Mapping social enterprise activity in Wales: Understanding in order to Influence

FINAL REPORT
October 2009

Contact Details:

For queries relating to this research report please contact:
Siân Jones, telephone: 01685 729126
E-mail: SJ&LGResearch&Informationunit@wales.gsi.gov.uk

Authors
Sarah Forster - Geoeconomics
Russell Pask - The Research Unit
Ben Taylor ac Ali Torbett - Sector Projects

Publisher
Welsh Assembly Government

Location
Merthyr Tydfil

ISBN: 978 0 7504 5252 6

Acknowledgements

We would like to thank the Welsh Assembly Government for commissioning us to carry out this study. Special thanks go to Sian Jones and Karyn Pittick from the Department for Social Justice and Local Government in Wales for their advice and assistance throughout the project. We are also extremely grateful for all those we interviewed for their time, responsiveness to our questions and valuable insights. Particular thanks also to Simon Harris (Chief Executive, Wales Co-Operative Centre), Trish Fretten (Head of Community Economic Support Communities Division, Welsh Assembly Government) and Sara Ahmad (Department of the First Minister, Welsh Assembly Government) who provided oversight and comments on the draft reports as members of the Project Steering Group. We would also like to thank Andrea Westall, who acted as an expert advisor, for her valuable insights and guidance.

Executive summary

Research brief

- The Welsh Assembly Government commissioned Sector Projects, Geoeconomics and The Research Unit in May 2008 to undertake a mapping and baselining exercise of social enterprise activity across Wales. The overall aim of the study was to provide a deeper and more detailed understanding of the size, scope, nature, health and role of social enterprises in Wales and to analyse how the Assembly Government might more effectively support the sector.

This study forms part of Welsh Assembly Government's commitment to supporting social enterprises to grow and thrive, and complements Welsh Assembly Government's Social Enterprise Action Plan launched in January 2009.

Social enterprise definition

In line with the UK Government, the Welsh Assembly Government defines a social enterprise as:

> *"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 profits for shareholders".*

To operationalise this broad definition and to be comparable to other national and regional mapping exercises, we used three recognised tests for identifying social enterprises. These are:

- ***Enterprise orientation*** – directly involved in producing goods or services for a market;
- ***Social aims*** – explicit social and/or environmental aims; and
- ***Social ownership*** – autonomous organisations with an element of participatory governance involving stakeholders and trustees, with profits used for the community or shared with stakeholders.

We also segmented organisations by the proportion of earned income so as to be able to capture their stage of development and level of social enterprise activity. Three categories were defined as follows:

- **Embryonic** social enterprises – organisations that generate 15% to 25% of their income from trading;
- **Emerging** social enterprises – organisations that generate 25% to 50% of their income through trading; and
- **Established** social enterprises – organisations that generate more than 50% of their income through trading. .

The majority of UK mapping studies of social enterprise use either a cut-off of 50% earned income, or 25% to include 'emerging' social enterprises. However, this study includes the 15-25% earned income category as Welsh Assembly Government wanted to assess the level of early stage or 'embryonic' social enterprises in Wales and their potential for development.

Methodology

The mapping study was based on two methodological pillars which provided complementary quantitative and qualitative data:

- A phone survey of a representative sample of social enterprises in Wales, resulting in over 618 interviews with senior executives within these organisations, predominantly chief executives. We contacted 3,055 potential social enterprises by letter or e-mail to inform them about the survey and began telephone interviews with a sample of 764 organisations. 618 of these organisations were eligible social enterprises which gave a good spread of organisations with social enterprise activity in Wales; and

- In-depth interviews with 26 key stakeholders, including social enterprises, network organisations, business support providers and government organisations.

Surveying social enterprise is not easy as 'social enterprise' is not a discrete and easily identifiable sector – it is, rather, a way of doing business. Our survey design built on previous mapping exercises and best practice survey methods. We made use of the GuideStar database to create the first cut of potential social enterprises based on legal form and/or charitable status. This data was added to from a range of sources including from the Welsh Social Enterprise Network members, Welsh Assembly Government, and databases of particular kinds of social enterprise such as Community Interest Companies and cooperatives. This approach therefore includes organisations that may be unincorporated or adopt other legal models than companies limited by guarantee, or industrial and provident societies, for example, companies limited by shares.

Overview of findings

1) We have identified 3,056 organisations undertaking social enterprise activity in Wales.

- Two-thirds are established, meaning that they earn at least half their income, and about a quarter are self-sustaining with 100% earned income. Broadly equal proportions of embryonic and emerging social enterprises making up the remaining third.
- About half the social enterprises in Wales are companies limited by guarantee. Roughly one in ten are either trusts or unincorporated.
- Almost two-thirds of social enterprises are registered charities or have exempt charitable status. Embryonic social enterprises are more likely to have charity status (72% compared to a 63% average). In contrast, organisations with 100% earned income and organisations that are less than five years old are much less likely to have charitable status (54% and 30% respectively).

2) We estimate that the size of the social enterprise sector in terms of turnover is £2.2 billion based on Financial Year 07/08 figures.

- This would suggest that the social enterprise sector contributes approximately 2.6% to the turnover of all enterprises in Wales. The Social Enterprise Coalition UK estimates that the size of the social enterprise sector is £27 billion turnover in the UK. On this basis, Wales contributes about 8% to this national figure. This is more than double the Welsh economy's contribution to national GVA which is 3.6%.
- There is a large range of organisations within the social enterprise sector. Glas Cymru, the national water company, is by far the largest social enterprise in Wales with a turnover of £623 million at end Financial Year 08, 28% of the total turnover of the sector. Many social housing providers are also large organisations and together contribute an estimated 26% of the total estimated turnover of the sector
- However, one third of social enterprises are very small, stating their annual turnover as less than £25,000. The median average turnover is estimated to be about £50,000. Interestingly, there do not appear to be any strong patterns between size of turnover and proportion of earned income.

3) The majority of Welsh social enterprises are involved in training and education (often for disadvantaged people); the arts and the Welsh language; social enterprise, voluntary sector or business support services; health and social care; and sports and leisure.

- Almost four in ten (37%) provide services for children and over a quarter work with elderly people. There is also a focus on people living in deprived areas.

- Larger organisations, with turnover in excess of £500,000, are more likely to be involved in housing (24%), healthcare (11%) and recycling (10%). Amongst the very largest social enterprises, those with turnovers in excess of £5m, 60% provide social housing, a quarter (27%) provide social care and 8% respectively provide education and arts provision.
- One in eight social enterprises targets employment opportunities to specific groups in the community. Amongst these organisations, a third provided job opportunities for those with disabilities and special needs and one in seven provided opportunities targeted at the long-term unemployed.

4) We estimate that social enterprises account for about 29,000 full-time jobs, 20, 000 part-time jobs and 105,000 volunteering opportunities.

- In 2008, there were 1.35 million jobs in Wales. In broad comparison, this means that the social enterprise sector in Wales accounted for approximately 3.6% of jobs in Wales.
- About half the organisations engaged in social enterprise activity do not have full-time staff. Amongst those with full-time staff, only a quarter have more than ten full-time staff.

5) The South East of Wales, and Cardiff in particular, are home to larger social enterprises but there are more social enterprises per head in the rest of Wales.

- Cardiff contains 22% of large enterprises (more than £1 million annual turnover), but its share of small enterprises is much less – just over 6%. This is a similar pattern to other authorities in the South East.
- In the South East of Wales there are about 0.77 enterprises per thousand residents. In the rest of Wales there are almost twice as many – 1.39 per thousand residents. About two thirds (65%) of these can be classified as small enterprises with an annual turnover of less than £100,000. The comparable figure for South East Wales is only 44%.
- More than a third (36%) of social enterprises in Wales provide services within an area of ten miles, particularly smaller organisations. Just one in eight Welsh social enterprises said that they are providing services across Wales, and these are more likely to be larger organisations.

6) Over half (55%) the organisations interviewed said that they have made a surplus or profit in the last financial year, and about half of the organisations interviewed (48%) intend to increase their proportion of earned income in three years' time.

- In three years' time, 40% are aiming to be fully financially-sustainable compared to 28% today. The drive for this comes more strongly from organisations without charity status. Almost half (46%) this group are looking to achieve 100% earned income in three years.
- Embryonic, emerging and established social enterprises, on average, want to increase their earned income into the next 25% band e.g. those in the 25% to 49% want to move into the 50% to 74% band in the next three years. This means that many emerging social enterprises will become established.
- About 20% of the 'embryonic' group do not want to increase the proportion of earned income. At this level of analysis, the data suggests that this group includes those that really are 'embryonic', those that might benefit from including more earned income to become more sustainable but have no current plans, and those that have a low proportion of earned income as part of their sustainable funding strategy. This illustrates the fact that including embryonic social enterprises has picked up organisations that more properly belong to the third sector more broadly.
- Organisations with turnover in excess of £100k were more likely to say they had made a profit.
- Almost half the organisations conducting social enterprise activity in Wales are more than fifteen years old. The majority (59%) of these organisations have charitable status. This profile is changing: the majority (60%) of organisations under five years old do not have

charitable status. Data suggests that such organisations start-up as social enterprises, rather than being charities which diversify into a social enterprise strategy.

- New social enterprises can become relatively self-sufficient very quickly: in every age band category below, established social enterprise is the most common form of social enterprise.

7) More than two-thirds (68%) of survey respondents want to provide more or new services to the public sector, yet there are significant problems with awareness and contractual issues on both supply and demand sides.

- Contracted public services are an important source of income for some social enterprises, although not as important as the direct sale of products and services to individuals or other organisations. Nearly half (48%) of survey respondents earn all of their earned income from the direct sale of goods, products and services to individuals or organisations. The direct sale of goods and services is pervasive with 91% of social enterprises earning a proportion of their income from direct sales of their products and services to individuals or organisations as opposed to contracts and SLAs . This compares to 36% which earn a proportion of their income from government contracts and 26% which earn part of their income from Service Level Agreements.
- Some are finding the transition from grant funding to public procurement too quick and desire core grant funding during the transition period to enable them to build the capacity to bid on and win contracts.
- Public services demonstrate a willingness to grow social enterprises and a growing emphasis on giving social enterprises opportunities to thrive, yet nearly one in five respondents felt that the main challenge to their organisation providing public sector services was "lack of awareness and perception [from] public sector bodies". Lack of awareness and misplaced perceptions of social enterprises was a strong theme running throughout the interviews.
- Other challenges to social enterprises seeking to supply services to the public sector include:
    - Perceived reluctance by local councils to contract for services that the council itself currently delivers.
    - The large scale of contracts, meaning that many social enterprises have to bid as sub-contractors, if at all.
    - Lack of recognition of the value of social benefit creation in tender specifications.
    - Late payment and lagging payment terms of public sector bodies.
- Fewer than 20% of organisations interviewed have registered with sell2wales to receive news about tender opportunities.
- Only one in ten are aware of the Opening Doors Charter, Welsh Assembly Government's set of principles for SME (and social enterprise) friendly procurement.
- Value Wales, Welsh Assembly Government's procurement improvement team, is playing a key role in facilitating social enterprise involvement in public procurement. A Value Wales representative reported that before the Opening Doors Charter £4bn worth and only 35% of contracts were awarded to Welsh firms compared to £4.5bn and 49% of contracts lately and social enterprises have had success in winning Welsh Assembly Government and local government contracts.
- Overall, there is a view that guidance is in place to ensure that procurement rules are friendly towards the third sector, including social enterprises, but more implementation of these guidelines is needed at the local level.

8) Social enterprises would like to see more assets transferred from public authorities to help generate income, increase their financial stability and to provide a community resource.

- 39% of social enterprises interviewed own freehold or long leases on property or land. Levels of ownership are likely to be higher if leases of less than 50 years are included.
- Property owners tend to be larger organisations and organisations whose main objectives included properties for rent such as housing associations or asset development for the benefit of the community such as development trusts.
- Social enterprises regard asset ownership positively, but interviewees' experience was that some local authorities are more positive and willing to transfer assets for community benefit than others. In the best case scenario, local authorities have been ambitious about transferring assets and supporting asset development for the benefit of the community.

9) Local councils were cited as the most common and most important source of business support, highlighting the importance of the relationship with the public sector to the work of social enterprises. Demands are for more tailored and specific professional support.

- Although local councils were cited as the most important source of business support, this is more likely to be signposting and information about funding and contract opportunities rather than structured business development and capacity-building support.
- The next most important support provider is the Wales Council for Voluntary Action (WCVA), along with County Voluntary Councils (CVCs) which exist to provide advice and information to local voluntary and community organisations. Support from WCVA is more in demand from those organisations registered as charities, and from 'embryonic' social enterprises.
- Communities First, the Welsh Assembly Government's flagship programme to improve the living conditions and prospects for people in the most disadvantaged communities across Wales, was a source of advice to 13% of respondents.
- Specialist social enterprise support providers were the other most common sources of business support, particularly the Wales Cooperative Centre (17%), Community Enterprise Wales (4%), DTA Wales (4%) and Social Firms Wales (2%).
- Business Eye and Business Connect, the main government business support programmes, were used by only 8% and 4% of respondents respectively. Their uptake tends to be more by the non-charity social enterprises – 57% of those citing Business Eye as a main source of support were not registered as a charity.
- Levels of satisfaction with business support is fairly high, with more than two-thirds either fairly satisfied or very satisfied, but concerns are that government business support does not take social enterprises seriously as businesses.
- There is demand for more development of the business support infrastructure for social enterprises – more independent, specialist support providers which know and understand social enterprise and business and which bring private sector skills to social enterprises.
- There is also some demand for peer-to-peer networking and mentoring; 7% of respondents source business advice and support from other social enterprises.
- Access to finance is by far the area in which most respondents would like to see additional advice and support; 44% of respondents cited this as a topic. Other areas where social enterprises are seeking more advice are business and strategic planning (18%), volunteering (15%), diversification of income streams (14%), partnership development (14%), and financial management (13%).
- Business support providers tend to regard the desires of social enterprises for business support as different to what they actually need. They see significant capacity gaps in the areas of management and marketing, which came very low down in the priority of areas where organisations themselves would like more advice.

- Larger organisations seek more business-related skills than smaller organisations, and organisations with higher proportions of earned income tended to have a higher demand for business planning and financial management skills.

10) Social enterprises feel that they can deliver innovation through their business model and greater connection with the community and service users, but feel stifled by public sector procurement approaches and lack of collaboration within the sector.

- At best, the entrepreneurial approach of social enterprises makes them more dynamic than other third sector organisations and they will enter areas where commercial business may not see opportunities.
- Lack of local authority understanding of and engagement with social enterprises was a major frustration.
- While being able to adapt and respond to new public service agendas, social enterprises can be frustrated by public sector contracts, rules and ways of working, and would like access to mainstream funds where they can deliver effectively against targets.
- Many social enterprises are not ready, or do not desire, to scale up. Nearly half of all organisations interviewed carry out their activities within a 20 mile radius, and with a key strength being responsiveness to local needs, the findings suggest that the majority of social enterprises in Wales will remain locally-focused.
- Replication offers a potential way to combine scaling-up with remaining locally-connected, and there are some emerging examples of this approach. Acquiring or working with and transforming local businesses into social enterprises is another innovative growth strategy being pursued by some social enterprises in Wales.
- Interviewees recognised the need for more collaboration and partnership to foster further innovation and development.

11) Organisations interviewed were overwhelmingly positive about their achievements, yet fewer than 40% said they had measures in place to assess their performance. Given the lack of systematic measurement of social impacts, it is not possible to assess the overall social, economic and environmental impact of the social enterprise sector in Wales beyond the headline data.

- The immediate focus for most social enterprises is establishing and running their day-to-day operations. There is insufficient monitoring, evaluation and communication of the “social impact” of social enterprises in a systematic way. This is an area where social enterprises needed to be challenged, encouraged and supported to improve.
- Larger organisations were more likely to have performance measurement systems in place. This reflects the fact that a certain level of resource – in terms of staff time, expertise and effort – is required to put in place measurement systems, which many smaller organisations do not have.
- The first step for many social enterprises interviewed is to gain a recognised quality standard as a way of demonstrating professionalism and organisational effectiveness. The most widespread quality marks gained by social enterprises interviewed are Investor in People and Green Dragon. Some social enterprises have also achieved ISO standards. These standards are recognised and valued by public sector buyers.
- Most social enterprises were familiar with different social performance measurement methods, such as social auditing and Social Return on Investment (SROI), but these methods are not yet widely implemented. Social auditing was used by nearly one in ten interviewees. Certain network bodies, such as Clych and Development Trust Wales, have led on promoting the use of social accounting and auditing methods.
- The most common method for measuring performance was to conduct surveys with service users as a way of getting client feedback on the quality and impact of their services. Such surveys are commonly used by housing associations among their tenants.

12) Respondents had positive views overall of the role and influence of Welsh Assembly Government. Views of local authorities were more mixed.

- The general view was that Welsh Assembly Government should help energise the sector and support its growth, particularly in the current economic climate.
- The main area in which respondents would like to see more focus by Welsh Assembly Government is funding, either direct funding or help with accessing funding. In all, 59% of interviewees mentioned funding in one way or another. Typically, social enterprises would like access to longer-term (at least three to five year) core funding to invest in building their operations rather than one-off funding for specific projects.
- Promoting, recognising and using social enterprises also comes high on the agenda on what interviewees would like Welsh Assembly Government to do more of. A lack of understanding about social enterprise is perceived as a barrier to growth and opportunities. A common request was that Welsh Assembly Government be more proactive in ensuring that local authorities recognize the value of social enterprises.
- All interviewees said that the term social enterprise is not widely understood within their organisation or within their communities, and all felt it would be helpful to their business if the term was more widely understood. However, many felt that there was no clear view of what it meant to be a social enterprise, even among social enterprises themselves. Market segmentation of social enterprises might be helpful in this regard.
- There was backing for the idea of Welsh Assembly Government funding a communications campaign. However, there were concerns about how this was designed and managed. Most felt that any communications campaign should be driven by social enterprises themselves. Social enterprises also underline the need to highlight practically what social enterprises can achieve in simple language.
- Generally, there was a sense that the Welsh Assembly Government was open, inclusive and good at listening. Leading social entrepreneurs felt that they did have the opportunity to participate with government in the review of relevant government strategies, and other larger social enterprise networks had similar experience through their specialist status.
- Larger organisations, in terms of turnover, had the most positive view of Welsh Assembly Government. The least positive opinion was among social enterprises that are 100% self-sustainable. Such enterprises tend to consider Welsh Assembly Government’s view of social enterprise as too community-focused, and not sufficiently business minded. There was a view here that the social enterprise agenda was too much linked to the third sector agenda, and not sufficiently embedded across all of government policy.

Recommendations

For social enterprise to deliver on its promise there needs to be sustained political commitment and integrated government support at all levels. Social enterprise models are still at a very early stage of development. The report sets out our overall conclusions from the mapping study and the recommendations that emerge. These are summarized here and presented as a more detailed set of actions in the main report:

- ***Recommendation 1: Maintain and improve this information base on social enterprise activity.***
  A high quality and robust information platform could be a very important tool to increase knowledge of social enterprises, demand for their services and the supply of funds. We recommend a series of actions to ensure that this mapping study information creates a valuable baseline for the future development and performance assessment of social enterprise activity.
- ***Recommendation 2: Recognize the diversity of social enterprises in Wales and tailor support appropriately.***
  This mapping study underlines the diversity of the social enterprise sector in Wales. These organisations can be seen as part of one “sector” to the extent that they all have the social enterprise characteristics of enterprise orientation, social aims and social ownership. However, they differ tremendously in terms of their scale, business goals and

capability, culture, social aims and financing model. We believe that it is important for Welsh Assembly Government to use the data from this study to segment organisations in terms of their levels of earned income and desire to reach self-sustainability in order for Welsh Assembly Government to target communications in ways that make sense to the sector in terms of their own self-definition and aspirations. Additionally, Welsh Assembly Government and the social enterprise 'sector' would benefit from also analysing and segmenting social enterprise growth sectors and developing enabling environment and investment strategies for these sectors e.g. waste recycling, energy production, local food/organics, arts and culture. .

- ***Recommendation 3: Proactively engage local authorities in the social enterprise agenda.***
  Local authorities are core stakeholders in the development of the social enterprise sector, both as partners and buyers of services. There is good practice where local authorities work with social enterprises, but this needs to be mainstreamed. Effective ways of sharing knowledge of good practice and raising awareness among local government officers of social enterprises and their roles in the community and local economy need to be developed. This includes raising the awareness of social enterprises among all procurement departments, developing the capacity of social enterprises to be able to procure public contracts and building partnerships between the two.

- ***Recommendation 4: Ensure business support is tailored to the needs of different types of social enterprises and focuses on developing them as sustainable businesses.***
  More support is required for helping social enterprises develop as sustainable businesses. Most are good at the "social" aspects of what they do, but far fewer are run as effective and viable businesses. Many social enterprises and network bodies are under-equipped with relevant human capacity to deal with building viable businesses. The findings from this mapping study suggest some areas where there is a need for more focused support and new delivery strategies, which are specified in the final section.

- ***Recommendation 5: Consider a greater focus and potentially direct funding to support the development of sustainable social finance providers to support the growth of sustainable social enterprises in Wales.***
  A finance infrastructure needs to be supported that provides a structured investment mix moving from grants to soft to commercial loan and equity-like finance tailored to the financing and development needs of social enterprises. There is also a need to develop the financial management knowledge and capability of social enterprises. Such knowledge would help increase the investment readiness of social enterprises and demand for existing non-grant funds.

- **Recommendation 6: Invest in improving the performance monitoring and transparency of social enterprises.**
  Measurement of the performance and impacts of social enterprise is weak. The findings suggest that many social enterprises do not yet have the institutional capacity to design and implement effective and robust social performance monitoring and management systems. This is an area where government support and coordination among social enterprises and support bodies is needed to develop methods and information systems for performance data sharing.

- **Recommendation 7: Support a major awareness and marketing campaign (s) for social enterprises that reaches out to the broader public.**
  The challenge with communications is to ensure social enterprises become better known among the general public and business community in Wales, not just those already in the sector, so demand for their goods and services increases. There is a strong demand for an awareness-raising campaign that is led by the social enterprise sector itself. Any campaign should be tailored to communicate the fundamental values and differences of social enterprises.

Contents

1. Introduction and background ... 14
   1.1. Aims and objectives ... 14
   1.2. Wider context ... 14
   1.3. Context within Wales ... 15
2. Methodology ... 17
   2.1. Approach and conceptual framework ... 17
   2.2. Definition of Social Enterprise ... 18
   2.3. Creating the database ... 19
3. Scale and scope of social enterprise activity ... 22
   3.1. Number of social enterprises ... 22
   3.2. Legal form and charity status ... 24
   3.3. Turnover ... 25
   3.4. Social enterprise activities ... 28
   3.5. Employees ... 31
   3.6. Age and trading experience ... 34
   3.7. Location and Communities First ... 37
   3.8. Main beneficiaries ... 39
   3.9. Employment targeting ... 40
   3.10. Training ... 40
   3.11. Profitability and prospects for financial sustainability ... 41
4. Challenges and opportunities ... 44
   4.1. Access to finance ... 44
   4.2. Public procurement ... 46
   4.3. Asset transfer ... 53
   4.4. Business support ... 55
   4.5. Innovation and competition ... 60
   4.6. Measuring impact ... 62
   4.7. Welsh Assembly Government support and communications ... 67
5. Conclusions and recommendations ... 73

References ... 78
Appendices ... 79
Appendix A: Table of included and excluded Categories ... 80
Appendix B: Methodology ... 82
Appendix C: Maps of distribution by areas of activity ... 88
Appendix D: Survey responses – top-line results ... 94
Appendix E: Survey questionnaire ... 108
Appendix F: Topic guide – in depth interviews with public sector and support organisations ... 119
Appendix G: Topic guide – in depth interviews with social enterprises ... 121
Appendix H: List of in-depth interviewees ... 124

Table of figures

Figure 1.1: A spectrum of organisational models ... 15
Figure 3.1: Proportion of social enterprises by level of earned income ... 22
Figure 3.2: Breakdown of number, turnover and employment of social enterprises by % earned income ... 23
Figure 3.3: Social enterprise self definition ... 24
Figure 3.4: Legal form of social enterprises ... 24
Figure 3.5: Charitable status ... 25
Figure 3.6: Level of annual turnover ... 26
Figure 3.7: Geographic distribution by size of turnover ... 27
Figure 3.8: Activities pursued ... 29
Figure 3.9: Top 20 social enterprises by turnover ... 30
Figure 3.10: Full time staff ... 31
Figure 3.11: Social Enterprise numbers, turnover and employment by employing status ... 32
Figure 3.12: Part-time employees ... 32

Figure 3.13: Unpaid volunteers ... 33
Figure 3.14: Hours worked by volunteers in the last seven days ... 33
Figure 3.15: Leadership of social enterprises ... 34
Figure 3.16: Age of organisation ... 34
Figure 3.17: Age compared to category of social enterprise ... 35
Figure 3.18: Geographic distribution of social enterprises by age ... 36
Figure 3.19: Stage at which started to trade goods and services ... 36
Figure 3.20: Area of operations of social enterprises ... 37
Figure 3.21: Location of social enterprises responding to the survey ... 38
Figure 3.22: Customers from Communities First areas ... 38
Figure 3.23: Main beneficiaries ... 39
Figure 3.24: Targets for employment ... 40
Figure 3.25: Proportion that provide staff training ... 40
Figure 3.26: Links to schools, colleges or universities for staff training ... 41
Figure 3.27: Use of surplus ... 42
Figure 3.28: % of total earned income from contracts, service level agreements, products and services ... 42
Figure 4.1: Preferred types of finance ... 44
Figure 4.2: Proportion using non-grant finance ... 45
Figure 4.3: Proportion of earned income from government contracts, service level agreements or direct sale product and services to individuals and organisations ... 47
Figure 4.4: Level of interest in providing services to the public sector ... 48
Figure 4.5: Main challenges to providing services to the public sector ... 50
Figure 4.6: Proportion registered on Sell2Wales ... 51
Figure 4.7: Locations of those registered on Sell2Wales ... 52
Figure 4.8: Proportion of social enterprises aware of Opening Doors ... 53
Figure 4.9: Proportion who own property or land or have a long lease over 50years ... 54
Figure 4.10: Main sources of advice or support ... 56
Figure 4.11: Most important sources of advice or support ... 57
Figure 4.12: Level of satisfaction with business support ... 58
Figure 4.13: Types of support demanded ... 59
Figure 4.14: Top three business support areas by turnover ... 60
Figure 4.15: Perception of level of success ... 63
Figure 4.16: Impact measurement ... 64
Figure 4.17: Use of quality standards ... 65
Figure 4.18: Use of social performance measurement tools ... 66
Figure 4.19: Welsh Assembly Government influence on organisational success ... 68
Figure 4.20: Influence of Welsh Assembly Government on organisation ... 69
Figure 4.21: Public sector communications ... 70
Figure 4.22: Desired Welsh Assembly Government Support ... 70
Figure 6.1: decisions on ‘difficult cases’ and comparison to SEEDA mapping methodology . 80
Figure 7.1: IPS database inclusions and exclusions ... 83
Figure 7.2: Charities database inclusions and exclusion ... 84
Figure 7.3: Companies limited by guarantee database inclusions and exclusion ... 85
Figure 7.4: Inclusion categories ... 86
Figure 7.5: Statistical reliability for different sample sizes ... 87
Figure 7.6: Statistical significance ... 87
Figure 8.1: Goals of organisation pursued through Arts, Culture and Media ... 88
Figure 8.2: Goals of organisation pursued through Child, Health and Social Care ... 89
Figure 8.3: Goals of organisation pursued through Employment, Training and Education ... 90
Figure 8.4: Goals of organisation pursued through Business Support, Social Enterprise and the Voluntary Sector ... 91
Figure 8.5: Goals of organisation pursued through Food and Catering, Conservation and Heritage and Energy and Utilities ... 92
Figure 8.6: Goals of organisation pursued through Sport, Leisure and Tourism ... 93

1. Introduction and background

1.1. Aims and objectives

The Welsh Assembly Government commissioned Sector Projects, Geoeconomics and The Research Unit in May 2008 to undertake a mapping and base-lining exercise of social enterprise activity across Wales. The overall aim of the study was to provide a deeper and more detailed understanding of the size, scope, nature, health and role of social enterprises in Wales. Specifically, the study aimed to:

- Develop a **mapping method** that is robust and relatively easy to repeat on a regular basis;
- Use this method to develop a clear picture of the prevalence, characteristics and distribution of social enterprises in Wales, to act as a **baseline** against which change can be measured including achievement of the objectives of the Social Enterprise Action Plan 2009 for Wales and *The Third Dimension*;
- Identify **measures for capturing and isolating the impact** of the Social Enterprise Action Plan 2009 (as opposed for instance to natural growth or economic change) and to take baseline readings of these measures;
- Derive from the mapping exercise a **database** of social enterprises categorised according to contributions to the economy, to social wellbeing or to environment benefit; and
- Analyse **how the Assembly Government might more effectively support the sector** in adding value, and to determine where its efforts would most usefully be concentrated.

All these aims were achieved. As regards “identifying measures for capturing and isolating the impact of the Social Enterprise Action Plan 2009”, the focus of the study was on capturing a baseline in terms of the number of social enterprises in Wales, their size, turnover, job creation and area of activity. It was not possible to analyse the impact that social enterprises themselves are having on communities in Wales as social enterprises are not yet capturing impact information in any robust or consistent way. This is further discussed in section 4.6.

This study forms part of Welsh Assembly Government’s commitment to supporting social enterprises to grow and thrive. How this will be achieved is set out in Welsh Assembly Government’s Social Enterprise Action Plan launched in January 2009. The plan contains 20 key actions to help the sector expand, to grow existing ventures, and to help new social enterprises to become established. One of these actions is to use the results of this study to increase understanding of social enterprise activity and to share this information for the benefit of social enterprises.

1.2. Wider context

Although social enterprises have existed for hundreds of years, for example in the form of co-operatives and mutual organisations, the notions of social enterprise and social entrepreneurship have taken on increasing importance in recent years. Globally, many see the need for a change in current economic thinking and a transformation in the way business and capital markets work in order to shift focus from profit maximisation to serving the common good of society. Such thinking has gained increasing prominence in the current economic climate. Social enterprise solutions are seen as increasingly relevant to creating a more mixed economy that delivers greater social opportunity and sustainability.

Social enterprise became a focus of policy within government with the creation of the Social Enterprise Unit in the then Department of Trade and Industry (DTI) in 2001. In the UK Government’s most recent *Social Enterprise Strategy* (2006),[1] it views social enterprises as contributing to society in the following ways:

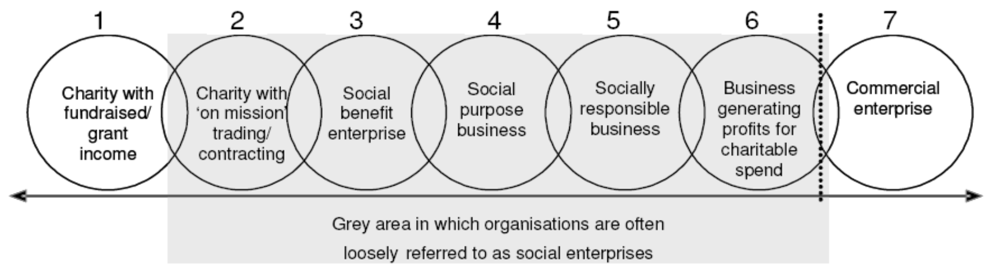
[1] Cabinet Office, Office of the Third Sector, *Social enterprise action plan: Scaling new heights*, November 2006.

- Tackling some of society's most entrenched social and environmental challenges;
- Setting new standards for ethical markets, raising the bar for corporate responsibility;
- Improving public services, shaping service design and pioneering new approaches; and
- Increasing levels of enterprise, attracting new people to business.

Social enterprises already play a significant role in the UK economy. In sectors including housing, leisure, and transport, social enterprises help meet local service needs, by providing services to people in some of the UK's most deprived areas. In other sectors, such as health and social care, recycling, renewable energy, and employment and training services, social enterprises are beginning to emerge. These enterprises may be started up by socially-driven entrepreneurs, be established by a charity looking to become more 'enterprising', or derive from the public sector.

Social enterprises have a range of organisational models that fit between grant-funded charities and for-profit enterprises, contributing to a more mixed economy, as organisations aiming to achieve a double or triple bottom line – that is financial returns alongside social and/or environmental benefits (see diagram). This mapping study focuses primarily on organisational models 2, 3 and 4.

Figure 1.1: A spectrum of organisational models



Source: *Financing Civil Society*, Venturesome 2008[2]

There is significant momentum in the social enterprise sector at present. Socially-minded entrepreneurs and organisations are increasingly developing social business models to tackle a range of social and environmental problems; several government funds have been established to help drive the sector forward and better position social enterprises to win contracts for the delivery of public services; there is increasing focus on measuring social returns on investment (SROI); and increasingly, the attention of the private sector has been gained in a desire to move beyond corporate and social responsibility and look to social enterprise partners to work with or invest in as part of a commercial strategy.

1.3. Context within Wales

Wales has a long tradition of social enterprise. Some of the pioneers of innovative and successful social enterprise models came from Wales. For example, Robert Owen who founded the cooperative movement over 150 years ago, and Aneurin Bevan, who modelled the NHS on the community self-help scheme run by the Tredegar Workmen's Medical Aid Society.

These pioneers reflect the values within Welsh society which generate a desire to cooperate for the common good. This spirit was reflected more recently in the creation of Glas Cymru (Welsh Water), formed in 2001. It is a company limited by guarantee with no shareholders, and financial surpluses are reinvested for the benefit of customers or used to support

[2] Venturesome, *Financing Civil Society: A Practitioner's Guide to the Social Investment Market*, September 2008

charitable activities. Such values provide the basis for an environment in which social enterprise could thrive and become central to social and economic life in Wales.

From a policy perspective, Welsh Assembly Government has focused on social enterprise since the first 'the Social Enterprise Strategy for Wales 2005'. Welsh Assembly Government positions social enterprise as part of the 'third sector' (or social economy). Responsibility for the Third Sector lies within the Communities Division which is part of the Social Justice and Local Government Department. The Communities Division has a range of responsibilities including delivering and funding programmes for locally based regeneration and social inclusion.

The Third Sector Strategic Action Plan - The Third Dimension, launched in 2008, made clear that the Welsh Assembly Government regards voluntary groups, community group and social enterprises as part of the Third Sector being distinct and separate from the public sector and the private sector. This is also reflected in the Welsh Assembly Government partnership arrangements, where the Voluntary Sector Partnership Council was renamed the Third Sector Partnership Council, with the addition of a new category of membership to represent the views of social enterprises. The newly formed Third Sector Unit within the Communities Division has responsibility for policy relating to the whole of the sector, including social enterprise in Wales.

Welsh Assembly Government's focus has primarily been on community-based social enterprises that can tackle issues related to social and economic inclusion, poverty and social disadvantage in the most deprived areas. As stated on the Welsh Assembly Government website:

> *"Wales has a strong tradition of community identity and self-help. We want to enhance this identity by giving people the confidence to develop local solutions to community problems and by providing them with the funding and support to do so."*

Social enterprise is regarded as a vehicle to achieve this goal. Funding has been directed towards community-based enterprises through the Communities First programme and the proposed Community Asset Transfer Fund.

That said, there is recognition within Welsh Assembly Government that the social enterprise model could be developed to contribute to the modernisation and improved delivery of core public services. One of the actions of the Social Enterprise Action Plan 2009 is to explore how the Glas Cymru model could be replicated to drive aspects of public service improvement.

There is also recognition that social enterprise can provide alternative business models for the mainstream economy. Therefore, the Communities Division is working to embed social enterprise policy across the economic policies and programmes of the Welsh Assembly.

This study was designed to encompass the full range of social enterprises from community-based organisations through to national-level, socially-oriented companies.

The report is organised as follows:

- **Chapter 2** describes the research methodology, which comprised both a large-scale survey and in-depth interviews.
- **Chapter 3** presents the findings of the research related to the size and scope of social enterprise activity in Wales.
- **Chapter 4** analyses what social enterprises regard as their main opportunities and challenges for growth and development, including what support they would like to see from Welsh Assembly Government.
- **Chapter 5** puts forward a set of recommendations designed to inform and bolster Welsh Assembly Government's current Social Enterprise Action Plan 2009.

2. Methodology

2.1. Approach and conceptual framework

This mapping study was based on two methodological pillars which provided complementary quantitative and qualitative data:

- A phone survey of a representative sample of social enterprises in Wales; and
- In-depth interviews with 26 key stakeholders, including social enterprises, network organisations, business support providers and government organisations.

The survey design learnt from the experience of previous mapping exercises and the work of ECOTEC, which was commissioned by the Social Enterprise Unit in 2003 to produce best practice in mapping to enable comparability and standardisation across regions.[3] Surveying social enterprise is not easy as “social enterprise” is not a discrete and easily identifiable sector – it is rather a way of doing business. There have been two main approaches to mapping social enterprises in the UK to date.

The first approach, developed by ECOTEC, focuses on identifying organisations that have specific legal forms that reflect a social orientation – these are primarily companies limited by guarantee (CLGs), and industrial and provident societies (IPSs) – and combining this with local information on known social enterprises. IFF Research Ltd mapped social enterprises across the UK in 2005 using this approach combining national level data on CLGs and IPSs with local information from individual regions.[4] However, this approach missed out many social enterprises which do not take these legal forms and probably included others which would generally be seen as ineligible, since it did not clearly address the clarification of categories of social activity for inclusion or exclusion.

A second approach, introduced in 2005, was to add questions to the Annual Small Business Survey to identify those businesses which are social enterprises. Organisational contacts were shown a definition of social enterprise and asked whether they considered themselves a social enterprise on this basis.[5]

The discrepancy between the estimated England and Wales totals of 15,000 social enterprises through the ECOTEC and IFF approach and 55,000 through the Annual Small Business Survey approach illustrates the difficulties of operationalising the very broad and open-ended definition of social enterprise in a situation where there are no easy databases to access which cover the field, and where social enterprises overlap considerably with charities and businesses.

In this study, we followed the first approach but broadened the sources of data by including Welsh Social Enterprise Network information, Welsh Assembly Government, national databases of particular kinds of social enterprise such as Community Interest Companies and cooperatives, and organisations that are unincorporated or adopt other legal models than companies limited by guarantee, or industrial and provident societies, for example, companies limited by shares.

This report builds on initial research undertaken by the University of Glamorgan in 2002 on behalf of the Social Enterprise Network and the Welsh Development Agency. Our understanding of this research is that it developed from surveying known contacts in the

[3] Ecotec Research and Consulting Limited (2003) *Guidance on Mapping Social Enterprise. Final Report to the DTI Social Enterprise Unit*, C2453.
www.cabinetoffice.gov.uk/~/media/assets/www.cabinetoffice.gov.uk/third_sector/guidance_mapping_se%20pdf.ashx

[4] www.cabinetoffice.gov.uk/~/media/assets/www.cabinetoffice.gov.uk/third_sector/survey_social_enterprise_across_uk%20pdf.ashx

[5] www.berr.gov.uk/files/file38237.pdf

sector and identified approximately 600 organisations. This research report brings together both known contact information and uses a Welsh definition to build a group of organisations with social enterprise activity from a broader range of data sources.

2.2. Definition of Social Enterprise

In line with the UK Government, the Welsh Assembly Government defines a social enterprise as:

> *"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 profits for shareholders".*

To operationalise this broad definition and to be comparable to other national and regional mapping exercises, we used three recognised tests for social enterprise, following those set out in the original ECOTEC guidance on mapping and endorsed by the Social Enterprise Coalition UK (SEC UK). These are:

- ***Enterprise orientation*** – directly involved in producing goods or services for a market. (This may be further identified through increasing trends in earned income over time for those emerging from grant dependency, particularly in the cases of low measured current enterprise activity);
- ***Social aims*** – explicit social and/or environmental aims. (The Community Interest Company test is applied here which uses a 'reasonable person' test of community and wider public interest where access to benefits should be "widely available and not confined to an unduly restricted group"); and
- ***Social ownership*** – autonomous organisations with an element of participatory governance involving stakeholders and trustees, with profits used for the community or shared with stakeholders. (This includes organisations with public funding as long as the government does not appoint more than one third of the trustees or board and/or exercise government authority).[6]

Welsh Assembly Government also segmented organisations by the proportion of earned income so as to be able to capture their stage of development and level of social enterprise activity. Three categories were defined as follows[7]:

- Organisations that meet the other criteria and generate 15% to 25% of their income from trading should be included as **embryonic** social enterprises;
- Organisations that generate 25% to 50% of their income will be included as **emerging** social enterprises; and
- Organisations that generate more than 50% of their income through trading will be included and referred to as **established** social enterprises.

Throughout the report we refer to social enterprises as "embryonic", "emerging" and "established". This definitional content provides information about the relative level of social enterprise activity.

We also chose to analyse the proportions of 'embryonic' and 'emerging' social enterprises which were seeking to increase their proportion of earned income in order to see how many really are on a journey to becoming more self-sufficient through earned income or which are part of the broad spectrum of third sector organisations which achieve their aims through different mixes of earned and unearned income.

---

[6] This criterion was included by similar work undertaken for SEEDA (South East of England Development Agency).
[7] In a very small number of cases we have included organisations with less than 15% earned income. The criteria for inclusion were that these organisations self-defined as social enterprises and were in their first two years of trading.

In terms of ***social ownership***, it was agreed to include unregistered companies where possible. Employee-owned organisations were also included although there were fairly clear exclusions such as financial partnerships.

Even with these definitional criteria, there were still a number of instances in which the inclusion of certain types of organisation was not clear cut e.g. sports clubs and cultural organisations. Difficult cases were discussed with the project steering group and decisions made as to whether to include or exclude certain categories of organisation. For the sake of comparison, also included are the decisions made by SEEDA for a similar mapping exercise (see Appendix A).

2.3. Creating the database

We undertook the following steps to create the database of social enterprises in Wales:

- We used organisational information gained through GuideStar, a leading provider of organisational information on charities and other organisations that have primarily social aims. Using company records information, the earned income of organisation was analysed and organisations with less than 15% earned income were removed from our GuideStar data sources.[8]
- GuideStar provided three databases of information for Industrial and Provident Societies, companies limited by guarantee (CLGs) and charities. This created the main long list of potential social enterprises.
- This process provided an initial list of 2,273 charities, 3,033 companies limited by guarantee and 699 Industrial and Provident Societies (IPSs).
- Geoeconomics and The Research Unit then applied the social enterprise definitional criteria and removed duplicate entries from the three GuideStar databases. In addition, a classification system was developed to capture the diversity of Welsh social enterprises according to criteria agreed with the Project Steering Group (see Appendix B). This reduced the three databases to the following sizes: 1,548 charities, 970 companies limited by guarantee and 300 Industrial and Provident Societies.
- We then added in and checked data with the following additional information sources:
    - Community Interest Companies that are Limited by Shares and which are not included in the GuideStar database.
    - Welsh data sources including the Social Enterprise Network, Cylch, the Wales Co-operative Centre, the Development Trusts Association Wales and Welsh Assembly Government itself.
    - National databases, social enterprise award results and the team's knowledge were also used to double-check the database for certain kinds of social enterprises, and also to identify those social enterprises that are companies limited by shares or to identify or explore particular categories of social enterprise.

As well as sorting organisations by this preliminary analysis, the first section of the questionnaire was used to filter out organisations that passed the database test but are still not in fact conducting any social enterprise activity. These processes created a total database of 3,055 potential social enterprises for the fieldwork research.

These steps are set out in more detail in Appendix B.

[8] GuideStar (www.guidestar.org.uk) was originally set up to provide data on charities and the broader voluntary sector within the UK. It has subsequently been broadened to include organisations within the wider third sector and therefore more social enterprises. Three English regions – the south east, east midlands, and the west midlands – have similarly started their mappings with initial cuts from the GuideStar database which have then been adapted or added to according to different political or practical priorities and decisions.

2.3.1. Quota sampling

We undertook a quota sampling approach to this research. Quota sampling ensures that organisations chosen to be further explored through a questionnaire are representative of the full population of organisations by sampling on the basis of different segmentations. For example, the organisations taking part in the questionnaire would reflect the same proportions of different categories of earned income as those in the full set of organisations The quotas that were used in undertaking this fieldwork were the coding system i.e. primary activities, legal form of the organisation, turnover, traded income and location.

2.3.2. Response rates

We sent letters and e-mail correspondence to organisations on the database and then followed up this correspondence with telephone contact. We contacted 3,055 potential social enterprises by letter or e-mail and began telephone interviews with a sample of 764 organisations. 618 of these organisations were eligible social enterprises These 618 interviews took place with senior executives within these organisations, predominantly chief executives and owners.

2.3.3. Questionnaire Design

The questionnaire was composed of two parts. The first part of the survey was used to check if the potential social enterprises identified at the database stage were in fact social enterprises. This was checked by going through each stage of the definition to confirm inclusion. The second part of the survey was used to develop baseline information about the composition of the sector and is the main body of this report. The filter element at the beginning of the survey and feedback from letter returns filtered out 5% of the sample on the basis that these organisations were not, in fact, earning more than 15% of their income through trading or were not social enterprises. The headline results from the survey are provided in Appendix D along with the questionnaire for the survey in Appendix E. Surveys took on average 30 minutes to complete.

2.3.4. Statistical reliability

Achieving 618 interviews means that the results are highly reliable. The overall statistical reliability of the results is approximately +/- 4% within a 95% confidence level. This means that for any question answered by all the social enterprises the sample percentage will be within 4% either side of the response for the overall population.

The respondents to the surveys are only samples of the total “population”, so we cannot be certain that the figures obtained are exactly those we would have if everybody had been interviewed. We can, however, predict the variation between the sample results and the “true” values from knowledge of the size of the samples on which the results are based and the number of times that a particular answer is given. The confidence with which we can make this prediction is usually 95% – that is, the chances are 95 in 100 that the “true” value will fall within the specified +/-4 % range. This research reports focuses on showing differences where they have statistical significance. However, in addition to the report, we have produced detailed computer tables which show an extensive range of cross-tabulation between variables.

2.3.5. Qualitative Research

In addition to the large scale survey and development of a database of social enterprises, our team also conducted a series of interviews with 26 people working in a wide range of social enterprise areas as well as support and public sector agencies. A list of interviewees can be found in Appendix H. These interviews were conducted both face-to-face and by telephone and normally took an hour to an hour and a half to complete. Details of the questions asked are in Appendices F (public sector and support organisations) and G (social enterprises). We ensured that the questions for the interviews both mirrored and explored in more detail, the points being addressed by the survey questionnaire.

These interviews served two primary purposes. Firstly, as we undertook the majority of the qualitative research before the survey began, it gave us an opportunity to test propositions for the survey and to develop a rounded picture of the key issues for organisations engaging in social enterprise activity. Secondly, these in-depth interviews provided an opportunity to probe for additional detail and reasoning on particular topics which is simply not possible within a survey.

The qualitative research therefore adds insight and colour to the findings and gives a greater understanding of the key issues and challenges for organisations engaging in social enterprise activity. In total, 25 interviews were undertaken. All quotes in *italics* are from the in-depth interviews. The views of people taking part in these interviews have been anonymised.

2.3.6. Comparisons with other studies

Social enterprise research studies tend to use significantly different methodologies in order to identify social enterprises and the results are therefore difficult to compare. One example would be that of the IFF study and the self-defining approach of the Annual Business Survey referred to previously. The key factors leading to difficulties in closely comparing studies are definitional differences at the outset[9], differences in the databases used to contact organisations, different questions and differences in the ways of contacting organisations, for example, postal, telephone or email. This said, our methodology builds on that of the IFF study and the methodological approach taken by SEEDA and the East Midlands Development Agency.

However, first and foremost, this is a study about Welsh social enterprise and is focused on providing a baseline for Wales to chart and support the growth of social enterprise activity in Wales.

2.3.7. Note on charts within the survey

Charts are used to show key comparisons in the data. Figures may not total 100% for several reasons. First of all, where there is rounding it is possible for the sum to equal 99% or 101%. Second, in multicode questions, where it is possible to give more than one option, this will also add up to more than 100%. Multicode questions are denoted as such in the chart headings. Finally, in line with common market research practice, charts will not include the 'don't know' percentage unless this percentage is large. The top-line data at the end of the survey shows all the totals for every single category.

Equally, where the questionnaire is used to filter in key areas, it may also be appropriate to set the base for the chart and percentage calculations as all those passing the filter rather than the entire sample. Smaller base sizes based on such filter questions are used in charts to look at the behaviour of a sub-group of the whole sample, for example, we present below charts which focus only on all those organisations interested in getting loan finance, and all those that measure impact. Where a smaller base drawn from a filter question is used, the filter and the amended base size are identified in the chart.

[9] Definitional differences chiefly concern the inclusion or exclusion of different kinds of social enterprises on different criteria, for example, proportion of earned income, type of 'social aim', form of social ownership, extent and limit of distribution of profit. The majority of UK studies use either a cut-off of 50% earned income, or 25% to include 'emerging'. Only in Wales is the category of 15-25% earned income as embryonic social enterprises included..

3. Scale and scope of social enterprise activity

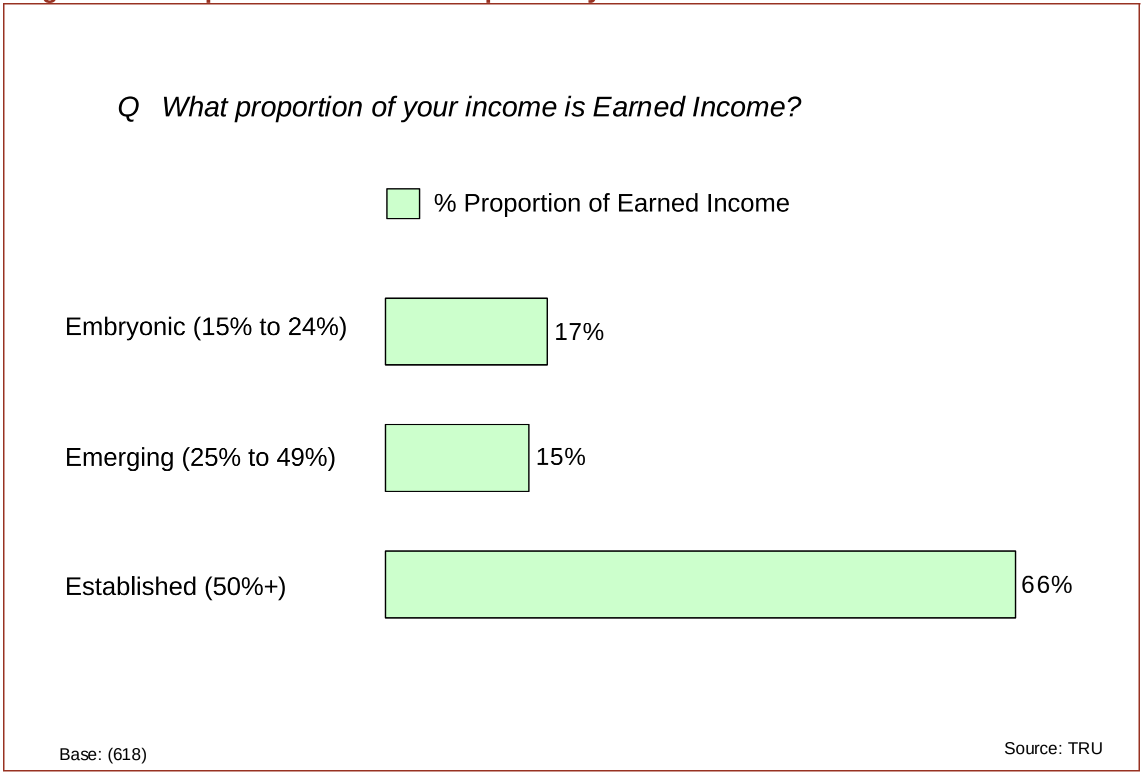
3.1. Number of social enterprises

We have identified 3,055 organisations undertaking social enterprise activity in Wales – trading for a social purpose. For this study, trading or "earned income" (as opposed to grants) was defined as income from the sale of products or services, government contracts and Service Level Agreements (SLAs). The relative proportion of earned income determined whether a social enterprise was defined as "embryonic" (i.e. earns 15% to 25% of their income from trading), "emerging" (25% to 50% earned income) or "established" (more than 50% earned income), as further discussed in Section 2 on methodology.

Two-thirds of social enterprises in Wales are established, meaning that they earn at least half their income (2,730 in total). About a quarter (28%) of all social enterprises are self-sustaining with 100% earned income. Broadly equal proportions of embryonic and emerging social enterprises make up the remaining third.

The only real discernible trend is that the very largest organisations are more likely to have higher proportions of earned income: 61% of organisations earning more than £500k have over 75% earned income. There are approximately 425 social enterprises that have an annual turnover in excess of £500,000 in Wales.

Figure 3.1: Proportion of social enterprises by level of earned income



A diverse range of organisations, many of which do not necessarily spontaneously self-define or see themselves as social enterprises, are engaged in social enterprise activity. Organisations involved in social enterprise activity were as likely to identify themselves as charities (53%) as social or community enterprises (47%). Only a third of charities involved in social enterprise activity self-identified themselves as social enterprises. Also, charities predominate at the level of £25k turnover, with about seven in ten (69%) of these organisations self-identifying as charities.

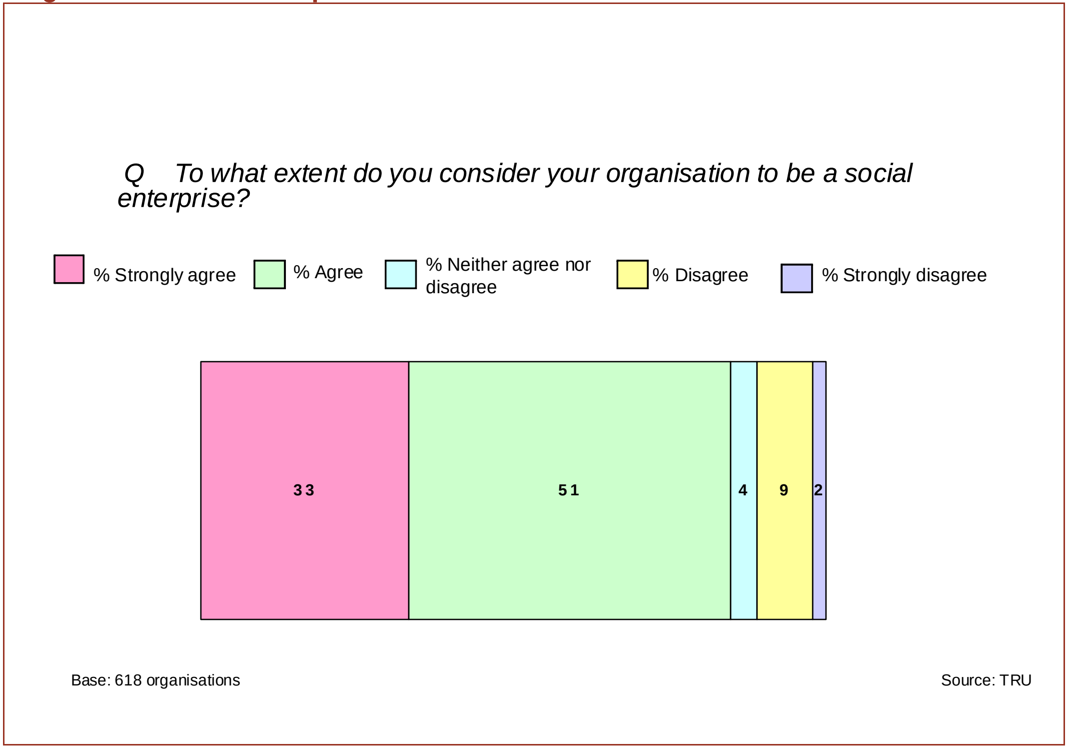
The table below provides further detail on the number, turnover and employment of social enterprises depending on their level of own earned income.

Figure 3.2: Breakdown of number, turnover and employment of social enterprises by % earned income

	Total	Embryonic 15-25% earned income	Emerging 25-50% earned income	Established More than 50% earned income
	3054	504	448	2,102
Turnover				
£0 - £25,000	33%	29%	29%	36%
£25,001 - £100,000	25%	26%	31%	23%
£100,001 - £500,000	21%	24%	26%	20%
£500,000+	14%	11%	8%	15%
Full-time employees				
0	52%	50%	49%	55%
1-5	26%	28%	37%	23%
6-10	8%	11%	5%	8%
11-25	5%	7%	5%	5%
26-50	3%	2%	1%	4%
51-100	2%	-	2%	3%
100+	2%	-	1%	2%

However, self-defining as social enterprise does appear to be quite malleable. As well as asking organisations spontaneously to self-define at the beginning of the survey in the filtering section, organisations were asked later in the survey whether they considered themselves to be social enterprises after fulfilling the definitional criteria. At this stage, 84% of organisations were willing to consider themselves as social enterprises. This highlights that there are organisations which do not relate to the term “social enterprise” but that do, in fact, operate as social enterprises. It underlines the importance of how language is used in any communications related to social enterprise.

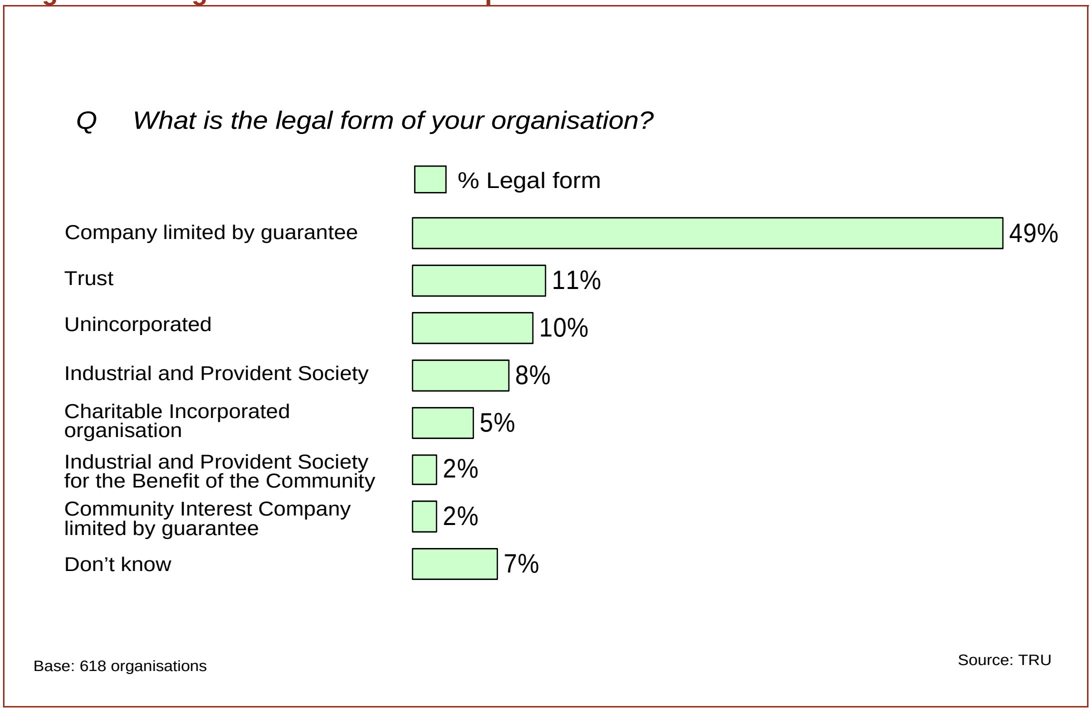
Figure 3.3: Social enterprise self definition



3.2. Legal form and charity status

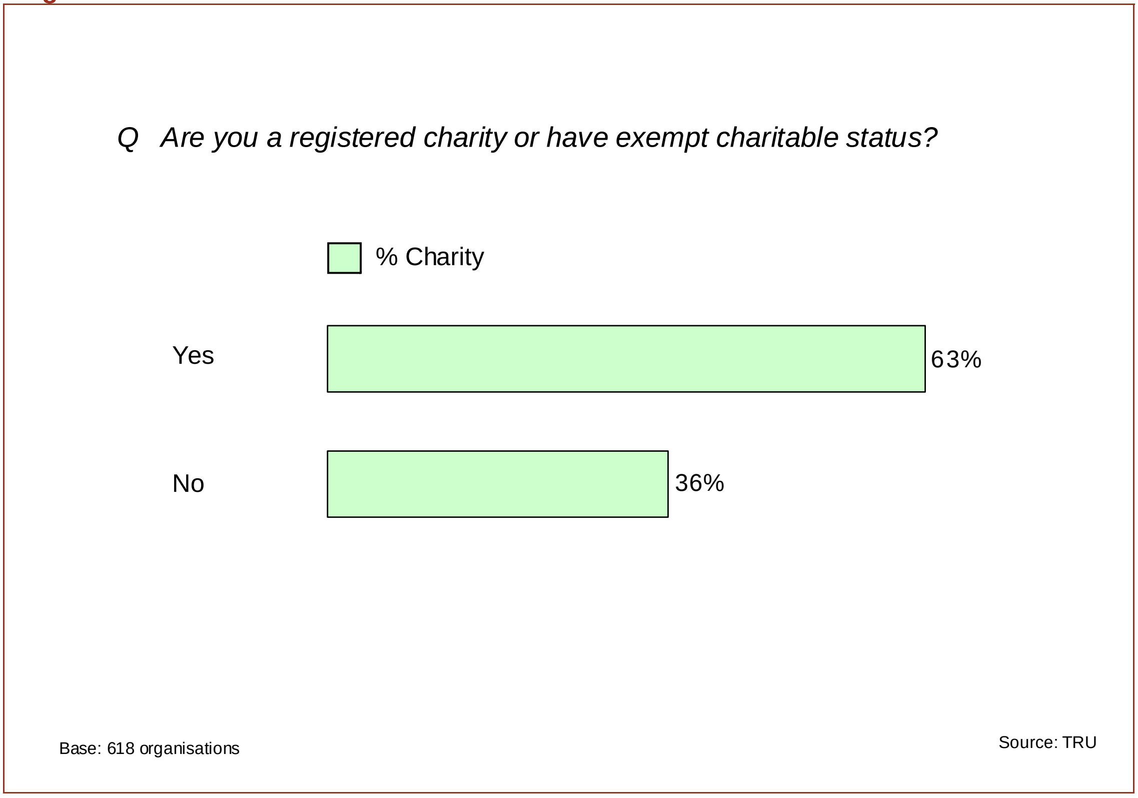
About half the social enterprises in Wales are companies limited by guarantee. Roughly one in ten are either trusts or unincorporated. As might be expected, smaller organisations are more likely to be unincorporated (22% of unincorporated organisations have turnover less than £25k) and larger organisations are more likely to be IPSs (20% of IPSs have turnovers in excess of £500k).

Figure 3.4: Legal form of social enterprises



Almost two-thirds of social enterprises are registered charities or have exempt charitable status. Embryonic social enterprises are more likely to have charity status (72% compared to a 63% average). In contrast, organisations with 100 % earned income and organisations that are less than five years old are much less likely to have charitable status (54% and 30% respectively).

Figure 3.5: Charitable status



3.3. *Turnover*

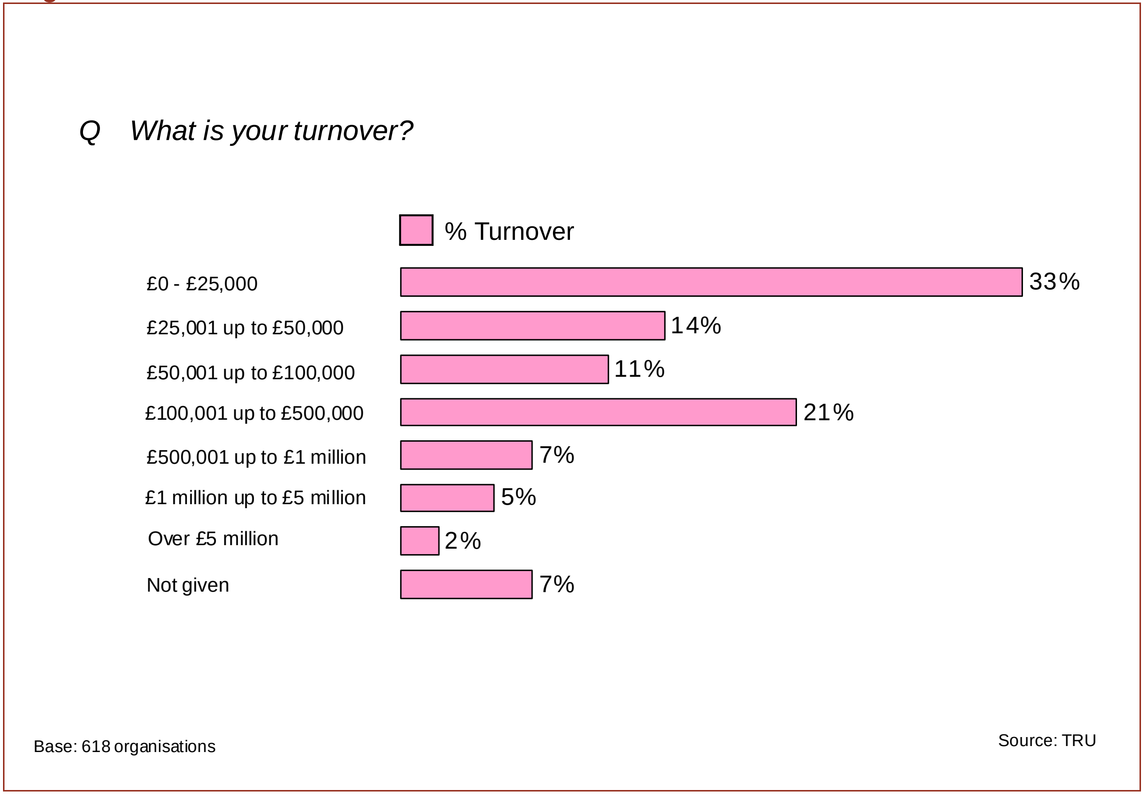
We estimate that the size of the social enterprise sector in terms of turnover is £2.2 billion[10] based on 07/08 figures. This would suggest that the social enterprise sector contributes approximately 2.6% to the turnover of all enterprises in Wales.[11] The Social Enterprise Coalition UK estimates that the size of the social enterprise sector is £27billion turnover in the UK. On this basis, Wales contributes about 8% to this national figure. This is more than double the Welsh economy's contribution to national GVA which is 3.6%.

A third of social enterprises stated their turnover as less than £25k and about a third (35%) said they had turnover in excess of £100k. Taking in to consideration that 7% did not disclose turnover figures, the median average turnover for social enterprises is about £50k. Interestingly, there do not appear to be any strong patterns between size of turnover and proportion of earned income.

[10] This calculation is based on average turnover of organisations multiplied by the proportion of organisation within that turnover bracket e.g. 35% of organisation have a turnover of less than £25k and the average turnover of these organisation is £14,227. This figure is then multiplied by the total number of firms. As the upper end turnover figure is open-ended, the proxy for this average turnover figure was the mean average of all the available turnover information (£11.6m). This upper end turnover figure was applied to 2% of the sample.

[11] Turnover data for enterprises in Wales is based on the Annual Business Inquiry data released in July 2008. GVA comparisons could not be done as we do not have figures for output costs of social enterprises.

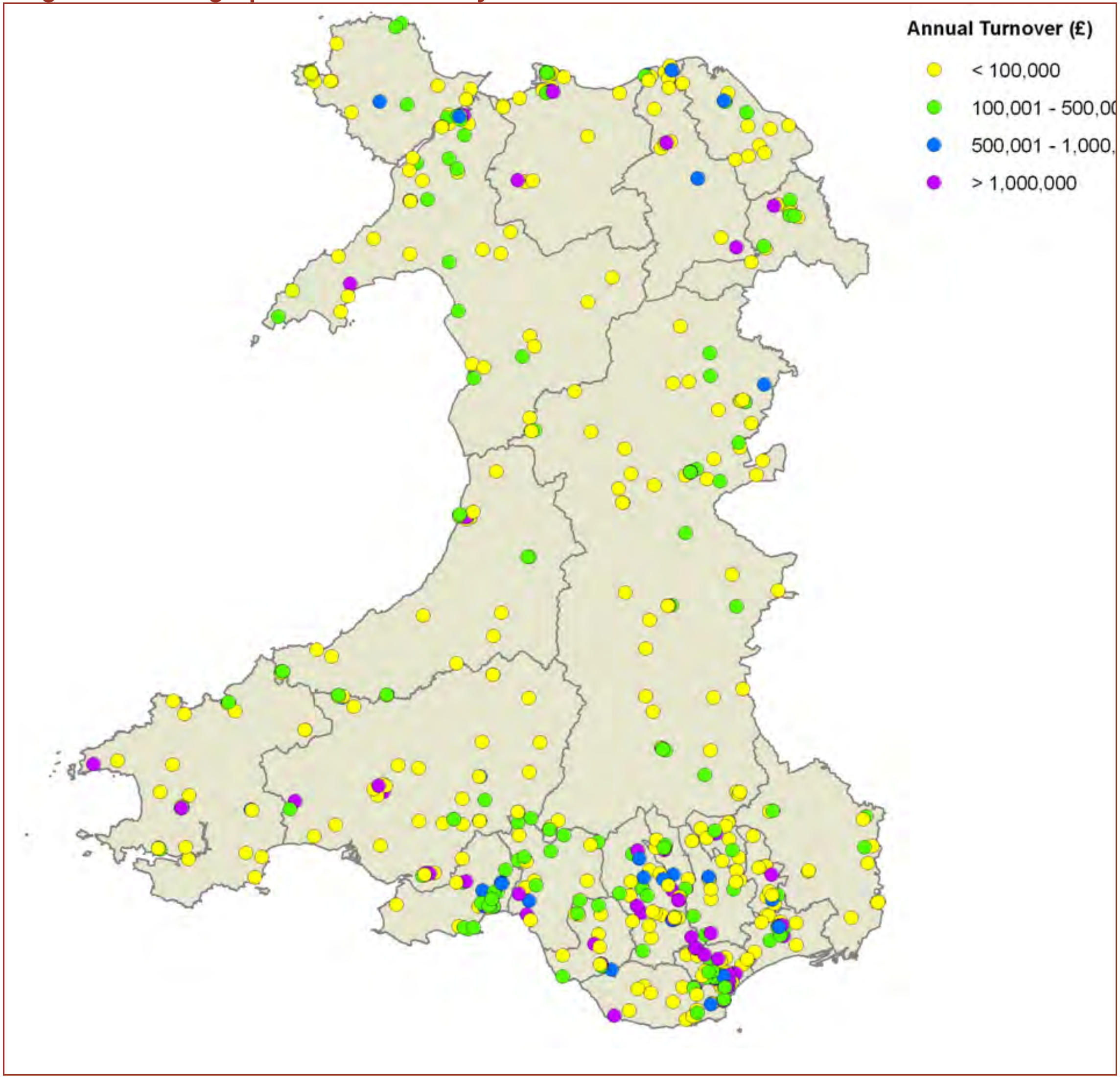
Figure 3.6: Level of annual turnover



We have identified 38 social enterprise organisations with annual turnovers in excess of £5m. Fig 3.9 shows the top twenty social enterprises by turnover and activity. Glas Cymru is by far the largest social enterprise in Wales with a turnover of £623 million at end Financial Year 08, 28% of the total turnover of the sector. Many social housing providers are also large organisations and together contribute an estimated 26% of the total estimated turnover of the sector.

In terms of larger social enterprises, the database analysis and our survey show that these are much more likely to be located in South East Wales. Within the group of local authorities from Monmouthshire in the east to Swansea in the west, the survey identified approximately 70% of the social enterprises with an annual turnover of greater than £1 million. In contrast the same local authorities contained only 39% of social enterprises with an annual turnover of less than £100,000.

Figure 3.7: Geographic distribution by size of turnover



Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Within South East Wales, Cardiff has the most substantial single concentration of large social enterprises. It contains 22% of large enterprises (more than £1 million annual turnover) identified in the survey. However, in common with its neighbouring authorities its share of small enterprises is much less – just over 6%.

The areas with the greatest concentrations of small enterprises in relation to their populations are those outside the relatively densely populated local authorities in South East Wales. The rest of Wales (outside the South East) contains about 60% of small enterprises (less than £100,000 annual turnover), while accounting for only 40% of residents.

The difference between these less densely developed areas and the South East is even clearer if the number of social enterprises per resident is compared. In the South East of Wales there are about 0.77 enterprises per thousand residents. In the rest of Wales there are almost twice as many – 1.39 per thousand residents. The survey results suggest that about two thirds (65%) of these can be classified as small enterprises. The comparable figure for South East Wales is only 44%.

In simple terms, the distribution of social enterprises shown on the map illustrates that the largest number of social enterprises, and particularly the largest concentrations of the bigger social enterprises, are found in the towns and cities of South East Wales. In the more rural areas of the rest of Wales there are smaller absolute numbers of social enterprises but a significantly higher level of provision of social enterprises per resident. The majority of these, however, tend to be small (i.e. have less than £100,000 annual turnover).

3.4. Social enterprise activities

Training and education are key activities for Welsh social enterprises. A third of all Welsh social enterprises are involved in these activities. Many of these provide training and employment opportunities to disadvantaged people, including the long-term unemployed and people with disabilities. The arts and the Welsh language are primary activities for a quarter of the sector. 20% said they are involved either in social enterprise support services, voluntary sector support services or business support services. Sports and leisure activities along with social care activities also feature strongly amongst the kinds of activities pursued by social enterprises.

See Appendix C for maps showing the distribution of social enterprises by the following categories:

- Arts, culture and media;
- Child, health and social care;
- Employment, training and education;
- Food and catering;
- 'Green economy' activities – recycling, conservation, and energy and utilities; and
- Sport, leisure and tourism.

Sports and leisure organisations, often run by volunteers, are much more likely to have a turnover of less than £25k (28% of sports and leisure social enterprise earned less than £25k compared to 17% of all social enterprises earning less than £25k). Arts organisations are more likely to be embryonic social enterprises (32% of arts organisations are embryonic social enterprises compared to 24% of all social enterprises being embryonic).

Figure 3.8: Activities pursued

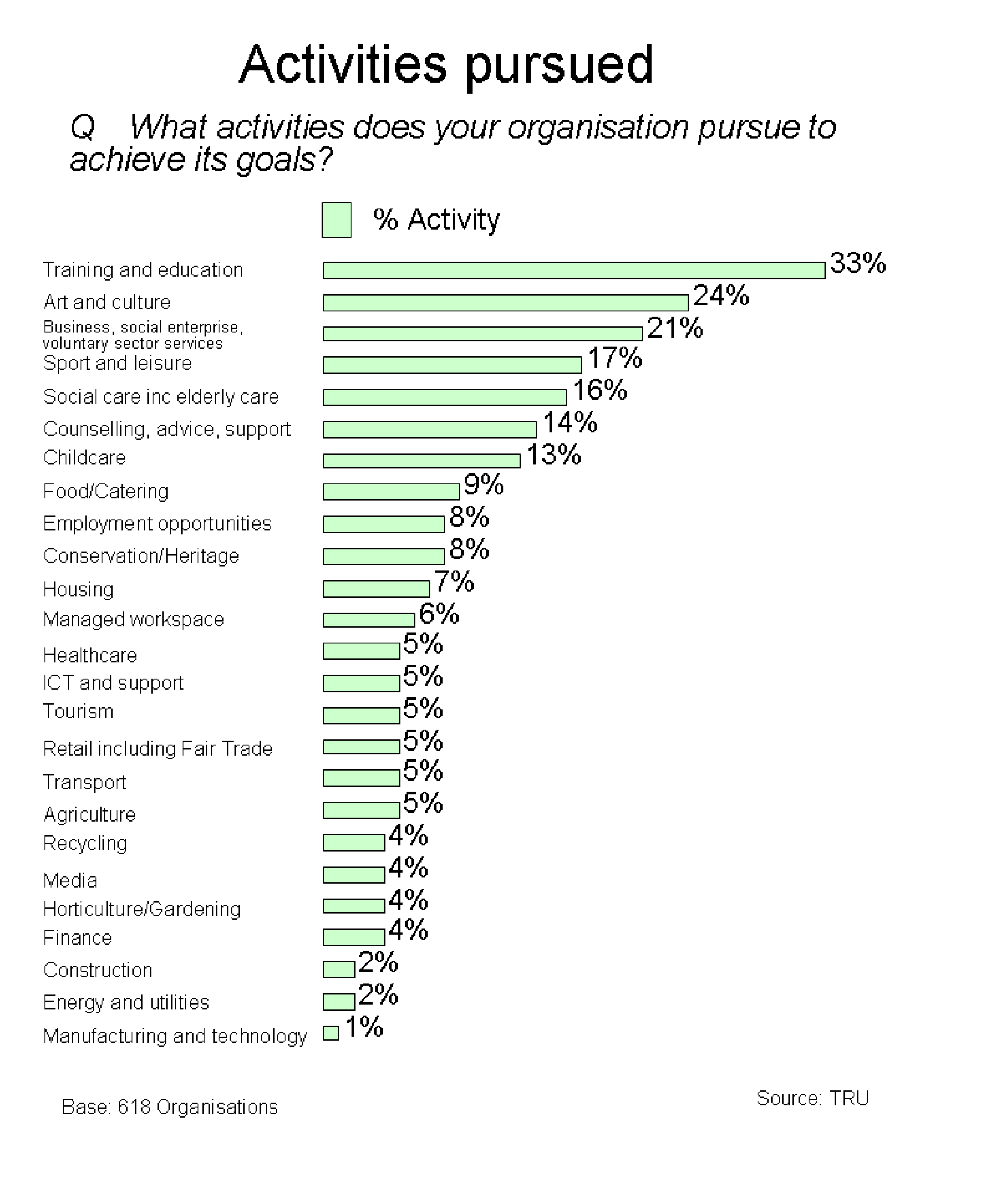


Figure 3.9: Top 20 social enterprises by turnover

Name	Turnover 2007/08	Activity
Glas Cymru	£623,000,000	Water company
RCT Homes Limited	£36,500,000	Social housing provider
Wales and West Housing Association	£29,700,000	Social housing provider
Fairlake Properties Ltd [Seren Group]	£28,000,000	Social housing provider
WJEC CBAC Ltd	£26,600,000	Examinations board for Wales
Welsh National Opera Limited	£24,389,505	Arts and culture - touring opera company
Carmarthen and Pumpsaint Farmers Limited	£23,000,000	Wholesaler and retailer of farm products
Cartrefi Cymru Ltd	£18,820,000	Social care – supports people with learning disability
Valleys to Coast Housing Limited	£16,200,000	Social housing provider
Coastal Housing Group	£15,000,000	Social housing provider
Trothwy Cyfyngedig	£14,480,000	Social housing provider
Wales Millennium Centre	£14,000,000	Arts and culture – arts venue
Community Lives Consortium	£12,200,000	Social care
Linc-Cymru Housing Association Limited	£12,000,000	Social housing provider
Perthyn	£11,567,553	Social care - supports people with learning disabilities
Hafod Housing Association Limited	£11,000,000	Social housing provider
Drive	£10,118,348	Social care
Merin Homes	£10,000,000	Social housing provider
Cardiff Community Housing Association Limited	£10,000,000	Social housing provider
BAKO Wales	£9,400,000	Wholesale food cooperative
Newydd Housing Association	£8,250,000	Social housing provider

3.5. Employees

We estimate that social enterprises account for about 29,000 full-time jobs, 20,000 part-time jobs and 105,000 volunteering opportunities. In 2008, there were 1.35 million jobs in Wales. In broad comparison, this means that the social enterprise sector in Wales accounted for approximately 3.6% of jobs in Wales

About half the organisations engaged in social enterprise activity do not have full-time staff. Amongst those with full-time staff, only a quarter have more than ten full-time staff. As might be expected, organisational turnover is a critical factor in determining the number of employees. Just 6% of organisations with a turnover up to £25,000 had full-time staff.

Figure 3.10: Full time staff

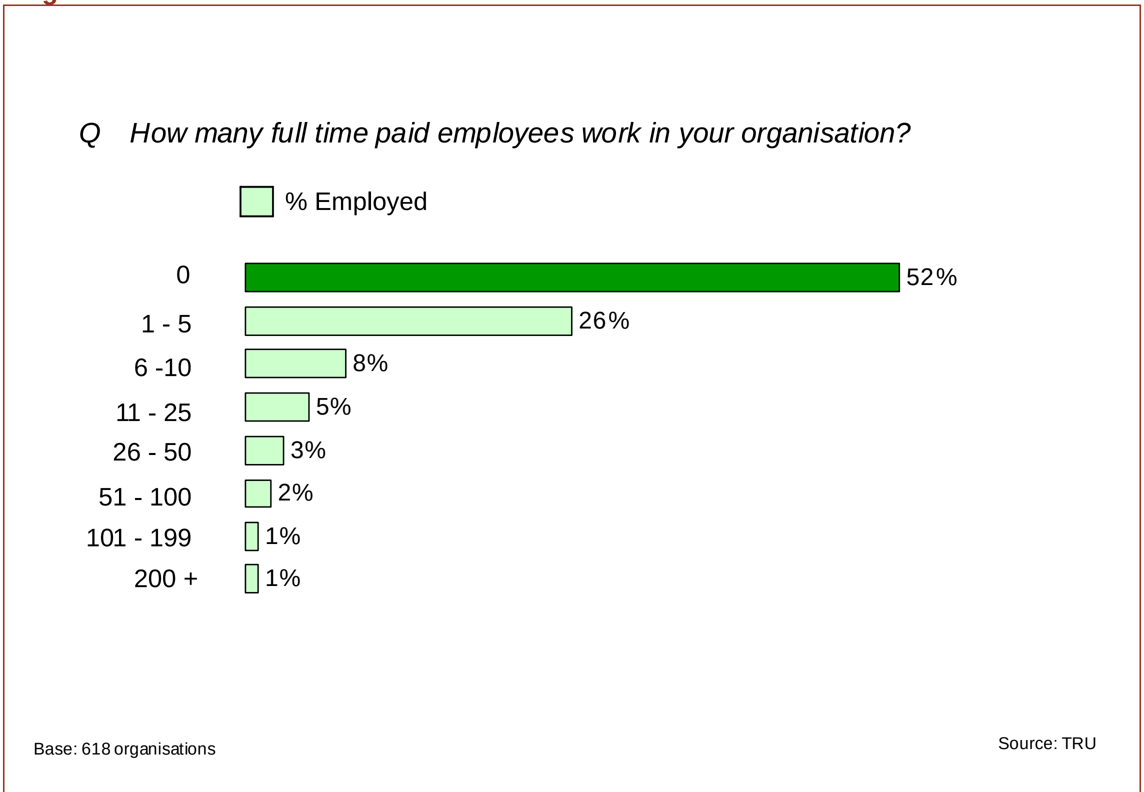


Fig 3.11 sets out the overall number of social enterprises by size in terms of their contribution to turnover and full-time employment. This further emphasises the fact that the vast majority (87%) of social enterprises are micro-enterprises with ten or fewer full-time employees. This is similar to the profile of private sector businesses, the majority of which also have ten or fewer employees. 2007 figures, for example, show that 95.7% of private businesses had fewer than ten employees.[12]

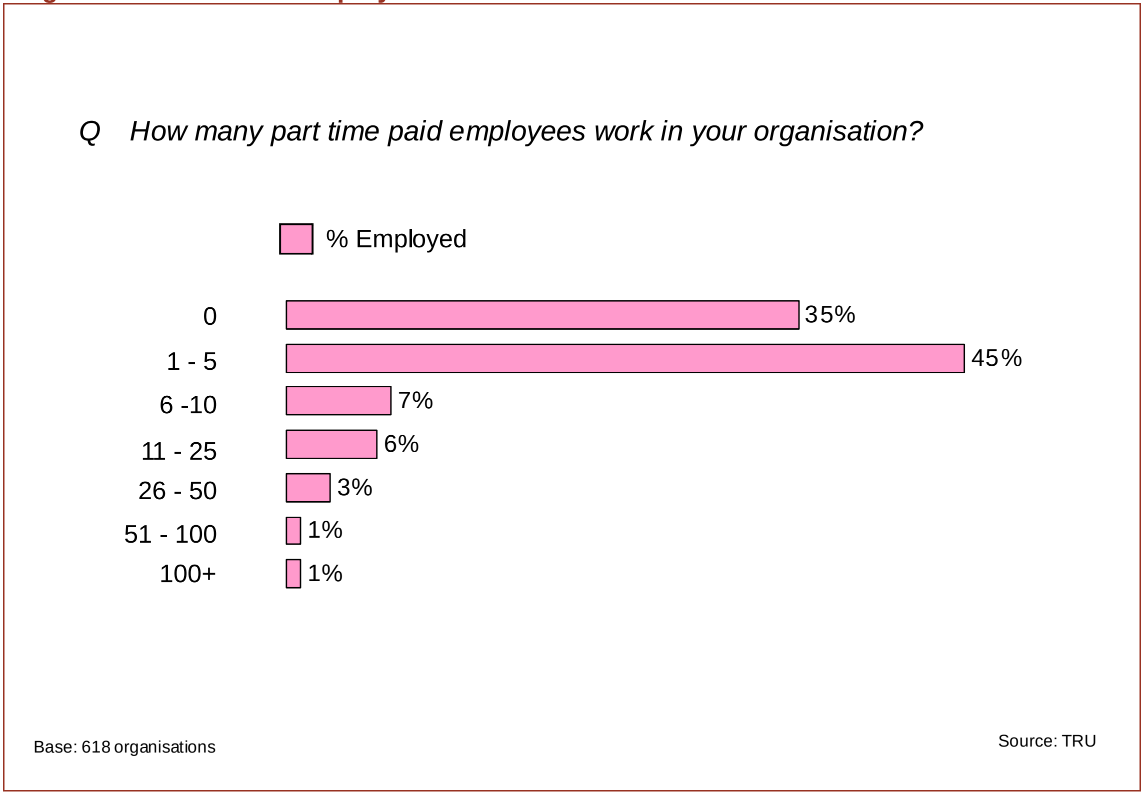
[12] BERR, SME Statistics for the UK and regions

Figure 3.11: Social Enterprise numbers, turnover and employment by employing status

	Estimated number of social enterprises	*% total social enterprises*	*Turnover*	*% total turnover*	*Estimated FTEs*	*% total FTEs*
All	3,055	100%	£2,183m	100%	28,533	100%
With no employees	1,587	52%	£151m	7%	0	0%
With full time employees:						
1 – 9 (micro)	1,071	35%	£586m	27%	3,709	13%
10 – 50 (small)	244	8%	£534m	24%	5,992	21%
51 + (medium & large)	153	5%	£912m	42%	18,831	66%

Two-thirds of the organisations we interviewed had at least one part-time staff member. Organisations with less than £25k income were much less likely to have part-time staff, with 57% not having any part-time staff. Likewise, organisations with 100% earned income are less likely to have part-time staff (48% had no part-time staff).

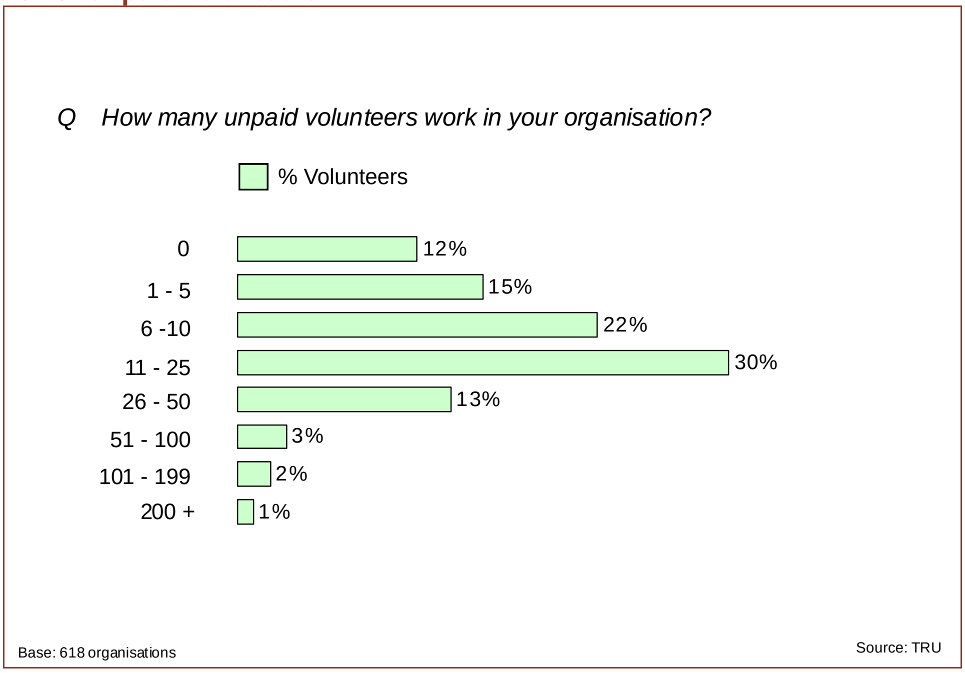
Figure 3.12: Part-time employees



3.5.1. Volunteers

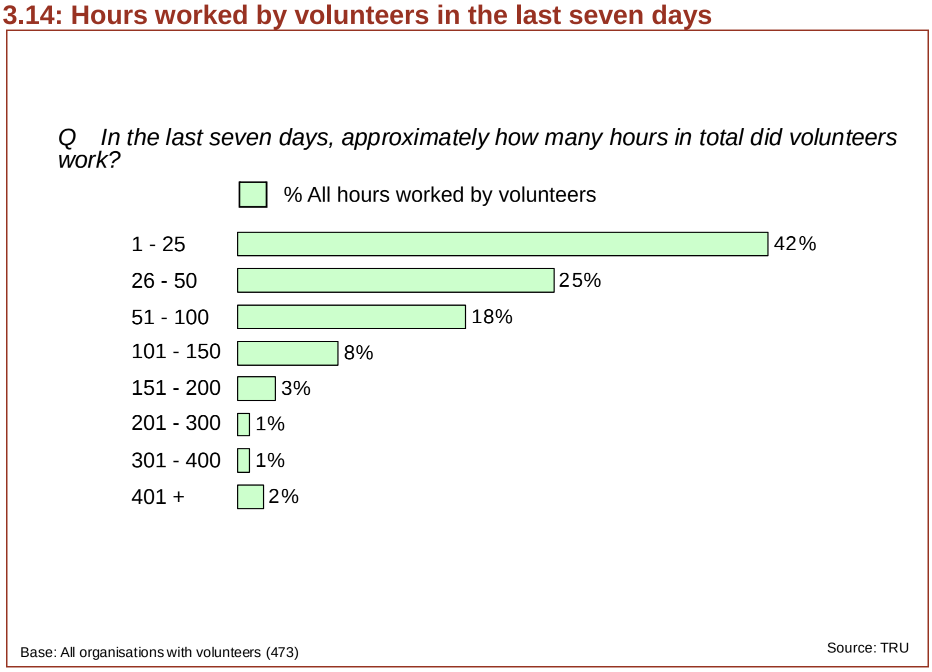
Volunteers play a crucial role in social enterprises. Nine out of ten organisations have volunteers. About half the social enterprises have more than ten volunteers. This pattern is reflected across all stages of social enterprise growth from embryonic to established social enterprises. Those organisations who predicted that they will be fully self-sustaining in the future are likely to have more volunteers, with about two-thirds of them having more than ten volunteers.

Figure 3.13: Unpaid volunteers



For about four in ten social enterprises, volunteers, in total, are contributing up to 25 hours a week. A further quarter are providing between 26 and 50 hours a week. This pattern is similar between organisations with and without charitable status. However, embryonic social enterprises are more likely to depend on more voluntary hours of commitment, with almost a third (31%) receiving 51 to 100 hours of support a week from volunteers.

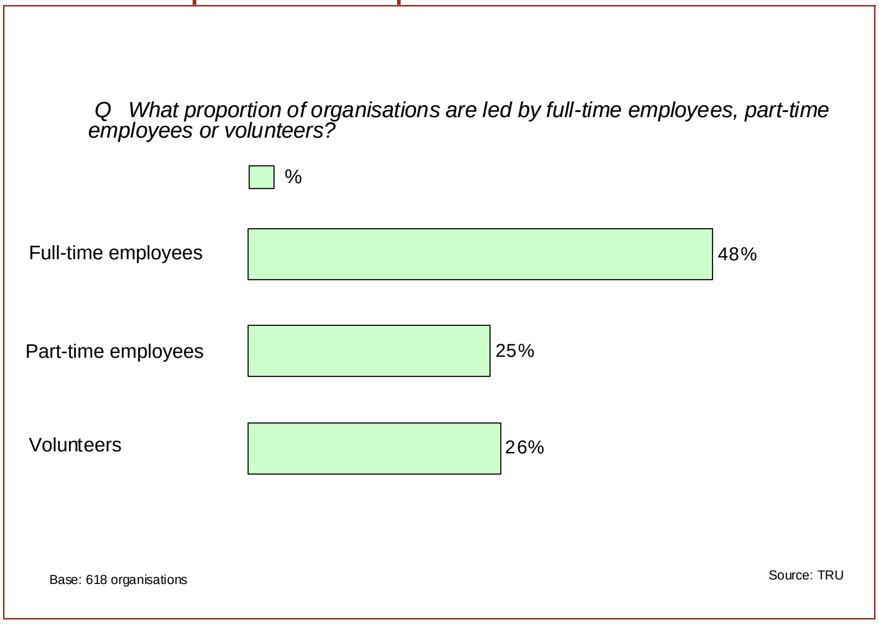
Figure 3.14: Hours worked by volunteers in the last seven days



3.5.2. Leadership

Overall, fewer than half the organisations interviewed were led by full-time staff, with the remainder evenly divided between senior management leadership from part-time staff or volunteers.

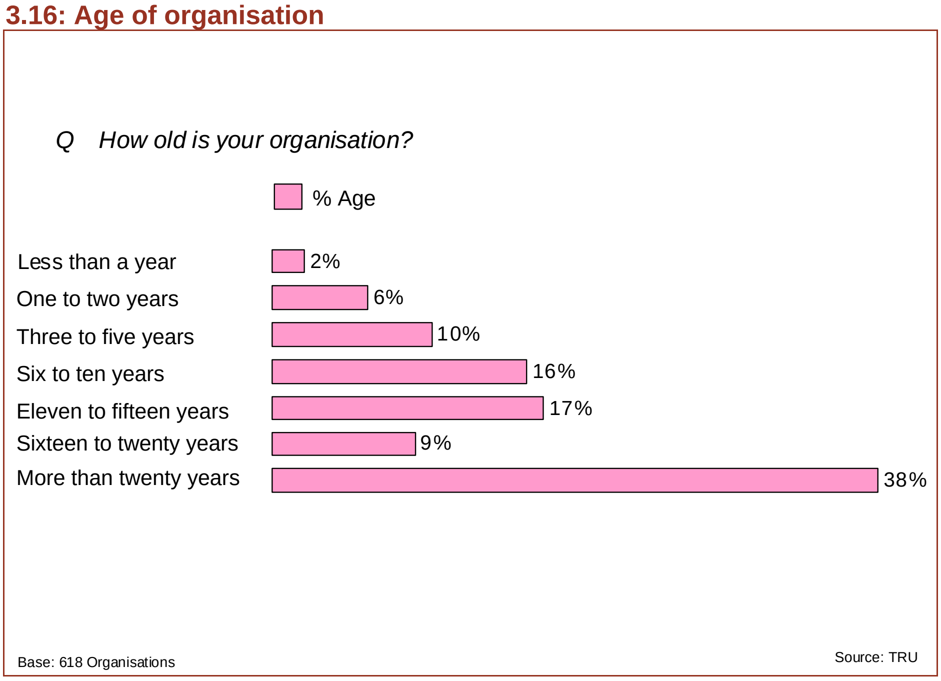
Figure 3.15: Leadership of social enterprises



3.6. *Age and trading experience*

Almost half the organisations conducting social enterprise activity in Wales are more than fifteen years old. The majority (59%) of these organisations have charitable status. This profile is changing: the majority (60%) of organisations under five years old do not have charitable status. Equally, about four in ten established social enterprises are more than twenty years old. Data suggests that such organisations start-up as social enterprises, rather than being charities which diversify into a social enterprise strategy.

Figure 3.16: Age of organisation



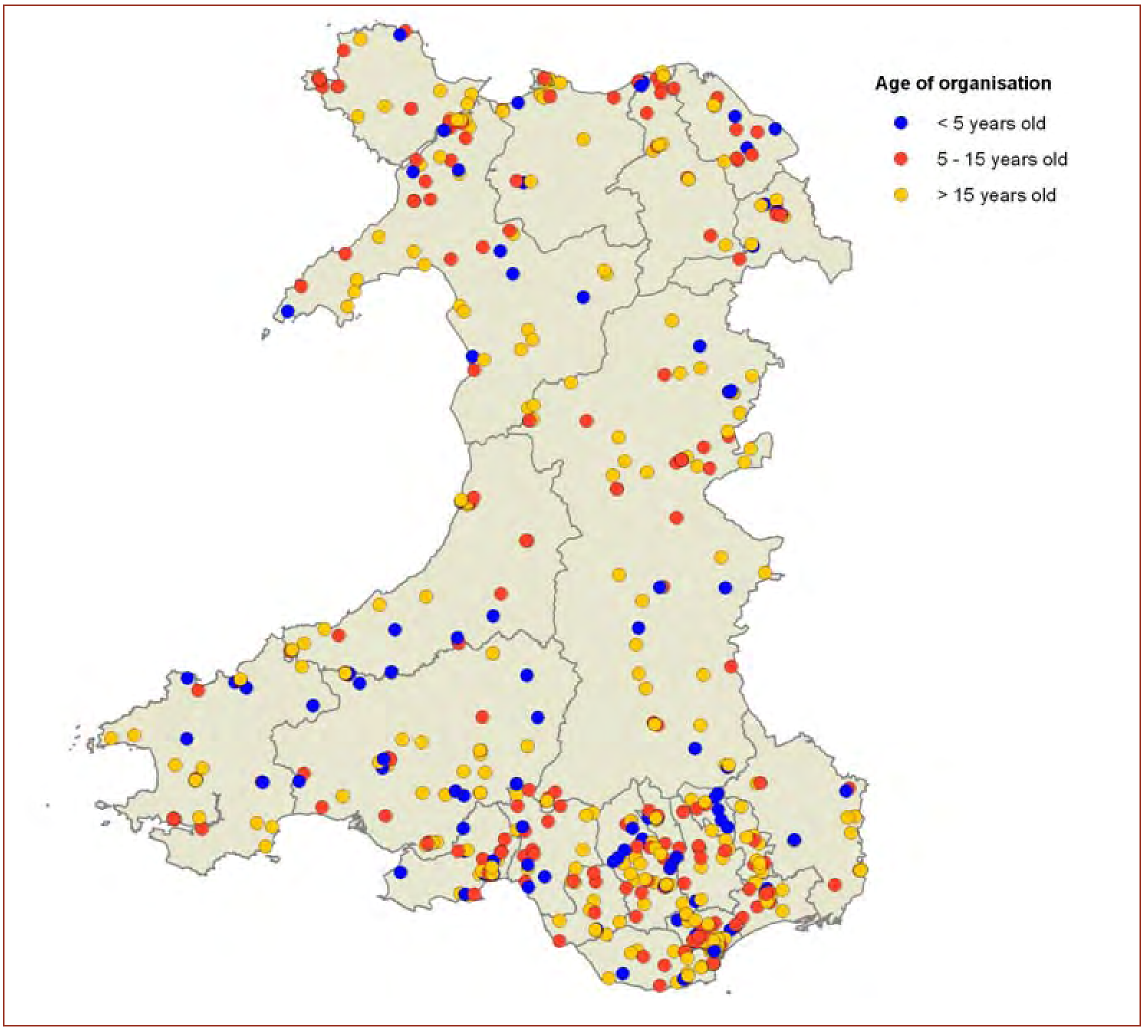
It is important to recognise that the embryonic, emerging and established stages of social enterprise do not necessarily coincide with the age of an organisation, as the table below shows. New social enterprises can become relatively self-sufficient very quickly: in every age band category below, established social enterprise is the most common form of social enterprise. Established social enterprises in the up to five year age band are likely to have been started-up as social enterprises from day one. This is further confirmed by the fact that embryonic social enterprises are most likely to be organisations over 16 years old. This largely represents the segment of the established charity sector that undertakes a limited amount of social enterprise activity.

Figure 3.17: Age compared to category of social enterprise

	Embryonic	*Emerging*	*Established*
All	16%	14%	66%
Age of Organisation			
Up to 5 years	15%	19%	65%
6 to 15 years	13%	15%	58%
16 years plus	21%	12%	73%

The map overleaf shows the ages of social enterprises that took part in the survey. Organisations tend to be older in North-West and South-West Wales.

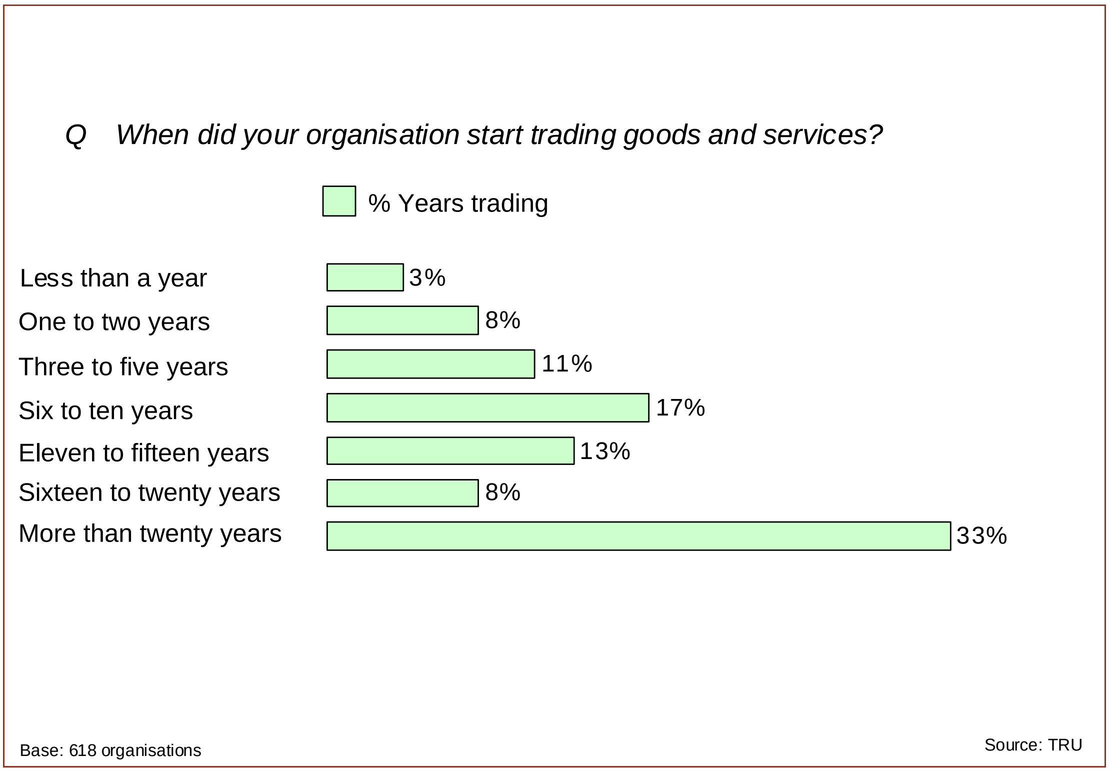
Figure 3.18: Geographic distribution of social enterprises by age



Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

As might be expected, the number of years an organisation has been trading goods and services, the basis of social enterprise, goes hand-in-hand with the age of the organisation. A third of organisations have been trading for more than twenty years. There is also a peak in figures reflecting the establishment of a greater number of social enterprises than is the case in other periods around the time of the last recession in the mid 1990s. This may well be a consequence of investment and opportunities in social and community infrastructure at this time, and shows that a time of recession in the mainstream economy can stimulate real opportunities for sustainable social enterprise activity.

Figure 3.19: Stage at which started to trade goods and services



3.7. Location and Communities First

More than a third (36%) of social enterprises in Wales provide their services within an area of ten miles. Just one in eight Welsh social enterprises said that they are providing services across Wales. Organisational size plays an important role in the area in which services are provided. Organisations with less than £25k turnover are twice as likely as other social enterprises to provide services within an area of ten miles or less. In contrast, almost a quarter (23%) of organisations with a turnover in excess of £500k provide services across Wales.

Figure 3.20: Area of operations of social enterprises

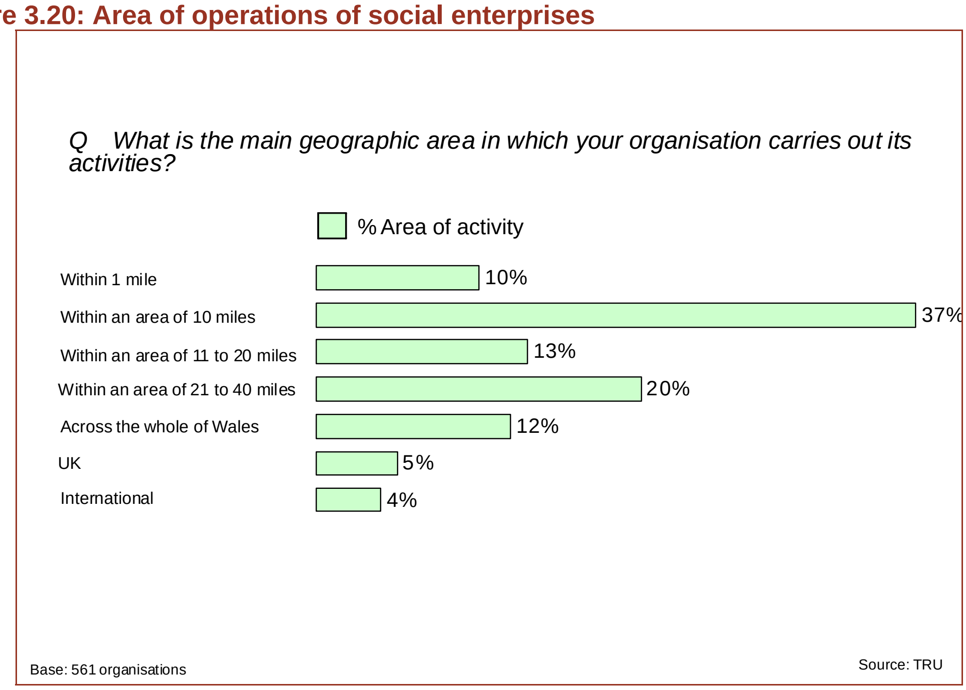
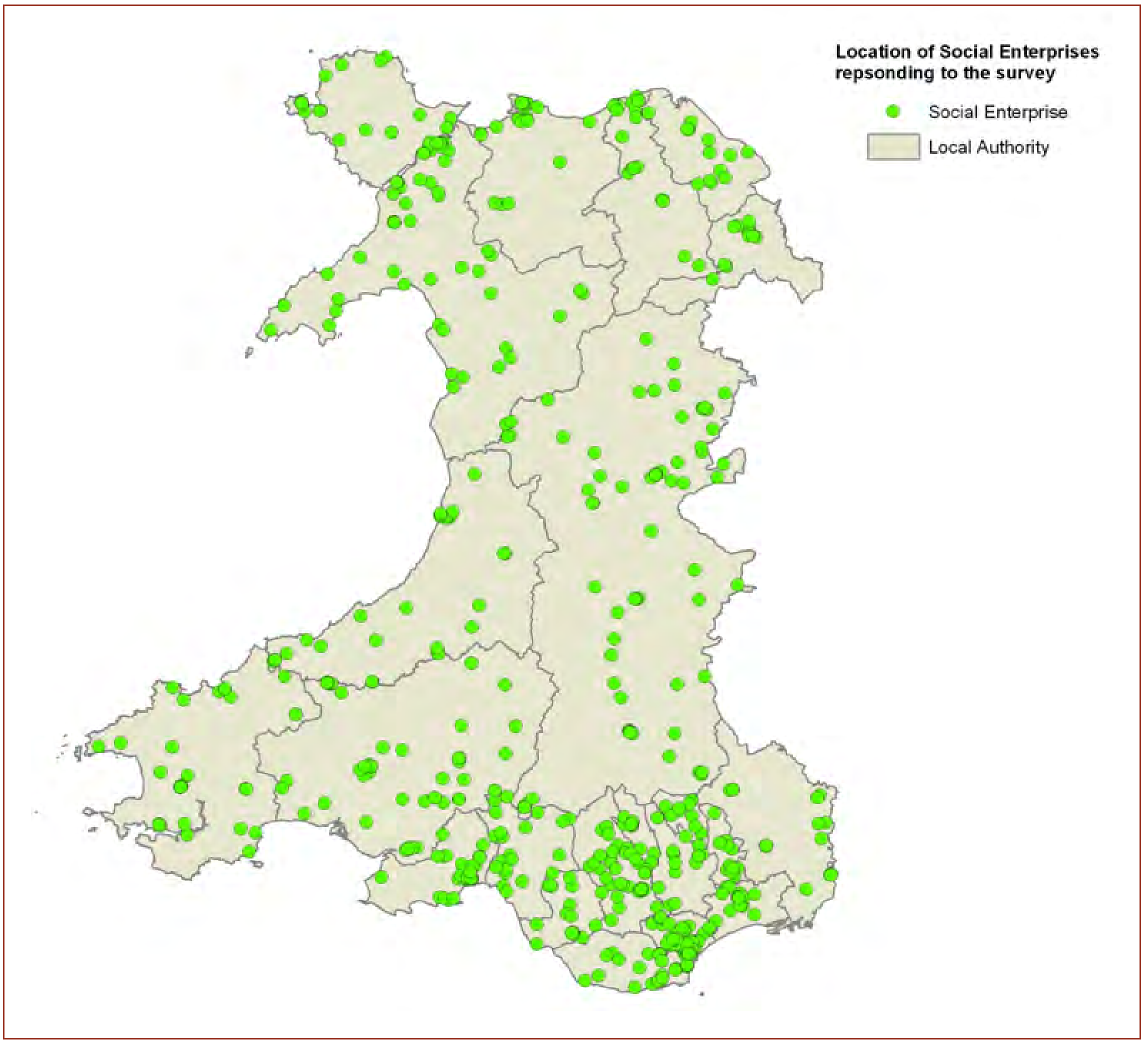


Figure 3.21: Location of social enterprises responding to the survey

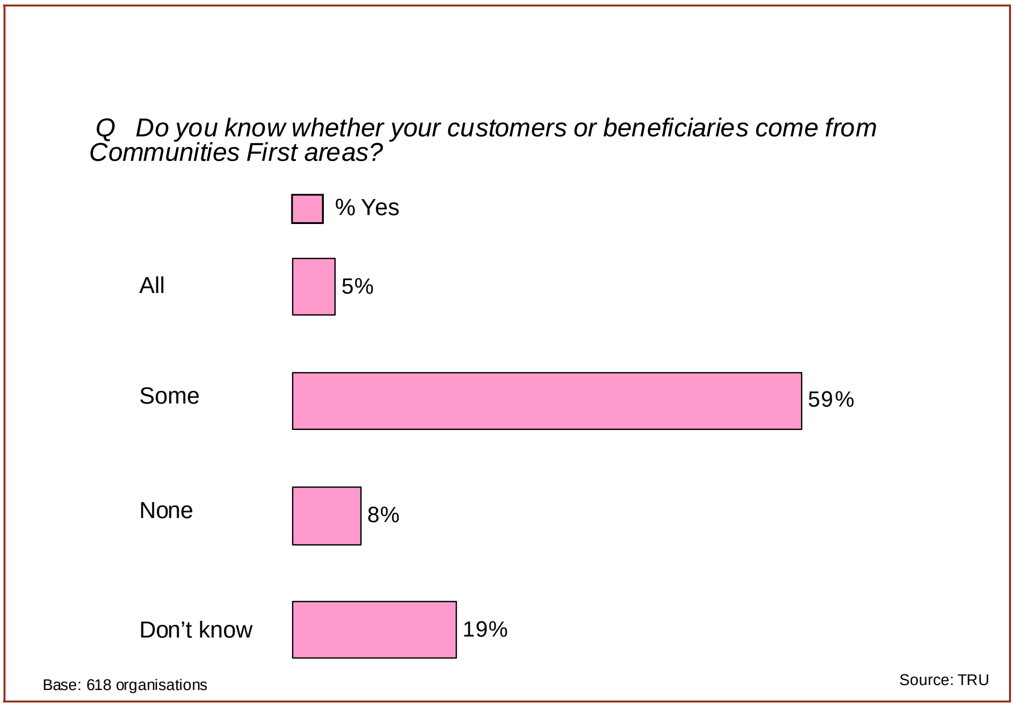


Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

The localised work of social enterprises supports communities throughout Wales, particularly those in Communities First areas which are the most disadvantaged areas in Wales. The vast majority (83%) of organisations had heard of Communities First and a third of social enterprises in Wales are based in Communities First areas. About two-thirds of social enterprises (64%) said that they had beneficiaries in Communities First areas.

Interestingly, small organisations, with £25k turnover or less, were less informed about Communities First; three in ten did not know whether they had any beneficiaries in Communities First areas. Eight in ten organisations over £100k said that they had some beneficiaries who lived in Communities First areas. This partly reflects the fact that larger social enterprises tend to cover greater geographies and therefore more Communities First areas.

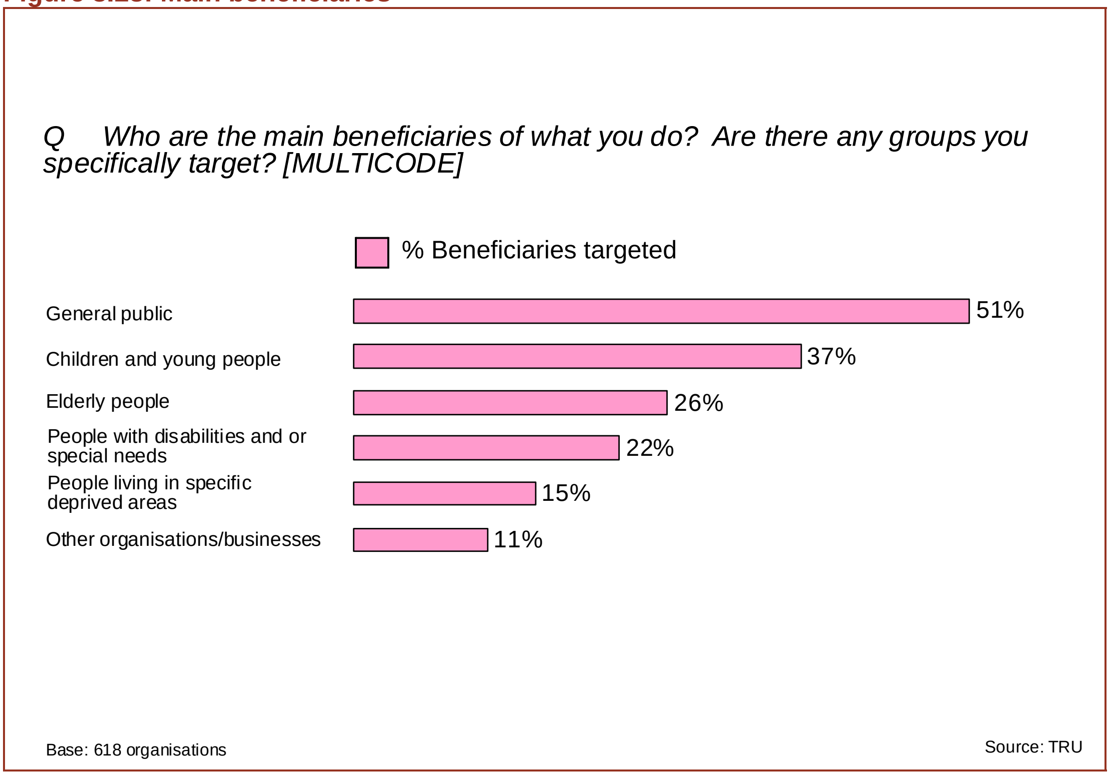
Figure 3.22: Customers from Communities First areas



3.8. Main beneficiaries

The majority of organisations see themselves as providing universal services for the public. Almost four in ten (37%) provide services for children and over a quarter work with elderly people. There is also a focus on people living in deprived areas, and on helping other organisations.

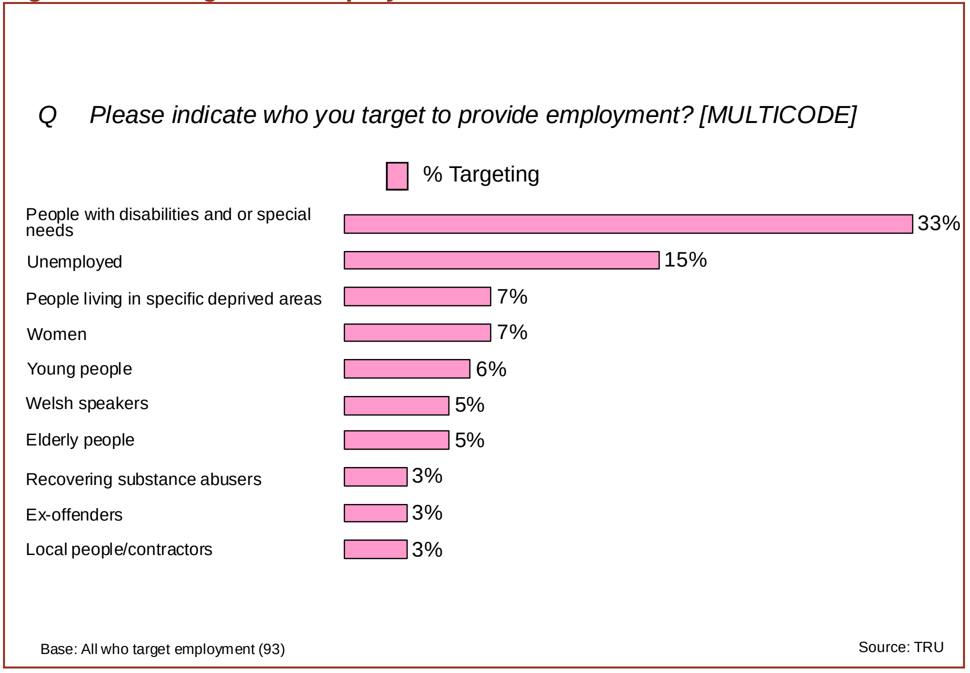
Figure 3.23: Main beneficiaries



3.9. Employment targeting

Our survey asked also asked organisations whether they targeted any particular groups to provide work opportunities for them. One in eight social enterprises provided employment opportunities to targeted groups. Of these organisations, a third provided job opportunities for those with disabilities and special needs and one in seven provided opportunities targeted towards the long-term unemployed.

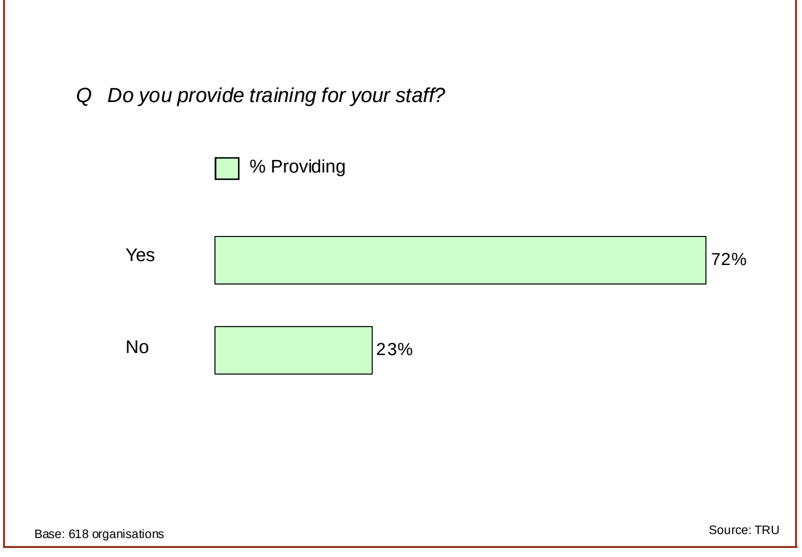
Figure 3.24: Targets for employment



3.10. Training

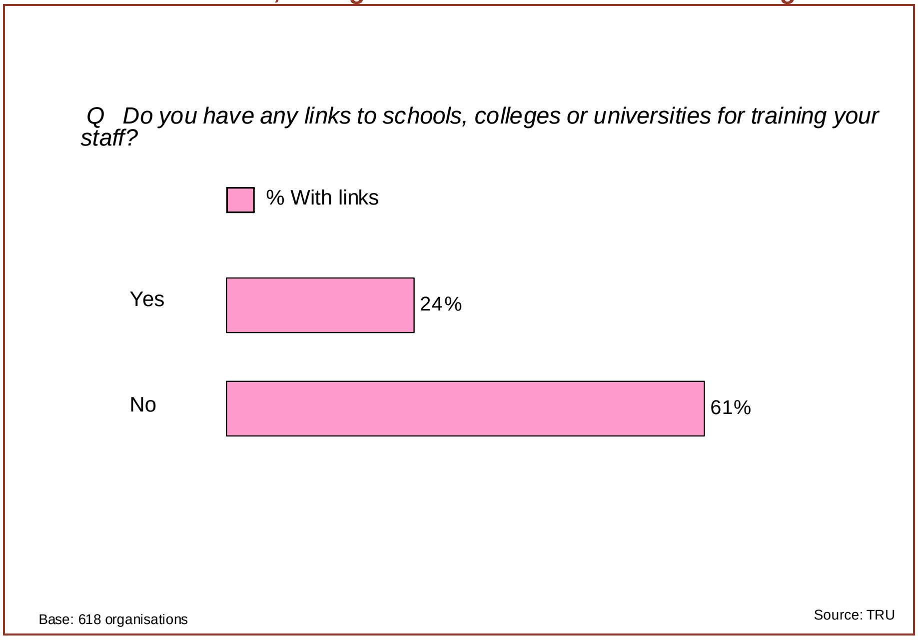
Nearly three-quarters of organisations say that they are providing training for staff. Here there is a real dichotomy between larger and smaller organisations. About half the organisations with a turnover of under £50k said that they provided training for staff. This rises to over 95% amongst larger organisations. Organisations with charitable status were less likely to provide training (68% compared to 79% for other organisations).

Figure 3.25: Proportion that provide staff training



About a quarter of social enterprises said that they had developed links with schools, colleges and universities. Again, larger organisations are more likely to have fostered these links with about, half having these relationships. Conversely, only one in ten (11%) of organisations with a turnover of less than £25k had these links.

Figure 3.26: Links to schools, colleges or universities for staff training

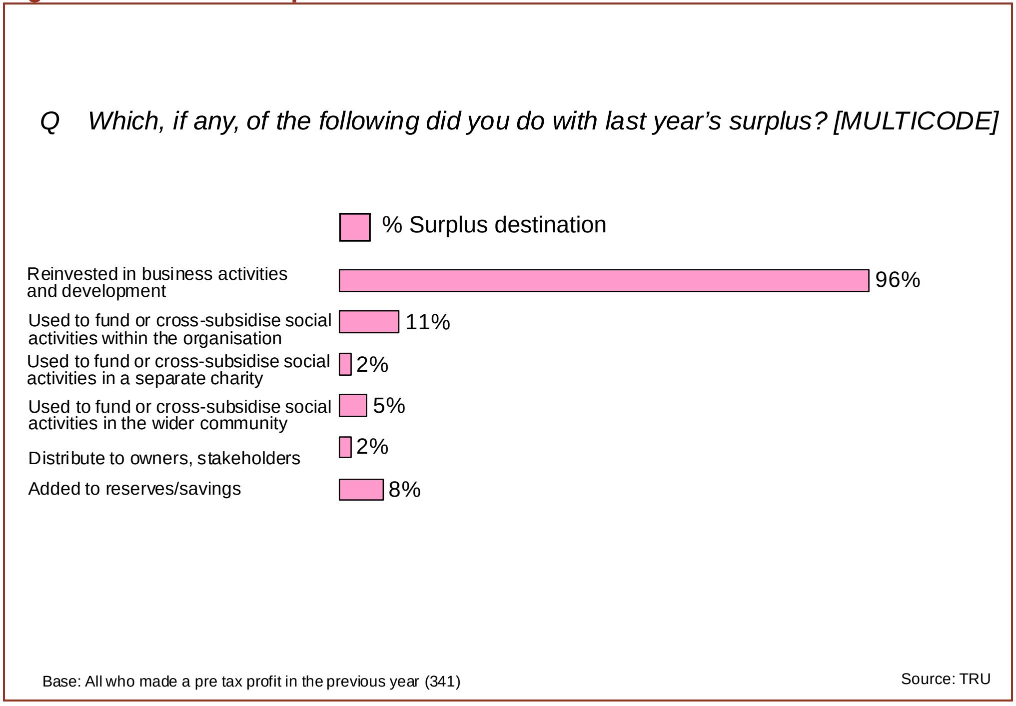


3.11. *Profitability and prospects for financial sustainability*

Over half the organisations interviewed (55%) said that they made either a surplus or a profit in the last financial year. Organisations with turnover in excess of £100k were more likely to say they had made a profit (65% compared to 52% amongst organisations with less than £100k turnover).

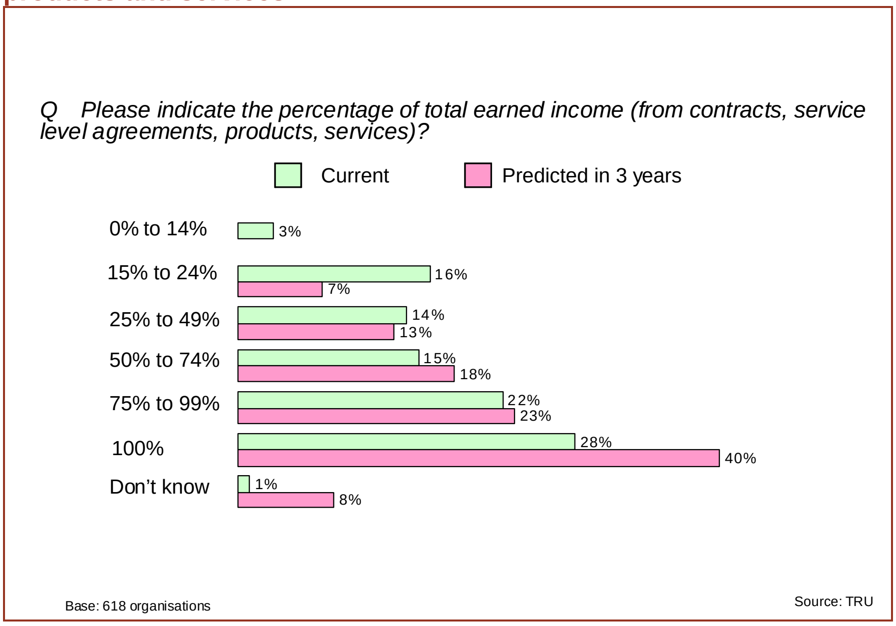
The majority reinvested any surplus back into the core business; this is characteristic of social enterprises which typically do not distribute profits to shareholders.

Figure 3.27: Use of surplus



Organisations were asked what they expected their level of income to be in three years' time. Prospects for growth in the proportion of income generated by trading among Welsh social enterprises are positive, given that about half of the organisations interviewed (48%) intend to increase their proportion of earned income. In three years' time, 40% are aiming to be fully financially-sustainable compared to 28% today. The drive for this comes more strongly from organisations without charity status. Almost half (46%) this group are looking to 100% earned income in three years' time. It is important to emphasise here that we are focussing on the growth of earned income and not growth per se. For example, a £50k organisation might double its earned income from 25% to 50% in three years but still have a turnover of £50k. This would happen if the organisation increased its earned income from £12.5k to £25k and reduced its dependency on grants from £37.5k to £25k.

Figure 3.28: % of total earned income from contracts, service level agreements, products and services



Embryonic, emerging and established social enterprises, on average, want to increase their earned income into the next 25% band (those in the 25% to 49% band want to move into the 50% to 74% band in the next three years and so on). This means that many emerging social enterprises will become established.

However, 21% of the ‘embryonic’ group do not want to increase the proportion of earned income. At this level, it indicates that this group includes both those that really are ‘embryonic’, those that might benefit from including more earned income to become more sustainable but have no current plans, and those that happen to have this proportion of earned income as part of their sustainable funding strategy. This fact illustrates the importance of looking at the third sector as a whole and identifying individual need and strategy in order to achieve goals, and that including embryonic social enterprises has picked up organisations that more properly belong to the third sector more broadly.

Our in-depth interviews also provide evidence of the growth potential of social enterprises. Of ten social enterprises interviewed, eight had experienced growth in both income and employees over the past three to five years. For many, this has been steady growth in the region of 5-10% increase in turnover each year. However, there are some fast growth social enterprises, which have experienced turnover growth rates of more than 75% a year.

There is, however, fragility within the Welsh social enterprise sector. The current recession and shifts in funding regime have magnified this. 41% of survey respondents are not profitable. One in-depth interviewee spoke of how they have had to lay-off staff and were now making a loss after ten years of successful operations.

> *“We are feeling fragile. Now is a difficult time. We have had to downsize and restructure. Our aim is to be fully sustainable from income-generating activities. We feel confident about our new social venture ideas, but struggle with the lack of capacity and funding to develop and implement these ideas.”*

There are likely to be a significant number of social enterprises in a similar position. This underlines the need for social enterprises to be increasingly entrepreneurial and innovative to succeed.

4. Challenges and opportunities

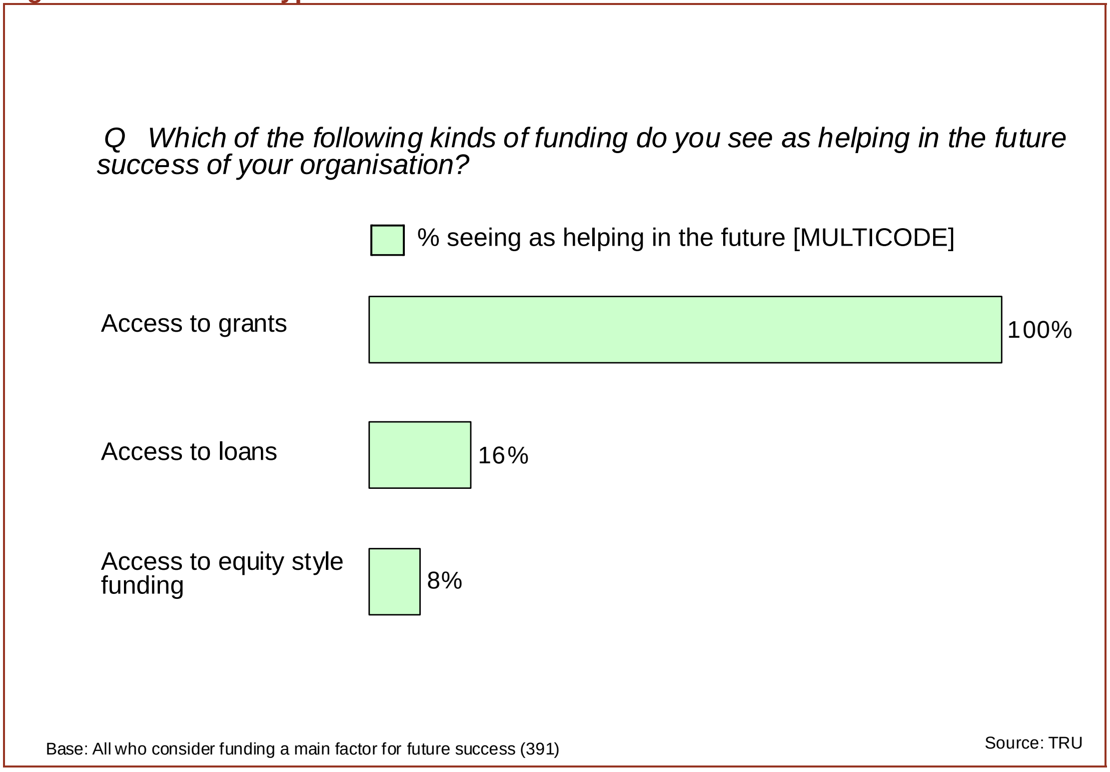
This section looks at the challenges and opportunities faced by social enterprises in Wales. It draws heavily on the in-depth interviews, as well as the results of the survey.

4.1. *Access to finance*

As for any business, access to appropriate sources of finance is a key factor in a social enterprise's development. The social enterprises interviewed consider access to funding as the main challenge to their future success and sustainability. Two-thirds stated this as one of the main factors that would help in their organisation's future success, and nearly half ranked this as the most important success factor.

All the organisations interviewed would prefer grants to any other form of external finance, such as loans. This is perhaps not surprising – traditionally, this is the type of funding many organisations have relied on. These organisations have experience of applying for grant funding, and consider it the most appropriate source of finance. Grant funding is seen as especially important to cover any shortfall in income for revenue costs, to help social enterprises to build their capacity, and to sustain organisations through the current tough economic times when earned income may be declining.

Figure 4.1: Preferred types of finance

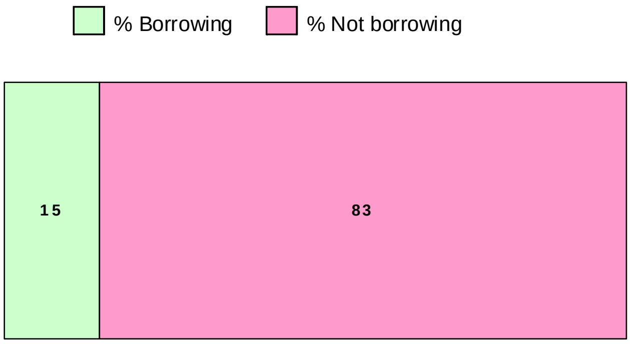


Demand for grants is less among more sustainable organisations. Demand for grants was highest among embryonic and emerging social enterprises, with 64% and 61% of these categories respectively considering grants the most important success factor, compared to 49% for established social enterprises earning between 50% and 74%, 44% for those earning between 75% and 99% and 30% for those earning 100% of their income. This underlines how even sustainable social enterprises still value grant support.

There is a reasonably significant demand for non-grant finance with 16% of interviewees interested in borrowing and 8% interested in equity-like finance. About one in seven organisations (15%) are already borrowing.

Figure 4.2: Proportion using non-grant finance

Q Does your organisation have any loans or any other form of non-grant finance?



Base: 618 organisations

Source: TRU

We analysed whether the demand for and use of non-grant sources of finance is correlated with the size and sustainability of social enterprises. The survey indicates that demand for non-grant finance is greater among larger social enterprises and those with a higher proportion of income from trading or those with an ambition to become sustainable. A total of 27% of social enterprises with a turnover of over £100,000 have a loan or other form of non-grant finance, compared to only 7% of organisations with less than £100,000 turnover. Similarly, social enterprises with a high proportion of income from trading (over 75%) were twice as likely to be borrowing as those with less than 75% earned income – one in five had a loan compared to one in ten for those with less than 75% earned income.

In terms of type of social enterprise, the use of non-grant finance is highest among social housing providers. More than half (52%) had a loan or other form of non-grant finance, compared to an average of around 15% for other sectors. The social housing sector has a long tradition of borrowing commercially and is well positioned to access finance given the underlying security of property.

The demand for and levels of borrowing are much lower than private small firms. The last small business survey on access to finance (2003) suggested that around 39% of firms sought external finance, mainly in the form of loans.[13]

Demand for debt finance among social enterprises is limited both by the availability of other, cheaper forms of funding such as grants, and by a cultural aversion to the risks associated with borrowing. Many organisations are concerned about their ability to repay a loan and putting community assets at risk by using them as security. Further, the in-depth interviews suggest that there is lack of business and financial experience among management and trustees which means that some are not confident about assessing the costs and benefits associated with debt or equity finance.

Demand for "equity-like financing" at 8% of interviewees is surprisingly high as this is a less familiar and more recent form of finance for social enterprises. It typically refers to loans, so-called "participation or royalty-based loans", which are structured such that repayments are

[13] *Finance for Small Firms – An Eleventh Report*, Bank of England, April 2004

only made once an enterprise meets certain turnover or profitability targets. In this way the risk and return is shared with the investor. Once aware of this form of finance, many social enterprises prefer such terms. However, attitudes are influenced by the level of financial return sought by the investor i.e. the ultimate cost of funds. Such financing can demand higher returns, and as such is best suited to growing social enterprises with clear underlying repayment capability.

4.2. Public procurement

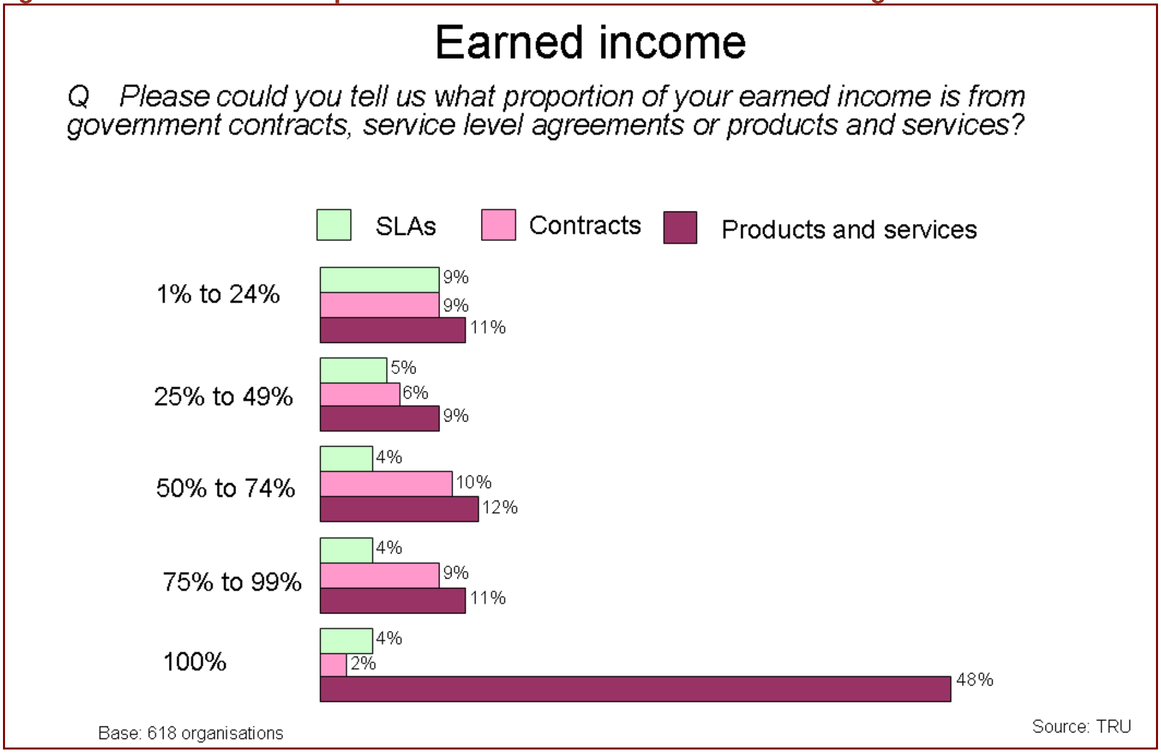
"Social enterprises are having to deal with a different culture and operate in a more commercial environment: not grants, but tenders, not the same outlook".

A key development in Wales is a move away by the public sector from 'grant-giving' to a much more contractual framework with the third sector. In-depth interviewees believe that winning public sector contracts will be vital for the future success of many social enterprises.

Contracted public services are already an important source of income for many social enterprises, although not as important as the direct sale of products and services to individuals or other organisations that are not public sector bodies. The chart below sets out the proportions of earned income from these three potential sources reported by survey respondents:

- **Service level agreements** – about one-quarter (26%) of respondents gain any income from service level agreements ("SLAs"), a recognised form of contract in which a public body agrees to pay a set sum of money in return for a specified level of service e.g. number of clients advised in a given period . 9% gain less than a quarter of their income from SLAs, and only 4% gain all their income from this source;
- **Government contracts** – over one-third (36%) of organisations have other forms of government contract be that with national, regional, local government or other public sector bodies. However, only 2% reported gaining all their income from government contracts;
- **Direct sales of products and services** – 91% of social enterprises engage in direct sales to individuals or other organisations, with nearly half (48%) earning all of their earned income from direct sales of products and services to organisation or individuals..

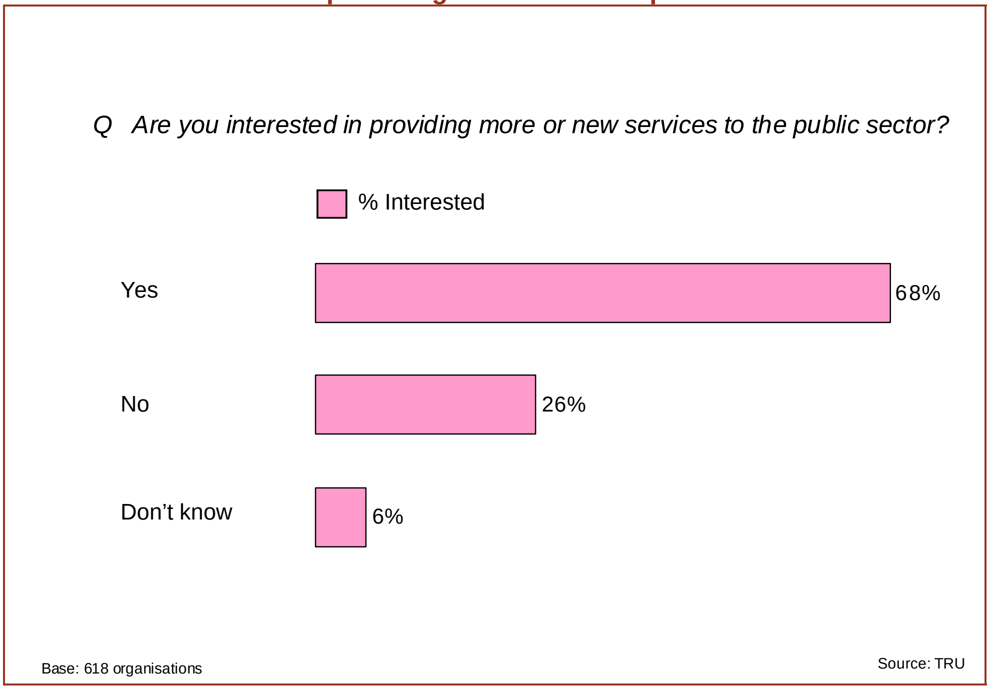
Figure 4.3: Proportion of earned income from government contracts, service level agreements or direct sale product and services to individuals and organisations



Value Wales have provided contract notices for £1,854m between April 2008 and Feb 2009. We would estimate that the social enterprise sector won approximately £150m of public sector contracts. This estimation is based on the reported level of contracts held by social enterprises interviewed scaled up to the entire sample population. These would have been won over more than one year. However, it does illustrate that the social enterprise sector plays a significant role in delivering services for the public in Wales.

More than two-thirds (68%) of survey respondents want to provide more or new services to the public sector. Larger social enterprises, in terms of turnover, tend to have more interest in providing public sector contracts than smaller organisations. Given the inclusion of "embryonic" and "emerging" social enterprises, the sample includes those organisations which are looking to have a mix of different revenue sources i.e. earned income, contracts and grants, as well as those which are seeking to become 100% financially self-sustainable from earned income with no grants. The high level of interest in providing services to the public sector is likely therefore to include both organisations seeking to win contracts in a competitive environment and those seeking grants for public service delivery.

Figure 4.4: Level of interest in providing services to the public sector



4.2.1. Challenges from the social enterprise perspective

Whilst there are examples of social enterprises successfully winning public service contracts, both social enterprises themselves as well as public authorities identified several challenges to social enterprises operating effectively in a more competitive environment.

- **Some are finding the transition to public procurement too quick**. Although these social enterprises can see their potential to deliver services based on a competitively tendered, contractual basis, they have been used to funding their services from grants. There is a perception among survey respondents that grant funding is declining at a time when many social enterprises are yet to fully work out how to bid for contracts, or build the capacity to prepare bids. Amongst these social enterprises, there is a desire for core grant funding during this transition period to enable them to build the capacity to bid on contracts.

- Social enterprises also expressed concerns about the **lack of awareness and readiness of the public sector, in particular, local government, to contract out services to social enterprises.** Nearly one in five respondents felt that the main challenge to their organisation providing public sector services was "lack of awareness and perception of public sector bodies". Some social enterprises felt that they were well-placed to deliver certain services, but suggested that some local councils were unwilling to sub-contract out services that the council itself currently delivers:

  > *"Many local authorities want to protect their own assets and maintain direct control over service delivery. They don't want to be seen to be cutting jobs by sub-contracting out".*

  This issue is particularly relevant to social enterprises that deliver core public services which local authorities have long delivered directly, such as waste collection and recycling, as opposed to non-core services, such as support for people with disabilities, which has traditionally been contracted out to non-governmental organisations.

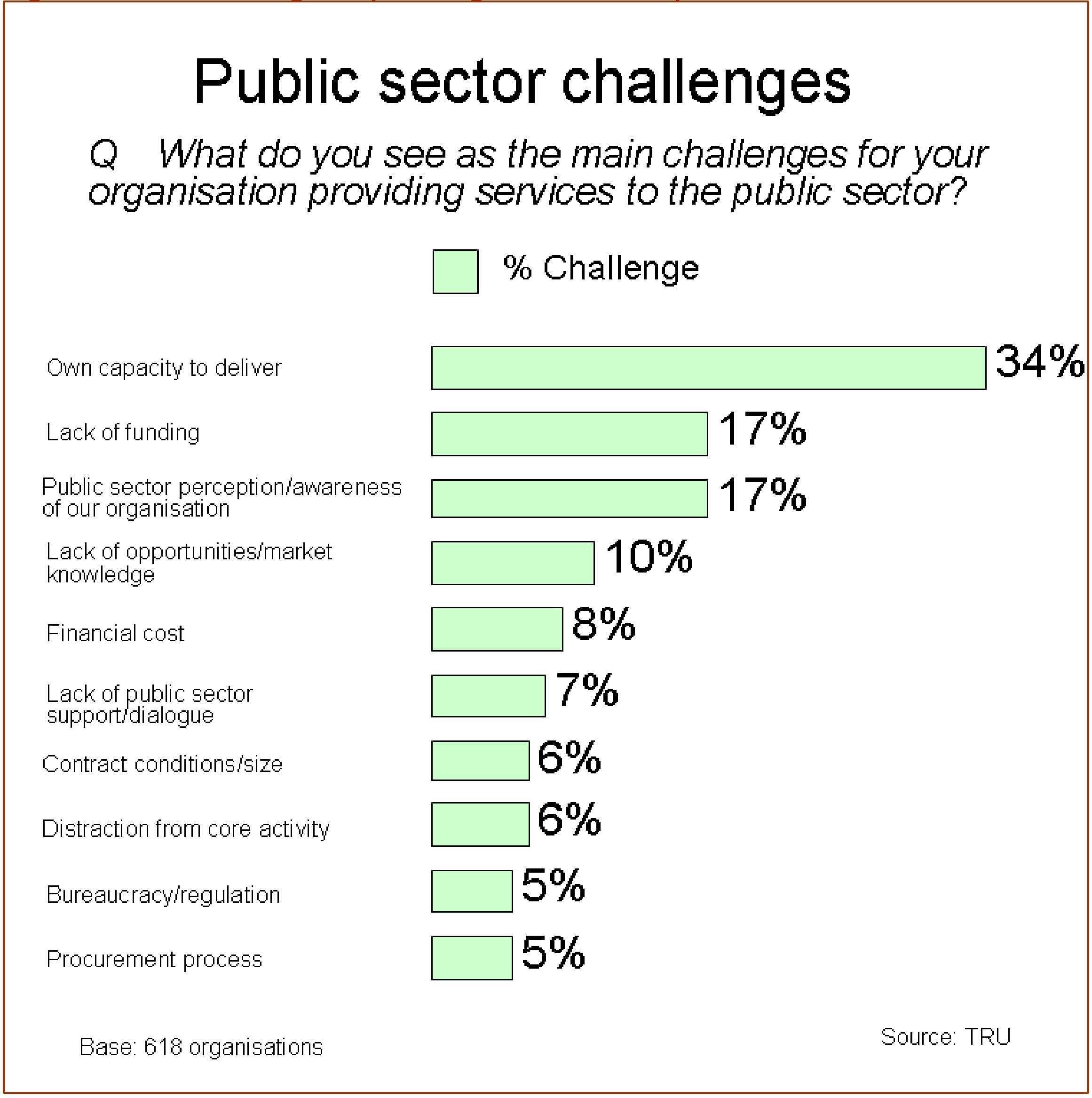
- In some cases, **perceived *commercial competition* with the private sector or local authorities discourages social enterprises from bidding** and gives them the impression that the public procurement playing field is not level. Alluding to preferred suppliers, one social enterprise remarked:

> *"people who manage the procurement process don't seem to like going beyond the six firms that they know and exclude others such as social enterprises or SMEs".*

- The **large *scale* of contracts is also a significant challenge**. One of the trends within public sector procurement is for public authorities to issue larger tenders to fewer suppliers. This means that social enterprises are finding it increasingly hard to remain as or secure contracts as prime suppliers, but are having to come in as sub-contractors to larger organisations, if at all.

  While larger contracts may generate better value for money for suppliers, they are considerably riskier for some social enterprises to deliver due to **lack of capacity**. In answer to the question "what do you see as the main challenges for your organisation providing services to the public sector?", 34% of respondents said "our own capacity to deliver".

Figure 4.5: Main challenges to providing services to the public sector



Despite these challenges there are social enterprises which have developed the capacity and quality of service provision to successfully bid on contracts. Examples include Cynon Valley Crime Prevention which provides crime prevention services, such as providing locks, arms and CCTV. The company regularly bids for local authority contracts and wins in the face of private sector competition based on the quality of its services. This social enterprise has invested in getting quality marks, such as ISO9000, and the company, which is the trading arm of a charity, earns all its income off services and reinvests the profit in the charity. Pack-IT Cardiff is a successful social firm – providing sustainable jobs for disabled people –that competes in a highly commercial market for contracts alongside private sector businesses. As one social enterprise CEO put it:

> *"Business has to come first, social second in order to succeed".*

4.2.2. Challenges from the public sector perspective

On the **buyer side**, there is a willingness to grow social enterprises and a growing emphasis on giving social enterprises opportunities to thrive. Local authorities are seen as having a particularly critical role to play in offering service delivery opportunities to social enterprises to meet local social and environmental needs. However, several interviewees questioned whether contracting of social enterprises would receive sufficient public sector support without greater legislative requirements, especially in the current financial climate.

Welsh Assembly Government officials recognize the concern of social enterprises that many local authorities have not built a role for social enterprises in their local development strategies and may not be willing to transfer community assets for development or contract out services that are currently delivered directly. Their view was that awareness and receptiveness to social enterprises at a local level is mixed. But social enterprises also need to become much more astute and innovative at public procurement and make their case to commissioning bodies, including local authorities, about their value.

Where there is receptiveness to social enterprises, public sector respondents wanted both better communication about what social enterprises are capable of and greater professionalism in tendering. As well as techniques in taking part in the procurement process, social enterprises should learn how to market to the public sector more effectively. These communication and perception issues are mirrored by social enterprises:

> *"The public sector doesn't really understand who and what we are, and treats us as if we are naïve and needy as opposed to a commercially sustainable organisation. We should not be confused or labelled as the 'sandals mob,' but an effective organisation plugging the gaps in the region".*

The lack of public sector awareness and misplaced perceptions of social enterprises was a strong theme running throughout the interviews. The new Social Enterprise Action Plan 2009 should help in this regard through its actions related to communications and marketing.

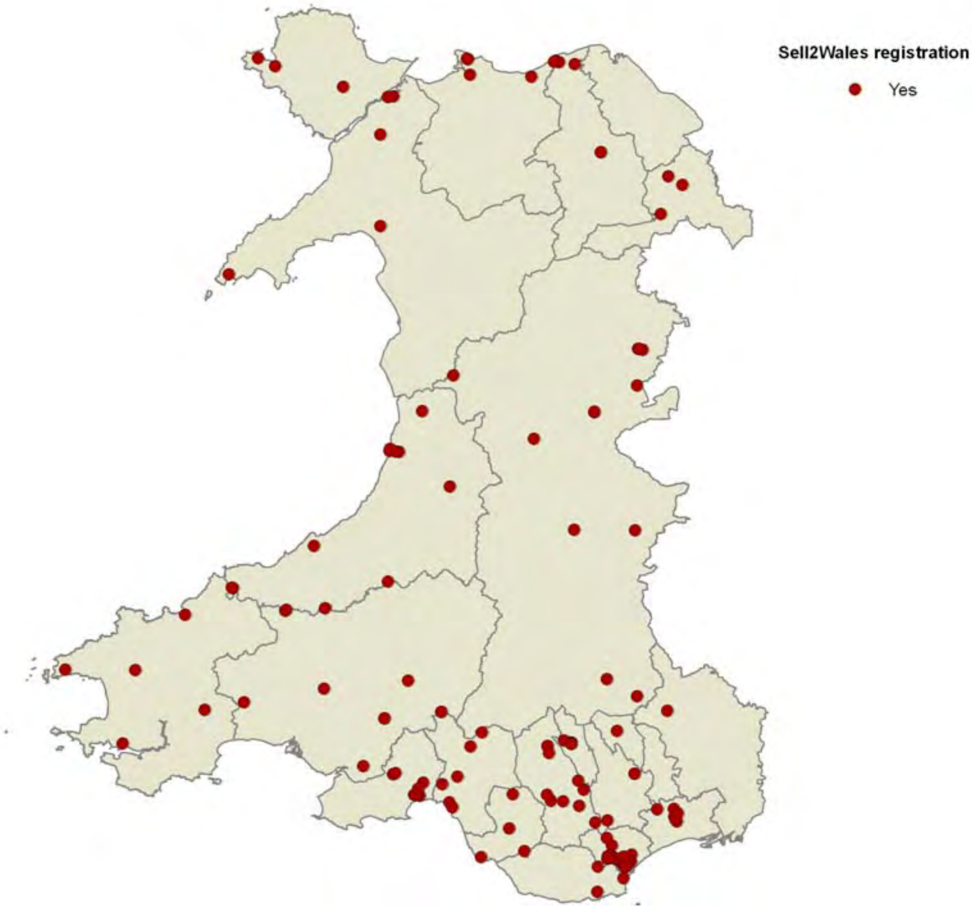
4.2.3. Awareness of contract opportunities

One issue to be addressed is the lack of active engagement and awareness of social enterprises of contract opportunities. Fewer than 20% of organisations interviewed have registered with sell2wales to receive tender opportunities. 78 % said they had not registered and 4 % did not know whether they were registered.

Figure 4.6: Proportion registered on Sell2Wales

The majority of organisations which have registered on Sell2Wales are in the South East of Wales.

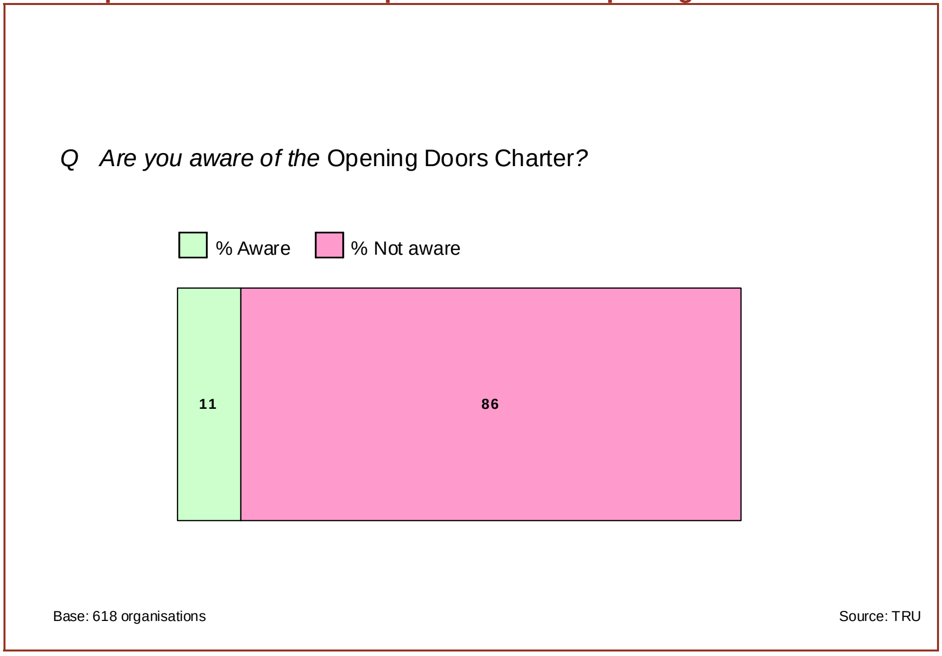
Figure 4.7: Locations of those registered on Sell2Wales



Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Only one in ten are aware of the Opening Doors Charter, the Welsh Assembly Government's set of principles for SME (and social enterprise) friendly procurement.

Figure 4.8: Proportion of social enterprises aware of Opening Doors



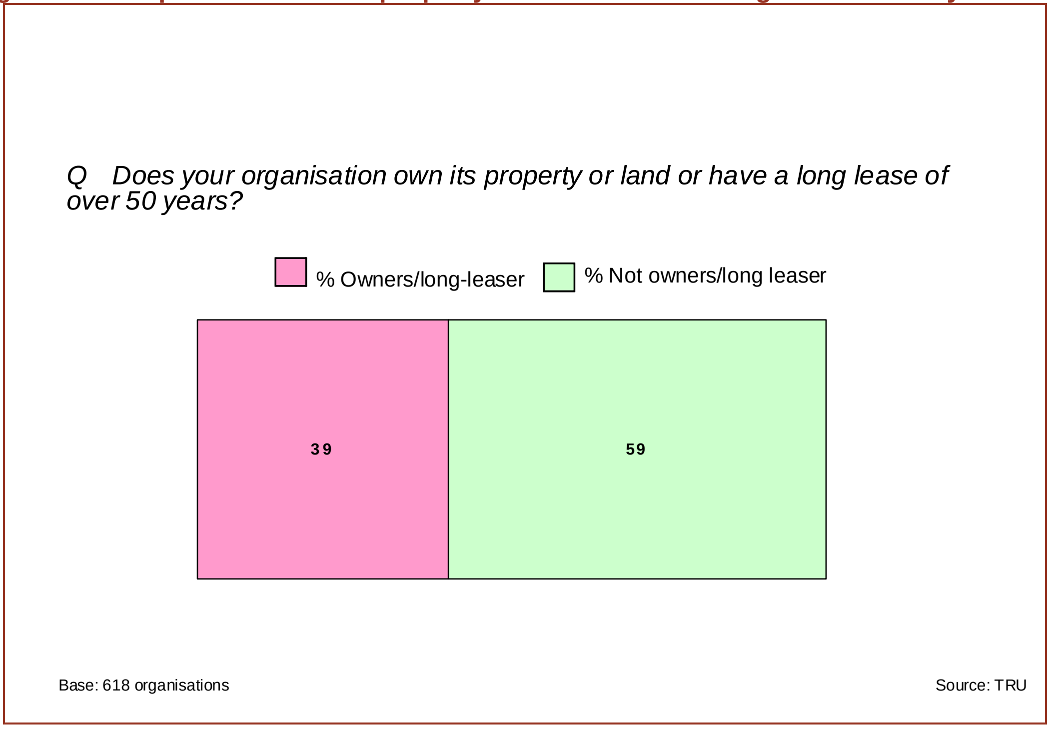
More needs to be done on both the social enterprise and buyer side to raise awareness of these procurement initiatives. Value Wales, a team working to improve public service procurement, is playing a key role in this regard. A Value Wales representative reported that before the Opening Doors Charter, £4bn worth and only 35% of contracts were awarded to Welsh firms compared to £4.5bn and 49% of contracts lately, and that social enterprises have had success in winning Welsh Assembly Government and local government contracts. However, no precise recording is yet available to assess the proportion of contracts won by social enterprises.

Overall, there is a view that guidance, such as the Opening Door Charter, is in place to ensure that procurement rules are friendly towards the third sector, including social enterprises, but more, and better, implementation of these guidelines is needed at the local level.

4.3. Asset transfer

Social enterprises would like to see more assets transferred from public authorities to help generate income, increase their financial stability and to provide a community resource. More than one-third of social enterprises interviewed own freehold or long leases on property or land. Levels of ownership are likely to be higher if leases of fewer than 50 years are included.

Figure 4.9: Proportion who own property or land or have a long lease over 50years



Property owners or long leasers tend to be larger organisations. The majority (87%) of organisations with over £5 million annual turnover owned property or had a long leasehold, as did 69% of organisations with over £1 million turnover. On average, only 33% of organisations with less than £100,000 turnover owned their own property. Interestingly, there was no significant difference in levels of property ownership by stage of social enterprise development i.e. percentage of earned income.

Organisations whose main objectives included properties for rent such as housing associations or asset development for the benefit of the community such as development trusts were also more likely to own property. As one development trust put it:

> *"Assets are a huge advantage, without them we would not exist. They are all developed and generate commercial rent to support the business and invest in the area's culture and commerce".*

Interviewees typically regarded asset ownership as a positive thing:

> *"Owning our own building is very advantageous and generates income of £260k per year. In addition we benefit from government grants and all activities aim to make a practical difference to people who live in this community. At present we employ 27 people - two-thirds of whom are funded by income we generate ourselves."*

Social enterprises not owning assets tended to see the benefits of this for their future:

> *"We have not purchased a property but would consider it to provide a community asset."*

However, interviewees' experience was that some local authorities are more positive and willing to transfer assets for community benefit than others. In the best case scenario, local authorities have been ambitious about transferring assets and supporting asset development for the benefit of the community. One social enterprise had been particularly ambitious in its development plans:

> *"We have our current (former school) property on a 28 year lease from the Council with a roll over clause every 7 years and pay a peppercorn rent. In addition, recently the Council has given us a long lease on a 2.2 acre brownfield site worth £1.3m which will be developed as an educational, sports and conference centre site in partnership with the local council and the local football club using the latest green technology to deliver a model eco building. It is a big advantage. Not only can we achieve larger-scale goals, but owning property provides income, and if we wanted to borrow, we have assets against which to secure a loan".*

Other local authorities are regarding as operating a bottom line view focused on earning the highest price from the sale of public property:

> *"More awareness-raising of the benefits of asset transfer to local authorities when they consider supporting social enterprises is needed. At present many are fixated only with increasing capital receipts. It is really important that examples of positive asset transfers are shared widely with Asset Managers to raise awareness about what is both possible and beneficial. United Welsh is currently working with local authorities and other public sector land owners to bring forward sites that combine housing and community hubs on former school and hospital sites. Housing Associations can play a key role in helping to unlock key assets for communities."*

Welsh Assembly Government recognises the findings of the Quirk Review which called for governments to introduce measures to encourage the transfer of public assets through ownership or management to third sector organisations, including social enterprises, so as to open up opportunities for community development and help develop more sustainable income streams. To this end, Welsh Assembly Government is considering launching a Community Asset Transfer Fund which will provide capital funding to support asset transfer and property renovation. This initiative is welcomed. However, these findings suggest that for this to be successful there needs to be a strategy and plan to engage all local authorities in the community asset transfer agenda.

4.4. Business support

We investigated where social enterprises source business support and advice, the types of advice they receive, and how satisfied they are with existing levels of support.

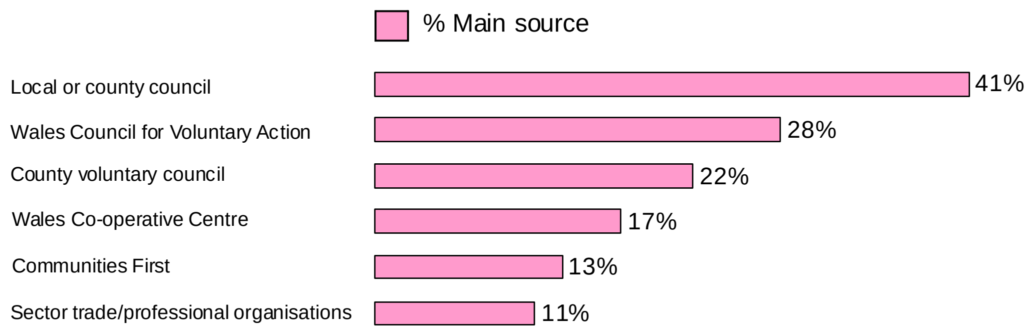
4.4.1. Sources of business support

Local councils were mentioned as one of the main sources of support by 41% of survey respondents, with 37% identifying them as the most important source of advice. Communities First, a Welsh Assembly Government programme to support the development of community-based initiatives to improve quality of life in deprived communities, was also a source of advice to 13% of respondents.

This highlights the importance of the relationship with the public sector to the work of social enterprises. More than two-thirds of survey respondents wanted to provide more or new services to the public sector. Hence, establishing good relations with their local authority and seeking their advice is critical to success. This support is unlikely to be structured business development and capacity-building support, rather it is likely to comprise information about funding availability and contract opportunities, as well as signposting to other sources of funding and support.

Figure 4.10: Main sources of advice or support

Q What are the three or four main sources of advice and support you use to develop your organisation? [MULTICODE]



Base: 618 organisations

Source: TRU

The next most important support provider is the WCVA, along with County Voluntary Councils (CVCs) which provide advice and information to local voluntary and community Organisations, including assisting organisation undertaking or looking to under social enterprise activity. Some County Voluntary Councils were cited as good local sign-posters as well as having expertise useful to social enterprises although their future role in this sector was not clear.

Support from WCVA is more in demand by those organisations registered as charities – 77% of organisations which said WCVA was a main source of support were charities – and 'embryonic' social enterprises – 41% citing WCVA were in the 15% to 24% earning income bracket, compared to only 20% of those which earned 100% income through trading.

Specialist social enterprise support providers were the next most common sources of business support, particularly the Wales Cooperative Centre (17%), Community Enterprise Wales (4%), DTA Wales (4%) and Social Firms Wales (2%). The Wales Cooperative Centre's support for social enterprises was commended by one public official for showing signs of

> *"greater dynamic performance" with a dual approach of giving tailored business advice at the same time as strengthening governance to maintain a social ethos."*

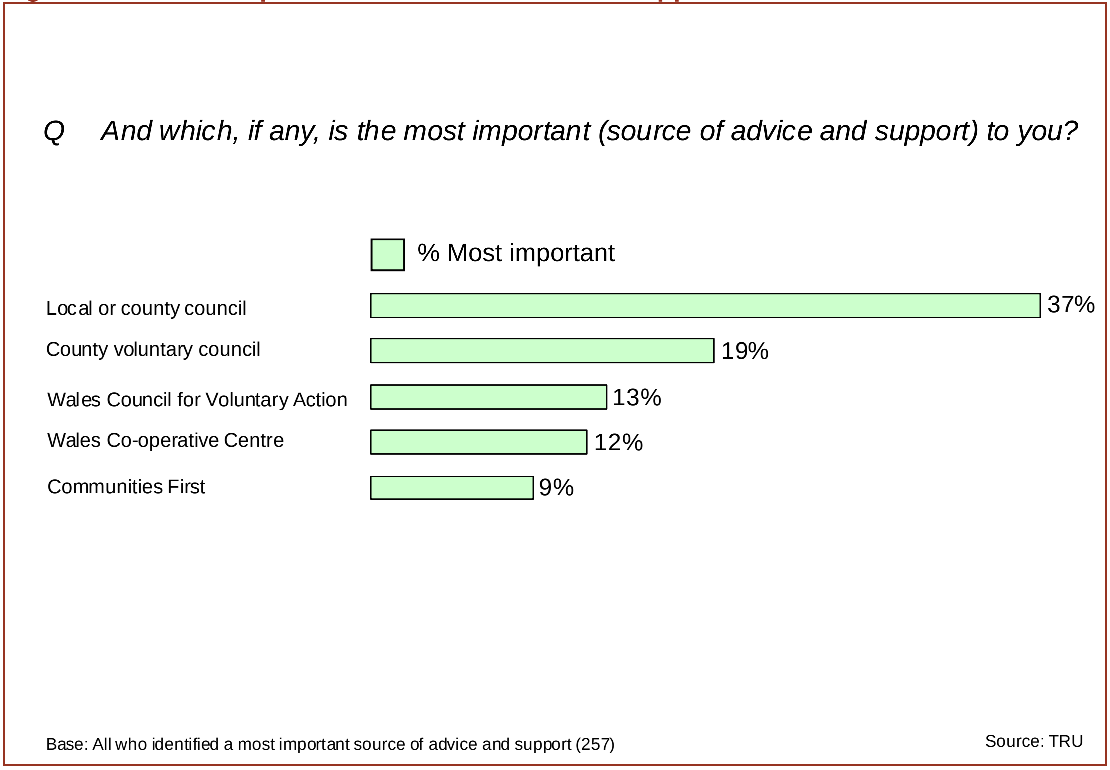
Business Eye and Business Connect, the main government business support programmes, were used by only 8% and 4% of respondents respectively. Their uptake tends to be more by the non-charity social enterprises – 57% of those citing Business Eye as a main source of support were not registered as a charity. Not all were happy with government business support for social enterprises. A senior local government source admitted that mainstream business advice needed to:

> *"get more serious. Business development managers don't want to know about social enterprises. If it was left to them social enterprise wouldn't be taken seriously as businesses and would be seen more as a community and voluntary sector scene. Business support agencies need to help professionalise the sector and, if they can't do this, private sector advice for social enterprises should be made available".*

This view was backed up by a leading social enterprise:

> *"Our advice tends to come from our board who are there because they fill the skills we need more of or don't have. If we don't know something, we find our own way and also ask peers. We tend to find that business advisors don't understand social enterprise".*

Figure 4.11: Most important sources of advice or support



There is demand for more development of the business infrastructure for social enterprises – more independent, specialist support providers which know and understand social enterprise and business and which bring to the sector private sector skills. As one interviewee put it:

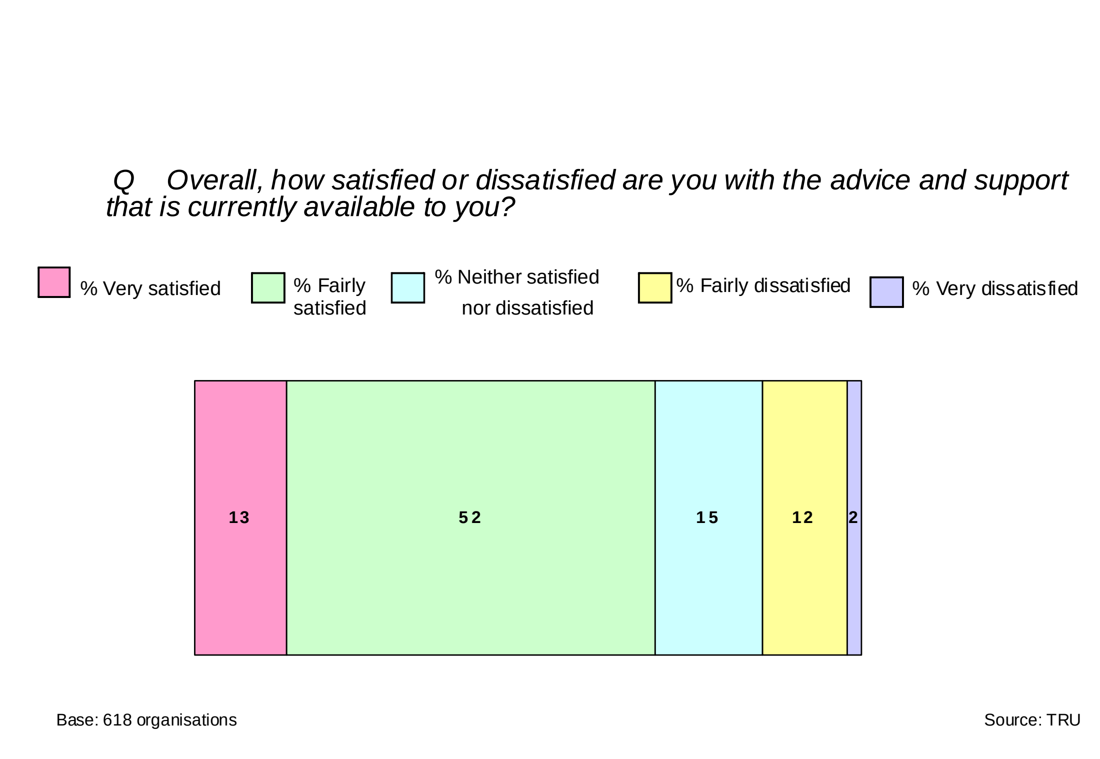
> *"Business support should not be based on a model that one size fits all. We need to enable social enterprises to link up to support that meets their specific needs. Allow social enterprises to buy in expertise and create a market of business support providers as exists in the corporate sector. And do more to enable social enterprises to tap into huge amount of knowledge and experience within the sector itself both within the UK and internationally."*

There is also some demand for peer-to-peer networking and support; 7% of respondents source business advice and support from other social enterprises. Both Welsh Assembly Government officials and social enterprises would like to see more such business-to-business support. "We would like to see more networking, more collaboration, more business to business from social enterprises". Support from other social enterprises was seen as particularly useful on specific sector and technical topics, as well as overall growth strategies.

4.4.2. Satisfaction with business support

Levels of satisfaction with business support are fairly high, with more than two-thirds either fairly satisfied or very satisfied. Only 2% are very dissatisfied. There were no significant differences in levels of satisfaction related to size or stage of development of social enterprises. 6% did not know or did not state a response to this question.

Figure 4.12: Level of satisfaction with business support



That said, some organisations commented on the lack of suitability of available advice and support:

> *"the WCVA is a good source of advice but as they are aimed at non commercial organisations they tend to advise the 'social' rather than the 'enterprise".*

As one leading social enterprise, put it:

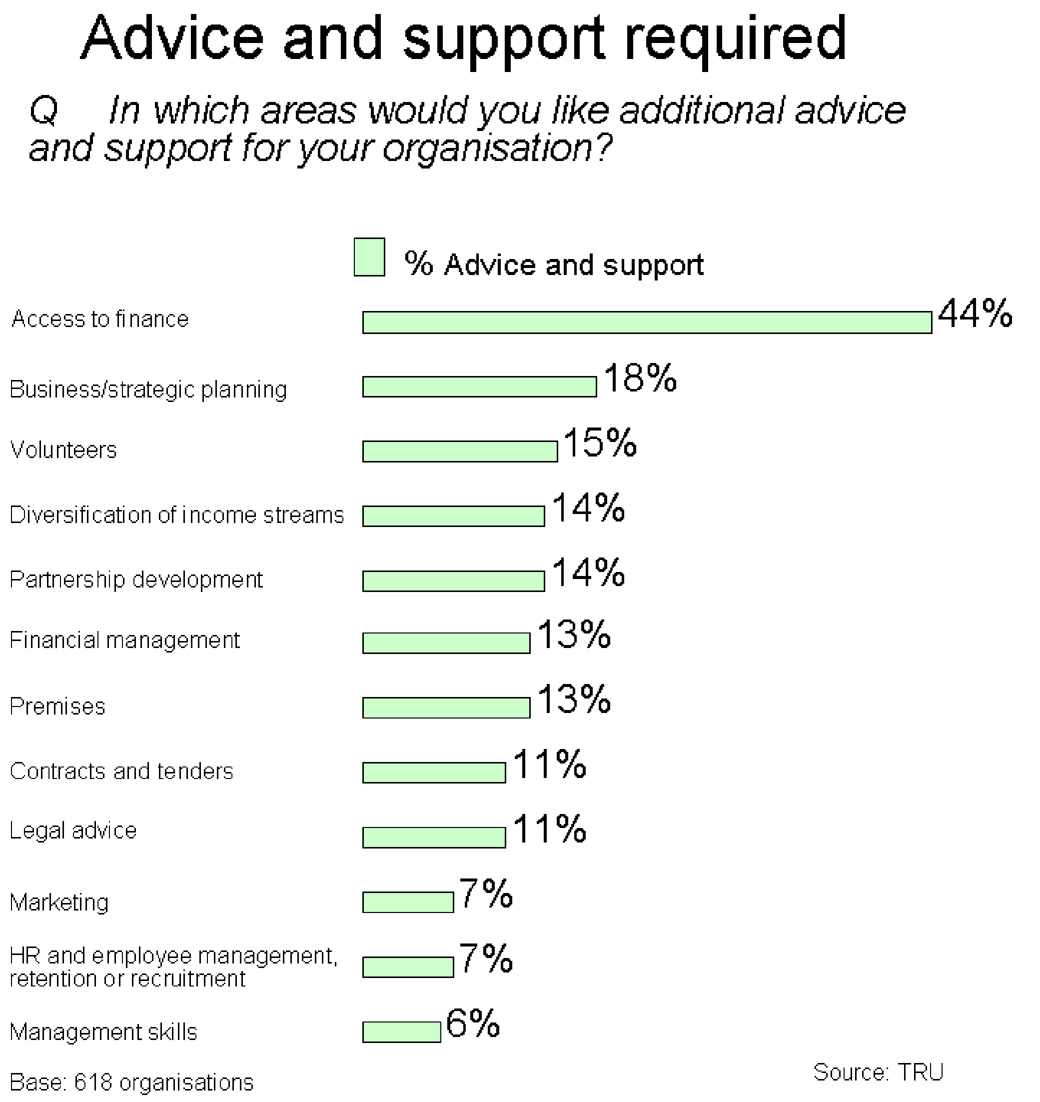
> *"If the third sector is going to become more sustainable then good quick commercial advice is essential; we are currently grouped with a local playgroup and, whilst they are equally deserving of support, advice should be different according to the organisation".*

Generally, there was a sense among those interviewed that social enterprises are good at the "social" but less good at developing into viable businesses.

4.4.3. Types of support in demand

Access to finance is by far the area in which most respondents would like to see additional advice and support; 44% of respondents cited this as a topic. Other areas where social enterprises are seeking more advice are business and strategic planning (18%), volunteering (15%), diversification of income streams (14%), partnership development (14%), and financial management (13%).

Figure 4.13: Types of support demanded



There are significant differences in the business support needs identified by organisations depending on their size as illustrated in Fig 4.14, with larger organisations seeking more business-related skills than smaller organisations. Similarly, organisations with higher proportions of earned income tended to have a higher demand for business planning and financial management skills. Demand for management skills was highest among larger social enterprises and particularly high among social housing providers – one in five social housing associations mentioned management skills as an area in need of support.

Figure 4.14: Top three business support areas by turnover

£0-£25,000	*£25,001 - £100,000*	*£100,000 - £500,000*	*£500,001+*
Access to finance	Access to finance	Access to finance	Business & strategic planning
Volunteers	Volunteers	Business &strategic planning	Access to finance
Premises	Partnership development	Diversification of income streams/ contract tendering	Diversification of income streams

Business support providers tend to regard the *desires* of social enterprises for business support as different to what they actually *need*. They see significant capacity gaps in the areas of management and marketing, which came very low down in the priority of areas where organisations themselves would like more advice. That said, marketing was not a pre-identified area of support but rather an area respondents themselves mentioned, so it is likely this is an area of higher demand than reflected in the results. Other work in the UK supports this finding and suggests that marketing is an area in need of more focus both by social enterprises and support bodies.

4.5. Innovation and competition

Social innovation is about developing ideas that address the social and environmental issues of our time. Developing a social enterprise – a business with a social purpose – is one way in which these innovations can be put into practice.

4.5.1. Fixing market gaps

Social enterprises fulfil a distinctive role between the third sector and private business. Innovative solutions, in part, arise from the social enterprise business model itself. At best, their entrepreneurial approach makes them more dynamic than other third sector organisations and they will enter areas where commercial business may not see opportunities. As one government official put it:

> *"Social enterprises are innovative in the way they fix market gaps".*

Another way of creating social value is to provide products or services to the mainstream market, and create employment opportunities for disadvantaged individuals. This is the business model of social firms which are "market-led businesses that are set up specifically to create good quality jobs for people severely disadvantaged in the labour market".[14] Pack-IT, based in Cardiff, is one of the UK's most successful social firms. It is a business supplying mailing, storage & distribution services and has demonstrated that a social enterprise can compete and succeed in the mainstream market while employing staff half of whom have Down's syndrome, are profoundly deaf or have behavioural and learning difficulties.

The future success of social enterprise will stem, to an extent, from organisations' ability to **scale up** and so increase their social impact. Though there are encouraging examples of this, many social enterprises have not yet reached the stage where they are ready, or desire, to take their social enterprise beyond their local community. One indicator of this is the fact that nearly half of all organisations interviewed carry out their activities within a 20 mile radius.

[14] Definition of Social Firms UK

"Does size matter?" is a well-debated topic within the social enterprise community. Some argue that the fact that social enterprises operate locally is a key strength. This way they are able to understand and respond to local needs and make a real difference in local people's lives. The findings suggest that the majority of social enterprises in Wales will remain locally-focused.

Another way of scaling-up social enterprise activity is through **replication**. Such an approach combines scaling-up with remaining locally-connected. One organisation, for example, has developed a blueprint of how to transition day care service provision for adults with learning disabilities to a social enterprise model that focuses on recognising the capabilities of the individual rather than their needs. They are interested in working with local councils to replicate their model across more of Wales.

Acquiring or working with and transforming local businesses into social enterprises is another innovative growth strategy being pursued by some social enterprises in Wales. The same organisation referenced above has again been a pioneer. It formed a partnership with a local farm in difficulty and has helped turn it into a successful profit-making farm open to the public which offers job opportunities to disabled people.

4.5.2. Public service reform

One of the main areas of social enterprise activity in Wales is the provision of public services, such as social care, childcare, and providing training and employment opportunities for the unemployed and people with disabilities.

Social enterprises typically look to deliver and improve public services in a manner that learns from and responds to the needs and capabilities of individual service users and the community. One long-established social enterprise working with people with disabilities wanted to "*turn the innovative into the norm, as the way that services should be delivered*". They identified disabled people's abilities and matched them to jobs like the man in a wheelchair who could only move his head and was found a job as a painter's model: *"It changed his life. He loved being the centre of attention".*

Another community-based development trust spoke of how being connected to the community was vital to providing valued services. In this case, the active involvement of volunteers was critical to their success; volunteers who did everything from running training courses for young people to cleaning the premises.

Another development trust saw itself as innovative because it was able to adapt and respond to new public service agendas:

> *"In a time of a shrinking public purse, we look at opportunities of how can we get more 'bang for our buck' and make more of an impact for local communities. We want to expand our floor space at the centre ideally with a capital grant. We will then be financially stable with double the nursery capacity and higher café revenue. We also hope to take over a derelict park and old community centre and turn it into a well-being centre targeting targeting a whole range of employment, education, health and community safety issues."*

However, there were also frustrations at how public sector rules and ways of working can undermine social enterprise development and innovation. One social enterprise leader commented how there is currently no scope for accessing some funds which he believed social enterprises could deliver on e.g. the 'Flying start' initiative for children.

Public service contractual terms are also regarded as stifling innovation. There was a general feeling that output-based payments can prevent organisations having the up-front resources to engage with service users in a proactive manner and involve them in the design, delivery and increasing use of services.

Lack of local authority understanding of and engagement with social enterprises was also a major frustration. One business saw greater potential for innovative delivery of existing recycling services but was frustrated by current local council practices:

> *"The public sector have a history of delivering their own waste collection services and are reluctant to contract these out even though we can prove the enhanced environmental, economic and public benefits a social enterprise run recycling service can offer."*

4.5.3. Collaboration and competitiveness

We probed in-depth interviewees on the extent to which there is collaboration and/or competition among social enterprises. Generally, interviewees recognised the need for more collaboration and partnership to foster further innovation and development. One development trust spoke of its partnership with housing associations to both renovate housing and provide managed workspace. This was further reinforced by others:

> *"There are great opportunities for partnership between social enterprises and public sector bodies that own underutilised assets. Ebbw Vale Development Trust (EVAD) has developed a very positive collaboration with Corus over the future of the recently closed steelworks assets, the local authority and Heads of Valleys programme. The Blue Lakes project is a good example of what can be achieved. Corus donated land and some cash as part of their own downsizing to enable EVAD to develop a country park for local residents and visitors.*
>
> *Housing Associations are key regeneration agencies in neighbourhoods facing major challenges of dereliction. United Welsh has recently purchased properties along a derelict street to create mixed tenure and retail space to kick starts the economic revitalisation of the area, adding social inclusion clauses in contracts to achieve training and job opportunities, involving schools in new developments.."*

However, there was also a general feeling that many were not prepared to collaborate, partly because of the cushion of and competition for grant funding and despite the ambitions of buyers and policy makers.

In some cases this had the potential to dilute impact and efficiency:

> *"Organisations are often found delivering services that the private sector don't want to deliver but competition often comes from other similar organisations unwilling to work collaboratively. Credit unions are an example, I know of three now in competition with each other because the financial services authority allowed one credit union to extend it's common bond area to cover the areas serviced by the other two credit unions. One has support from the Financial Services Authority and is now seen as predatory; this needs to be addressed but is hard to overcome."*

Overall, this highlights the lack of collaboration going on not just in Wales but across the UK. It underlines the need for more support for developing partnerships and consortia.

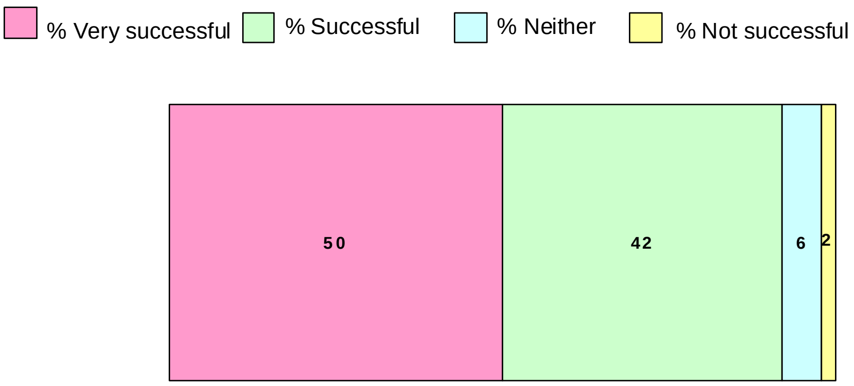
4.6. Measuring impact

The study investigated stakeholders' views on how successful social enterprises are at achieving their social goals, the extent to which social enterprises measure their impact in any consistent and quantifiable way, and what measures are used that could be aggregated to assess social enterprises impact on key policy areas of Welsh Assembly Government.

Organisations interviewed were overwhelmingly positive about their achievements. More than nine in ten organisations said they had been successful in meeting their objectives over the last twelve months. This trend existed across the board. There were many compelling stories of the types of difference social enterprises are making – from turning around lives of people with disabilities to regenerating and reviving the economies of disadvantaged communities.

Figure 4.15: Perception of level of success

Q Thinking back over the last 12 months, to what extent do you think your organisation has been successful in meeting its objectives?

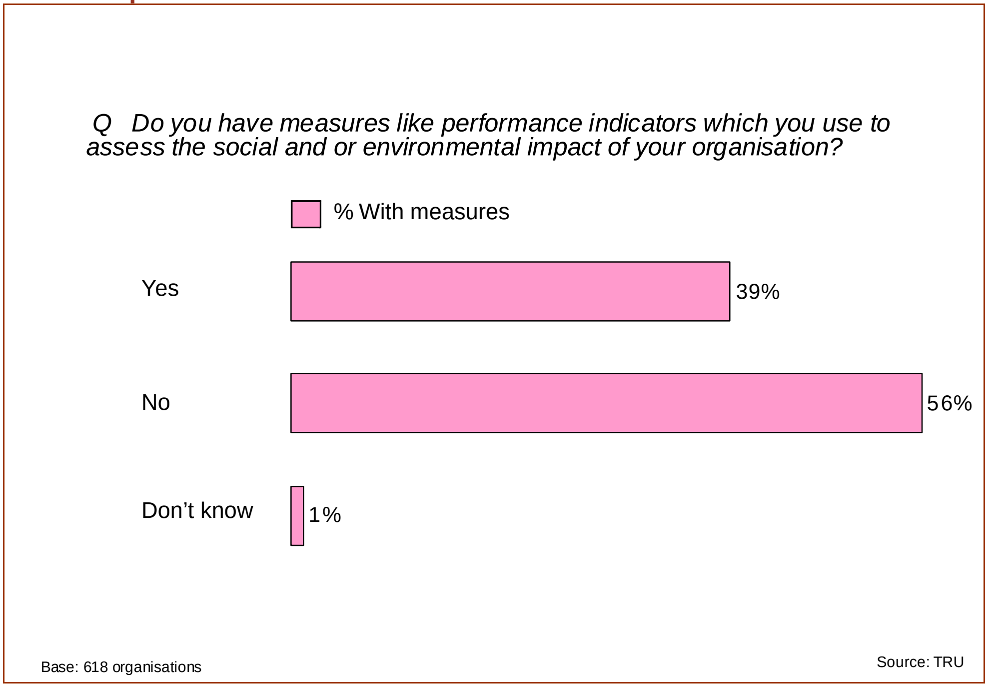


Base: 618 organisations

Source: TRU

However, fewer than 40% of interviewees said they had measures in place to assess their performance in any consistent and quantifiable way. This underlines the reality that there is insufficient monitoring, evaluation and communication of the “social impact” of social enterprises in a systematic way. This is an area where social enterprises needed to be challenged, encouraged and supported to improve.

Figure 4.16: Impact measurement



Both social enterprise managers themselves as well as government representatives agreed that:

> *"Measurement of the performance and impacts of social enterprise is weak. There is a lot more that could be done to publicise these organisations' benefits".*

Larger organisations were more likely to have performance measurement systems in place. 71% of organisations with more than £0.5 million turnover said that they had measures to assess their social and/or environmental impact, compared to only 25% of organisations with less than £100,000 turnover. This reflects the fact that a certain level of resource – in terms of staff time, expertise and effort – is required to put in place measurement systems, which many smaller organisations do not have.

Interestingly, the core social enterprise group that self-defined as social enterprises are more likely to assess their performance and impact than the sample as a whole. Furthermore, young and emerging social enterprises are more likely to assess performance. This could reflect the fact that the focus on measuring social value is fairly recent, and younger, earlier stage organisations may be more likely to take on such new thinking.

Building the capacity and capability to measure and report on their social benefits and value added is regarded as critical to the future development of social enterprises. This is particularly the case in the current environment when social enterprises are increasingly expected to bid for public funding and prove their social value as well their capacity to deliver.

As one key Government advisor put it:

> *"This is an area in need of further development... social enterprises are not very good at measuring and marketing their value or impact".*

However, there was also recognition from another interviewee that measuring social value is not easy:

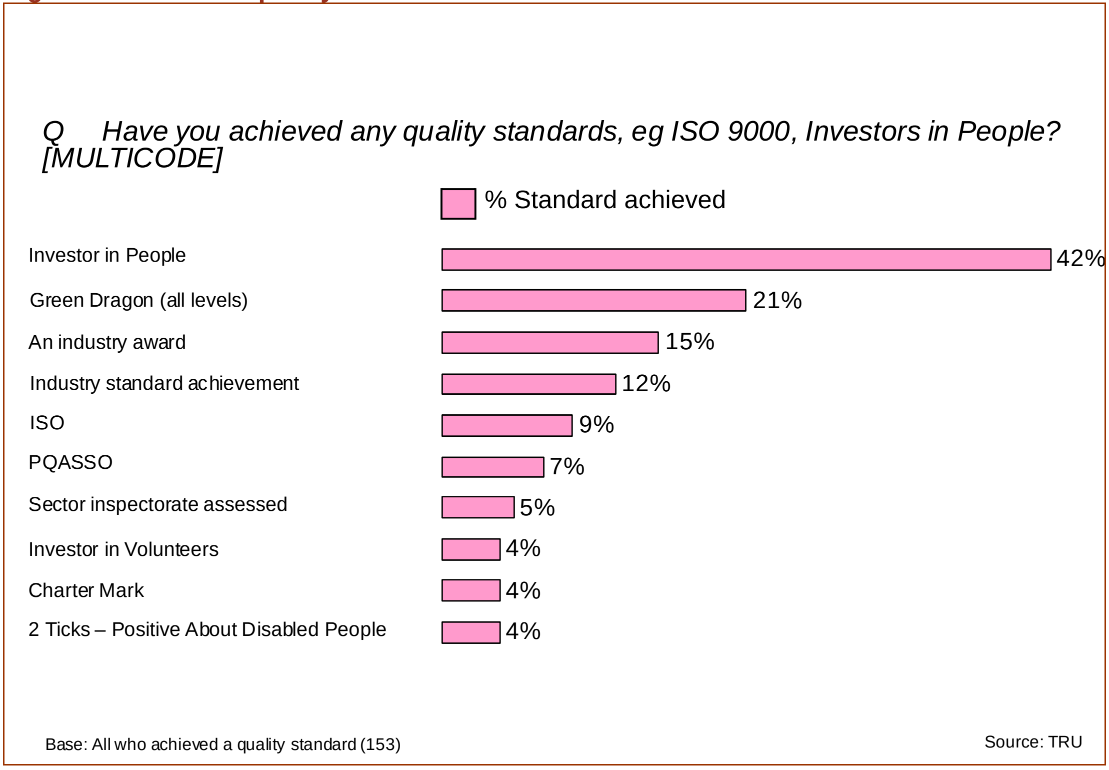
> *"How do you measure improved quality of life for individuals, the softer outcomes? You can often feel the difference but cannot measure it."*

The expectation among government officials is that more emphasis on competitive tendering and service level agreements should encourage greater evaluation of social impact within the sector. This is expected to help to substantiate the success of social enterprises and support their future business development.

The immediate focus for most social enterprises is establishing and running their day-to-day operations, and most have limited capacity to put in place monitoring and evaluation systems. As one interviewee put it: "*we tend to be focussed more on keeping the show on the road*." However, the awareness and willingness to invest more in performance monitoring and measuring impact is increasing.

The first step for many social enterprises interviewed is to gain a recognised quality standard as a way of demonstrating professionalism and organisational effectiveness. The most widespread quality marks gained by social enterprises interviewed are Investors in People and Green Dragon. It is also worth noting that only 20% of social enterprises were able to identify quality standards they had achieved.

Figure 4.17: Use of quality standards



Nearly one in ten social enterprises has also achieved an ISO standard. A good example is Cynon Valley Crime Prevention. This social enterprise has achieved the highest ISO accreditation in the security sector. Cylch, the umbrella body for social enterprises in the recycling sector, also encourages its members to get ISO accreditation.

> *"Such professional accreditation, in the form of recognised quality marks and meeting ISO standards, are important to helping win contracts. You must concern yourselves with professional accreditation otherwise you won't win contracts".*

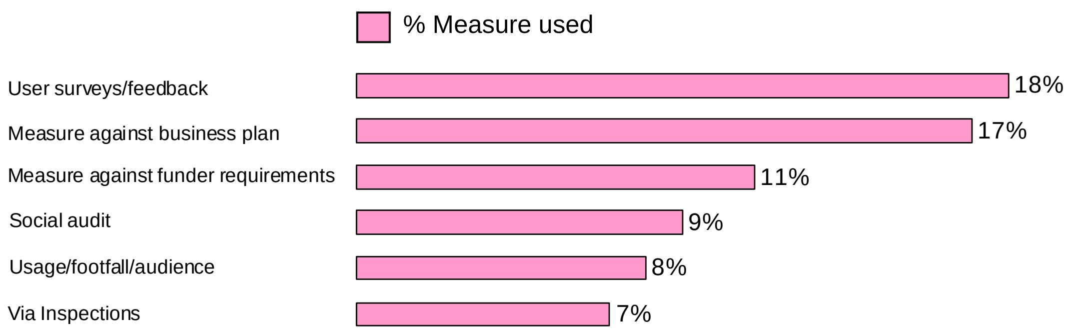
This view was backed up from the buyer side. As one government official commented:

> *"Some social enterprises have Investors in People. That is a good thing and would be seen positively in awarding contracts".*

In terms of ways of measuring performance, the most common method was to conduct surveys with service users as a way of getting client feedback on the quality and impact of their services. Such surveys are commonly used by housing associations among their tenants. Cynon Valley Crime Prevention also regularly monitored and evaluated customer satisfaction receiving a 70% response rate and high levels of satisfaction.

Figure 4.18: Use of social performance measurement tools

Q Do you use any particular tools to help you understand and measure your impact, for example Social Audit or Social Return on Investment? [MULTICODE]



Base: All saying they use evaluation tools to measure impact (260)

Source: TRU

There are a range of tools and methods that have been developed to assist social enterprises measure their impact and demonstrate the quality of what they are doing. As one interviewee noted, nef's Prove and Improve website is a useful resource centre and provides a list of these tools (www.proveandimprove.org).

Most social enterprises were familiar with different social performance and impact measurement tools, such as social auditing and Social Return on Investment (SROI), but these methods are not yet widely implemented. Social auditing is used by nearly one tenth of those social enterprises which monitor performance. Certain network bodies, such as Clych and Development Trust Wales, have led on promoting the use of social accounting and auditing methods.

> *"We think social performance measurement is very important and have led on social accounting. Cylch and six or seven of our members have produced social accounts and we encourage all members to do this".*

This leadership and capacity building in impact measurement seems to have played a critical role in increasing the adoption and implementation of social impact measurement.

However, perhaps the most important findings here is that only 39% of social enterprises identified any kind of measure to assess their impact. Given the lack of systematic measurement of social impacts, it was not possible to assess the overall social, economic and environmental impact of the social enterprise sector in Wales beyond the headline data presented in the findings section. However, we conducted a brief literature review to establish the level of social impact measurement taking place in the sector at present. There are efforts being made throughout the sector to measure social performance and good progress is evident in certain sectors such as recycling and social housing. The ‘Let’s Prove It!’ report produced by Cylch collected data from 43 of their 60 community recycling organisation members to measure the environmental, social and economic contributions of its organisations between 2005 and 2006. Community Housing Cymru has also analysed and published the economic impacts that the Welsh housing associations bring to the Welsh economy. Some of the highlights of these reports are presented in the box below.

Evidence of the impact of social enterprises

Cylch, a membership organisation of social enterprises involved in waste reuse and recycling, regularly collects data on the social and economic performance of its members. This highlights the important role these enterprises play in waste and resource management in Wales:

- **Environmental impact**:
    - Increasing amounts of waste are being diverted from landfill via reuse, recycling and composing services due to the expansion of Cylch members operations – from 36,434 tonnes in 06/07to 38,682 tonnes in 07/08.
    - Furniture reuse and the collection and composting of food and green waste have seen the most significant increase.
- **Social:**
    - Increasing employment, placement and volunteering opportunities for the long term unemployed and people disadvantaged in the workplace.

Source: *Let’s Prove It Report 2007-2008*, Cylch October 2008

Welsh housing associations are also documenting their community benefits:

- Welsh housing associations spent an estimated £407m in 2007/08 comprising operational spend. Of this 36.2% was spent on construction, 23.1% on labour costs and 21.9% on maintenance/repairing stock. £338m of the £407m was retained in Wales.

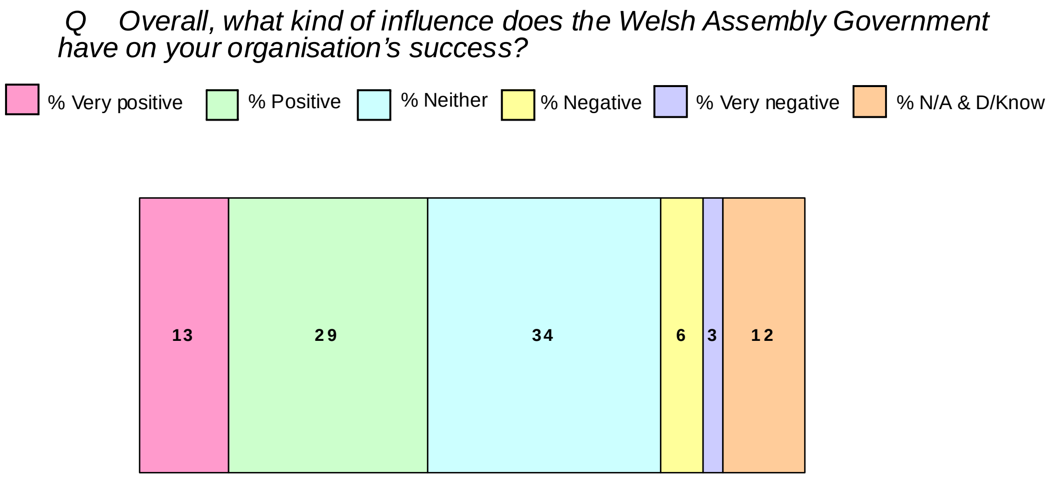
For every full time person employed by a housing association, another two and a half jobs are supported elsewhere in the economy. Housing Associations employ 3,300 full time employees with 8,747 employed indirectly.

The findings from this document review exercise concur with the survey and interview findings that social impact measurement is not well developed, but that awareness is relatively high and increasing, and that support and umbrella organisations are critical to driving and supporting uptake of impact measurement and publication of results.

4.7. Welsh Assembly Government support and communications

The study assessed organisations’ view of both Welsh Assembly Government and local authorities in terms of their level of support. Overall, respondents had positive views of the role and influence of Welsh Assembly Government. Over 40% of respondents felt that Welsh Assembly Government had a positive or very positive influence over their organisation’s success. Only 9% felt that Welsh Assembly Government’sinfluence was negative.

Figure 4.19: Welsh Assembly Government influence on organisational success

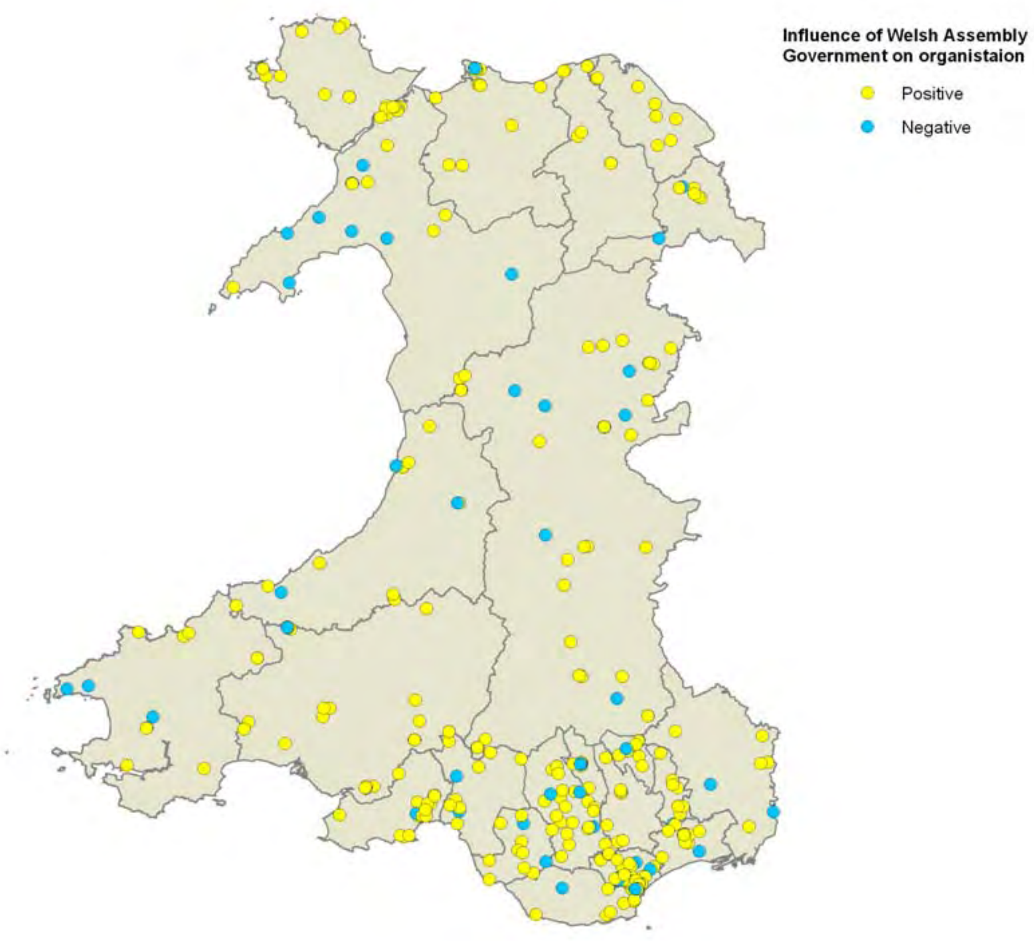


Base: 618 organisations

Source: TRU

Generally, there was a sense that the Welsh Assembly Government was open, inclusive and good at listening. Leading social entrepreneurs felt that they did have the opportunity to participate with government in the review of strategies. For example, Clych spoke of how they were involved in the review of the Waste Strategy for Wales. Other larger social enterprise networks had similar experience through their specialist status. Their "very good" relationship with two government departments was "helping to build the sector", and supported their strategic direction.

Figure 4.20: Influence of Welsh Assembly Government on organisation



Source: Geoeconomics ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Larger organisations, in terms of turnover, had the most positive view of Welsh Assembly Government. The least positive opinion, however, was among social enterprises that are 100% self-sustainable on the basis of traded income. Such enterprises tend to consider Welsh Assembly Government'sview of social enterprise as too community-focused, and not sufficiently business minded:

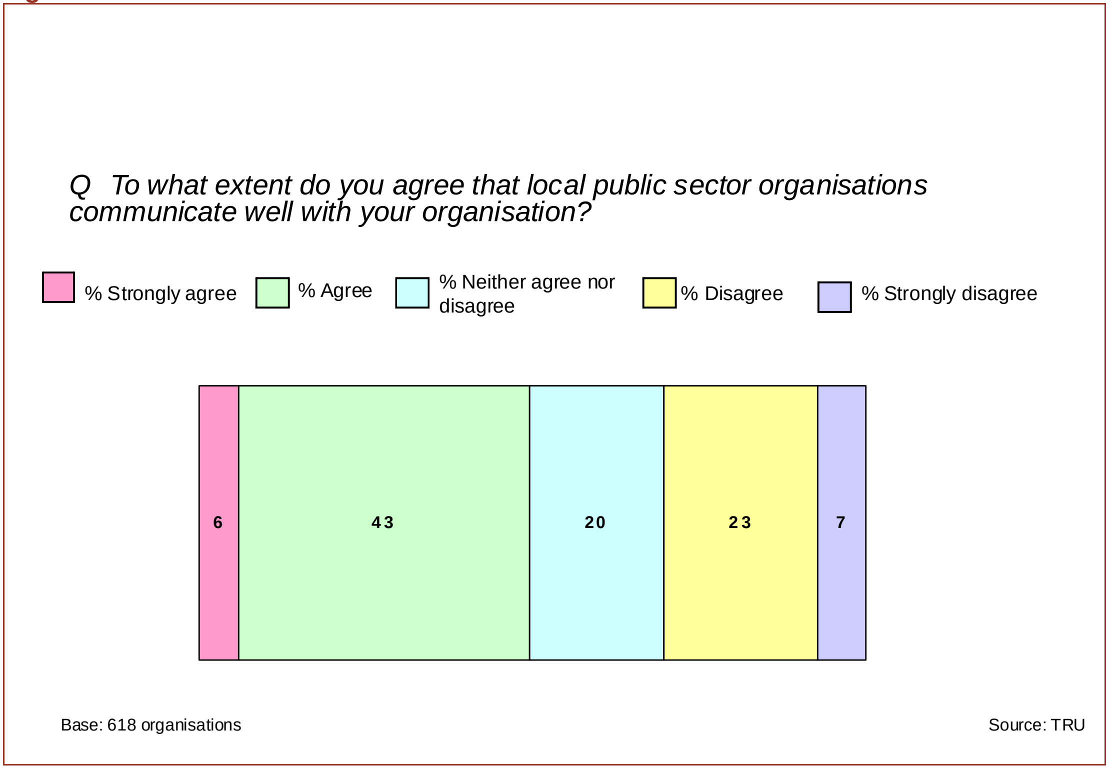
> *"Welsh Assembly Government needs to recognize that social enterprises are businesses. [Government] doesn't recognise and support the business minded end of social enterprise. We feel that our model has a lot of potential for replication throughout Wales but we're yet not valued in this way. It's a missed opportunity".*

This view was further reinforced by the view among the business-like social enterprises, that the social enterprise agenda was too much linked to the third sector agenda, and not sufficiently embedded across all of government policy. Some suggested making Economy & Transport the lead for social enterprise with Social Justice input, so as to shift the focus away from seeing social enterprise as a part of the 'third sector' and more as an alternative business model. Others were more concerned about ensuring that all the government departments understood and recognised the role of social enterprises. Overall, there was a sense that the Social Enterprise Team should "*beat the drum more at the Cabinet and senior government levels*" so that social enterprises are taken seriously across all government departments.

4.7.1. Communications with local government

There were mixed comments on interaction between social enterprises and policy makers at a local level. Overall, 49% felt that local public sector organisations communicated well with their organisation. However, 30% did not agree with this statement.

Figure 4.21: Public sector communications



Organisations with a presence in Communities First areas appear more satisfied with communication with local authorities.

4.7.2. What should Welsh Assembly Government do more of?

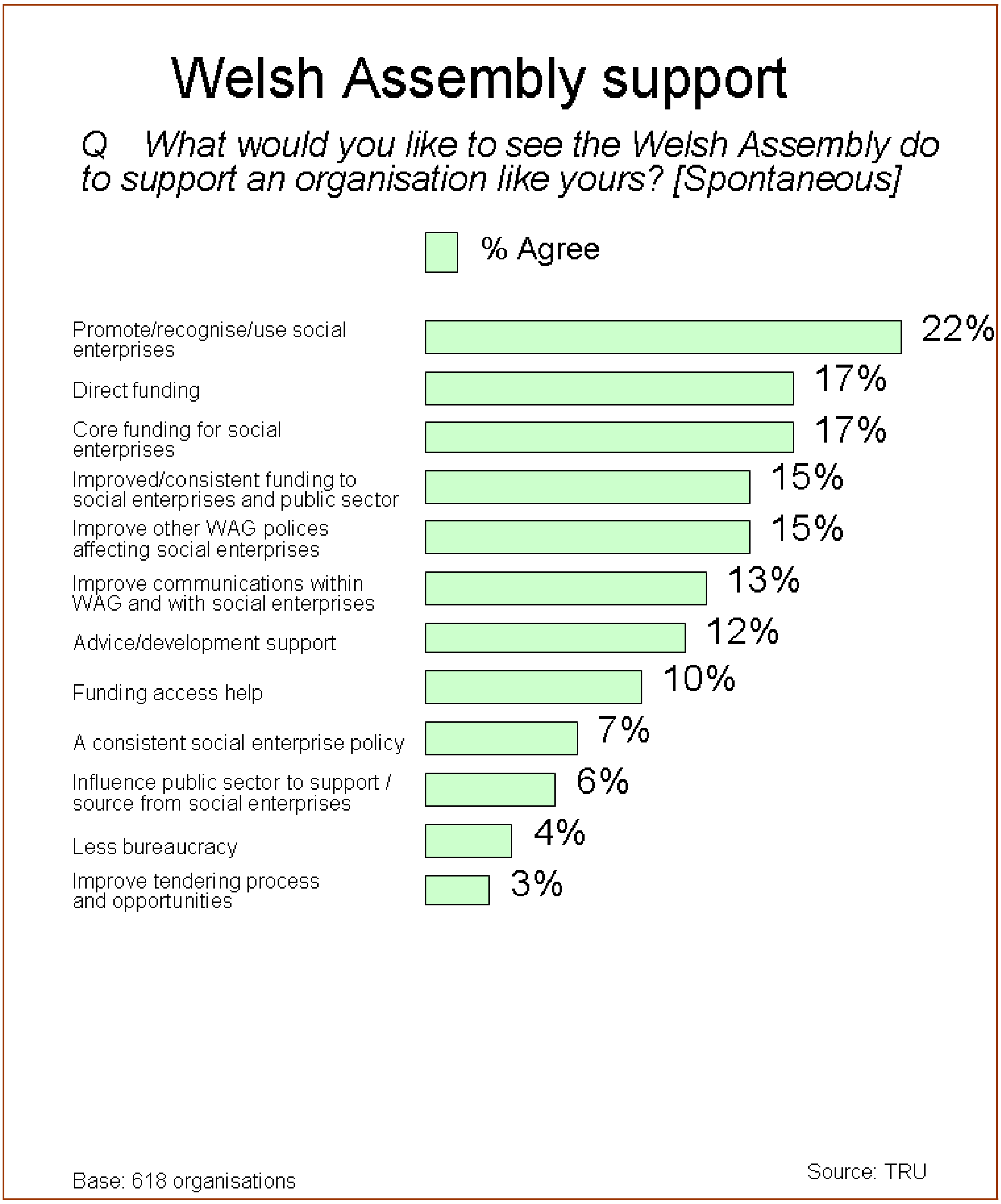
The general view was that Welsh Assembly Government should help energise the sector and support its growth, particularly in the current economic climate.

> *"Now should be the time to look at the potential of alternative business and economic models but this requires leadership and support. Government should think bigger and give more significant resources for social enterprise development."*

But there was a word of caution that Welsh Assembly Government should not expect the third sector and social enterprises to succeed in a commercial climate when commercial businesses are unable to succeed. Now is a difficult time for all organisations.

The main area in which respondents would like to see more focus by Welsh Assembly Government is funding, either direct funding or help with accessing funding. In all, 59% of interviewees mentioned funding in one way or another. Typically, social enterprises would like access to longer-term (at least three to five year) core funding to invest in building their operations rather than one-off funding for specific projects.

Figure 4.22: Desired Welsh Assembly Government Support



Promoting, recognising and using social enterprises also comes high on the agenda on what interviewees would like Welsh Assembly Government to do more of. A lack of understanding about social enterprise is perceived as a barrier to growth and opportunities. Social enterprises, generally, feel that key stakeholders, such as local authorities, lack awareness of social enterprises – what they are and what they do – and consequently this meant they were not supported and valued to the level they should be. A common request was that Welsh Assembly Government be more proactive in ensuring that local authorities recognize the value of social enterprises.

When asked do you think the term social enterprise is widely understood within your organisation or within your community, all interviewees said “no”. All felt it would be helpful to their business if the term was more widely understood. However, many felt that there was no clear view of what it meant to be a social enterprise, even among social enterprises themselves.

> *"We feel we have nothing in common with 90% of the other organisations we are grouped with under the title 'social enterprise'."*

Some market segmentation of social enterprises might be helpful in this regard by type, for example, social firm, by sector, for example recycling, or by level of earned income, for example, those with over 75% and others looking for more mixed sustainable strategies.

There was backing for the idea of Welsh Assembly Government funding a communications campaign. However, there were concerns about how this was designed and managed. Most felt that any such communications campaign should be driven by social enterprises themselves.

> *"A campaign to raise awareness of the potential of housing associations to play a more innovative social enterprise role needs to be led by practitioners themselves. I feel strongly that our trade body, Community Housing Cymru and the other networks like Development Trusts Association, should lead on a promotion campaign".*

Social enterprises also underline the need to highlight practically what social enterprises can achieve in simple language.

There were more mixed views over the development of a 'kitemark' for social enterprise. Some felt that branding was the "*single most important thing*" for the development of social enterprises. If properly done and taken seriously, this would help raise public recognition and demand for social enterprise services. However, other (mainly younger) social enterprises felt it could make a special case of those that get the kitemark, and hinder the development of emerging social enterprises.

Overall there is a clear sense that more needs to be done to communicate and market the benefits of social enterprises to the public sector and the general public.

5. Conclusions and recommendations

This mapping study provides a picture of the size, scope, prevalence and characteristics of organisations with social enterprise activity in Wales. It is based on a large-scale survey and in-depth interviews with key stakeholders within the social enterprise sector.

Those that lead and support social enterprises believe that in the current economic climate, social enterprise business models are even more relevant than before. They offer the prospect of building an economy that is more socially and environmentally driven.

However, it is also clear that for social enterprise to deliver on its promise there needs to be sustained political commitment and integrated government support at all levels. Most social enterprise models are still at an early stage of development.

Welsh Assembly Government has already set out its commitment to social enterprise in its Social Enterprise Action Plan 2009. The plan contains 20 key actions to help the sector expand, to grow existing ventures, and to help new social enterprises to become established. Delivering on the actions will need considerable drive, commitment and collaboration across government, social enterprises and support organisations.

In this final section, we set out our overall conclusions from the mapping study and the recommendations that emerge. We have organised these under different headings that fit with and add to the recommendations and actions already made in the Social Enterprise Action Plan 2009.

Recommendation 1: Maintain and improve this information base on social enterprise activity

Delivering appropriate support and mobilizing funding for social enterprise activity in Wales requires accurate, up-to-date, and robust information about the size, scope and performance of social enterprises, as well as the nature and extent of the issues they face and how these are changing.

A high quality information platform could be a very important tool to increase knowledge of social enterprises, demand for their services and the supply of funds. It would also provide the information base required for marketing and communicating with social enterprises in Wales. We hope that this mapping study has provided an important first step in this regard. It provides headline figures on the overall numbers and size of organisations with social enterprise activity and the challenges and opportunities they face. We recommend that action be taken to ensure that this information creates a valuable baseline for the future development and performance assessment of social enterprise activity. Specifically, it is recommended that Welsh Assembly Government:

- *Maintain, up-date and share this database on social enterprise activity for the benefit of all stakeholders, including social enterprises, social enterprise support bodies, government agencies, funders and interested private companies. Welsh Assembly Government may consider supporting SEC Cymru to develop the capacity to manage and make effective use of this database.*
- *Repeat this mapping study on a regular basis, ideally annually but at least every three years.*

Recommendation 2: Recognize the diversity of social enterprises in Wales and tailor communications and support appropriately

This mapping study underlines the diversity of the social enterprise sector in Wales. It ranges from the likes of Glas Cymru (Welsh Water), a profitable multi-million pound business providing water services throughout Wales, to small community organisations, providing day care services to local residents mainly funded by grants. These organisations can be seen as part of one “sector” to the extent that they all have the social enterprise characteristics of enterprise orientation, social aims and social ownership. However, they differ tremendously in terms of their scale, business goals and capability, culture, social aims and financing model.

We believe that it is important for Welsh Assembly Government to use the data from this study to segment organisations with social enterprise activity to target communications in ways that make sense to different types of social enterprise in terms of their own self-definition and aspirations.

Specifically, it is recommended that Welsh Assembly Government and social enterprise support bodies:

- *Recognise the wide variation in markets, social aims and income orientation of social enterprises in order to balance the current focus on communities and disadvantage with recognition of the wider economic roles and impacts of social enterprise. As a result social enterprise should be embedded across the workings and priorities of all the Welsh Assembly Government*
- *Take a more segmented view of the social enterprise sector with the help of the mapping study data, and design support programmes suited to particular types of social enterprise.*
- *Note that some social enterprises do not identify themselves as such and that in any marketing for support to organisations that might benefit from enterprise support whether for the whole organisation or part, communications enable organisations to recognise themselves and that the support is appropriate to them. This will help increase appropriate take-up of services rather than using the catch-all of 'social enterprise'.*
- *In particular, recognize the differences between those organisations which regard themselves as businesses (with a social purpose) and are realistically able to grow into self-sustaining social enterprises, those which may appropriately be seeking to operate with a mixed income stream combining different combinations of grants, earned income and public sector contracts and those that principally see themselves as charities and relying on grants. The former have a higher demand for commercial opportunities and being treated as businesses, not part of the community or third sector.*
- *Consider carrying out reviews and developing enabling environment and investment plans for social enterprises in particular key growth sectors, such as waste recycling, clean energy production, local food/organics, arts and culture. Housing associations are very supportive of, and keen to see the Essex Review implemented. Welsh Assembly Government should consider the value of developing more detailed strategies for other social enterprise sectors. These should be integrated with mainstream policies e.g. on waste management in the case of recycling.*

Recommendation 3: Proactively engage local authorities in working with social enterprises

Local authorities are core stakeholders in the development of the social enterprise sector, both as partners and buyers of services. They are, for example, critical to the success of the proposed Community Asset Transfer Fund as it is mainly local authority properties that may be transferred. They are also major purchasers and supporters of social enterprise services, such as social housing, health and social care, recycling and community finance services.

There is good practice where local authorities work with social enterprises, but this needs to be mainstreamed and scaled-up. With the move towards convergence funding, there is also more need for local authorities to work together across geographical areas and join together to support social enterprise development.

Social enterprises are looking to Welsh Assembly Government to encourage local authorities to engage with social enterprises in service delivery through more asset transfer and public commissioning. It is recommended that:

- *Welsh Assembly Government, together with social enterprise and local government support bodies, develop a proactive strategy and action plan to engage all local authorities in social enterprise development. This includes raising the awareness of social enterprises among all procurement departments, developing the capacity of social enterprises to be able to procure public contracts and building partnerships between the two. Such a plan should include practical examples of good practice of public procurement or partnership between local authorities and social enterprises for dissemination.*
- *A body with local government buy-in, such as the Welsh Local Government Association, rigorously evaluate social enterprise solutions to public policy and procurement goals in order to provide more evidence on their suitability and effectiveness in specific public service areas.*
- *All public sector bodies ensure that contracts are assessed to see whether they need to be delivered at scale or could be broken down into smaller units for the benefits of increased effectiveness and/or greater access by smaller organisations, including social enterprises.*
- *All public sector bodies adhere strictly to 30 day payment terms so as not to create cash flow problems which can have serious implications for small organisations.*

Recommendation 4: Strengthen the professionalism and focus of business support towards building sustainable social enterprises s

Welsh Assembly Government plans to champion and facilitate effective co-operation, collaboration and integration between all services, agencies and funders providing business development support to social enterprises.

More support is required for helping social enterprises develop as sustainable businesses. Most are good at the "social" aspects of what they do, but far fewer are run as effective and viable businesses. Many social enterprises and network bodies are under-equipped with relevant human capacity to deal with building viable businesses, particularly in this economic climate.

The findings from this mapping study suggest some areas where there is a need for more focused support. These recommendations are suggested to Welsh Assembly Government, bodies which fund business support and those organisations directly involved in providing business support to social enterprises, such as Cylch, DTA Wales, Social Firms Wales, WCC and WCVA:

- *Mechanisms need to be found to help social enterprises link up with independent, specialist support providers which meet their specific needs. Such mechanisms or networks should involve all social enterprise intermediaries working together both to raise awareness and signpost organisations to the best places. A strategy linking local authorities, existing providers, social enterprise support bodies and people, as well as Business Eye should be developed for Wales as has happened to fit with the particular circumstances of particular regions of England.*
- *One idea for consideration would be to create a technical assistance programme that links up individuals from the private sector who have been laid off or are underemployed to provide services to social enterprises and networks. Many such individuals might be willing to provide their services on a pro bono basis or reduced cost basis. Their motivations to do so might range from a desire to "do something social" to wanting to have something to show on their CV for an otherwise empty period.*
- *There is a clear demand for more peer-to-peer networking and support. Facilitation mechanisms need to be found to make this happen. There is a demand for peer networks that focus on generic issues, such as scaling-up, as well as technical issue-based networks for social enterprises in particular fields.*
- *The expertise to confidently bid for public sector contracts is a critical support need implicit in much of the feedback received, and should be prioritised.*

- *Marketing is another area in need of more focus. Many social enterprises have limited skills in marketing their services and also lack the resources to run marketing campaigns. Both Welsh Assembly Government's business support and communications efforts should look for effective ways of helping social enterprises to market to the general public, the business community and local authorities.*
- *Support the development of and sharing of good practice to help social enterprises develop effective partnerships and consortia. There is evidence of limited collaboration among social enterprises in the same or complementary fields which can undermine their effectiveness both in accessing government contract opportunities but also meeting wider complex needs in society and the economy.*
- *Increasing impact is a core concern of many social enterprises. Some organisations may want to grow their impact through one organisation and could benefit from international case studies of how this can happen, through e.g. partnering with the private sector, accessing appropriate finance. Scaling-up through replication is an appealing model to other social enterprises. Professional support structures need to be put in place to support such replication e.g. through the introduction of social franchising support for social enterprises which borrows from private sector franchising methods.*

Recommendation 5: Consider a greater focus and potentially direct funding to support the development of sustainable social finance providers to support the growth of sustainable social enterprises in Wales

Access to appropriate sources of finance is regarded by two-thirds of social enterprises as one of the main factors that would help in their organisation's future success and nearly half ranked this as the most important success factor.

Welsh Assembly Government has committed to getting SEC Cymru, once set-up, to work with funders to publicise and co-ordinate all the sources of investment available to social enterprises (Action 18 from Social Enterprise Action Plan 2009). This action is to be welcomed and presumably would be coordinated with the current Wales Funders Forum. Such a list of funders should be comprehensive and include both funders in Wales and other UK social finance providers that are able to provide finance to social enterprises in Wales.

In addition, the following is recommended:

- *Welsh Assembly Government consider investing in a financing vehicle(s) that provides a structured investment mix moving from grants to soft to commercial loan and equity-like finance tailored to the financing and development needs of social enterprises. Lessons should be learned from government approaches to financing social enterprises taken in England and Scotland.*
- *As far as grants are concerned, most social enterprises are seeking three to five year grant investment into building their organisation rather than short-term grant funding for specific projects. Welsh Assembly Government should try and encourage grant funders to take a more institutional, investment-based approach to funding and include funding for capacity building support so as to build the management capacity, institutional resilience and ultimate investment readiness of social enterprises for non-grant support.*
- *There is a need to support the financial management knowledge and capability of social enterprises. Welsh Assembly Government and business support providers should consider supporting financial education and training among social enterprises to increase their understanding of operating as a sustainable business, the different forms of non-grant finance available for social enterprises, which are most suitable and how they can be used most effectively. Such training would help increase the investment readiness of social enterprises and demand for existing non-grant funds.*
- *Welsh Assembly Government should stay in touch with the financial situation of social enterprises particularly in the current market. There may be a need for Welsh Assembly Government to consider putting in its own resources to funding social enterprises particularly in priority areas. This could be done in a way that leverages in non-grant finance.*

- *Further research the demand for equity-like finance and support the increase in provision of this type of innovative finance that meets the needs of social enterprises.*

Recommendation 6: Invest in improving the performance monitoring and transparency of social enterprises

Both social enterprise managers themselves as well as government representatives agreed that “measurement of the impacts of social enterprise is weak. There is a lot more that could be done to measure and publicise these organisations’ benefits”. Impact (which refers to changes in client or community conditions that can be directly attributed to programmes) is just one element of social performance. Social performance looks at the entire process by which impact is created.

The findings suggest that many social enterprises do not yet have the institutional capacity to design and implement effective and robust social performance monitoring and management systems.

Where there are social performance reports and data available, these seem to have been supported by umbrella bodies such as Cylch and Community Housing Cymru. It is recommended that Welsh Assembly Government and social enterprise support bodies:

- *Examine ways of improving the levels of social performance and impact monitoring and evaluation and data availability within the social enterprise sector, in partnership with umbrella bodies and support providers, including provision of funding for such work.*
- *Consider taking a segmented approach – seeking to review performance and effectiveness in key sectors, building on the work already done by Cylch and Community Housing Cymru.*

Recommendation 7: Support a major awareness and marketing campaign (s) for social enterprises that reaches out to the broader public

The challenge with communications is to ensure social enterprises become better known among the general public and business community in Wales, not just those already in the sector, so demand for their goods and services increases. The Welsh Assembly Government’s Social Enterprise Action Plan 2009 includes a number of actions related to communications, such as commissioning SEC Cymru to prepare, launch and sustain a major awareness-raising campaign; organise a major biennial social enterprise conference; promoting social enterprise to young entrepreneurs. It is important that these efforts do not become internally focused, but look to publicize social enterprises to the broader public.

- *There is a strong demand for an awareness-raising campaign that is led by the social enterprise sector itself. So assuming SEC is well-respected, this will be welcomed.*
- *However, there is concern over a “one size fits all” campaign given the differences between different types and goals of social enterprise. This is an area where the results of the survey could be used to identify which types of organisations spontaneously self-define as social enterprises, which don’t and to ensure language is developed which fits with the how organisations themselves want to be promoted.*
- *Consider networks of different types of social enterprises leading on parts of the campaign.*

We hope that these recommendations add value to the Social Enterprise Action Plan 2009 and are used to bolster and help direct the work of all those involved in social enterprise development. Such development can help build a more sustainable and just economy so critical during this time of economic recession and for the future of Wales.

References

1) Advantage West Midlands (AWM). (2007) West Midlands Social Enterprise Baseline Mapping. England, West Midlands http://www.advantagewm.co.uk/Images/West%20Midlands%20Social%20Enterprise%20Framework%20-%20Final_tcm9-7453.pdf
2) Atkinson J, Tuohy S, Williams C, Annual Small Business Survey. (2005) URN 06/389, Department of Trade and Industry / Small Business Service. (November 2006) www.cabinetoffice.gov.uk/~/media/assets/www.cabinetoffice.gov.uk/third_sector/survey_social_enterprise_across_uk%20pdf.ashx www.berr.gov.uk/files/file38237.pdf
3) Cabinet Office, Office of the Third Sector. (November 2006) Social enterprise action plan: Scaling New Heights. England, London
4) Cabinet Office, Office of the Third Sector. (15 November 2007) Social enterprise action plan - One year on. Social Enterprise Day. England, London
5) Community Housing Cymru and the Welsh Economy Research Unit. (2008) The Housing Associations of Wales: Measuring the Impact. Wales
6) Greater London Authority Economics. (October 2007) Social Enterprise in London. A Review of London Annual Business Survey (LABS) Evidence. Greater London Authority. England, London
7) ECOTEC Research and Consulting Limited (2003) Guidance on Mapping Social Enterprise. Final Report to the DTI Social Enterprise Unit, C2453 www.cabinetoffice.gov.uk/~/media/assets/www.cabinetoffice.gov.uk/third_sector/guidance_mapping_se%20pdf.ashx
8) East Midlands Development Agency (emda) (2001) Social Enterprise in the East Midlands www.emda.org.uk/uploaddocuments/boardpapers/se.pdf
9) GuideStar Database http://www.guidestar.org.uk/guidestar.aspx
10) IFF Research Ltd. (July 2005) The Small Business Service (SBS) A Survey of Social Enterprises Across the UK
11) Llewellyn, R (2007) Wales Community Recycling Network Cylch; Let's Prove It! Report 2007-2008. Cylch. Wales, Cardiff
12) Oliver Reichardt, David Kane, Belinda Pratten & Karl Wilding. (February 2008) Research on the Civil Society Economy The UK Civil Society Almanac, NCVO
13) Social Enterprise Support Infrastructure. (2004) Unlocking Enterprise - Infrastructure support for Social Enterprise in Herefordshire & Worcestershire - Research report on customer needs and support priorities. England, Hereford and Worcester
14) University of Glamorgan. (2003) Programme for Community Regeneration - 'Developing the Social Economy in Wales'. Wales, Glamorgan
15) Welsh Assembly Government. (2002) Entrepreneurship Action Plan for Wales: Making it Happen. Wales, Welsh Assembly: Cardiff
16) Welsh Assembly Government. (2009) The Social Enterprise Action Plan for Wales. Wales, Welsh Assembly: Cardiff http://wales.gov.uk/docs/dsjlg/publications/comm/090209seactionplan09e.pdf
17) Westall, A. (October 2007) Policy and future sources of EU funding for the social economy http://www.equal-works.com/resources/contentfiles/5371.pdf

Appendices

- A – Table of included and excluded categories
- B – Methodology
- C – Maps of distribution
- D – Survey responses – top-line results
- E – Survey questionnaire
- F – Topic guide – in-depth interviews with public sector and support organisations
- G – Topic guide – in-depth interviews with social enterprises
- H – List of in-depth interviewees

Appendix A: Table of included and excluded Categories

Figure 6.1: decisions on 'difficult cases' and comparison to SEEDA mapping methodology

Sector	SEEDA decision	Welsh Assembly Government decision supplemented by considerations by the project team
Housing Associations	Should be included if registered as charities and have social objectives. Difficulties include those with a purely commercial orientation and those where local authority control is still being exerted.	Given some housing associations are IPS and the recent third sector mapping guidance from the OTS suggests that all are included, we included all housing associations but excluded identifiable exceptions.
Sports clubs	All sports clubs have social objectives. They can be seen as social enterprise if they have open access and there is an explicit aim to promote social inclusion and/or regeneration. Exclusions include those that charge fees to exclude most of the population. Registered charities are included in the wider definition.	We included all sports activities, whether or not charitable, unless there were exceptions which were decided on a case-by-case basis – such as those that were obviously exclusive to those with substantial income. This difference is because sport is recognised as a social enterprise activity by the Welsh government and all arts organisations were to be treated in the same way.
Resident's Associations	Should be included if they have a social inclusion agenda and go beyond property management.	Agreement that these were not included unless identified by bottom-up sources as active social enterprises.
Faith-based organizations	Included in the wider definition if more than 25% income from trading and in the narrow definition as community centres when identified through bottom-up approaches.	We identified social enterprises through bottom-up sources since faith-based organizations are not just community centres.
Co-operatives	Debate about whether cooperatives are exclusive or whether or not they meet wider public interest.	We included all co-operatives including consumer and producer, unless there were clear grounds for exclusion.
Universities and higher education institutions	Included in the wider definition because their independence from the state is questionable.	We excluded all such organisations.
Trade Associations and professional	Excluded unless specific objectives regarding social aims or identified	Agree.

Sector	SEEDA decision	Welsh Assembly Government decision supplemented by considerations by the project team
bodies	bottom-up.	
Clubs and hobby groups	If have charitable status or identified bottom up.	Agree.
Cultural organizations	Only those with charitable status are included in their narrow definition.	We included all arts based organisations, whether or not charitable unless they were clearly exclusive to people with substantial income levels.
Political organizations/parties	Political organisations/parties and trade unions: it is debated whether these are considered to have social aims although many political organisations are able to have charitable status under the 2006 Charities Act. There are also questions raised where more than 75% of their income comes from membership fees as there are not specific services provided to an individual. Trade unions and Political parties are not included.	Agree.
Independent schools with charitable status and school associations	With the growing attention given to the charitable status of some independent schools, there are questions over whether these are social enterprises. These organizations will not be included.	Agree unless there are some identified bottom-up examples such as some new co-operative education initiatives.

Appendix B: Methodology

We asked GuideStar for organisations on their database that had over 15% earned income. This cut-off was used because the Welsh Government has three categories of social enterprise:

- 15-25% earned income – **embryonic** social enterprise;
- 25%-50% earned income – **emerging** social enterprise; and
- 50%-100% earned income – **existing** social enterprise.

We also asked for inclusion of the following criteria in order to be able to further investigate the organisations, their funding, activities and likelihood of being or not being a social enterprise:

- Social purpose/classification including SIC code and short descriptions;
- Financial data including income from sales for three years, profit before tax, use of surplus, total assets;
- Date of incorporation;
- Number of employees and staff costs; and
- Legal status.

Cleaning and categorising the GuideStar database

The databases for charities, companies limited by guarantee and industrial and provident societies were provided separately. The reason for this is that historically the levels of recorded information and reporting systems about organisational and social entrepreneurial activity vary between the types of organisation.

We first cleaned the dataset by checking that the data was consistent and removing the duplications between those organisations that are both companies limited by guarantee and charities.

We also found that:

- The IPS database did not give the proportion of earned income and therefore some of those that are included in the database could be ineligible through being predominantly grant funded.
- The Companies Limited by Guarantee database does not give a break-down of funding by grant or earned and some may be fully or predominantly grant-funded
- Organisations that self-identified themselves as charities in the CLG database did not always have charitable numbers on the CLG database or were are on the charities database are charities.
- From previous analysis, GuideStar have developed a heuristic that is likely to remove organisations unlikely to be social enterprises. However, when this list was trawled we did identify organisations that should be included as potential social enterprises.
- Other organisations that were in the excluded list according to GuideStar actually included potential social enterprises which had to be recoded in our categorisation:
    - Nurseries, pre-school and after-school, childcare
    - Other potential social enterprises
    - Sport
    - Branches of national organisations since we cannot know if they are or are not separate autonomous organisations from the database as it stands

Using the criteria identified in Table 1 for difficult cases as guidance, we then looked at each of the databases in order to identify organisations that were to be included or excluded in the final database.

Industrial and Provident Society database

The data provided by GuideStar is already mostly coded into different categories and some have multiple categories. Some data was not coded and categories were created in order to manage these. From the Industrial and Provident Society database, inclusion and exclusion of existing and newly created categories are set out in the table below.

Figure 7.1: IPS database inclusions and exclusions

<table>
<tr><th>Included</th><th>Excluded</th></tr>
<tr><td colspan="2">Existing categories</td></tr>
<tr><td>• Credit unions and building societies
• Allotment
• Co-operative (some are also housing but not coded as such)
• Working men’s club (included because a discussion with the East Midlands mapping team suggested that many of these were social enterprises, but excluded if they were also political parties)
• Housing society, housing association
• Village shop, community transport
• Marketing, farmers, growers
• Football supporters club
• Sports, athletic club, football, rugby, hockey</td><td>• Freemason lodge
• Club
• Labour club
• Conservative club
• Liberal club
• Social club
• Royal British legion
• Servicemen
• Royal navy
• Resident’s society
•</td></tr>
<tr><td colspan="2">Newly created categories</td></tr>
<tr><td>• Community land trusts
• Miscellaneous business groupings e.g. out-of-hours doctors co-operatives, machinery rings, producer co-operatives
• Welfare
• Women’s aid
• Care and repair
• Arts, culture, media and heritage
• Finance (in addition to credit unions and building societies)</td><td>• Animal rearing groups
• Those that seem to be a private sector concern
•</td></tr>
</table>

Charities database

In order to include and exclude organisations, we excluded:

- All those flagged by GuideStar as 'only grant-makers'
- All those flagged by GuideStar to be 'unlikely social enterprises' due to criteria such as being charitable funds, parents and teachers associations or schools, Friends of, Regiments. However, we also found that some of those that were classed as 'unlikely' actually could be social enterprises – see general note above.

A categorisation to enable choices to be made between inclusion and exclusion was developed from the decisions made with the project steering group. Information to make these decisions was based on the categories provided by GuideStar as well as a description where available of the activities of the organisation, or when neither of these were available on the categorisation that is the most likely resulting from their name or internet searches where these were possible.

Figure 7.2: Charities database inclusions and exclusion

<table>
<tr><th>Included</th><th>Excluded</th></tr>
<tr><td>

Business and other organisational support/advice
Careers, employment and training (not for children)
Sport 1 – not generally seen as social enterprise
Sport 2 – likely to be seen as social enterprise
Environment and recycling
Arts and media
National branches
Health care, social care and welfare, women's aid
Venues, halls, playing fields, recreation grounds
Housing
Education for children or children's societies but not schools
Finance (but not charitable funds or endowments)
Nurseries, pre-school and after-school, childcare
Chambers and business networks
Community transport
Miscellaneous likely social enterprise
Unlikely social enterprises

</td><td>

Professional or business groups
Schools
Political party or politically related
Churches
Grant-givers and charitable funds
Masons
Rotary
Hospitals and organisations linked to hospitals e.g. ends of
Universities and institutes or businesses owned by universities

</td></tr>
</table>

Companies Limited by Guarantee database

- We excluded those flagged as being ‘third sector exclude’ and as dormant account by GuideStar, and included those flagged by GuideStar as being Community Interest Companies

The remainder were then categorised on the basis of descriptions of their activities or their names, supplemented by internet searches where possible, as per the charities:

Figure 7.3: Companies limited by guarantee database inclusions and exclusion

Included	Excluded
• Business and other organisational support/advice • Careers, employment and training (not for children) • Sport 1 – not generally seen as social enterprise • Sport 2 – likely to be seen as social enterprise • Environment and recycling • Arts and media • National branches • Health care, social care and welfare, women’s aid • Venues, halls, playing fields, recreation grounds • Housing • Education for children or children’s societies but not schools • Finance (but not charitable funds or endowments) • Nurseries, pre-school and after-school, childcare • Chambers and business networks • Community transport • Miscellaneous likely social enterprise • Unlikely social enterprises •	• Professional or business groups • Schools • Political party or politically related • Churches • Grant-givers and charitable funds • Masons • Rotary • Property management companies • Hospitals and organisations linked to hospitals e.g. friends of • Universities and institutes or businesses owned by universities

Additional datasets

As well as the datasets provided by GuideStar, Welsh Assembly Government provided database sets from DTA membership database and organisations from Wales Co-operative Centre database. We also trawled for CIC land Development Trust lists. In total, after de-duplication, this created a database of approximately 3,500 organisation engaging in social enterprise activity.

Inclusion categories

The inclusion categories were used to develop a coding system for the potential social enterprises in the database sample. We conducted a line-by-line assessment of each organisation based on its name and information available about its activities. This is necessarily a process of intelligent estimation rather than a scientific process.

Figure 7.4: Inclusion categories

Category	Description
C	Business and other organisational support/advice
D	Careers, employment, training
J	Sport – likely social enterprise
K	Environment and recycling
M	Arts and media, Welsh language
N	National branches
O	Health care, social care
P	Places, venue, halls etc
Q	Housing (associations or societies)
R	Retail
S	Finance (but not funds or trusts)
U	Nurseries, pre-school and after-school, childcare
V	Catering/community shops
W	Community transport
X	Miscellaneous potential likely social enterprises
1	Credit unions

Statistical reliability of results

The table below illustrates the predicted ranges for different sample sizes and percentage results at the "95% confidence interval" for a representative sample.

Figure 7.5: Statistical reliability for different sample sizes

Size of sample on which the survey results are based	Approximate sampling tolerances applicable to percentages at or near these levels		
	10% or 90%	30% or 70%	50%
	+/-	+/-	+/-
100 interviews	6	9	10
200 interviews	4	6	7
400 interviews	3	4	5
618 interviews	2	3	4

For example, where 28% of the 98 embryonic social enterprises give a particular answer, the chances are 19 in 20 that the "true" value (which would have been obtained if the whole population had been interviewed) will fall within the range of +/-9% from the sample result (28% +/-19%).

When results are compared between separate groups within a sample, different results may be obtained. The difference may be "real", or it may occur by chance (because not everyone in the population has been interviewed).

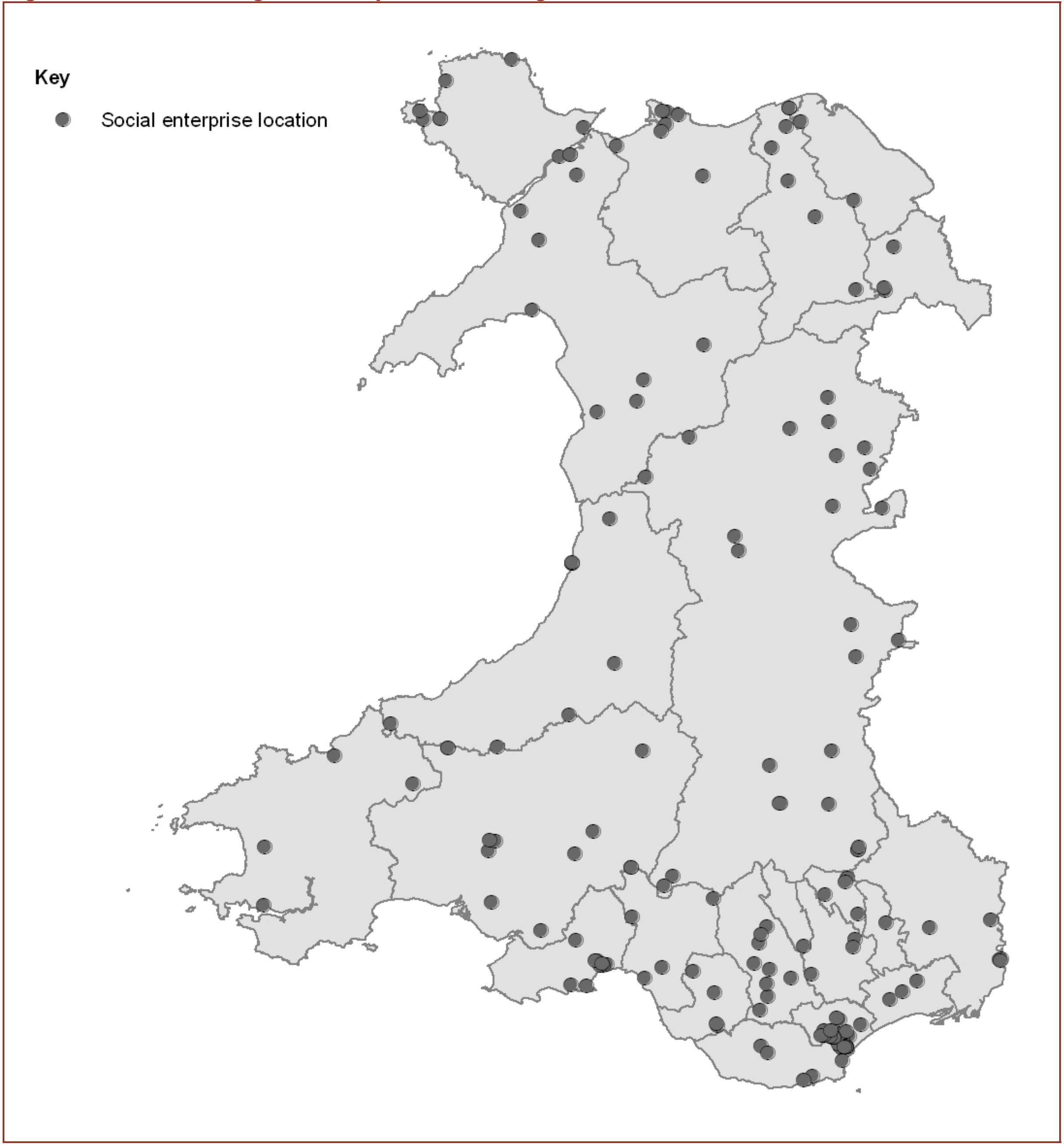
To test if the difference is a real one - i.e. if it is "statistically significant", we again have to know the size of the samples, the percentage giving a certain answer and the degree of confidence chosen. If we assume "95% confidence interval", the differences between the two sample results must be greater than the values given in the table below:

Figure 7.6: Statistical significance

Size of samples compared	Differences required for significance at or near these percentage levels		
	10% or 90%	30% or 70%	About 50%
Embryonic social enterprises (98) compared to established social enterprises (410)	+/- 7	+/- 10	+/- 11

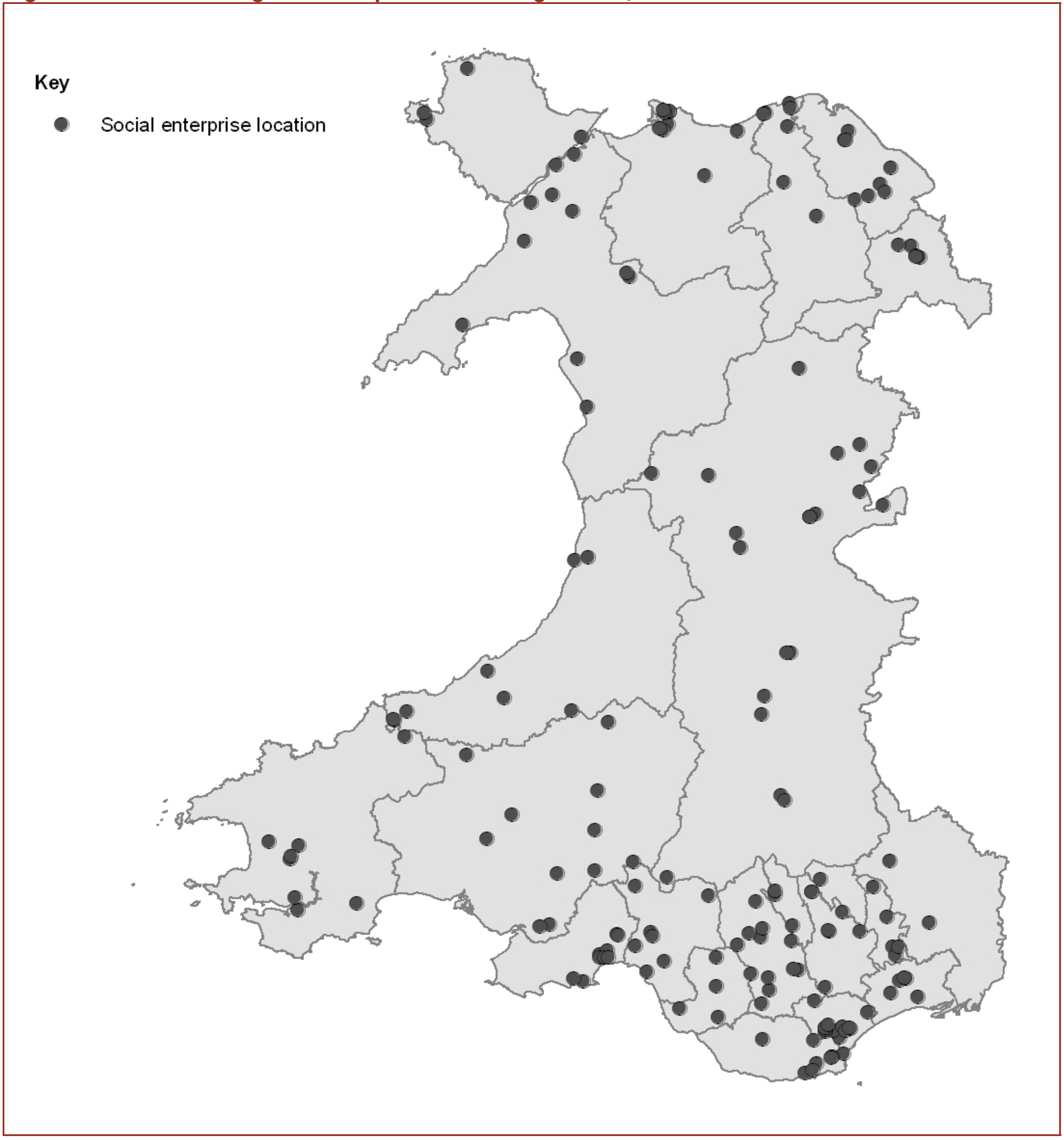
Appendix C: Maps of distribution by areas of activity

Figure 8.1: Goals of organisation pursued through Arts, Culture and Media



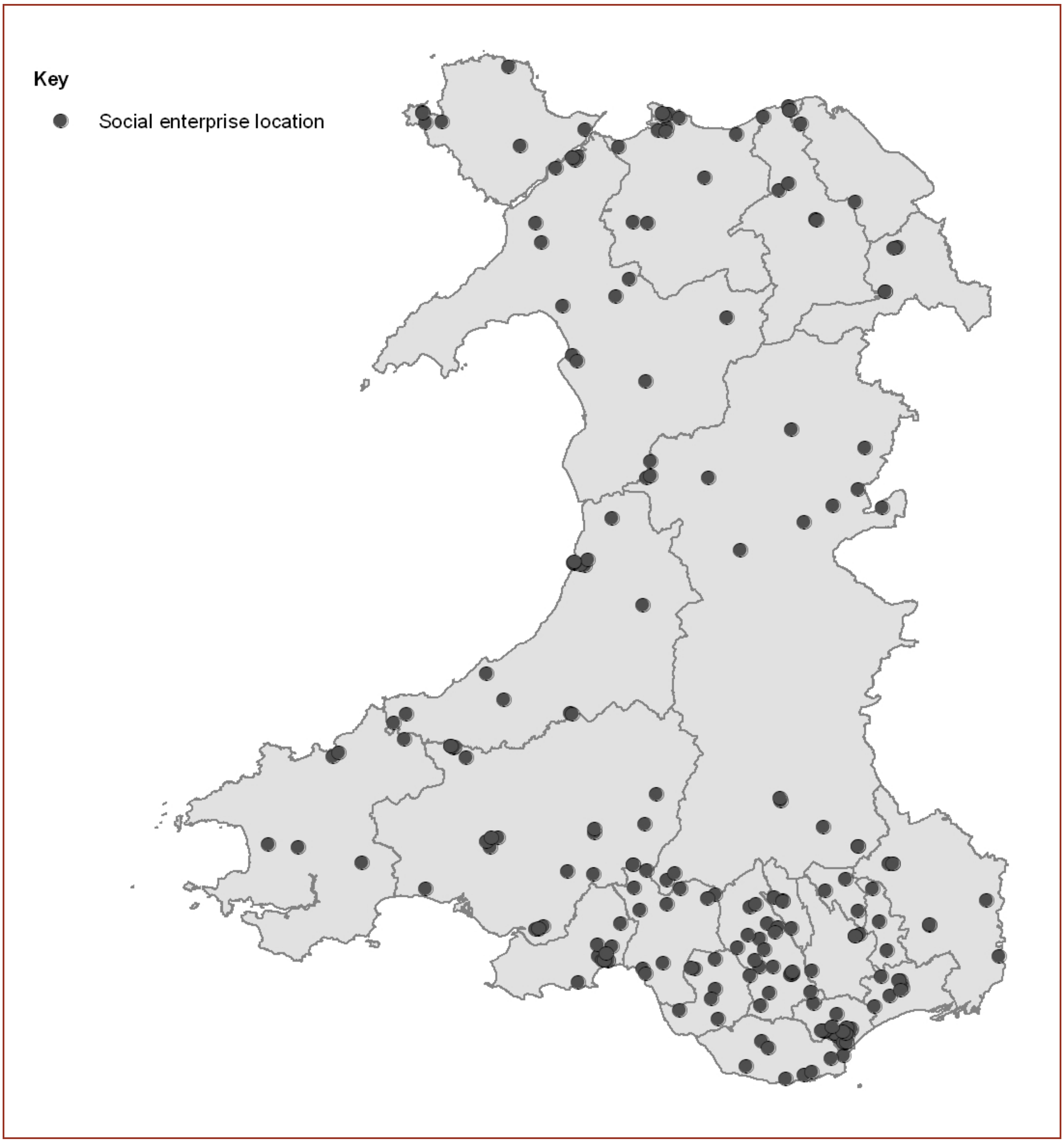
Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Figure 8.2: Goals of organisation pursued through Child, Health and Social Care



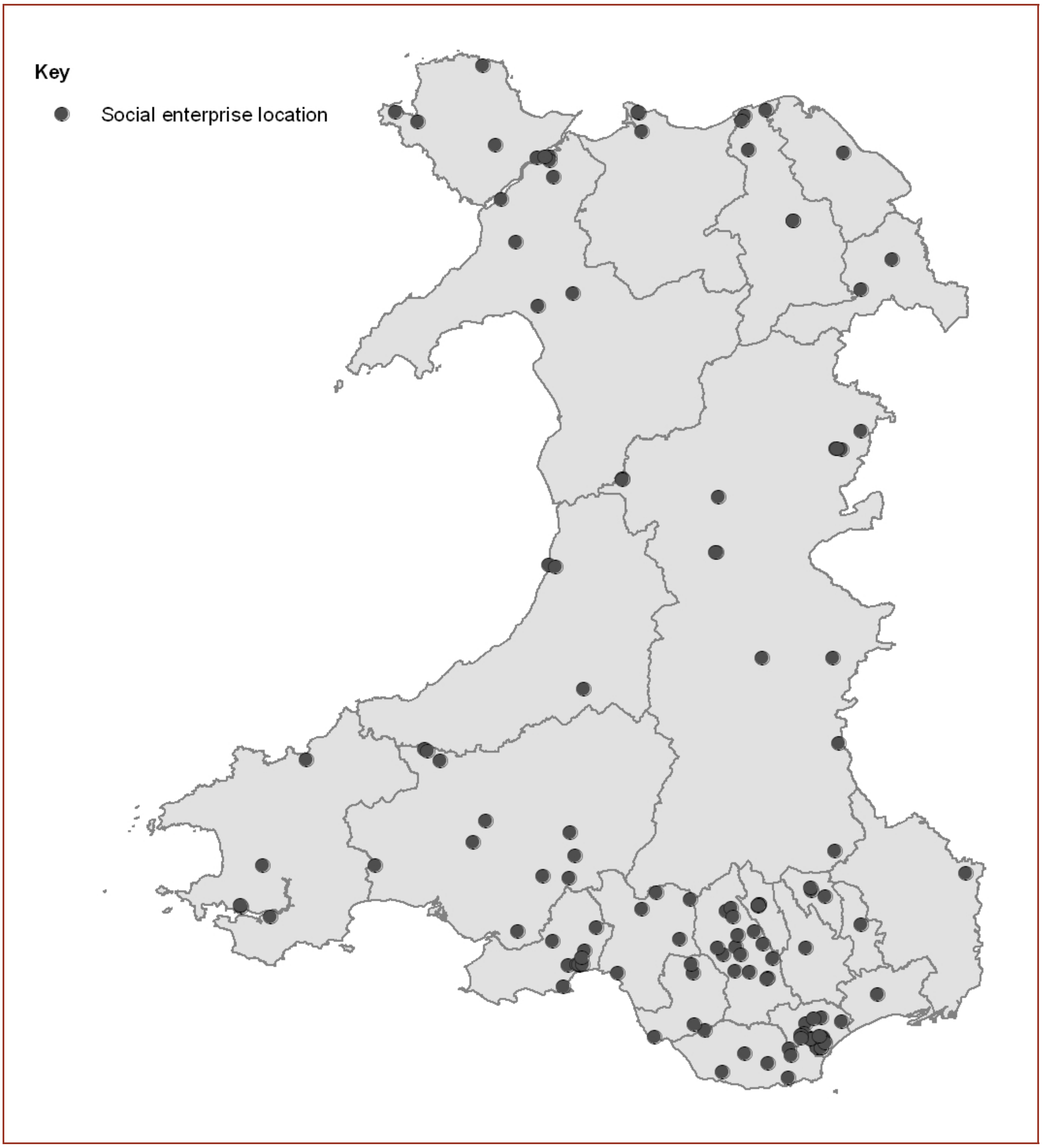
Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Figure 8.3: Goals of organisation pursued through Employment, Training and Education



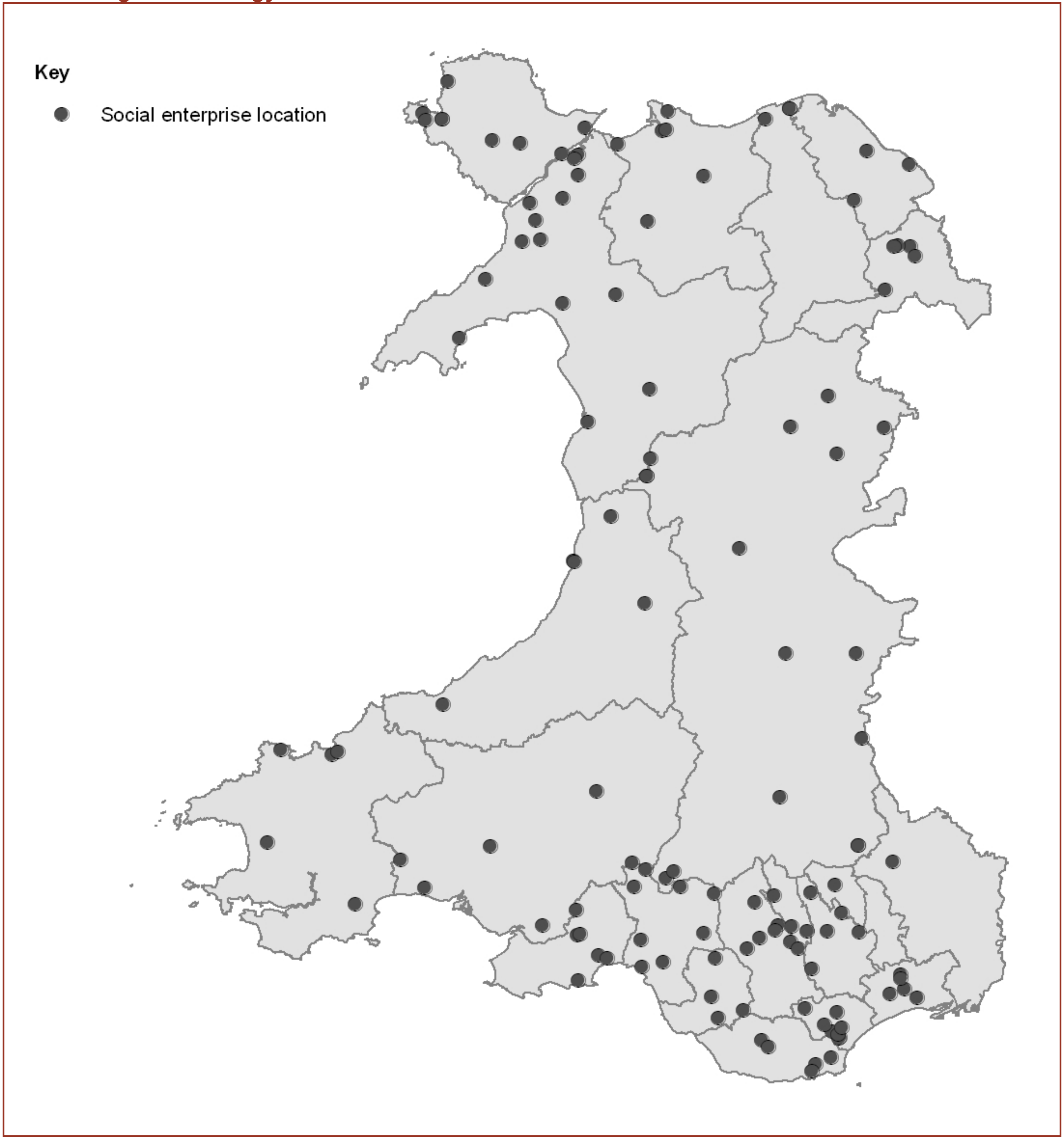
Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Figure 8.4: Goals of organisation pursued through Business Support, Social Enterprise and the Voluntary Sector



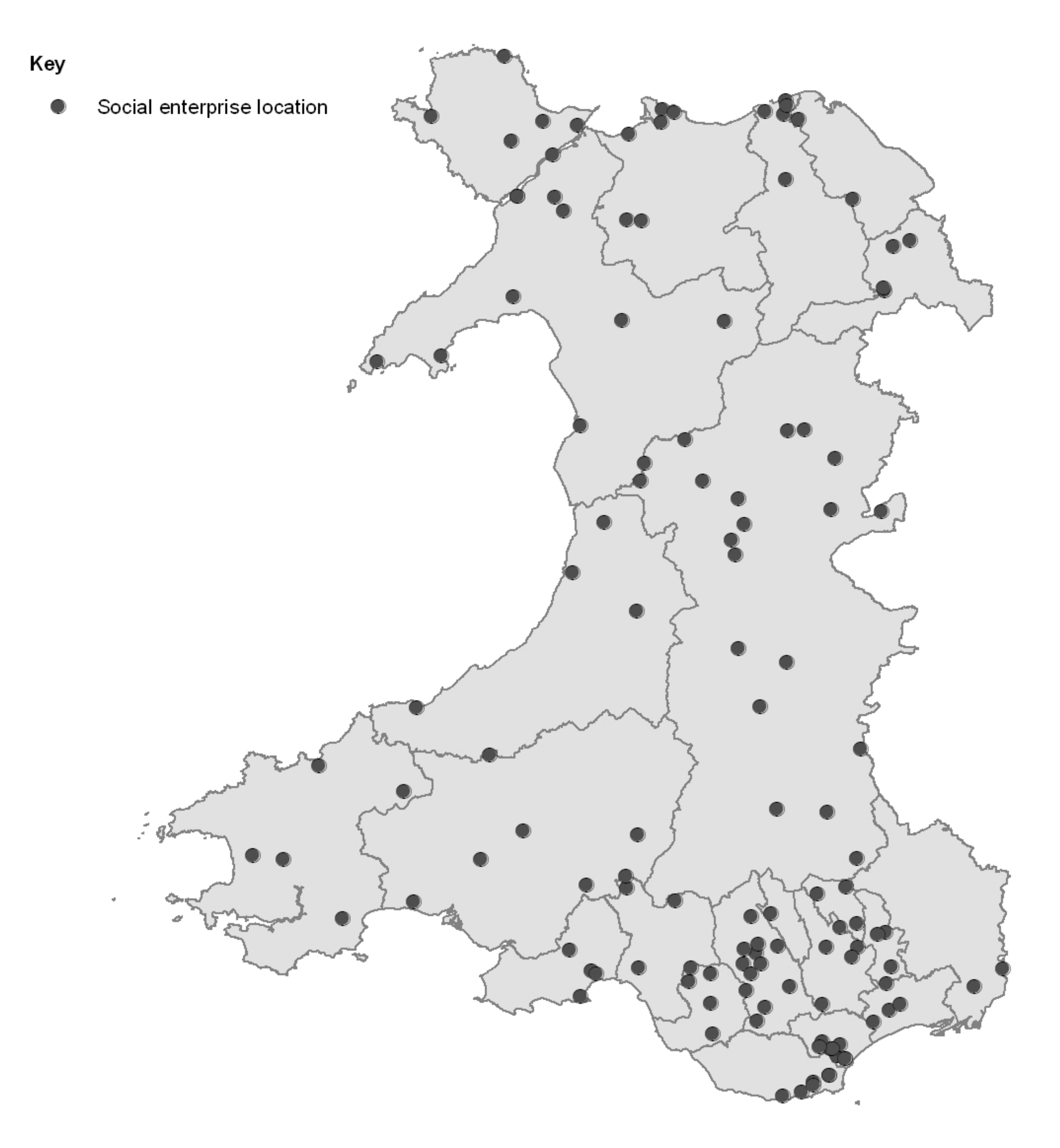
Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Figure 8.5: Goals of organisation pursued through Food and Catering, Conservation and Heritage and Energy and Utilities



Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Figure 8.6: Goals of organisation pursued through Sport, Leisure and Tourism



Source: Geoeconomics. ONS, OA Boundaries. Crown copyright 2003. Crown copyright material is reproduced with the permission of the Controller of HMSO.

Appendix D: Survey responses – top-line results

Unless otherwise stated the base for these responses is 618 which was the eligible number of social enterprises that took part in the research. Q1 and Q2 were ID notifications and not relevant to the survey results.

Q3. How would you describe your organisation?

Charity	53%
Social enterprise	35%
Community enterprise	22%
Voluntary sector organisation	17%
Co-operative	9%
A business	9%
Social business	6%
Ethical business	5%
Environmental or sustainable business	5%
Not for profit company	5%
Development trust	3%
Social firm	2%
Intermediate Labour Market organisation	1%

Q4. Do your everyday activities involve providing products or services of any kind in return for payment? (This can include government contracts and Service Level Agreements but not occasional fundraising activities such as jumble sales.) (NOTE that unearned income is seen to be grants, donations or sponsorship, membership fees without substantial benefits such as use of facilities, in other words funding where you supply minimal benefits such as a flag for individuals, a newsletter or display a company's logo.)

Yes	97%
No	-%
Don't know/ Not given	3%

Q5. Please indicate the percentage of total income that is earned income (ie products and services for sale)?

0% up to 14% earned	3%
15% up to 24%	16%
25% up to 49%	14%
50% up to 74%	15%
75% up to 99%	22%
100%	28%
Don't know	1%

Q6. Are you intending to increase the proportion of earned income over the next three years?

Base: Those with proportion of earned income less than 100%	449
Yes	66%

No	29%
Don't know	5%

Q7. Q7 Roughly, what proportion of earned income is your organisation aiming for in three years time?

Base: All answering	489
15% up to 24%	7%
25% up to 49%	13%
50% up to 74%	18%
75% up to 99%	23%
100%	40%
Don't know	8%

Q8. What is the primary goal of your organisation?

Primarily pursue a social or environmental goal	96%
Equally both	3%
Hard to say	1%
Not applicable	1%
Primarily to make profit for owners, partners or shareholders and you are NOT a co-operative	*%
Don't know	*%

Q9. Is your organisation a government owned body?

Yes	-%
No	100%
Don't know	*%
Not applicable	*%

Q10. In the past, was your organisation part of the public sector?

Yes	3%
No	94%
Don't know	1%

Q11. Is your organisation the trading arm of a charity?

Yes	6%
No	93%
Don't know	*%

Q12. Is your organisation the social enterprise arm of a business?

Yes	2%
No	96%
Don't know	1%

Q15. What are your main activities?

Training and education	33%
Art and culture	24%
Business, social enterprise and voluntary sector services	21%
Sport and leisure	17%
Social care including elderly care	16%
Counselling, support and advice to individuals	14%
Childcare	13%
Food/Catering	9%
Conservation/heritage	8%
Employment opportunities (note: means providing jobs, see Training and education if do skills training)	8%
Housing	7%
Managed workspace	6%
Tourism	5%
Retail (including fair-trade)	5%
Agriculture	5%
Healthcare (including dentistry)	5%
ICT, information and communication technologies and support	5%
Transport	5%
Recycling	4%
Finance	4%
Media	4%
Horticulture/Gardening	4%
Energy and utilities	2%
Construction	2%
Manufacturing and technology	1%

Q16. Thinking back over the last 12 months, to what extent do you think your organisation has been successful in meeting its objectives?

Very successful	50%
Successful	42%
Neither successful nor unsuccessful	6%
Not very successful	2%
Not at all successful	*%
Don't know	*%

Q17. What do you see as the main factors that will help in the future success of your organisation?

Access to funding	62%
Level of income	29%
Recruitment and retention of volunteers	28%
Need for our products/services	22%

Involvement in partnerships	19%
Having suitable premises	18%
Range of activities offered by the organisation	15%
Recruitment and retention of paid staff	13%
Low expenditure costs	8%
Management skills	8%
Access to training	7%
Marketing/better communication	7%
Limited competition from other providers	3%
Public sector support/recognition of process	2%
Being customer focussed	2%
Procurement opportunities	2%
Welsh Assembly Government policy commitment	2%
Legal knowledge	1%

Q18. Which of the following kinds of funding do you see as helping in the future success of your organisation?

Base: All identifying funding as helping in future success	396
Access to grants	100%
Access to loans	16%
Access to equity-style funding	8%

Q19. Which one, if at all, is the most important factor?

Access to funding	47%
Recruitment and retention of volunteers	9%
Level of income	8%
Need for our products/services	7%
Having suitable premises	4%
Marketing/better communications	3%
Recruitment and retention of paid staff	2%
Involvement in partnerships	2%
Range of activities offered by the organisation	2%
Procurement opportunities	2%
Procurement opportunities	2%
Management skills	1%
Being customer focussed	1%

Q20. What do see as the main barriers to the future success of your organisation?

Limited access to funding	55%
Level of income	25%
Lack of and/or retention of volunteers	22%
High expenditure costs	11%
Lack of need for products/services	10%
Lack of and/or retention of staff	10%
Lack of suitable premises	10%
Lack of involvement in partnerships	7%

Economy/credit crunch/recession	7%
Significant competition from other providers	6%
Range of activities offered by the organisation	6%
Regulatory/external environments	6%
Lack of management skills	5%
Lack of specialist advice/support	5%
Insufficient marketing/promotion	4%
Access to training	3%
Public sector policies	2%
Government policy	2%
Lack of community support	2%
Public procurement policies	2%

Q21. Which of the following kinds of funding do you see as the main barriers to the future success of your organisation?

Base: All who identify lack of funding as a barrier to success	348
Access to grants	99%
Access to loans	15%
Access to equity-style funding	6%

Q22. Which one, if at all, is the most important barrier?

Limited access to funding	43%
Lack of and/or retention of volunteers	9%
Level of income	9%
Lack of need for products/services	4%
Lack of suitable premises	4%
Economy/credit crunch/recession	3%
Regulatory/external environments	2%
Lack of and/or retention of staff	2%
High expenditure costs	2%
Insufficient marketing/promotion	2%
Significant competition from other providers	2%
Lack of involvement in partnerships	1%
Lack of management skills	1%
Range of activities offered by the organisation	1%
Lack of specialist advice/support	1%
Lack of legal knowledge	1%
Access to training	-%

Q23. Who are the main beneficiaries of what you do? Are there any groups you specifically target?

General public	51%
Children and young people	37%
Elderly people	26%
People with disabilities and or special needs	22%
People living in specific deprived areas	15%

Other organisations/businesses	11%
Unemployed	8%
Women	7%

Q24. To what extent do you agree or disagree with the following statements.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
Our organisation receives sufficient support and advice from external agencies	6%	42%	17%	27%	7%
Local public sector organisations communicate well with my organisation	6%	43%	20%	23%	7%
We consider our organisation to be a social enterprise	33%	51%	4%	9%	2%

Q25. Are you interested in providing more or new services to the public sector?

Yes	68%
No	26%
Don't know	6%

Q26. What do you see as the main changes for your organisation providing services to the public sector (please specify maximum 3)?

Own capacity to deliver	34%
Lack of funding	17%
Public sector awareness/perception of our organisation	17%
Lack of opportunities/market knowledge	10%
Financial cost	8%
Lack of public sector support/dialogue	7%
Contract conditions/size	6%
Distraction from core activity	6%
Bureaucracy/regulation	5%
Procurement process	5%

Q27. Are you a registered charity or have exempt charity status?

Yes	63%
No	36%
Don't know	*%

Q28. What is the legal form of your organisation?

Company limited by guarantee	49%
Trust	11%
Unincorporated	10%
Industrial and Provident Society	8%
Charitable Incorporated Organisation	5%

Community Interest Company limited by guarantee	2%
Industrial and Provident Society for the Benefit of the Community	2%
Don't know	7%

Q29. How old is the organisation?

Less than a year	2%
One to two years	6%
Three to five years	10%
Six to ten years	16%
Eleven to fifteen years	17%
Sixteen to twenty years	9%
More than twenty years	38%
Don't know	1%

Q30. In what year did your organisation start trading goods and services?

Less than a year	3%
One to two years	8%
Three to five years	11%
Six to ten years	17%
Eleven to fifteen years	13%
Sixteen to twenty years	8%
More than twenty years	33%

Q31. Is your main goal to:

Pursue your social or environmental goals through your products or services (for example, loans for those unable to get finance from a mainstream bank, affordable, fair trade or organic food, etc)	65%
Cross-subsidise your social, environmental, or community activities with products or services which are designed purely to generate earned income	43%
Pursue your social goals through the type of people you employ (for example, a certain percentage of staff being long-term unemployed, disabled etc)?	5%

Q32. Have you heard of Communities First?

Yes	83%
No	15%
Don't know	1%

Q33. Is your organisation based in a Communities First area?

Yes	33%
No	37%
Don't know	20%

Q35. Do you know whether any of your beneficiaries or customers come from Communities First areas?

All	5%
Some	59%
None	8%
Don't know	19%

Q37. Do you provide employment for specific groups or types of people?

Yes	13%
No	84%

Q38. Please indicate who you target to provide employment:

Base: All employing specific groups or types of people	93
People with disabilities and or special needs	33%
Unemployed	15%
Women	7%
People living in specific deprived areas	7%
Children and young people	6%
Welsh speakers	5%
Elderly people	5%
Recovering substance abusers	3%
Ex-offenders	3%
Local people/contractors	3%

Q39. Do you provide training for your staff?

Yes	72%
No	23%
Don't know/ N/A	5%

Q40. Do you have any links to schools, colleges or universities for training your staff?

Yes	24%
No	61%
Don't know/ N/A	14%

Q42. COMBINED QUESTION Looking at the breakdown of your earned income, what percentage is government contract, Service Level Agreements or products and services.

Proportion of earned income	Contracts	SLA	Products and services
0%	64%	74%	9%
1% to 25%	9%	9%	11%
26% to 49%	6%	5%	9%
50% to 74%	10%	4%	12%
75% to 99%	9%	4%	11%
100%	2%	4%	48%

Q45. How many full time paid employees work in your organisation?

0	52%
1-5	26%
6-10	8%
11-25	5%
26-50	3%
51-100	2%
101-199	1%
200+	1%

Q46. How many part-time paid employees work in your organisation?

0	35%
1-5	45%
6-10	7%
11-25	6%
26-50	3%
51-100	1%
100+	1%

Q47. How many unpaid volunteers work in your organisation?

0	12%
1-5	15%
6-10	22%
11-25	30%
26-50	13%
51-100	3%
101-199	2%

200+	1%

Q48. In the last seven days, approximately how many hours in total did volunteers work?

Base: All with volunteers	473
1-25	42%
26-50	25%
51-100	18%
101-150	8%
151-200	3%
201-300	1%
301-400	1%
401+	2%

Q49. What is the main geographic area in which your organisation carries out its activities?

Within 1 mile	10%
Within an area of 10 miles	37%
Within an area of 11 to 20 miles	13%
Within an area of 21 to 40 miles	20%
Across the whole of Wales	12%
UK	5%
International	4%

Q50. What is your turnover..?

0-£25,000	33%
£25,001 up to £50,000	14%
£50,001 up to £100,000	11%
£100,001 up to £500,000	21%
£500,001 up to £1million	7%
£1,000,001 up to £5million	5%
Over £5million	2%
Not given	7%

Q51. Did you make a pre-tax profit or surplus in the last financial year?

Yes	55%
No	41%

Q52. Which, if any of the following did you do with last year's profit?

Base: All answering	341

Reinvested in the business activities and development	96%
Used to fund or cross-subsidise social activities within the organisation	11%
Added to reserves/savings	8%
Used to fund social activities in the wider community	5%
Used to fund or cross-subsidise social activities in a separate charity	2%
Distribute to owners, stakeholders	2%

Q53. Have you registered on sell2Wales?

Yes	18%
No	78%
Don't know	3%

Q54. Are you aware of the Opening Doors Charter?

Yes	11%
No	86%
Don't know	2%

Q55. What are the three or four main sources of advice and support you use to develop your organisation?

Local or borough council	41%
Wales Council for Voluntary Action (WCVA)	28%
County Voluntary Council	22%
Wales Co-operative Centre	17%
Communities First	13%
Sector trade/professional organisations	11%

Q56. And which, if any, of these is the most important to you?

Base: All answering	260
Local or borough council	37%
County Voluntary Council	19%
Wales Council for Voluntary Action (WCVA)	13%
Wales Co-operative Centre	12%
Communities First	9%

Q57. In which areas would you like additional advice and support for your organisation? NAME UP TO FOUR. MULTICODE. READ OUT AND ROTATE IF PROMPTING REQUIRED.

Access to finance	44%
Business/strategic planning	18%
Volunteers	15%
Diversification of income streams	14%
Partnership development	14%
Financial management	13%
Premises	13%
Contracts and tenders	11%
Legal advice	11%
Marketing	7%
HR and employee management, retention or recruitment	7%
Management skills	6%

Q58. Over how satisfied or dissatisfied are you with the advice and support that is currently available to you?

Very satisfied	13%
Fairly satisfied	52%
Neither satisfied nor dissatisfied	15%
Fairly dissatisfied	12%
Very dissatisfied	2%
Don't know	5%

Q59. Do you evaluate your organisation against your social goals?

Yes	69%
No	27%
Don't know	2%

Q60. If you have them, do you evaluate your environmental goals?

Yes	24%
No	51%
Don't know	2%
N/A	23%

Q61. Do you have measures like performance indicators which you use to assess the social and/or environmental impact of your organisation?

Yes	39%
No	56%
Don't know/ N/A	5%

Q62. Do you use any particular tools to help you understand and measure your impact, for example social audit or Social Return on Investment?

Base: All answering	265
User surveys/feedback	18%
Measure against business plan	17%
Measure against funder requirements	11%
Social audit	9%
Usage/footfall/audience	8%
via Inspections	7%
Use internal tools	6%
KPIs	6%
Client outcomes	6%

Q63. Have you achieved any quality standards, eg ISO 9000, Investors in People?

Base: All answering	153
Investors in People	42%
Green Dragon	21%
Industry award	15%
Industry standard achievement	12%
ISO standard	9%
PQASSO	7%
Sector inspectorate	5%
Investors in volunteers	4%
Charter Mark	4%
2 Ticks – Positive about disability	4%

Q64. Does your organisation own its property or land or have a long lease of over 50 years?

Yes	39%
No	59%
Don't know	1%

Q65. Does your organisation have any loans or any other forms of non-grant finance?

Yes	15%
No	83%
Don't know/refused	2%

Q66. Does your organisation intend to take out any loans or any other forms of non-grant finance over the next twelve months?

Yes	8%
No	85%
D/K	6%

Q68. Over what kind of influence does the Welsh Assembly Government have on your organisation's success?

Very positive influence	13%
Positive influence	29%
Neither positive nor negative influence	34%
Negative influence	6%
Very negative influence	3%
Don't know / N/A	12%

Q69. What would you like to see the Welsh Assembly do to support an organisation like yours?

Promote/recognise/use Social Enterprises	22%
Direct funding	17%
Core funding for Social Enterprises	17%
Improve/consistent funding to Social Enterprises and public sector	15%
Improve other Welsh Assembly Government policies affecting Social Enterprises	15%
Improve communications within Welsh Assembly Government and with Social Enterprises	13%
Advice/development support	12%
Funding access help	10%
Consistent Social Enterprise policy	7%
Influence public service to support/source from Social Enterprises	6%
Less bureaucracy	4%
Improve tendering process/opportunities	3%

Appendix E: Survey questionnaire

SOCIAL ENTERPRISE MAPPING QUESTIONNAIRE

SECTION A
FILTER QUESTIONS TO FIND OUT IF A SOCIAL ENTERPRISE OR NOT

A1 How would you describe your organisation? READ OUT AND ROTATE IF PROMPTING REQUIRED. MULTICODE.

Social enterprise
Community enterprise
Co-operative
Charity
Voluntary sector organisation
Development trust
Social firm
Social business
Ethical business
Environmental or sustainable business
Intermediate Labour Market organisation
A business
Other (write in)…………………….

A2 Do your everyday activities involve providing products or services of any kind in return for payment? (This can include government contracts and Service Level Agreements but not occasional fundraising activities such as jumble sales.)
(NOTE that unearned income is seen to be grants, donations or sponsorship, membership fees without substantial benefits such as use of facilities, in other words funding where you supply minimal benefits such as a flag for individuals, a newsletter or display a company's logo.) SINGLE CODE.

Yes (continue)
No (if answer no, thank and finish interview)
D/K (if answer D/K, thank and finish interview)

A3 Please indicate the percentage of total income that is earned income (ie products and services for sale)?

What is your actual percentage …………WRITE IN THEN CODE
IF NOT KNOWN, GET APPROXIMATE PERCENTAGE

0% up to 15% earned	(if answer yes, thank and finish interview)
15% up to 24%	(if answer yes go to A4A)
25% up to 49%	(if answer yes go to A4B)
50% up to 74%	(if answer yes go to A4B)
75% up to 99%	(if answer yes go to A4B)
100%	(if answer yes go to A4B)
D/K	(if answer yes go to A4A)

A4A Are you intending to increase the proportion of earned income over the next three years?

Yes (if answer yes continue)
No (if they answer no, continue)
D/K (if they answer no, thank and terminate interview)

A4B Roughly, what proportion of earned income is your organisation aiming for in three years time?

IF KNOWN PRECISELY, WRITE IN AND CODE BELOW

IF NOT KNOWN, CODE APPROXIMATELY
15% up to 25%
25% up to 50%
50% up to 75%
75% up to 100%
100%
D/K

A5 What is the primary goal of your organisation? Is it to: SINGLE CODE.

Primarily pursue a social or environmental goal	If yes, go to A6
Primarily make profit for owners, partners or shareholders and you are NOT a co-operative	FINISH
Hard to say	If yes, go to A6
Equally both	If yes, go to A6
D/K	If yes, go to A6

A6 Is your organisation a government owned body? SINGLE CODE.

Yes (Finish interview)
No (Continue)
D/K (Continue)

A7 In the past, was your organisation part of the public sector?

Yes
No
D/K

A8 Is your organisation the…READ OUT AND SINGLE CODE.

trading arm of a charity?
social enterprise arm of a business?

Yes
No
D/K

SECTION B – ABOUT THE SOCIAL ENTERPRISE

B1 What are the social or environmental goals of your organisation?
WRITE IN

B2 What activities does your organisation pursue to achieve these goals?

FREE TEXT RESPONSE

MULTICODE
Agriculture
Art and culture
Business, social enterprise and voluntary sector services
Childcare
Construction
Counselling, support and advice to individuals
Energy and utilities
Conservation/heritage
Employment opportunities (note: means providing jobs, see Training and education if do skills training)
Finance
Food/Catering
Horticulture/Gardening
Healthcare (including dentistry)
Housing
ICT – information and communication technologies and support
Managed workspace
Manufacturing and technology
Media
Tourism
Sport and leisure
Recycling
Retail (including fair-trade)
Social care including elderly care
Transport
Training and education
Other ………

B3 Thinking back over the last 12 months, to what extent do you think your organisation has been successful in meeting its objectives? READ OUT AND SINGLE CODE. REVERSE.

Very successful
Successful
Neither successful nor unsuccessful
Not very successful
Not at all successful
D/K

B4A What do you see as the main factors that will help in the future success of your organisation? UP TO FOUR. READ OUT AND ROTATE IF PROMPTING REQUIRED. MULTICODE.

B4B Which one, if at all, is the most important factor? SINGLE CODE.

Access to funding GO TO B4C AFTER B4A
Range of activities offered by the organisation ALL OTHERS GO TO B5
Recruitment and retention of volunteers AFTER B4B
Having suitable premises
Access to training

Limited competition from other providers
Management skills
Level of income
Legal knowledge
Recruitment and retention of paid staff
Need for our products/services
Low expenditure costs
Involvement in partnerships
Other (please state)

B4C Which of the following kinds of funding do you see as helping in the future success of your organisation? READ OUT AND MULTICODE.

Access to grants
Access to loans
Access to equity-style funding

B5A What do see as the main barriers to the future success of your organisation? UP TO FOUR. READ OUT AND ROTATE IF PROMPTING REQUIRED. MULTICODE.

B5B Which one, if at all, is the most important? SINGLE CODE.

Limited access to funding GO TO B5C AFTER B5A
Range of activities offered by the organisation ALL OTHER GO TO B6
Lack of and/or retention of volunteers AFTER B5B
Lack of specialist advice/support
Lack of suitable premises
Access to training
Significant competition from other providers
Lack of management skills
Level of income
Lack of legal knowledge
Lack of and/or retention of staff
Lack of need for products/services
High expenditure costs
Lack of involvement in partnerships
Other (please state)

B5C Which of the following kinds of funding do you see as the main barriers to the future success of your organisation? READ OUT AND MULTICODE.

Access to grants
Access to loans
Access to equity-style funding

B6 Who are the main beneficiaries of what you do? Are there any groups you specifically target? MULTICODE. READ OUT AND ROTATE IF PROMPTING REQUIRED.

Women
Children and young people
Elderly people
People with disabilities and or special needs
Faith communities
Black and minority ethnic people
Unemployed
Older workers
Ex-offenders
Homeless people

Recovering substance abusers
People living in specific deprived areas
Refugees
General public
Lesbian, Gay, Bi-sexual and Transgender people
Other (please specify) ….

B7 To what extent do you agree or disagree with the following statements. Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly Disagree, D/K READ OUT AND SINGLE CODE FOR EACH. REVERSE.

Our organisation receives sufficient support and advice from external agencies
Local public sector organisations communicate well with my organisation
We consider our organisation to be a social enterprise

B8 Are you interested in providing more or new services to the public sector? SINGLE CODE.
Yes
No
D/K

B9 What do you see as the main challenges for your organisation providing services to the public sector (please specify maximum 3)

B10 Are you a registered charity or have exempt charity status? SINGLE CODE.
Yes
No
D/K

B11 What is the legal form of your organisation? SINGLE CODE.

Trust
Company limited by guarantee
Company limited by shares
Community Interest Company limited by guarantee
Community Interest Company limited by shares
Limited Liability Partnership
Self-employed
Partnership
Industrial and Provident Society for the Benefit of the Community
Industrial and Provident Society
Charitable Incorporated Organisation
Unincorporated
Other. Please specify ….
(NOTE that charity is not a legal form)
D/K

B12 In what year did your organisation start trading? WRITE IN AND CODE BELOW AS WELL

IF NOT KNOWN
How old is the organisation?
Less than a year
One to two years
Three to five years
Six to ten years
Eleven to fifteen years
Sixteen to twenty years
More than twenty years
D/K

B13 Is your main goal to: READ OUT. SINGLE CODE BUT MULTICODE POSSIBLE.

Cross-subsidise your social, environmental, or community activities with products or services which are designed purely to generate earned income

Pursue your social or environmental goals through your products or services (for example, loans for those unable to get finance from a mainstream bank, affordable, fair trade or organic food, etc)

Pursue your social goals through the type of people you employ (for example, a certain percentage of staff being long-term unemployed, disabled etc)?

Other (PLEASE WRITE IN)

B14A Do you know whether your organisation is based in a Community First area? SINGLE CODE.

Yes	GO TO B14B
No	GO TO B15A
Don’t know	GO TO B15A

B14B Could you tell us which Community First area your organisation is based in? WRITE IN

B15A Do you know whether any of your beneficiaries or customers come from Community First areas? SINGLE CODE.

All	GO TO B15B
Some	GO TO B15B
None	GO TO B16
Don’t Know	GO TO B16

B15B Could you tell us in which Community First areas your beneficiaries or customers are in?

B16 Do you provide employment for specific groups or types of people? SINGLE CODE.
Yes (Go to B17)
No (Go to B18)

B17 Please indicate who you target to provide employment: MULTICODE. READ OUT AND ROTATE IF PROMPTING REQUIRED.
Women
Children and young people
Elderly people
People with disabilities and or special needs
Faith communities
Black and minority ethnic people
Unemployed
Older workers
Ex-offenders
Homeless people
Recovering substance abusers
People living in specific deprived areas
Refugees
General public
Lesbian, gay, bi-sexual and transgender people
Other (please specify) ….

B18 Do you provide training for your staff? SINGLE CODE.
Yes
No

B19A Do you have any links to schools, colleges or universities for training your staff?
SINGLE CODE.
Yes GO TO B19B
No GO TO B20

B19B Please could you tell us which schools, colleges or universities you are linked with?
WRITE IN

B20 Looking at the breakdown of your earned income, what percentage is government contract, Service Level Agreements or products and services
Percentage:
Contracts for public bodies (gained through tender and competition with others)
Service Level Agreements for public bodies
Products or services for individuals or other organisations ….

B21 How many full time paid employees work in your organisation?
IF KNOWN, WRITE IN AND CODE
IF NOT, SINGLE CODE.
1-5
6-10
11-25
26-50
51-100
101-199
200+

B22 How many part-time paid employees work in your organisation?
IF KNOWN, WRITE IN AND CODE
IF NOT, SINGLE CODE.
1-5
6-10
11-25
26-50
51-100
101-199
200+

B23 How many unpaid volunteers work in your organisation?
IF KNOWN, WRITE IN AND CODE
IF NOT, SINGLE CODE.
1-5
6-10
11-25
26-50
51-100
101-199
200+

B24 In the last seven days, approximately how many hours in total did volunteers work?
IF KNOWN, WRITE IN AND CODE
IF NOT, SINGLE CODE.
1-25
26-50
51-100
101-150
151-200
201-300
301-400
401-500

500+
…………………..

B25 What is the main geographic area in which your organisation carries out its activities ? READ OUT. SINGLE CODE.
Within 1 mile
Within an area of 10 miles
Within an area of 11 to 20 miles
Within an area of 21 to 40 miles
Across the whole of Wales
UK
International
Other (write in)

B26 What is your turnover.
IF KNOWN, WRITE IN AND CODE
……………
IF NOT, SINGLE CODE.

0-£25,000
£25,001 up to £50,000
£50,001 up to £100,000
£100,001 up to £500,000
£500,001 up to £1million
£1,000,001 up to £5million
Over £5million

B27 Did you make a pre-tax profit or surplus in the last financial year? SINGLE CODE.
Yes (go to B28)
No (go to B29)
………………..

B28 Which, if any of the following did you do with last year's profit. READ OUT. MULTICODE.
Reinvested in the business activities and development
Used to fund or cross-subsidise social activities within the organisation
Used to fund or cross-subsidise social activities in a separate charity
Used to fund social activities in the wider community
Distribute to owners, stakeholders
Other, Please specify ……

B29 Have you registered on sell2Wales? SINGLE CODE.
Yes
No
D/K

B30 Are you aware of the 'Opening doors' charter? SINGLE CODE.
Yes
No
D/K

SECTION C - GROWTH AND DEVELOPMENT

C1 What are the three or four main sources of advice and support you use to develop your organisation? MULTICODE. READ OUT AND ROTATE IF PROMPTING REQUIRED.

Black Voluntary Sector Network
Business Connect
Business Eye
Coalfields Regeneration Trust
Communities First
Community Enterprise Wales
County Voluntary Council
DTA Wales
Enterprise Agency
Groundwork Wales
Local or borough council
Menter a Business
Social Firms Wales
Wales Co-operative Centre
Wales Council for Voluntary Action (WCVA)
Wales Rural Development Network
Other social enterprises
Other ………..
Other…………
Other…………
Other…………

C1a And which, if any, of these is the most important? SINGLE CODE.
Black Voluntary Sector Network
Business Connect
Business Eye
Coalfields Regeneration Trust
Communities First
Community Enterprise Wales
County Voluntary Council
DTA Wales
Enterprise Agency
Groundwork Wales
Local or borough council
Menter a Business
Social Firms Wales
Wales Co-operative Centre
Wales Council for Voluntary Action (WCVA)
Wales Rural Development Network
Other social enterprises
Other ………..
Other…………
Other…………
Other…………

C2 In which areas would you like additional advice and support for your organisation? NAME UP TO FOUR. MULTICODE. READ OUT AND ROTATE IF PROMPTING REQUIRED.

Business/strategic planning
Financial management
HR and employee management, retention or recruitment
Access to finance
Legal advice

Volunteers
Contracts and tenders
Governance or management committee/board/trustees
Quality standards and quality development
Management skills
Specific employee skills
Partnership development
Innovation
Diversification of income streams
Premises
Asset development
Other ……..

C3 Overall how satisfied or dissatisfied are you with the advice and support that is currently available to you? READ OUT. SINGLE CODE. REVERSE.
Very satisfied
Fairly satisfied
Neither satisfied nor dissatisfied
Fairly dissatisfied
Very dissatisfied
Don't know

C4 Do you evaluate your organisation against your social and/or environmental goals? SINGLE CODE.
Social goals Yes No D/K
Environmental goals Yes No D/K
(NOTE THAT IMPACTS ARE NOT OUTPUTS WHICH ARE JUST MEASURES OF ACTIVITY EG JOBS CREATED)

C5A Do you have measures like performance indicators which you use to assess the social and/or environmental impact of your organisation? SINGLE CODE.
Yes (if yes go to C5B)
No (go to C6)
D/K (go to C6)

C5B Do you use any particular tools to help you understand and measure your impact, for example social audit or Social Return on Investment?
Please specify ………..

C6 Have you achieved any quality standards, eg ISO 9000, Investors in People.
Please specify ………………

C7 Do you own your own property or land or have a long lease of over 50 years? SINGLE CODE.
Yes
No
D/K

C8 Does your organisation have any loans or any other forms of non-grant finance? SINGLE CODE.
Yes
No
D/K
Refused

C9 Does your organisation intend to take out any loans or any other forms of non-grant finance over the next twelve months?
Yes
No
D/K

Refused

C10 Are there are barriers to your organisation taking loans on?
WRITE IN

C11 Overall what kind of influence does the Welsh Assembly Government have on your organisation's success? READ OUT AND SINGLE CODE.
Very positive influence
Positive influence
Neither positive nor negative influence
Negative influence
Very negative influence
Not applicable
Don't know

C12 What would you like to see the Welsh Assembly do to support an organisation like yours? PLEASE IDENTIFY THREE OR MORE POINTS, IF POSSIBLE.

C13 As part of this research, the Welsh Assembly will be compiling a database of Social Enterprises for use by the sector.
The Welsh Assembly asks if you are happy to share your answers to the following questions: SINGLE CODE FOR EACH

the type and legal form of your organisation	Yes/No
the activities your organisation pursues to achieve these goals	Yes/No
who your main beneficiaries are	Yes/No
the main geographical area your organisation operates in	Yes/No
how many full-time paid staff work for the organisation	Yes/No
how many part-time staff and volunteers work for the organisation	Yes/No
how long the organisation has been established	Yes/No
the percentage of earned income and turnover	Yes/No
your answers about Community First, sell2Wales and links with schools, colleges, and universities?	Yes/No

The answers you gave to all other questions in this survey will remain confidential and will not be included on the database.

SECTION D – ABOUT YOU

Finally can I just check these details about you and your organisation for our database…?

Contact name
Job title
Name of organisation
Trading Address including postcode
Telephone number
Email
Web address if have one

Appendix F: Topic guide – in depth interviews with public sector and support organisations

1. BASIC INFORMATION – 5 mins
    - What are your aims and objectives in providing support to social enterprises?
    - What are your actual range and type of activities?

2. SUPPORT – 10 mins
    - What kind of advice and support are you giving to social enterprises and in what form?
    - What kinds of advice and support do social enterprises tend to be seeking?
        - Types of advice:
            - Business/strategic planning
            - Tendering
            - Financial management
            - HR and employee management, retention or recruitment
            - Access to finance
            - Legal requirements
            - Volunteers
            - Governance or management board
            - Quality standards and quality development
            - Management skills
            - Specific employee skills
            - Partnership development
            - Innovation
            - Diversification of income streams
            - Premises
            - Asset development
            - Other?

    - In what ways do you think advice and support could be improved for social enterprises – by the public sector, by other support providers? Is there anything obvious that you feel needs to be done?
    - Do you feel there is sufficient communication between your organisation and the social enterprise sector?
    - To what extent do you feel your organisation influences the success of the social enterprise sector?
    - What support do you get from the Assembly Government on social enterprise?
    - What further advice and support would you like to give? What is stopping you from doing so?

3. DEVELOPMENT AND FINANCIAL SUSTAINABILITY – 10 mins
    - How are you helping social enterprises to grow, achieve their goals, and be financially sustainable?
    - What do you think the challenges are in trying to do this?
    - How might these challenges be met – by you, by others?

4. COMPETITION AND INNOVATION – 5 mins
    - In what ways do you see social enterprises as being innovative?
    - What could be done to enable them to become more innovative – by you, by others?
    - What competitive challenges do social enterprises face?
    - How could these challenges be met – by you, by others?
    - In your opinion, have service level agreements with the sector had positive results?

5. PUBLIC PROCUREMENT – 10 mins (if applicable)

- What are your views on the current public procurement opportunities for social enterprises?
- What do social enterprises say works well in the current public procurement model?
- What do social enterprises say does not work so well? Why?
- Do you see any barriers for social enterprises in procuring this kind of work?
- How can these issues be resolved?
- What do you see as the main challenges for social enterprise providing services to the public sector?
- How do social enterprises make use of Service Level Agreements? What issues arise out of their use or availability?

6. MEASURING IMPACT/SOCIAL VALUE – 10 mins
   - How well developed do you think the social enterprise sector is at measuring and monitoring its impact in the community? What else would you like to see them doing in this area?
   - ONLY FOR PUBLIC SECTOR: Would any contract your organisation tenders out include measures to capture social impact?
   - Do you feel there is any consensus over the best tools to help you and social enterprises measure and report on social performance e.g. social auditing, SROI
   - Do you encourage the social enterprise sector to invest in any quality marks e.g. Investing in People, ISO

7. SUCCESS – 5 mins
   - How confident are you in the growth of the social enterprise sector?
   - What do you regard as the three main barriers for the future success of the sector? If skills gaps are mentioned, probe whether link-up to local educational establishments, graduate placement schemes (if so which ones).
   - What do you regard as the three main opportunities for the sector?
   - To what extent has the Assembly Government influenced the success of the sector?
   - What more could the Welsh Assembly Government doing in this regard?

8. PERCEPTION OF SECTOR/COMMUNICATIONS – 5 mins
   - Do you think the term social enterprise is widely understood in Wales: by the general public, by the public sector?
   - Do you think it would be a good use of government money to fund a campaign to highlight the benefits of social enterprise? To perhaps even develop some kind of brand for the sector in Wales?

9. WRAP UP– 5 mins

   - Is there anything else you would wish to add or emphasise?

Appendix G: Topic guide – in depth interviews with social enterprises

1. BASIC INFORMATION – 5 mins
   - Origins – rationale; new start or development from existing organisation or public sector
   - What year were you founded?
   - What are your social or environmental goals?
   - What activities do you carry out to achieve these goals?
   - What is your legal form?
   - Are you a registered charity or have exempt charity status?
   - Where do you carry out your activities?
   - Do you know whether you are based in a Community First area or any of your beneficiaries/customer come from Community First areas? If so, specify.
   - How many full and part-time paid employees do you have?
   - Do you specifically target certain kinds of employees as part of your social goals? If so, what are the characteristics of these employees e.g. long-term unemployed, disabled, previously on incapacity benefits etc. If have disabled staff, ask whether have more than 50% and whether therefore qualified for reserved contracts under EU Directives.
   - Do you provide any training to your employees? Do you have any links to schools, local colleges and universities for this training?
   - Do you have volunteers? Get sense of to what extent.
   - Nature of governance – board, trustees, membership etc

2. DEVELOPMENT AND FINANCIAL SUSTAINABILITY – 10 mins
   - Growth over time (figures for growth in employees and turnover)
   - Current annual turnover
   - Income sources, including particular focus on earned income generation whether goods, services, public sector contracts or Service Level Agreements, membership fees with substantial benefits (in other words not just a newsletter for example)
   - Level of net profit or loss – percentage or amount.
   - Use of external finance – any use of debt, quasi-equity (e.g. performance-based loans) or equity finance, sources – now or planned for future. Ability to take on non-grant funding, ease of access, affordability, appropriate terms.

4. COMPETITION AND INNOVATION – 10 mins
   - Do you compete with other organisations? If so, are your competitors in local markets or do you compete nationally, internationally?
   - Do your competitors include public sector organisations, other social enterprises, private sector businesses?
   - To what extent do you view your organisation as innovative and why - innovation in products or services or governance/way of working.

5. PUBLIC PROCUREMENT – 10 mins (if applicable)
   - Do you deliver any public service contracts?
   - If yes, describe briefly the current contracts you have won – services being delivered, value, length of contract. And failed to win.
   - How are you made aware of public sector contracts? E.g.
     - Do you attend buyer/supplier events?
     - Have you registered on sell2Wales?
     - Are you aware of Opening Doors?
   - What support have you received in tendering for public sector contracts e.g. Supplier Champions/other support?
   - Do you find public sector contract pre-qualification procedures onerous? E.g. complying w. standards such as ISO 1400, 3 year accounts. [Get suggestions on simplification]

- What do you see as the main challenges for you providing services to the public sector?

6. ASSET TRANSFER – 10 min (if applicable)
   - Do you own freehold property or have a long lease of over 50 years? Get one line description.
   - Did you purchase the asset a) on the private market or b) was it an asset transfer from a public body or c) other? If b) or c), which body and was the transfer value less than market value or free?
   - What is the status of asset development and use? Is your asset generating income in addition to rental savings?
   - Are you finding owning an asset an operational advantage or disadvantage? Explain reasons why.

7. SUPPORT – 10 mins (if applicable)
   - Who do you get advice from now? Probe how they identified support provider.
   - What types of advice have you received? Probe effectiveness, levels of satisfaction, impact on organisation.
     - Types of advice:
       - Business/strategic planning
       - Tendering
       - Financial management
       - HR and employee management, retention or recruitment
       - Access to finance
       - Legal requirements
       - Volunteers
       - Governance or management board
       - Quality standards and quality development
       - Management skills
       - Specific employee skills
       - Partnership development
       - Innovation
       - Diversification of income streams
       - Premises
       - Asset development
       - Other ……..

   - How do local government and other public bodies influence your success? Probe relationships, level of satisfaction.
   - Specifically, what support to you get from the Assembly Government? Do you value the services offered by the Assembly Government? Can you access these services elsewhere? Probe into why they choose these services as opposed to those offered by the market. What (if any) additional benefit do these services have over those offered by other organisations? (e.g. is the quality better, more tailored to the needs of social enterprises or is it cost related.
   - What further advice and support do you need? Where could you get this from?

8. MEASURING IMPACT/SOCIAL VALUE – 10 mins
   - What are the main economic/social/environmental changes, outcomes and impacts that you are trying to achieve? Any other intended or unintended outcomes?
   - Do you have indicators or measures of your social performance?
   - Describe what changes you have achieved based on these indicators.
   - Do you regularly collect information on these changes or impacts? (Note that these are different to outputs)
   - Do you use any tools to help you measure and report on your social performance e.g. social auditing, SROI
   - Do you use any quality marks e.g. Investing in People, ISO

9. SUCCESS – 5 mins
   - How confident do you feel about your future? Very confident, confident, not confident.
   - What do you regard as the three main barriers to your future success? If skills gaps are mentioned, probe whether link-up to local educational establishments, graduate placement schemes (if so which ones).
   - What do you regard as the three main opportunities?
   - To what extent has the Assembly Government influenced the success of your organisation and how?
   - What more could the Welsh Assembly Government do to enable you to succeed?

10. PERCEPTION OF SECTOR/COMMUNICATIONS – 5 mins
   - How do you self-identify e.g. as a charity, community organisation, social enterprise, co-operative, business etc.
   - Do you see yourself as a social enterprise?
   - Do you think the term social enterprise is widely understood within your organisation or within your community?
   - Would it be helpful to your business if the term was more widely understood?
   - Do you think it would be a good use of government money to fund a communications campaign or kitemark for social enterprises?

Other comments and insights – Is there anything else you wish to add or emphasize?

Appendix H: List of in-depth interviewees

Interviewee	Organisation
Government and quasi-government organisations	
Leighton Andrews	Department for Social Justice and Regeneration - Welsh Assembly Government
Caroline Turner	Communities Division - Welsh Assembly Government
Sioned Rees	Department of Economy and Transport - Welsh Assembly Government
Gunther Kostyra	Value Wales (Welsh Assembly Government)
Sarah Mayze	Finance Wales
Jan Bennett	Welsh Local Government Association - Caerphilly
Social enterprise support organisations	
Joan Asby/ Catherine Bradbury	Wales Rural Development Network (support network)
Steve Cranston	United Welsh Housing Association
Simon Harris	Wales Co-operative Centre
Phil Jarrold	Wales Council for Voluntary Action (WVCA)
San Leonard	Social Firms Wales and Social Firms UK
Mal Williams	Cylch (recycling network)
Peter Williams	Welsh Development Trust Association (DTA)
Social enterprises	
Nigel Annett	Welsh Water Glas Cymru
John Bennet	Pack-It
Mick Brown	Robert Owen Partnership
Mike Durke	The Hill Community Development Trust (Phoenix)
Lorraine Powers	Ten Green Bottles
Vince Price	Cynon Valley Crime Prevention Association
Andrew Ried	Anglesey Homeless Social Enterprise
Gwyn Roberts	Galeri Caernarfon
Barry Shields	Vision 21 Cyfle Cymru
Lesley Smith	Dove workshop
Shirley Wilcynski	Green Links, Pembroke School, Pembroke.
Dr Ruth Williams	National Trust
Lisa Wills	The Arts Factory