



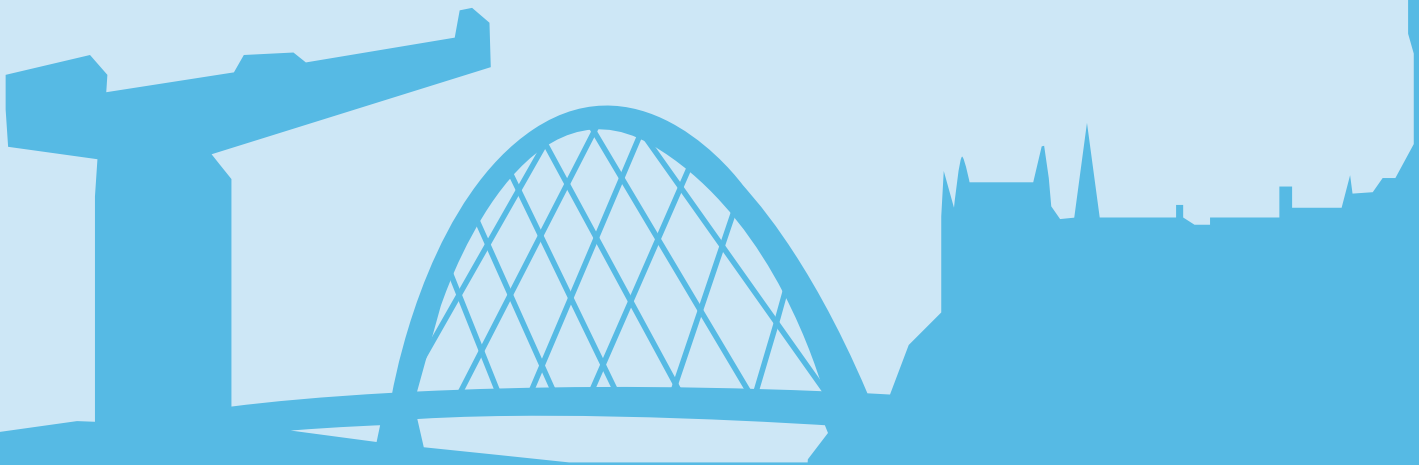
SOCIAL ENTERPRISE IN GLASGOW

Scale as well as substance



ABOUT THIS STUDY

THIS REPORT PRESENTS THE FINDINGS OF A HIGH PROFILE AND AMBITIOUS PROJECT INTENDED TO BUILD UP THE MOST COMPREHENSIVE PICTURE YET OF SOCIAL ENTERPRISE ACTIVITY IN THE CITY OF GLASGOW.



Independently conducted by the team at Social Value Lab – www.socialvaluelab.org.uk – this project involved the following three aspects:

1. Building a database

In the initial stages a database of active social enterprises with a main base in Glasgow was constructed based on an agreed working definition.¹ This merged registration, incorporation, contact, and financial information from the Charity register (OSCR), Company register (Companies House, based on selected legal forms), Mutuals register (Financial Services Authority), and RSL register (Scottish Housing Regulator). The data from the above sources was cross-matched and duplicates removed to produce **a combined list of over 700 potential social enterprises (eventually refined to 509 verified social enterprises)**. All listed organisations were screened against agreed criteria using available online information. Further online searches were undertaken and verification/screening calls placed to add further categorisation and named contact details.

2. Analysing financial performance

A full and objective financial analysis of the identified ‘population’ of social enterprises was undertaken. Publicly available accounts were purchased where available² for all known social enterprises covering the last full financial

year. Financial data relating to 413 social enterprises was analysed. ‘Common sized’ financial data was extracted for each social enterprise, and then aggregated, analysed and benchmarked using various financial ratios (relating to financial performance, health and sustainability). Where some ‘grossing up’ of data was required to reflect missing records, this was based on conservative assumptions. Where ambiguity as a result of financial accounting practices existed (e.g. in the categorisation of trading, grants, etc.), expert judgement was used and assumptions verified against financial approximations provided in survey returns.

3. Gathering survey data






A large-scale survey of identified social enterprises in the city was carried out to verify and extend upon the data already gathered. The survey was administered and follow-up telephone calls placed to boost responses and gather missing data. A total of 135 social enterprises submitted information and views relating to their scale, characteristics, geographic reach, barriers, and prospects. The response rate was maximised with support from local representative bodies that could provide visibility and reach into particular areas or sub-sectors.

Taken together, the result is the most comprehensive and accurate local snapshot yet produced in the UK of the scale, characteristics and contribution of the social enterprise community.

¹ Based on the Voluntary Code of Practice for Social Enterprise in Scotland (www.se-code.net), with further objective criteria determined and categories of eligible and ineligible organisation determined.

² In a number of cases accounting data could not be secured where smaller organisations were not obliged to file financial returns or were in their formative stages and had not yet produced financial accounts.

Social Enterprise in Glasgow: The Summary Facts

	509	SOCIAL ENTERPRISES CURRENTLY OPERATING IN GLASGOW
	20	SOCIAL ENTERPRISES FORMED IN THE CITY LAST YEAR
	15 years	THE AVERAGE AGE OF SOCIAL ENTERPRISES IN GLASGOW
	42%	OF GLASGOW SOCIAL ENTERPRISES LOCATED IN THE COUNTRY'S MOST DEPRIVED NEIGHBOURHOODS
	10,412	FULL TIME EQUIVALENT EMPLOYEES IN THE LOCAL SOCIAL ENTERPRISE SECTOR
	£12.4m	THE ECONOMIC VALUE OF VOLUNTEERING IN GLASGOW'S SOCIAL ENTERPRISES
	£767m	THE ANNUAL INCOME OF SOCIAL ENTERPRISES IN THE CITY
	51%	OF SOCIAL ENTERPRISES GENERATE HALF OR MORE OF THEIR INCOME FROM TRADING
	39%	OF SOCIAL ENTERPRISES NOW DELIVERING SERVICES UNDER CONTRACT
	3.3%	THE RISE IN COSTS OF RUNNING A SOCIAL ENTERPRISE IN GLASGOW
	£312m	THE ACCUMULATED FINANCIAL RESERVES OF SOCIAL ENTERPRISE IN THE CITY
	£758m	THE NET WORTH OF GLASGOW'S SOCIAL ENTERPRISES
	56%	OF SOCIAL ENTERPRISES NEGATIVELY AFFECTED BY THE FINANCIAL CLIMATE LAST YEAR
	61%	OF SOCIAL ENTERPRISES CONSTRAINED BY TIME PRESSURES/LACK OF CAPACITY
	63%	OF GLASGOW'S SOCIAL ENTERPRISES EXPECT THEIR INCOME TO INCREASE NEXT YEAR

SECTION 1: INTRODUCTION

Page 2

Describes the backdrop to this report and its wider significance.

SECTION 2: DEFINITIONS

Page 3

Tackles the thorny issue of definitions; what we mean by 'social enterprise' and, crucially, what it is and what it is not.

SECTION 3: ORIGINS

Page 4

Traces the origins and development of social enterprise in the city.

SECTION 4: SCALE

Page 6

Examines the individual and collective scale of social enterprises in the city including turnover, workforce, and assets.

SECTION 5: STRUCTURE

Page 9

Looks at the way in which social enterprises in Glasgow are organised and structured.

SECTION 6: SECTORS

Page 11

Explores the economic sectors in which Glasgow's social enterprises are active, from childcare to social housing.

SECTION 7: GEOGRAPHY

Page 16

Describes the geographic spread, coverage and reach of social enterprises in the city.

SECTION 8: TRADING

Page 19

Explores the extent to which local social enterprises are competing in open markets, winning work and staying afloat through trading.

SECTION 9: STRENGTH

Page 21

Gets to grips with the financial performance, health, and sustainability of Glasgow's social enterprise community.

SECTION 10: PROSPECTS

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Takes a look at the resilience of social enterprises during troubled economic times and examines their future prospects.

SECTION 1: INTRODUCTION

This report shines the spotlight on social enterprise in Glasgow; a vibrant and dynamic community of organisations dedicated to making the city a better place to be.

Glasgow is Scotland's largest urban economy and largest centre of population. However, the city also contains the lion's share of poverty, inequality and deprivation. Here, the long-term legacy of industrial decline has combined with the fallout from the global economic crisis to challenge the city's path to growth. At the same time, factors such as the aging population, youth unemployment, and welfare reform are posing new challenges for our communities and public services.

Glasgow is extremely fortunate to be home to many inspiring social enterprises. These organisations operate for more than profit alone, they foster social and environmental innovation, they are ethical in their motivations, and they are accountable to their employees, consumers and communities.

Social enterprise has enjoyed a steadily growing public policy profile over the last decade or more. As confidence in our economic system now evaporates, the sector is also well placed to deliver on people of Glasgow's desire to find a fairer, better way of doing business.

This report is intended to take the first-ever comprehensive look at the important and growing role that social enterprise plays in Glasgow.

Based on exhaustive research by the team at Social Value Lab **the report maps out the scale, scope, characteristics, and contribution of social enterprises in the city.**

It describes a social enterprise community in Glasgow characterised by both strength and diversity – diversity in terms of age, origins, scale and structure. The social enterprises that make up this growing community go by many names, from housing associations to social firms. What they have in common is commitment to change Glasgow for the better as well as a shared set of organisational behaviours and values.

With a proud tradition of supporting this community and continuing grassroots innovation, the evidence contained in this report suggests that Glasgow remains the home of social enterprise in Scotland.

SECTION 2: DEFINITIONS

So what is a social enterprise? Is it a thing that organisations are or a thing they do? What common characteristics bind together this seemingly diverse band of organisations?

Put simply, social enterprises are businesses that trade for the common good rather than the unlimited private gain of a few. They tackle social problems, strengthen communities, improve people's life chances, or protect the environment.

More enterprising than traditional charities and more social in orientation than conventional businesses, the social enterprise movement is emerging as a powerful force for good.

With the term 'social enterprise' now increasingly widely used (and occasionally abused), there is now a fairly broad consensus on what we mean by a social enterprise³.

Social enterprises tend to be driven by a common set of values and principles based on fairness, democracy, and mutuality. This is combined with an entrepreneurial mind-set and approach which tends to set social enterprise apart from the wider third sector.

A social enterprise does:

- Exist primarily to achieve social and/or environmental benefit
- Reinvest any profits back into the business or for the people it exists to serve
- Lock all assets into the business and on dissolution redirect these appropriately
- Aspire to financial independence through the money it makes from trading
- Operate independently of direct control from public authorities

A social enterprise does not:

- Treat its commitment to people and planet lightly or as a secondary consideration
- Exist primarily to make and distribute profits to owners, shareholders, or investors
- Allow for the possibility that assets will be appropriated for private gain
- Continue to rely on volunteering, grants or donations to stay afloat over the long-term
- Operate as a subsidiary of a public body or with a controlling interest from public sector representatives

³ For further information see the Voluntary Code of Practice for Social Enterprise in Scotland: www.se-code.net

SECTION 3: ORIGINS

Social enterprise is not new to Glasgow. The city has given rise to some of the most imaginative and fastest growing social enterprises in the UK, and some of the largest. Social enterprise is a growing phenomenon that demands attention.

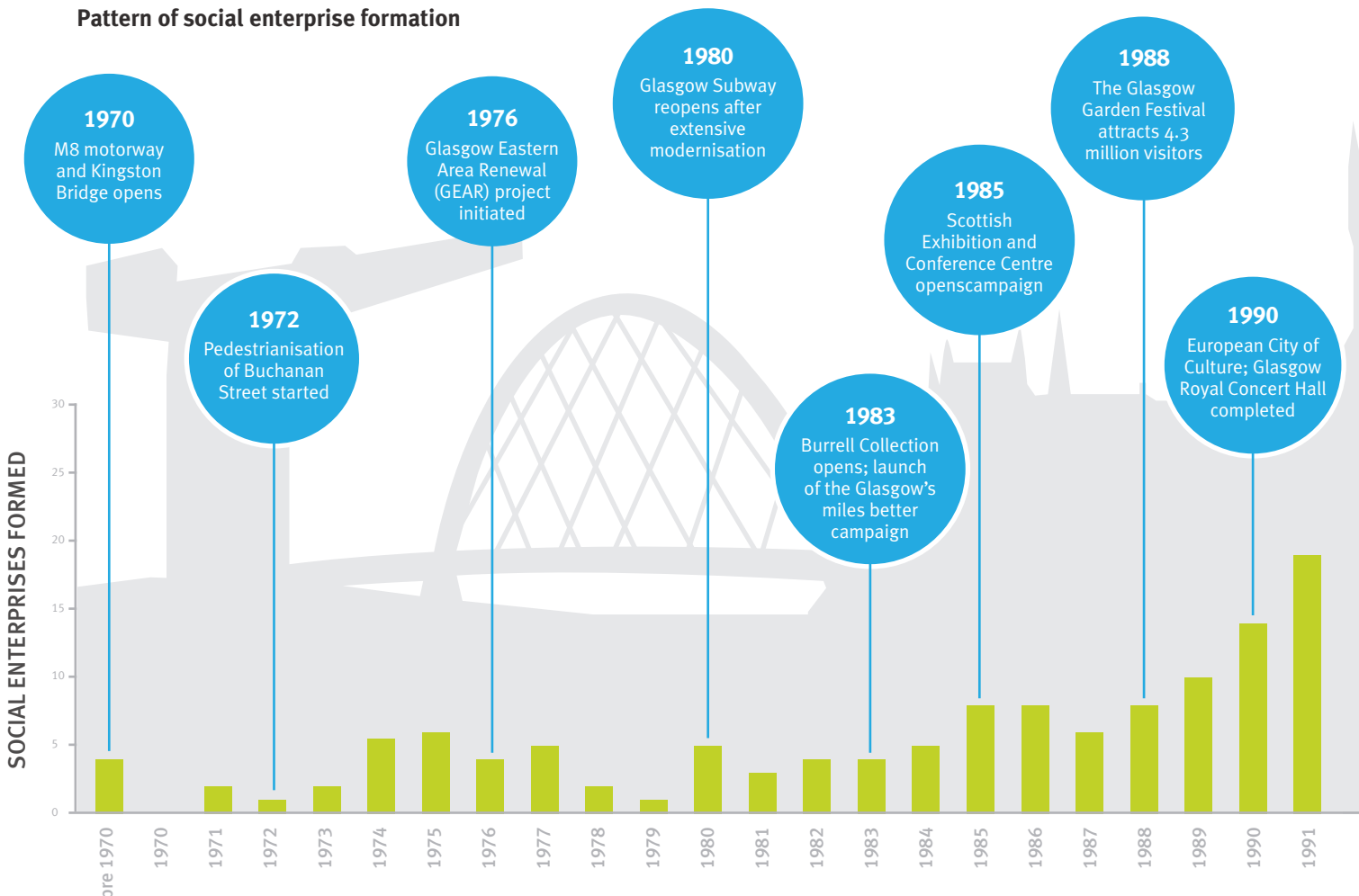
A rich history

The origins of social enterprise arguably date back to radical 19th century reformers like Robert Owen, a pioneer of the co-operative movement. More recent local history places **the resurgence of social enterprise in Glasgow in the mid-1970's** with the formation of community-based housing associations then, in subsequent decades, community businesses, credit unions, and other forms of community-led enterprise. This diverse group of early social enterprises were united in their desire to tackle unemployment, poverty, and deprivation in the city.

A proud tradition

Glasgow can claim **a strong tradition of political and financial support to social enterprises that spans four decades**. Much of the pioneering work into new forms of social enterprise in the UK has its roots in Glasgow, from community businesses to intermediate labour market schemes. The city also continues to innovate, including action to grow the role of social enterprise in public sector supply chains to the introduction of the Scotland's first MSc programme in Social Enterprise.

Pattern of social enterprise formation



An emerging movement

Successive waves of social enterprise formation have left a rich and diverse picture of social enterprise in the city; one that is not simply categorised or explained. Our timeline⁴ of social enterprise company incorporation portrays a **fairly youthful movement**, with almost three-quarters of the social enterprises we see in Glasgow today having formed in the last decade. With an average age of 15 years, the city's social community could best be described as in its adolescence. A collective sense of identity and strength is only now emerging.

70%

of social enterprises incorporated in the last decade

15 years

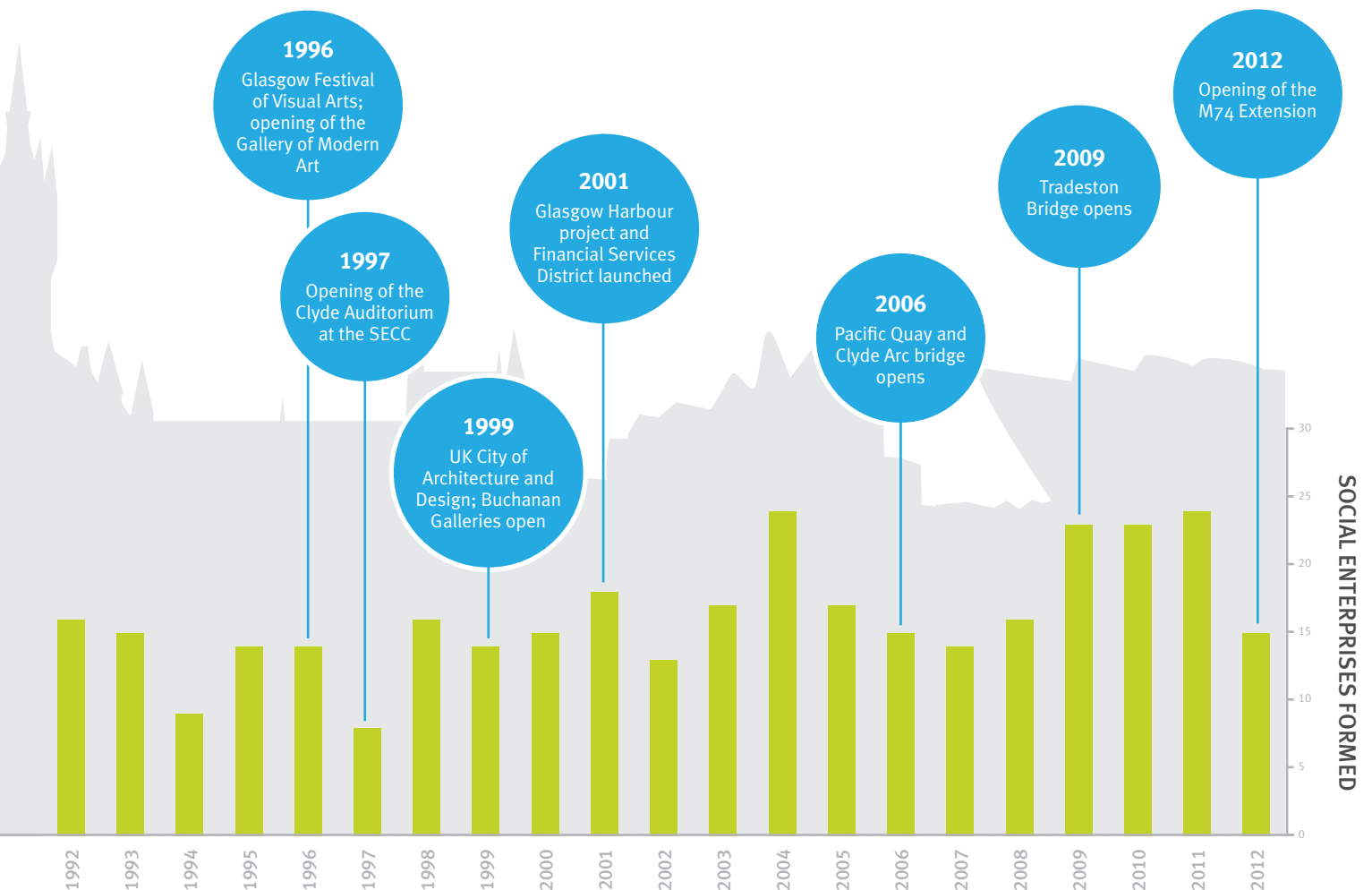
The average age of social enterprises in Glasgow

20

social enterprises formed in the city in 2011/12⁵

Gathering momentum

There is a **gathering momentum behind social enterprise**, with the sector causing a stir for a variety of reasons. As a result of the banking crisis, economic recession, and the accompanying rejection of profit-hungry business practices, people are searching for fairer ways of doing business. The related decline in public sector spending and charitable giving also means that charities in the city are more involved in trading and striving for fuller financial independence. Social and ethical considerations are also increasingly at the forefront of consumers' minds, from those that support the Fair Trade movement to those taking responsibility for their own care and seeking better alternatives. These and other factors are fuelling the growth of the movement.



⁴ Timeline is based on date of incorporation under co-operative or company law of those 468 incorporated social enterprises operating in Glasgow today.

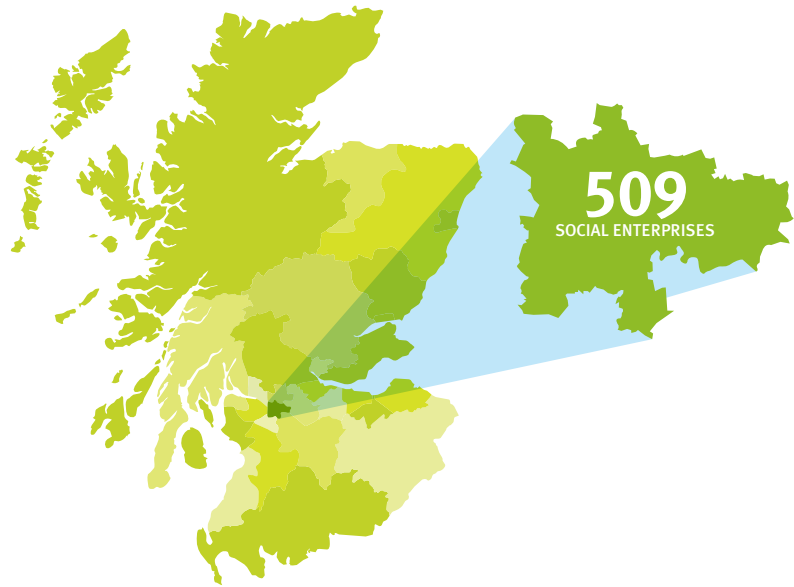
⁵ Formation here is taken to mean social enterprises that incorporated under company or co-operative law during the period.

SECTION 4: SCALE

Social enterprises have become an established part of the fabric of the city. Individually and collectively they bring a scale and contribution that is increasingly difficult to overlook.

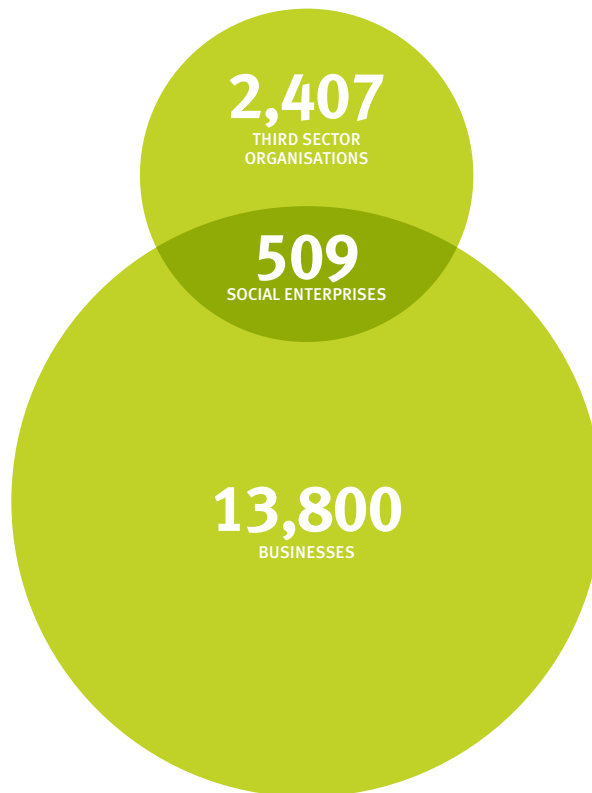
A quick headcount

There are currently some **509 social enterprises that have a main base in Glasgow**. To put this in context there is **one social enterprise trading in the city for every 1,000 adult Glaswegians**⁶. This compares to 28 VAT registered businesses per 1,000 of the adult population and five charities⁷.



Cutting across sectors

Social enterprises sit within and cut across the wider third sector and business community. In all **15% of Glasgow-based charities can be defined as social enterprises** (often referred to as ‘enterprising charities’ or the ‘enterprising third sector’). Social enterprises also represent a small but important part of the city’s business community.



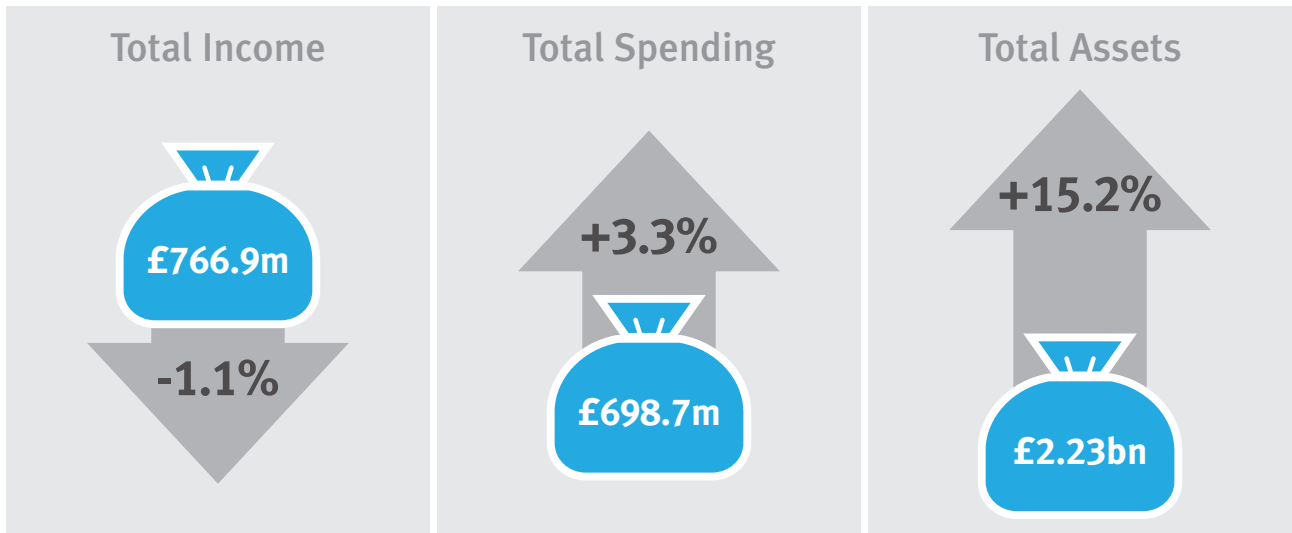
⁶ The latest official 2011 population estimates show 500,714 adults (aged 16 plus) resident in Glasgow.

⁷ Based on data from the Annual Business Inquiry (ABI) and Office of the Scottish Charity Regulator (OSCR).

Bringing financial clout

The Glasgow social enterprise community brings scale as well as substance. With a **combined income of £766.9m**, **spending of £698.7m**, and **assets of £2.23bn** social enterprises make a substantial contribution to the local economy. While the asset base of the sector has been

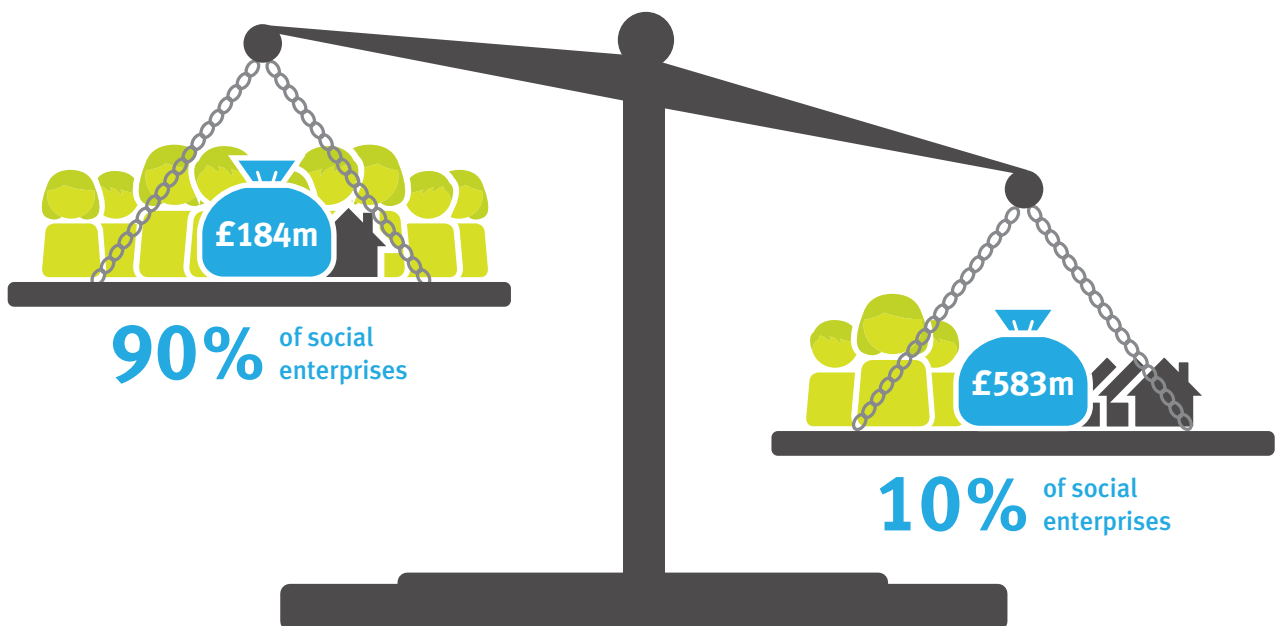
strengthened over the last year (asset value up 15%) tough economic conditions have led to a squeeze on profits as income contracts and costs rise. The full financial picture is described later.



A concentrated effect

As Scotland’s largest city, Glasgow is the base for some of the country’s leading social enterprises. The 20 largest social enterprises alone command an annual income of £182m, and the **largest 10% of social enterprises account for 76% of**

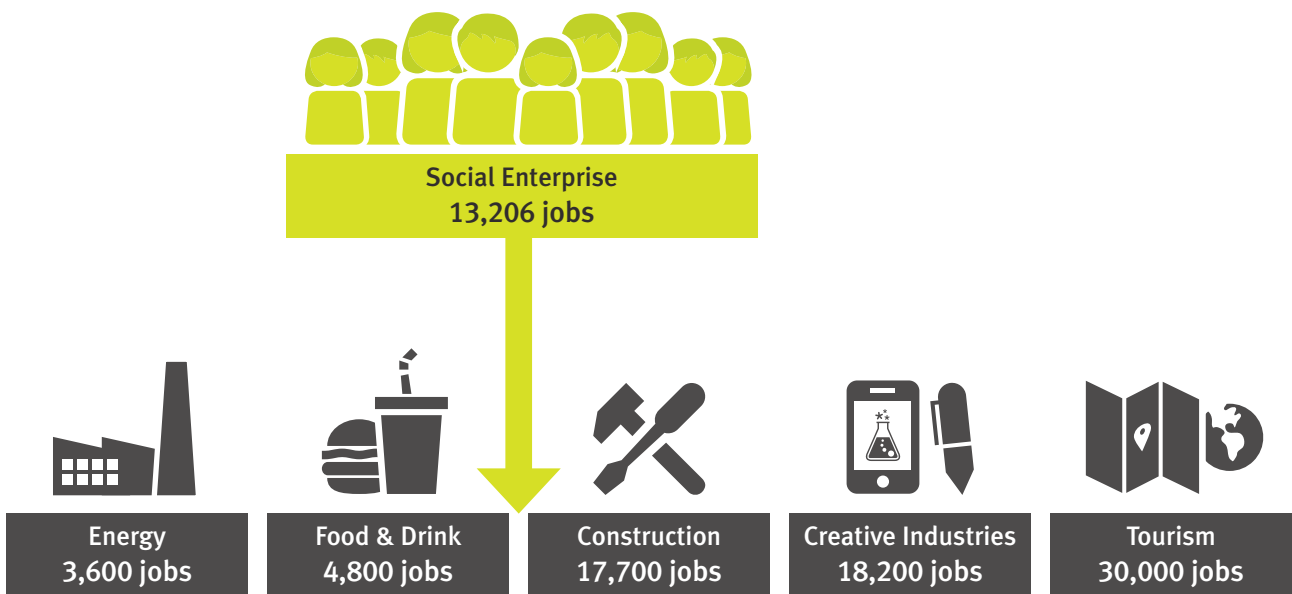
the sector’s income. Housing associations make up almost three-fifths of the sector’s income and underpin the sector’s balance sheet. Credit unions also hold some very significant financial assets, worth some £227m last year.



Supporting jobs

Glasgow’s social enterprise community is a major employer. An estimated **13,206 people work in the city’s social enterprises, representing some 10,412 Full Time Equivalent positions**⁸. Although headcount in the sector has declined by some 6% in the last year, it is still a serious

player in employment terms. Although strictly speaking not an economic sector (it cuts across many sectors) social enterprise employment stands up well to comparisons with key sectors in the Glasgow economy.



Economic value in volunteering

Although as a rule social enterprises do not wish to become reliant on voluntary donations of either time or money to stay afloat, they do often make use of volunteers (in three in every five cases). Excluding board/committee members, there are **an estimated 6,144 active volunteers that work in Glasgow’s social enterprise community**⁹ (one volunteer for every two paid staff members). This adds to the capacity and services of social enterprises, and represents a very significant economic value that might not otherwise exist.



6,144 active volunteers



81,928 hours of volunteer monthly input



£12.4m economic value of volunteering

⁸ Based on staff headcount data contained in social enterprise company accounts and detailed workforce information provided by a sample of 135 social enterprises. It should be noted that these figures relate to employment in social enterprises with a main base in Glasgow, and the associated services and jobs may be located outside of Glasgow as well as inside.

SECTION 5: STRUCTURE

Social enterprise in Glasgow is a broad church that embraces many organisational types, business models, and legal forms. Each social enterprise is a unique product of its market environment, origins and purpose.

Organisational form

While social enterprises can come in all shapes and sizes, they tend to **take a number of reasonably distinct forms**. It's very much a case of 'form follows function' here, with social enterprises in particular fields adopting tried and tested structures. This organisation form is linked both to legislation and regulation (e.g. credit unions, housing associations, charities, co-operatives) and business models (e.g. social firms, development trusts).



Legal structure

All **but the smallest and newest social enterprises in the city are corporate entities** (making them distinct under law from the people involved). Most commonly this means registration as a company limited by guarantee (without shareholding). Many older, specially regulated social enterprises such as credit unions and housing co-operatives are registered as Industrial and Provident Societies (IPSs). While Community Interest Companies (CICs) were established as a legal form designed specifically for social enterprises, these are in a small but growing minority, and most CICs tend to be relatively new.



93%

of social enterprises are incorporated¹⁰

¹⁰ Incorporated under either company or co-operative law.

Principle legal forms:

Companies Limited by Guarantee

A standard legal form which limits members' individual liability, enshrines social mission in Memorandum and Articles, and eliminates shareholding and therefore profit distribution.

Community Interest Company (CIC)

A specially regulated legal form introduced in 2005 specifically for social enterprises. They are limited companies, with special additional features that certify their social mission, lock in assets, and limit dividend payments to members.

Industrial and Provident Society (IPS)

A well-established legal form for co-operatives and community benefit societies, which ensures democratic ownership and control by members.

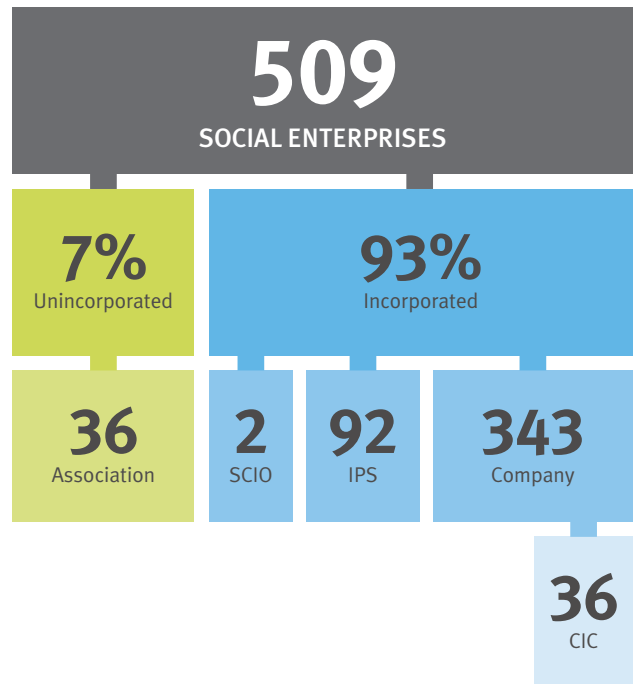
Scottish Charitable Incorporated Organisation (SCIO)

An optional new legal form for registered Scottish charities, introduced in April 2011. Enables small enterprising charities to become a corporate entity able to enter into contracts, employ staff, incur debts, own property, etc.

Plus charitable status

Seven in every ten social enterprises in Glasgow also hold charitable status. This is compatible with their aspiration to become financially independent through trading, whereby they earn their income through selling goods and services in order to deliver on their social mission. Larger social enterprises in Glasgow can sometimes have complicated group structures with charitable status; this is increasingly common as charities become more enterprising and establish trading subsidiaries.

70% of social enterprises hold charitable status¹¹



A common identify?

The various combinations of organisational and legal form can get confusing, as can the term 'social enterprise' itself. **Almost half of social enterprises in the city do not readily identify themselves as social enterprises¹².** We must remember that social enterprise is a term that was not around when many organisations were formed, and that some still remain unfamiliar or wary of it, or are simply more comfortable sticking to the language associated with their roots (e.g. a 'charity'), business model (e.g. a 'social firm') or field of activity (e.g. a 'social care provider').

Is 'social enterprise' a term that your organisation uses to describe itself?



¹¹ Based on actual numbers registered with the Office of the Scottish Charity Regulator.

¹² Based on survey responses from 135 social enterprises.

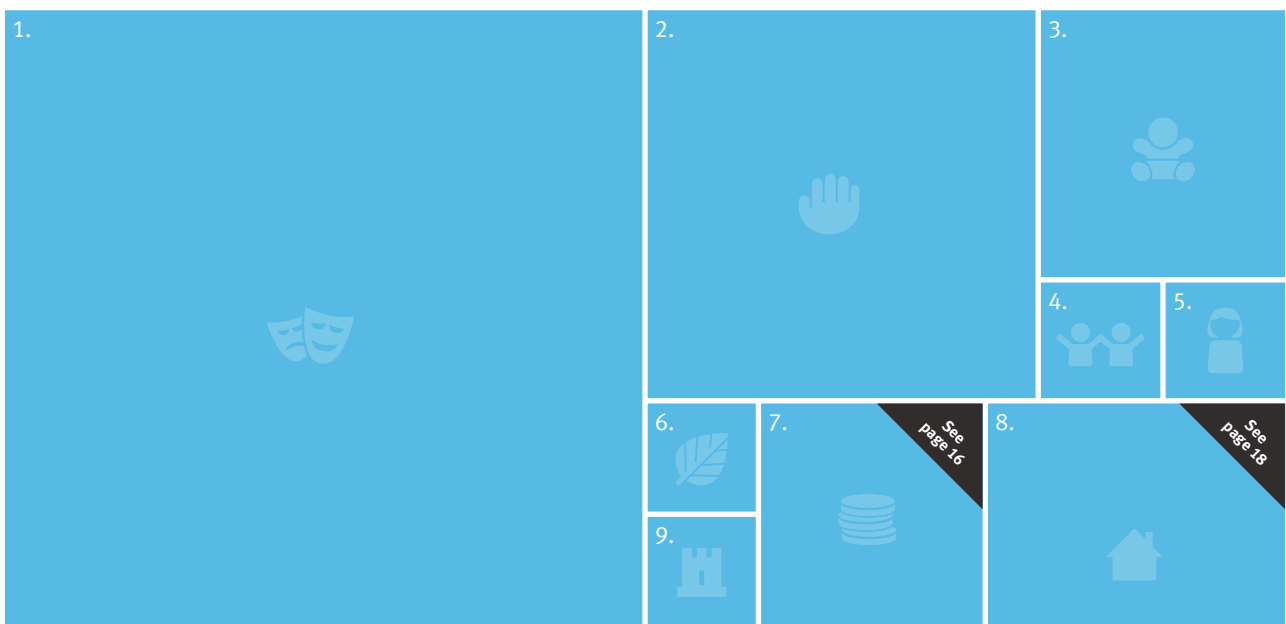
SECTION 6: SECTORS

Social enterprises can operate in almost any sector of the economy. Parts of the social enterprise community are well known and closely regulated. Other parts are often less visible, but no less significant.

Impacting across sectors

Social enterprises provide goods and services that **tackle social problems, strengthen communities, improve people’s life chances, or protect the environment.** This leads them to trade in a number of fairly distinct markets, most often in the cultural sector (21% of social enterprises) and also with a particularly strong presence in social care, housing, childcare, and financial services.

Social enterprises tend to **operate in highly regulated industries, providing a variety of vital everyday services on which people depend.** The credit union and social housing sectors in Glasgow (featured on the following pages) highlight the scale and contribution of these mature and regulated sections of the social enterprise community.



Share of Glasgow's enterprises¹³

1.	Arts & Culture	Artistic, creative and cultural services	21%
2.	Social Care	Providing person-centred care	13%
3.	Childcare	Nursery and out-of-school care services	9%
4.	Community facilities	Managing community centres and hubs	4%
5.	Young People	Activities and support for young people	4%
6.	Environment	Promoting environmental sustainability	3%
7.	Financial	Providing affordable financial services	7%
8.	Housing	Providing social housing and related services	12%
9.	Heritage	Managing historic buildings and other assets	3%
10.	Health	Improving population health and wellbeing	4%
11.	Advice	Providing general, money or legal advice	5%
12.	Employability	Supporting learning, training and employment	5%
13.	Local Development	Local enterprise and regeneration activity	5%
14.	Other	Other activities from transport to sport	5%

¹³ Social enterprises have been categorised by their principal field of activity. Some social enterprises will work across multiple fields and client groups.

Delivering social housing and regeneration¹⁴

Housing associations and co-operatives are among the largest and most established social enterprises in the city. They are dedicated to helping people obtain decent, affordable accommodation which meets their needs and to improving local neighbourhoods.



The home of social housing

Glasgow contains **56 housing associations and co-operatives whose main base and area of operations is Glasgow** (one-third of all in Scotland), and a further 12 operate in the city. These housing associations vary enormously in scale and reach.

With the whole stock transfer by Glasgow City Council in 2003, Glasgow Housing Association (GHA) and its network of Local Housing Organisations (LHOs) is by some way Glasgow's largest social housing provider.

LARGEST

Units: **44,379** Turnover: **£185m**
Fixed Assets: **£941m** FTE Staff: **1,593**

MEDIAN

Units: **902** Turnover: **£3.2m**
Fixed Assets: **£9.4m** FTE Staff: **17**

SMALLEST

Units: **33** Turnover: **£107k**
Fixed Assets: **£734k** FTE Staff: **5**

Rich in assets

Housing associations and co-operatives **provide good quality housing for rent and for sale in Glasgow**. Using government grants and loans from banks they build some houses and improve others. Since the earliest housing stock transfers to

community ownership, local housing associations have built up a substantial asset base under their management and control.



111,647

Self-contained housing units



£1.38bn

Net book value of housing properties



£1.73bn

Total fixed assets

¹⁴ Data taken from the Scottish Housing Regulator RSL Annual Performance and Statistical Return 2011-12 and the Accounts Consolidation System 2012. The focus of the analysis is on housing associations and co-operatives that have their main operations in Glasgow. The analysis excludes data for Abbeyfield Societies and the management-only Local Housing Organisations (LHOs) set up to manage stock on behalf of Glasgow Housing Association.

Financially strong

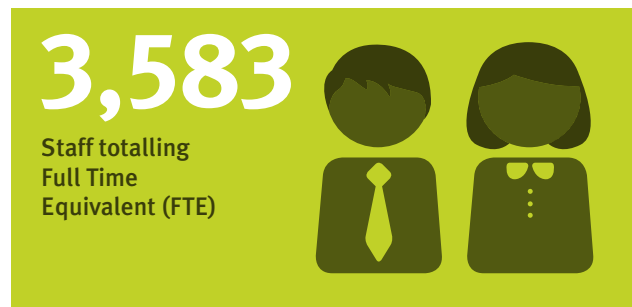
Housing associations and co-operatives in Glasgow are financially strong and independent. Most of their turnover is generated from rental income. Importantly, any money they

make is ploughed back into maintaining the houses they have, or providing more.



People orientated

Most housing associations have tenants on the committees which run them, and all housing co-operatives do. They employ large teams of professional staff, many of whom live locally. Because there is a shortage of affordable housing, associations let to people in the greatest need and generally tenants rights are better represented and pay lower rents than those in the private sector.



Active in regeneration

Most housing associations have taken an **active role in making lives better for their tenants and going beyond their role in housing.** As important community anchor organisations they make the most of their assets (land, buildings and professional skills) to deliver positive

economic, social and environmental changes in local neighbourhoods. Several have developed successful social enterprise activity around landscaping, recycling and social care, and non-housing trading activity is recognised as increasing important.

Providing affordable financial services¹⁵

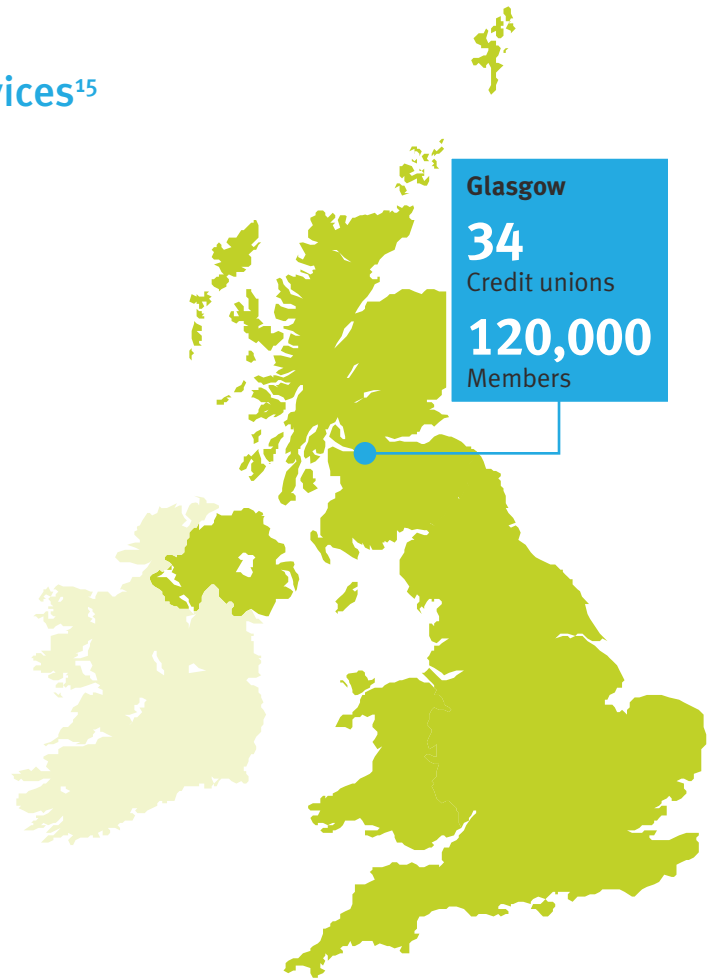
Credit unions are financial co-operatives that provide members with flexible savings, loans and other financial services. Glasgow's credit unions have shown unparalleled growth over the last five years.

The home of credit unions

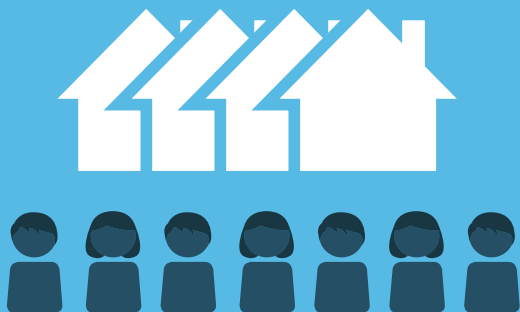
Glasgow is home to 34 credit unions and has **more credit unions and more credit union members than any other city in the UK**. Over 120,000 people are members of Glasgow's credit unions, representing more than one in every five Glasgow residents. Last year the city's credit unions had a combined income of almost £18m and financial asset portfolio of £227m.

Serving local family and workers

While Glasgow's **credit unions are hugely varied in size, membership and offering**, they tend to fall into one of two camps. First are community credit unions, which have been formed as a local response to poverty and financial exclusion and where members live and in some cases work in that particular locality. Second are occupational or associational credit unions ('industrial' credit unions) whose members are drawn from the same profession (e.g. transport industry) or who work for the same employer (e.g. Glasgow City Council).

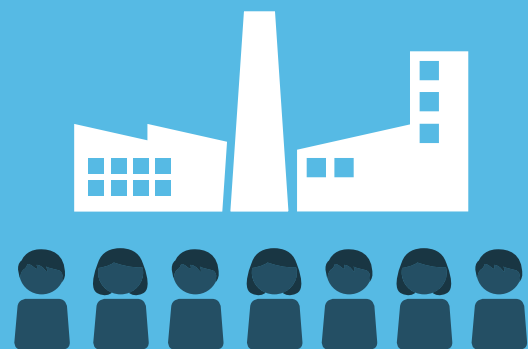


Community Credit Unions



No. of CUs: **26** Profit: **£4.3m**
Income: **£13.6m** Assets: **£168.2m**

Occupational or Associational Credit Unions



No. of CUs: **8** Profit: **£1.7m**
Income: **£4.2m** Assets: **£58.5m**

¹⁵ Data has been drawn from a Social Value Lab financial analysis (2013) and Glasgow City Council credit union benchmarking exercise (2010). In combination these provide benchmark data for four of the last five financial years.

Responsive to local needs

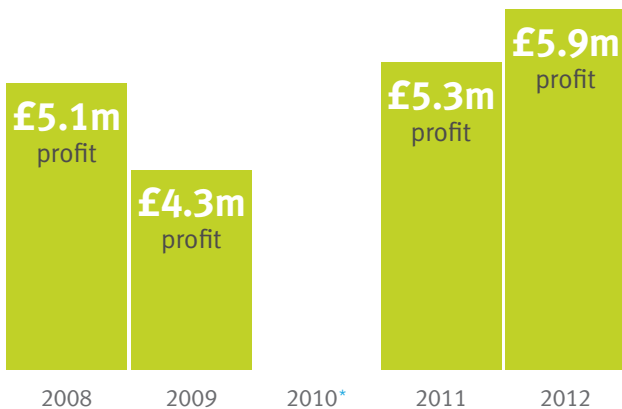
Credit Unions remain close to the needs of their members and local communities. They offer an ever-expanding range of financial products and services to these members (their customers), all of which are regulated by the Financial

Services Authority. They promote responsible lending, financial education, and access to money advice. Some credit unions in Glasgow have also taken on the running of vital local services, from post offices to childcare services.

Typical service range:		
Bill Paying Services	Funeral Protection Plans	Direct Debit
Child Trust Funds	ISAs	General Insurance
Christmas Savings Plans	Mortgages	Low cost loans
Foreign Currency	Revolving Credit	Savings Accounts/Dividends
Free Life Insurance	Current Accounts	Young Savers Accounts

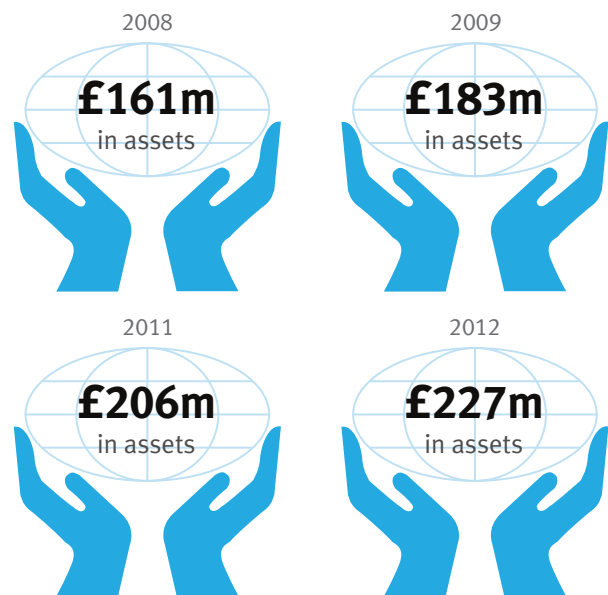
Putting people before profit

Credit unions are owned and controlled by their members and are committed to improving the economic and social well-being of members. They pay dividends to members (not shareholders) and offer them lower interest rate loans, higher savings rates, and fewer service fees than mainstream banks. It is profit, however, that makes this possible. In the latest financial year **31 of the 34 credit unions in the city reported a profit**, while three made a small loss. Although operating profits suffered at the onset of the global financial crisis these have recovered and grown to a combined £5.9m last year (16% growth over five years).



Financial strength

Credit unions in the city have exhibited unparalleled asset growth and strengthening balance sheets. The collective financial asset portfolio of the sector has grown 41%, up to £227m at the most recent year-end. This reflects growing membership and money held by credit unions. The financial performance of credit unions remains strong with 6% added to total funds held on the credit union sector balance sheet during the latest year (now standing at £31m).



* Data unavailable

SECTION 7: GEOGRAPHY

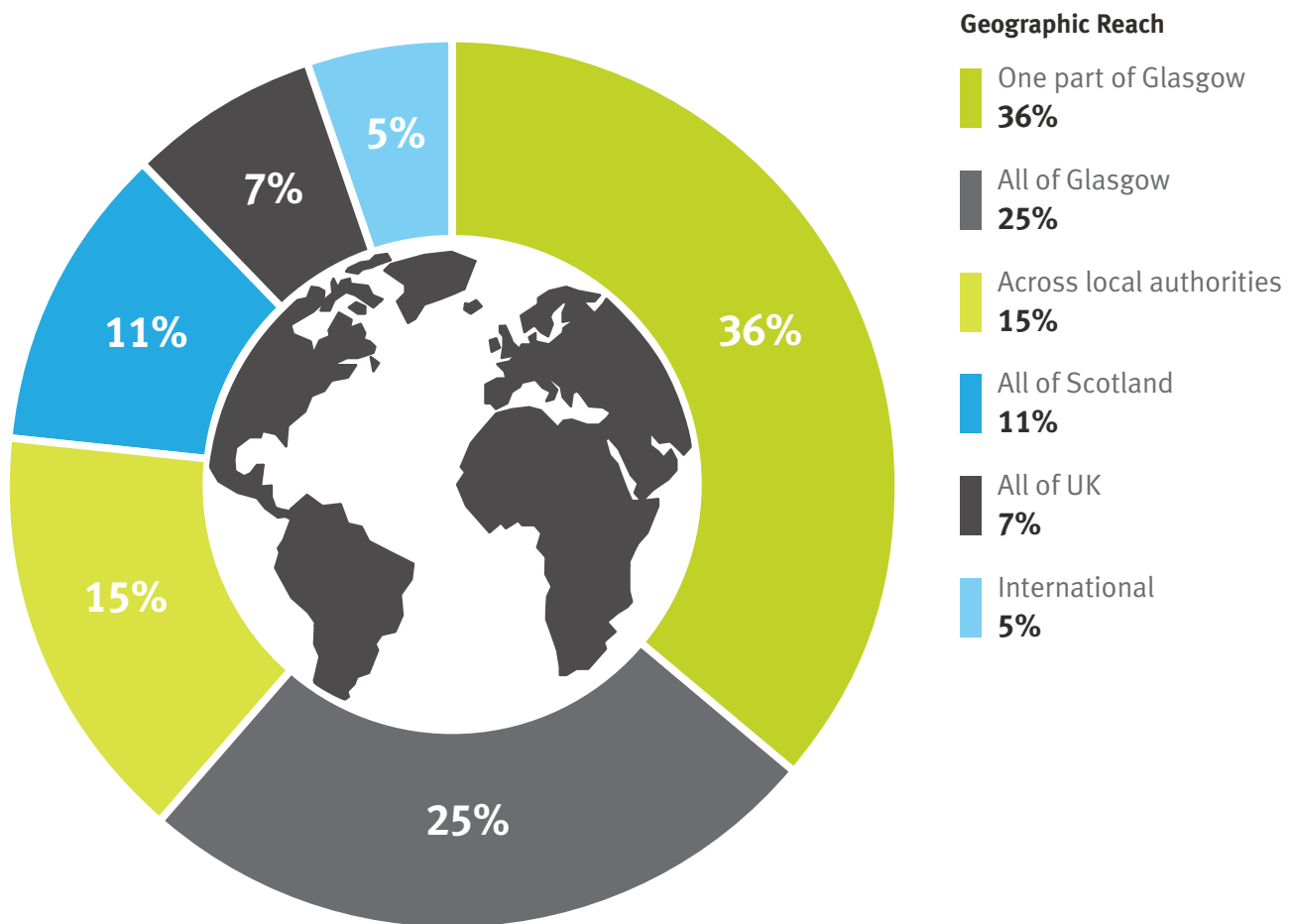
Glasgow's social enterprises have a strong reach into the city's neighbourhoods and are at the forefront of tackling social needs. At the same time they also have a growing national and international footprint.

Expanding coverage

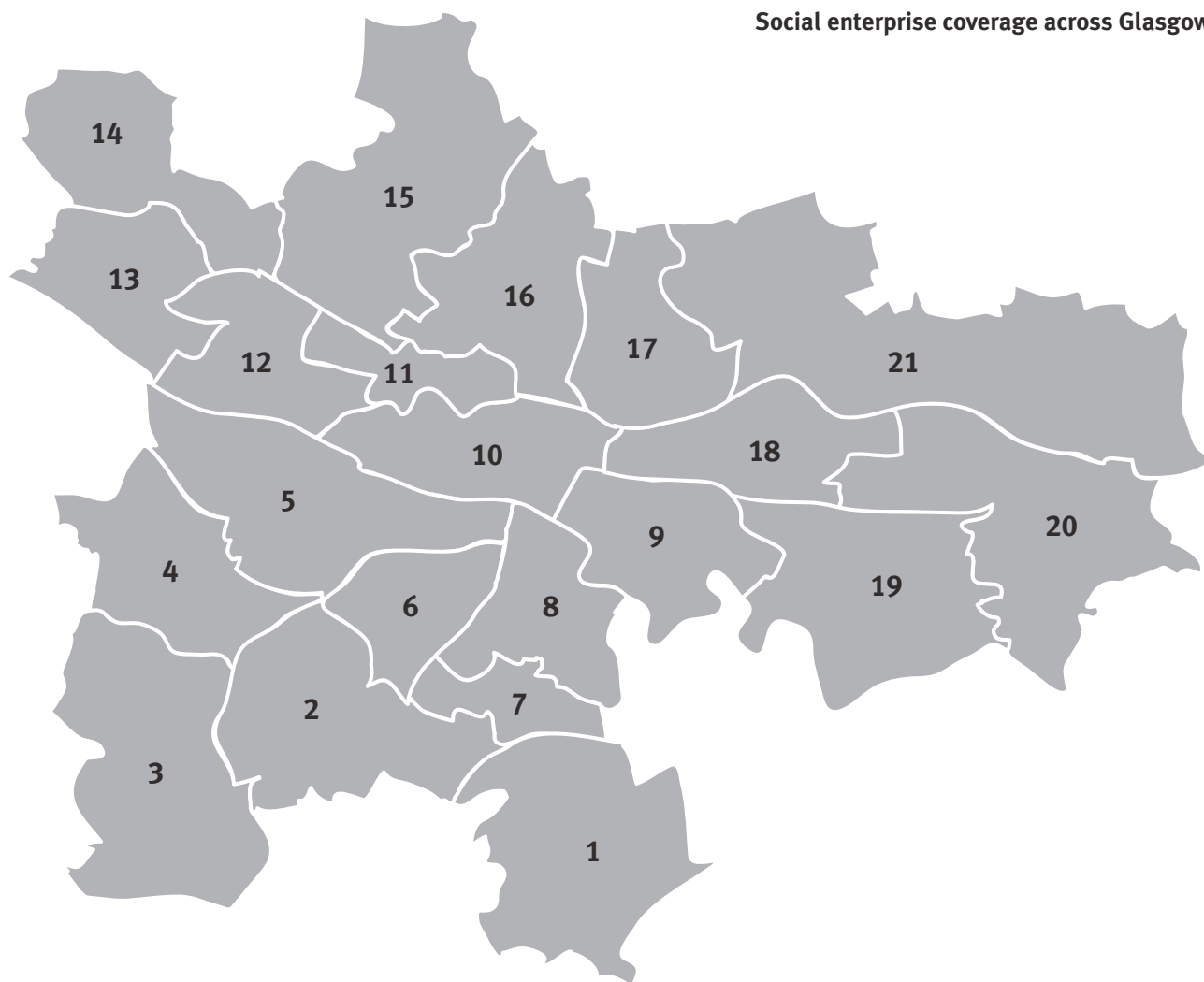
Most social enterprises are born in Glasgow, are formed to serve local needs, and remain local in their orientation. In fact, just over one-third of the city's social enterprises operate within only one part of the city, sometimes as small as an individual neighbourhood. On the flipside **two in every five social enterprises operate outside of the city's boundaries** and there is a growing trend towards operating across multiple local authority areas, nationally, or indeed internationally.

A local footprint

Although **social enterprises have a foothold in almost every neighbourhood in the city**, they tend to be concentrated in the city centre where one-quarter have their main base. This includes the headquarters of many of the major players who operate well beyond the city boundaries. There is some further clustering effect in traditional regeneration areas of the city including Govan, Calton and elsewhere, although every ward in the city contains a mix of social enterprises.



Social enterprise coverage across Glasgow



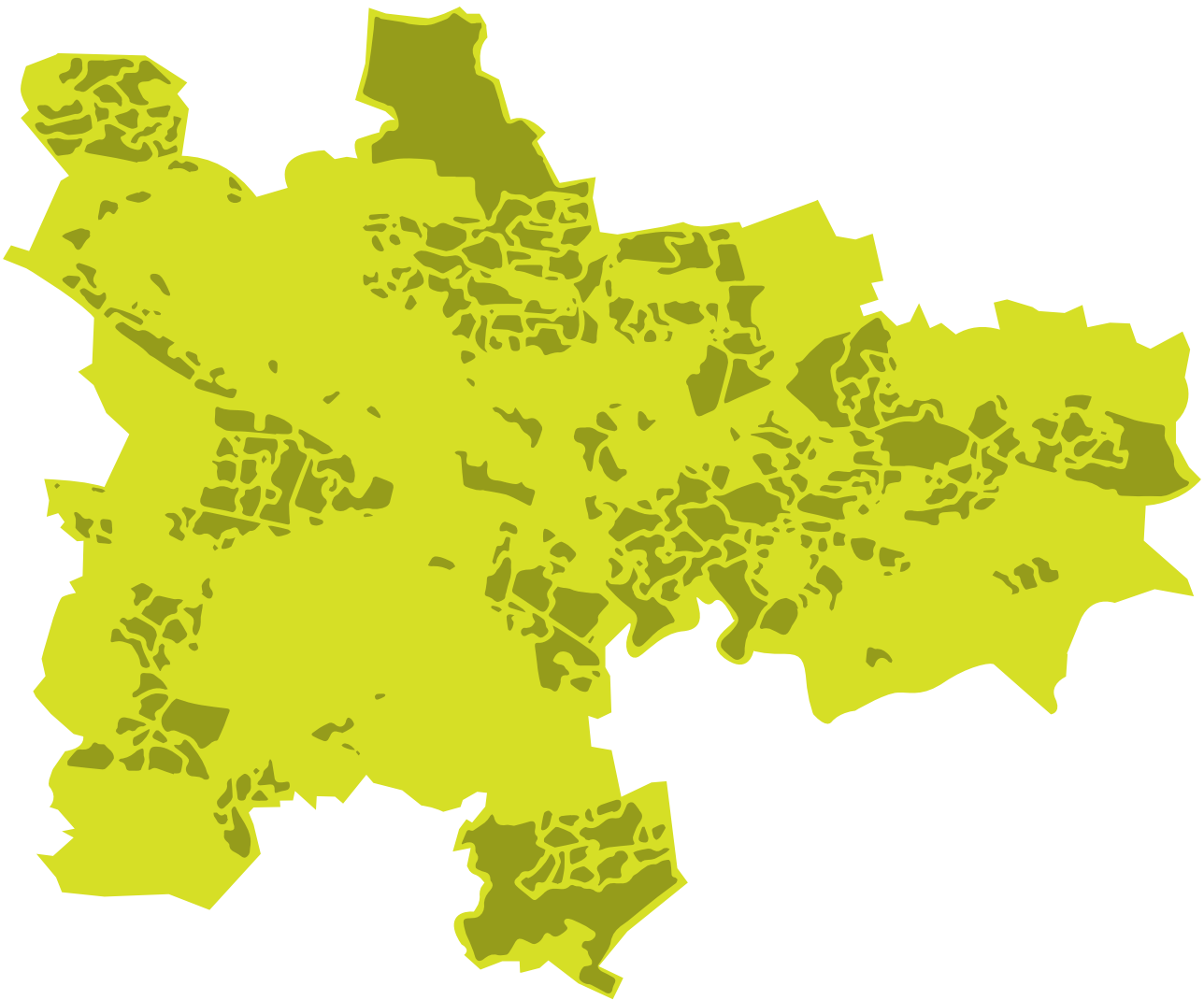
Ward		% of social enterprises in this Ward
1	Linn	5%
2	Newlands/Auldburn	2%
3	Greater Pollok	2%
4	Craigton	1%
5	Govan	9%
6	Pollokshields	4%
7	Langside	2%
8	Southside Central	6%
9	Calton	7%
10	Anderston/City	26%
11	Hillhead	4%

Ward		% of social enterprises in this Ward
12	Partick West	5%
13	Garscadden/Scotstounhill	2%
14	Drumchapel/Anniesland	3%
15	Maryhill/Kelvin	3%
16	Canal	3%
17	Springburn	3%
18	East Centre	3%
19	Shettleston	2%
20	Baillieston	3%
21	North East	3%

On the frontline

Social enterprises are at the forefront of tackling social and economic need in Glasgow. With almost half of Glasgow's residents living in the 15% most deprived areas of Scotland, there is an important role to play here. Stimulated early on through the Scottish Urban Programme, Glasgow East Area Renewal (Renewal), New Life for Urban Scotland, and then a succession of targeted regeneration programmes, the

development of social enterprises is closely linked to areas of multiple deprivation in the city. **Two in every five social enterprises have their main base in the city's most deprived areas** and many others will, by virtue of their social mission, have service bases and 'legs on the ground' in these deprived communities.



42%

of Glasgow social enterprises located in the 15% most deprived areas of Scotland

SECTION 8: TRADING

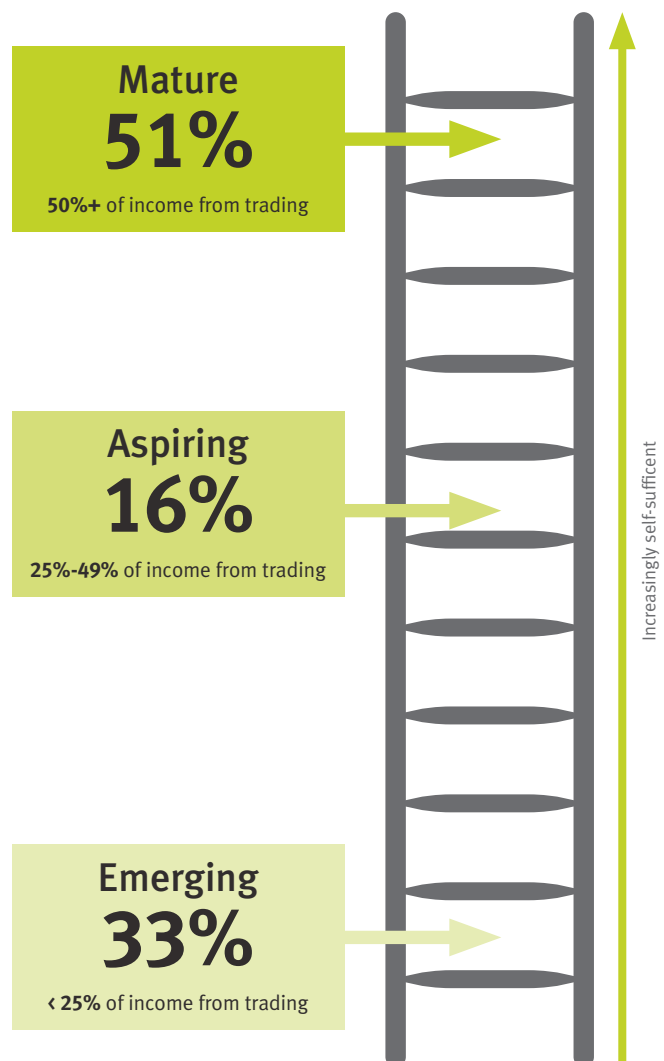
Social enterprises aspire to financial independence through trading. They have a clear sense of who their customers are and seek to deliver goods and services of value to them.

Trading for good

If trading activity is what sets social enterprises apart from the traditional third sector in Glasgow then putting numbers to this is important. By trading we refer to income generated through providing goods or services in return for payment, often under contract (or ‘service level agreement’). Last year **social enterprises in Glasgow generated a trading income of £561.8m** (up 3.8% on the previous year).

On an enterprising path

The proportion of income from trading tells us much about the balance being struck between social and commercial objectives. This trading orientation varies greatly between organisations and may strengthen over time. In this respect social enterprises fall broadly into three camps – those aspiring, emerging, and mature. The research points to **a core group of around 260 social enterprises in the city generating more than half of their income from trading.**



¹⁶ Based a social enterprise of median income outside of the housing association or credit union sectors.

Taking on contracts

A contract for services is essentially a legally enforceable agreement under which one party provides services in return for payment by another¹⁷. These financial arrangements are becoming more commonplace, particularly in public sector sourcing. Social enterprises in the city tend towards polar ends of the spectrum in this respect, **either now actively engaged in delivering contracts or failing yet to see their relevance**. Those not seeing the relevance of contracts often deliver services direct to the general public rather than to other organisations or businesses.

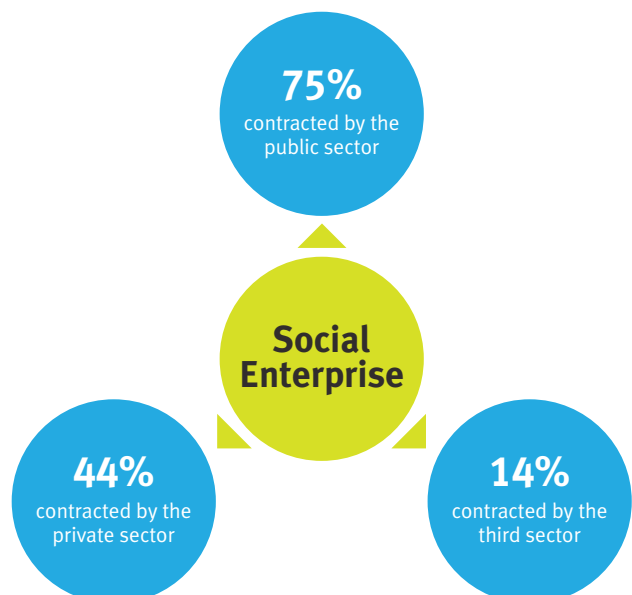


Currently delivering contract(s)	39%
Engaged in negotiating contract(s)	6%
Investigating contracting opportunities	9%
Getting to understand the contract culture	8%
Not needed to look into these issues yet	7%
Contracting not relevant at all	32%

Dominant public service markets

Public service markets are taking on renewed significance as grants gradually take on a more contractual form, as services are opened up to competition, and as public bodies look more to social enterprises to deliver. This is currently a £9bn market across Scotland. While social enterprises share a public service ethos and are heavily involved in delivering public contracts, there are other sources of contract income. Two-in-every-five social enterprises in the city deliver services under contract, of these 44% deliver contracts on behalf of private sector customers and 14% deliver on behalf of third sector customers¹⁸.

Glasgow's social enterprises delivering contracts



¹⁷ These financial arrangements can go by various names including 'contracts' and 'service level agreements', 'performance grants', 'management contracts', 'management fee contracts', 'service contracts', and so on.

¹⁸ Based on survey data from a representative sample of 135 social enterprises.

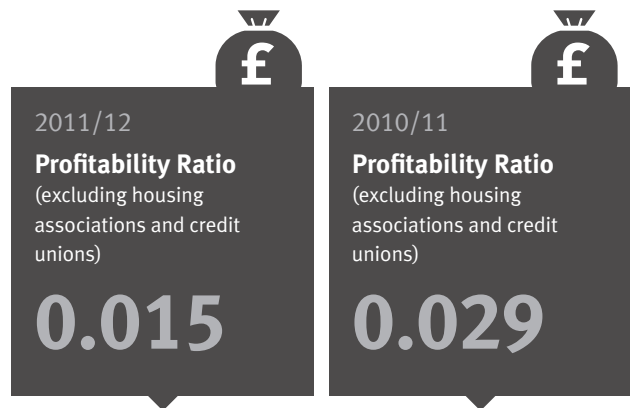
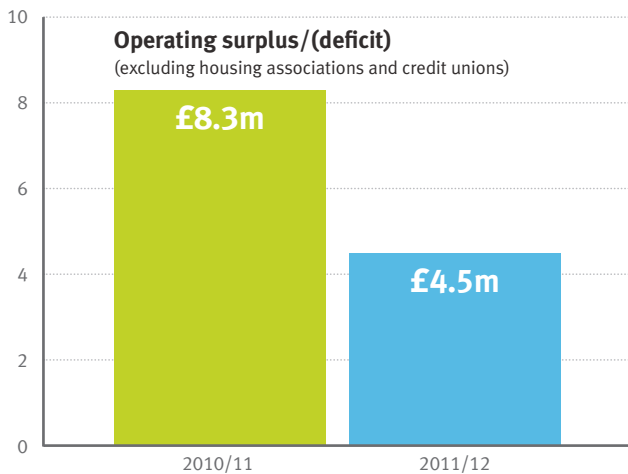
SECTION 9: STRENGTH

A successful social enterprise needs to be, first and foremost, a successful enterprise. They must turn a profit to remain financially viable in the short-term and strong and self-sustaining over time. It is strong financial performance of social enterprises in Glasgow that will ultimately enable strong social impact.

Profitable, but only just

Social enterprises make and do things that earn money, which in turn helps them to remain afloat. Overall, Glasgow's social enterprises generated a **substantially reduced financial surplus of £68.3m last year (down 30.8%)**. Excluding housing associations and credit unions (which tend to be more significant in financial scale and profitability) the more typical group of social enterprises reported slim

and declining profitability in 2011/12 (1.5p in profit for every £1 of income). That said, many social enterprises actively manage their trading surpluses, operating at the margins of breakeven over time in order to maximise their social impact (achieving a small surplus in some years and a small loss in others).



What is the profitability ratio?

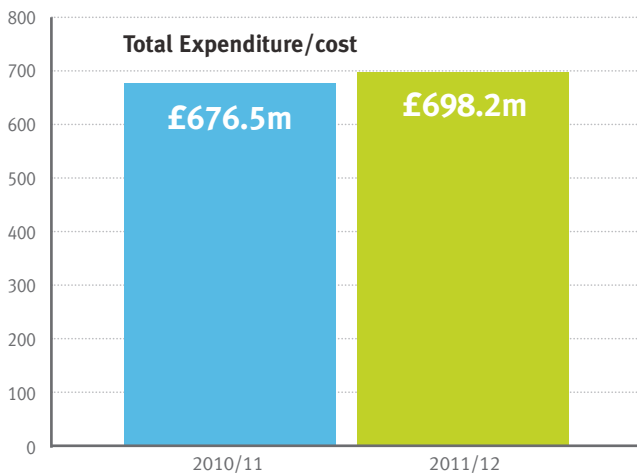
Formula: Net Surplus (Deficit) / Total Income

What the ratio tells us: The amount of surplus per £1 of income social enterprises have earned after taking account of all expenditure.

Cost pressures

Collectively Glasgow’s social enterprises spent £698.7m last year, during which time **the costs of running a social enterprise rose by 3.3%**. Social enterprises have largely managed to control their largest single cost – staffing – by reducing headcount and constraining salary growth. For the typical social enterprise this held broadly constant at 63%

of income in 2011/12, although the significance of staff costs continue to vary between differing types of social enterprise. Housing associations and credit unions tend to rely less on staff than other forms of social enterprise to drive business and profitability.



2011/12
Staffing Costs Ratio

- Housing associations **33%**
- Credit unions **40%**
- Other social enterprises **63%**

What is the staffing costs ratio?

Formula: Staffing Costs/Total Expenditure

What the ratio tells us: The percentage of actual expenditure among social enterprises which is allocated to staffing costs, including sessional staff costs.

Staying liquid

One important measure of the financial health of the sector is its liquidity; the ability of social enterprises to pay debts due within one year out of current assets. Again excluding housing associations and credit unions (which tend to have exceptionally strong balance sheets), the more typical group of other social enterprises assets were 2.7 times the value of current liabilities; this improving ‘current ratio’ revealing that

social enterprises generally have adequate financial cover.

This is in part dependent on the quality of trade debtors (i.e. how quickly customers pay). In this respect this typical group of social enterprises have reduced debtor days from 53 to 37 over the last financial year, suggesting that they are **managing cash flow better** and converting credit sales into cash slightly quicker.



2011/12
Current Ratio
(excluding housing associations and credit unions)
2.7 ↑ on previous year

What is the current ratio?

Formula: Current Assets/ Current Liabilities

What the ratio tells us: An indication of social enterprises ability to meet short-term obligations (those obligations due within 1 year or less).

2011/12
Debtor Days
(excluding housing associations and credit unions)
37 ↓ on previous year

What is the debtor days ratio?

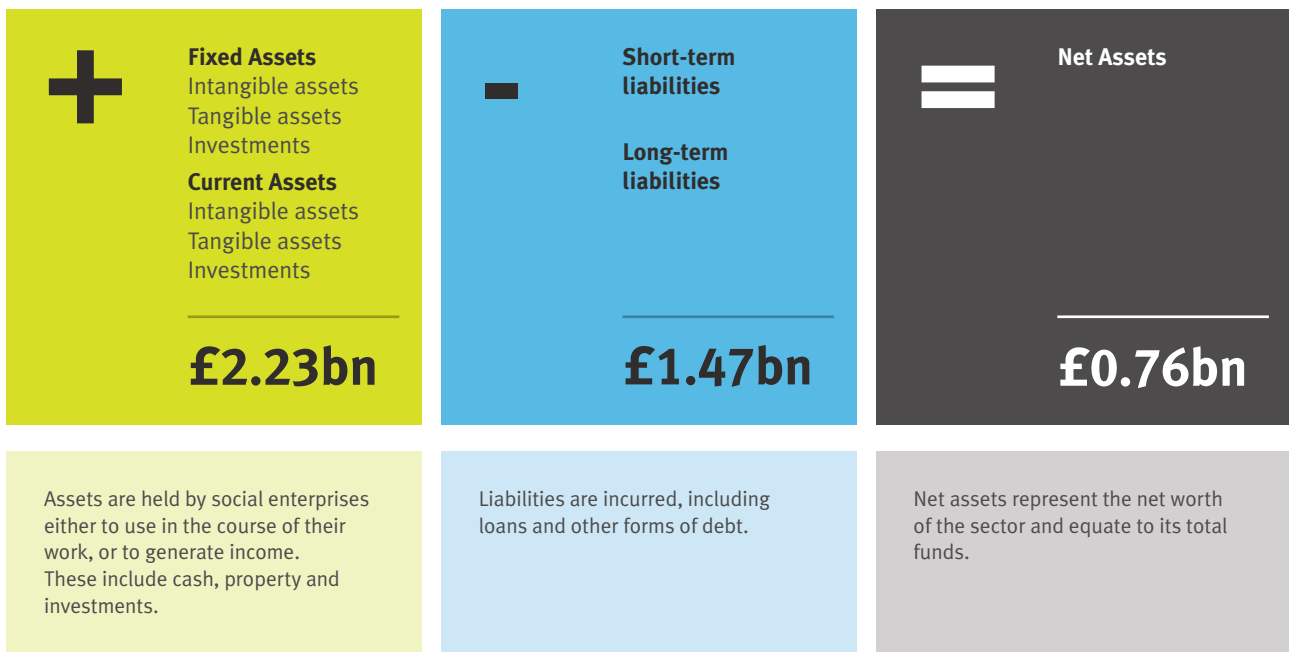
Formula: Debtors / Total Income x 365

What the ratio tells us: Indication, in days, of how long debtors take to pay their accounts.

A strong balance sheet

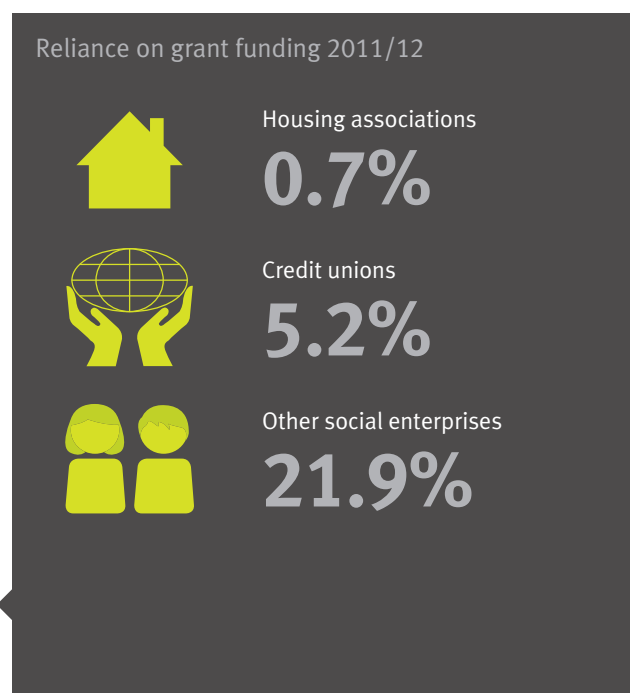
So is the social enterprise community financially strong? The aggregate balance sheet suggests this to be the case. Social enterprises in Glasgow hold assets worth a combined £2.23bn (a rise in asset value of 15.2% during the year). Fixed assets such as land, buildings, and equipment account for 71% of total asset value and are largely in the hands of

the city's housing associations. What the social enterprises own is set against what they owe, accounting for £1.47bn in total liabilities (from short-term loans to long-term pension liabilities). When liabilities are subtracted from total assets, the sector's total funds notionally available for future distribution are **worth a net £758m**.



Self-sufficient

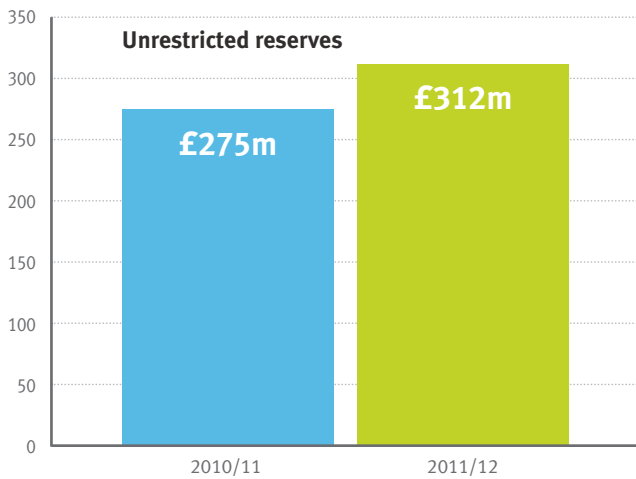
But how self-sufficient are social enterprises? Can they stay afloat without high levels of ongoing grant subsidy? The answer is generally 'yes'. Housing associations and to a lesser extent credit unions are almost wholly self-sufficient. Other more typical **social enterprises draw on grant funding from time-to-time but are rarely reliant on it**; this subsidy of around 22% is often required to get new services off the ground or to deliver certain social outcomes that consumers themselves are unable to pay for. The level of reliance on grants has remained constant over the last two years.



What is the grant reliance ratio?
Formula: Current Assets/Current Liabilities
What the ratio tells us: An indication of how dependent social enterprises are on grant funding.

Financially sustainable

So are social enterprises financially sustainable? In the case of a sudden financial shock, would they survive? Again the answer seems to be 'yes'. Glasgow's social enterprises held **unrestricted reserves worth £312m in 2011/12, representing five months of running costs for the sector.** This is up 13% on the previous year despite difficult trading conditions. A combination of regulation and policy make some social enterprises more stable than others; for example, the financial data suggests that if income dried up tomorrow credit unions would survive for 100 weeks, housing associations 21 weeks, and other more typical social enterprises 18 weeks.



Survival ratio 2011/12

-  Housing associations **21 weeks**
-  Credit unions **100 weeks**
-  Other social enterprises **18 weeks**

What is the survival ratio?

Formula: $\text{Unrestricted Reserves} / \text{Total Income} \times 52$

What the ratio tells us: Indication, in weeks, of how long social enterprises could survive if income dried up and levels of activity remained the same.

SECTION 10: PROSPECTS¹⁹

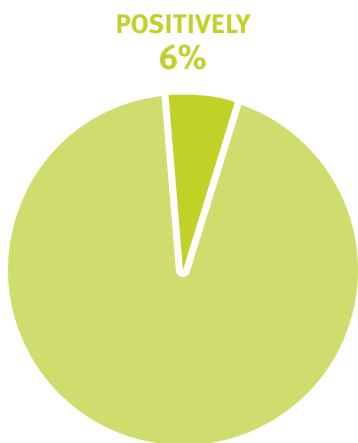
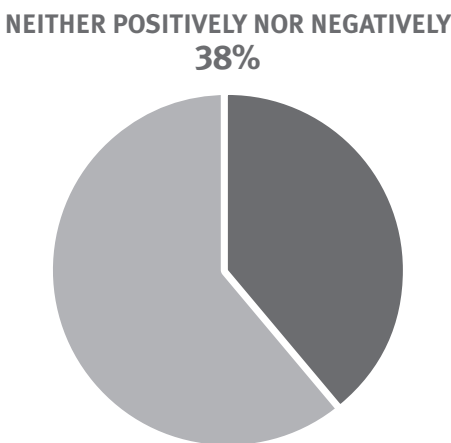
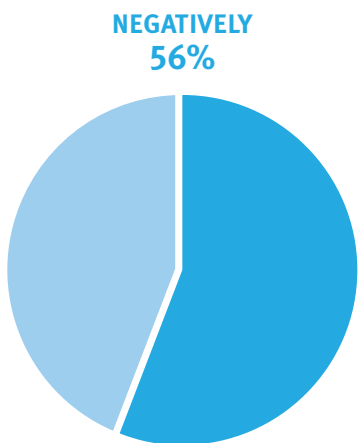
Social enterprises are not immune to the current economic turbulence. Difficult trading conditions have hit some hard and acted as a brake on the growth of others. Despite the challenges, there is a great resilience within the sector and much confidence about the future.

Both stretched and squeezed

The global financial crisis of 2008 and subsequent economic crisis have taken their toll. In the last 12 months, **the financial health of just over half of the city’s social enterprises have been negatively affected by the economic climate.**

A contraction in public sector spending has led to reduced grant funding and squeezed contract values and margins.

Glasgow’s citizens have also had to cut back on essential services provided by social enterprises (such as childcare services) and economic hardship is placing new demands on those already stretched services being delivered on behalf of the Council and others (e.g. money advice).











¹⁹ This section draws on survey responses from a representative sample of 135 social enterprises to examine current confidence and future outlook.

Struggling to make the breakthrough

So what is it that's holding social enterprises in Glasgow back from reaching their full potential? The **ten most frequently reported barriers/obstacles** are presented. There are a number of linked challenges here: the limited business development capacity of social enterprises; the combined effects of reducing grants and rising costs; tough competition

and barriers to market entry, particularly in public services markets; unpredictability in customer demand and associated cash flow and other difficulties; a lack of public awareness of the 'social enterprise' brand, its contribution and added value; and the burden of changing regulation or legislation (e.g. welfare reform policy).

Barrier to development:			% of social enterprise reporting barrier
	1.	Time pressures/lack of capacity	61%
	2.	Insecure or declining grant funding	41%
	3.	Increasing costs	33%
	4.	Difficulties in accessing/entering market(s)	25%
	5.	Difficulties securing contracts/service level agreements	24%
	6.	Competition in the market	23%
	7.	Lack of public awareness of the concept of social enterprise	22%
	8.	Cash flow issues	21%
	9.	Fluctuating/declining demand for services	19%
	10.	Changing regulations or legislation	18%

Looking forward with confidence

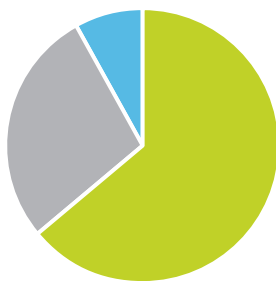
Business confidence is an important barometer of the health of any economic sector. With the potential for a triple dip recession in the UK and the era of austerity set to endure, most would argue that the economic outlook is bleak. Against this challenging backdrop, however, **confidence within Glasgow’s social enterprise community remains high.** There is particular confidence that demand for services and joint working with others to meet this demand will increase over

the coming 2-3 years. Most social enterprises expect their income to increase but, on the flipside, even more expect their costs to increase. Most also expect trading income to grow and, on balance, their reliance on grants to decline over time. This generally buoyant mood perhaps reflects the natural resilience of social enterprise leaders and their ability to create opportunity out of adversity.

Over the next 2-3 years, what is most likely to happen to your organisation?



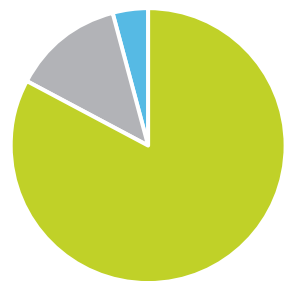
TOTAL INCOME	
Increase	63%
No change	21%
Decrease	16%



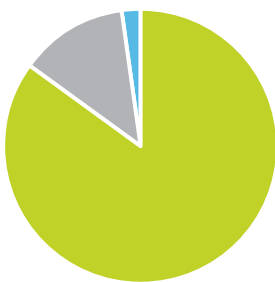
TRADING INCOME	
Increase	64%
No change	28%
Decrease	8%



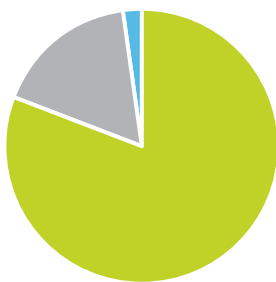
GEOGRAPHIC REACH	
Increase	47%
No change	53%
Decrease	0%



DEMAND	
Increase	82%
No change	13%
Decrease	4%



COSTS	
Increase	85%
No change	13%
Decrease	2%



COLLABORATION	
Increase	81%
No change	17%
Decrease	2%



GRANT RELIANCE	
Increase	15%
No change	52%
Decrease	34%



WORKFORCE	
Increase	53%
No change	38%
Decrease	9%

ABOUT GSEN

GLASGOW SOCIAL ENTERPRISE NETWORK (GSEN) IS A NETWORK OF GLASGOW'S SOCIAL ENTERPRISE LEADERS; ONE OF A GROWING NUMBER OF GEOGRAPHIC AND THEMATIC SOCIAL ENTERPRISE NETWORKS IN SCOTLAND. IT PROVIDES A REGULAR FORUM FOR INFORMATION-SHARING AND PEER SUPPORT, AS WELL AS A CONFIDENTIAL ENVIRONMENT THAT IS CONDUCIVE TO INTER-TRADING BETWEEN SOCIAL ENTERPRISES. THE NETWORK ALSO ENGAGES SELECTIVELY WITH POLICY MAKERS, FUNDERS AND OTHER STRATEGIC PARTNERS TO LOBBY, CHALLENGE AND SHAPE AN ENVIRONMENT IN WHICH SOCIAL ENTERPRISE CAN FLOURISH.

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