

Social enterprise trading in Hertfordshire and its contribution to the local economy

November 2019



Aerende: life-improving homewares

Hertfordshire
Local Enterprise Partnership

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Report produced by:



Executive summary

This report has been commissioned by Hertfordshire Local Enterprise Partnership (LEP) to identify the scope of social enterprises in the area, their contribution to the local economy, the support needed to help them grow, and to inform the development of Hertfordshire’s Local Industrial Strategy (LIS).

Why social enterprises?

Social enterprises provide employment for local people, deliver key local and strategic services and make a positive contribution to help drive inclusive economic growth - one of the overarching challenges for the LIS.

Social enterprises are businesses that trade in order to tackle the major challenges we face in society. They make money from selling goods and services in the open market and reinvest profits back into the business and local community.

Social enterprises create jobs, pay taxes and contribute to their local economies but they also seek to create public benefit and provide added social value for communities, including some of the most vulnerable groups.

Social enterprises in Hertfordshire

There are between 1,164 and 1,783 social enterprises trading in Hertfordshire.

The annual contribution of social enterprises to the county’s economy is conservatively estimated to be between **£575 million and £875 million**.

There are between **2,950 and 4,500 people employed** in the social enterprise sector in Hertfordshire.

Potential for growth

The below table sets out national data comparing the growth forecasts for social enterprises and traditional SMEs, in the year prior to the research (2016):

	Social enterprises	SMEs
Made a profit	93%	76%
Planned to grow	78%	63%

Social enterprises earn a significant amount of income from commissioned public services.

More social enterprises seek business advice than SMEs, however there is a lack of specialist support for social enterprises from providers that understand their need to balance profitability with their pursuit of social goals.

Support needs

Social enterprises would benefit from opportunities to network with each other, access specialist business support and improved access to public sector commissioning processes.

“If someone chooses to buy their meals on wheels from HILS, they should know that 100% of any surplus made is reinvested to meet our charitable purposes, enabling HILS to do even more good.”

Sarah Wren, Chief Executive,
Hertfordshire Independent Living Service (HILS)



Hertfordshire Independent Living Service (HILS)

Introduction

Social enterprise is a relatively new business model that is a growing and influential part of the local economy. This study aims to quantify the number of social enterprises trading within the county, the contribution they make to the economy and the different ways they operate, providing case studies from local businesses, as part of the evidence base compiled to inform the Local Industrial Strategy.

Hertfordshire has a sizeable economy and continues to expand, driven by population and jobs growth. The social enterprise sector can be seen as a substantial business sector offering social value, employing up to 18,000 people and contributing a minimum of £2.3 billion to the local economy.

Hertfordshire LEP has commissioned Social Enterprise East of England (SEEE) to produce this study. SEEE is a specialist support organisation providing a voice for social enterprise in the East and delivering a range of projects to support social enterprises and those who work with them.

SEEE works strategically to influence policy-makers and economic development practitioners to ensure that social enterprise interests are represented. We have a membership comprising many of the most influential social enterprises in the region and we are partners with Social Enterprise UK.

What are social enterprises?

Social enterprises are businesses that trade for a social purpose. There is no specific legal definition of a social enterprise, but they possess most of the following characteristics:

- ▶ They earn a significant amount of their income through **trading**
- ▶ They have a **social purpose** written into their governing document
- ▶ Their **surpluses** are used to support their social purpose
- ▶ They frequently have an '**asset lock**' which means that the assets cannot be distributed for private gain

In addition:

- ▶ They are often owned by the **community**
They are set up to support

- ▼ They frequently **provide employment** for people who cannot work in the mainstream labour market
- ▼ They may be owned by or grown out of existing **charities**
- ▼ They can be commissioned to deliver **public services**

Social enterprise can be constituted in a number of ways, including as charities, co-operatives, limited by guarantee or community interest companies – or a mixture of these. Their boards may include some paid staff but otherwise are likely to be volunteers, including beneficiary groups or people representing the communities they support.

What do they do?

Social enterprises are businesses that trade in order to tackle the major challenges we face in society. They make their money from selling goods and services in the open market, but reinvest their profits back into the business or the local community¹.

Social enterprises create jobs, pay taxes and contribute to their local economies but they also seek to create social and public benefit, providing added social value for communities, including some of the most vulnerable groups.

Social enterprises help:

- ▼ Create jobs for people with disabilities
- ▼ Run community shops and pubs
- ▼ Run community centres and support local regeneration
- ▼ Provide nursing and domiciliary care
- ▼ Organise community events and run leisure facilities
- ▼ Provide out of hours GP services and run practices in disadvantaged communities
- ▼ Support disadvantaged children and young people within education
- ▼ Enable people in receipt of care funding to manage their own care support
- ▼ Run local energy co-ops
- ▼ Provide housing and housing support
- ▼ Provide community transport

Around 15% of HILS' team members have faced barriers to employment, such as mental health issues, physical and learning disabilities or having a criminal record.



Methodology

This report contains an analysis of the national data sets on social enterprises. Some data has been extrapolated to calculate values for Hertfordshire. A regional breakdown of data from the national Social Enterprise UK research has been provided to SEEE as a partner organisation. In addition, SEEE has referenced other recent local studies where the findings are likely to apply to Hertfordshire. The primary research undertaken includes interviews with nine social enterprises in Hertfordshire to provide examples of the way they operate. Three case studies are reproduced in full in this report. Others can be found on SEEE's website at www.seee.co.uk.

National data on social enterprise

It has long been recognised that it is difficult to collect reliable data on the social enterprise sector. The main reasons are that:

- There is no clear, legal definition of social enterprises so it is hard to establish consistent data.
- There are different understandings of what social enterprises are amongst businesses – some businesses identify as social enterprises when they do not meet accepted criteria; other organisations (mainly registered charities) do not identify as social enterprises when they do meet accepted criteria.
- Policy makers in Government and elsewhere have imposed criteria that are not recognised by the social enterprise sector.

The two main sources of data on social enterprise are:

- The State of Social Enterprise in the UK – conducted every two years by Social

Enterprise UK using a population of known social enterprises including its own membership.

- Social Enterprise: Market Trends – conducted by the Department for Digital, Culture, Media and Sport (DCMS) and the Department for Business, Energy and Industrial Strategy (BEIS) in 2012 (published 2013) and 2014 (published 2016). This uses sampling from the overall national SME survey.²

Both of these sources published reports in 2017 which have been used to inform this study. A new edition of the State of Social Enterprise was published in 2019, but only after the substantive work on this study had been completed.

There is now general agreement about how to categorise social enterprises. Although there is some variation on the level of income earned by trading, there is broad consensus on a minimum of 50% earned income. This is supported by the Social Enterprise Mark³, which accredits social enterprises that wish to demonstrate their status to the world.

The DCMS/BEIS report defines social enterprises in the following ways:

Income: Share of income from trading/commercial activities is at least 50%.

Use of surpluses/profits: Rules/restrictions to use past surpluses/profits chiefly to further social/environmental goals.

Organisational goals: The types of social or environmental goals that the organisation/business has are of greater or equal concern compared to financial goals.

Charitable status & legal form: Using the standard Small Business Survey questions asking for charitable status and legal form.

² Small and medium-sized enterprises with fewer than 250 employees

³ <https://www.socialenterprisemark.org.uk/assessment/#criteria>

Social Enterprise UK's interim report published in 2018⁴ identifies that there are 100,000 social enterprises in the UK and the DCMS/BEIS report identifies 99,000 social enterprises with employees. Our interpretation of DCMS/BEIS data is that this category is a reliable figure for the number of social enterprises⁵. The report identifies:

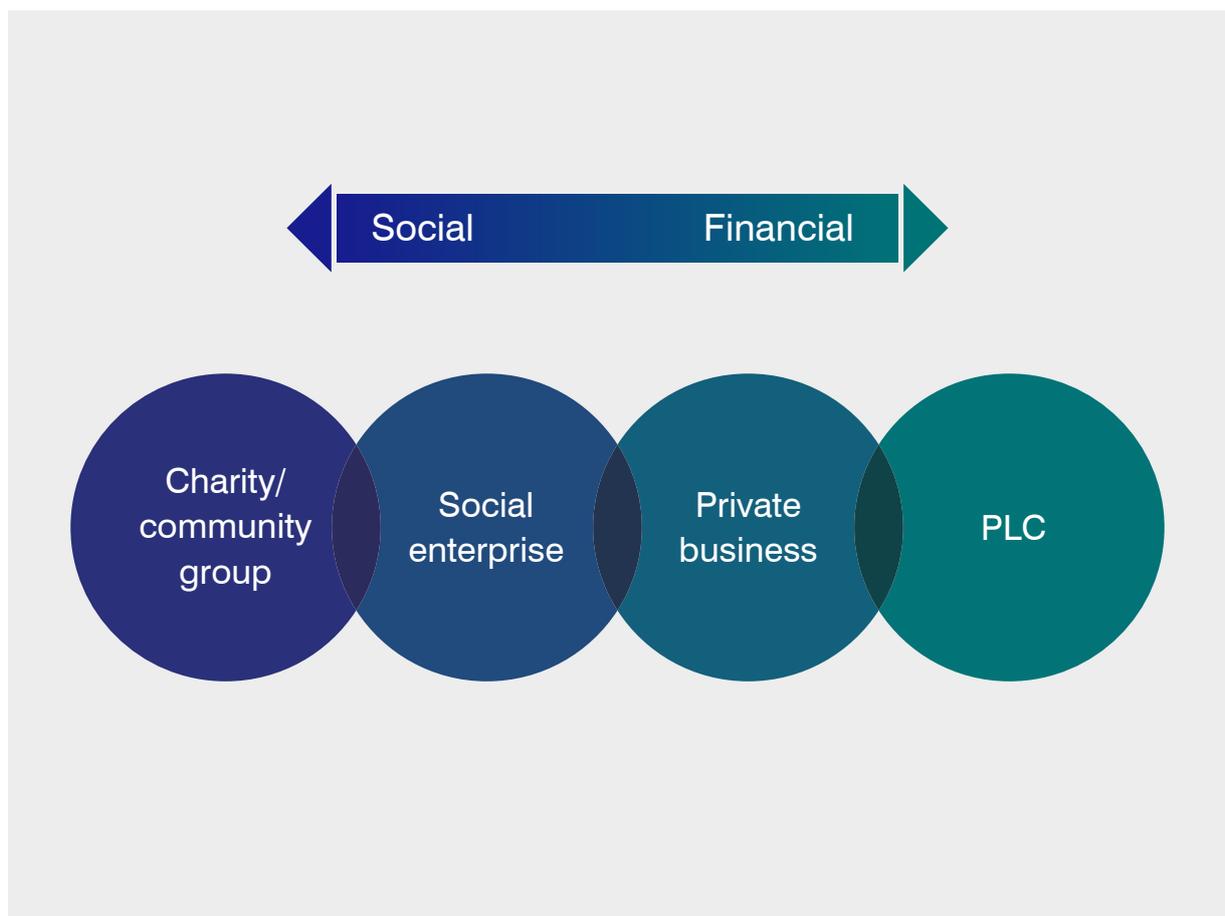
"471,000 UK social enterprises overall. This is made up of 99,000 social enterprises with employees and 371,000 social enterprises with no employees."

Social Enterprise UK's sample includes only 15% of social enterprises with no employees in its 2017 survey (10% in 2015).

We therefore estimate that the number of social enterprises in the UK is in the range of 99,000 – 100,000. The figures we have extracted for Hertfordshire in the analysis below reflect the overall national figures.

Regarding the wider social sector, the Charity Commission has recorded just under 168,000 registered charities in 2018. Some of these are likely to be social enterprises.

In general it can be seen that social enterprises are part of a spectrum of businesses with social and financial goals.



⁴ The Hidden Revolution, (2018) Social Enterprise UK

⁵ We have some concern about the higher figure of social enterprises without employees as it significantly exceeds the combined figures for social enterprises and charities in the UK

A PLC must maximise its profits for shareholders. A charity must act in the interest of its social purpose. However, some charities trade (and could be considered to be social enterprises) and some PLCs have effective corporate social responsibility programmes. Many small private businesses are value-led organisations, for example, running day nurseries, care services, village shops or selling eco products. The difference between that and a social enterprise is that social enterprises have legal structures that state that profits must be re-invested or used for social purpose and assets cannot be distributed to the business owners. This transparency and scrutiny protects the social enterprise sector from exploitative claims by some businesses where there is no evidence of where the money goes.

“I’ve worked all over the world but this has been the biggest challenge – getting people to feel comfortable with having a moral purpose but [to understand that] it is also a viable commercial enterprise and is customer focused.”

Andrew de Csillery, CEO,
Herts For Learning



The tradition of running businesses with a social purpose is well-established and can be demonstrated by the co-operative movement, which started with a small shop selling unadulterated foods in Rochdale in 1844, and the Quaker-led businesses that invested in their workforce (including Cadbury’s Bourneville) and traded in commodities that were not associated with slavery. More recently, there are well-known businesses with a social focus such as The Body Shop and John Lewis & Partners.

“We want you to buy products that you want and need and at the same time there are other services and products that you’re buying. For example, if you buy your organic fresh eggs you know the provenance, you get quality assurance and faith in the product. You’re supporting a charity without giving a donation, you are keeping your money in the local economy and you are providing an opportunity for someone from your community.”

Keely Chalkirk, Chief Executive,
Sunnyside Rural Trust



Social enterprise in Hertfordshire

Research states that there are approximately 100,000 social enterprises in the UK. The population of Hertfordshire is 1.8% of the UK population and based on this we have calculated that there are approximately 1,783 social enterprises in Hertfordshire. This is a crude way of calculating the number of social enterprises and using other measurements we can extrapolate

that there are at least 1,164 social enterprises. We can conclude therefore that there are between 1,164 and 1,783 social enterprises trading in Hertfordshire.

Recent research on the Voluntary and Community Sector (VCS) in Hertfordshire⁶ identifies 3,467 registered charities and Charitable Incorporated Organisations (CIO). Again, some of these organisations will also be operating as social enterprises.

Comparisons between charity numbers and social enterprise numbers are drawn below:

	UK	Hertfordshire
Registered charities	168,000	3,467
Social enterprises (low estimate)	99,000	1,164
Social enterprises (high estimate)	100,000	1,783



Sunnyside Rural Trust

In order to calculate the number of social enterprises in Hertfordshire, we have primarily extrapolated from Social Enterprise UK data. However we have triangulated these figures with the DCMS/BEIS data and local research carried out on the wider community and voluntary sector in Hertfordshire.

We conducted interviews with the following organisations as examples of the different ways social enterprises operate:

Recover offers work experience opportunities to those recovering from addiction. Its programme teaches people how to recycle furniture, which is then sold in its shops.

CHEXS supports disadvantaged children and families to engage with education and learning.

Aerende is an online shop that provides a route to market for high-end, hand-produced goods made by individuals who are disadvantaged by issues such as mental health problems. Some goods are produced within workshops run by local charities.

Sunnyside Rural Trust is a farm and horticultural business providing employment for young adults with learning disabilities.

Hertfordshire Independent Learning Service (HILS) provides meals on wheels and other community support to older people, including those with dementia, to help them maintain their independence by living in their own homes.

Sarratt Post Office Stores is a community owned and run village shop and post office.

Watford Workshop provides employment and training for people with disabilities, providing a packaging service to commercial businesses including many high street brands.

Herts for Learning provides a range of support services for the majority of state schools and education settings. It is a spin-out from Hertfordshire County Council and is jointly owned by the schools it supports.

Herts Urgent Care (HUC) provides a wide range of healthcare services to the five Clinical Commissioning Groups (CCGs) in Hertfordshire and beyond.

Who sets up social enterprises?

Analysis of what motivates people to set up social enterprises⁷ shows that the main influencing factors are:

- Public service externalisations: Government initiatives creating opportunities for groups of employees to spin-out service areas, including leisure, libraries and social care as social enterprises, mainly using a co-operative and mutual approach.
- Community groups taking over closing public sector services, such as libraries, parks and community centres, or private sector services like village shops or pubs.
- Traditional voluntary organisations developing trading activities.
- Individuals or groups wanting to set up new social organisations using an entrepreneurial approach.

The CHEXS story began with Chief Executive Pete Maiden's own experience. Having left school at fifteen with dyslexia and no qualifications, Pete joined the navy where he was supported and learned skills that helped turn his life around. Eventually he moved into teaching and then decided to set up a social enterprise to give other young people the second chance the navy had given him.

"The navy trained me and gave me meaning and purpose – that's what we do in CHEXS."





CHEXS: Community Home
Enrichment Xtra-mile Support

Case study 1:

Hertfordshire Independent Living Service (HILS)



Hertfordshire
Independent Living Service
Supporting your independence

HILS is a social enterprise set up in 2007 with the help of Hertfordshire County Council and some district and borough councils, to take over services that were previously run by local councils.

HILS now has £4.58 million turnover and employs around 270 people. HILS is a Community Benefit Society with charitable status from HM Revenue and Customs (HMRC). Its charitable purposes are to serve the community including older, disabled, frail and vulnerable people, and those who are unemployed and living in any of the physical communities in which it operates.

Today HILS provides three types of services:

Meal-related services: HILS' primary service is providing Meals on Wheels, 365 days a year. It provides clients with the main meal of the day, with some also receiving

breakfast and tea meal packs. HILS also provides emergency grocery bags and free food boosts for people who are malnourished, as well as shared meals at lunch clubs and other community groups.

Community services: HILS runs a range of activities in the local community including dementia fun clubs, Hertswise Dementia Hubs and home-based support for individuals with dementia and their carers. They also run Active Ageing exercise support for people in their homes and accompany people to help them get out into the community. HILS operates a thriving community hub providing a range of activities for the local community including

a lunch club. HILS also installs key safes for people who are living in their own homes to assist with access if someone is in need.

Health and wellbeing services: HILS provides dietetic support for individuals in their homes, including nutritional advice, medication prompts and nutritional awareness training in care homes and for community groups and other health and care professionals.

99% of HILS' funding comes from trading, whether this is from direct payments from clients for the services they receive, or contracts with a range of statutory organisations. Hertfordshire County Council subsidises the delivery and infrastructure elements of HILS' meals on wheels operations and the remainder is paid by clients or their family members. Some of the services are cross subsidised by HILS to enable the service to be free for clients. For example, the nutritional service and nutrition food boosts are free and funded from a surplus made elsewhere in the business. This is part of the added social value provided by the social enterprise.

A further social benefit is HILS' employment practices. The organisation prides itself in supporting individuals facing barriers to employment through structured volunteering and work experience programmes to help them to get back into work. Around 15% of HILS' team members have faced barriers to employment ranging from mental health issues and physical and learning disabilities to having a criminal



record. They also host volunteers wanting to develop their skills and confidence or just make friends, and students who are studying degrees in dietetics or nutrition.

“If someone chooses to buy their meals on wheels from HILS they should know that 100% of any surplus made is reinvested to meet our charitable purposes enabling HILS to do even more good.”

Sarah Wren, Chief Executive, HILS

Last year HILS looked after 15,000 individuals across all of its services. For some clients this might be one or two interventions such as a home-from-hospital bag, but for others, HILS provides a service

every day of the year, equating to 1.2 million interventions in 2018/19.

“It’s about keeping the balance between social and enterprise - that’s the most important thing that you need to do as a business, as well as evidencing the difference we make.”

Sarah Wren, Chief Executive, HILS

HILS produces an impact report every year that illustrates the difference they make to clients and the wider community, much of which is above and beyond what they are contracted to do.

“Oh, the meals are super. I’m always boasting about them to my friends.”

My favourite is chicken breast with white sauce. The drivers are a fantastic bunch. They made sure I was OK in the really hot weather, making sure I had enough to drink.”

HILS client

“Consistent quality and fantastic staff 365 days a year. My mother would not still be in her own home without this service.”

Daughter of HILS client

Over 90% of HILS clients report feeling happier and safer and able to remain in their own homes as a result of HILS’ services. They also report feeling less lonely and reassured that their families don’t have to worry about them.



Economic impact of social enterprises

Social enterprises have a significant economic impact as trading businesses and creators of jobs and other social benefits. This section seeks to quantify this impact. For details of how some of these figures were calculated, please see appendix 1.

Social enterprises create the same types of economic impact as any other business: they create jobs, pay taxes, spend money in the local economy and enable others to do so, and provide services and goods that people want to buy. In addition to these impacts, social enterprises actively seek to create wider impacts, such as:

- ▶ Employing local people
- ▶ Employing people who would be unlikely to get jobs in the mainstream labour market
- ▶ Providing services in disadvantaged communities
- ▶ Filling market gaps where the private sector is unable to make sufficient profits and/or the public sector has no resources to provide services

Social Enterprise UK's 2017 data suggests that the mean average turnover of social enterprises is £2 million⁸. Using our figures for Hertfordshire this would translate as a total turnover for social enterprises in the county of between **£2.3 billion and £3.5 billion per year**. Social Enterprise UK's figures have sometimes been thought of as capturing larger social enterprises, but even a conservative estimate of 25% of this

figure would equate to an annual turnover of between **£575 million and £875 million**. Social Enterprise UK's data estimates that one million people are employed in 99,000 social enterprises across the UK. We can extrapolate those figures to calculate that between **11,800 and 18,000** individuals are employed in the social enterprise sector in Hertfordshire. Again, making a more conservative estimate of 25% of that figure to account for smaller social enterprises, this shows that a minimum of **2,950 and 4,500** people are employed within the sector in Hertfordshire.

The DCMS/BEIS research calculates that the majority of social enterprises (65%) in its sample are micro businesses (fewer than 10 employees) but that this is a smaller proportion of micro businesses than traditional SMEs (83%).

A higher proportion of social enterprises set up in disadvantaged areas than traditional SMEs. DCMS/BEIS calculates that one third of social enterprises are located in the 20% most deprived areas compared to 13% of SME employers. Social Enterprise UK shows a slightly lower figure of 28% but also shows that over half of social enterprises work in the top two most deprived quintiles (53%).

Almost three quarters of social enterprises pay the living wage⁹. Social enterprises are very likely to recruit locally: almost eight out of ten (79%) recruit over half of their staff locally, and for 58% this is their entire workforce; only 5% employ no people from the local area at all.

Case study 2: Sarratt Post Office Stores



Sarratt Post Office Stores is a community owned business that sells a range of food such as bread baked on the premises, hot pastries, drinks and general grocery products, as well as a range of stationery and greetings cards.

It provides a dry-cleaning service, prescription collection from the local surgery, phone and energy top-ups, and a post office counter. Sarratt is a tiny village with approximately 2,000 inhabitants and quintessentially English with a village green and three pubs. Eight years ago, Sarratt was in danger of losing its village shop and post office.

Residents could see that losing the shop would have a major impact on the local community, particularly the elderly and those less mobile, who relied on it for essential provisions, with the nearest alternative being three and a half miles away with no bus service to get there. The post office was also important to Sarratt's 80 small local businesses that used its parcel services and for banking cheques.

Sarratt Post Office Stores

In 2010 the village ran a campaign to raise enough money to buy the shop from its existing owners, so that it could stay open and be run and developed over the long term for the benefit of the wider community. 80 families are shareholders and have ensured that the shop and post office remain an important part of this village community.

When local residents started their campaign to save the shop, they sought guidance from the Plunkett Foundation, a specialist support organisation with many years of experience helping communities buy and run local businesses such as shops and pubs.

"I think the Plunkett Foundation helped most. One of the most difficult things for us was because we hadn't done it before we didn't

know where to go [for help]. Once you know what you need you can go and find out. We didn't know the problems we were going to have regarding resourcing. We needed to do much more to understand the margins and we had some technical support around systems - one of our first priorities was putting in an EPOS system to be able to do product and margin analysis."

Sarratt Post Office Stores
Board member

Over 40 volunteers support the three paid members of staff to ensure that the business remains a going concern and importantly, that it provides cost effective products to the most vulnerable members of the community. The current turnover of the shop is £600,000.



Sarratt Post Office Stores

The post office is the most critical service offered to local people and is cross-subsidised by money made in the store. If the post office was not owned by the local community with clear social aims, this part of the business would have disappeared.

“Ultimately it is about keeping a local shop and post office provision, but it is broader than this. It is the about the sustainability of the whole village, whether it’s the shop, school, village hall or pubs: Unless we keep the village vibrant it will die.”

Sarratt Post Office Stores
Board member

Additional benefits that Sarratt Stores brings to the local community include a platform for selling local produce which helps local businesses and reduces food miles. They also provide milk in glass bottles to reduce plastic waste which has proved very popular with residents. The village shop also provides opportunities for individuals aged 13 to over 90 to volunteer or do work experience to help increase their self-esteem and reduce social isolation.



What are social enterprises in Hertfordshire doing?

This data is from the State of Social Enterprise 2017 report produced by Social Enterprise UK. The responses were captured from structured interviews and the breakdown of the data relates to the East of England regions of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk.

61% of social enterprises have been trading for more than five years. 25% have been trading for more than 20 years. This suggests an increasing number of social enterprise start-ups

in recent years as the model has become more widely known, but it should be recognised that the social enterprise sector includes mature businesses, such as Camphill Village Trust in St Albans and Watford, which has been operating since 1938, and Emmaus, established in France in 1949 and operating in the UK since 1992, including a branch in Hertfordshire.

The DCMS/BEIS report shows that social enterprises are trading in the following Standard Industrial Classification (SIC) defined sectors:

SIC codes ¹⁰	Business sector	SME employers (n=619)	Social enterprise employers (n=181)
ABCDEF	Production	25.3%	17.8%
GH	Retail/distribution	22.2%	24.7%
I	Food service/accommodation	9.8%	17.8%
JKLMN	Business services	34.8%	8.2%
PQRS	Social and other services (education, health, arts etc.)	8.0%	31.5%
Total		100%	100%

¹⁰ One digit SIC 2007 codes

The researchers note that social enterprises are “*significantly more likely than SME employers to be active in human facing social service sectors (31.5% vs. 8%).*”

These figures are supported by the Social Enterprise UK data breakdown for the eastern region. The main areas in which social enterprises are trading are:

Retail	22%
Hospitality	12%
Education	11%
Healthcare	11%
Business support/consultancy	9
Social care	9%
Employment and skills	8%
Housing	8%
Culture and leisure	7%
Creative industries - web, design, print	5%
Environmental, recycling, re-use etc.	4%
Financial support and services	3%
Workspace	3%
Childcare	3%
Transport	3%
Manufacturing	3%
Community development	1%
Farming/agriculture/gardening	1%
Cleaning	1%

Recover is a small social enterprise employing three people, however the organisation supports 50 to 60 individuals each year from a range of backgrounds, including prolific offenders, those with poor mental health, and those recovering from addiction. These individuals are given the chance to acquire new skills by learning to up-cycle furniture to make high quality, unique pieces that are sold from Recover’s workshop in Welwyn Garden City, at Alexandra Place, and the Antiques and Vintage Market in St Albans.





Recover: up-cycling furniture and lives

Supporting vulnerable people	38%
Improving mental health and wellbeing	32%
Improving a particular community	31%
Creating employment opportunities	31%
Improving physical health and wellbeing	28%
Addressing social exclusion	26%
Supporting the general public/local residents	24%
Supporting other social enterprises/organisations	22%
Promoting education and literacy	19%
Protecting the environment	18%
Supporting vulnerable children and young people	16%
Addressing financial exclusion	9%
Supporting women and girls/promoting gender equality	7%
Providing affordable housing	5%
Economic development	0%

The table above shows the main social and/or environmental objectives identified in the Social Enterprise UK survey.

This shows that central to any social enterprise is the aim to create social value by working with a diverse range of people including those most likely to be excluded. Social enterprises therefore contribute towards a more inclusive business growth agenda and to the delivery of public and social policy objectives.

This has been recognised by Government through the introduction of the Public Services (Social Value) Act 2012, which enables public sector organisations to consider the wider social value of commissioned services, as well as the price. Work currently taking place in Essex,

facilitated by Social Enterprise East of England, is considering how the act can be used to maintain a competitive and diverse market of providers for public services.

“Recover has given me something productive and creative to focus on. I think it’s kept me out of trouble. And when I got my own place, Recover sorted me out with all the items I needed. I really feel part of something good.”

A Recover client



The Social Enterprise UK data shows that social enterprises are more likely than mainstream businesses to be run by women and Black, Asian and minority ethnic (BAME) people.

"[Being a social enterprise] is a big selling point. We shout about it a lot. Sometimes we get enquiries from members of the public, who complain about the perceived privatisation of the NHS, but we are not here to make a profit, we're here for the benefit of the community as a social enterprise."

Daniela Crouch,
Marketing and Communications Manager,
Herts Urgent Care

The business performance of social enterprises

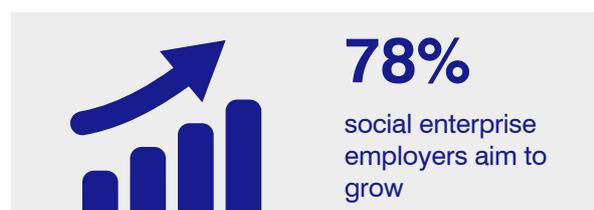
The DCMS/BEIS survey identifies that a higher proportion of social enterprises had made a profit in the previous year compared to traditional SMEs.



Across the region 47% of social enterprises reported an increase in turnover compared to the previous financial year; 20% reported a decrease and 30% said there had been no change. In comparison 34% of SME employers reported a growth in turnover (2016 data). The proportion of social enterprises reporting growth remains significantly higher than traditional SMEs.

Social enterprises and SMEs show similar expectations regarding whether they will employ more or fewer staff in the following year. There are also similar figures for expectations of whether business turnover will increase or decrease in the following year in the DCMS/BEIS research.

When asked about plans for growth, more social enterprise employers said they aimed to grow their business than SME employers.



The main sources of income received by social enterprises in the Social Enterprise UK survey were:

Trading with the general public	27%
Trading with the public sector	27%
Trading with the private sector	19%
Members (e.g. fees and subscriptions)	11%
Grants	8%
Trading with third sector organisations (e.g. charities, voluntary groups)	1%
Trading with other social enterprises	1%
International	1%
Donations	1%

Percentages have been rounded

This breakdown of income demonstrates that social enterprises earn their income from a range of sources. The public sector provides an important market for social enterprises, but this evidence reveals that social enterprises trade significantly with the private sector and general public as well. Significantly, it is a sector that can

leverage in additional external resources.

The DCMS/BEIS survey findings show that more social enterprises than SMEs are developing innovative products and services, however more SMEs than social enterprises are exporting goods/services.

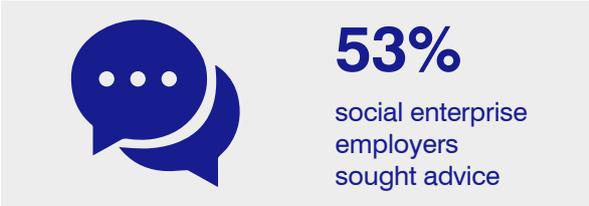
Business support for social enterprises

The State of Social Enterprise survey asked respondents to identify the three most significant barriers to their social enterprise's sustainability and/or growth. These were given as:

Cash flow	23%
Recruiting staff	19%
Obtaining (debt or equity) finance	19%
Poor commissioning/procurement with public services	19%
Time pressures	18%
Obtaining grant funding	15%
Shortage of skills	14%
Lack of demand/the economic climate	12%
Regulation/red tape	11%
Availability/cost of suitable premises	8%

It can be seen that some of the barriers to growth identified by social enterprises are the same as those that would affect traditional SMEs. However others are more specific to the social enterprise business model.

More social enterprises than SMEs sought external advice according to the DCMS/BEIS data.



The report states that: *“Social enterprise employers are more likely to use consultants/general business advisers, general internet searches, and universities or other education providers more frequently than SME employers. In turn, SME employers use accountants, banks and business networks as sources of information or advice more frequently than social enterprise employers.”*

expertise in their business model. Some reported that they would get support from a range of sources including Local Enterprise Partnerships, Enterprise Agencies, Councils for Voluntary Service, specialist social enterprise support agencies (where available) and peer-to-peer support from other social enterprises.

Social enterprises frequently report that they struggle to find sources of business support that take into account their status as social enterprises and the importance of the value base of their business. Social Enterprise East of England developed a social enterprise prospectus for the South East Local Enterprise Partnership in 2018. This identified that social enterprises value support offered by organisations and individuals with specific

“I think the Plunkett Foundation helped most. One of the most difficult things for us was because we hadn’t done it before we didn’t know where to go [for help]. Once you know what you need you can go and find out.”
Sarratt Post Office Stores Board member



Areas where social enterprises have identified the need for specialist support include:

- ▶ Legal structures and governance: for example managing a 'mutual' organisation
- ▶ Accessing finance: for example understanding all the social finance models available and finding sources of advice and support, such as the Plunkett Foundation's support for Community Share issues
- ▶ Marketing to different customer groups: where one customer is paying for a service in order for another group of customers to use the service
- ▶ Measuring social impact

There is a national network of organisations providing support for social enterprises as well as some local agencies that can provide some areas of support, shown in appendix 2.

Social enterprises can also access support offered to mainstream SMEs from the Hertfordshire Growth Package by Hertfordshire LEP. This includes start-up support, growth support and business development for innovation. There is also grant funding available to businesses to help with their energy efficiency. A list of products and services that social enterprises can access is shown in appendix 3.

Case study 3: Watford Workshop



Watford Workshop is a charity set up in 1964 that provides employment, work experience and skills training for adults with disabilities. Its aim is to support people with functional and life skills training and to help them to live as independently as possible.

Watford Workshop delivers commercial contracts, mainly for packing but also for light electrical and mechanical work. Companies contract out their packing to Watford Workshop, which is completed by hand and includes the application of bar codes or promotional offers before goods are sold by high street retailers.

Watford Workshop creates employment opportunities for people with disabilities who would not be able to get a job in the mainstream labour market. They currently employ 49 people, including a small management team, however there are over 80 people involved with the Workshop encompassing those who come for day care and volunteers.

The aim is for people to be able to move into mainstream employment but they estimate that up to 80% of employees would not be able to do so. People can stay at Watford Workshop for as long as they want. Some people stay for a relatively short time but one user has been there for 37 years and another for 40 years. The Workshop also provides training to develop employees' literacy, numeracy and interpersonal skills.

Watford Workshop offers customers a reliable, punctual and high quality service at a competitive price. Most customers do not mind that the Workshop is a social enterprise working towards social benefits, though it does not overtly promote this out of concern that it may not be trusted to do the work well. The organisation has many



satisfied customers that in some cases have worked with the Workshop for 30 years. A significant number of customers come from word of mouth recommendations and hail from all over the UK and Europe, with parcels shipped to places as far away as Australia.

“We always say ‘don’t underestimate our workforce’.”

Gill Nightingale,
Partnership Manager, Watford Workforce

As a charity, Watford Workshop generates extra funding to help them deliver contracts. Gill explains:

“We have to be commercially viable – if the customer wants 100 items packed in an hour for the price, that’s what we have to charge to win the contract. In a normal business one person would do this work but sometimes we need two, three or four people to meet that requirement. That’s when being a charity enables us to make this work available to more people.”

Their charitable funding enables them to create the social impact of creating jobs, above and beyond what a commercial competitor would do.



Gill says that the main difference they make to people is to boost their self-confidence

“People have got a reason to get up in the morning, the dignity of work and a social life.”

She says that lots of people who come to them feel utterly crushed and think that they will never have any opportunities – that no one will give them a chance and they will spend their time isolated at home watching daytime TV.

This is particularly true for young people who have been in supported education

but who “fall off a cliff” when they reach the age of 18 and there is no provision for them. At Watford Workshop they “blossom” according to Gill, who says she sees extraordinary changes in people:

“One user had been with us for two years and he never spoke or made eye contact with anyone. Recently I saw him speaking to a workshop supervisor. The next day I spoke to him and he looked at me – it was amazing. He’d been on our confidence-building workshop. It blew me away, I was telling everyone!”



Watford Workshop does an annual review to ask people how they are feeling and what they think of the service. They then have an external audit of their findings.

Gill says that one of the most important things is when service users can go into a high street shop with their mum and dad and point at a product and say *"I did that"*.

Social enterprises and the policy agenda

Although social enterprise is not a universally understood form of business amongst the general public, Government policy has sought to promote this model through various policy initiatives over the past 20 years.

Some of the key agendas that have been developed to promote social enterprises or which have had a significant impact in the sector are as follows:

Community Interest Tax Relief and the establishment of **Community Interest Companies** as a new governance model for social enterprises – this was to encourage private investment into social enterprises as a way of helping to grow the sector.

The Public Service (Social Value) Act to encourage public service commissioning and procurement processes to commission goods and services on the basis of the social value the bidder can offer, as well as on the basis of price.

Public Service Mutuals - encouraging employee and/or community ownership of new vehicles set up to deliver spin-out public services, primarily in the fields of leisure services, health and social care.

Inclusive Growth is defined by the Organisation for Economic Co-operation and Development (OECD) as ‘economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society’¹¹. The British Government is increasingly seeking to measure development activities against these criteria.

It is recognised that in a period of demographic change (an ageing population) and continuing reductions in public funding for services, social enterprises will be a significant provider of

services that meet personal needs and support social inclusion. This is demonstrated by the examples of local social enterprises given in the case studies.

In the fifteen years that SEEE has been supporting social enterprises, it has been our experience that Governments of all political positions have struggled to address their role. Government responsibility has been placed in various departments, originally in what was then the Department for Trade and Industry, then the Department for Communities and Local Government and now in the Department for Digital, Culture, Media and Sport, where it is seen as part of the Voluntary, Community and Social Enterprise sector. Many social enterprises have challenged this as they regard themselves as businesses and not part of the social sector.

SEEE’s position is that social enterprises overlap with some aspects of the voluntary and community sector and traditional businesses, but have different needs to both. Social enterprises must trade as viable businesses and must be able to pursue their social goals. Whilst they should be encouraged to access mainstream business support where it is appropriate, it should be recognised that in some areas they need specific support, especially regarding:

- ▼ Legal structures and governance
- ▼ Managing multiple types of income
- ▼ Social investment
- ▼ Social impact measurement
- ▼ Enabling user group participation

Conclusion

The data generated in this research study identifies that there is a wide range of established social enterprises delivering valuable services to organisations and individuals in Hertfordshire. These businesses range from new and small businesses developing innovative products and services and finding new ways to bring them to market, to established businesses that have been meeting the needs of individuals, businesses and public service providers over many years. They operate in a range of business sectors although there is a high proportion of social enterprises that offer health and social care. SEEE's website includes a number of case studies on social enterprises operating in Hertfordshire and elsewhere, that illustrate the range and diversity of social enterprises in our region.

Individuals living and working in Hertfordshire are able to make ethical purchasing decisions on the basis of buying locally and where they can see that their money is making a difference to the people who work in or otherwise benefit from the business. This is becoming a key influence for a growing number of people. Social enterprises create jobs for people who are disadvantaged in the mainstream labour market. Sometimes this is a bridge to people getting permanent employment in the mainstream, but it can also mean permanent jobs for as long as people want them. Social enterprises also provide innovative solutions to public policy issues and, through their efforts, add significant value to public service contracts, improving the quality of life for all their stakeholders.

Recommendations

Based on the work that is taking place in other parts of the country, social enterprises could be supported in Hertfordshire through the following actions:

Action	Priority	Lead
Local support for national initiatives such as Buy Social, Social Enterprise Place, Buy Social Corporate Challenge and Social Enterprise Mark.	Medium	Local social enterprises/SEEE
Setting up a social enterprise network for Hertfordshire. Communicating to share information and best practice.	Medium	Local social enterprises/SEEE
Improved information exchange about what forms of finance are available to help social enterprises.	Medium	SEEE/CVS
Improving access to public sector commissioning.	High	SEEE/public authorities
Commissioning business start-up training for social enterprises/social entrepreneurs.	High	SEEE/LEP
Consulting local social enterprises about their support needs.	High	SEEE
Promoting mainstream business support to social enterprises.	High	LEP/SEEE
Better understanding of unique aspects of social enterprise amongst mainstream business support providers.	High	LEP/SEEE
Bringing together social enterprise specialists, mainstream business support organisations and voluntary sector support organisations to design a seamless offer to social enterprises to access start-up and on-going business support.	High	SEEE and partners
Increased support to understand the social impacts that social enterprises deliver.	Medium	SEEE/CVS

By strengthening and supporting Hertfordshire's social enterprises, they will be better positioned to support the county's residents by:

Contributing to a healthy civil society, local community capacity and the well-being of the population.

Increasing the public sector's ability to effectively deliver services through commissions, as social enterprises are more embedded in communities and well-placed to find solutions to local problems.

Contributing to local inclusive economic growth whilst adding social and environmental value, solving complex social problems in the process.

Appendix 1

Analysis of data on the size of the social enterprise sector in Hertfordshire

Figures outlined below have been calculated based on national social enterprise population data and local statistics to estimate the number of social enterprises in Hertfordshire. In each instance we have shown higher and lower figures based on different calculations.

Local profiles are as follows:

District	Population	CIC	Co-op (pessimistic)
Broxbourne	146	117	95
Dacorum	232	186	152
East Hertfordshire	223	179	146
Hertsmere	157	126	102
North Hertfordshire	201	161	131
St Albans	222	178	145
Stevenage	132	106	86
Three Rivers	140	112	91
Watford	146	117	95
Welwyn Hatfield	185	148	121
Total	1,782	1,429	1,163

This equates to between 1.9% and 2.9% of enterprises in Hertfordshire.¹²

As mentioned above, social enterprises can take different forms and data for these forms are not held in one place or consistently. We

have therefore used a combination of data sets including the Charity Commission, Companies House register and Co-operatives UK to explore further what the social enterprise sector looks like in Hertfordshire.

Appendix 1

Analysis of data on the size of the social enterprise sector in Hertfordshire

Charity Commission

Taking a look at the Charity Commission website, we can identify that there are many charities operating in Hertfordshire. Some social enterprises are charities that earn

some of their income through trading. The table below lists the number of charities in the county (>£100k turnover) and the size of their income. It is assumed that many of these charities will be generating income through enterprise or delivering public sector services.

Turnover (£)	Number of charities
100,000 to 500,000	135
5,000,000 to 1,000,000	18
1,000,000 to 10,000,000	33
Over 10,000,000	8
Total number of charities >£100K	194

Co-operatives UK

Reviewing Co-operatives UK's membership list we can identify **117 co-operatives** operating in Hertfordshire. 52 of these are local co-operative stores, part of the national Co-op Group and there are many sport and leisure clubs set up as co-operatives. Additionally, there are worker co-operatives and community co-operatives that are delivering some impactful services in local communities such as credit unions, renewable energy projects and community pubs. In the farming sector, co-operatives have traditionally been used as vehicles for

joint marketing or food processing. Herts Urgent Care has provided GP Out of Hours services since 2008¹³.

Companies House

Extracting data from Companies House we can identify **165 Community Interest Companies (CICs)** operating in Hertfordshire and **12 Industrial Provident Societies**. Moreover, when looking at organisations listed as private, limited by guarantee, no share capital, and use of 'limited' exemption, we have identified a further 790 potential social enterprises.

Appendix 2

Sources of support for social enterprises in Hertfordshire

National specialist organisations

Social Enterprise UK conducts a bi-annual survey of the sector, has a valuable bank of resources on its website and promotes initiatives such as: Buy Social, Social Saturday and annual social enterprise business awards.

Good Finance provides access and information regarding different social investors and raises awareness about social investment.

School for Social Entrepreneurs runs development programmes for social entrepreneurs.

Co-operatives UK promotes and supports co-operatives.

Plunkett Foundation promotes rural co-operatives and community share issues when communities want to take on village shops or pubs.

Locality supports and promotes asset-based community enterprises.

Social Enterprise Mark runs an accreditation system for social enterprises.

Regional specialist organisations

Social Enterprise East of England promotes and supports social enterprises in the East of England.

Inspire 2 Enterprise is run by Northampton University to provide telephone and online support for businesses, including social enterprises.

Cambridge Social Ventures runs Social Venture weekends for social entrepreneurs.

Local organisations

Council for Voluntary Service: There are seven local Councils for Voluntary Service (CVS) in Hertfordshire, which can be accessed through the umbrella of Herts CVS. Some larger agencies actively support social enterprises, such as Dacorum CVS and Broxbourne CVS, whereas some of the smaller organisations provide services for voluntary groups which may be useful to social enterprises.

- ▼ Community Action Dacorum
- ▼ Community Action Hertsmere and St Albans
- ▼ CVS Broxbourne and East Herts
- ▼ CVS St Albans and Hertsmere
- ▼ North Herts & Stevenage CVS
- ▼ Welwyn Hatfield CVS
- ▼ Watford and Three Rivers Trust

Hertfordshire Community Foundation manages grant funds for a number of local charitable trusts and helps voluntary organisations and some social enterprises access these funds.

Community Development Action is the Rural Community Council for Hertfordshire supporting rural voluntary groups and social enterprises.

WENTA and STANTA are Enterprise Agencies for Hertfordshire and run workshops that social enterprises/entrepreneurs can access.

Appendix 3

Hertfordshire Growth Package

Support offers that are available to social enterprises:

- ▼ **The Hertfordshire Start Up Programme**
– open to any entrepreneur located in Hertfordshire looking to start up a business, including those that will become social enterprises.
- ▼ **Low Carbon Workspaces** – this project can advise businesses on how to reduce their carbon footprint or manage their energy consumption more efficiently.
- ▼ **Get Growing** – for specialist advice for social enterprises aiming to grow and scale up their business.
- ▼ **Manufacturing Growth Programme** – for social enterprises that are manufacturing.
- ▼ **Hertfordshire Business Expansion Grant Scheme** – subject to social enterprises having commercial activities that account for 50% of their business model and being able to provide a viable proposition for the use of the grant.
- ▼ **KEEP+** – for social enterprises developing innovation in their products, services or business model.



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