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Social Enterprise in Essex



3rd Sector Futures

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Introduction

The Department of Trade and Industry published *Social Enterprise: a strategy for success* in 2002. The essential social enterprise concept of trading for social, rather than purely financial, purposes had of course been around for many years, dating back at least to the foundation of the co-operative movement in the nineteenth century. Nevertheless, the potential of these businesses with a 'double bottom line' have caught the imagination of policy makers, of investors & funders, and of social entrepreneurs in the years since the strategy was published.

There may be many underlying causes for the popularity of the social enterprise idea: a desire among public agencies to find new ways of delivering public services, an increasingly competitive environment among charities for grant income, and the general growth in interest in business and entrepreneurship. High-profile success stories such as the Big Issue, Café Direct or Jamie Oliver's Fifteen restaurant have added to the interest in promoting or becoming part of the social enterprise sector.

However, while there has been progress in support to, funding for, and awareness of social enterprise, the success story has not yet reached its happy ending. Indeed, it has been suggested that there is still substantial work to be done in making people aware that social enterprise exists, in differentiating it from charitable or voluntary activity, and in building its credibility with the commercial sector.

At the same time, and perhaps significantly, social enterprise is held to be an under-researched field, with relatively few academics engaged in study of the sector, and research to date has tended to focus on individual organisations, at the expense of quantitative (particularly longitudinal) data collection.

The report which follows is a response to the factors outlined above: the strong interest in the social enterprise sector, and the lack of clarity (due in part to a lack of previous research) about its nature and size. The 3rd Sector Futures team have mapped social enterprise in the Essex sub-region, driven by a desire to inform the public debate on the sector and how it can grow.

Anglia Ruskin University has worked closely with social enterprise since 2002, as part of the wider engagement with business and community on which we pride ourselves. *Social Enterprise in Essex* gives food for thought to those who, like us, are trying to understand and support the sector. Our thanks go to EEDA's Investing in Communities and Essex County Council funds for making the research possible, and to our many third sector partners who helped with preparation for the research and data collection. We look forward to continuing our important work in social enterprise learning, consultancy and research as the sector continues to develop.

Andy Brady
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Executive Summary

This report summarises the findings of a research programme into social enterprise in the county of Essex and the unitary authorities of Southend-on-Sea and Thurrock. This is the first robust and detailed survey of social enterprise in the area, and its findings are presented as the basis for improved understanding of the sector, its needs and its impacts.

The purpose of the research was two-fold:

- To establish the numbers and locations of social enterprises in the area
- To ascertain the extent to which public service delivery contracts provide income for these social enterprises.

Social enterprise

It was agreed that the simplest definition of social enterprise should be used, encompassing those organisations which trade for a primarily social purpose. In drawing up the database of organisations to interview we drew on previous research, and the knowledge and expertise of local agencies such as Social Enterprise East of England and Councils for Voluntary Services.

Social enterprises in Essex

There are around 430 social enterprises in the Essex area, with particularly high numbers (relative to population) in the districts of Brentwood, Colchester and Harlow, and lower numbers in Basildon, Tendring and Thurrock.

These organisations' aggregated annual turnover is in excess of £300 million, with over half of all income coming from trading activity, rather than grant funding or donations. However, the majority of social enterprises have an annual turnover of less than £200,000, and the level of profit, or surplus, is typically very low at around £1750 (median figure).

Social enterprises employ some 13,200 people in the Essex area, with a high proportion of female employees and volunteers. The number of disabled employees is lower than would be expected given that many enterprises had disability-related primary social aims.

Engaging with public service delivery

The data suggests that only a small proportion (around 11%) of enterprises' income from trading activities is derived from contracts with local authorities or health trusts. This figure is lower than the amount currently obtained from grants from the same organisations.

Asked to assess their organisations' awareness of public service contract opportunities, our enterprises tended to score themselves slightly higher (around 5.5 out of 10) than when they assessed their ability to win such contracts (around 4.5 out of 10). Our respondents identified issues relating to their own lack of capacity, commissioners' lack of knowledge of what social enterprise could do, and the need for better relationships between the two groups.

Other findings

There are very few (less than 5%) Essex social enterprises with a trading income between £150,000 and £250,000, compared with 20% earning over £250,000 and around 75% earning under £150,000.

The identity of social enterprise is still not established: only just over half of our respondents used this term to describe themselves, although their activity met the social enterprise definition above.

The value of assets held by Essex social enterprises is concentrated in property, and yet income from property holdings was less than £10,000 on average for all but the largest enterprises.

Only around a third of our respondents were aware of the new Charitable Incorporated Organisation legal structure, and only half of those who were aware showed interest in becoming a CIO.

Very few (5%) organisations had measured their social or environmental impact using social accounting or other formal processes, although around 30% were aware of such tools.

Learning needs for social enterprises include general management and leadership, social accounting, marketing and finance, and particularly bid writing & tendering, which was identified as a need by almost half of respondents.

Recommendations

We propose that this report should be used as a baseline for future research activity in the area of Essex, Southend-on-Sea and Thurrock, both among the existing database, and with other organisations as they move into the social enterprise arena.

Social enterprise definition and identity continues to be an issue for the sector, and dialogue between individual enterprises, and their regional and national sector bodies is critical if the issue is to be addressed.

There is a continuing need for activity to build social enterprise capacity, in particular relating to their ability to compete effectively for public sector contracts. Training should also be provided to address gaps in commercial skills which are holding the sector back, including leadership, finance and marketing.

While the economic impact of social enterprises in the area has been measured by the current research, there is a need for social accounting processes which allow the measurement of social impact, which is currently undertaken by only a few organisations in the Essex area.

Finally, we suggest that local authorities (district, unitary or county) commission further work to examine the role of their own social enterprises in economic regeneration, and how they can best be supported.

1 Background

- 1.1 This chapter briefly sets out the policy context for the third sector and for social enterprise, with particular emphasis on the role envisaged for these organisations in public service delivery. This overview is followed by a description of the project of which this research formed a part.

Definition of 'third sector'

- 1.2 The third sector is defined by the UK Government as a diverse group sharing "common characteristics:

- non-governmental
- value-driven
- principally reinvest any financial surpluses to further social, environmental or cultural objectives"

(OTS, 2008)

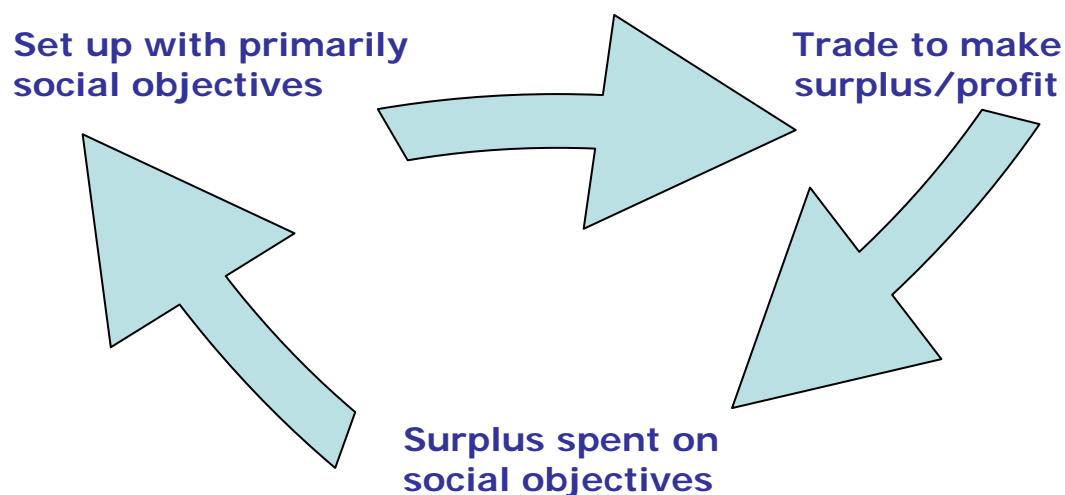
The term "encompasses voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small." (OTS, 2008)

- 1.3 The term 'third sector' is used to differentiate such organisations from the private and public sectors, the primary features which do so being their independence from governmental control, and their value-led ethos (Hudson, 1995).
- 1.4 An indication of the sector's scale, and of its recent growth, can be given by the following statistics on charities and voluntary organisations:
- The number of charities has risen from around 120,000 in 1995 to over 164,000 in 2005
 - Their income in 2004-05 was £27.6 billion, a growth of £800 million on the previous year, and approximately 2% of UK GDP
 - There are estimated to be hundreds of thousands of small community groups without formal charitable status
 - The 20 million people in the UK who volunteer their time regularly contribute work worth £38 billion per year

(OTS, 2008)

The meaning of 'social enterprise'

- 1.5 The UK Government defines social enterprises as "businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners." (OTS, 2008).
- 1.6 The key components of this definition are illustrated in the diagram on the next page:



- 1.7 Other definitions of social enterprise stress the need for community engagement and democratic control (Pearce, 2003). The umbrella body for the voluntary and community sector, NCVO, emphasises social enterprise *activity* rather than social enterprise organisations, and includes the following table to describe this activity:

Income included in social enterprise activity	Income excluded from social enterprise activity
Fees for provided services	Donations
Contracts to provide services	Legacies
Sponsorship	Grants
Research or consultancy services	Investment income
Membership subscriptions (with significant benefits)	Membership subscriptions (without significant benefits)
Trading subsidiaries	National lottery grants
Hire of facilities	Corporate gifts
Fees for goods	Covenants
Tuition fees	Gift aid reclaimed
Financial services (such as insurance)	

(NCVO, 2008)

- 1.8 'Social enterprises' can be standard limited companies, community interest companies, or industrial and provident societies, and many also have charitable status. In addition to trading within their charitable objectives, charities may also have trading subsidiaries which gift-aid their profits to the main charity. (SEC, 2005)
- 1.9 The lack of a single legal structure for social enterprises, along with the comparatively recent adoption of the term in the UK (arguably since 2002, when the UK Government published *Social Enterprise: a strategy for success*), has made estimating their numbers problematic, with government figures ranging

from 15,000 to 55,000 (DTI, 2005; OTS, 2008). It has been suggested that the contribution to GDP of all social enterprises in the UK is £8.4 billion.

- 1.10 For the present research, a pragmatic approach was taken to establish whether or not an organisation was a social enterprise: did its purpose and activity conform to the UK Government definition in 1.5 above? In other words to be classed as a social enterprise for this research an organisation had to be **trading** (involved, for example, in the kind of activity listed in 1.7) and have a **clear social purpose**, to which the trading income was to contribute.
- 1.11 Social enterprise is (as described in 1.2 above) a subset of the third sector.

UK Government support for social enterprise

- 1.12 In 2002 the then Department of Trade & Industry (DTI) published *Social Enterprise: a Strategy for Success*, which contained an ambitious vision for the sector:

“Successful social enterprises can play an important role in helping deliver on many of the Government’s key policy objectives by:

- helping to drive up productivity and competitiveness;
- contributing to socially inclusive wealth creation;
- enabling individuals and communities to work towards regenerating their local neighbourhoods;
- showing new ways to deliver and reform public services; and
- helping to develop an inclusive society and active citizenship.”

(DTI, 2002:8)

- 1.13 Initially based within the DTI, a Social Enterprise Unit was established in 2001, to drive forward the government’s three strategic objectives in relation to the sector: to create an enabling environment; to make social enterprises better businesses; and to establish the value of social enterprise (through research and publicity). (DTI, 2002)
- 1.14 Among the initiatives taken since 2002 are: the creation of the community interest company legal form, supporting the establishment of the £125 million Futurebuilders fund; funding the Social Enterprise Coalition, a national representative group for social enterprises; and organising an annual Social Enterprise Day as part of enterprise week. (OTS, 2006)

Social enterprise, the third sector, and public service delivery

- 1.15 The delivery of public services was seen by government as a primary role for social enterprises (see 1.12 above), and this has also been an important theme in policy relating to the wider third sector.
- 1.16 In 2002 a cross-cutting review (HMT, 2002) suggested that the VCS (voluntary and community sector) was one of three ways that state funded services could be delivered (along with the state itself and the private sector). Furthermore, “VCOs may...be able to deliver services more effectively to certain groups because their particular structures enable them to operate in environments which the State and its agents have found difficult or impossible.” (HMT, 2002:16)
- 1.17 A further cross-cutting review in 2004 “asked departments to explore the potential for greater or more effective involvement of the sector in public services” (HMT, 2004:5)

- 1.18 Evidence of the government's intention was shown by the £80 million invested in the ChangeUp programme, to develop the capacity of the third sector to deliver services, for example by improving IT systems or ensuring better governance (OTS, 2007).
- 1.19 In 2007, five government departments, along with the newly formed Office of the Third Sector, collaborated in developing an action plan (OTS, 2007) which listed a whole series of measures "to invest in the capacity of the sector to deliver public services and enable the sector to thrive." (OTS, 2007:13)

Essex, Southend-on-Sea & Thurrock

- 1.20 The ceremonial county of Essex has since 1998 been politically divided, with Southend-on-Sea and Thurrock becoming Unitary Authorities, and the remainder of the county's districts coming within Essex County Council.
- 1.21 There are a total of 12 local authority districts in the county of Essex; the names and populations of these, along with those of the two Unitary Authorities, are listed below:

District	Population
Basildon	165,668
Braintree	132,179
Brentwood	68,456
Castle Point	86,608
Chelmsford	157,072
Colchester	155,796
Epping Forest	120,896
Harlow	78,768
Maldon	59,418
Rochford	78,489
Southend-on-Sea (UA)	160,257
Tendring	138,539
Thurrock (UA)	143,128
Uttlesford	68,946

- 1.22 Census data on Essex (ECC, 2003) shows that the population has risen by some 9% since 1981, faster than the national rate of increase. In 2001 around 5.5% of inhabitants were members of ethnic minority groups, considerably lower than across England where the proportion is 9%. The population is also slightly older than the UK average. Density of the population ranges from 26 people per hectare in Harlow to 1 person per hectare in Uttlesford (ECF, 2004)
- 1.23 While EEDA's Regional Economic Strategy (EEDA, 2008) notes that Tendring and Thurrock are areas of high and persistent unemployment and economic inactivity, the general level of unemployment in the area (3.6% in 2001) is lower than national levels, with slightly higher self-employment rates than nationally or regionally. (Essex County Council, 2003). The district of Harlow has been ranked 63rd in England on the Index of Multiple Deprivation. Uttlesford and Brentwood are the areas with lowest unemployment. (ECF, 2004)
- 1.24 The area is also characterised by high levels of commuting into London from Brentwood, Chelmsford, Colchester and Southend-on-Sea, and is home to the major international transport gateways of Stansted, Tilbury and Harwich (EEDA, 2008). 20% of the Essex workforce work outside the county. (U.Essex, 2004)
- 1.25 In general, industrial development has taken place in the south of the area, with the northern part being devoted to agriculture. Overall, almost three quarters of

the land surface of Essex is covered by farm land (EWT 2004); however only 10,119 people work in agriculture. (ECF, 2004)

- 1.26 The number of businesses registered for VAT in Essex, Southend-on-Sea & Thurrock is shown in the table below:

Area	1996	2001	2006
Essex	37,750	42,555	45,505
Southend-on-Sea	4,920	5,255	4,675
Thurrock	2,495	2,885	3,250
TOTAL	45,165	50,695	53,430

The third sector & social enterprise in Essex

- 1.27 The Essex, Southend-on-Sea & Thurrock Infrastructure Consortium (ESTIC) estimates that there are 10,000 voluntary and community organisations in the area (ESTIC, 2008), while the number of registered charities at the time of the research was 4164 (confirmed by email with the Charity Commission).

- 1.28 Previous research into social enterprise has been at national and regional level. The only way to estimate social enterprise numbers in Essex is to extrapolate these figures according to population, as shown in the table below.

	National estimate	Regional estimate	Essex area estimate
EEDA survey (EEDA, 2001)	n/a	989	296*
DTI survey (DTI, 2005)	15,000	1,470	440*
OTS figures (OTS, 2008)	55,000	n/a	1,615*

(* based on estimate for another area allocated to Essex by population size)

- 1.29 The estimated figures for Essex show considerable variation depending on the source used. Furthermore, no detailed mapping of the social enterprise sector has ever been undertaken in the area, therefore there are no figures available for turnover, trading income, employment and so on.

Procurement policies in the area

- 1.30 In line with policy at national level, procurement of services from diverse providers has become standard practice in the Essex area. For example, Essex County Council “is committed to a mixed economy because it believes that services should be delivered by the organisation, public, private or voluntary sector, that is best able to meet these [high quality] standards”.

Similarly, Thurrock Council commits to “utilising a diverse mix of suppliers including small firms, social enterprises, minority businesses and voluntary and community sector suppliers”, and Southend-on-Sea’s Procurement Policy mentions “encouraging the voluntary sector to bid for council contracts through guidance, education and simplified processes.”

http://www.essexcc.gov.uk/vip8/ecc/ECCWebsite/content/binaries/documents/Guidance_Document.doc?channelOid=null

http://www.thurrock.gov.uk/business/buyerprofile/content.php?page=04_policies

http://www.southend.gov.uk/resources/procurementstrategy2007_2.doc

- 1.31 In 2006, with funding from EEDA's Investing in Communities programme, a project was established which aimed to build the capacity of Third sector organisations in winning contracts to deliver public services. It was recognised that there was a need in the sector for organisational development, and the acquisition of more commercial skills.

The Procurement Project

- 1.32 The research was conducted as part of a project, funded by EEDA's Investing in Communities programme, which aimed to bring third sector organisations and public sector commissioners, and improve the capacity of the former to deliver public services. The project also incorporated events and learning delivery.

Research aims

- 1.33 Given the lack of data on social enterprise activity in general, and particularly the amount of income gained from delivering public services, it was agreed that research would be conducted with the following aims:

- **Establish the number and location of social enterprises in Essex, Southend-on-Sea and Thurrock**
- **Determine the level of income from trading activity of these enterprises, and the proportion of this income gained from delivery of public services.**

- 1.34 The next chapter gives more detail on the process of designing the research programme, and its implementation.

2 Methodology

- 2.1 For this research we closely followed the DTI's Social Enterprise Unit mapping guidelines, as issued in 2003 [1]. Not only did this ensure good practice but it enabled us to capture data in a form which can be used in future regional or national databases.
- 2.2 From the outset of the project we consulted with expert groups in the sector, extending from regional groups such as Social Enterprise East of England (SEEE) down to CVS groups within each district or borough.
- 2.3 The DTI guidelines recommend that the Government's definition of social enterprise should be applied in mapping exercises using the following three tests. Only organisations that satisfied all three tests should be included as the 'core group' of social enterprises:

Registration

- 2.4 Formal registration indicates a degree of permanence and also that the social enterprise has defined its core values through the process of constitution, for example as part of developing Memorandum and Articles. Social enterprises may take a range of legal forms, with Companies Limited by Guarantee and Industrial and Provident Societies shown by previous mapping studies to be the most popular. It was recommended that the start point for mapping exercises should be organisations registered with Companies House as Companies Limited by Guarantee, and Industrial and Provident Societies and that provision should be made later add qualifying social enterprises that adopt alternative legal forms back into this 'core group'. These could include social enterprises which are registered Community Interest Companies as well as Companies Limited by Shares and (non-exempt) Charities.

Trading

- 2.5 The second test is that the social enterprise is actively trading, through sales, contracts and service level agreements. It was recommended that social enterprises with trading income of 50% and above should be included as part of the core group. Information on social enterprises with income under 50% should be collected as deemed appropriate for individual studies depending on their purpose, for example in targeting the development of fledgling social enterprises. Trading would exclude income from grants, subsidies, supporters' membership fees, voluntary contributions and fundraising activities.

Pursuit of social objectives

- 2.6 A defining feature of a social enterprise is that it has primarily social (including environmental) objectives and that in pursuit of those objectives, it principally reinvests its surpluses in the business or in the community. A test that simply identifies that the business does primarily pursue social objectives in this way was recommended, rather than an approach which attempts to categorise these objectives.
- 2.7 In setting these three tests, it was acknowledged that it may be more appropriate for local and regional studies to incorporate additional flexibility, in particular around the criteria for registration and trading, depending on the purpose of the study.

Recommended, core, and desirable data fields

- 2.8 It was recommended that the following core data fields should be collected as part of any mapping study involving social enterprise
- a) number of social enterprises
 - b) number of employees (part-time / full-time)
 - c) geographical location of social enterprise by postcode
 - d) core trading activity of social enterprise
 - e) turnover (incl. proportion from trading / non-trading activities)
- 2.9 In addition, it was recommended that the following desirable data could be collected in line with study purpose and objectives
- (i) number of employees (temporary / permanent, volunteers, gender, age, ethnic origin and disability)
 - (ii) profits/surpluses (before interest, depreciation and tax)
 - (iii) wage and salary costs
 - (iv) income sources, including proportion from each source
 - (v) geographical scope of market served by postcode (local, regional or national)
 - (vi) additional trading activity of social enterprise, including local purchasing
 - (vii) asset base
 - (viii) date of registration
 - (ix) legal form
- 2.10 Other data fields were suggested, such as the following fields where a wide range of measures may be appropriate depending on the purpose of the study:
- (xi) measures of confidence e.g. whether income will increase or decrease
 - (xii) measures of social / environmental impact
 - (xiii) other quality of work indicators, such as skill development and training of employees

Sampling approach

- 2.11 In the primary phase of the construction of a survey population, Companies House records were consulted and 5982 companies limited by guarantee were identified within Essex from their Sept. '07 list.
- 2.12 A study in the East Midlands reported in ref. 1 (Annexe 1, p17) found that the following 12 Standard Industrial Classification (SIC) codes were used by social enterprises, with the frequencies shown below:

SIC code (description)	% SEs using this code
6523 (Other financial intermediation)	7
7020 (Letting of own property)	6
7484 (Other business services)	2
8021 (General secondary educations)	32
8042 (Adult and other educations)	23
8531 (Social work services with accommodations)	27
8532 (Social work services without accommodations)	76
9131 (Religious organisations)	53
9231 (Artistic and literary creation)	14
9261 (Operation of sporting arenas)	27
9262 (Other sporting activities)	19
9305 (Other service activities)	5

- 2.13 A sort of the Essex registrations at Companies House, leaving only companies with the SIC codes shown in Table 1 in addition to the removal of dormant organisations resulted in a reduced Essex list comprising 4109 companies.
- 2.14 The breakdown of the revised Essex list according to SIC codes identified with social enterprises as shown below

SIC code (description)	No. of Registered Companies within Essex	Projected no. of SE.s in Essex with this SIC
6523 (Other financial intermediation)	448	31
7020 (Letting of own property)	916	55
7484 (Other business services)	140	3
8021 (General secondary educations)	49	16
8042 (Adult and other educations)	220	51
8531 (Social work services with accommodations)	97	26
8532 (Social work services without accommodations)	92	70
9131 (Religious organisations)	61	32
9231 (Artistic and literary creation)	243	34
9261 (Operation of sporting arenas)	94	25
9262 (Other sporting activities)	217	41
9305 (Other service activities)	1521	76
Totals	4109	461

- 2.15 The table shows projections numbers of Social enterprises deduced from the Essex list using the East Midlands data. To produce these estimates, the number of companies within each SIC code was simply multiplied by the frequency factor shown in Table 1. This enabled us to obtain a very rough estimate there could be around 461 social enterprises in Essex listed as companies by guarantee, or around 11% of the total.
- 2.16 These estimates showed that, with a potential success rate of only 11% we did not have the resources to telephone all 4109 companies on the Companies House list, in addition to all the other organisations in the county with a different legal status such as co-operatives, housing associations, CICs etc. We therefore took the decision, as suggested in the DTI guidelines [1], to select only Companies House data with the most likely SIC codes to use for our survey population, namely 8021 (General secondary educations), 8042 (Adult and other educations), 8531 (Social work services with accommodations), 8532 (Social work services without accommodations) and 9131 (Religious organisations).
- 2.17 In the secondary phase of the construction of a survey population we contacted the following expert groups who kindly supplied lists of organisations: Social Enterprise East of England (SEEE) (www.seee.co.uk) and the Social Enterprise Network for Essex, Southend and Thurrock (SENET), Housingnet (www.housingnet.co.uk), the CIC regulator (www.cicregulator.gov.uk), Co-operatives East (using a list originally sourced from Co-operatives UK www.cooperatives-uk.coop), The Association of British Credit Unions Ltd (www.abcul.org), The Guild (using a list from the 2001 survey of the East of England [2] (www.the-guild.co.uk) and Nearbuyou, the national social enterprise trading network (www.nearbuyou.co.uk).
- 2.18 We also met with local Councils for Voluntary Service (CVS) from the following boroughs: Basildon; Braintree; Brentwood; Castle Point; Chelmsford; Colchester; Harlow; Maldon; Rochford; Southend-on-Sea. These infrastructure groups

provided names of organisations which they thought satisfied the three tests described in paragraphs 2.4 – 2.6. Epping Forest and Uttlesford CVSs supplied information by email. Thus 11 of the 12 districts covered by the research provided expertise from within the sector.

- 2.19 Databases were produced for each of the Boroughs or Districts within Essex by combining and de-duplicating the lists described in paragraphs 2.16, 2.17 and 2.18 to produce datasets which included known and potential social enterprises, housing associations, co-operatives, credit unions and CICs.
- 2.20 This sampling approach, while robust, means that the data captured here describes, by definition, sub-sectors of the whole population of social enterprises, and is likely to be an underestimate of the total population considering themselves to be social enterprises.

Questionnaire

- 2.21 A questionnaire was written for collecting the core and desirable data fields recommended by the DTI guidelines as outlined in paragraphs 2.8 - 2.10. The questionnaire was circulated to the research funder for approval before the start of the survey.
- 2.22 The primary stage of the project involved a telephone survey of the organisations listed on the databases outlined in paragraph 2.19 and was conducted in two stages. The first stage identified whether the organisation was registered, trading and had a social or environmental objective according to the tests outlined in paragraphs 2.1 – 2.4. If negative responses were obtained, the survey did not proceed. If the responses were positive, the survey progressed to the second stage. No lower limits were set on the amount of trading activity – so long as the organisation appeared *enterprising*, it was included in the survey.
- 2.23 For the second stage, the organisations were asked if an appointment could be made for completing the questionnaire by telephone at some convenient time to themselves. A large proportion of the organisations (ca. 50%) asked for a copy of the questionnaire to be sent by e-mail to allow time for the financial and other more complex information to be obtained.
- 2.24 The telephone survey took around 30 minutes to complete and was conducted mainly over the period 1 March to 11 April 2008, with some results arriving in late May 2008. In the case of Colchester and Tendring, data was collected over the period 12 March to 14 April 2009.
- 2.25 A small proportion of organisations (ca. 10%) did not have time to complete the survey by telephone but e-mailed back completed questionnaires.

Results and analysis

- 2.26 Responses were obtained from a total of 157 organisations. The response rate for this primary stage, which involved a series of follow up calls to ensure the best possible response, varied from a minimum of 14% for Epping Forest to a maximum of 52% for Southend. The average response rate was 37%.
- 2.27 Inevitably, with such a large questionnaire, some organisations did not want to answer some questions, or could not obtain the necessary information in time for the survey. The results section indicates where this has occurred and the analysis took this into account in terms of averaging etc.
- 2.28 To increase the response rate, 38 secondary investigations covering financial data only were carried out using information available from the Charity Commission (www.charity-commission.gov.uk/) and Companies House

(www.companieshouse.gov.uk/). This made increased the total number of organisations surveyed to 195 and raised the previously poor Epping Forest response rate to 38%. The minimum response rate for individual districts or boroughs with this additional data then became 35% for Braintree while the maximum became 62% for Southend. The overall rate response increased to 45%.

- 2.29 During the analysis it was apparent that, when considering financial data fields such as turnover, trading income etc, figures showing the amounts averaged over the sample population were skewed by the relatively small number of social enterprises with incomes well above the median level. It was considered useful, in addition to presenting the complete data, to present results for some fields with data from the very largest organisations removed. For example, by removing data from the 10 organisations with the largest turnover, namely £57m, £17.7m, £12.6m, £8.8m, £6.7m, £5.7m, £5.5m, £5.3m, £3.7m and £3.2m, in descending order, the standard deviation in the turnover was reduced by almost 1200% from £5.84m to £479,000. This seemed a reasonable cut-off point, as when data from the organisation with the 11th largest turnover (£3m) was removed, the standard deviation only changed by 5%.

3 Results

- 3.1 This chapter provides the first detailed attempt to map and analyse social enterprise activity in Essex. It provides data on a range of subjects, including: the number of organisations involved in this activity; their geographical location; financial information (including turnover, sources of income, and sustainability); social goals; trading activity; details of employees; and attitudes towards public service tendering opportunities.
- 3.2 Throughout this chapter, 'Essex' is used to describe the area of the county council, along with the unitary authorities of Southend-on-Sea and Thurrock.

The number of social enterprises in Essex

- 3.3 Based on this survey, it is estimated that there are around 430 organisations engaged in social enterprise activity in Essex,
- 3.5 A comparison can be made between this figure and previous estimates of the number of social enterprises in Essex extrapolated from previous national and regional research. The closest correlation to the actual population we surveyed came in the DTI survey of 2005.

Survey	Regional estimate	Essex estimate
EEDA Survey (EEDA, 2001)	989	296
DTI Survey (DTI, 2005)	1470	440
OTS adjusted (OTS, 2008)	5390	1615
Social Enterprise in Essex (This research)	1437*	430

(Figures are as in 1.28, except * which is a regional estimate based on our research findings)

Identification with the term 'social enterprise' & other descriptions

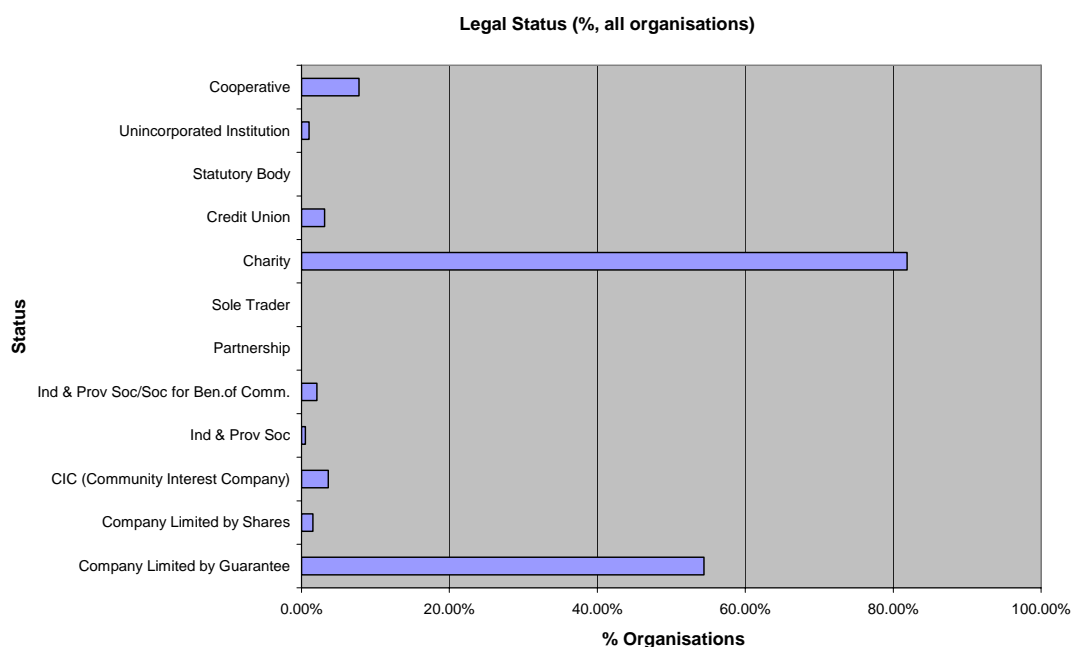
- 3.6 Of the sample surveyed, only a slight majority (53%) described themselves as a 'social enterprise', despite all of the organisations being engaged in trading activity which is for a social purpose (the commonly accepted definition of a social enterprise). We asked each organisation which term, or terms, they felt happy to use to describe themselves.

Description	% of respondents identifying with description
Social enterprise	54
Third Sector	19
Voluntary Sector	7
Charity	84
Other	4

- 3.7 Overwhelmingly, our sample were happy to describe themselves as charities (which is a legal status); the small number using the descriptive term 'voluntary sector' in addition perhaps reflects the fact that generally it is larger and more established organisations who are involved in trading activity.

3.8 While there are clearly a large minority of our sample who do not use the term 'social enterprise' to describe themselves, for convenience and clarity we will, from this point forward, use this description for all organisations in our population.

3.9 The chart below summarises the legal status of the organisations surveyed.



Geographical distribution of social enterprises in Essex

3.10 By obtaining information such as address and post code, we were able to group social enterprises by their geographical location. The table below shows this distribution.

Local authority	Number of social enterprises
Basildon	25
Braintree	31
Brentwood	31
Castle Point	15
Chelmsford	56
Colchester	66
Epping Forest	37
Harlow	42
Maldon	22
Rochford	17
Southend-on-Sea	29
Tendring	17
Thurrock	21
Uttlesford	21
TOTAL	430

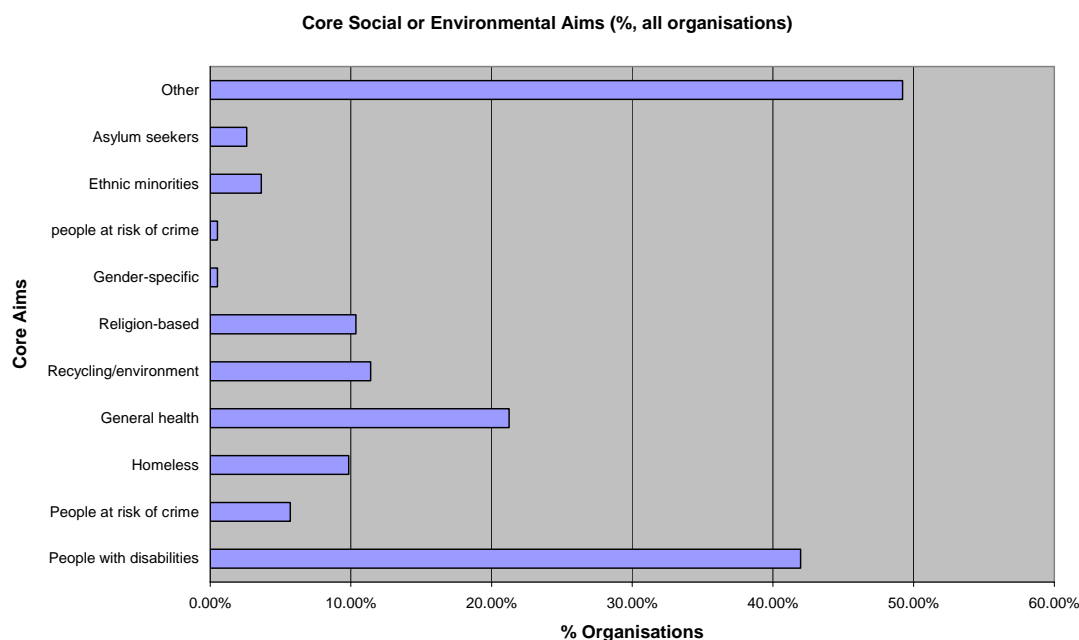
3.11 The number of social enterprises in many of these areas differed markedly from the number predicted on a population basis. The table below compares actual social enterprises with this predicted figure for each area.

Area	Actual	Predicted	% variance
Basildon	25	44	-43%
Braintree	31	35	-12%
Brentwood	31	18	+70%
Castle Point	15	23	-35%
Chelmsford	56	42	+34%
Colchester	66	42	+59%
Epping Forest	37	32	+15%
Harlow	42	21	+100%
Maldon	22	16	+39%
Rochford	17	21	-19%
Southend-on-Sea	29	43	-32%
Tendring	19	37	-49%
Thurrock	21	38	-45%
Uttlesford	21	18	+14%
TOTAL	430	430	0

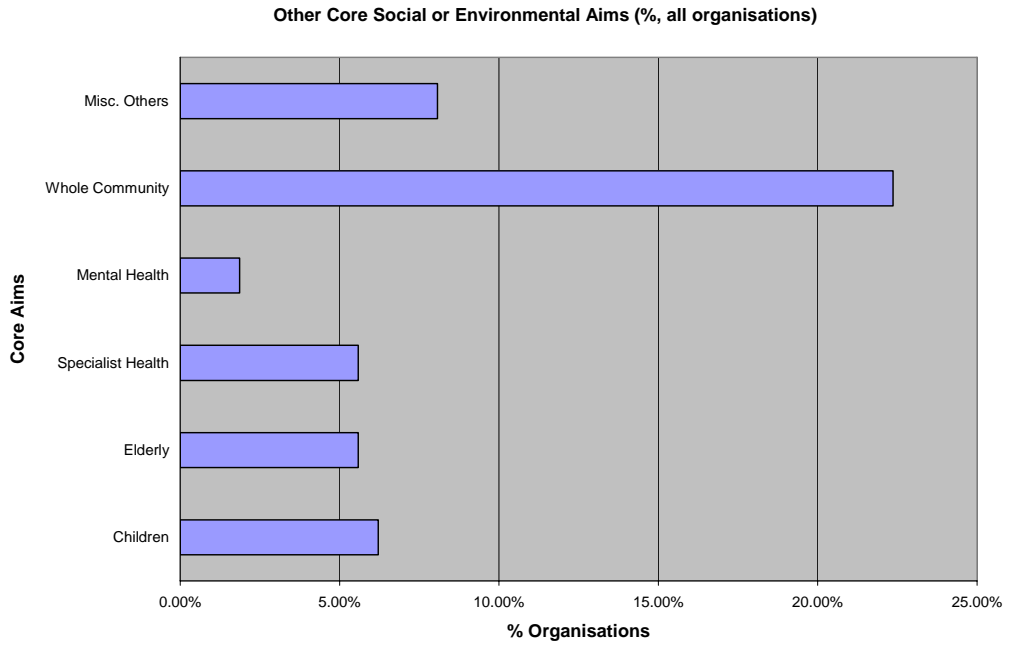
3.12 The most significant variances (greater than +/- 40%) occurred in the following six areas: Basildon (-43%); Brentwood (+70%); Colchester ((+59%); Harlow (+100%); Tendring (-49%); Thurrock (-45%). Further investigation into the causes of these variances is necessary to explain them fully.

Core objectives of social enterprises in Essex

3.13 The table below summarises the core objectives given by respondents. (These categories may at first glance appear to be client groups rather than aims but followed the guidelines given by the DTI). The largest number of organisations chose 'disabilities' as a core objective, followed by 'general health'.

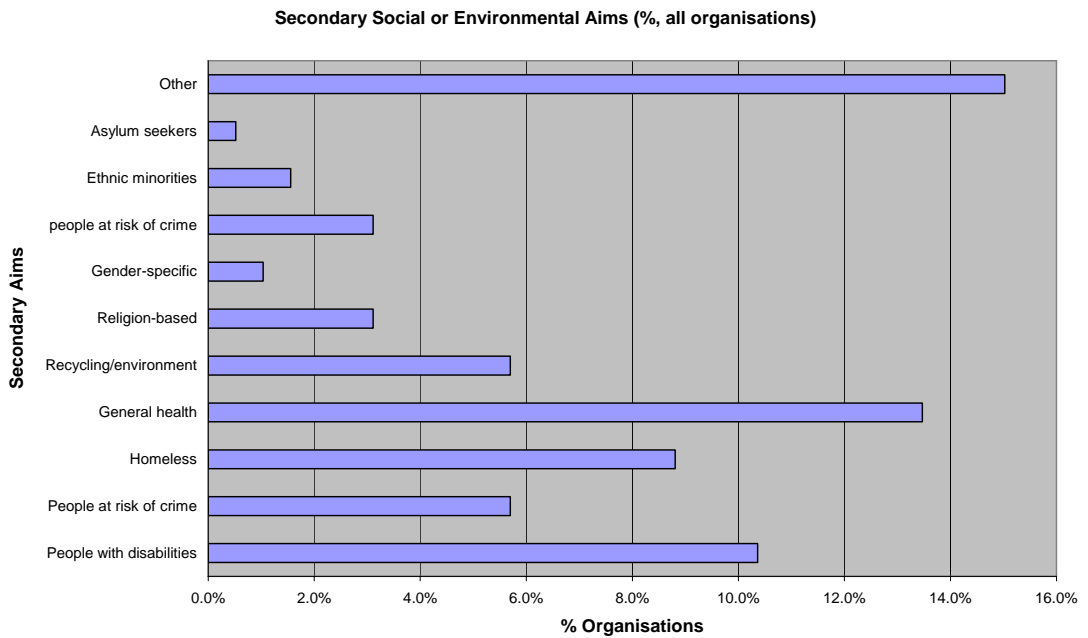


3.14 A significant proportion said their core social or environmental aims did not fall into the categories listed, these responses are broken down in the table below. Most popular were 'whole community' 'children and 'elderly'.

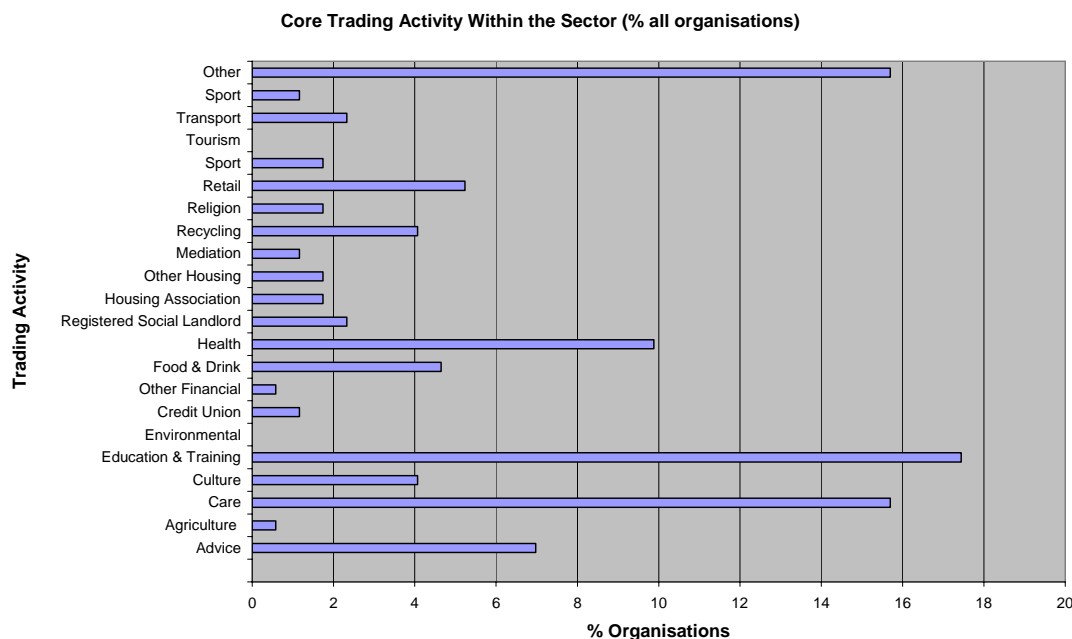


Secondary objectives & trading activity

3.15 Asked to name a secondary social objective, those organisations which responded were most likely to choose ‘general health’, ‘people with disabilities’, and ‘the homeless’ from the list presented.



3.16 The next set of responses relates to the trading element of social enterprise activity. The most popular specified areas were ‘education and training’ (17%); ‘care’ (16%); health (10%) and advice (7%).



Comparison with previous research – objectives and trading

3.17 Social & environmental objectives and trading activity of Essex social enterprises can be compared with those identified by the 2005 national survey (DTI, 2005). The following paragraphs highlight some interesting points shown by this comparison.

3.18 The proportion of organisations identifying 'people with disabilities' as a core target group, at 42%, is much higher than the national figure of 19%. This is despite the proportion of disabled working age adults in the area (15.6%) being slightly lower than the national figure of 18.7% (ECF, 2004). The prevalence of organisations with a focus on disabilities may result from there being a larger number of smaller groups involved in this activity.

3.19 'Whole community' was identified as a core objective by 22% of respondents, which compares closely with the 24% from the national survey. Notably different from the national figures are 'children' (17% nationally, 6% locally); and 'elderly' (15% nationally, 6% locally).

3.20 In terms of trading activity, the national research is less detailed than the local picture, as it uses the most popular 5 SIC codes to group the enterprises surveyed. Education, at 15%, and wholesale/retail, at 3%, are fairly close to the local figures of 17% and 5% respectively. However, the housing and property related categories in the local survey add up to only around 6%, compared with a figure of 20% nationally, which perhaps suggests that renting of property assets as an income stream for local social enterprises is less developed than across the rest of the UK.

Employment in Essex social enterprises

3.21 The research analysis looked at numbers employed when all our sample was taken into account, and when the largest 10 organisations were excluded (see 2.29 above).

3.22 The table below shows the average number of employees, full-time and part-time, and including volunteers, at Essex social enterprises.

	All sample	Excluding largest 10
Full-time	13.5	11.5
Part-time employees	20.1	19.4
TOTAL	33.6	30.7

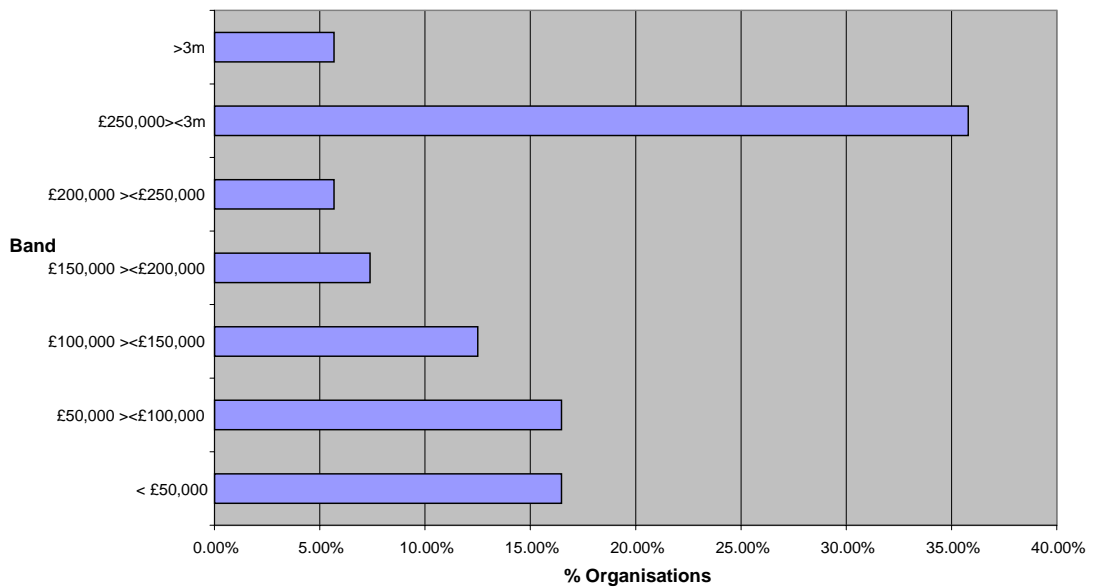
A sensible estimate of the numbers of people employed by Essex social enterprises, adjusted to ensure the sample is not skewed by the largest organisations, would be 13,200. By way of comparison, the UK survey gives a total workforce of 750,000 for social enterprise, which gives an average workforce of 50 (compared to 31 (adjusted as described above) in Essex) for the 15,000 social enterprises in the survey (DTI, 2005).

- 3.23 Of employees in the sample enterprises 67% were women and 33% were men. This compares with general employment figures for the East of England, where women make up just 45% of all part-time & full-time employed and self-employed economically active people. (SOURCE ONS?). When the 10 largest organisations are excluded, the proportion of women employees rises to 72%.
- 3.24 Volunteers make up an average of 47% of staff of all social enterprises, rising to 49% when the largest 10 are excluded. Nationally it has been found (DTI, 2005) that 40% of employees in social enterprises were volunteers, although the tendency was for this proportion to rise in inverse relation to the size of the organisation, rising to 81% for micro social enterprises (with 10 or less paid staff).
- 3.25 Despite the high proportion of social enterprises engaged with disability as a core objective, the proportion of disabled employees remains low at 1.5%. The proportion of ethnic minority staff, at 1.4% is considerably lower than the equivalent figure for the general population (5.5%).

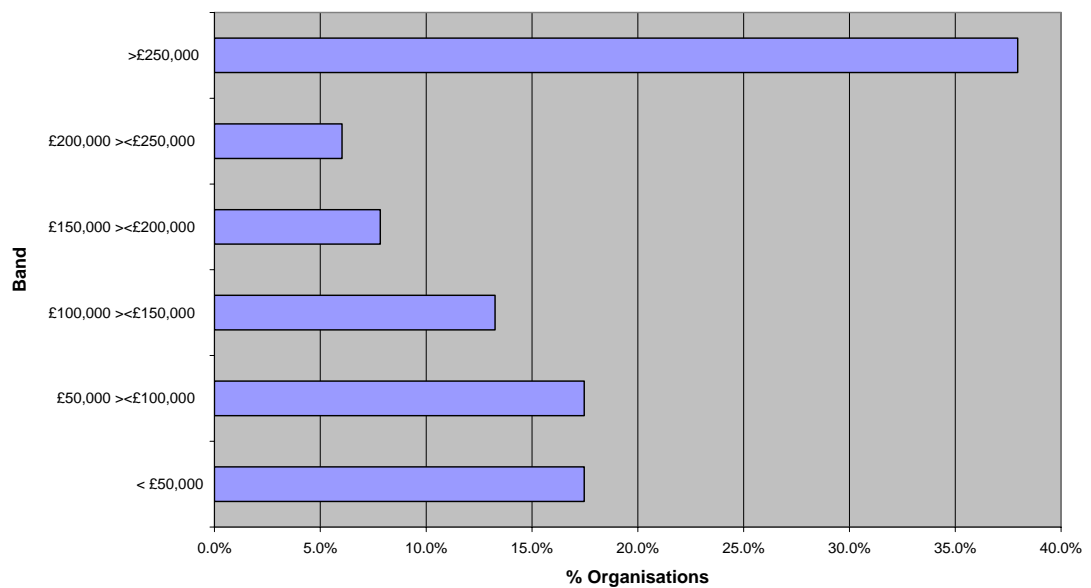
Turnover

- 3.26 The average turnover for the 170 organisations in our sample for which we had a complete set of financial data was £1,139,000. To avoid very large organisations skewing the sample, those with a turnover of more than £3,000,000 (10 in total) were removed and another calculation of average turnover was made.
- 3.27 The average turnover for the remaining 160 organisations was £423,500
- 3.28 The median (the midpoint if all values were listed in order) turnover for all 170 organisations was £176,276
- 3.29 The charts below show the number of Essex social enterprises falling into various bands of turnover, with and without the organisations whose turnover is greater than £3,000,000.

Turnover (all organisations, % banded)



Turnover (all organisations, but excluding organisations with turnover > £3m, % banded)

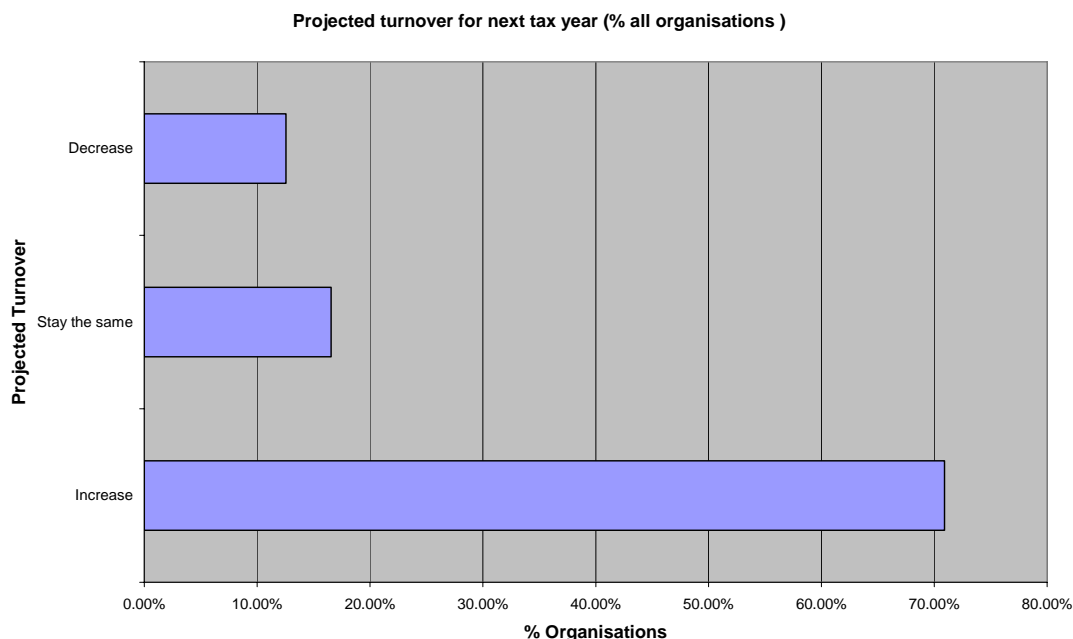


3.30 When the figures for all Essex social enterprises are compared with national data, there are fewer Essex social enterprises with turnover of over £250,000 (41.5% as opposed to 55%), more in the range £50,000 to £250,000 (42% as opposed to 31%) and slightly more in the range £0 to £50,000 (17% as opposed to 14%).

3.31 A sensible estimate of total turnover for all 430 Essex social enterprises, adjusted to ensure the sample is not skewed by the larger organisations, would be £304 million, which would give an average turnover of £707,000. The average turnover for Essex social enterprises is therefore less than the £900,000 average turnover of all UK social enterprises (DTI, 2005), as is the median (which in the UK is around £300,000); this would be expected given the larger number of UK social

enterprises in the higher turnover band (see 3.28 above), and the smaller workforce in Essex social enterprises (see 3.21 above).

3.32 The chart below shows responses to a question on whether organisations expected turnover to increase, stay the same or decline in the next financial year. There was a generally optimistic response to this question, with 71% foreseeing a rise in turnover and 17% predicting it would stay the same. Interestingly, results captured for Colchester and Tendring within the “credit crunch” period March-April 2009 did not appear to show much change in this optimistic trend, with 69% of enterprises foreseeing a rise in turnover and 17% staying the same.



Trading & non-trading income

3.33 The proportion of turnover made up of trading income (from sales of goods and services) and non-trading income (grants or donations) received by Essex social enterprises is shown in the charts below.

Trading and Non-Trading Income as % of turnover (all organisations)



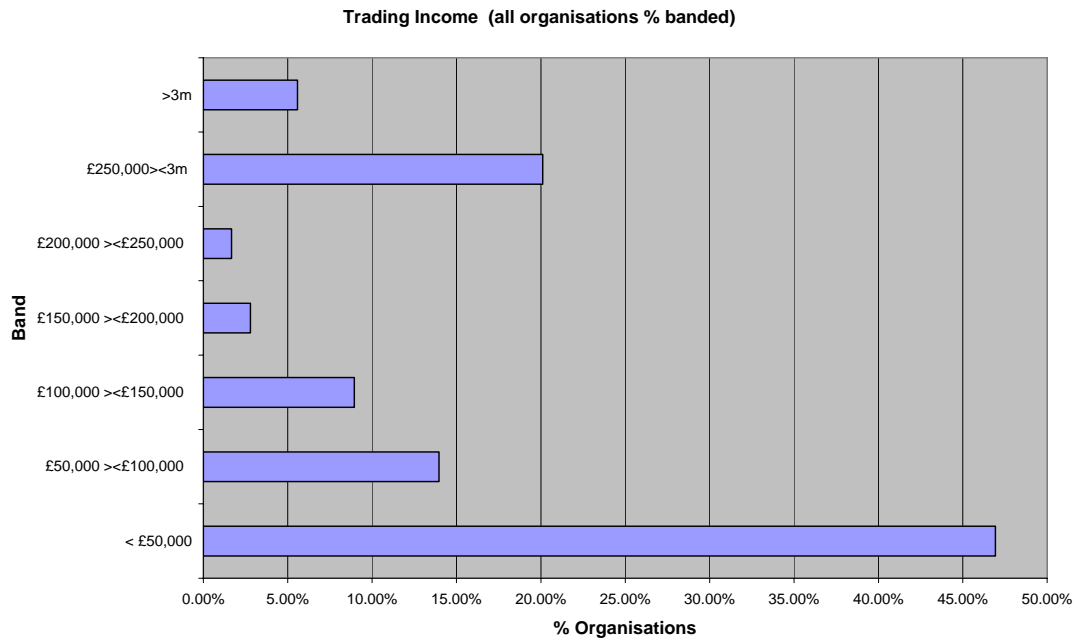
Trading and Non-trading Income as % of Turnover (averaged, excluding organisations with turnover > £3m)



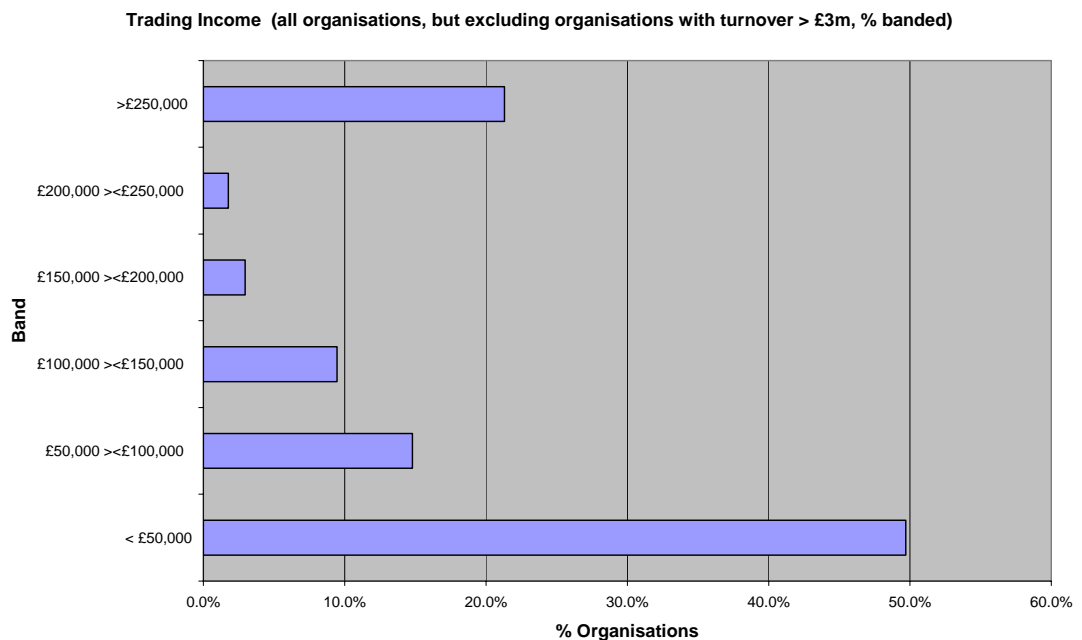
It is evident that trading income generally forms a proportion of more than 50% of overall income of Essex social enterprises, with larger organisations having a higher proportion of income through trading activities. An estimated figure for trading income for all Essex social enterprises would be £161 million, giving an average per enterprise of around £375,000, with the remaining £332,000 per enterprise (or £145 million across Essex) coming from grants, donations and other sources of non-trading income.

Levels and sources of trading income

3.34 The chart below shows numbers of social enterprises whose trading income falls within selected bands.



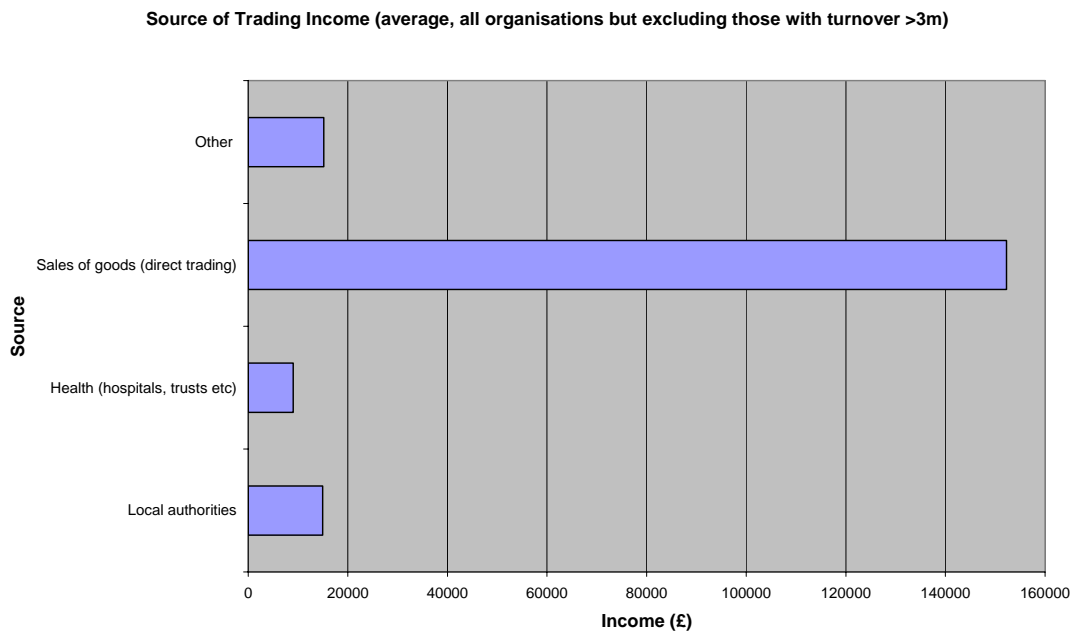
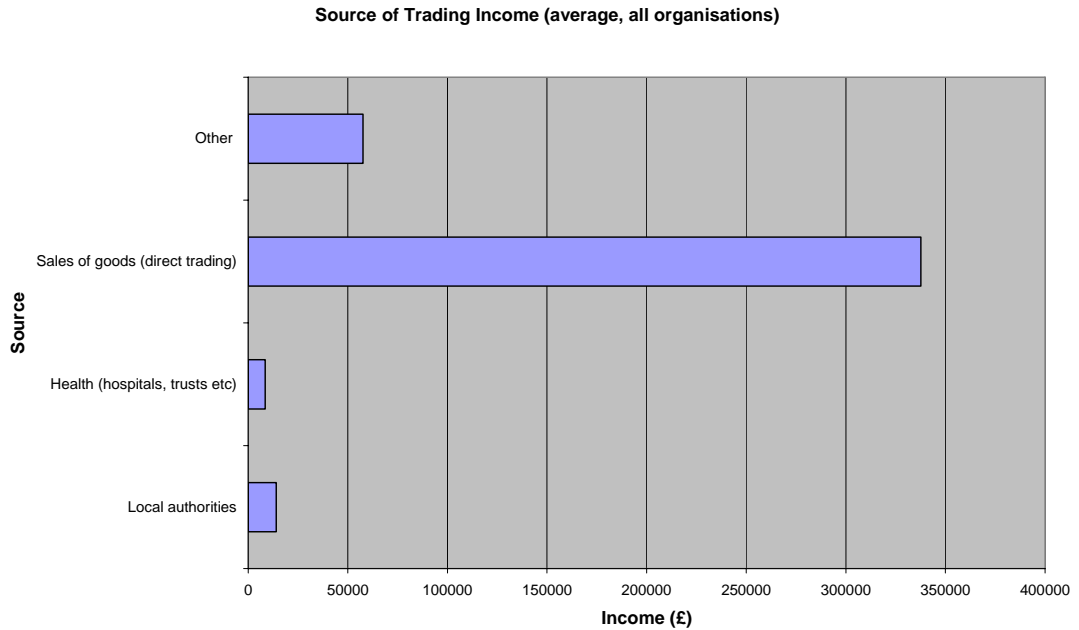
3.35 When the largest 10 organisations are removed from the data, the picture is as shown below.



It is noticeable how many organisations (49.7%) are in the lowest income band (under £50,000 of trading income, a figure reflected by the median income level of £60,000. Less than 3% of enterprises earned between £150,000 and £250,000, compared with 25% with earnings between £50,000 and £150,000. This suggests that there is a barrier for organisations wishing to grow beyond lower-level trading activity into more sustainable levels of income. There is a reasonable number of

larger (more than £250,000) enterprises, but a lack of organisations in ‘the waiting room’ to become large scale.

3.36 Sources of trading income are shown in the charts below.

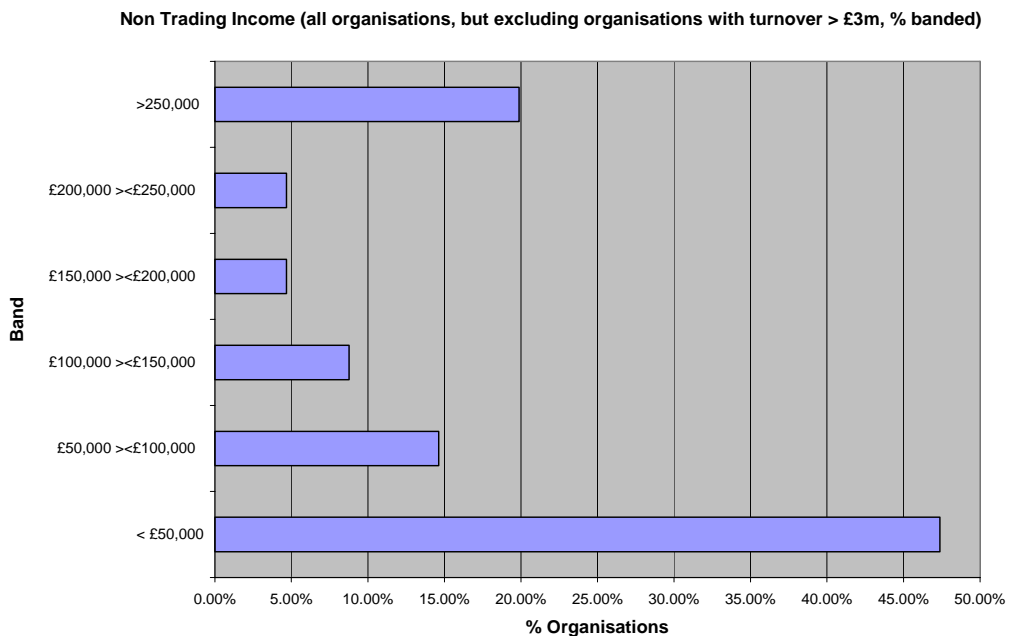
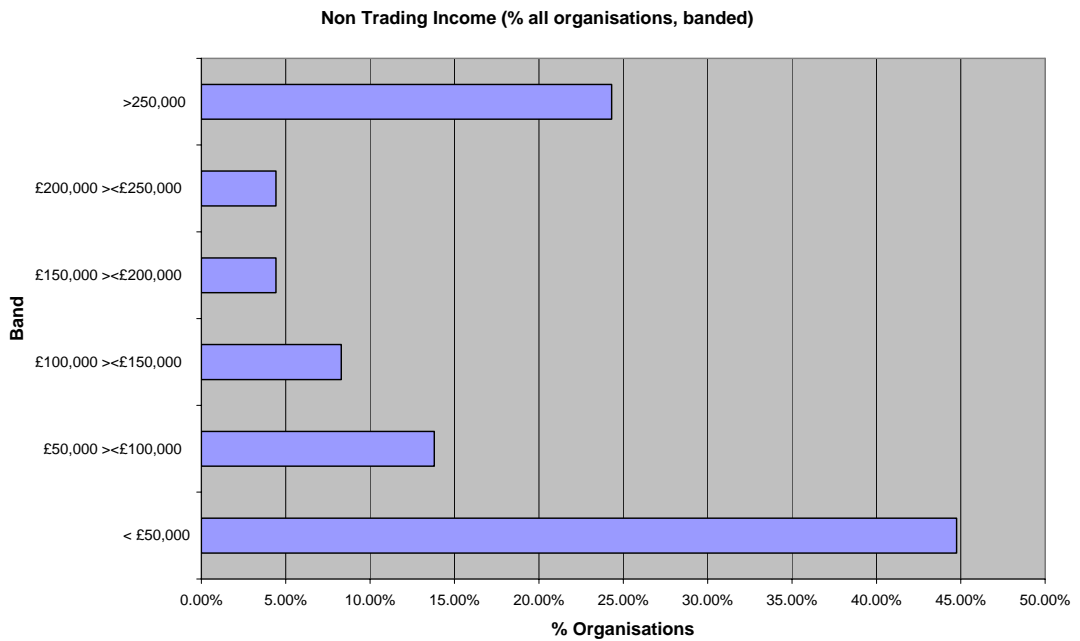


As expected, larger organisations show a greater tendency to trade directly in goods and services. The average income from trading with local authorities and health trusts is currently fairly low, at £15,000 and £9,100 respectively. Total income from trading with local authorities and health services represents 12.3% of total trading income for Essex social enterprises (without top 7). This would

equate to approximately £20 million of income across the county's social enterprises.

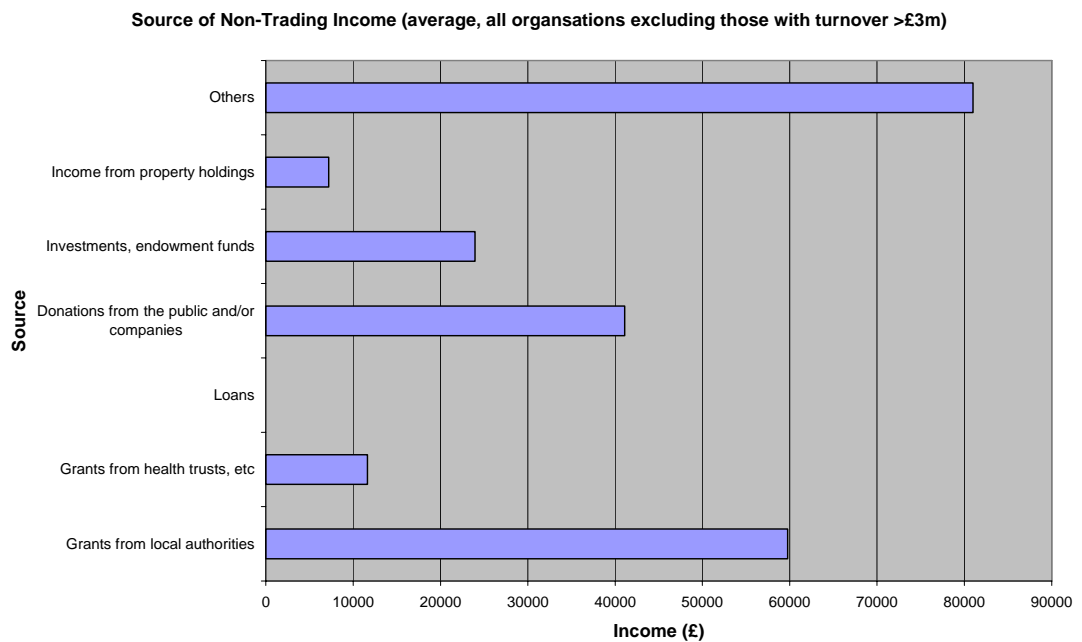
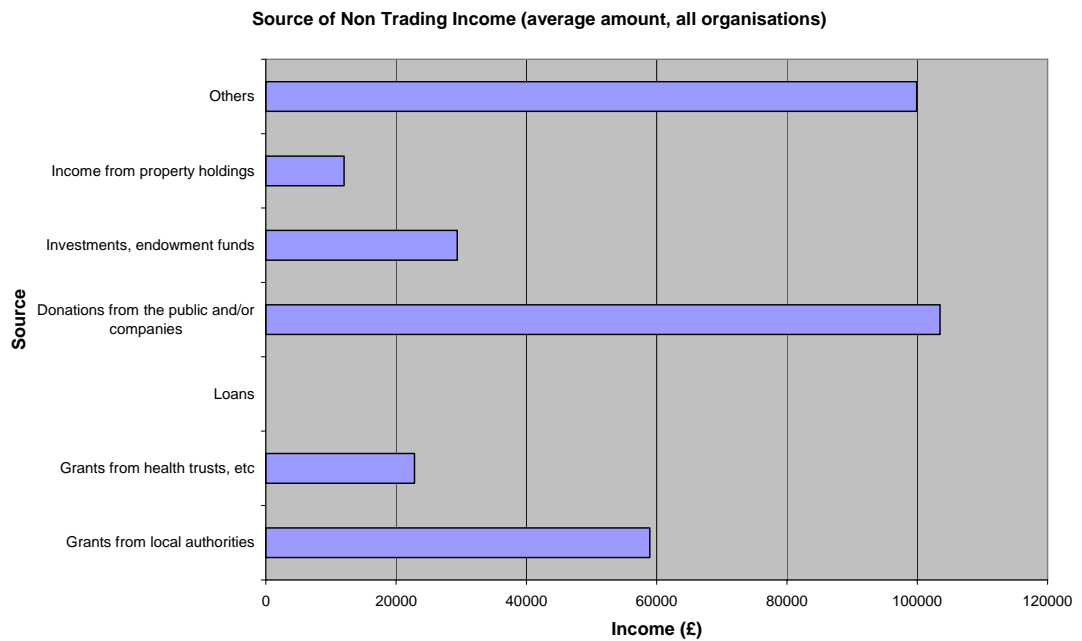
Levels and sources of non-trading income

3.37 The charts below show the percentage of social enterprises falling within various bands for non-trading income.



The non-trading income band data again suggests that there is a preponderance of smaller organisations.

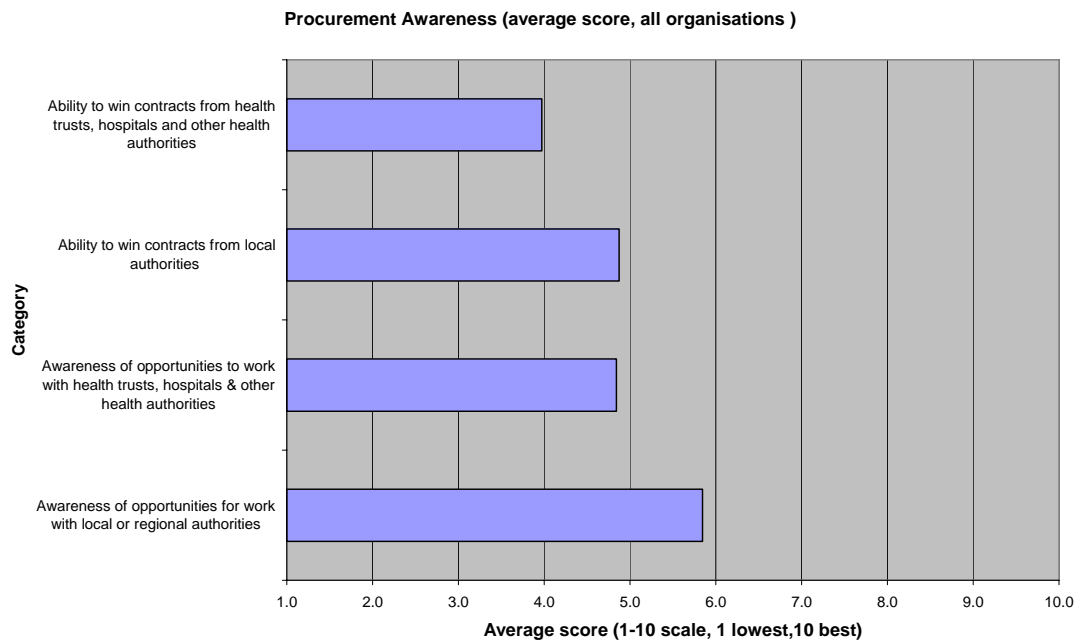
3.38 Respondents were asked to break down non-trading income into various categories according to their sources.



It is interesting to note the average non-trading income in terms of grants from local authorities and health trusts is currently £59,900 and £11,600 respectively. Total non-trading income from local authorities and health services represents 31.8% of total non-trading income for Essex social enterprises (without top 10). This would equate to an estimate of approximately £46 million of income across the county's social enterprises.

Awareness of and readiness for public sector opportunities

3.39 Respondents were asked to rate their awareness of, and ability to respond to, tender opportunities from local authorities and health authorities. The table below shows the average score (out of 10) that was given for each category.



Overall there is slightly more confidence in relation to local authority contracting than that with the health service.

3.40 Participants were encouraged to say what they thought would improve their awareness of & ability to respond to such opportunities. The tables overleaf group some comments under general themes which emerged during data analysis.

Awareness of opportunities

Category (number of comments)	Selected comments
Internal factors such as knowledge of opportunities, capacity to bid (36)	<p>"We need to know what is happening, and have things explained without jargon" Braintree SE</p> <p>"Difficult to achieve with only 3 staff" Rochford SE</p>
Issues with commissioning agencies (22)	<p>"We need 'Meet the Buyer' events, wider networking, regular dissemination of opportunities from Public Bodies" Chelmsford SE</p> <p>"Local council do not appear to be interested" Thurrock SE</p>
Comments relating to the relationship between buyer and supplier (38)	<p>"More Essex-wide communication of opportunities, held in a central place." Chelmsford SE</p> <p>"More opportunities to attend working groups that involve these organisations. This would help build relationships" Harlow SE</p>

It was notable that only 6 respondents thought relationships with public authorities were good at present.

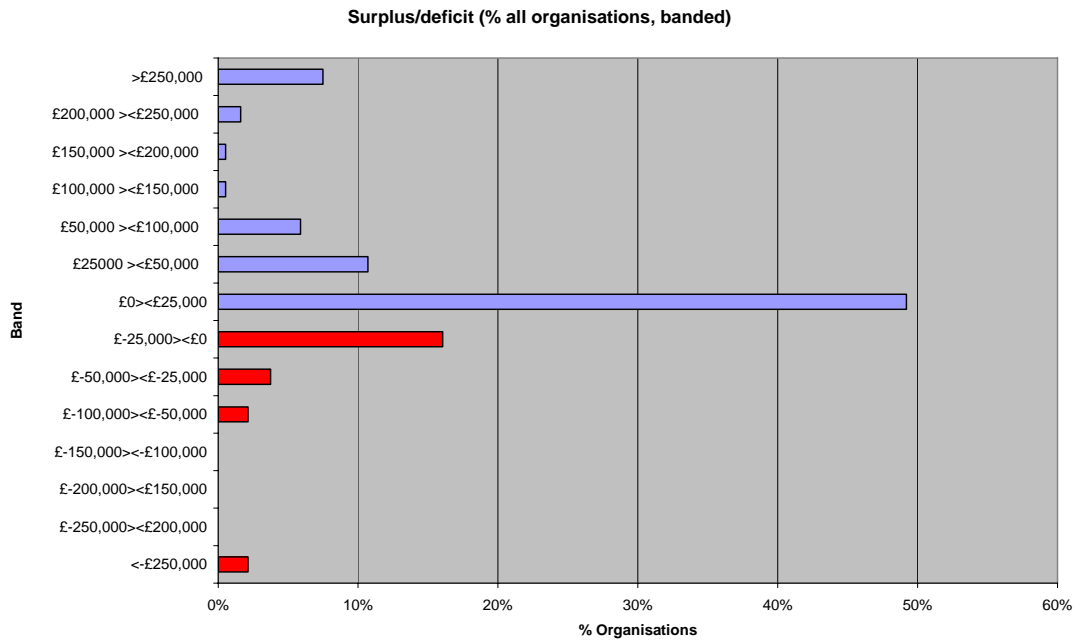
Winning more contracts

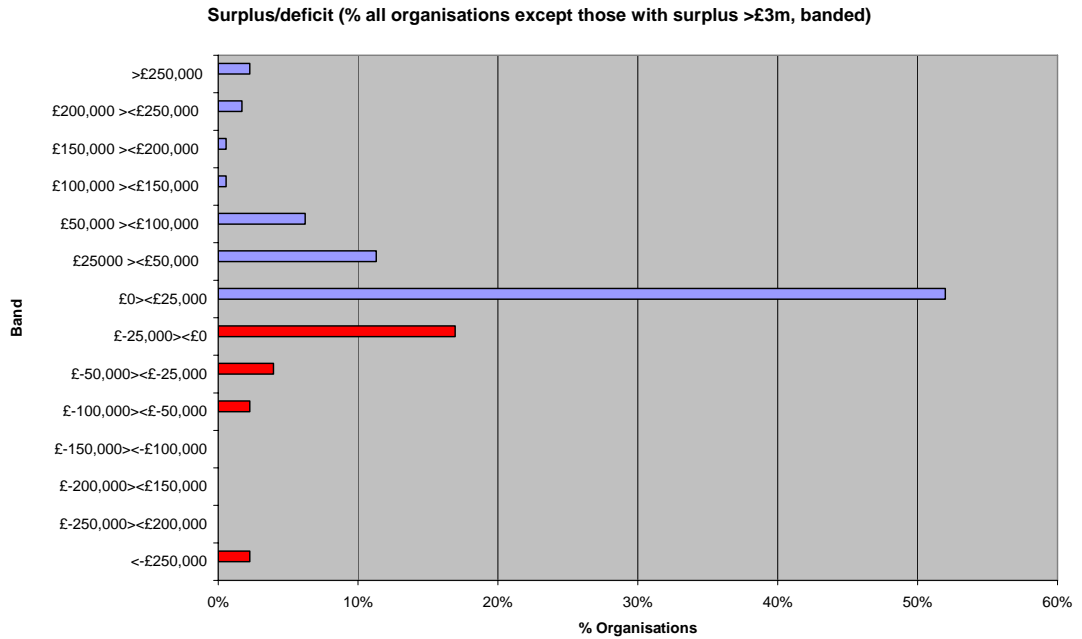
Category (number of comments)	Selected comments
Internal (47)	<p>"We need training and support for staff involved in tendering for contracts – this could be supported by statutory bodies" Braintree SE</p> <p>"We need to develop our awareness of funding opportunities and our ability to complete successful bids" Chelmsford SE</p>
External (22)	<p>"The funder needs to be more open about what they need". Chelmsford SE</p> <p>"The tendering process is haphazard – PCTs all have different regulations" Chelmsford SE</p> <p>"More information is required on possibilities with Health Trusts" Colchester SE</p>

	<p>“Senior management need to get involved” Colchester SE</p>
<p>Relationship (17)</p>	<p>“The public sector needs better communication with the VS”. Harlow SE</p> <p>“We need far more contact to ensure staff know what we do” Castle Point SE</p>

Levels of surplus or deficit

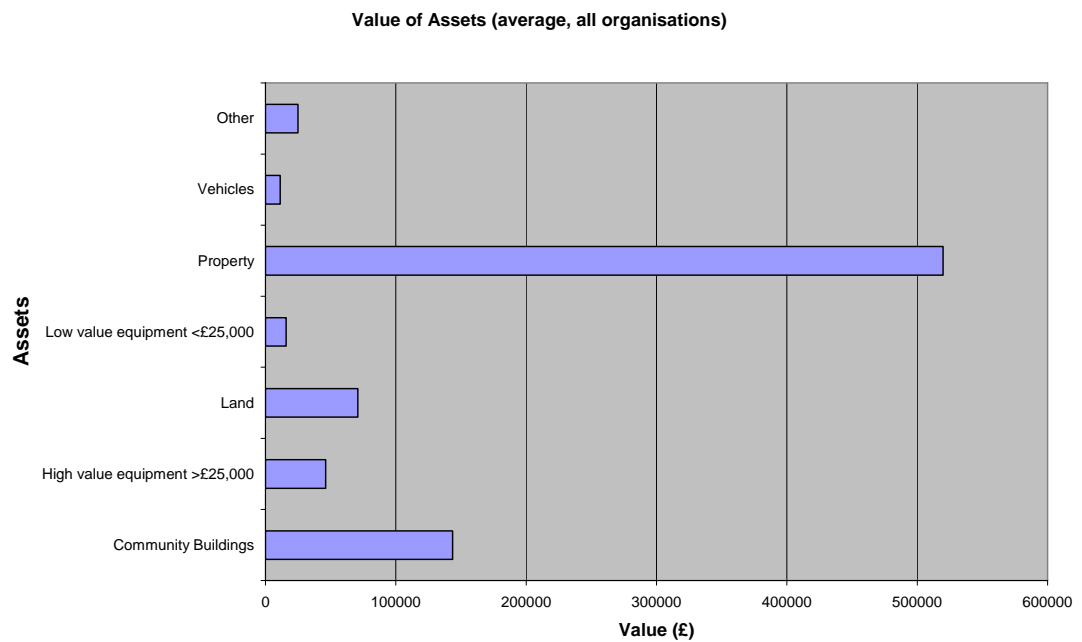
3.41 Average surplus for all Essex social enterprises is £225,000, and the median is just £1746. With the top 10 organisations removed, the average surplus falls to £19,300 and the median to £1126. The charts below show the percentage of social enterprises falling within various bands for surplus or deficit.

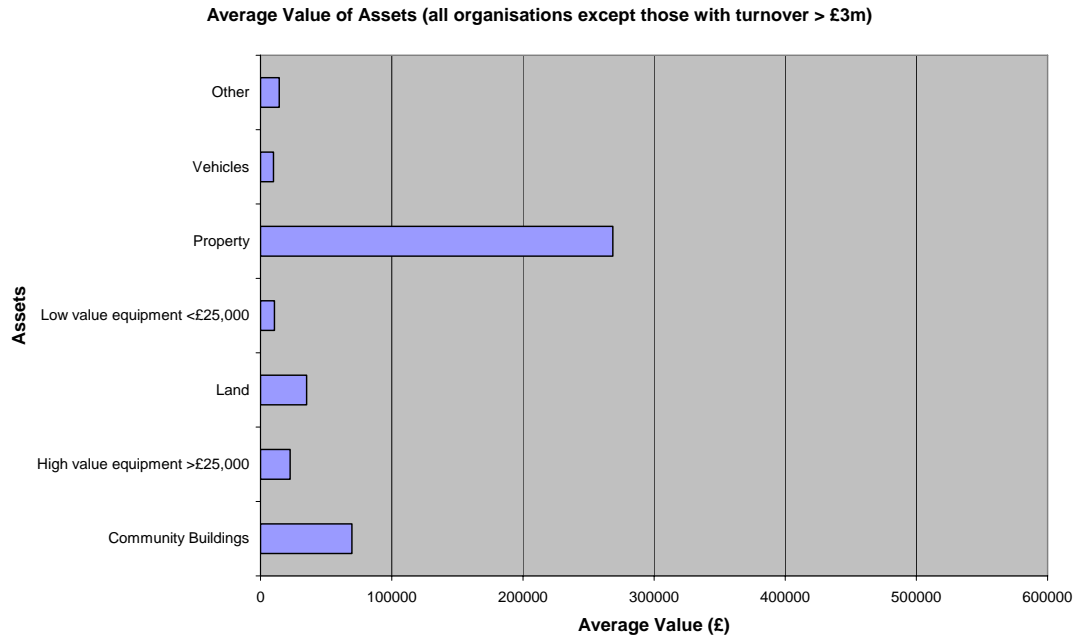




Value of assets

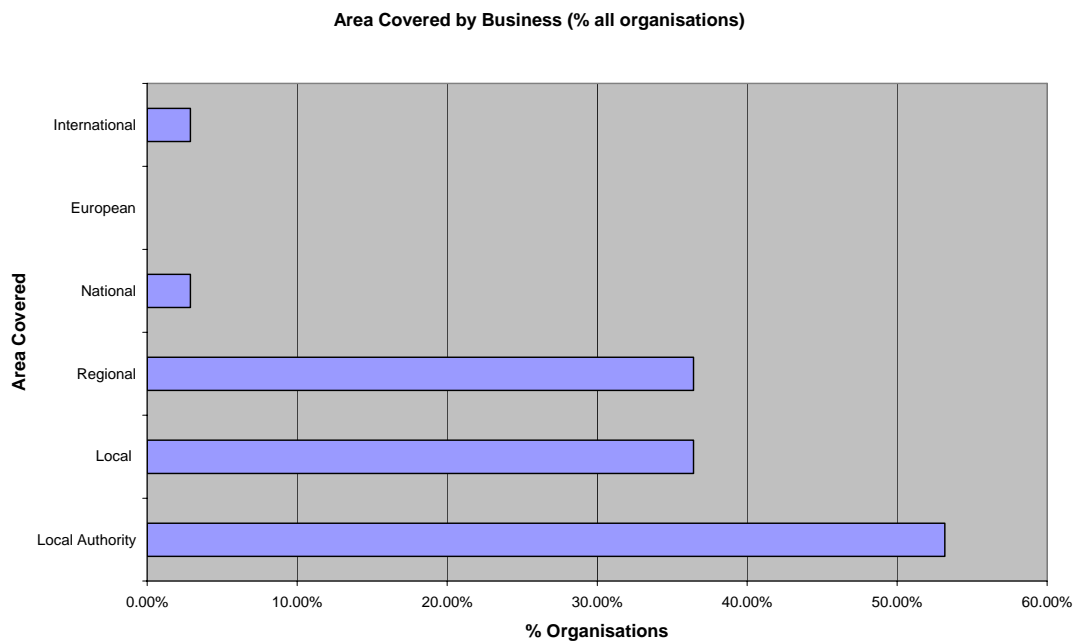
3.42 *Making Assets Work* (Quirk, 2007) suggests that community ownership of assets could bring sustainability (through rent or other income) to many Third sector organisations. Our survey reveals that the current value of buildings and other assets held by social enterprises in Essex is relatively low, with property making by far the largest single group of such assets.





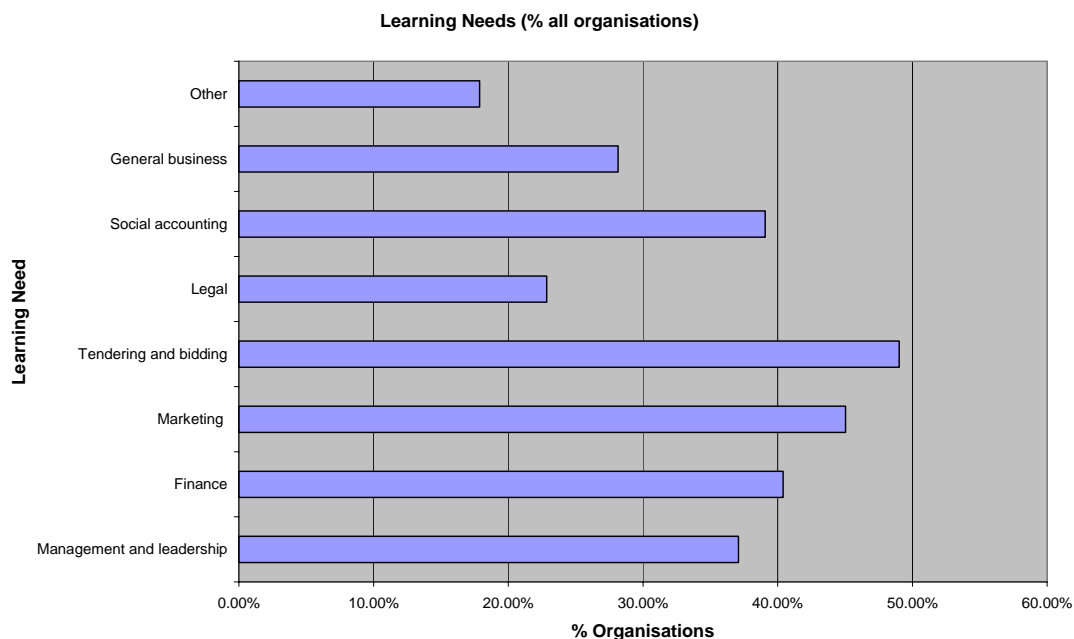
Geographical scope of social enterprises

3.43 The chart below shows that most Essex social enterprises have a local (district or county level) focus, although around a third are regional in operations.



Learning Needs

3.44 A total of 72% of respondents identified that there were learning needs within their social enterprise. The chart below gives a breakdown of the particular topics where learning needs were greatest. Tendering & bidding; marketing; finance; social accounting; and management & leadership were the five areas where social enterprise learning needs were greatest.



Barriers to growth

3.45 Respondents were asked to identify and comment on factors which could prevent future growth of their social enterprise. 127 participants commented on this question. Lack of funding was identified as the major barrier by 70 organisations, and lack of other resources, including space, staff and knowledge, was the second biggest barrier with 29 comments.

3.46 Some of the comments are reproduced below to illustrate what social enterprises in Essex feel about barriers to growth:

Responses to question: 'What, are the main barriers to growth, if any?':
"Competitive tendering and grants that end, and cannot be renewed as they are for new projects only" Uttlesford SE
"Funding/resourcing (this includes suitability of premises) recruiting & retaining volunteers and paid staff development" Braintree SE
"Lack of space and ability to expand on Industrial Area" Basildon SE
"Funding: need training, need stability – even to enable a 3 year plan would help" Chelmsford SE
"Need for more physical space/bigger premises" Brentwood SE
"Reduction in grant funding, training, risk averse trustees" Chelmsford SE
"No support from local authorities and only a little from housing associations. Both benefit from reduced arrears once a local credit union is established" Chelmsford SE
"Lack of ability to plan because of short term nature of funding although this is changing. Staffing is also a limiting factor" Harlow SE
"Unable to plan finances beyond one year because of reliance on statutory funding" Harlow SE
"The current recession" Colchester SE

Miscellaneous

- 3.47 Two further questions were asked to gauge awareness in the sector of Social Accounting, and of the new Charitable Incorporated Organisation.
- 3.48 30% of all organisations had heard about Social Accounting or Social Return on Investment (22% when turnovers of £3m removed). Only 5% had had the social/environmental impact of their business measured.
- 3.49 35% of organisations had heard of Charitable Incorporated Organisations (CIOs) – but only 19% were interested in becoming one.

4 Conclusion

- 4.1 Social enterprise has been under-researched in comparison to other economic activity (Peattie and Morley, 2008) and suffers from a confusing image even among those individuals who would be expected to be sympathetic to its approach (COI, 2008).
- 4.2 This report provides an insight into the social enterprise sector (which we define as those organisations which are engaged in social enterprise activity) in twelve districts and unitary authorities of Essex.
- 4.3 The purpose of the research was to establish the number of social enterprises in this area, and the extent to which their income is derived from delivering public services. However, it was also the intention to uncover further information relating to Essex social enterprises. Some of our findings are listed below.
- 4.4 We estimate that there around 430 social enterprises in Essex (14 districts). This estimate is close to the figure of 440 social enterprises that which would be obtained from a breakdown of the national survey of social enterprises conducted in 2004.
- 4.5 Social enterprise 'hot spots' exist in Harlow, Chelmsford and Brentwood, while Thurrock, Tendring and Basildon have significantly fewer social enterprises than would be expected.
- 4.6 People with disabilities and health were the most commonly stated core social objectives of Essex social enterprises, along with 'benefitting the whole community'.
- 4.7 The main activities from which trading income was derived were: education & training, care, advice, and health.
- 4.8 Essex social enterprises employ around 13,200 people, with a typical full-time to part-time ratio of around 1:2. Around two thirds of employees are women, and 47% of staff at social enterprises are volunteers. Surprisingly, disabled and BME staff form a very low proportion of the social enterprise workforce.
- 4.9 The social enterprise sector in Essex has an estimated turnover of £303 million, with around 53% coming from trading activity. Most respondents expect their organisations' income to rise during the next financial year.
- 4.10 Around 11% of trading income is derived from contracts with public authorities, and 30% of non-trading income comes from grants from these bodies. Respondents rated their awareness of public sector contracting opportunities to be higher than their ability to respond to them, and identified a number of barriers to their organisation winning such contracts, chiefly around their own lack of capacity, attitudes from the public sector, and the mutual understanding and relationship between the latter and the third sector.
- 4.11 Unsurprisingly, 'tendering and bidding' was one of the organisational learning needs identified most often by respondents, along with marketing, finance, social accounting, and management & leadership.

Discussion and recommendations

4.12 The research report highlights a number of important trends and themes for the wider social enterprise sector, and for practitioners and policy makers in Essex.

Social enterprise numbers

4.13 Our research suggests that the number of social enterprises in Essex (and perhaps in the UK) is lower than would be the case if the UK Government's estimate of 55,000 social enterprises nationally were correct. The higher figure is based on a survey of small business conducted in 2005 in which respondents were asked four questions to do with profit distribution, trading income and their own view of whether they were a social enterprise.

4.14 This survey found that 5% of all Small and Medium-sized Enterprises (SMEs), whether sole traders or with employees, were social enterprises. More research in Essex is needed to establish if social enterprise indeed forms such a large proportion of what are traditionally regarded as private sector businesses.

4.15 If the figure of 5% is correct, of the four and a half million SMES in the UK, well over two hundred thousand (not 55,000) would be social enterprises. Grappling with the definition of social enterprise has filled many a conference agenda, yet for policy makers, support agencies and practitioners, there is still a confusing and conflicting picture, something which can only add to the common misconception that social enterprise is part of the charity sector (COI, 2008).

4.16 Our own research suggested that organisations were not always willing to describe themselves as social enterprises even when their activity fitted the social enterprise definition. Certainly many in the sector would be surprised to hear sole traders being included in the social enterprise definition; however if other SMEs are able to do so then the question is 'why not'?

4.17 **We therefore recommend:**

- **Continued research among the existing database of social enterprises, including around the issue of identity and definition.**
- **Further research into SMEs in Essex to establish whether the level of social enterprise in the private sector is as high as the national figures suggest, with the aim of improving policy and practice on social enterprise in the sub-region.**
- **Open discussion between the OTS and researchers of the methodology underlying the revised 55,000 figure for social enterprise, to aid those researching the sector at regional and sub-regional level, and allow this figure to be examined more rigorously.**
- **A clear statement from sector bodies such as the Social Enterprise Coalition, to explain their position on businesses with no employees, sole traders, and other SMEs which may regard themselves as social enterprises but are generally not presented as being part of the sector.**
- **Support for those involved in Essex social enterprise to link with bodies such as Social Enterprise East of England, as they carry out activity to build the identity of the sector.**

Public sector contracting

4.18 The proportion of income social enterprises receive from delivering public services is low at around 11% of turnover. With the development of the national and local Compacts, moves from service level agreements to contracts, and increased contestability of service delivery, there is an opportunity for third sector

organisations to increase their level of income from this source, and use this income to develop a sustainable funding base.

- 4.19 However, the current level of awareness of public service contract opportunities is not particularly high among social enterprises, and they are even less positive about their ability to win such contracts.
- 4.20 Our research suggests that there are issues with internal capacity, relationship building, and the attitude of commissioners that need to be addressed for this situation to change.
- 4.21 While there are many initiatives and strategies relating to social enterprise and service delivery, the only way of measuring their effectiveness will be to see if there has been an increase in the level of income which Essex social enterprises get from this kind of activity.

4.22 We therefore recommend:

- **Funding for training programmes and other capacity building work to ensure that social enterprises are able to respond to the current opportunities in public service delivery.**
- **Support for initiatives which link the public sector and social enterprises, to share good practice, improve commissioning and, ultimately, lead to better services for the people of Essex.**
- **Further detailed research on at least a two yearly basis, to establish whether the level of income for social enterprise derived from public service delivery has increased.**

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- 4.23 There is a lack of social enterprises with trading income of between £150,000 and £250,000 per annum, where one would expect to find the larger social enterprises of tomorrow. Support is often concentrated for start-ups, while established social enterprises can be neglected even when their trading income levels are still quite low.
- 4.24 Social enterprise forms a significant area of economic activity in the Essex area, with a turnover of over £300 million and over 13,000 people working in the sector, and delivering social outcomes to residents and communities. However, this economic and social impact does not receive the recognition it merits, partly due to the identity issues discussed above, and partly because it has not previously been measured.
- 4.25 Only a tiny minority of social enterprises had undertaken social accounting initiatives to measure their social impact (and, in the case of social return on investment, to translate this impact into monetary savings). While the present research has helped build an initial picture of the sector's size and strength, it is social impact which is central to the social enterprise ethos and support must be given to organisations who are attempting to demonstrate this.
- 4.26 Assets such as property can provide a regular income stream for social enterprises and other third sector organisations. The Quirk Review of 2007 recognised that such groups need financial and other support to help them provide 'community anchors' which build cohesion as well as generating income. Yet our research suggests that levels of asset ownership are still low, and more can be done, particularly by local authorities, in terms of asset transfer.
- 4.27 Levels of trading income generally were also low, as was the median level of surplus. This may be linked to the skills deficit our respondents identified in many of the more commercial sides to their management roles, such as marketing,

tendering, and finance. There is also a perceived need for leadership training. National research (Clark and Jochum, 2008) has suggested that there is a need for greater focus on planning and integrating training for third sector organisations, and that skills gaps, in management in particular, had a detrimental impact on performance.

4.28 There were variations in the numbers of social enterprise across the districts where our research was conducted. Local authorities, whether part of Essex County Council or otherwise, need to understand the social enterprise sector in their area and tailor appropriate support.

4.29 We therefore recommend:

- **Support programmes for those established social enterprises wishing to scale up and develop a more sustainable trading income base**
- **A programme of social accounting (SA) pilots to demonstrate the value of the SA process to social enterprise, and to increase understanding of the social outcomes they deliver in Essex.**
- **A programme to support social enterprises (such as development trusts) in the acquisition of assets and releasing their potential for commercial and social use.**
- **Local authorities to develop tailored responses to social enterprise as part of their economic and social planning process, based on the local level findings of this and other research.**
- **Support from Local Area Agreements for third sector training and development, which for social enterprise needs to focus on specific skills such as finance and marketing, but also on generic leadership and management.**

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