



Glasgow and West of Scotland Forum of Housing Associations

Community Regeneration Learning

Briefing Note No 3

Social Enterprise



Community Regeneration Learning Network Briefing # 3

This is a note from the third meeting of the Community Regeneration Learning Network of the Glasgow and West of Scotland Forum of Housing Associations on 25 August 2015.

The session explored two roles that Housing Associations can have **in developing social enterprise:**

- Housing Associations setting up Social Enterprise to create jobs/regenerate communities, and
- Housing Associations supporting local people or groups to set up social enterprises.

What is Social Enterprise?

Social enterprises are defined not by a specific legal structure, but by their purpose. It is generally agreed that the defining characteristics of a social enterprise are:

- It exists primarily to achieve social and/or environmental benefit
- It reinvests any profits back into the business or for the people it exists to serve
- It locks all assets into the business and on dissolution redirects these appropriately
- It aspires to financial independence through the money it makes from trading
- It operates independently of direct control from public authorities

The role of Housing Associations in developing Social Enterprise

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Two speakers provided two very different examples of how their Housing Association had developed Social Enterprises.

Hugh McGhee, Cunninghame Housing Association

Background to Cunninghame Housing Association:-

- Established in 1984,
- 2472 properties in management in 13 towns in North and East Ayrshire,
- over 100 staff including those employed in subsidiaries,
- £11.5m turnover in 2013/14.

Cunninghame HA's mission is "Making Communities Better Places: More Than Just A Landlord" so CHA has always seen regeneration as central to its purpose. Historically, CHA has been involved in the creation of job and training opportunities for residents, development of community facilities, and supporting the development of social enterprises.



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Social Enterprise Development

Cunninghame HA currently operates two Social Enterprises.

Citrus Energy is an independent energy broker, established in 2013 and now employing 15 staff. It is funded by People and Communities Fund and Big Lottery.

Cunninghame Furniture Recycling Company is a furniture reuse enterprise, established in 2010, which collects donated furniture and white goods (diverting the goods from landfill) and sells them from retail unit. The social enterprise therefore provides low cost furniture for people on a budget, and provides training and employment opportunities for Ayrshire residents.

Hugh highlighted some important **lessons and challenges** in the development of the social enterprise.

Startling the social enterprise

- CHA got some business development advice and a business plan from Community Enterprise in Strathclyde (CEiS)
- Got pump prime funding of £87k awarded from Zero Waste Scotland (the Increase III Programme).
- Also took professional advice on charitable status and VAT issues.

Relationship with the HA

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- The social enterprise was set up as a charitable subsidiary of CHA (CHA is the sole member and nominates the directors).
- Social enterprise is reliant on the skills/infrastructure of the HA. It receives a range of 'in-house' services (HR/IT/Finance/Health and Safety) which are recharged to the social enterprise.
- The social enterprise also received an inter-company loan from the Housing Association to address cashflow.
 - This was accepted by the Housing Regulator, based on an acceptable business plan and 5 year financial projections.

Challenges for the Housing Association

Hugh highlighted the need to see the social enterprise as a separate entity:

- The social enterprise required different skills and experience (retailing skills) from Housing Management
- Employees of the social enterprise cannot be paid on EVH terms and conditions. These would be untenable in the retail sector, and Ts and Cs have to be in line with retail sector. This can create tension across the organisation with social enterprise staff being paid less and with poorer conditions.

Lessons

- **Running a Social Enterprise is different to running a 'Project'**

The social enterprise must generate income to survive and there are therefore different drivers and different skills to running a project.

- **Competing Priorities**

A social enterprise has to juggle many priorities and often competing priorities. Cunninghame Furniture Recycling Company has three different objectives (the triple bottom line): Environmental objectives; Social objectives; and Employability objectives. Within each objective, there are competing priorities i.e. within the wider social objectives, there is a conflict between providing low cost furniture for those in need, and charging a realistic price that will sustain the business (and sustain jobs).

- **Sustainability**

Hugh provided details of the growth in income but highlighted that while retail sales and contract income have risen from less than £40K per annum in 2010/11 to nearly £200K in 2014/15, the social enterprise still received grant income (over £100K in 2014/15).

Hugh reinforced the message that while social enterprises aimed to generate income from sales/contracts, there was a key role for ongoing grant funding to deliver the social impact of the business e.g. training for unemployed people etc.

- **Staffing**

There is an ongoing challenge of creating training and job opportunities for the more disadvantaged residents, and the need to create a skilled to deliver the quality of service required to meet business objectives. The social enterprise has experienced high levels of staff turnover as many employees use the skills gained through the social enterprise to get a 'better job' elsewhere.

- **Measuring impact**

Demonstrating social impact is important for funding bids. Hugh re-iterated the need for effective measurement of social impact, and for work to raise the profile of the social enterprise to be able to raise ongoing funds for the social enterprise.



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David Zabiega, Govanhill Community Development Trust

Govanhill Community Development Trust was established 25 years ago by Govanhill Housing Association as the vehicle to deliver the Housing Association's social and economic regeneration objectives.

Social Enterprise Development

The Trust is a social enterprise in its own right, and has two main 'trading' activities:

- **Property development/management**

The first 'project' developed by the Development Trust was a property development – an old church building in the area was converted into workspaces and offices. The Trust went on to develop more commercial premises and now has a range of office/workshop/shops which supports a number of small business and social enterprises in the area.

- **Great Gardens**

Great Gardens is a social enterprise that provides training and employment opportunities for local people in landscaping/horticulture, and delivers environmental improvement to backcourts and local greenspace.

Supporting other social enterprise activity in Govanhill

David also explained how the Trust uses its skills and resources to support other new and existing social enterprises in Govanhill:

- The Trust provides rent-free premises and other support to Food Train – a social enterprise which provides a food delivery and befriending services to vulnerable older people.
- The Trust used its profits to provide 2 years' rent free accommodation (and a range of other practical support) to the Big Noise, an orchestra that uses music to engage children and families.
- The Trust provides business development support using its own skills and experience to assist local people to start up social enterprises.
- The Trust ran a 'Dragons Den' programme to get local people interested in social enterprise and provided support and funding to assist the winner to develop a social enterprise idea that would benefit the community.
- The Trust also developed and ran an 'Incubator Unit' aimed at supporting new social enterprise start-ups.

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Eddie Wilkinson, Firstport

Firstport is a national agency which supports start-up social entrepreneurs. It is unique in that it supports individuals who want to start up a business with social objectives (most social enterprise support agencies work with organisations/groups).

Firstport can provide free business support, training and funding to individuals who want to start a business that benefits people, communities and the environment.

Supporting individuals to start up social enterprises

Eddie provided some examples of how Housing Associations had supported individuals to start social enterprises – by providing access to premises, access to client bases etc., but also suggested that Housing Associations could help identify individuals who might be interested in starting social enterprises. Eddie outlined the **funding opportunities** for individuals who wanted to start a social enterprise, and explained the **Ditto Programme** which provides support and some 'ready made' business models to help people to start a social enterprise.

Funding opportunities

Firstport manages the Social Entrepreneurs Fund. There are two levels of funding available:

Start It Awards: Up to £5,000 of start-up costs to pilot your idea.

Start It Awards are for individuals with an innovative business idea which addresses a social, environmental and/or community issue.

Build It Awards: up to £20,000 for living expenses so you can fully commit to implementing the idea.

Build It Awards are for individuals who have already piloted their social enterprise idea, have been trading for about 12 months and have generated income through selling a product or a service, and generated a positive impact in their community of need.



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The DITTO Programme

Eddie explained that the idea behind the DITTO Programme was to help people start a new social enterprise, by using the knowledge and experience gained from an existing successful social enterprise. In effect, DITTO provides a 'blue print' for a successful business model, which others can replicate in their own community.

DITTO provides aspiring social entrepreneurs with an 'off the shelf' model for a tried and tested social enterprise. Additionally, DITTO provides access to:

- Practical how-to guides
- Industry knowledge
- Business support
- Funding
- Peer support

DITTO has already developed a number of business models. DITTO can provide 'start-up guides' for the following types of social enterprise businesses:

- Cafe
- Baby goods boutique
- Craft retailer
- Thrift shop
- Bakery
- Bike maintenance
- Community transport
- Home Help
- Child care service
- Garden maintenance
- Community car club

Find out more about Ditto on Firstport's website, and watch a short video about DITTO at <http://www.firstport.org.uk/projects/ditto>

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Discussion themes

After the presentations, the participants had a chance to talk with the speakers and each other. Some of the key themes of the discussions were:

Getting started

Some participants were working with projects (a community garden project, a Starter Pack project) which were coming to the end of existing funding. Participants were keen to explore options for starting a social enterprise to sustain activity.

- David Zabiega described the journey that Great Gardens had taken from a 'gardening project' to a social enterprise. David talked about the necessity of being creative to get funding to sustain the journey. Great Gardens had developed from a gardening project to a 'hit squad' to address derelict land/problem areas using different sources of funding. It had then morphed into an employability project and now received funding to provide training and work placements.
- Eddie Wilkinson also talked about thinking 'creatively' about projects to consider opportunities for social enterprise. Clearly projects that are fully funded can rarely become 'social enterprises' in their own right, but Eddie suggested thinking about whether the project had 'elements' which could be income generating. Using the 'Starter Pack' project as an example, Eddie suggested exploring whether the project could develop an income generating arm – perhaps resale of good quality donated second hand baby equipment – and this element would generate some income to help to fund the non-income generating 'Starter Pack' project.

Many of the HAs expressed interest in developing social enterprise, but didn't know how to get started.

- Many participants felt that their HA didn't have the time or skills in house to do it.
- Hugh McGhee commented that getting dedicated 'development staff' had been a critical stage in the development of Cunninghame HA's social enterprise development. Cunninghame HA successfully applied to a local charitable funder to support (Moffat Trust) who gave them £100K which enabled CHA to employ dedicated development staff.
- Eddie suggested that Housing Associations could explore how they could create opportunities for social enterprise from their own spend. For example HAs could consider whether there was an opportunity for local people to create a social enterprise to deliver services that HAs purchased elsewhere such as garden maintenance or cleaning empty properties, or whether there were any internal services that could be contracted out to create social enterprise opportunities (e.g. payroll services).
- Eddie highlighted the opportunity for joint programmes/projects between CCHAs and Firstport to promote social enterprise opportunities. CCHAs have better access to residents and know the local area/opportunities, and Firstport could bring the expertise in social enterprise development.



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Sustaining social enterprise

Some participants questioned whether social enterprises could ever be self-sustaining.

Hugh reiterated his earlier comments that the aspiration to be entirely free of grants might be unrealistic, given that, in most cases, social enterprises are delivering services that are not viable for others to provide, or are training local people (which incurs a cost to the business). Hugh talked about the need to constantly re-brand and re-emphasise different aspects of the social enterprise to appeal to different funders.

David Zabiega spoke about:

- Developing new opportunities by working together with other HAs, but also the necessity of partnerships to enable smaller social enterprises to compete for bigger contracts, for example Welfare to Work contracts,
- The role of the People and Communities Fund in underpinning a lot of the regeneration/enterprise activity in the area.

The role and resources required from the HA

How much does the HA support the social enterprise?

David and Hugh emphasised that the development of social enterprises had required considerable commitment from the HA – in terms of staff time and resource.

What about the Scottish Housing Regulator?

HAs need to be very transparent about the use of rental income for non-housing /Social enterprise purposes, but so long as it is approved by Board and achieves customer satisfaction the Regulator cannot stop HAs from funding this activity.

Setting up subsidiaries. Is it clear enough what the rules are for HAs and their subsidiaries?

- The benefit of setting up subsidiaries is that they are not subject to regulation, but the Regulator will want to see a clear separation between income streams.
- A subsidiary might also be eligible for funding sources that a Housing Association cannot apply for – but get professional advice.
- Govanhill HA has three separate ‘arms’ so there needs to be a very robust governance structure for all three – make it clear they are separate entities.

Are there tensions between the different ‘arms’ of the body and what they are trying to achieve?

Although Govanhill HA has three arms, there is a single vision and overarching ethos – each of the ‘arms’ delivers a different element of the vision and has clear business plans, but there is a clear link between the three.

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Finding out more about Social Enterprise in Scotland

Social Enterprise Scotland <http://www.socialenterprisescotland.org.uk/>

Social Enterprise Scotland is 'The Voice' of Social Enterprise in Scotland. You can find out more about social enterprises, and keep up with news, events and policy the website.

Social Enterprise Scotland has just published the results of the **first ever census of social enterprises in Scotland**, showing the scale and impact of the sector.

<http://www.socialenterprisescotland.org.uk/news/1276>

Senscot <http://www.senscot.net/>

Senscot delivers networks and services to support the social enterprise sector.

It runs a number of local networks for social enterprises which provide members with opportunities for peer support, collective action and market development. Joining a local network is a good way to find other social entrepreneurs in your area and to learn from them.

You can find out more about the local and thematic networks at:

<http://www.se-networks.net/about.php>

Support and funding for social entrepreneurs

First port <http://www.firstport.org.uk/>

Firstport supports individuals who want to start businesses that benefit people, communities and the environment. Firstport can provide support, resources, training and funding.

Firstport also delivers **DITTO**. You can read more about the DITTO Programme at <http://www.firstport.org.uk/projects/ditto>

If you are interested in finding out more about the **DITTO Programme**, or are interested in working in partnership with Firstport to support local people in your area to set up social enterprises, contact Eddie Wilkinson at Firstport - eddie@firstport.org



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Support to start a social enterprise



Just Enterprise is a comprehensive programme designed to help Social Enterprises and budding Social entrepreneurs achieve their trading ambitions. Through Just Enterprise, you can access a range of advice, business development support, and training.

Just Enterprise is a consortium formed from Scotland's key social enterprise support agencies and provides a 'one door approach' to support for the sector.

If you are interested in starting a social enterprise or you need assistance to develop and grow an existing social enterprise, Just Enterprise can provide business support, start-up, procurement and training services.

For more information, to apply for support, or to speak to an adviser contact Just Enterprise

Tel: 0141 425 2939

Email: support@justenterprise.org