



SOCIAL FIRMS UK

PROGRESS REPORT 2002

Social Firms UK is supported by the Phoenix Development Fund

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1 Introduction

2002 has been a challenging and exciting year for Social Firms UK. Our membership reached an all-time high at 417, prior to our new membership year in September and we have seen substantial growth in the number of social firms and the number of people employed in the sector. At the same time, we experienced the downside of being almost exclusively project funded, and we have restructured our staffing in preparation for meeting new priorities in 2003.

The year was the most significant to date for social enterprise in the UK with the launch of a Social Enterprise Strategy by the Social Enterprise Unit at the DTI, the formation of the Social Enterprise Coalition and the introduction of social enterprise support programmes by Regional Development Agencies, Government Offices and Government Agencies.

Social Firms UK established its first external partnership with social economy agencies through the creation of the Social Enterprise Partnership (GB Limited) to deliver a £3.8m programme through the Equal Initiative. The relationships formed with Social Enterprise London, the Co-operative Union, New Economics Foundation and the Development Trusts Association have been good for Social Firms UK, as we work to broaden the awareness and understanding of social firms.

The annual social firms conference in Guildford saw us hosting the European Social Firms conference. The event was our best to date and the best European Social Firms conference for quite a few years. We were particularly pleased at the turnout of those working in, and managing established social firms as this made for terrific networking.

We visited the vast majority of the social firms and emerging firms this year, and while few of these businesses can be described as comfortable or secure, many are operating to very high standards, doing well in the market place and creating employment. Our first venture into franchising has resulted in the creation of Shetland Island Soaps and we expect a number of new firms to be developed under our Rainforest Natural Products Franchise in 2003.

The most significant feature of 2002 has been the emergence of the national/regional networks, formed between 1999-2001, as strong and influential networks within their territories. While some are still beginning their development, most have been constituted, are managing business support programmes, operating extensive dissemination and events programmes, and are becoming significant players within the social economy at regional/national level. The ability of our networks to manage and fund their own social firm development programmes after a short existence, has secured the future of social firm development for years to come. It sets us new priorities and challenges but we look forward to addressing and meeting these in 2003.

2 Mapping the Sector

2a Introduction

Our first Social Firms Directory 1999-2000 took 9 months from issuing questionnaires to printing the directory with the result that some of the information was out of date before it was printed, and some of the data was inaccurate as we didn't know some of our members and took the information at face value. Since that publication it has been sometimes been difficult to make a case for supporting the sector without an accurate profile of firms and jobs throughout the UK, but the difficulties encountered with the Directory have influenced the type of data we try to collect and the method of collection.

It is important for Social Firms UK to carry out an annual mapping to assess the impact of our work but we appreciate that our members dislike completing questionnaires and the process is time consuming when the issues involve analysing jobs, turnover etc. We have simplified the information gathering process just to collect essential information, and this is presented in the tables below. Our method of data collection has changed as the mapping is now completed by the National and Regional Network Co-ordinators. They have a relationship with members and can follow up on issues raised, inaccuracies and future projections. We expect the method of mapping will continue to evolve and develop but we are committed to this annual exercise to assess the effectiveness of our programmes throughout the UK.

2b Current position

Table 1 – Current Position, December 2002

	Total social firms	Total emerging social firms	Total jobs	Total jobs for disabled people	Total f/t jobs created	Nr. for disabled people	Total p/t jobs created	Nr. for disabled people
Total figures	45	119	1297	690	505	156	425	304
South West	1	18	58	12	40		18	
South East	10	1	81	60	49	30	32	30
London	4	6	95	52	55	22	40	30
Eastern Region	5	4	128	54	96	-	13	-
East Midlands	2	11	86	45	-	-	-	-
West Midlands	5	32	146	62	-	-	-	-
Wales	4	19	431	289	140	57	291	232
North West	2	2	66	39	-	-		
Yorkshire & Humber	1	7	104	36	84	29	20	7
North East	3	4	43	13	29	11	5	2
Scotland	5	11	41	19	-	-	-	-
Northern Ireland	3	4	18	9	12	7	6	3

The 2002 mapping shows us that significant progress has been made in increasing the number of social firms and emerging social firms throughout the UK. Whereas some countries have a legally recognised form for social firms including a minimum level of disabled people in the workforce, we can see that our minimum percentage (25%) is comfortably exceeded. Social Firms are typically started to create employment for people with disabilities who cannot access the open labour market, for this reason most firms maximise employment opportunities for disabled people whenever possible.

2c Future Growth

Table 2 – Future Position,(information supplied by 11 Network Co-ordinators, December 2002)

	Total job creation potential over 3 years	Job creation potential over 3 years for f/t	Job creation potential over 3 years for p/t
Total figures	453	227	75
South West	37	33	4
South East	24	12	12
London	29	13	16
Eastern Region	42	35	7
East Midlands	32	-	-
West Midlands	57	-	-
Wales	88	88	-
North West			
Yorkshire & Humber	62	31	31
North East	29	-	-
Scotland	33	-	-
Northern Ireland	20	15	5

Our National/Regional Network Co-ordinators have considered the number of new firms under development and predicted that over 3 years the social firm sector will have 119 new social firms bringing the total in the sector to 164. In terms of job creation, 453 new jobs will be created over 3 years bringing the total jobs to 1750 and applying the current percentage of people with disabilities to those without within today's workforce (55%) there will be 962 disabled workers employed in social firms in 2006.

2d Progress since 1997

We have problems contrasting the current position with the 1997-2000 data as the current mapping format is different and the method of obtaining and validating information has moved on. At that time we identified 22 social firms employing 190 people of whom 104 were people with disabilities. There were a further 49 emerging social firms employing 157 people mapped in that directory. In the absence of regional/national networks to validate information, it is clear that earlier mapping generally overstated the number of firms and jobs largely due to the newness of the sector. The figures for 2002 are the most robust to date as the information has been regionally compiled.

Table 3 Growth in enterprises and employment since 1997

	Social Firms	Emerging social firms	Total Firms	Total Employees	Disabled employees	%Disabled Employees
1997	5	0	5	N/a	68	N/a
2000	22	49	71	355	126	35%
2002	45	115	160	1169	636	54%

Table 4 Progress of Social Firms and Emerging Social Firms 1999-2002

	1999	Social Firms in 2002	Still Emerging	Ceased Trading	Trading but not a social firm
Social Firms	22	13	N/a	5	4
Emerging Social Firms	49	11	19	6	13
Total	71	24	19	11	17

Tables 3 and 4 contain valuable learning points for all involved with the social firms sector and we will attempt to bring out some of the lessons in publications and learning events such as our 2003 Summer School. We are obviously encouraged by the growth in firms and employment and the increase in jobs for people with disabilities. We regard it as inevitable and often positive when a group of people working to establish a social firm recognise that their business idea isn't sustainable or their group doesn't have the capacity to run a business. Each year a number of emerging social firms realise that the social firm route isn't appropriate and they embark on alternative routes to employment or focus on training, rehabilitation or other forms of support.

Of the firms that ceased trading seven were affected by funding issues relating to parent companies. Four firms established as co-operatives in the North East ceased trading following the closure of Durham Co-operative Development Association. Three social firms in Twickenham closed following a restructuring at Twinings, a training and employment agency that had championed social firms in London. Having promoted and worked with these firms Social Firms UK supported regional efforts to assist members in crisis. This can involve arranging temporary finance, assisting with contractual negotiations or organising specialist support.

Sometimes closure of the firm is the only responsible option and we can only assist to minimise the impact on employees and stakeholders. Social Firms are in the marketplace and exposed to risk just like regular small businesses and as such one feature of the sector will be annual closures due to trading difficulties, funding issues, personnel problems and other factors that cause businesses to fail.

3 Putting Values First

Social Firms UK undertook an extensive consultation exercise with members in 2002 to determine what members felt to be the core values of the sector. The message from the social firm sector was that the technical registration criteria (social firms should earn a minimum of 50% of their income from trade and a minimum of 25% of the employees should be people with disabilities) have been helpful but it is time to adopt a values based approach. While retaining the above registration criteria, the emphasis on values first will assist those working in and supporting the sector to describe the purpose of social firms.

This process will also help those within and outside of the sector to appreciate the value of the work carried out in a social firm, by the quality of its operation rather than purely turnover or employment. A technical approach doesn't identify good working conditions, high quality employment, exceptional support measures to create or retain jobs, or distance from the labour market of the target group. A "values first" approach will place the emphasis on quality of jobs, quality of the working environment and quality of business performance.

The following statement covers three key areas, employment, empowerment and enterprise. The values outlined underpin the social firm sector and all quality and performance issues can be associated with one or more of these value headings. Our consultation exercise identified that the key issue was how firms perform in relation to these values, not whether one is determined to be an "emerging social firm" or "social firm" by virtue of income from sales being 48% or 52% of total turnover.

- Social Firms are committed to the social and economic integration of disabled people through employment. A key means to this end is economic empowerment through the payment of market wages to all employees.
- Social firms are supportive workplaces where the working environment is one that provides all employees with support, opportunity and meaningful work.
- Social firms are businesses that combine a market orientation and a social mission ("business that support" rather than "projects that trade").

Full details of the consultation can be seen in the report "Employment, Empowerment and Enterprise" which can be ordered from the Social Firms Resource Centre or from the website www.socialfirms.co.uk.

4 Activities in 2002

The year 2002 has been active and busy in many regards and has been broken down into the following sections:

4a Events

National Events

June 19th – 22nd

European Social Firms Conference, University of Surrey in Guildford.

This event marked the hosting by the UK of the annual European Confederation of Social Firms conference (CEFEC), as well as Social Firms UK's own annual conference. As a result, it brought together more than 70 European delegates with 180 UK delegates, many of them practitioners in the social firm sector. It offered an exciting and varied programme and feedback from delegates was very good (see section on the Social Firms UK website for further information).

October 17th

From Public Service to Social Enterprise, Newcastle.

Social Firms UK is the co-ordinating body for an Invest to Save Project looking into externalisation of social firms and enterprises from public authorities. This event was run in partnership with Northumberland County Council and Economic Partnerships Ltd. The programme and slides from the conference are on the Social Firms UK website, 76 delegates attended.

Social Firms UK kept the national events to a minimum this year due to the comprehensive regional/national network events programme, much of which was supported by Social Firms UK. There was no social firm Summer School due to the residential nature of the annual conference which was held over 3 days and allowed for extensive networking. In 2003 there will be less individual regional/national network events, and more thematic events organised by Social Firms UK or joint events with one or more networks.

Regional/National Network Events

Each regional/national network has its own programme of seminars, workshops or conferences. The following table illustrates some of the events held during the period:

Table 5 2002 Events

Network	Date	Event
Social Firms South West	6/3/02	Network meeting, Exeter. 28 attendees. Presentations from Triodos Bank, Bell Industries and Social Firms UK.

	22/5/02	Network meeting, Exeter. 32 attendees. Presentations from Tremorvah Industries, Welfare Rights Unit, Social Firms South West and Social Firms UK.
	25/9/02	Network meeting, Exeter. 35 attendees. Seminar on Permitted Work Rules and National Minimum Wage.
Social Firms South East	4/2/02	Worker Participation Workshop, Dorking. 10 attendees.
	4/3/02	Marketing Workshop, London. 6 attendees.
	3/10/02	Finance Workshop, London. 11 attendees.
	6/11/02 & 7/11/02	Legal Options Workshop, One day South East, one day London. 28 attendees in total over 2 days.
Social Firms Eastern Region	20/3/02	Network meeting, Norwich. 12 attendees.
	29/5/02	Network meeting, Radlett. 11 attendees.
	15/7/02	Network meeting, Cambridge. 15 attendees.
	17/10/02	Network meeting, Luton. 9 attendees.
	29/11/02	Mainstreaming seminar. 10 attendees including 2 Business Links.
Social Firms East Midlands	15/7/02	Network meeting and presentation from Jane Sidaway on 'Income Sources in Social Firms'.
	20/8/02	Network meeting and presentation from Judy Scott on National Minimum Wage and Benefits issues.
	17/12/02	Network meeting and presentations from Phil Friend OBE (Disability Awareness Consultant) and Evan Rees of SEEM (Social Enterprise East Midlands).
West Midlands Social Firms Partnership	1/3/02	Network meeting, Sandwell, and presentation from Doreen Foster of West Midlands Social Economy Partnership.
	12/7/02	Network meeting, Hereford. 7 attendees.
	28/11/02	Network meeting, Birmingham, presentation from Simon Probert of SFEM. 11 attendees.
Social Firms Wales	13/2/02	Seminar – Introduction to Social Firms (Llandudno, North Wales) 9 attendees

	20/3/02	Seminar – Introduction to Social Firms (Carmarthen, West Wales) 23 attendees
	15/5/02	Seminar – Introduction to Social Firms (Ryayader, Mid Wales) 17 attendees
	24/9/02	Seminar – Benefits and Permitted Work (South Wales) 38 attendees
IMBY – Yorkshire & Humber network	4/7/02	Beverley Seminar on Social Firms 80 attendees
	12/11/02	Social Firm Conference, Earth Centre in Doncaster. 75 attendees
Social Firms North East	29/5/02	Seminar, Escaping the Benefits Trap, Newcastle. 40 attendees.
	27/6/02	Funders Fayre, representation from SFNE.
	17/10/02	Regional Conference, From Public Service to Social Enterprise, in partnership with Social Firms UK. 76 attendees.
Social Firms Scotland	12/2/02	Seminar: Introduction to Social Firms, Livingston. 23 attendees.
	26/2/02	Seminar: Models of Good Practice, Edinburgh. 31 attendees.
	14/3/02	Seminar: Scotland unLimited, Edinburgh. 9 attendees
	9/7/02	Seminar: Franchising, Glasgow. 28 attendees.
	28/8/02	Networking event & AGM, Edinburgh. 49 attendees.
	6/9/02	Study visit to social firms in Edinburgh. 23 attendees.
	16/9/02	Seminar: Legal Structures for social firms, Glasgow. 16 attendees.
	17/9/02	Seminar: Social Enterprise Development, Aberdeen. 14 attendees.
	18/9/02	Seminar: Social Enterprise Development, Aberdeen. 19 attendees.
	8/10/02	Study visit to social firms in Glasgow. 20 attendees.
	27/11/02	Social firm facts & myths, Dundee. 5 attendees.

	28/11/02	Seminar: Setting up a social firm, Dundee. 12 attendees.
	29/11/02	Conference: Equal Access to Welfare Benefits, Stirling. 140 attendees.
	5/12/02	Seminar: Generating business ideas & funding social firms, Stirling. 23 attendees.

The National/Regional Co-ordinators themselves meet as a group on a quarterly basis to share best practice and experience on issues common to operating business support programmes and networks. Increasingly the approach is to share events with members of neighbouring regions and take a strategic line on invitation to key speakers, for example, so as not to duplicate unnecessarily.

4b Business Support

The Social Firms UK Business Support Programme is the cornerstone of the organisations operational programme and consumes the majority of its funding. The social firm sector is a young and expanding sector and there are far more enterprises at the start-up stage than there are well established. As a consequence Social Firms UK has developed a Business Support Programme to assist members to develop new and existing businesses to create jobs and build businesses.

The Phoenix Development Fund programme was obtained specifically to be able to deliver business support to developing social firms across all the English regions (Phoenix does not cover Scotland, Northern Ireland or Wales). This has resulted in some imbalance in terms of development from Wales and Northern Ireland, who have not been able to participate in this programme, but Scotland fortunately secured European Social Fund monies to be able to operate their own comprehensive development programme. In some regions Phoenix has been used as a lever to generate additional funds and during 2002 the regional/national networks secured business support funding from European Social Fund Objectives 1 and 3, Single Regeneration Budget, Charitable Trusts and Foundations.

The Business Support process offers any member of Social Firms UK wishing to develop a social firm, the opportunity of applying for business support through their regional/national network. The organisation completes an application form, they receive an assessment and recommendations are made to the regional network for approving and delivering the most appropriate support. Some requests are not approved as the business idea may not have sufficient potential, the applicant may lack the capacity to begin an enterprise or there may not be a genuine intent to create employment for people with

disabilities. The Business Support Programme part-funds the cost of the support, with the recipients matching the value of the contributions with cash or in-kind donations.

By November 2002, the following regions had delivered business support to member organisations:

Table 6 Business Support

Region	Number of enterprises that have received business support since January 2001
South West	2
Scotland	40
Eastern Region	4
West Midlands	5
Yorkshire & Humber	10
East Midlands	11
South East & London	20
North East	25
North West	31

**Dissemination and capacity building activities took place in Wales and Northern Ireland, but formal business support did not.*

The impact of the Business Support Programme will only become evident when the evaluation of the project is undertaken as required by various funding initiatives. This report will assess the success of the business support delivered across the regions and is due to be produced and disseminated after March 2003.

4c Membership

Social Firms UK operates a national membership scheme. Since January 2002 the membership has increased from 345 members to 417 members. Approximately half of the membership classified themselves as Associate Members (support organisations, potential social firms, charities, public authorities etc.) and half have categorised themselves as Full Members (Social Firms and Emerging Social Firms).

This self-categorisation will be tested through 2003 when the membership is brought in line with the mapping that has been carried out by regional co-ordinators across the UK.

The membership fees increased from £50 to £80 for the 2002/3 membership year and we anticipate that as 2003 progresses our current year membership level will reach or overtake the 2002 numbers. The membership is quite mixed with some public authorities, co-operatives and private companies in membership as well as voluntary sector agencies which are in the majority. As at November 2002 cheques are still being received for renewed memberships so it will only be possible in January 2003 to assess how many previous members have renewed and what the exact numbers for 2003 stand at.

Table 7, Membership breakdown by nation/region

Nation/region	Number. of members
Northern Ireland	12
Wales	17
North East	21
Eastern Region	23
East Midlands	23
West Midlands	31
Yorkshire & Humber	36
North West	38
South West	44
Scotland	70
South East & London	102
Total	417

4d Publications

Social Firms UK consulted widely with its members and other stakeholders during 2002 on issues surrounding values and social firms.

The consultation exercise resulted in the production of a report towards the end of the year called "Employment, Empowerment, Enterprise: Report on values consultation carried out in the Social Firms Sector in 2002". This report is due to be printed during December 2002 and will be made available in PDF format on the Social Firms UK website also.

Another publication produced during 2002 in which Social Firms UK played a part was called "Employment Creation in Social Enterprises – A Public Authority Perspective". This was the interim evaluation report carried out by King's College London on an Invest to Save initiative co-ordinated by Social Firms UK with public sector partners.

This Progress report will be updated and circulated as an Annual Report for 2002 when Audited Accounts for 2002 are finalised in March/April 2003.

4e Website & Resource Centre

Social Firms UK spent considerable time in the first part of 2002 ensuring that the Resource Centre publications available to members and non-members alike could all be ordered through the website. This work included categorisation of resources online and setting up a search engine just on the resource centre page to make the facility more user-friendly. With over 100 resources available through the centre, we endeavour to keep the list up to date and current, always on the look out for new materials and resources related to social firm development.

We have established an email mailing list for members so that news considered relevant can be distributed quickly and cheaply to the majority of the membership (approximately one third of members still either don't have email or haven't communicated it to us as yet). This facility has made a significant difference to how information is circulated.

However, while the current website may have been considered state of the art five years ago there are considerable challenges ahead to keep it current and relevant. Social Firms UK is aware of improvements that can be made in terms of the website, how it is used, and communications with members. These challenges need to be tackled, and soon.

5 Social Enterprise and Government

During 2001 it was evident that Government was becoming increasingly interested in the social enterprise sector and Social Firms UK had already formed links and partnerships with other national social enterprise support agencies. By 2002, however, the speed and momentum of development had taken on a pace and required the presence and participation of national support agencies for social enterprise to be involved to help with the steer of the work to be undertaken. Social Firms UK's involvement has been as follows:

- Initial lead on the EQUAL project, Social Enterprise Partnership (GB), designed to strengthen the social economy. Partnership with Development Trusts Association, the Co-op Union, New Economics Foundation and Social Enterprise London. The partners have now constituted the Partnership and will operate a social enterprise programme through to May 2005.
- Social Firms UK is one of the five national agencies on the board of the Social Enterprise Coalition, a body formed specifically to be able to represent the sector with one voice to impact on Government policies and programmes.
- Social Firms UK was consulted, along with other representatives of the sector, on the draft Social Enterprise Strategy produced by the Social Enterprise Unit of the DTI.
- Social Firms UK is on the Social Enterprise Strategy Implementation Group to assist the Social Enterprise Unit in the direction of the work being undertaken.
- Social Firms UK assisted the Department of Work and Pensions to organise a seminar dealing with barriers to employment for people with disabilities and the role of social firms and intermediate labour markets in providing solutions. We have an ongoing relationship with the DWP on employment issues.

Involvement at this level has been demanding and time consuming, but is considered worthwhile to ensure that the social firm sector and its issues in development are adequately and fairly represented.

6 Finance and Funding

6a Financial Issues

During 2002 Social Firms UK restructured its staffing to equip the organisation with the appropriate experience and skill mix to meet the changing needs of the social firm sector now that there are National/Regional networks directly responsible for local development in each of the Government Office areas of the UK. The restructuring will address the following issues,

- 1) Reducing the Operating Costs of the Organisation
- 2) Attracting funding from a more diverse range of funding sources.
- 3) Planning for cash flow provision
- 4) Building reserves to protect future funding gaps

The Officers and Board of Social Firms UK believe that the cost cutting measures will have the projected impact on reducing core costs. We believe that our income generation potential is healthy and initial discussions with key funders have been very positive. The national profile of the sector together with our guaranteed project income puts us in a strong position to achieve our funding targets. By mid 2003 we expect to have a satisfactory combination of project income and Trust fund income, together with reserves within the recommended levels.

The funding strategy for 2003 is outlined in the Social Firms UK Business Plan 2003-2005.

6b Accounts and Finance

Social Firms UK has changed its year end to December 31st to fit in with the reporting periods required by majority of its funding initiatives. Accounts to December 2001 have been completed and lodged with the various authorities. The next accounts for the period to December 31st 2002 will be completed in March/April 2003. Copies of the Audited Social Firms UK Accounts can be obtained from the Social Firms UK Resource Centre.

The Balance Sheet for the period to 30th September 2002 is presented in Annex 1.

Annex 1 Abbreviated Accounts and Financial Statements

Social Firms UK Balance Sheet as at 30th September 2002

Fixed Assets

Office Equipment	2314	
Depreciation over 3 years	<u>-352</u>	1962
Office Furniture	1116	
Depreciation over 10 years	<u>-186</u>	<u>930</u>
		2892

Current Assets

Bank - Current Account	77263	
Bank - Deposit Account	1596	
Bank - Credit Card	495	
Petty Cash	200	
Stock - Resource Mats	900	
Debtors - Grants	4326	
Prepaid - Project Payments to recharge: -		
Phoenix	96930	
Esf Project North East Phase I	79589	
Esf Project North East Phase I	-30507	
Esf Project North West Phase I	60204	
Esf Project North West Phase I	31456	
Equal - Action 1	5716	
Equal - Action 2	17047	
Invest to Save Project	35557	
European Social Firms Project	8541	
ESF East Midlands Project	284	
ESF Eastern region Project	3487	
ESF Scotland Project	<u>1130</u>	309434
Prepaid - Rent	1376	
Prepaid - Telephone	280	
Recoverable Expenditure	167	
Advance – Social Firms South East	5000	
Advance – Social Firms UK Trading Ltd	7240	
Advance – Imby Yorkshire (Travel)	1000	
Advance - Social Enterprise Partnership	100	
Deposit Beith & Redhill Offices	<u>5613</u>	
	<u>414990</u>	

Current Liabilities

Company Credit Card		
Surrey Oaklands Trust	310630	
Creditors - Audit Fees	1500	
Creditors - Inland Revenue	6144	
Creditors - Grants	277	
Membership Fees - Due to Regions	2860	
Membership Fees - Paid Twice	50	
Accruals	<u>31793</u>	
	<u>353254</u>	

Net Current Assets

61736

64628

RESERVES:

General Reserves:		
Balance brought forward (per draft accounts)	62160	
Surplus for the period (balancing figure)	<u>2468</u>	
	<u>64628</u>	

