quo* had ceased to be an option. Theatr Mwldan would either have to retrench to become an amateur only venue or expand to embrace fully professional performances. The stage was only 20 feet deep and 30 feet wide with no wings.

The scale of operations had outgrown the capacity of the Cardigan Theatre Group, a constituted but unincorporated body, to provide appropriate governance. It was decided to incorporate as a company limited by guarantee and register with the Charity Commission. The Memorandum and Articles of Association were registered on 30th March 1992 and Charity was registered on 21st July 1993.

Funding was received from the Rural Development Fund in 1995 to support an additional member of staff. This allowed research to begin into funding opportunities. A bid was worked up and submitted to the Lottery in 1997. This was ultimately unsuccessful but it was decided to work on a new bid in the light of the experience gained and the prospect of Objective 1 European Regional Development Fund money becoming available.

Initially the new bid aimed to provide an additional auditorium suitable for touring companies and a radical refurbishment of the existing facilities. Theatr Mwldan ensured that it would have a voice on the Ceredigion Partnership that would submit bids for the ERDF grants.

Theatr Mwldan was also planning ahead by acquiring land adjacent to their building to enable future expansion. It subsequently proved necessary to buy an additional plot to secure access, and this proved as expensive as the original purchase. Eventually all the land was ceded to Ceredigion County Council as part of a complex funding deal. The County Council has since adopted a new road that needed to be built.

The big project

Eventually a successful £7 million bid was put together. This has delivered a second auditorium with good facilities for touring theatrical

Theatr Mwldan

companies, an art gallery, a dance studio, substantial parking space and the media development facilities nearby. The capital disbursements took place over three years but revenue items continued until recently. The investment has transformed the facilities and substantially widened the scope of the undertaking. Audience growth has considerably outpaced that envisaged in the business plan, and although this has surprised some of the bakers of the scheme it has not surprised Theatr Mwldan, who now face the problem of needing to increase capacity again. They are now sold out for about 75% of all performances and could sell many more tickets if they had more space. This has given them pricing power but if they were to manage demand simply through price they would exclude groups they wish to attract for social reasons.

Structure of the bid

The Arts Council of Wales and ERDF Objective 1 each contributed £1.6 million. Theatr Mwldan put up £550,000 and the WDA £500,000 with the Wales Tourist Board contributing an additional £40,000 to finance the replacement of the Tourist Information Office that had formerly been housed in the converted abattoir. Both Theatr Mwldan and Ceredigion County Council pledged additional land and in return for vesting the property in the County Council it was agreed to give Theatr Mwldan a long lease at a peppercorn rent. An additional £1.7 million grant was drawn down from the Local Regeneration Fund, which was money provided by the Assembly but managed by Ceredigion County Council, to fund the provision of a Digital Media Centre which is now the home of Theatr Mwldan Media Developments Ltd. This required a further land purchase and building conversion. The specification of the Visual Arts Gallery was upgraded once the project was underway using additional funding from the Arts Council of Wales.

Problems encountered in delivering the project

Objective 1 funding was delayed for reasons totally beyond the control of Theatr Mwldan. This inflated costs which resulted in parts of the project having to be scaled back to stay within budget. Whilst the capital investment was completed by 2004, certain revenue items continued. Since Objective 1 holds back 5% of its grant until the project is completed this required Theatr Mwldan to fund a shortfall in funding for several years, which was reflected in a bank overdraft of £44,083 at the end of March 2007 versus a final Objective 1 grant payment receivable of £80,977.

On top of this adverse impact on cash flow it quickly became apparent that the new facilities required not just more staff but also staff with more skills. Theatr Mwldan therefore decided to pay efficiency wages in order to retain such people and to reduce expenditure upon recruitment and induction training.

Theatr Mwldan

The complexity of the funding arrangements and the differing requirements of individual funders in terms of objectives and reporting requirements imposed a significant administrative burden on the staff. Within the bid there was provision for a small project management fee for Theatr Mwldan, but this was eroded by delays and inflation. The subsequent financial position of Theatr Mwldan in terms of unrestricted reserves and necessary working capital would have been much better if these issues had adequately been recognised on a full cost recovery basis in the funding package provided. Theatr Mwldan could also have improved the situation by providing a loan, either internally or from an external source, to give Theatr Mwldan Media Developments Ltd adequate working capital.

Small World Theatre

The Small World Theatre was established as a charity in 1997 although its origins go back further to a puppet company called *Dandelion Puppets* formed by Ann Shrosbee and Bill Hamblett. Its first show was commissioned by the Centre for Alternative Technology in Machynllyth. The name of the charity refers to the work of EF Shumacher who inspired the Intermediate Technology movement. The company has produced educational productions across Wales and in developing countries overseas. Theatr Mwldan offered them the opportunity to establish a permanent base in a building currently nearing completion to high environmental standards on land adjacent to the arts centre. In return the Small World Theatre will provide storage space for the regular community groups using the arts centre, especially for the Cardigan Theatre Group which has not been particularly well served by the strategic direction Theatr Mwldan took in the mid 1990's.

In addition Theatr Mwldan hopes to be able to hire space in the Small World Theatre to mount any production in the round that may present itself (which its current facilities cannot accommodate) and also possibly to provide rehearsal space for TM touring productions. At present these are developed in partnership with a company based in Cardiff which provides rehearsal space. It may prove possible to transfer this activity to Cardigan, which would reinforce the creative arts cluster that has emerged there.

The Small World Theatre has been using TM facilities, including its temporarily "dark" kitchen, to deliver some of its projects pending the completion of their building. This demonstrates the strength of the partnership that has been built up between the two organisations.

Theatr Mwldan

The Café

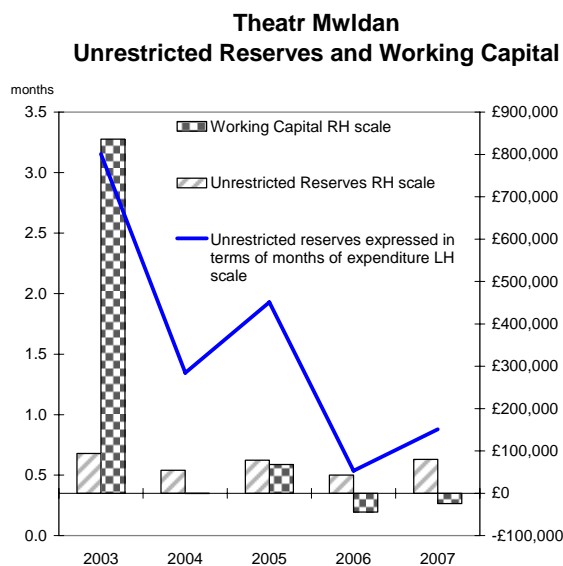
Various attempts have been made to run the café in-house and on a franchise basis. Both approaches have their drawbacks and no long-term solution has been found. After the major redevelopment of the Arts Centre the undertaking was franchised. Initially this arrangement worked well, but when the franchisee withdrew their original manager within 18 months the business was making unsustainable losses. A new franchisee took over but gave up after just four months.

Chastened by this experience Theatr Mwldan have decided in future to manage the café in-house. There are inevitable conflicts of interest between a franchisee and a theatre, and so the management have decided that catering must become one of their core competencies. However Theatr Mwldan does not have the reserves to re-open the venture and bear the inevitable initial trading losses within the next 18 months, so there is currently no café and the associated kitchen is largely unused.

The most important success factor Theatr Mwldan has identified is the quality of the manager running such a facility, followed by the quality of their staff. They have concluded that here as elsewhere in their operations it is necessary to offer efficiency wages.

Barriers to growth

The delay in reopening the café testifies to the way balance sheet weakness constrains growth. Like most voluntary organisations Theatr Mwldan focus upon unrestricted reserves rather than working capital, but as the following chart and table show both are weak.



Theatr Mwldan

	Year ending 31st March				
	2007	2006	2005	2004	2003
Consolidated Net Current Assets/(Liabilities)	£ (24,358)	(44,246)	67,943	(554)	836,222
Theatr Mwldan Media Developments Ltd Net Current Assets/(Liabilities)	£ (29,801)	(43,264)	(34,161)	(43,796)	-
Consolidated Unrestricted reserves	£ 80,019	42,842	78,310	54,607	93,956
Unrestricted reserves as % of direct charitable expenditure	7.3%	4.5%	9.8%	11.4%	26.8%
Number of months of direct charitable expenditure represented by unrestricted reserves	0.9	0.5	1.2	1.4	3.2

Theatr Mwldan Media Developments is almost completely responsible for the negative net current liabilities at a Consolidated level, and that could have been avoided by properly capitalising the subsidiary when it was established. However to establish a comfortable level of working capital the unrestricted reserves would need to rise to a level relative to direct charitable expenditure at least comparable to that attained in the year ending March 2003, which implies they need to be about £300,000.

The policy adopted by the Trustees and stated in the annual accounts is to run small annual surpluses to build unrestricted reserves to an unstated target number of months worth of total revenue funding or fixed costs. Given the inadequacy of the reserves this policy seems rather unambitious, but it probably reflects concern that reporting higher profitability would jeopardise future revenue funding. As will be seen below overall financial balance has only been achieved by significantly squeezing expenditure on management and administration.

The dissolution of Dyfed has limited local authority support for the project. Ceredigion County Council faces a tougher budget constraint than the former authority, and Theatr Mwldan is effectively denied assistance from Pembrokeshire and Carmarthenshire. It is unfortunate that there is no recognition of the service provided to these counties in general and north Pembrokeshire in particular.

Because of the scale to which the enterprise has now grown it has been selected by the Office for National Statistics to provide monthly data for a period of 27 months. This has proved very administratively onerous because the ONS require their figures on a timelier basis than the management system is geared up to provide. In addition they do not seem to be able to come to terms with the inherent volatility of the turnover data, which requires constant additional analysis to explain why one month's figures differ from the previous. Given the deliberately low level of staffing this has proved to be an unwelcomed diversion of effort.

Growth being achieved

There are two major growth centres, the media development subsidiary and the touring productions being developed by the parent.

Theatr Mwldan

Theatr Mwldan Media Development Limited

Turnover is growing at an annual compound rate of 75% but margins have not yet stabilised.

Theatr Mwldan Media Developments Limited

	2007	2006	2005	2004
	£	£	£	£
Turnover	287,344	137,191	125,144	53,482
Interest	<u>204</u>	<u>126</u>	<u>411</u>	<u>266</u>
	287,548	137,317	125,555	53,748
Cost of Sales and administrative expenses	274,085	146,420	115,920	97,644
Net Profit/(Loss)	13,463	(9,103)	9,635	(43,896)
Current Assets	65,726	30,190	33,274	57,708
Current Liabilities	95,527	73,454	67,435	101,504
Net Current Assets/(Liabilities)	(29,801)	(43,264)	(34,161)	(43,796)
Share Capital	100	100	100	100
Accumulated Losses	(29,901)	(43,364)	(34,261)	(43,896)

Touring productions

Within two years the direct costs associated with touring productions has already become established as the largest single item of direct charitable expenditure and touring fees are equivalent to more than half the proceeds of ticket sales for live performances. The support from the Welsh Arts Council was by far the largest single grant received in 2007. A financial summary of this activity is shown below.

Touring Productions - Arts Outside Cardiff

	2007	2006
	£	£
Touring Fees	50,539	11,500
Welsh Arts Council revenue grant	<u>125,000</u>	<u>55,000</u>
	175,539	66,500
Direct Costs	162,320	82,992
Gross Profit/(Loss)	13,219	(16,492)

Growth overall

Consolidated Incoming Resources, excluding restricted capital grants, achieved a compound annual growth rate of 36% between 2003 and 2007. This outstripped the CAGR for revenue grants alone of 31%. Over the same

Theatr Mwldan

period the gross profit from the bar increased by 32% per annum and from the cinema by 19% p.a.

	2007 £	2006 £	2005 £	2004 £	2003 £	2003-2007 CAGR
Incoming Resources						
Ticket Sales & Programmes	372,025	343,040	287,812	163,077	172,637	21%
Other Income generated by venue	219,200	163,506	131,669	61,026	67,766	34%
Theatr Mwldan Media Developments Ltd	287,548	137,317	125,555	53,748		
Other	2,213	3,361	9,659	12,845	937	24%
Revenue Grants	274,608	172,158	168,112	99,555	92,414	31%
Restricted Capital Grants	8,102	21,142	474,879	3,092,454	2,398,109	
Total	1,163,696	840,524	1,197,686	3,482,705	2,731,863	
Total less capital grants	1,155,594	819,382	722,807	390,251	333,754	36%
Revenue grants as % of total income less capital grants	24%	21%	23%	26%	28%	

Resources Expended, excluding the non-cash items associated with depreciation, has been constrained to an annual compound growth rate of 35% between 2003 and 2007 (just 1 percentage point beneath the CAGR of Incoming Resources excluding capital grants) by squeezing the cost of managing and administering the charity from 1.7% to 0.5% of direct charitable revenue expenditure.

	2007 £	2006 £	2005 £	2004 £	2003 £	2003-2007 CAGR
Resources Expended						
Direct charitable revenue expenditure	839,679	702,254	556,175	324,707	325,731	27%
Direct charitable capital expenditure (depreciation plus any admin charges accruing)	249,156	249,534	242,438	154,979	25,471	77%
Theatr Mwldan Media Developments Ltd	274,085	146,420	115,920	97,644		
Fundraising and publicity costs	679	218	518	1,283	570	4%
Management and Administration of the Charity	3,974	5,658	6,057	5,966	5,676	-9%
Total	1,367,573	1,104,084	921,108	584,579	357,448	40%
Total excluding capital expenditure	1,118,417	854,550	678,670	429,600	331,977	35%
Management and administration of the charity as a % of direct charitable revenue expenditure	0.5%	0.8%	1.1%	1.8%	1.7%	

Employment growth

The compound annual growth rate in wages and on costs has lagged behind the escalation in overall costs by 10 percentage points. The total number of employees has increased by 21%, mainly reflecting the extra cleaning required by a much larger facility and the launch of the trading subsidiary. Theatr Mwldan now employs 27 full and part time staff on a Consolidated basis.

	2007 £	2006 £	2005 £	2004 £	2003 £	2003-2007 CAGR
Wages and salaries	328,537	308,283	262,617	196,127	135,366	25%
National Insurance	26,760	25,342	21,174	16,135	10,147	27%
	355,297	333,625	283,791	212,262	145,513	25%
Number of employees						
Theatre management & front of house	10.5	9.5	9.1	6.8	6.5	13%
Cleaning	3.2	3.2	3.1	1.4	1.2	28%
Technical	3.0	3.0	3.0	2.5	2.0	11%
Trading subsidiary	4.0	4.0	3.1	2.2		
	20.7	19.7	18.3	12.9	9.7	21%

Theatr Mwldan

Accounting, Social Accounting and quality marks

Theatr Mwldan are conscious that their accounts do not fully comply with the Charities SORP of 2005 and intend to rectify matters. They have successfully applied for *Investors In People* accreditation, and a staff handbook and very detailed business plan were completed in October 2007. This achievement reflects their strategy to improve the skills of their workforce and to encourage retention by paying salaries in excess of reservation wage levels. The Trustees would be interested in conducting a full evaluation of the development project if funding for this could be obtained. They have not considered adopting Social Accounting: they would first need to be persuaded that it was cost effective and then be convinced they had sufficient resources to undertake it, given the competing demands of achieving adequate reserves and reopening the café. The initial cost would be about three times the current annual expenditure on running the charity.

Incoming Resources	2007 £	2006 £	2005 £	2004 £	2003 £
Ticket sales and programme support					
Live events	94,692	79,884	63,112	33,659	35,672
Film	261,217	249,656	215,700	118,418	125,965
Programme support	16,116	13,500	9,000	11,000	11,000
	<u>372,025</u>	<u>343,040</u>	<u>287,812</u>	<u>163,077</u>	<u>172,637</u>
Other income generated by the venue					
Arts outside Cardiff touring fees	50,529	11,500			
Bar	110,284	98,693	89,480	39,981	42,799
Theatre hire	46,877	35,890	30,388	8,980	14,067
Coffee shop rent	6,865	11,909	8,142		2,075
Bank interest receivable	83	1,841	1,224	10,724	6,487
Other income	4,562	3,673	2,435	1,341	2,338
	<u>219,200</u>	<u>163,506</u>	<u>131,669</u>	<u>61,026</u>	<u>67,766</u>
Local authority and other revenue grants					
Cyngor Sir Ceredigion	32,444	31,965	31,485	31,257	30,497
Arts Council of Wales	60,237	57,837	57,837	56,257	54,735
Arts Council of Wales - supplementary grant			53,500		
Cardigan Town Council	3,500	3,500	3,000	3,000	3,000
Objective 1 Revenue Grant	19,391				
European Regional Development Fund					2,182
Other revenue grants	12,240	11,461	9,044	5,375	
Arts Council of Wales - support for Visual Arts	9,750	10,395	11,246	1,666	
Arts Council of Wales - Arts outside Cardiff	125,000	55,000			
Sgrin	12,046	2,000	2,000	2,000	2,000
	<u>274,608</u>	<u>172,158</u>	<u>168,112</u>	<u>99,555</u>	<u>92,414</u>

Theatr Mwldan

	2007 £	2006 £	2005 £	2004 £	2003 £
Direct charitable expenditure					
Direct costs of programme of events					
Performance fees and expenses	72,211	58,300	64,915	31,659	41,530
Other costs of live events	1,894	1,711	1,987	1,131	1,111
Arts Outside Cardiff production costs	162,320	82,992			
Film hire	107,119	104,438	85,105	40,145	46,276
Other film costs	1,689	1,442	2,238	1,872	1,879
Projectionist and technician	51,173	50,661	47,716	27,301	29,768
Gallery and exhibitions	11,700	9,252	9,231	1,375	
Licenses and performing rights	13,723	1,441	2,296	2,539	2,621
	<u>421,829</u>	<u>310,237</u>	<u>213,488</u>	<u>106,022</u>	<u>123,185</u>
Other direct costs					
Bar cost of sales	60,055	54,307	50,466	24,548	26,190
Marketing costs					
Newspaper advertising	7,154	7,365	6,302	5,331	4,637
Programme printing and distribution	21,627	22,607	20,729	19,396	18,210
The Big Weekend launch			11,456		
Other publicity costs	20,933	14,767	9,643	7,944	7,722
	<u>49,714</u>	<u>44,739</u>	<u>48,130</u>	<u>32,671</u>	<u>30,569</u>
Venue overheads					
rent and water rates	3,348	2,595	2,756	648	1,629
Light heat and power	19,709	21,907	20,846	10,079	4,922
Insurance	22,624	21,037	19,740	10,862	8,799
Repairs and maintenance	19,983	15,780	5,568	7,049	7,858
Cleaning	39,170	41,720	34,029	13,804	11,583
Equipment hire	944	1,034	684	1,034	1,092
Depreciation and amortisation	249,281	251,282	243,878	144,095	14,611
	<u>355,059</u>	<u>355,355</u>	<u>327,501</u>	<u>187,571</u>	<u>50,494</u>
Tourist Information Centre contribution	(4,724)	(2,553)	(2,553)	(2,374)	(2,374)
	<u>350,335</u>	<u>352,802</u>	<u>324,948</u>	<u>185,197</u>	<u>48,120</u>
Depreciation and amortisation of £141,179 are charged to the Capital Fund (2003 - £11,671)					
Administrative overheads					
Salaries	187,234	165,842	140,375	113,922	105,423
Telephone	5,673	5,079	3,564	2,597	2,791
Postage and stationery	2,918	2,350	2,961	3,222	3,156
Equipment Hire	1,614	1,943	2,083	2,798	3,600
Other administration costs	11,543	5,348	5,947	4,956	4,918
Bank charges	10,270	9,141	6,651	3,753	3,248
	<u>219,252</u>	<u>189,703</u>	<u>161,581</u>	<u>131,248</u>	<u>123,136</u>
Fundraising and publicity costs					
Fundraising expenses	679	218	518	1,283	570
Management and administration of the charity					
Accountancy fees paid to auditor	725	2,904	3,305	2,998	3,099
Audit	1,500	1,200	1,200	1,200	1,200
Other legal and professional fees	320				
Directors liability insurance	1,002	1,057	1,053	1,026	915
Board meetings	427	497	499	742	462
	<u>3,974</u>	<u>5,658</u>	<u>6,057</u>	<u>5,966</u>	<u>5,676</u>

Balance Sheet summary

	2007	2006	2005	2004	2003
	£	£	£	£	£
Current Assets					
Stock & Work in Progress	7,416	3,811	6,485	3,359	1,394
Debtors	283,081	90,639	54,177	120,693	123,971
Cash	9,538	12,224	113,405	94,185	1,045,865
	<u>300,035</u>	<u>106,674</u>	<u>174,067</u>	<u>218,237</u>	<u>1,171,230</u>
Fixed Assets					
Tangible fixed assets	5,849,439	6,073,204	6,224,575	6,016,492	2,281,592
Total Assets	6,149,474	6,179,878	6,398,642	6,234,729	3,452,822
Current Liabilities					
Creditors	324,393	150,920	106,124	218,789	335,008
Total Liabilities	324,393	150,920	106,124	218,789	335,008
Net current assets/(liabilities)	(24,358)	(44,246)	67,943	(552)	836,222
Net assets	5,825,081	6,028,958	6,292,518	6,015,940	3,117,814
Represented by:					
Restricted Capital Fund	5,745,062	5,986,116	6,214,208	5,961,333	3,023,858
Unrestricted funds	80,019	42,842	78,310	54,607	93,956
	<u>5,825,081</u>	<u>6,028,958</u>	<u>6,292,518</u>	<u>6,015,940</u>	<u>3,117,814</u>

Key Findings

Theatr Mwldan has succeeded in establishing an embryonic arts cluster in Cardigan and a nascent touring company. It has overcome barriers such as the initial disinterest and hostility of the local community but its growth is constrained by balance sheet weakness. Having successfully delivered a £7 million project its reserves are insufficient to allow the company to re-open its café as an in-house facility because the management knows that it cannot support the initial trading losses that are bound to occur. It also suffers from the effect of administrative boundaries because it is located in Ceredigion but draws a significant part of its audience from Pembrokeshire and Carmarthenshire.

Tidy Like Records CIC

Tidy Like Records nurtures and promotes local talent. In addition to offering live musical performances and a community record label, the social enterprise organises a rock school, youth theatre, and creative workshops in activities such as circus skills for a wide variety of community events including the *Celtic Blue Rock Community Arts Festival*. Tidy Like Records plans to open a shop in Narberth to offer merchandising spin offs associated with its promotion of new bands. Extensive use is made of the social networking service *Myspace*. The on-line consultation run through this medium is receiving between 50 and 60 hits per day. It is also proving very valuable for marketing events and products giving immediate access to over 4,000 “friends.” The CIC has also started to win Service Level Agreements with Pembrokeshire County Council. The first was to provide creative play opportunities for a programme of Family Fun Days run throughout the summer holidays in 2007; the second with the Youth Offending Team is to deliver diversionary arts workshops for their clients. Future marketing efforts will seek to diversify such contracts to include private sector customers.

Brief History

The origins of the CIC go back to work its founder, Robin Benson, undertook as a community support officer on the Mount Estate in a project funded by TPAS Cymru¹². There he combined his artistic skills with his expertise gained from working for Pembrokeshire Care Society and Shelter Cymru to produce a very successful programme of diversionary arts events backed by advice signposting agencies that could meet the needs of deprived individuals within the community.

Using survey evidence gathered before and after the project (in 2004 and 2007) the perception of anti social behaviour problems had fallen dramatically and the perception of personal safety had risen significantly, as the following table shows:

		2004	2007
Is there a problem of anti social behaviour on the estate?	Yes	82.1%	14.8%
	No	17.9%	85.2%
Do you feel safe?	Yes	65.7%	88.4%
	No	34.3%	11.6%

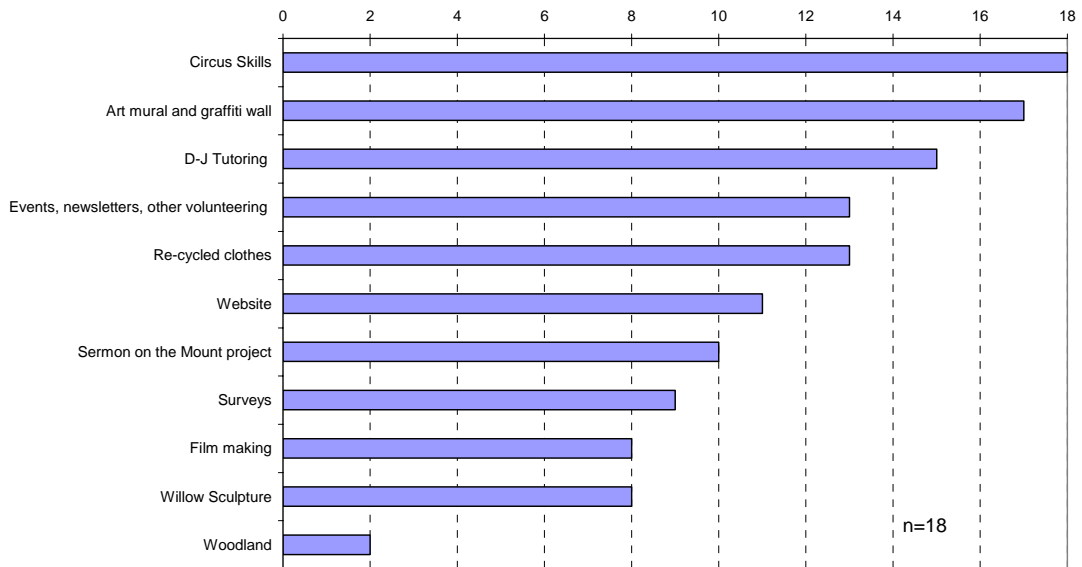
Source: TPAS Cymru

Evaluation of the impact of the project on participants reveals the importance of each element of the approach that was adopted.

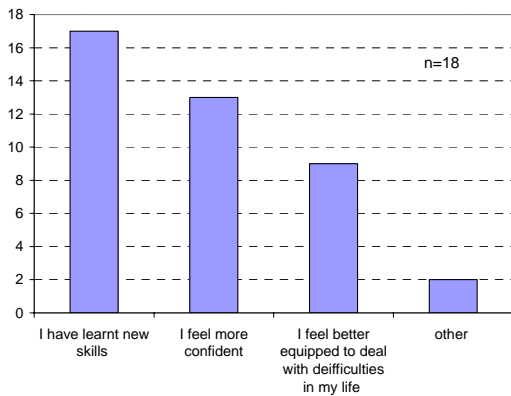
¹² Tenant Participation Advisory Service Cymru

Tidy Like Records

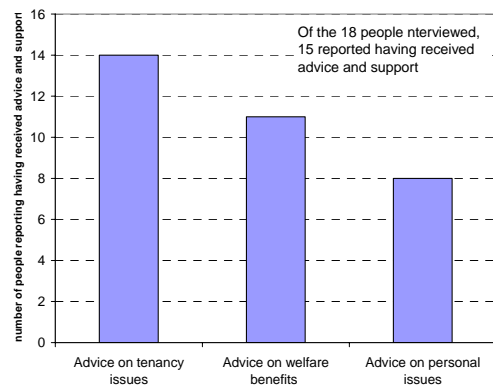
**Evaluation Survey TPAS Mount Estate Project
Participation in activities**



**Evaluation Survey
TPAS Mount Estate Project**

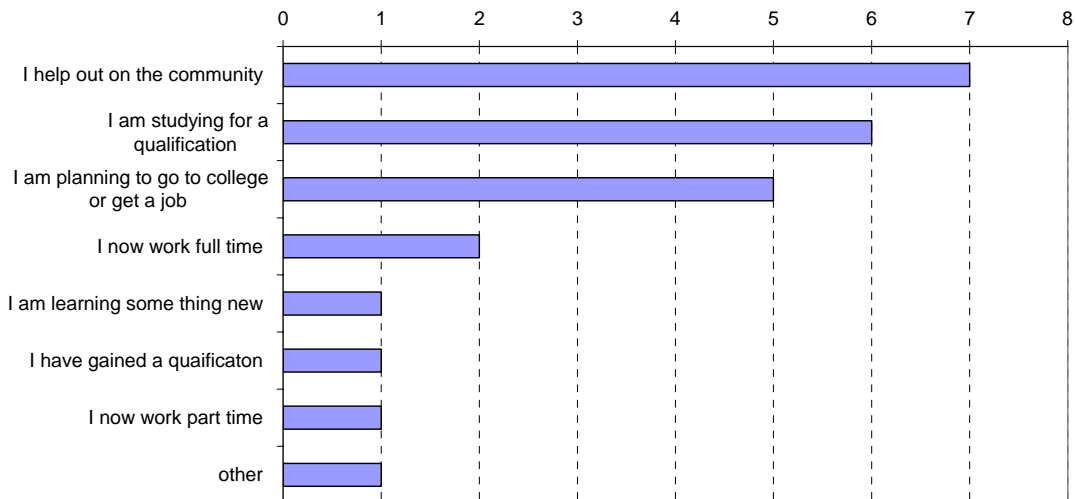


**Evaluation Survey
TPAS Mount Estate Project**



Tidy Like Records

Evaluation Survey TPAS Mount Estate Project Response to the question *"are you doing anything different due to the project ?"*



This experience was initially put to work in a community group called Circus Malarky which provided circus skill workshops at community events.

The original concept for Tidy Like Records was to create a community record label in order to foster new talent. The model was to sell each CD for £5.00 and re-invest the surplus in cutting the next recording. Unfortunately the advent of internet music downloads has undermined this approach. Since Circus Malarky had a demonstrable ability to generate income from bookings it was decided to roll this up into Tidy Like Records, whilst simultaneously re-orientating Tidy Like's music business towards live performance of new bands, backed by merchandising including but not restricted to CD's.

Barriers and Challenges

Robin Benson admits that the first 18 months of trading have been a real voyage of discovery for him. It has been a very steep learning curve and he has had to work hard. The initial publicity was very helpful, but it also established an image that has been challenging to live up to. A £15,000 loan facility was negotiated with the WCVA administered Communities Investment Fund in June 2007. Cash Flow remains very problematic. With only two salaried employees and between 6 and 8 people contracted on a sessional basis the enterprise is unable to handle contracts in excess of about £10,000. The lack of permanent premises also poses difficulties.

Tidy Like Records

Tidy Like Records CIC		Tidy Like Records CIC	
Period ending 30th June	2007	Balance Sheet as at 30th June 2007	
	£		£
Income		Assets	
Sales, gigs & workshops	5,964	Current Assets	
Grants	<u>13,379</u>	Stock	2,045
	<u>19,343</u>	Cash	<u>3,308</u>
			<u>5,353</u>
Cost of sales		Fixed Assets	
Purchases for resale	2,071	Tangible assets	3,570
Sessional/workshop fees	3,954	Total Assets	8,923
Material & equipment	707		
Room hire	<u>72</u>	Laibilities	
	<u>6,804</u>	Current Liabilities	
Gross Profit	12,539	Creditors	3,540
		Long term liabilities	
Sales and general administrative expenditure		Loans	5,690
Co-ordinators salary	6,637	Total Laibilities	9,230
Motor Expenses	680	Net Current Assets/(Liabilities)	1,813
Flyers	235	Net Assets/(Liabilities)	(307)
Badges	138	Represented by	
Business essetials	152	Profit & Loss Account	(307)
Repair & renewals	542		
Telephone	650	Tangible Fixed Assets	
Insurance	204	Opening book cost	0
Printing	603	Additions	<u>4,757</u>
Stationery & postage	103	Closing Book Cost	<u>4,757</u>
Sundries	153	Opening accumulated depreciatic	0
Rent	1,200	Charge for Period	<u>1,187</u>
Business use of home	52	Closing accumulated depreciator	<u>1,187</u>
Accountancy	230		
Depreciation	<u>1,188</u>	Written down values	
	<u>12,767</u>	Opening	0
Operating Profit/(Loss)	(228)	Closing	<u>3,570</u>
Loan Interest	75		
Bank charges & interst	<u>4</u>		
	79		
Recurring Profit/(Loss)	(307)		
Net Profit/(Loss)	(307)		

Key Findings

Tidy Like Records has had to adapt its business model to survive. It will flourish if it can win more contracts and Robin Benson plans to target the private sector as well as the public sector to achieve this. The evidence from the Mount Estate shows the potential for diversionary

Tidy Like Records

arts activities to combat anti-social behaviour (this can be compared with some of the activities being provided by Trysordy CIC for the Probation Service and the Drugs Intervention Programme in Carmarthenshire).

Trysordy CIC

Trysordy takes unwanted industrial products and re-uses them as a play resource for young children. This is known as a scrapstore. There is a network of about 100 throughout Wales and England. The concept was originally researched and developed by Symud Ymlaen. Trysordy aims not only to combine the traditional emphasis on material re-use and creative play, but to extend the concept to embrace training and economic development. A number of existing scrapstores are experiencing difficulties because they have been heavily dependent upon grant financing and funding priorities are now shifting against them. So far about 250 families and groups have enrolled as members of the scheme. £1 is charged for each visit, which is felt to be a better way of encouraging enrolment than to require a large up front payment.

Trinity College is a key partner. Not only is the building Trysordy rents located on college land, but the project is part of the Wales Spin Out programme and has received support from the Knowledge Exploitation Fund. Environmental stakeholders include Groundwork Wales who have funded the building project management costs and Environment Wales which has contributed towards the cost of a Project Officer. The Carmarthenshire Environment Partnership uses the building as a venue for meetings.

The website was launched in August 2006 and the company started trading in April 2007 when it began letting rooms to Clybiau Plant Cymru to run training sessions for a Diploma in Playwork. By November 2007 the occupancy rate for rooms had reached 75% and staffing is gradually expanding to meet demand. Currently there is a 0.8 FTE Project Officer post filled on a job share basis and a 0.4 FTE shop manager post (because the scrapstore is only open on a Thursday and Saturday at present). Contractual services are provided by a cleaner and a bookkeeper, as well as the trainers used to meet the service level agreements.

A partnership with the Probation Service has been developed since July 2006 and a service level agreement has been reached with the Drugs Intervention Programme. Initially segregation has been achieved by limiting their access to the premises to Mondays and Wednesdays when no children are present. By the end of April further building work to provide four self contained training suits should be completed and this would open the possibility, subject to a rigorous risk assessment, of more mixed usage, though this may not be extended all the way to include children.

The accounts for the year to 30th November 2006 have been published. This was a developmental year, so they give little indication of how the company will trade. They show an income of £1,000 and an

Trysordy CIC

expenditure of £681. With current assets of £604 and current liabilities of £285 the net assets of £319 are represented by the profit and loss account.

The target is to achieve annual sales of about £10,000 -£12,000 from the scrapstore operation, plus rental income from the building. In about three years the contribution from the scrapstore might double, but further upside is only likely to be achieved if Trysordy can develop a brokerage function whereby they would source large quantities of materials and trade them on to other scrapstores taking a commission. The demand for training rooms and meeting rooms has exceeded expectations and Trysordy is clearly benefiting from its location near the A40 and from filling a gap in market provision between the village hall and the hotel.

Future developments include the fitting out of a kitchen for use in teaching nutrition and cooking skills. This will integrate well with the gardens that have already been established. A craft workshop separate from the existing buildings is also being developed, and it is hoped in due course to use this as an incubator for community businesses re-using scrap materials. At present strategic management is being provided by the Directors as a contribution in kind. This may not prove sustainable in the long term so funding is being sought, either in cash or in kind, for a full time manager.

Key Findings

Trysordy is re-inventing the scrapstore concept by linking it to training and sustainable development. It is closely linked to academia both by its relationship with Trinity College and with the Knowledge Exploitation Fund. A particularly interesting innovation are the products being developed to stimulate creativity for diversionary purposes to deal with adults exhibiting challenging behaviour or who have unmet complex needs.

Ymlaen Ceredigion

Ymlaen Ceredigion aspires to become a social enterprise but so far the proportion of contractual and trading income to total incoming resources has never exceeded 25%. A trust was established in 1998 as a partnership between Ceredigion County Council, the Princes Trust Cymru and Ceredigion Local Agenda 21 Network. The company, incorporated in 2004, has little by way of reserves or working capital and has only recently begun to apply full cost recovery to its projects.

Abbreviated Balance Sheet

31st March 2007

	2007 £	2006 £
Current Assets		
Debtors	1,346	11,144
Cash	<u>26,289</u>	<u>5,507</u>
	27,635	16,647
Current Liabilities	27,635	16,647
Net Assets	<i>nil</i>	<i>nil</i>
Reserves	<i>nil</i>	<i>nil</i>

It has, however, embraced social accounting.

Ymlaen works at a strategic level co-ordinating activity and distributing funds to community groups but it also delivers projects directly. The company has office space within County Council buildings in Aberystwyth and Cardigan. It has established a strong presence in both towns. It is also achieving growing recognition in Lampeter and Llandysul. Ymlaen has begun to operate outside Ceredigion through its participation in Sustainable Development Co-ordinators Cymru, its engagement with FE Colleges where it has been commissioned to roll out nationally its Education for Sustainable Development and Global Citizenship programme, and its SLA with Carmarthenshire County Council to provide services for its PACT programme.

Projects

Healthy Heart Project:

This is the longest running project (more than five years) which addresses the WAG policy priority of reducing inequalities in health. The project funding is administered by the local branch of National Public Health Service which is co-located with the LHB. The greatest concentrations of health deprivation are located in parts of Aberystwyth

Ymlaen Ceredigion

and Cardigan¹³. In turn this funding has generated a small pot that can be passed on to community groups, for example The Cardigan Youth Project Drop-in Centre, Area 43, received funding to employ a cook to prepare healthy lunches and training for young people. Mind in Aberystwyth developed a project to provide training in smoking cessation techniques since this is a particular problem for those suffering with mental illness. Last year the project produced a toolkit as a resource for community groups and health professionals.

Education for Sustainable Development and Global Citizenship (ESDGC):

This work began in 2005 with an 18 month project, and is now represented by the Sustainability Skills for Global Interdependent Living (SUS SGIL) project which will run till March 2010. The aims have been to embed ESDGC across the curriculum of Coleg Ceredigion and to facilitate sustainability initiatives in the management of the college. The current project also seeks to share good practice between Further Education colleges in other parts of Wales, and is strongly linked to the Assembly's ESDGC strategy. Funding has been obtained from the UK and Welsh Governments, and this has been matched by £5,000 p.a. from the college itself.

Connections:

This project aims to address digital exclusion in the Communities First Ward of Penparcau and West Aberystwyth. It is funded by the Assembly Government *Communities@One Fund* administered by the Wales Co-Operative Centre. The project will end in May 2008. Unlike most other projects this involves a high degree of direct delivery by the Ymlaen Ceredigion although they still try to work where possible in partnership with community groups. Initially the project aimed to engage local people in providing digital story blogs and to sensitise them to local and international social and environmental issues using the world wide web. It quickly became apparent that before any of this could be attempted there would need to be a focus upon developing basic ICT skills. So far four digital stories and one blog have been created. However the learning involved in designing and delivering the project has improved Ymlaen Ceredigion's own ICT skills. This is now reflected in the determination to take control of their own web site to ensure that it is updated on a timely basis, and it has imparted knowledge of e-learning platforms that can be use to deliver the Wales Wide roll out of the ESGDC project and also possibly support the

¹³ the two Communities First Wards in Ceredigion are located in Aberystwyth (Penparcau and West Aberystwyth) and Tregaron (Lledrod, Tregaron and Llangeitho).

Ymlaen Ceredigion

marketing of other training courses outside Ceredigion on an e-learning basis. Two people have been employed on this project.

Facilitating Environment 2020:

This project is almost completely strategic with little direct delivery. It aims to facilitate the environment partnership in Ceredigion which aims to deliver the environmental aspects of the local community strategy. Recently it has involved a lot of support for Lampeter in its attempt to become a transition town¹⁴, and this project has been embedded in the Rural Development Plan.

Training and Education:

Whilst there is an appetite for training it is quite hard to persuade individuals and organisations to pay for it. Ymlaen Ceredigion has succeeded in winning some contracts but so far it has not brought in much money. It is recognised that it is necessary to build a suite of training products and that e-learning combined with e-payment is an attractive method of delivery and marketing. The company fears that their name may provide a barrier to marketing outside Welsh speaking areas.

Social Accounting

Ymlaen Ceredigion admits that the amount of work involved in producing a set of Social Accounts is daunting. Having produced a set for 2005-06 it was decided to defer the next exercise until 2007-08. Initial training in the technique was provided by Cylch and cash implementation costs were met by a grant from Cynnal Ceredigion's Seedcorn Fund. Ymlaen Ceredigion is now actively promoting Social Accounting through seminars and by other means. It plans to provide training and consultancy to Mentro Lluest which has decided to introduce the system.

Unlike FRAME the organisation has adopted the approach recommended by the Social Audit Network and only produced data on two of their five objectives to begin with (1 & 3, see below). In the next set they intend to add objective 2 (to promote sustainable community development). However like FRAME they intend to modify their objectives in the second iteration of the process to make them more easily quantifiable. This will involve making them more closely identified with the projects being undertaken; upon which Ymlaen Ceredigion is already having to produce performance data to satisfy funders. The

¹⁴ The transition town movement started in Totnes and seeks to prepare communities for the transition to a low carbon economy. The argument for transition towns rests heavily on the hypothesis that fossil fuel production, particularly relating to hydrocarbons, is at or very close to peak levels. It also seeks to promote permaculture.

Ymlaen Ceredigion

person responsible for producing the Social Accounts estimates that they require two weeks of solid work, in addition to the audit day itself.

Ymlaen Ceredigion's Social Accounts emphasise consultation with stakeholders over identification and quantification of outcomes. This may reflect the strategic nature of the organisation in which many of its projects are delivered by other, smaller, organisations working in the community. One of their core values is to be transparent and accountable to all stakeholders and other values also serve to emphasise consultation. Based on the experience of setting out the mission statement, statement of values, defining of objectives and analysis of activities, Ymlaen Ceredigion has now embarked upon a rolling three year corporate planning cycle.

The first round of Social Accounts established the following Mission, Values and Objectives:

Mission:

Ymlaen Ceredigion supports responsible development; that is development which is led by local communities and fulfils their social, economic and environmental needs, now and in the future.

Values:

We aim to:

- Be transparent and accountable to all our stakeholders
- Be approachable, friendly and able to listen
- Be inclusive, working with the participation of all members of the community in which it operates
- Work in partnership with others, adding value to what we do by working with others to build trust and develop mutual understanding
- Strive for quality, committing the organisation to improvement and high standards in all aspects of its activities and working environment whilst striving for cost-effectiveness
- Be innovative, continually improving the way we work and provide services which, when appropriate, incorporate new ideas, information and methods

Objectives:

1. To promote sustainable community development

Ymlaen Ceredigion

2. To contribute to integrating sustainable development into strategic planning and policy
3. To ensure sustainable development is embedded in education and training at all levels
4. To raise the awareness of local and global sustainable development among the general public, community groups, business and public bodies
5. To be an exemplary social enterprise

Ymlaen Ceredigion also produced a SWOT analysis of the Social Accounting process in their first set of accounts.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Has helped the organisation consider its value • Is leading to the development of improved systems for capturing, recording, storing and retrieving performance data and qualitative information • Has demonstrated to key stakeholders that their opinions matter to us • The summary accounts will be a useful communication tool • Independent audit means accountability • Should get easier in future years when systems are fully developed 	<ul style="list-style-type: none"> • It takes a lot of time! • It is relatively expensive for a small organisation, not only in staff time, but also in fees of the social audit chair • It produces a lot of paper! • It requires a large voluntary commitment from members of the audit panel • Stakeholder consultation is problematic – how to achieve a high response rate as well as obtaining worthwhile depth of consultation
Opportunities	Threats
<ul style="list-style-type: none"> • Developing a social accounting cluster in Ceredigion • Earning income through social accounting training and social auditing • Promotion by WAG, WCVA and other agencies may make social accounting much more widespread 	<ul style="list-style-type: none"> • The resource requirements may make it unattractive to many organisations • Financial resources may not be made available by WAG, etc to promote social accounting • Other developing systems such as SMA (Sustainable Management System) being developed by Arena Network may become more popular than social accounting

Ymlaen Ceredigion

Financial Accounts

The accounts lodged with Companies House do not provide an income statement. However the social accounts for 2005-06 do, although they lack comparative data for 2004-05. They are as follows:

Ymlaen Ceredigion Cyf	
Year to 31st March	2006
	£
Income	
Grants and contributions	70,318
Consultancy/ contract income	<u>9,167</u>
Total Income	79,485
Expenditure	
Travel Expenses	3,571
Courses/Conferences	182
Fees	15,697
Printing/stationery	1,127
Telephone	489
Insurance	865
Miscellaneous	1,958
Salaries/Mangement Fee	<u>55,596</u>
	79,485
Surplus/(Deficit) of Income over Expenditure	0

Key Findings

Although Ymlaen Ceredigion aspires to become a social enterprise it has insufficient contractual and trading income as yet to qualify. Nor has it built up any reserves. Its financing seems to have been strongly influenced by local government practices.

The organisation is of interest because of its implementation of social accounting.

Conclusions

The case studies demonstrate that social enterprise is already reducing social exclusion and promoting regeneration in Carmarthenshire, Ceredigion and Pembrokeshire. Not all of the firms are flourishing. The withdrawal of ERDF and ESF funding has hit some organisations hard. Both Mentro Lluest and Amman Valley Enterprises are cutting back and restructuring. Others like Pembrokeshire FRAME are growing their basic business and looking for opportunities to use Convergence Funds to develop new activities. Some view the receipt of grants as a very mixed blessing. Both Craft and Pembrokeshire Machinery Ring are striving to cope with the after effects of the culture associated with grants by emphasising the need for employees to work commercially. Amman Valley Enterprise may well come to the conclusion that the parent community enterprise and the social enterprise established at The Mountain Gate would do better apart than together. The picture is quite mixed.

Innovation

There is a good deal of innovation taking place. Pembrokeshire FRAME is developing a new way of measuring soft outcomes. Pembrokeshire Machinery Ring is working on new ways to evaluate the performance of hired agricultural machinery. Theatr Mwldan has gone a long way to establish a creative arts cluster in Cardigan. Trysordy, Alpha Business Works and Green Links are all creating strong partnerships with academic institutions and using knowledge spin-off. Trysordy and Tidy Like Records are developing products and services designed to stimulate creativity for diversionary purposes to deal with people exhibiting challenging behaviour or who have unmet complex needs. The Bloomfield Centre has been in the vanguard of promoting ICT in rural areas as well as piloting activities like mother and toddler groups and after school clubs. The Lawrenny Village Shop Association actively sought to find a new structure to reallocate risk between the rural shop keeper and the community they serve. Likewise Pembrokeshire Machinery Ring is seeking to alter the way risks are born by farmers in rural areas. Amman Valley Enterprises and Clouds are both using catering as a way not only to improve diet and well being but also to improve skills, confidence and organisational capacity in deprived communities. Trysordy is reinventing the scrapstore concept by linking it with training and sustainable economic development. Lammas Low Impacts Initiative and Hermon Community Resource Centre (and to a degree Lawrenny Village Shop Association) have demonstrated the ability of Social Enterprises to raise capital from the community, in the former case from a community of interest and in the latter from a community living together.

Both Pembroke 21C and Symud Ymlaen have established CICs with the express purpose of generating a stream of unrestricted voluntary income to support their charitable activities. Both have similar philosophies concerning the need to link regeneration with sustainable development and both have made extensive use of short term contracts to build capacity in the community and limit exposure to fixed wage costs. This type of approach incorporates but also goes beyond the traditional focus upon the provision of community facilities and the refurbishment of the built environment. Constitution Hill is delivering both physical regeneration and reducing social exclusion in Aberystwyth by restoring the cliff railway and running the cliff top café as a social firm.

Growth opportunities for social enterprises

The market for environmental goods and services is expanding very rapidly, driven by policies to reduce carbon emissions and waste. Social enterprises already have experience in promoting biodiversity and encouraging recycling and re-use. Community renewable energy schemes are being developed and there is awareness that there is potentially a big skills gap to be bridged if plans to make new houses carbon zero are implemented on the timescales envisaged.

Housing deprivation is a major problem in the Three Counties and one social enterprise type solution, community land trusts, remains undeveloped. *Tô Gwrdd* based in Newport, Pembrokeshire, has undertaken some useful research on this subject but has not so far delivered any homes. The Cwm Arian Association is considering forming a CLT but they first need to establish their community windfarm and be in receipt of revenues from it.

Labour markets in the Three Counties are fragmented and lack vibrancy. This is an issue falling within the Lisbon agenda. Convergence funding offers the prospect of developing schemes to help the unemployed and those who want work but are not actively seeking it. Social Firms are particularly well placed to apply their expertise, and it has already been noted that Pembrokeshire FRAME is working on such a project in partnership with Mind.

The Haven urban area has so far not achieved the cohesion necessary to attain the vision set out in the Wales Spatial Plan¹⁵ of *“driving the development of Pembrokeshire and South West Wales in a manner which is compatible with the area’s international environmental status.”* Social enterprises are active in these towns and could jointly and separately work to achieve this vision. However the Wales Spatial Plan is currently being updated and it remains to be seen whether this objective will remain in place.

¹⁵ *People, Places, Futures: The Wales Spatial Plan*, Welsh Assembly Government, November 2004

Poor access to services is another hallmark of deprivation in the Three Counties. There are two ways to overcome this, provision of community transport to enable people dwelling in rural areas without cars to access services available in market towns and larger urban areas, and establishing the services that are missing within rural areas. Both approaches are being developed by social enterprises.

Barriers to growth:

1. **Balance sheet weakness.** This has emerged as a major barrier to the growth and success of social enterprises in the Three Counties. A clear example is Theatr Mwldan's inability at present to reopen its café as an in-house facility because it cannot bear the initial trading losses.
2. **Lack of capacity.** This is an issue for the communities from which the social enterprises draw their members and staff as well as for the organisations themselves. For example the Lawrenny Village Shop Association achieved a lot in a very short space of time but was fortunate in being able to draw upon a group of people with high managerial and professional skills. On the other hand Clouds, which has a longer track record of providing high quality services in a Communities First ward, suffers from a lack of such skills. Some communities require a substantial period of time to develop a capacity to self-organise, other communities have the requisite skills to hand but Third Sector organisations may struggle to find ways to persuade people to make these skills available.
3. **Policy failures.** The pre-history of the Cwm Arian Association shows that the community appraisal produced by Dr Lyneth Davies in 2000 could not be acted upon by Menter Preseli because it conflicted with Pembrokeshire County Council Policy of concentrating community facilities in Crymch. Pembrokeshire FRAME has had to pull out of refurbishing electrical equipment because of the stance taken by local trading standards (Craft do not have these difficulties in Ceredigion and they continue to do such work). The Celtic Blue Rock Festival has had difficulties with both the police and licensing authorities. Lammas Low Impact Initiative will have to cope with agricultural regulations that inhibit the communal manner in which they want to manage their smallholdings, assuming the scheme actually receives planning permission.

Administrative boundaries can contribute to policy failure. Both Theatr Mwldan and Amman Valley enterprises have had to cope with this. Theatr Mwldan is located in Ceredigion but is drawing audiences from Pembrokeshire and Carmarthenshire. Amman Valley Enterprises is delivering services in both Carmarthenshire

and Neath Port Talbot and has been forced sometimes to discriminate between people who wish to become beneficiaries based upon whether they reside in one or other unitary authority. The fuzzy borders concept incorporated into the Wales Spatial plan has the potential to mitigate this problem.

Delays in implementing Objective 1 and now Convergence Funding have had severe effects upon cash flows. The WCVA are currently investigating the situation. There are distortions relating to whether certain classes of Social Enterprise, for example CICs or Industrial and Provident Societies are eligible for funding streams. For example the availability of CFAP funding for co-operatives but not for CICs meant that Hermon Community Resource Centre chose to register as an Industrial and Provident Society. Environment Wales will fund CICs, including CICs that make a distribution of profits, but they will not fund Industrial and Provident Societies that make similar distributions. Similarly the acceptance of full cost recovery is only partial, for example some Assembly backed funding organisations will exclude in kind contributions from such calculations.

Discontinuation of funding streams before the outcomes they seek to achieve have become embedded could also be considered to constitute a policy failure. Pembrokeshire Machinery Ring received grants for three years to extend their services, for example, to farmers in Monmouthshire and the Vale of Glamorgan. The operations in these counties have not yet reached critical mass. The co-operative is now faced with a dilemma. Do they continue to develop the approach there without the necessary funding, since withdrawal at this juncture would prejudice the chance of any similar social enterprise winning the necessary trust of the Farmers in those areas, or do they acknowledge their duty to the majority of its members who live elsewhere and cut the operation?

4. **Opposition within localities, often to what are perceived to be unorthodox lifestyles.** Theatr Mwldan faced and overcame this in Cardigan, the Celtic Blue Rock Festival have encountered this but largely overcome it and Lammas Low Impact Initiative are in the process of trying to deal with it. There is a well established Gypsy traveller community within the area of benefit of Pembroke 21C that faces such discrimination which the Community Association strives to overcome.

Policy Implications

Both the Welsh Assembly Government and the voluntary sector have a strong interest in promoting social enterprise. This should constitute a firm basis to develop the partnership working that has

already been established with a view to ameliorating the first two barriers to growth that have been identified. There needs to be a shared recognition that social enterprises need strong balance sheets and a shared commitment to fostering capacity.

It seems evident that some form of incentive is needed to diffuse the practice of social accounting. The cash element of the £12,500 total cost calculated for the introduction of the process is estimated at £3,680. This is likely to rise in the near future in line with anticipated increases in the charge made by the SAN registered auditors who chair the audit committees. A grant towards this element of the cost should improve take up.

The transparency of social enterprises registered as an Industrial and Provident Society is generally poorer than those registered with Companies House or with the CIC Regulator. There is an argument to review the role of the Financial Services Authority as regulator of these companies, or at least to persuade them to make information available on comparable terms to the other regulators. In many respects the Charity Commission is exemplary in its provision of information and setting of accounting standards. It would be helpful if social enterprises did not avail themselves of the opportunity to lodge abbreviated accounts. It seems illogical to press for greater disclosure through social accounting whilst allowing financial accounts to omit income statements.

The Welsh Assembly Government should attempt to treat all social enterprises in the same way. For example it seems odd that CICs should not be able to access CFAP funds when they are available to Industrial and Provident companies.

Appendix 1

	Cash £	In Kind £	Total Cost £	
One off costs				
Defining Mission Statement, Statement of Values, setting objectives and analysing activities				
10 Trustees for 2 days @ £250 per day		5,000	5,000	88%
Room Hire		40	40	1%
Officer for 4 days (including on costs)	480		480	8%
Lunches	90		90	2%
Overhead costs	60		60	1%
	630	5,040	5,670	100%
Recurring costs				
Conducting stakeholder consultation				
Assistant for 5 days	500		500	7%
Stationery etc	50		50	1%
Preparing Accounts				
Officer for 3 days	360		360	5%
Assistant for 5 days	500		500	7%
Printing & distribution	50		50	1%
Social Audit Day				
SAN qualified Chair	1,000		1,000	15%
External Auditors (5 @ £500 per day)		2,500	2,500	37%
Officer	120		120	2%
Room Hire		20	20	0%
Lunch	30		30	0%
Travel Expenses	40		40	1%
Receiving audited accounts				
10 Trustees for 1/2 a day		1,250	1,250	18%
Officer for 1 day	120		120	2%
Room Hire		10	10	0%
Overhead costs	280		280	4%
	3,050	3,780	6,830	100%
Initial Total Cost	3,680	8,820	12,500	

Appendix 2

Amman Valley Enterprises (AVE)	SIC 5552 <i>Catering</i> , 7260 <i>Other computer related activities</i> , 8042 <i>Adult & other education</i> , 9305 <i>Other service activities</i> , incorporated 26/05/92
Charity number	1012005
Charity registration date	17/07/92
Company limited by guarantee	02717767
The Mountain Gate (wholly owned subsidiary)	SIC 7487 <i>Other business activities</i> , incorporated 04/02/97
Private Company Limited by shares	03312586
 Cardigan Youth Project	
Charity number	1056567
Charity registration date	03/07/96
Constituted Association	Constitution adopted 26/06/96
Area 43 Enterprises Limited (wholly owned subsidiary)	SIC 8042 <i>Adult & other education</i>
Private Company Limited by shares	03906623
Celtic Blue Rock Festival	SIC 9231 <i>Artistic & literary creation</i> , incorporated 17/06/05
Company Limited by Guarantee	05483970
Cymdeithas Cwm Arian Association	
Constituted body	
Hermon Community Resource Centre Ltd	Registered under the Industrial and Provident Act 1965 on 17/05/07
Industrial and Provident Society	30234R

Clouds Living Centre	SIC 8514 <i>Other Human health activities, 8532 Social Work without accommodation,</i> incorporated 06/03/06
Company Limited by Guarantee	05730633
Constitution Hill Ltd	SIC 6010 <i>Transport via railways, 9252 Museum & preservation of history,</i> incorporated 06/10/97
Charity number	1071422
Charity registration date	08/09/98
Company limited by guarantee	03445246
Constitution Hill Trading Ltd	
Private Company Limited by shares	SIC 7487 <i>Other business activities,</i> incorporated 15/11/05
Ceredigion Recycling and Furniture Team	SIC 5245 <i>Retail electric household etc goods, 3720 Recycling non-metal and scrap,</i> incorporated 03/06/98
Company limited by guarantee	03574692
Green Links	SIC <i>Training & Enterprise,</i> incorporated 14/07/06
Community Interest Company	05877169
Lammas Low Impact Initiative Ltd	Registered under the Industrial & Provident Act 1965 on 20/04/07
Industrial and Provident Society	30222R
Lawrenny Village Shop Association	
Constitution approved	20 th February 2007
Inaugural General Meeting	19 th March 2007

Mentro Lluest SIC 0122 *Grow vegetables & nursery products*, incorporated 25/03/97
(formerly Plas Lluest Plant Nursery till 13/12/2000)

Charity number 1075697

Charity registration date 26/05/99

Company limited by guarantee 3339185

Mentro Lluest Trading (wholly owned subsidiary) SIC 0122 *Grow vegetables & nursery products*, incorporated 29/04/99

Private Company Limited by shares 03762577

Narberth and District Community & Sports Association

Charity number 512032

Charity registration date 19/11/81

Constituted Association Constitution adopted 04/08/80

Pembroke 21C Community Association Ltd SIC 9272 *Other recreational activities*, incorporated 27/08/04

Charity number 1106323

Charity registration date 15/10/04

Company Limited by Guarantee 5216985

Pembroke 21C Community Interest Company SIC , incorporated 05/04/07

Company Limited by Guarantee 06204963

Pembrokeshire FRAME Ltd SIC 8532 *Social work without accommodation*, incorporated 19/07/2000

Charity number 1090949

Charity registration date 05/03/2002

Company Limited by Guarantee 04037005

Pembrokeshire Machinery Ring Limited Industrial and Provident Society PMR Direct Company Limited by Guarantee	Registered under the Industrial & Provident Act 1965 on 21/06/91 27395R SIC , incorporated 19/06/07 06285062
Symud Ymlaen Charity number Charity Registration date Company Limited by Guarantee	SIC 7487 <i>Other business activities</i> , incorporated 24/12/03 1109921 08/06/05 05003642
Alpha Business Works CIC Company Limited by Guarantee	SIC , incorporated 01/08/07 06330763
Theatr Mwldan Charity number Charity registration date Company limited by guarantee	SIC 9232 <i>Operation of arts facilities</i> , incorporated 30/03/92 1024034 21/07/93 02701986
Theatr Mwldan Media Developments Limited (wholly owned subsidiary) Private Company Limited by shares	SIC 9231 <i>Artistic and literary creation</i> , incorporated 24/03/03 04708474
Tidy Like Records CIC Company Limited by Guarantee	SIC 9231 <i>Artistic & literary creation & interpretation</i> , incorporated 06/07/06 05868358
Trysordy CIC Company Limited by Guarantee	SIC 3720 <i>Recycling non metal waste and scrap</i> , incorporated 15/11/2005 05622804
Ymlaen Ceredigion Trust Ymlaen Ceredigion Cyf Company Limited by Guarantee	SIC 9305 <i>Other service activities</i> , incorporated 14/04/04 05101767