

Sustainable Enterprise Strategies

# PROSPECTING *for* ENTERPRISE™

**SOCIAL ACCOUNTS**  
for April 2010 to March 2012

Mark Heskett Saddington  
November 2012



# SOCIAL AUDIT STATEMENT



The Social Audit Panel has examined the draft Social Accounts submitted to us and discussed them in detail with Mark Heskett Saddington and Kevin Marquis of Sustainable Enterprise Strategies (SES) at the Social Audit Panel meeting held on 5th November 2012. I have examined the revised Social Accounts which were prepared following the Social Audit Panel meeting and which have taken into account various points identified in the notes<sup>1</sup> of the Social Audit Panel Meeting. We also examined a sample of the data and the sources of information on which the Social Accounts have been based.

We believe that the process outlined above has given us sufficient information on which to base our opinion.

We are satisfied that, given the scope of the social accounting explained in the revised draft and given the limitations of time available to us, the Social Accounts are free from material misstatement and present a fair and balanced view of the performance and impact of SES as measured against its stated values and objectives and the views of the stakeholders who were consulted.

In the notes of the Social Audit Panel meeting we identified a number of important issues to be taken into consideration during the next social audit cycle. In particular we would refer to the following:

- i) Strongly suggest that you obtain help in the structuring of future sets of social accounts before they go to the Panel Meeting
- ii) Consider consulting with the SES staff on the three objectives and values of the company
- iii) With future work on SROI consider obtaining assistance in the latest form of SROI and include a sensitivity analysis
- iv) Include explicit reference to previous findings and recommendations from previous Social Reports
- v) Consider including human stories about the difference SES has made and case studies

The members of the Social Audit Panel were:

**Alan Kay** (SAN Approved Social Auditor, Panel Chair)  
**Carl Ditchburn** (Community Campus 87)  
**David Eadie** (Blue Sky Consultancy)  
**David Donkin** (University of Sunderland)

Signed:  Dated: 21/11/12

Chair of the Social Audit Panel

<sup>1</sup>: The notes of the Social Audit Panel meeting form part of the social accounting and auditing process and may, by arrangement, be inspected along with the full social accounts at the offices of SES (Sustainable Enterprise Strategies), The Co-operative Centre, Whitehouse Road, City of Sunderland, SR2 8AH. Members of the Social Audit Panel have acted in an individual capacity.

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# GLOSSARY OF ACRONYMS

## A

ACAS: Advisory, Conciliation and Arbitration Service

## B

BECON: Black Minority Ethnic Community Organisations Network

BME: Black Minority Ethnic

BIS: Department for Business, Innovation & Skills

## C

CASA: Care and Share Associates

CBS Network: Community Business Scotland Network

CIC: Community Interest Company

CFDI: Community Finance Development Initiative

CTC: Child Tax Credit

CTB: Council Tax Credit

## D

DTI: Department of Trade and Industry

DWP: Department of Work and Pensions

## E

EBC: Education Business Connections

ESF: European Social Fund

ERDF: European Regional Development Fund

## F

FISCUS: Financial Inclusion Social Enterprise

FINE: Funding North East

FSA: Financial Services Authority

FSB: Federation of Small Businesses

## G

GENTOO: Registered Social Landlord

GVA: Gross Value Added

## H

HMRC: Her Majesty's Revenue and Customs

HB: Housing Benefit

## I

IMD: Indices of Multiple Deprivation

IB: Incapacity Benefit

IS: Income Support

## J

JSA: Job Seekers Allowance

## L

LIBRA: Wearside Financial Inclusion Partnership

LSP: Local Strategic Partnership

## N

NCC: Newcastle City Council

NE BIC: North East Business and Innovation Centre

NEA: New Enterprise Allowance

NEP: Newcastle Enterprise Package

NELEP: North Eastern Local Enterprise Partnership

NESEP: North East Social Enterprise Partnership

NT: North Tyneside Council

NHS: National Health Service

NVQ: National Vocational Qualification

## O

OCR: Oxford & Cambridge Royal Society

OFT: Office of the Third Sector

ONS: Office of National Statistics

OTS: Office of Tax Simplification

## P

PT: Princes Trust

PNE: Project North East

## R

RDA: Regional Development Agency

RES: Regional Economic Strategy

RSL: Registered Social Landlord

## S

SAN: Social Audit Network

SCC: Sunderland City Council

SCVS: Sunderland Council for Voluntary Services

SEC: Social Enterprise Coalition

SAA: Social Audit Accounting

SEIF: Social Enterprise Investment Fund

SENE: Social Enterprise North East

SES: Sustainable Enterprise Strategies

SFEDI: Small Firms Enterprise Development Initiative

SHCA: Sunderland Home Care Associates

SHIP: Seaham Harbour Investment Partnership

SME: Small to Medium Enterprise

SIB: Sunderland Strategic Investment Budget

SMT: Senior Management Team

SOA: Super Output Areas

SROI: Social Return on Investment

SYET: Sunderland Youth Enterprise Trust

## T

TEA: Total Early Stage Entrepreneurial Activity

TWEDCO: Tyne & Wear Enterprise Development Company

TWIC: Tyne & Wear Infrastructure Consortia

TSO: Third Sector Organisations

TWSBG: Tyne and Wear Small Business Grant

TWSEP: Tyne and Wear Social Enterprise Partnership

## V

VONNE: Voluntary Organisation Network North East

VODA: Voluntary Organisations Development Agency

VCS: Voluntary and Community Sector

VfM: Value for Money

# Acknowledgments

SES has been designing and implementing Social Accounts for the last 11 years, this report is the ninth set of SES's Social Accounts. The design and production of these Social Accounts was encouraged, supported and guided by members of the Social Audit Network (SAN), John Stevens from JSA Associates, Directors of CBS Ltd, Northern Rock Foundation and the Board of Directors of SES. Additionally, we wish to thank our investment partners, particularly European Regional Development Fund, Newcastle City Council, Coalfield Regeneration Trust, Sunderland City Council and The Co-operative Group.

The Board of Directors of SES also wishes to especially thank all those customers, clients, managers and staff, who have contributed to the development of social accounting within SES over a decade.

We wish to take this opportunity of thanking members of the Social Audit panel for their time, energy and commitment. All members of the Social Audit panel serve in an individual, personal capacity:

- Alan Kay  
Social Auditor and Panel Chair
- Carl Ditchburn  
Director of Community Campus 87
- David Eadie  
Director of Blue Sky Consultancy & Training Ltd
- David Donkin  
Assistant Director University of Sunderland

Mark Heskett Saddington

Sustainable Enterprise Strategies  
The Co-operative Centre  
Whitehouse Road  
Sunderland SR2 8AH

Tel: 0191 510 5500

Email: [mark@ses.coop](mailto:mark@ses.coop)

[www.ses.coop](http://www.ses.coop)

# 1 Executive Summary: SES Prospecting for Enterprise™

## INTRODUCTION

**1.0** SES is a social enterprise company with over three decades of practical business experience in supporting and developing co-operatives, social and community enterprises, and the growth of self-employment within Northern England. The development of enterprise skills, the growth of self-employment and successful social enterprises all offer people alternative routes out of inequality and poverty. The vision of SES is therefore:

*“To use enterprise in all its forms as a vehicle for the creation of a fairer society through the alleviation of inequality and poverty and to underpin our work by taking an evidence-based approach”.*

**1.1** SES delivers business and enterprise support services in the North of England using its own Prospecting for Enterprise™ model. SES services include:

- Mentoring, advice and guidance – on all aspects of Traditional, Co-operative, Mutual and Social Enterprise business start-up and growth
- Training – all aspects of running a traditional business, cooperative, mutual, social enterprise and VCS
- Consultancy – business case development, project feasibility, measuring impact, project evaluation, business plans, identifying and researching potential business drivers
- Workspace – a range of meeting rooms and business units to hire or rent within North Tyneside (The Mission) and City of Sunderland (The Co-operative Centre)

**1.2** SES has been designing and implementing Social Accounting and Audit methodologies for the last 12 years, this report is SES's ninth set of SES's Social Accounts. Social Accounting and Social Return on Investment Reports enables an organisation to measure the results of its activities, thus enriching the development objectives of a business and providing learning opportunities with your stakeholders. A Social Accounting and Social Return on Investment analysis can also assist in prioritising strategic business choices, to plan interventions and to gain a clear overview of the obtained results. It is an approach that communicates the expected and obtained results of your business activities and helps to establish accountability towards investors and primary stakeholders, within your organisation or towards others.

**1.3** Owing to realignment of public resources during 2010-12, SES reduced the capacity of its traditional business start services by 50%. As a consequence the target and number of traditional business starts in 2011-12 was reduced by 50%. Previous Social Accounts demonstrates a direct correlation between the number of SES business start-up advisors and actual number of business starts – historical evidence indicates that a SES average business start-up advisor creates on average 35 business starts per year.

## UK ECONOMY

**1.4** Tackling the deficit and ensuring continued economic recovery is the main focus of the Government's policy agenda. Boosting and re-balancing the economy are vital tasks. The aim of economic policy is to develop a positive business environment, which supports growth, encourages business start-ups and fosters an entrepreneurial culture. The Coalition's programme lays particular emphasis on the need to make it easier for people to start in business. “Our ambition is to make the UK one of the fastest countries in the world to start a new business”<sup>1</sup>.

**1.5** The Government recognises the contribution that entrepreneurs who are under-represented in the business market place, namely: women, social enterprises, co-operatives, mutuals, young people, unemployed and workless households, can make to economic prosperity. It is looking for ways in which their awareness can be raised and activity boosted. Enterprise and work are the essential ‘glue’ that binds a cohesive society. Evidence has shown that being economically inactive is not only costly to the taxpayer, but it is central to tackling deeply entrenched inequalities and associated social problems.

**1.6** ONS statistics demonstrates that it is the very smallest businesses that are the job creators, the activities of micro businesses are critical to the UK economy. The financial crisis of 2008 triggered a rise in their numbers of over 260,000, and it is well understood that at times of difficulty for employment, the entry into the economy of micro businesses primes increases in future economic activity.<sup>2</sup>

1: Quoted from ‘The Coalition: our programme for government’, May 2010.

2: Thurik, Carree, Van Stel and Audretsch (2008), Does Self-employment Reduce Unemployment? - Journal of Business Venturing. Fritsch (2008), How Does New Business Formation Affect Regional Development? - Regional Studies, 38(8).



**1.8** Throughout and despite the financial difficulties of the recent period, micro businesses have continued to form. At the start of 2008, 3.85m businesses with fewer than five employees existed; at the start of 2011 this had risen by 7% to 4.11m, while over the same period, the number of businesses with 100 employees or more had fallen by 2.5%. Studies have shown<sup>3</sup> that in OECD countries, while high unemployment induces more people to become self-employed, this self-employment then over time drives entrepreneurial activity, which in turn<sup>4</sup> leads to reductions in unemployment rates.

**1.9** At the start of 2011, there were over 4.11 million businesses in the UK. Of these, nearly 75% were unincorporated<sup>5</sup>. These businesses are concentrated at low turnover levels: over 35% of all businesses with turnover below £20,000 are unincorporated and over 60% with turnover below £70,000 are unincorporated<sup>6</sup>. There are approximately 3.5 million sole trader and partnership businesses in the UK that fall within the official EU categorisation of "micro"<sup>7</sup>. Of these, over 3 million have turnover of £70,000 or less and approximately 2 million have turnover of £20,000 or less<sup>8</sup>.

## NORTH EAST ECONOMY

**1.10** The North Eastern LEP (NELEP) area has consistently had one of the lowest levels of active businesses of any area in the country. The latest figures show that the area had 25 active businesses per 1,000 population, compared to 39 nationally. Six of the seven local authorities are in the top 10% of worst performers in the country; and the remaining one is in the top 25%. NELEP has the fourth highest proportion of workless people of all the LEP areas. Two of the seven local authorities are in the top 10% in the country in this regard; a further four are in the top 25%. NELEP has 32.5% public sector employment compared to a national figure of 26.4%. This is the second highest proportion of any LEP area.

**1.11** Levels of enterprise and business activity tend to be lower in Tyne and Wear than the averages for the North East and UK. Although the North East region typically performs slightly better than Tyne and Wear it provides a useful benchmark context for the economic conditions facing the target area. For instance, in 2008, 7.55% of the working age population in the North East was self-employed, well behind the United Kingdom (UK) level of 10.49%. In the same year, the density of business activity in Tyne and Wear was lower than regional and national averages, with 266 businesses per 10,000 working age population, compared with 298 for the North East and 496 for the UK.

3: Carree and Thurik (2008), The Lag Structure of the Impact of Business Ownership on Economic Performance in OECD Countries, Small Business Economics, Vol 30.

4: Fritsch (2008), How Does New Business Formation Affect Regional Development?, Regional Studies, 38(8).

5: Data available at [www.bis.gov.uk/analysis/statistics/business-population-estimates](http://www.bis.gov.uk/analysis/statistics/business-population-estimates).

6: Small business tax review: Final report, Simpler income tax for the smallest businesses February 2012 Office of Tax simplification. Based on OTS analysis of HMRC data from 2007-08 and excluding those with no turnover.

7: The official EU definition of a micro business is a business that has: 9 employees or fewer; and either (or both) turnover or total assets below €2 million. [http://europa.eu/legislation\\_summaries/enterprise/business\\_environment/n26026\\_en.htm0](http://europa.eu/legislation_summaries/enterprise/business_environment/n26026_en.htm0)

8: [www.hm-treasury.gov.uk/d/ots\\_tax\\_for\\_small\\_business\\_discussion\\_paper.pdf](http://www.hm-treasury.gov.uk/d/ots_tax_for_small_business_discussion_paper.pdf)

## KEY FINDINGS OF SOCIAL ACCOUNTS

**1.12** SES is of the view that efforts to stimulate enterprise in all its forms (co-operatives, traditional enterprise, mutuals, social enterprises and third sector) contributes to the prosperity of individuals and communities and make a vital contribution to the Government's agenda on economic recovery. These businesses play an important role in promoting local economic resilience through:

- Capturing and projecting the enterprising culture that exists
- Fostering Self-help
- Promoting and developing positive roles models of co-operatives, mutuals and social enterprise within our local economies.
- Providing local job opportunities.
- Offering a route out of unemployment for the workless
- Fostering pride, independence and launching new careers
- Improving the family's economic circumstances and reducing reliance on benefits
- Providing role models for those who are under-represented within enterprise market place
- Boosting the acquisition of new skills and know-how that will often have wider application

**1.13** As with the traditional business model, a co-operative, social enterprise and mutuals require a market, product and/or services, labour, finance, governance, an entrepreneur driver, possibly premises, and a clear business strategy that monitors and manages business performance. How they differ relates to what they do with their profits and how they operate. CASS Business School 2010<sup>9</sup> demonstrates that such enterprises are successful; they often have longer-term goals; achieve higher levels of performance and greater customer satisfaction. Mutuals nurture greater power for individuals over their economic lives, increase the accountability of managers and place customers, employees and investors on a more equal footing whilst achieving greater financial rewards and better business results.

**1.14** The 'Mutual Movement' brings together over 800 million people around the world<sup>10</sup>. The United Nations estimates that the livelihood of nearly 3 billion people, or almost half of the world's population, is made secure by mutuals, co-operatives or social enterprises. Mutuals create and maintain employment; over 100 million jobs around the world are created by mutuals, 20% more than by multinational enterprises. In the United States, 4 in 10 individuals are members of mutuals, whilst 30,000 mutuals provide more than 2 million jobs, have assets of \$3 trillion, and generate over \$500 billion in revenue. This is a genuine growth sector, with 1.7m people involved in social ventures full-time, the highest number in Western Europe<sup>11</sup>.

9: Matrix Evidence - The employee ownership effect: A review of the evidence Model Growth: Do employee-owned businesses deliver sustainable performance? Professor Joseph Lampel, Dr Ajay Bhalla & Dr Pushkarjha; Cass Business School 2010.

10: Mutuals Yearbook, 2010.

11: EMES, 'Social Enterprise in Western Europe,' Roger Spear, 2007.



**1.15** Within present day economies, it is essential that we: deliver positive results by our investment decisions, identify impact of our endeavours and activities within social, environmental and economic settings, prove that our activities make a difference and we use our evidence base to continually review and improve the products and/or services that we deliver. The table below provides a yearly comparison of SES performance headlines.

COMPARISON OF OUTPUTS ACHIEVED BY SES BETWEEN 2006 -2012									
OUTPUT DESCRIPTION	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011 TARGET	2010-2011 ACTUAL	2011-2012 TARGET	2011-12 ACTUAL	TOTAL / AVE
New Traditional Enterprise Starts*	210	229	235	249	300	338	150	154	1,415
Number Employees of traditional business starts*	n/a	283	302	319	365	419	175	177	1,500
Enterprise starts who were Jobless/not working*	75%	68%	75%	78%	80%	86%	80%	82%	77% Av
Reported 1st year turnover/sales of traditional business starts*	n/a	£5.9m	£3.52	£4.8m	£5.6m	£7.1m	£3m	£2.6m	£4.78 Av
Number of Pre Business start Beneficiaries (caseload)*	524	501	500	783	700	657	325	303	3,268
Traditional Business starts survival rates @ 52 weeks*	82%	69%	79%	78%	70%	71%	70%	73%	75% Av
Traditional Business starts survival rates @ 78 weeks*	70%	69%	69%	64%	66%	70%	70%	72%	68.8% Av
Traditional Business starts survival rates @ 108 weeks*	n/a	n/a	66%	63%	65%	70%	70%	71%	67.5% Av
Total Net sales increase (Traditional enterprise)	n/a	n/a	n/a	n/a	n/a	n/a	£10m	£13.1m	£13.1
GVA contribution by Traditional Enterprise)	n/a	n/a	n/a	n/a	n/a	n/a	£2m	£4.3m	£4.3m
Number of SES's new Social Enterprise/Mutuals per year*	16	19	21	32	30	57**	40	45**	32
SES Total Mutuals/Social Enterprises supported*	60	95	115	148	177	194**	220	215**	215
Turnover of Social Enterprises*	£10.2m	12.78m	£15.3m	£26.3m	£23m	£21.7m**	£22m	£23.3m**	£23.3m
Number of people employed in Mutuals Social/Enterprises*	619	745	930	1,373	1,400	1,342**	1,400	1,334**	1,334
Number of VCS business intervention support*	75	61	65	57	70	137**	75	127**	522
SROI Calculation Social Return (traditional starts)	n/a	n/a	£5.29: £1	£7.64: £1	£7.50: £1	£12.33: £1	£10.75: £1	£12.93: £1	n/a

Notes: \*Wearside Only \*\*Tyneside City Region & Wearside

**1.16** SES activities are effective in progressing pre-start beneficiaries from the initial 'awareness' and 'interest' stages of the enterprise journey to the 'action' or start-up stage. The start-up service is particularly effective in raising beneficiaries' confidence to create a business, raising aspirations and ambitions whilst developing the skills required to run a business effectively

**1.17** 92.5% of SES traditional enterprise starts rated the range of knowledge of SES as being excellence to very good, 96.2% of the respondents rated SES quality of service as excellent to very good. 95% of the respondent reported that they would recommend SES to a friend.

**1.18** SES enterprise activities (2010-12) - created 492 new traditional businesses, employing 599 people, and with a combined projected turnover that can be estimated at £9.6 million. 82% of these business starts were by clients who were previously unemployed/jobless. Many (70%) of the clients had few, if any qualifications; the majority (85%) lack IT skills and confidence. Further, 95% lacked financial resources or the ability to write a meaningful business plan. Intensive, one-to-one support was the only effective way of addressing these issues.

**1.19** Traditional enterprise starts reported on the difference SES has made to their life circumstances. Over 85% stated that their understanding of business planning had increased, 80% stated that their business has increased capacity, 77.5% reported that they can make more informed choices, 76.2% reported an increase in motivation and 73.3% reported an increase confidence.

**1.20** SES carries out business monitoring support with existing business start-ups at 6, 12, 18, and 24 month intervals, and the data collected from this exercise advances our analysis and highlights the overall survival rates of the businesses assisted by SES. The table below shows how this has changed over the 5 years. These survival rates are good when compared to national averages, particularly given fact that 82% were jobless prior to trading.

YEAR	BUSINESS SURVIVAL RATE 52 WEEKS	BUSINESS SURVIVAL RATE 78 WEEKS	BUSINESS SURVIVAL RATE 104 WEEKS
2007-08	69%	69%	n/a
2008-09	79%	69%	66%
2009-10	78%	64%	63%
2010-11	71%	70%	70%
2011-12	73%	72%	71%

**1.21** Expenditure in the local economy on supplies and services can also be estimated. Typically this kind of expenditure accounts for around a 25% of annual turnover. Given an average turnover at 72 weeks is £22,525 the estimated expenditure on supplies is £5,631 per business, or a total of £2.77m within this social accounting period.

**1.22** According to the Office of Tax Simplification (OTS) the increase in tax payable to the Exchequer can be estimated. OTS identified that a business with a turnover of less than £30,000 pa paid an average of £2,300 income tax<sup>12</sup>. Thus within this social accounting period over £1,131.600 income tax was paid.

**1.23** The average welfare benefit rates for the average family including housing benefit, council tax rebate rate is £245.25pw or £12,758 pa. Of the 492 business starts that SES created during the Social Accounting period, 403 were in receipt of welfare benefits as a result there is a potential welfare benefit saving of £5.14m.

**1.24** During this Social Accounting period it is estimated that total net sales increase of the business starts was £13.1m, which equates to a GVA contribution of £4.3m to local economy.

**1.25** In terms of additionality - the majority (75%) of beneficiaries indicated either that they aren't aware of alternative or similar provision in the area or that they would be unable or unwilling to access it, providing evidence of high levels of additionality. SES activities therefore meets a need that wouldn't otherwise be met by alternative provision and as such, does not duplicate other enterprise provision available within the target area. The recent changes in the support available through mainstream providers such as Business Link web based business solutions are unlikely to increase engagement of individuals from disadvantaged areas and groups.

**1.26** In terms of net businesses created and jobs created, SES activities represent good value for money. SES Unit cost per business created stands at £1,000 (2010-11) and £1,392 (2011-12). This is 79.9% lower than the Stockton business start-up unit cost comparator, moreover, it represents only 4.4% of the Business start-up unit cost achieved by LEGL activity nationally (£35,850) and a mere 1.9% of that for the comparable RDA activity<sup>13</sup>.

**1.27** There are 215 directly assisted social enterprises listed on SES database, all of which have had varying levels of intervention with SES advisors. These Social Enterprises have a combined turnover of £23.3m; employ 1,334 local residents, attracted £1.4m of business investment.

**1.28** Boosting Enterprise within the Community Voluntary Sector (CVS) initiative has resulted in SES working directly with 127 VCS groups within this Social Accounting period. Such action has resulted in 34.5 new jobs, securing £596,000 of business investment whilst increasing reported turnover of these VCS groups by £1.17m.

12: Small Business Tax Review: Final report, Simpler Income Tax for the Smallest Businesses. February 2012. Office of Tax Simplification.

13: a) Newskills Consulting Evaluation of Sustainable Enterprise Strategies Social and Traditional Enterprise Project May 2012.

b) Enterprise Gateways Interim Evaluation Report, New Skills Consulting, 2011.

c) National Evaluation of the Local Enterprise Growth Initiative Programme – Final Report December 2010.

d) Impact of RDA Spending, Pricewaterhouse Coopers, 2009.

e) Regeneris Consulting Evaluation of SEEDA Enterprise Programmes 2007.

f) MTL 2008 study of the South Yorkshire Business Link business start programme.

**1.29** SES unit cost per business created stands at £1,392 (2011-12). This is 58.6% lower than that for the Newskills ERDF comparator, 69.5% lower than a Stockton comparator. Moreover, it represents only 4.4% of the unit cost achieved by LEGI activity nationally (£35,850) and a mere 1.9% of that for the comparable RDA activity. Value for money in terms of job creation is also very good. SES's unit cost per net job created in 2011-12 was £1,193 which is less than 85.6% of that for the only available comparator, RDA activity, which stands at £8,301.

**1.30** There are interesting comparisons between traditional business start and social enterprise activity, for example average turnover levels within Social Enterprises are higher, 108k compared with 22K. Employment ratio is lower in traditional business starts 1:2 compared with 6:1 for social enterprises. The gender divide within Social Enterprise ownership/directorship is 71% female and 29% male (i.e. 71% of SES's cohort of social enterprises are led by women) this rate is substantial higher than the national average. Moreover, with regard to SES traditional enterprise start-up's 40% were owned by women compared with a national rate of 25%.

**1.31** For the year ending 2010-11 according to SROI methodologies indicates a Social Return per pound invested of £12.33: £1, for 2011-12 the Social Return was £12.93 : £1. However, we would advise caution on the high level of these ratios owing to the practice of SROI methodologies.

**1.32** The capital elements of SES activities, in particular the Co-operative Business Centre (part funded by ERDF), constructed from recycled shipping containers within the Hendon area of Sunderland, represent significant investment, which should produce sustainable economic benefits for residents and businesses in disadvantaged areas. Over 0.39 hectares of brownfield land was reclaimed and 1,271 square meters of business premises developed. After six months of operation the Co-operative business centre is 85% occupied. SES purchased and modernised the old Seamen's Mission in North Tyneside providing a further 400 square meters of business space development for co-operatives.

**1.33** By providing a high profile, physical facilities dedicated to social enterprise the Co-operative Business Centre and the Mission should also facilitate collaboration and synergy between enterprises, for example in securing contract opportunities. It will also enable us to build on our regional and national networking activities by showcasing the actual and potential impact of the social enterprise sector to partners, funders and policy makers.

**1.34** Owing to SES capital investment over the last 4 years, our balance sheet has increased to £1.6m

## CONCLUSION

**1.35** Overall, SES activities have had a very positive impact on enterprise in the target areas, progressing beneficiaries along the enterprise journey towards and into enterprise. This has both strengthened the enterprise culture (developing awareness and building on existing interest), and increased levels of enterprise activity (self-employment/start-ups, and survival). It is also generating positive economic impacts, including job creation and increases in local incomes, where enterprise activity rates are low.

**1.36** Success in creating Social Enterprises – SES has been effective in terms of supporting social entrepreneurs to convert their business ideas into trading social enterprises. This success in creating new and supporting existing social enterprises indicates that there is a demand and need for specialised support for such businesses, and the survey evidence indicates that they wouldn't otherwise access alternative provision.

**1.37** There is a very high conversion rate for an enterprise support project, reflecting the high rates of satisfaction expressed by surveyed beneficiaries about the support they received. Both beneficiary feedback and the project's business start-up rate indicate that the quality of start-up support is very high. This is SES major strength and the good practice developed by the project should continue to inform future delivery

**1.38** The post-start support service made a notable improvement upon the ability and skills of clients to maintain self-employment or run their business/enterprise, thus explaining the good survival rate of SES business particularly given that the majority of these business starts were unemployed prior to trading.

**1.39** Additionality and meeting needs: The majority of beneficiaries indicated either that they aren't aware of alternative or similar provision in the area or that they would be unable or unwilling to access it, providing evidence of high levels of additionality. SES therefore meets a need that wouldn't otherwise be met by alternative provision and as such, does not duplicate other enterprise provision. The recent changes in the support available through mainstream providers such as BENE are unlikely to increase engagement of individuals from disadvantaged areas and groups. Given this, if enterprise animation and development in disadvantaged areas is to remain a policy priority, the evidence from this impact study suggests that there is a case for ongoing provision of a similar nature.

**1.40** SES has performed well for clients and joined up enterprise support. It has contributed to the objectives of:

- Creating and growing co-operatives and social enterprises
- Engaging local residents in pre-start activities and supporting them to become enterprise ready and to start up
- Supporting VCS groups to become more enterprising and sustainable
- Supporting local businesses to grow

**1.41** SES has a set of values, skills, products and services that are very relevant to the emerging policy drivers and, as a consequence, has the potential to seize the new opportunities. It may also provide a helpful model that can be adapted and replicated in other areas of the UK.

# 2 Economic Backdrop of SES Work Activities

## 2.1 SCALE & NATURE BUSINESSES

A micro business is to be defined as a business employing four or fewer people. Within this definition, a distinction is to be made between businesses with employees and businesses with no employees. The proposed micro business category makes up about 90.6% of the UK's 4.5m businesses. The EU's micro business definition takes in 95.4% of all UK businesses<sup>14</sup>. One of the results of the first stage of the Office of Tax Simplification's (OTS) work on small businesses was the realisation just how many very small businesses there are in the UK. HM Revenue & Customs (HMRC) figures suggest there are about 2 million whose turnover does not exceed £20,000 a year<sup>15</sup>.

At the start of 2011, there were over 4.11 million businesses in the UK. Of these, nearly 75% were unincorporated<sup>16</sup>. These unincorporated businesses are concentrated at low turnover levels: over 35% of all businesses with turnover below £20,000 are unincorporated and over 60% with turnover below £70,000 are unincorporated<sup>17</sup>. There are approximately 3.5 million sole trader and partnership businesses in the UK that fall within the official EU categorisation of "micro"<sup>18</sup>. Of these, over 3 million have turnover of £70,000 or less and approximately 2 million have turnover of £20,000 or less<sup>19</sup>.

Of the 90.6% of enterprises encompassed by the above definition, 74.2% do not employ workers and 16.4% do. If micro businesses are to play the role they must for our economy to be successfully re-balanced, we need to not only look at encouraging start-ups, but also consider what measures we can take to encourage the owners of our smallest enterprises to employ. If every non-employing enterprise employed just one member of staff, 3,366,188 extra people would be employed.

## 2.2 PROFILE OF SIZE & SCALE OF UK BUSINESSES 2011

The table below provides information concerning the number, size of and level of employees within private sector businesses from January 2008 to January 2011 whilst highlighting percentage changes in terms of turnover and level of staff over time<sup>20</sup>.

NUMBER OF EMPLOYERS	NUMBER OF PRIVATE SECTOR	% OF TOTAL	% OF PRIVATE SECTOR TURNOVER	CHANGE JAN 08 – JAN 11	AVERAGE NUMBER OF EMPLOYEES EXCLUDING OWNERS	AVERAGE TURNOVER	TURNOVER/EMPLOYEE INCLUDING OWNERS
0	3,336,020	74.1%	6.6%	+327,255	0	£60,200	£54,900
1-4	750,110	16.5%	6.9%	- 63,315	2.3	£281,500	£98,400
5-9	218,435	4.8%	6.3%	+8,530	6.5	£884,000	£128,000
All Employees	1,178,745	25.9%	93.4%	-53,160	16.3	£2,418,000	£144,600
All	4,542,765	100%	100%	+274,300	4.3	£672,000	£130,500

14: (Micro Businesses – The importance of a definition for policy making. First Report by the All-Party Parliamentary Group for Micro Businesses November 2011. The official EU definition of a micro business is a business that has: 9 employees or fewer; and either (or both) turnover or total assets below 2 million.

15: Small business tax review: Final report, Simpler income tax for the smallest businesses February 2012 Office of Tax simplification.

16: Data available at [www.bis.gov.uk/analysis/statistics/business-population-estimates](http://www.bis.gov.uk/analysis/statistics/business-population-estimates).

17: Small business tax review: Final report, Simpler income tax for the smallest businesses February 2012 Office of Tax simplification. Based on OTS analysis of HMRC data from 2007-08 and excluding those with no turnover.

18: The official EU definition of a micro business is a business that has: 9 employees or fewer; and either (or both) turnover or total assets below 2 million. [http://europa.eu/legislation\\_summaries/enterprise/business\\_environment/n26026\\_en.htm](http://europa.eu/legislation_summaries/enterprise/business_environment/n26026_en.htm)

19: [www.hm-treasury.gov.uk/d/ots\\_tax\\_for\\_small\\_business\\_discussion\\_paper.pdf](http://www.hm-treasury.gov.uk/d/ots_tax_for_small_business_discussion_paper.pdf)

20: A simpler income tax for the smallest businesses: A discussion paper July 2011, Office of Tax Simplification

21: The Office of Tax Simplification The Simpler Income Tax for the smallest Business: A Discussion paper July 2011 pp 24

The table below has been prepared by the Office of Tax Simplification (OTS) the information provides additional detailed data on the make-up and number of unincorporated business population (sole traders and partnerships) under selected turnover thresholds, cross referenced with total income tax liability with profit levels of sole traders and partnerships.

**TABLE: ANALYSIS OF THE UNINCORPORATED BUSINESS POPULATION UNDER SELECTED TURNOVER THRESHOLDS (2009-10 DATA UNLESS OTHERWISE STATED)<sup>21</sup>**

		BUSINESS TURNOVER UNDER £20,000 PA	BUSINESS TURNOVER UNDER £30,000 PA	BUSINESS TURNOVER UNDER £70,000 PA
Unincorporated businesses <sup>22</sup>	Total	2,030,000	2,490,000	3,120,000
	(% of all businesses below turnover threshold)	(86%)	(87%)	(84%)
	Sole traders	1,880,000	2,310,000	2,860,000
	Partnerships	150,000	180,000	270,000
Crossing the turnover threshold <sup>25</sup>	Upwards <sup>23</sup>	13%	8%	2%
	Downwards <sup>24</sup>	12%	14%	11%
	Stay below threshold	87%	92%	98%
Total income tax liability <sup>26</sup>		£3.8bn	£5.4bn	£9bn
Average income tax liability	Sole traders	£2,000	£2,300	£2,900
	Partnerships <sup>27</sup>	£5,400	£4,700	£4,000
Proportion of business owners with tax liability below £5,000 <sup>28</sup>		91%	91%	86%
Proportion without agent representation		44%	40%	34%
Proportion of sole traders using three line accounts		47%	45%	43%
Proportion of sole traders that own one sole trader business <sup>29</sup>		94%	95%	95% <sup>30</sup>
Proportion of sole traders without employees		98%	97%	94% <sup>31</sup>
Proportion of sole traders with 0-10% of total income from trade profits <sup>32</sup>		23%	20%	17%
Proportion of sole traders with 90-100% of total income from trade profits		47%	52%	57%

21: The Office of Tax Simplification The Simpler Income Tax for the smallest Business: A Discussion paper July 2011 pp 24

22: 2007-08 HMRC data: Includes businesses with nil turnover. In 2007-08 there were approximately 170,000 sole trader or partnership business with nil turnover.

23: The data shows that 13% of the businesses with turnover below £20,000 in 2007-08 had turnover above £20,000 in 2008-2009. Therefore 87% stayed below the turnover threshold

24: This data shows businesses that had a fall in turnover: 12% of sole traders and partnerships with turnover above £20,000 in 2007-2008, had turnover below £20,000 in 2008-09

25: Excludes businesses with nil turnover & OTS analysis of business turnover in 2007-08 and 2008-09 HMRC data

26: To avoid double counting of individuals, the data has been analysed by reference to the total turnover of all businesses owned by the individual. Tax liability covers income tax and class 4 NIC's due for the tax year before deducting PAYE, CIS payments, SA payments on account, tax credits on interest and dividends and other reductions in tax liability. Plus property businesses are included in this data set.

27: Average tax liability for proprietors of partnerships is highest in the nil turnover band and the £1-£5,000 turnover band

28: Sole traders and partnerships. Tax liability covers income tax and Class 4 NICs due for the tax year before deducting PAYE, SA payments on account, tax credits on interest and dividend other reductions in tax liability.

29: Covers sole traders and partnerships. Including EU definition of a micro business ie less than 9 employees and turnover less than 2m Euros [http://europa.eu/legislation\\_summaries\\_enterprise/business\\_environment/n26026\\_en.htm](http://europa.eu/legislation_summaries_enterprise/business_environment/n26026_en.htm)

30: [http://www.hm-treasury.gov.uk/d/ots\\_business\\_interim\\_report.pdf](http://www.hm-treasury.gov.uk/d/ots_business_interim_report.pdf)

31: ibid

32: Total income also includes: employment income; shares and securities; taxable benefits in kind; profits from property; pensions and annuities; income from trusts and settlements; and other taxable income. It does not include non-taxable state benefits.

## 2.3 ECONOMIC PROFILE NORTH EAST

SES business activities are set within the core values and vision of SES and in response to regional and national economic and public policy priorities which emphasised the need to stimulate a more enterprising culture and higher levels of self-employment, co-operatives, mutuals and social enterprise, not just in the region as a whole but in the more deprived areas in particular.

It was generally acknowledged that an historical dependence on large-scale employment in traditional manufacturing industries and the public sector in the region had produced an economic legacy, which included a weak entrepreneurial culture and low levels of enterprise activity. The following data illustrates the relatively poor performance of the North East and Tyne and Wear on key enterprise indicators when compared to the national picture.

Levels of enterprise and business activity tend to be lower in Tyne and Wear than the averages for the North East and UK. Although the North East region typically performs slightly better than Tyne and Wear it provides a useful benchmark context for the economic conditions facing the target area. For instance, in 2008, 7.55% of the working age population in the North East was self-employed, well behind the United Kingdom (UK) level of 10.49%. In the same year, the density of business activity in Tyne and Wear was lower than regional and national averages, with 266 businesses per 10,000 working age population, compared with 298 for the North East and 496 for the UK.

**TABLE 1: PERCENTAGE OF WORKING AGE IN SELF-EMPLOYMENT**

	2006	2007	2008	2009	2010
NE	7.27	7.55	7.7	7.2	6.4
UK	10.5	10.49	10.46	10.5	10.8

Source: Labour Force Survey, Nomis (2012)

The comparatively low volume of new business starts is a key factor impeding levels of overall business activity in Tyne and Wear. For instance, in 2007 there were 32.5 new business VAT registrations per 10,000 working age population. While this is similar to the average North East rate of 34.8 per 10,000 of population, it is well behind the UK average of 51.8.

**TABLE 2 : VAT REGISTRATIONS PER 10,000 POPULATION**

	2005	2006	2007
Tyne & Wear	27.7	27.5	32.5
North East	28.8	28.5	34.8
UK	46.7	46.2	51.8

Source: VAT Registrations Survey, Nomis (2012)

It is also widely acknowledged that the North East has a relatively weak entrepreneurial culture, and this is equally true of Tyne and Wear. Total Early Stage Entrepreneurial Activity (TEA) is a commonly used indicator of the propensity of an area to be entrepreneurial, measuring the 7 percentage of the population that is trying to start-up in business or involved in running their own business. In 2009, TEA in the North East was 4.9 compared to the UK average of 5.82.

The NE LEP (North Eastern Local Enterprise Partnership) area is characterised by high levels of unemployment and worklessness, and an overdependence on public sector employment. SES business activities use tried and tested approaches to encourage

the establishment and growth of new, sustainable, private sector jobs in mutual and social enterprise.

The NE LEP area has 32.5% public sector employment compared to a national figure of 26.4%. This is the second highest proportion of any LEP area. Three of the seven local authorities are in the top 10% in the country in terms of the concentration of public sector employment; the remainder are in the top 25%. NE LEP intends to do this by championing the move of former public sector workers into private sector jobs and encouraging entrepreneurship in the public sector.

The North East has the fourth highest proportion of workless people of all the LEP areas. 15.2% are claiming out of work benefits compared to a national average of 12%. Two of the seven local authorities are in the top 10% in the country in this regard; a further four are in the top 25%.

The LEP area has consistently had one of the lowest levels of active businesses of any area in the country. The latest figures show that the LEP area had 25 active businesses per 1,000 population, compared to 39.4 nationally. Six of the seven local authorities are in the top 10% of worst performers in the country; and the remaining one is in the top 25%.

Finally, the area contains some of the most deprived areas in the country. According to the most recent Index of Multiple Deprivation, 14% of the area's population live in the top 10% most deprived areas nationally, with 38% in the top 25%. Three of the local authorities are in the 50 most deprived in the country.

## 2.4 STRATEGIC POLICY DRIVERS

The above metrics and the following national, regional and local strategic drivers demonstrate a clear rationale for SES work activities. They show that it is an area that desperately needs help in creating new and growing enterprises and re-balancing the economy towards the private sector.

These factors are generally recognised as key elements impeding the growth of the local economy and were reflected in national and regional strategies, which sought to stimulate a more enterprising culture and greater levels of enterprise activity. SES work activities meet and deliver against the following key strategies and policies (details of these drivers are held within appendix 3):

- Bigger Better Business (BIS) Jan 2011
- A Strategy for Sustainable Growth (BIS) July 2010
- Big Society
- The White Paper, Building a Stronger Civil Society (Office for Civil Society, 2010)
- The Young Report Make Business Your Business (May 2012)
- Solutions for Business Portfolio
- North Eastern LEP
- Local Authorities Enterprise Growth Strategies: Within the North Eastern LEP area, each Local Authority has its own enterprise growth strategy, including
- County Durham Economic Strategy 2008 – 2013
- Newcastle's Sustainable Community Strategy (March 2010)
- The Sunderland Strategy 2008 – 2025
- The Mutual Movement
- Co-operative Enterprise Hub: The Co-operative Group.
- The Local Growth White Paper
- Co-operative Council



# 3 Introducing SES

SES is a social enterprise company with more than three decades of practical experience in promoting and supporting all kinds of enterprise, including co-operatives, mutuals, social enterprises, traditional and Voluntary Community Sectors (VCS) within Northern of England.

## 3.1 WHAT MAKES US TICK?

Since SES started, we have had one goal in mind. Our vision is: "To use enterprise in all its forms as a vehicle for the creation of a fairer society through the alleviation of inequality and poverty, and to underpin our work by taking an evidence-based approach".

We believe that the development of enterprise skills, the growth of successful businesses, co-operatives, mutuals, social enterprises and VCS, all offer people routes out of worklessness and poverty. Our team members apply their detailed knowledge to work with understanding and insight. Our values are:

- a) A commitment to fostering enterprise in all its forms for the benefit of the economy and society
- b) A belief in a more equitable and inclusive society
- c) Respecting all people as individuals and recognising their worth
- d) A belief that co-operation and self-help are creative forces for change
- e) Being honest, accessible, approachable and accountable

We are proud of our track record of achievement because it provides a springboard for progress. We deliver positive outcomes above and beyond the simple provision of business support. Our six core objectives are:

- 1) To actively support mutuals, co-operatives and social enterprise formation and increase opportunities for growth within the social enterprise sector.
- 2) To actively promote, develop and support individual entrepreneurship, enterprise and employment.
- 3) Identify and create consortia and partnerships to further the work of SES
- 4) To develop the physical infrastructure needed to underpin our efforts in local communities
- 5) To work in partnership with community development projects and VCS to increase sustainability and business readiness of the sector.
- 6) To identify and research potential enterprise drivers

## 3.2 OUR BUSINESS SERVICES INCLUDE:

- Mentoring, advice and guidance – on all aspects of traditional, social enterprise, mutuals, co-operative and VCS business start-up and growth.
- Training – in all aspects of running a traditional business, co-operative, mutual, social enterprise and VCS.
- Consultancy – on business case development, project feasibility, measuring impact, project evaluation, business plans, identifying and researching potential business drivers.
- Workspace – a range of meeting rooms and business units to hire or rent within North Tyneside (The Mission) and City of Sunderland (The Co-operative Centre).

## 3.3 WE WORK WITH PARTNERS ACROSS NORTHERN ENGLAND TO:

- a) Help people become self-employed.
- b) Support people to start and grow traditional small businesses.
- c) Help groups and individuals to start and grow mutuals, co-operatives, and other forms of social and community enterprise.
- d) Support VCS to become more sustainable.
- e) Boost enterprising activity of all kinds.

We deliver business support services using our own unique Prospecting for Enterprise™ model. Our individually tailored, hands-on approach is very effective and highly regarded by our clients. Our success is inextricably linked to that of our clients and partners. Our network of strategic and delivery partners includes:

- European Regional Development Fund
- Northern Rock Foundation
- Sunderland Home Care Associates
- Social Enterprise Coalition
- NE BIC
- The Cooperative Group/Enterprise Hub
- Co-operatives North East
- Entrust/FIN
- The Co-operative Group/Enterprise Hub
- North East Social Enterprise Partnership (NESEP)
- Princes Trust
- Social Enterprise North East
- Federation of Small Businesses
- Pinetree Trust
- FISCUS
- Gentoo (Enterprising Futures)
- Bridges Community Bank
- Gateshead Council
- Newcastle City Council
- North Tyneside Council
- South Tyneside Council
- Sunderland City Council



### 3.4 OUR ACHIEVEMENTS

Within present day economies, it is essential that we: deliver positive results by our investment decisions, identify impact of our endeavours and activities within social, environmental and economic settings, prove that our activities make a difference and we use our evidence base to continually review and improve the products and/or services that we deliver.

SES has been designing and implementing Social Accounting and Audit methodologies for the last 12 years, this report is SES's ninth set of SES's Social Accounts. Social Accounting and Social Return on Investment reports enables an organisation to measure the results of its activities, thus enriching the development objectives of a business and providing learning opportunities at various levels with your partners. A Social Accounting and Social Return on Investment analysis can also assist in prioritising strategic business choices, to plan interventions and to gain a clear overview of the obtained results. It is an approach that communicates the expected and obtained results of your business activities and helps to establish accountability towards investors, primary stakeholders, within your organisation or towards others. This approach ensures that SES conforms to Key Aspects of good internal business practice for social enterprise, co-operatives and Mutuals. Appendix One (Key Aspect Check List 2011-12) of this report details the good business practice.

### 3.5 WHAT MAKES SES DIFFERENT AND SPECIAL?

For SES, the individual and their business idea is the prime focus, and the type of business is less important. SES is keen to support businesses having growth and employment creation prospects. SES supports the development of enterprise and the formation and growth of new businesses including traditional, co-operatives, social enterprise, mutuals and VCS through:

- Targeting hard-pressed communities and disadvantaged individuals
- The pro-active stimulation of enterprise
- Providing advice and support that is tailored to the client's individual needs and circumstances
- Providing 'hands on' and intensive support
- Offering an informal and friendly service
- A holistic package, including advice on debt management and in-work benefits
- Accounting for investment through systematic record-keeping, reporting and management
- Using social auditing and social return on investment as sound management tools, and methods for improved accountability to stakeholders and public funders
- Promoting social enterprise as a business model, and providing specialist support
- Clear economic and social objectives

### 3.6 THE TARGETS FOR SES BUSINESS SERVICES

The main targets for SES business support services include people and groups who are:

- Those who want to start a business
- Want to develop and grow co-operatives, mutuals or social enterprises
- Suffer from economic disadvantage
- People who are under-representative within the business market.
- Sustainability and Business readiness of the Voluntary & Community Sector (VCS)
- Are tenants of social registered landlord

### 3.7 THE OVERALL SES BUSINESS START-UP PACKAGE

Normally, a total of around 25 – 40 hours is required per client, depending on needs. The package generally includes a mix of:

- Business ideas generation
- Confidence-building and motivational activities
- Market research
- Business planning
- Advice on legal structures
- Legal registration
- Business Case development & preparation
- Advice on business management
- Help with finance and funding sources
- Help with marketing and publicity
- Governance
- Feasibility Studies
- Training courses and NVQ provision
- Bookkeeping
- Health & Safety
- Tax and NI calculation
- In-work benefit/tax/debt management guidance
- Financial management and forecasting
- Applying for services and utilities
- Purchase of equipment and stock
- Referral and/or sign-posting to other support providers
- Aftercare service – to promote sustainability

### 3.8 ADDED VALUE

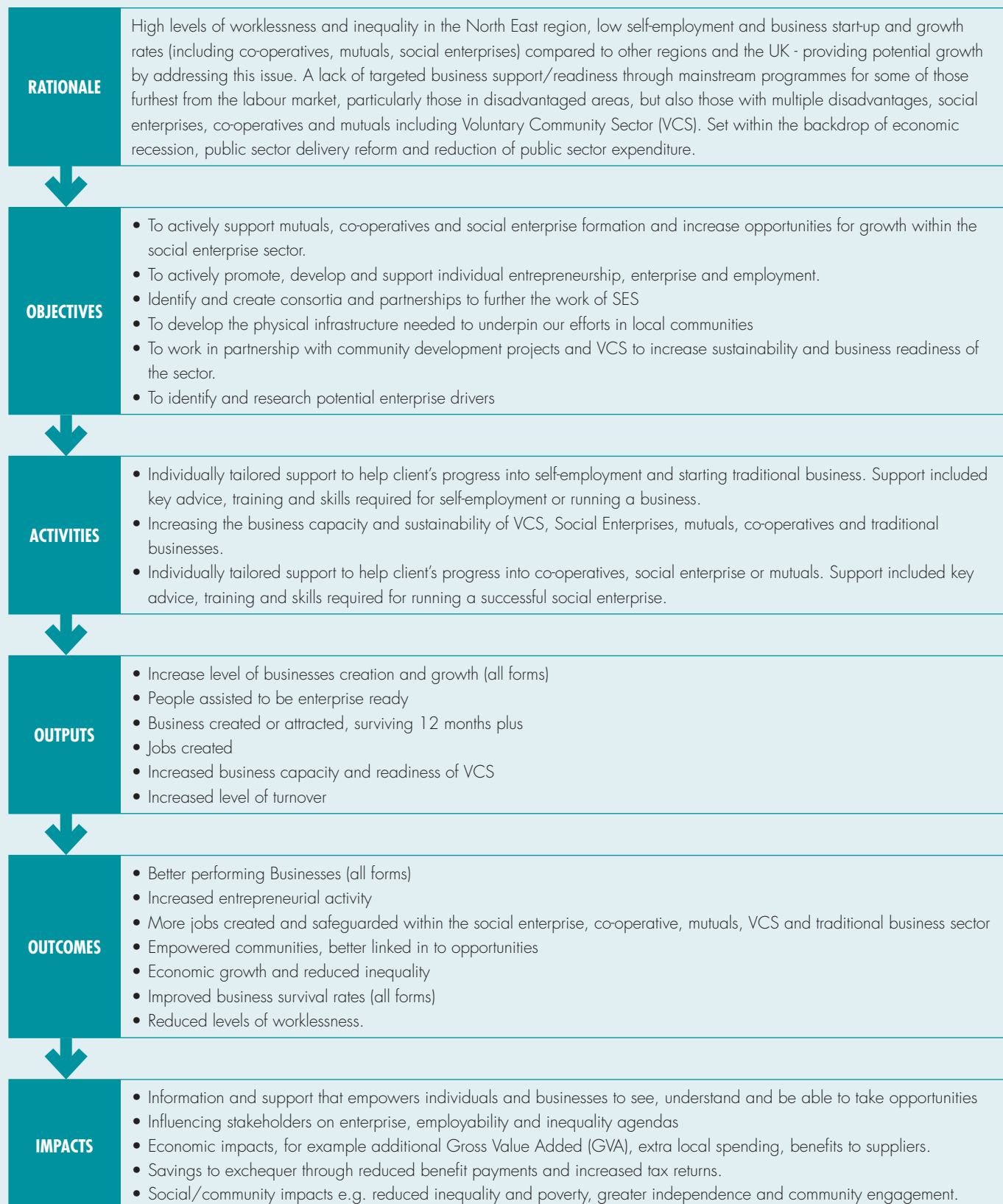
The average of 25+ contact hours per client suggests that SES is providing considerably more support than many other providers. SES adds further value through:

- Personal financial advice and guidance
- Provision of local infrastructure (ICT, affordable and secure premises)
- Local knowledge of market conditions
- Help with back office functions

SES has recently developed managed office workspace at premises in Sunderland (Container City) and North Tyneside (The Town Mission) – providing incubator or office space for new and growing businesses.

### 3.9 SES LOGIC CHAIN: PROSPECTING FOR ENTERPRISE SERVICE

The rationale for SES intervention derives from equity and market failure arguments. The logic chain diagram shows the 'logic flow' between the need for SES intervention, the objectives it seeks to achieve, the activities delivered, and the intended outputs and impacts. It shows that SES services are well designed with a clear and appropriate relationship between the various stages. Specifically, the objectives and targets of the support directly aim to tackle the issues raised in the project rationale.



### 3.10 SES DATA CAPTURE & MONITORING SYSTEM

SES internal data capture systems are enclosed in Appendix Two (SES Business Offer) of this report. The 'SES Business Offer' has been written to provide guidance on the collection, recording and interpretation of monitoring and management information by SES. SES is committed to measure the impact of its activities, to maximise the value obtained for the money invested in it, and to continuously improve its services.

It is recognised that robust monitoring and management data is vital, and that quality and consistency need to be continuously improved. The expansion of SES into new geographical areas will only serve to emphasise this need, and all staff will want to be engaged in achieving the required improvements. SES 'Business Offer' operational procedures are based on a manual based system in addition to an electronic web based data base Client Management System (CMS) Hanlon.

SES staff members are registered/licensed users of the Hanlon CMS and we will train staff to use the Hanlon common Client Management System. The senior worker provides individual supervision, training and on-going monitoring to all staff in relation to data entry. The common data system enables SES to record client details, 'entry' baseline and monitor support/interventions, achievements, progression and future actions - thus removing the need to duplicate or re-enter any information during the client's whole journey. Reports will also monitor outcome achievements, effectiveness of the awareness arising Events, impact of publicity, referrals to/joint with other agencies, Engagement/Enquires that don't progress.

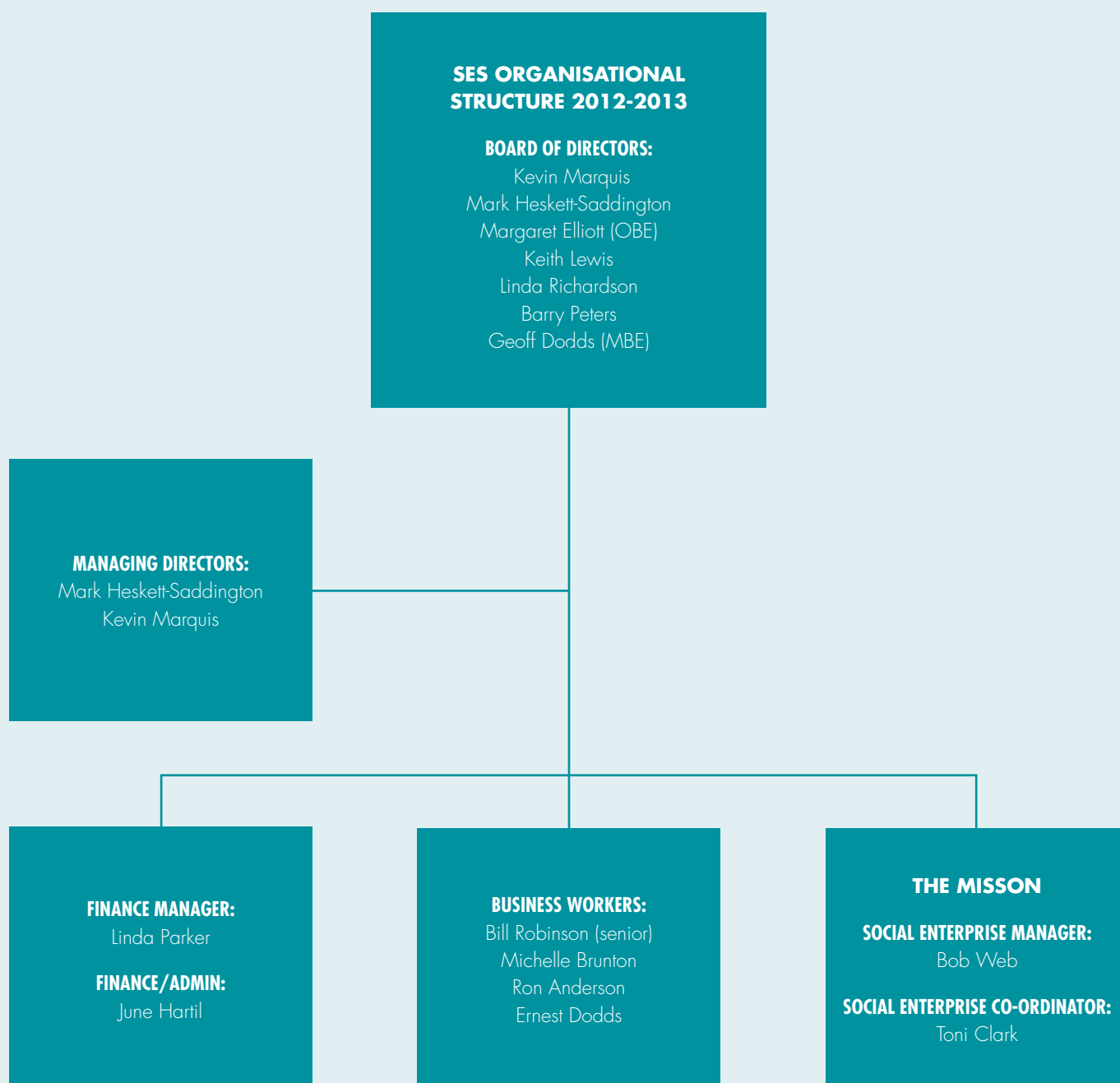
The Hanlon's Common data sharing will enable good practice, idea generating for integrated services, identifying what works and what does not, highlighting opportunities for enterprise stimulation. In addition to recording the details of all individuals supported, their progress along the enterprise journey, destination information including details of referral organisations, and information about the outputs achieved i.e. details about enterprise start-up including legal status, SIC code, service being delivered, company name etc. Access to a shared data-based will provide a number of key benefits to the project including:

- Verifying the status of an individual at any time throughout the project delivery e.g. start date, how they were engaged, which partner is providing support, whether they have benefited from that support, whether they have been referred to any other organisation, details of their business idea etc.
- Confirming whether an individual is registered with the project. This will help avoid duplication with other enterprise coaching projects.
- Monitoring the performance of each partner e.g. in meeting engagement targets etc.
- Compiling the monitoring returns and progress reports on a quarterly basis.

### 3.11 ORGANISATION STRUCTURE OF SES

During 2010-11 SES employed 24 full-time members of staff however owing to economic recession, public expenditure reductions and realignment of Coalition policy with regard to national business support programmes i.e. moving away from face to face business support staff to a more web based business support approach. As result we have reduced SES workforce by 60% mostly within the traditional business support staff During 2011-12 SES staff numbered 11.

Although we have witnessed a growth within Social Enterprise, Mutuals and Co-operative enterprise activity to date we have met this challenge by retraining of existing staff and utilising SES Associate co-operative staff. However, during 2012-13 we have been successful in a number of investments, such as ERDF and as a consequence we will be seeking 3 traditional business start-up staff.



### 3.12 INVESTORS OF SES WORK

SES has worked with a variety of investors and funders since it was established in 1983 and over this time become well respected and recognised for their business start-up programmes, social enterprise, co-operative and mutual creation and growth in addition to supporting VCS particularly around increased business readiness and capacity. The success is attributed from the embedded vision and values of SES; these have not deviated over time and therefore remain rooted throughout our social enterprise company.

The time frame for these social accounts are for two financial years namely 2010-11 and 2011-12 accordingly we have provided details of business start-up income and VCS capacity or investment readiness income for these years. We have not included trading income nor other income streams that fall beyond Business start-up and VCS business capacity categories of SES income and expenditure. We have excluded the ERDF/SES capital budget from these accounts owing to the fact that such activity was evaluated by a separate Report (Newskills Consulting Jan 2012).

#### SES APPORTIONED BUSINESS START INCOME

	<u>2011</u>	<u>2012</u>
<b>BUSINESS START-UP INCOME</b>		
ERDF	16460	10565
CITY OF SUNDERLAND	42608	42608
ECZ - BACK ON THE MAP	125074	0
WNF SUNDERLAND	174000	148655
THE CO-OP HUB	36891	51260
SIB - EAST AND FAMILIES		9871
NEA		14216
	<b><u>395033</u></b>	<b><u>277175</u></b>
<b>VCS BUSINESS CAPACITY INCOME</b>		
BASIS – VODA	15710	16336
WNF/ERDF NEWCASTLE	139837	91880
COWGATE NEWCASTLE FUND		14300
FIN		6666
	<b><u>155547</u></b>	<b><u>129182</u></b>
<b>TOTAL</b>	<b><u>550580</u></b>	<b><u>406357</u></b>

# 4 Scope and Methodology for SAA & SROI

## 4.1 SCOPE OF SOCIAL ACCOUNTS

The scope of these Social Accounts covers the period April 2010 to March 2012. Owing to a reorganisation of SES as a result of economic recession, associated public expenditure restraints the Board of Directors were of the opinion that we should not implement a separate 2010-11 Social Accounts for SES rather implement a two year Social Account period 2010-12 for SES in summer of 2012. The rationale was based upon the need to review and reorganise SES work activities based on external economic drivers, we were of the opinion that this would take 12-16 months of solid work.

Furthermore, SES was committed to four independent evaluations during 2010-12 concerning four aspects of its work activities, namely ERDF (Newskills Consulting May 2012), Newcastle Enterprise Package (Frontline July 2011) Sunderland WNF (JSA August 2011) and Basis VCS Business Capacity (Project-id Ltd 2012) these documents are located within Annex One of this document. Copies of which are held on our web site ([www.ses.coop](http://www.ses.coop)) hard copies available at office and were available at the Social Audit panel meeting.

It was agreed that the scope of the Social Accounts will mainly concentrate on the Business Start and Social Enterprises supported during 2010-12. The reason for this is that we are of the opinion that these core objectives represented the bulk of SES business activities during this period, additionally there were resource considerations to consider, namely time and cost. The three major objectives that are explored within these Social Accounts are:

- 1) To actively support mutuals, co-operatives and social enterprise formation and increase opportunities for growth within the social enterprise sector.
- 2) To actively promote, develop and support individual entrepreneurship, enterprise and employment.
- 3) To work in partnership with community development projects and VCS to increase sustainability and business readiness of the sector.

## 4.3 OMISSIONS AND EXPLANATIONS

In accordance with the scope of the Social Accounts the following stakeholders were not consulted:

- The Staff, excluding senior management team
- Other organisations SES works with
- Individual and social enterprises that SES had little or no contact with
- Regulatory bodies
- Suppliers
- Local residents who do not participate on SES business start-up projects.

Not all Staff have been involved in the consultation process; this is largely due to SES going through a period of re-organisation owing to economic recession and associated reductions in public expenditure and realignment of national mainstream business support provision. For instance, from a SES Team base of 24 staff in April 2010 we have reduced by 60% (to 11 staff) by March 2012. Although, there was a senior Management Group focus group, which consisted of SES Directors and Company Secretary, our Core Partners were not consulted in this set of social accounts, owing to time and resource constraints over the period in question. This was further compounded by the fact that most of our Core Partners were facing the same external challenges, although we did carry structured interviews with Investor partner categories, namely, Newcastle City Council, The Co-operative Group, ERDF, ONE (RDA).

Owing to limited resources we did not consult with our suppliers or regulatory bodies other than standard compliance reporting and monitoring to SFEDI, OCR, CIC Regulator, Social Enterprise Mark and RBS SE100

## 4.4 SES STAKEHOLDER ANALYSIS

It was agreed that the scope of the Social Accounts would mainly concentrate on both our social and economic impact to clients and communities (Objectives 1-3). We identified a number of stakeholders within SES objectives and activities, as follows:

### The clients/business start-up beneficiaries

SES believes that our beneficiaries are the central stakeholders within these Social Accounts; beneficiaries are fundamental in achieving SES's vision and objectives. Beneficiaries have benefitted from SES activities in a number of ways:

1. Through being engaged – it can be argued that people were stimulated to listen and think about their prospects rather than just accepting unemployment. Some of them may have been sufficiently stimulated to do something, e.g. education, training, job seeking. Some of them may have gained useful knowledge or access to networks, it is not the focus of this report owing to resource allocation and time restraints to look at these factors
2. Through being registered – it can be argued that these people went through a learning process and acquired valuable skills. Some of them may have set up on their own or found employment; others may have gone into further training. We need to allow for the fact that not everyone stays the course.
3. Through starting a business – it can be argued that these people escaped unemployment/welfare benefits for the time that their businesses survived, and that they contributed to local spending power, jobs and taxes. Plus indirect social cohesion/inclusion, health and well-being benefits.

We consulted this particular stakeholder group by implementing three beneficiaries' focus groups, which explored the impact and value of SES business services. We implemented and delivered a comprehensive questionnaire to a) 350 traditional business starts and b) 194 social enterprises to assess beneficiaries' views on SES performance. We also utilised four independent evaluation reports on SES's ERDF (Newskills Consulting Ltd) and Basis VCS project activities (Project-id Ltd) Newcastle Enterprise Package (Frontline Ltd) Sunderland WNF Boosting Enterprise (JSA) these evaluation reports carried out telephone questionnaires on an agreed sample base of SES beneficiaries.

### Indirect beneficiaries

We consulted this stakeholder group via the above focus groups and questionnaires methods. We can identify two categories of indirect beneficiary:

1. The employees
  - i) 2010-11, 338 businesses generated 420 jobs, meaning that 82 people found work as employees, a employment ratio of 1:24 per enterprise.
  - ii) 2011-12, 154 businesses generated 179 jobs, meaning that 25 people found work as employees, a employment ratio of 1: 16 per enterprise.

2. The suppliers.

The businesses generated income for local suppliers through purchasing stock and supplies - we did not consult with these stakeholders owing to resource and time constraints.

### SES Direct Funders/investors

These are organisations that invested in SES activities in order to bring about increased enterprise activity, i.e. to contribute to strategic economic and social objectives within the region. An independent consultant implemented a structured telephone interview with ERDF, Newcastle City Council, The Co-operative Group and ONE (RDA) investors (see Appendix Five for detailed report)

### Indirect Funders/Investors

Within in this category we define as funders/investors to clients business idea via the business plan, the following stakeholders are relevant, Sunderland Youth Enterprise Trust, High Street Bank, TESELF, Capitalise, Entrust Micro Loan, Local Authorities, Princes Trust, Friends/Families, SEIF, WEA, NE BIC, Gentoo. We did not consult with these stakeholders owing to resource restrictions.

### Partners in the SES Activities

Partners such as; Northern Rock Foundation, Sunderland Home Care Associates, Social Enterprise Coalition, Entrust/FIN, North East Social Enterprise Partnership (NESEP), Princes Trust, Social Enterprise North East, Federation of Small Businesses, Pinetree Trust, FISCUS, Gentoo (Enterprising Futures), Bridges Community Bank, Gateshead Council, North Tyneside Council South Tyneside Council and Sunderland City Council were not consulted within this stakeholder category owing to resource constraints. However, Newcastle City Council, ERDF, The Cooperative Group and ONE participated within structured interviews with an independent consultant.

### DWP

- a) 2010-11, 338 businesses generated 420 jobs minus 14% who were not jobless prior starting business meaning that 361 had been removed from dependency welfare benefits, resulting in a reduction in DWP expenditure during the period. We did not carry out direct consultation with DWP rather desk based research.
- b) 2011-12, 154 businesses generated 179 jobs minus 18% who were not jobless prior starting business meaning that 147 had been removed from dependency welfare benefits, resulting in a reduction in DWP expenditure. We did not carry out direct consultation with DWP rather desk based research.

### The Exchequer

Exchequer has benefitted from an increase in income tax; according to a recent study by Office of Tax simplification the average tax liability on a £30,000 business is in the region of £2,300<sup>31</sup>.

33: Small business tax review: Final report, Simpler income tax for the smallest businesses February 2012 Office of Tax simplification.



## 4.5 SES SOCIAL ACCOUNTING FRAMEWORK: OUTCOME MONITORING FRAMEWORK

OVERALL AIM: TO IMPROVE LIVELIHOODS BY ENTERPRISE STARTS & GROWTH (TRADITIONAL, SOCIAL ENTERPRISE & CVS)				
OBJECTIVES	OUTCOMES	OUTCOME INDICATORS	DATA CAPTURE METHODS	BY WHOM & WHEN?
1) To actively promote, develop and support individual entrepreneurship, enterprise and employment.	People have: <ul style="list-style-type: none"> <li>• More new businesses</li> <li>• More new jobs</li> <li>• More personal wealth</li> <li>• Less reliance on state benefits</li> <li>• Increased opportunities for enterprise</li> <li>• Increased motivation for self</li> <li>• Increased confidence</li> <li>• Improved self-esteem</li> <li>• Been enabled to make informed choices</li> </ul>	People tell us they have: <ul style="list-style-type: none"> <li>• No of business plans developed</li> <li>• No of new businesses</li> <li>• No of new jobs created</li> <li>• Level of disposable income</li> <li>• No of people coming off state benefits</li> <li>• Number of employees</li> <li>• Level Turnover</li> <li>• Survival rate</li> </ul>	<ul style="list-style-type: none"> <li>• Case Notes/action plan</li> <li>• Impact survival survey</li> <li>• Staff monthly returns</li> <li>• Business Start up forms</li> <li>• Business Registration forms</li> <li>• Business Monitoring forms</li> <li>• Business Plans</li> <li>• Company Registration</li> <li>• Business Bank Account</li> <li>• HMRC registration</li> <li>• Satisfaction surveys</li> <li>• Focus Groups</li> <li>• Telephone Survey</li> </ul>	Quarterly Reports By Michelle Brunton & Linda Parker.  Inputted information by business staff, Bob Web, Toni Clark, Kevin Marquis, Bill Robinson, Ron Anderson, Ernest Dodds, Michelle Brunton.  Reported to Mark Heskett Saddington.
2) To actively support mutuals, co-operatives and social enterprise formation and increase opportunities for growth within the social enterprise.  3) To work in partnership with community development projects and VCS to increase sustainability and business readiness of the sector.	<ul style="list-style-type: none"> <li>• Existing social enterprises maintained</li> <li>• More social enterprises established</li> <li>• More jobs in the social enterprise sector</li> <li>• Increased turnover in the social enterprise sector</li> <li>• Increased opportunities for procurement and Tenders</li> <li>• More consortia partners</li> <li>• Existing partnerships maintained</li> <li>• Increased opportunities for investment</li> </ul>	<ul style="list-style-type: none"> <li>• No of social enterprises trading</li> <li>• No of new social enterprises</li> <li>• No of existing jobs</li> <li>• No of new jobs created</li> <li>• Level of turnover</li> <li>• Profit ratios</li> <li>• Level consortia networks</li> <li>• No of tenders</li> <li>• No of PQQs completed</li> <li>• No of contracts secured</li> <li>• No of new partners</li> <li>• No of contracts submitted</li> <li>• No of contracts secured</li> </ul>	<ul style="list-style-type: none"> <li>• Impact survey</li> <li>• Business start up forms</li> <li>• Monthly returns</li> <li>• Business start up forms</li> <li>• Contact details of board members</li> <li>• Evaluation forms –‘at’ events</li> <li>• Distribution lists</li> <li>• HMRC/BIS Company Registrations</li> <li>• Partner survey</li> <li>• Business Plan, Investment Readiness</li> <li>• Evaluation forms</li> <li>• Independent evaluations</li> <li>• External Monitoring Visits</li> <li>• Focus Groups</li> </ul>	Quarterly Reports By Michelle Brunton & Linda Parker.  Inputted information by business staff, Bob Web, Toni Clark, Kevin Marquis, Bill Robinson, Ron Anderson, Ernest Dodds, Michelle Brunton Reported to Mark Heskett Saddington

## 4.6 STAKEHOLDER CONSULTATION ACTIVITIES 2010-2012

KEY STAKEHOLDERS	CONSULTATION METHOD	SUBJECTS COVERED	WHEN CONSULTED	CONSULTED
Business Start-up Beneficiaries	<p>Questionnaire – sent to surviving trading business start-ups (April 2010- march 2012) 352 questionnaires were sent</p> <p>1 Focus Group of business start-up's &amp; pre business starts July 2012</p> <p>2 SROI focus group 20 people</p> <p>20 Telephone interviews with enterprise users Dec 2011 Newskills Consulting Ltd Evaluation</p> <p>20 Telephone Survey of VCS beneficiaries via Project id Ltd 2011 Evaluation</p> <p>350 Business Start-up registration forms completed</p> <p>12, 18 and 24 month SES business monitoring forms (350 in total)</p>	<p>Services received; quality of the services; overall performance of SES; difference it has made to them; further support and assistance required; potential barriers/ obstacles they face; impact to themselves and the community.</p>	<p>April 2010 to March 2012</p>	<p>Sent postal questionnaire to traditional business starts 352 questionnaires were sent out there was 80 that were returned thus achieving a 22.7% response rate.</p> <p>Analysis of SES registration, business start-up and monitoring forms, 350 in total.</p> <p>1 SES Focus Group of business start-up's &amp; pre business starts July 2012 within Co-op Business Centre</p> <p>2 SROI focus group 20 people held at Washington &amp; Cowgate Newcastle via SES staff</p> <p>20 Telephone interviews with SES enterprise users Dec 2011 Newskills Consulting Ltd Evaluation</p> <p>20 Telephone Survey of SES VCS beneficiaries via Project id Ltd Evaluation</p> <p>350 Business Start-up registration forms completed</p>
Social Enterprises	<p>Telephone Questionnaire to 194 social enterprises within Tyne &amp; Wear, 54 were completed generating a response rate of 27.85%</p> <p>194 Social enterprise start registration forms</p> <p>12 &amp; 24 month Business Monitoring Forms</p>	<p>Their current status and performance of the business; the services they provide; barriers and obstacles to growth; staffing structures; what future support is required and who they will use; impact the business has had on themselves and they client group</p>	<p>April 2010 to March 2012</p>	<p>Telephone questionnaire. Additionally one to one calls were made to ensure sufficient data was gathered to produce reasonable findings.</p> <p>194 Social enterprise start registration SES forms</p> <p>12 &amp; 24 month SES Business Monitoring Forms for social enterprises</p>
Senior Management Team	<p>1 Focus Group/workshop with SES Directors and SES Company Secretary</p>	<p>Mission; Values; Objectives 1-6; Priorities and Future Plans Outcome Framework production, Refocusing of Objectives, reorganisation of SES</p>	<p>April 2011</p>	<p>Mark carried out the focus group and compiled the results. Evidence presented at Social Audit Panel &amp; held within office</p>
Board of Directors	<p>Board Meetings X 12 meetings</p>	<p>Re-focus of SES Objectives, re-organisation of SES operational services</p>	<p>April 2010 to January 2012</p>	<p>SES Board Management papers - 7 SES Directors participate within SES review of services, copies at SES</p>
SES's Investment Partners	<p>Individual interviews and some telephone interviews</p>	<p>Their role with SES, their view on SES Objectives 1-3 and their opinion on SES influence on Policy.</p>	<p>September 2012</p>	<p>Alan Kay carried out structured interviews, compiled the results which can be found in appendix 5 &amp; copies at SES</p>

# 5 Findings, Consultation & Observations of SES Objectives

As previously stated SES has successfully facilitated a model of enterprise development that, in our view, targets and captures the imagination and meets the needs of those most disadvantaged in addition to creating and developing co-operative, mutual and social enterprises. The approach is a pro-active, holistic and integrated approach, and it engages people often missed by mainstream agencies, which may be geographically remote or psychologically daunting to newcomers to self-employment and social enterprise.

Listed in the narrative below is the rationale and project description of the objectives that were implemented to achieve the delivery of SES's three core objectives, namely:

- 1) To actively support mutuals, co-operatives and social enterprise formation and increase opportunities for growth within the social enterprise sector.
- 2) To actively promote, develop and support individual entrepreneurship, enterprise and employment.
- 3) To work in partnership with community development projects and VCS to increase sustainability and business readiness of the sector.

*“I can’t thank the staff enough - they went the extra mile and gave me the confidence I needed to start my own business.”*

Traditional Business Start Respondent 2012

*“My advisor gave me some excellent advice. Very professional and I always felt at ease with everything I needed to ask.”*

Traditional Business Start Respondent 2012

## 5.1 SES OBJECTIVE ONE

*“To actively promote, develop and support individual entrepreneurship, enterprise and employment.”*

Prospecting for Enterprise™ SES model of traditional enterprise development has been designed to build on practices that had already been shown to be successful, including: Taking a neighbourhood approach to enterprise engagement, tackling each of the key barriers to enterprise as identified within Appendix Five, continued evidencing of SES successful enterprising model, building on good practice that works, ‘proving and improving’. Description of the three core Objectives is located within Appendix Five of this report. The Table below provides headline performance in terms of SES objective one activities, namely traditional business start for the years 2010-11 and 2011-12, in addition to illustrating performance including targets for the previous five years i.e. 2006-10.

## 5.2 LOANS & GRANTS TO TRADITIONAL BUSINESS STARTS

SES traditional Business Start Staff identify business investment for the traditional business starts, including loans and business grants. The SES business team keep up to date with all available business investment changes. For the Social accounting period 2010-12, the business team and traditional business starts via business planning process attracted £1,117,033 worth of business investment (Business Grants £677,336 and Business Loans 439,697).

### COMPARISON OF OUTPUTS ACHIEVED BY SES BETWEEN 2006 -2012

OUTPUT DESCRIPTION	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011 TARGET	2010-2011 ACTUAL	2011-2012 TARGET	2011-12 ACTUAL	TOTAL/ AVE
New Traditional Enterprise Starts*	210	229	235	249	300	338	150	154	1,415
Number Employees of traditional business starts*	n/a	283	302	319	365	419	175	177	1,500
Enterprise starts who were Jobless/not working*	75%	68%	75%	78%	80%	86%	80%	82%	77% Av
Reported 1st year turnover/sales of traditional business starts*	n/a	£5.9m	£3.52	£4.8m	£5.6m	£7.1m	£3m	£2.6m	£4.78 Av
Number of Pre Business start Beneficiaries (caseload)*	524	501	500	783	700	657	325	303	3,268
Traditional Business starts survival rates @ 52 weeks*	82%	69%	79%	78%	70%	71%	70%	73%	75% Av
Traditional Business starts survival rates @ 78 weeks*	70%	69%	69%	64%	66%	70%	70%	72%	68.8% Av
Traditional Business starts survival rates @ 108 weeks*	n/a	n/a	66%	63%	65%	70%	70%	71%	67.5% Av
Total Net sales increase (Traditional enterprise)	n/a	n/a	n/a	n/a	n/a	n/a	£10m	£13.1m	£13.1
GVA contribution by Traditional Enterprise)	n/a	n/a	n/a	n/a	n/a	n/a	£2m	£4.3m	£4.3m

Notes: \*Wearside Only \*\*Tyneside City Region & Wearside

### 5.3 PARTNERSHIP WITH FISCUS

SES Traditional Business Start Staff work through FISCUS to assist moving people from benefits to enterprise - Each worker has access to a dedicated FISCUS advisor, who will meet with the client and discuss their current position. A benefits check will be carried out and an "in work" better off calculation will be produced to allow the client to see how they will benefit from commencing in self-employment. Contact will be maintained with the FISCUS worker to ensure the transition process from welfare to enterprise is as smooth as it possibly can be. Such intervention produces good financial returns for the business start-up beneficiaries, for instance, between 2010-11 an additional £210,928 in welfare benefits was paid to pre-business start beneficiaries, whilst identifying and processing £1,460,532 "better off into enterprise gains" for the WNF business start beneficiaries. It is very important that clients are aware of, and claim, their entitlements, as this helps them and their families to make ends meet and to have more financial stability at the important business pre-start-up and transition stage. It also reduces the likelihood of debt associated with the business pre-start stage, and it often enables the client to become eligible for, and to access, other in-work/into enterprise benefits and grants at the start-up stage.

### 5.4 TYPE OF TRADITIONAL BUSINESS START ACTIVITY

The table below provides an illustration of the type and nature of traditional business starts for the social accounting period, construction/trades were the most common type of businesses that set up followed by personal services, which can cover areas like cleaning, photography, valeting, art products, aerial installation and hairdressing.

TYPE OF BUSINESS ACTIVITY (SIC)	2011-12	2010-11	TOTAL
Manufacturing	0	9	9
Construction	37	94	131
Retail	22	36	58
Catering Accommodation	5	15	20
Transport Communication	5	16	21
Financial Services	3	5	8
Property, IT & Business services	14	38	52
Education	13	6	19
Health Social Work	9	17	26
Personal Services	38	89	127
Motor Services	4	9	13
Misc.	4	4	8
<b>Total</b>	<b>154</b>	<b>338</b>	<b>492</b>

*"Satisfaction ratings for pre-start and post start-up support were however good, with the vast majority of beneficiaries having their needs met and expressing satisfaction with the service they received"*

Newskills Consulting Ltd May 2012

### 5.5 CONSULTATION WITH TRADITIONAL BUSINESS STARTS

There were 80 completed questionnaires thus achieving a 22.7% response rate, we ask what type of service they received from SES and rank the service provided on a scale of 1-5 - 5 being an excellent standard and 1 being the lowest standard. The data below highlights the responses; the data indicates that the services provided were of quality and relevant to the needs of the traditional business starts.

SES SERVICES RECEIVED & PERFORMANCE RATING BY USER YOU	1	2	3	4	5	% RANKING OF 4 & 5
Assistance with market research		1	3	11	52	78.7%
Assistance with business or project plan	1		2	10	62	90%
Assistance with identifying funding (grants/loans)	1	1	3	8	55	78.7%
Preparing/assisting with applications for finance	1		4	12	46	72.5%
Provision of general business advice		1	1	12	60	90%
Information on bookkeeping and accounts	1		6	10	52	77.5%
Advice on publicity and promotion		3	4	11	53	80%
Help with legal requirements and registration	1	1	3	14	44	72.5%
Information and advice on National Insurance, VAT and Income tax		1	2	18	46	77%
Information on recruitment and employment	1	2	5	16	20	45%
Formal training courses	1	1	5	20	22	55%
Help with identifying ideas for businesses		2	2	8	43	63.7%
Referral onto an associated service such as FISCUS (Benefits advice)	2	1	3	8	43	63.7%

92.5% of the respondent rated the range of knowledge of SES as being excellent to very good, 96.2% of the respondents rated SES quality of service as excellent to very good. 95% of the respondent reported that they would recommend SES to a friend.

We then sought the respondents' views on the difference SES has made to the respondents life circumstances, over 85% stated that their understanding of business planning has increased, 80% stated that their business has increased capacity, 77.5% reported that they can make more informed choices, 76.2% reported an increase in motivation and 73.3% reported increased confidence. More importantly, no respondent reported a decrease

*"Staff were very helpful and even accepted some of the dumb questions I asked in good layman's terms."*

SES Focus Group 2012

#### The difference SES makes to you?

THE DIFFERENCE SES MAKES TO YOU	INCREASED	DECREASED	STAYED ABOUT THE SAME
My understanding of business planning has:	68 (85%)	0	6 (7.5%)
My Motivation has:	61 (76.2%)	0	13 (16.2%)
My confidence has:	59 (73.7%)	0	17 (21.2%)
My ability to make informed choices has:	62 (77.5%)	0	11 (13.7%)
My business has:	64 (80%)	0	11 (13.7%)

The table below highlights the respondents views on what were the top 9 barriers for business expansion or creation, the respondents were also requested to rank each of the barriers in terms of priority. Access to investment was the major barriers followed by establishing new markets and competition, which are predominantly business planning issues.

#### What are the barriers to expansion/creation?

BARRIERS TO BUSINESS EXPANSION/CREATION		RANK
Competition	18	4
Establishing new markets	25	3
Getting finance for development/creation	28	2
Getting investment funding	33	1
Lack of capital	33	1
Lack of contract opportunities	17	5
Lack of revenue/income	16	6
Lack of tax Credit Benefits	9	8
Regulations/Tax/VAT	14	7

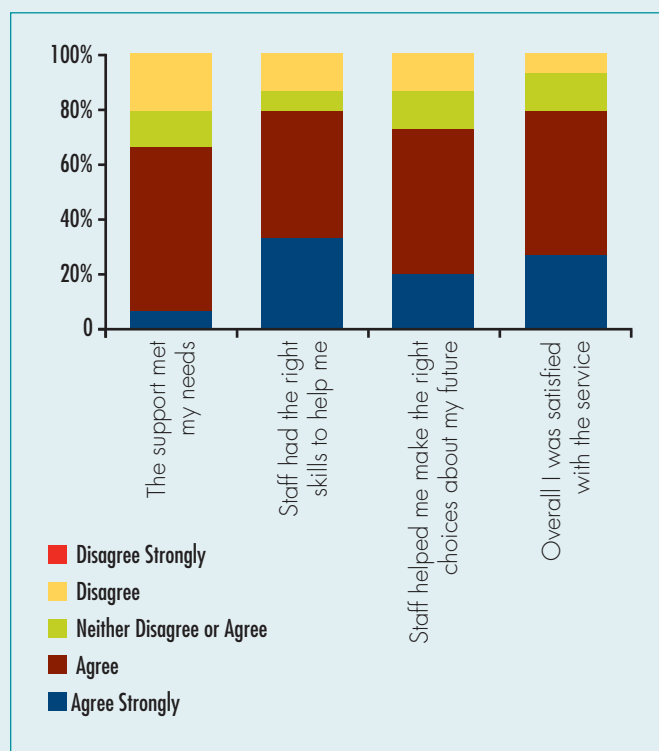
*"Couldn't of done it without the help of the workers"*

JSA Associates 2012

## 5.6 OTHER CONSULTATIONS

Newskills Consulting carried an independent evaluation of SES ERDF capital/revenue Container City Project (2009-12), as part of the evaluation they carried out a structured telephone survey with 20 of SES Beneficiaries (including both Traditional and Social Enterprise). As illustrated in the table below, the respondents provided a good rating by pre-start up clients. Two-thirds of the beneficiaries agreed or strongly agreed that the support met their needs, however 20% disagreed; 79% agreed or strongly agreed that staff had the right skills to help them; 73% that staff had helped them to make the right choices about their future; and 79% that overall they were satisfied with the service.

#### To what extent do you agree with the following statements about the support you received from SES?

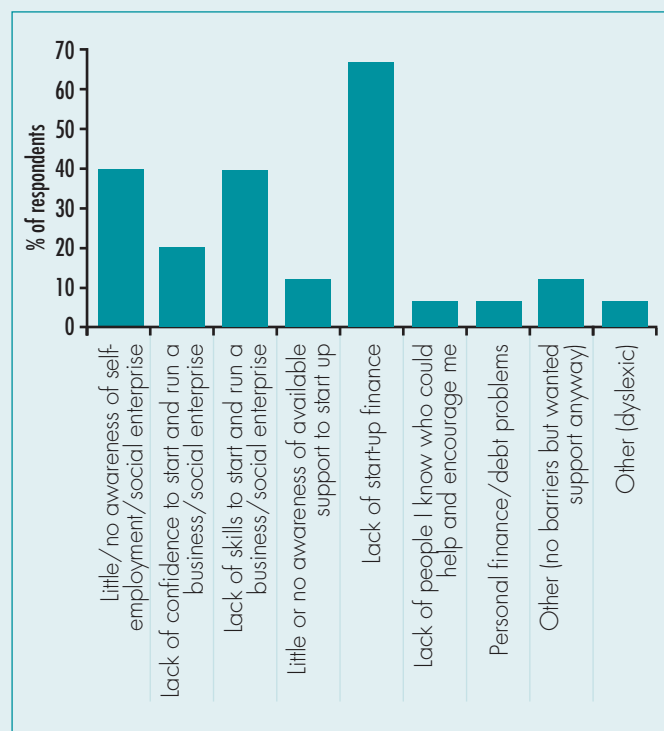


Beneficiaries were then asked about the main barriers to self-employment/enterprise that they faced before they received support from the project. The table below shows that for two-thirds of the respondents lack of start-up finance was the main barrier to starting a business or social enterprise. The next two most common barriers were little or no awareness of the benefits of self-employment/starting a social enterprise and a lack of skills needed to start-up. Lack of confidence to start-up was also an issue for three respondents.

*"87% were very or quite satisfied with the services received and 93% found the service very or quite easy to access."*

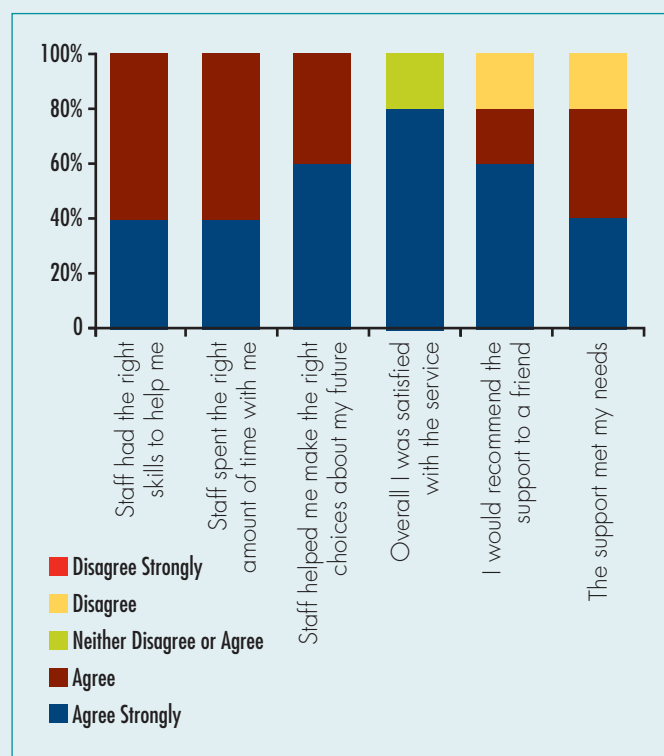
Independent evaluation of the Newcastle Enterprise package 2009-2011, Frontline, May 2011

**Before using the support what were the main barriers you faced to self-employment?**



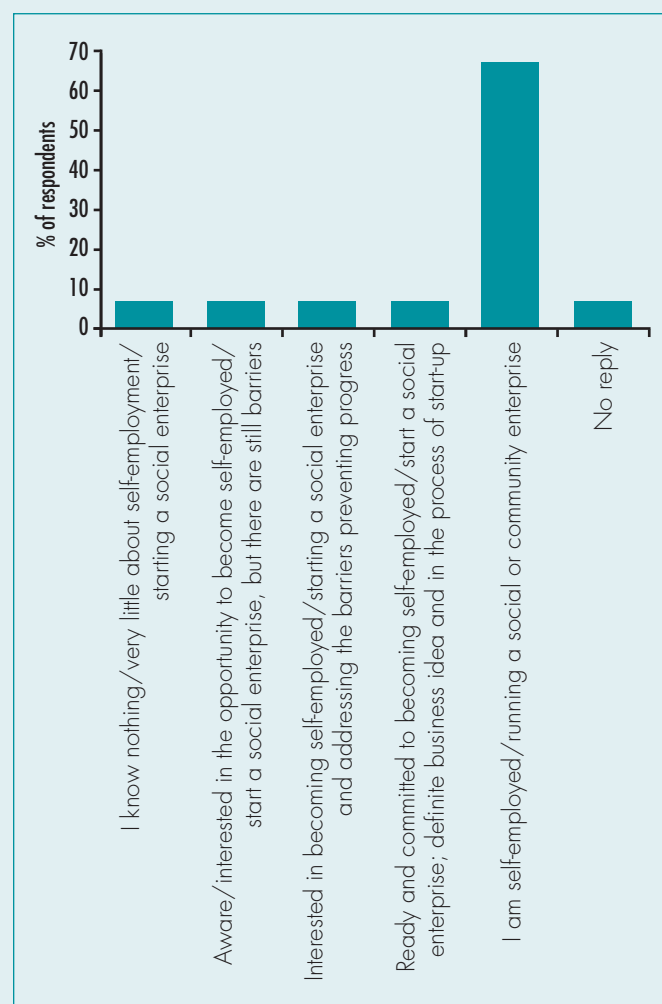
Overall SES was given very high ratings by the post-start up beneficiaries. All respondents agreed or agreed strongly that staff had the right skills to help them; spent the right amount of time with them; and helped them to make the right choices about their future. Four out of the five respondents agreed or strongly agreed that they were satisfied with the support, that it had met their needs and that they would recommend it to a friend

**To what extent do you agree with the following statements about the support you received from SES?**



The table below indicates that SES has been effective in supporting beneficiaries to achieve progression along the enterprise journey and start up in business. Following the support only 7% of respondents said they knew nothing or little about the opportunities of becoming self-employed or starting an enterprise compared to 33% before. The remaining respondents were evenly split between different stages of becoming enterprise ready, ranging from being interested but still facing barriers to self-employment or running a business/enterprise, or interested and addressing the barriers, to ready and committed to start self-employment or run a business/enterprise and in the process of start-up.

**Which of these statement best describe what you feel like now after you received support from SES?**





## 5.7 SUMMARY & ACTION POINTS

- Traditional Business start beneficiaries stress the value of face-to-face advice and cash grants in helping them progress to self-employment.
- Pre-start output performance has been very strong with SES exceeding all pre-start performance targets.
- The business start-up service was particularly effective in raising beneficiaries' confidence to create a business, raising aspirations and ambitions and developing the skills required to run a business effectively.
- SES services were successfully targeted at the intended beneficiary, focussing support on disadvantaged geographic areas and individuals, for instance, over 82% of pre-start beneficiaries who started a business were unemployed when they enrolled
- One-to-one support and assistance with preparing a business plan and business support measures were the interventions that beneficiaries found most beneficial.
- Satisfaction ratings for pre-start and post-start were good to excellent, with the vast majority of beneficiaries having their needs met and expressing high levels of satisfaction with the service they received, for instance 92.5% plus.
- The business post-start service made a notable improvement upon the ability and skills of beneficiaries to maintain self-employment or run their business/enterprise, 85% plus reported better understanding of business and that their business improved.
- Should retain a face-to-face adviser service because it makes the difference to clients, however, face-to-face advice is more expensive to fund than group sessions, we may need to balance the amount of face-to-face adviser support with group sessions, ensuring that we support as many individuals as possible within our investment and that they get enough adviser time to make the difference.

## 5.8 SES OBJECTIVE TWO

*“To actively support mutuals, co-operatives and social enterprise formation and increase opportunities for growth within the social enterprise sector.”*

Mutual/Social enterprise is now higher on the political agenda than it has been for many years. There is a great deal of discussion about the potential role of social enterprise in delivering public services, and in contributing to the wider Big Society agenda. At the same time, there is plenty of evidence to show that support for social enterprise across the Region is inconsistent. There are gaps in coverage and the quality of the service provided is variable – the support available to Mutual/social enterprises can therefore be characterised as ‘a postcode lottery.’

Particular weaknesses (identified by previous Social Accounts carried out by SES) that need to be addressed include:

- Gaps in sub-regional coverage
- The lack of a standard package of support
- The lack of a common quality assurance framework
- Insufficient resources available for animation activities
- The need for properly trained advisers – a sufficient number of the right quality
- Inconsistent briefing (awareness-raising) of potential mutuals/ social entrepreneurs about the options available

During the Social accounting period there has been two interlinked approaches to this objective, namely the work we carry out for The Co-operative Group and SES own Social and Co-operative Enterprise development activity.

## 5.9 CO-OPERATIVE ENTERPRISE HUB: THE CO-OPERATIVE GROUP

The success of the Co-operative Enterprise Hub (SES lead body for Humber, Yorkshire & North East) funded by The Co-operative Group, has demonstrated the need for a comprehensive effort to encourage and grow the mutual sector. There is a need to identify new business opportunities and assist the social enterprises to exploit them, in other words, to make them investment-ready. The majority of the Co-operative Enterprise Hub money is paid out on Advice and Training. It will award up to 4 days consultancy to help encourage the launch of new co-ops and to grow existing ones. It can also lead to a grant (up to £5k) and loan finance (up to £150k) administered by Co-operative and Community Finance.

The Co-operative Group are committed to supporting the development of the co-operative sector in the UK and were concerned several years ago that there was a decline in the number of co-operatives. They formed an ‘Advice and Training Programme’ implemented by the Co-operative Enterprise Hub which is an UK-wide independent body with its own board. The Hub takes a regional approach and there is a Lead Contractor in each of 7 regions. For the last 3 years SES has been the Lead Contractor for the North East, Yorkshire and Humber and receives around £80,000 annually from the Advice and Training Programme. SES uses the funding to support co-operatives in their region with an initial assessment and through compiling a development plan including elements and actions to strengthen the individual client co-operatives. 75% of the clients each year have to be new groups or new businesses. SES makes a monthly claim for funding and reports quarterly on details of the co-operatives they have worked with. In addition, all Lead Contractors form a National Advisory Group which meets regularly; and each Lead Contractor makes a presentation to the Hub's Board at least once a year.

SES became the lead body for the Co-operative Enterprise Hub for the North East Region in June 2010. It took over the larger area of the North East, Yorkshire and Humber in January 2102. From 2010 until end of March 2012, SES has processed exactly 100 applications. A summary of the actions and these applications and the outcomes are as follows:

- 80 were new start, 20 were existing co-ops
- 87 were approved, 13 were rejected

Of the 87:

- 22 are still in progress
- 18 have withdrawn before completing the consultancy,
- 47 have completed the consultancy

Of the 47 complete:

- 11 were existing co-ops
- 36 were new starts
- Of the 36 new starts, 20 have registered a co-operative

Angela Davis (Investment stakeholder interview see Appendix 6 for details) commented that there has been and increase in the number of co-operatives in SES's region and this can be partly attributed to their work – in fact, there are “nearly as many co-operatives in the NE of England as there are in the NW”. In comparison with other Lead Contractors, SES provides the Hub with “high standard information” beyond the minimum asked for and in an accurate format. The Hub has “every confidence” in SES. Also SES is considered a “trailblazer” within the Hub as Kevin Marquis, one of SES's Directors, made a presentation to the Hub's Board with lots of information emerging from their social accounting systems. This has greatly impressed the Hub and they are planning to set up similar systems. SES are seen to take a flexible approach with clients and plans the support they provide to the stated needs of the clients. SES's contributions to the National Advisory Group meetings are considered to be valuable as they are measured, challenging and with a high degree of common sense.

SES Supporting Social Enterprises with investment plans and react accordingly to emergency requests – Year ending March 2012 there is 215 directly assisted social enterprises listed on SES database, all of whom have had varying levels of intervention with SES advisors. From this, SES can report that between them they:

- Combined turnover £23.3m
- Employment of 1,334 staff
- Successful Tenders £713,170
- Investment to Social Enterprises £1,408,00.00

Social Enterprise survey Respondents indicated £360,466 worth of business investment, in addition to £201,170 worth of successful tender submissions. However, it has also been reported that there is a further £512,000 worth of successful tenders (Shiney Row Child Care, Derwentside Counselling) in addition to a further £1.048m of social enterprise investment (Greening Wingrove CIC, Success and Community Counselling).

## 5.10 CONSULTATION SOCIAL ENTERPRISE

Of the 194 Tyne and Wear social enterprise we received 54 completed telephone questionnaires - a response rate of 27.8%. The table below illustrated that 33 of the 54 respondents had a CIC legal status, the balance were predominantly incorporated mutual organisation with the exception of 2. 92.3% of the respondents classed their organisation as stand alone, only 2 were part of a partnership or network-based organisation.

HOW WOULD YOU DESCRIBE THE LEGAL STATUS OF YOUR EXISTING/PROPOSED SOCIAL ENTERPRISE	
Community benefit society/co-ops	4
Community interest (CIC)	33
Community limited by shares	2
Constituted organisation	1
Industrial and provident society	2
Registered charity/company limited by guarantee	8
Statutory body	0
Unincorporated association	2
Not constituted group	0
No response	2

40.7% of the social enterprise respondents reported that over the next 3 years are confident of sustained growth, 3.75% are expecting fast growth, 44.5% of the respondents are expecting that business performance would stay the same over the next 3 years – only 11.1% are expecting a decline in business performance.

The table below illustrates that most social enterprise respondents reported that market place is predominantly within the City Region, although it is good to see that 23 were trading beyond the North East.

WHICH OF THE FOLLOWING MARKETS DO YOU SERVE OR PROPOSE TO SERVE	
Local Sunderland	39
Newcastle	13
North Tyneside	7
South Tyneside	15
Gateshead	13
Durham	16
Northumberland	9
North	19
Rest of UK	3
Exports overseas	1

In terms of social investment funding for the social enterprise 49 respondents reported that they made business/investment plan submission, total monetary value of £2.89m, to date £1.408m has been successfully awarded to social enterprises.

During the social Audit 2010-12 period social enterprise respondents submitted 35 tender submissions, total value of £2.82m - to date £713,170,000 has been successful.

The table below highlights the top five areas of support that Social Enterprises require at the present time, namely: marketing/promotion, strategic planning, new markets, Social Accounting SROI, procurement.

WHAT KIND OF FUTURE SUPPORT DO YOU REQUIRE FROM SES TO DEVELOP YOUR SOCIAL ENTERPRISE?	
Advice on E-Tendering/Commissioning	11
Marketing/Promotion	15
Entering into New Markets	13
Social Franchising/Replication	9
Strategy Planning	13
Financial Projections	9
Service Level Agreements/Contracts	10
Social Accounting & Audit and SROI	12
Free or low cost accountancy	11
Meeting other businesses/networking	8

The social enterprise respondent identified the 5 major barriers to the creation and/or expansion of social enterprises as: Lack of Contract Opportunities (unsure if these lack of contracts or lack of knowledge) Obtaining Investment Finance for start-up or expansion (we are of the view that this relates to the investment readiness of social enterprise as opposed to lack of social investment capital) issues of trading income and/or market opportunities combined with establishing new markets this may relate to the need expressed by respondents for contract readiness/tendering support/training.

*“I feel not having to sign on job seekers is a weight of my mind and has used my spirit and don’t feel degraded anymore other than that nothing else has changed as I believe in my own ability”*

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TOP TEN BARRIERS FOR THE EXPANSION AND/OR CREATION OF EXISTING/PROPOSED SOCIAL ENTERPRISE	
Establishing new markets	12
Getting finance for development/creation	15
Getting investment funding	20
Lack of contract opportunities	23
Difficulties surrounding procurement	6
Lack of feedback on unsuccessful tenders	7
Lack of volunteers	6
Lack of revenue/income	14
Competition	6
Lack of capital	7

*“Focused work at neighbourhood level using community based organisations was effective at engaging and supporting harder to reach clients in enterprise.”*

Evaluation of Sunderland’s WNF enterprise programme, JSA Regeneration Limited, July 2011

## 5.11 COMPARISONS TRADITIONAL BUSINESS START UP/SOCIAL ENTERPRISE

Arguably, the main aim of a social enterprise must be to carry on a business activity that breaks even and generates profits. They do have social and/or environmental objectives, but make profits as a means to furthering these. The way in which the business is run and decisions are made always reflects these underlying objectives, but running a profitable and sustainable business is always at the core.

It is important to see social enterprise as, first and foremost, contributing to the wealth of the community. Just because the social and/or environmental objectives are paramount, should not mean that the enterprise is managed any less professionally or effectively. A well run social enterprise will be better able to achieve its objectives and will be more sustainable over the longer term. Research evidence suggests that there is not much difference between the business support needs of social enterprise and other models. However, there are differences, and these can be very important:

Social enterprises are often started by groups of people rather than individuals, and there is a wide range of social enterprise models available. These factors may mean that more advice and support on legal status, structures and governance are required.

People starting social enterprises often lack a strong background in business planning, handling finance and other aspects of running a business. In some cases, the business case is quite a complicated one to make. People may lack the confidence and skills needed to approach financing organisations. They may need help in gathering and interpreting market intelligence. It may be important to build on soft capacities before hard results can be achieved and measured.

The table below highlights differences between Traditional Businesses and Social Enterprises between 2010-12.

*“Some of the ideas put forward, financial models and processes were useful in planning what we can do and how.”*

Frontline 2011

DIFFERENCES BETWEEN SOCIAL ENTERPRISES & TRADITIONAL ENTERPRISES								
DESCRIPTION	SES TRADITIONAL BUSINESS STARTS		UK AVERAGE TRADITIONAL		SES SOCIAL ENTERPRISES		UK AVERAGE SE	
Average turnover for 18 mth	£22,525		£50,000		£108,000		£175,000**	
Majority Gender Director/Ownership	Male 60%	Female 40%	Male 75%	Female* 25%	Male 29%	Female 71%	Male 14%	Female** 86%
Average number of staff employed after 18 month	1.2		2		6.2		n/a	

\* Note - The gender gap in enterprise has been part of the economic development discourse for over twenty years and whilst evidence in the Global Entrepreneurship Monitor (2007) showed a growth in UK total entrepreneurial activity, there has as yet been no significant change in the position of women who are still around half as likely to be involved in business start-up activity as men. Independent start-up activity in 2005 was 3.74% of the female adult population compared with 6.17% amongst men<sup>35</sup> (Micro & SME). Although, according to BIS the proportion of SME employers that are women-led (14 per cent) has not changed since 07/08<sup>36</sup>. If the UK had the same female entrepreneurship rate as the USA the UK would have an extra 750,000 businesses.

\*\* Note - Social Enterprise UK recent report<sup>37</sup> indicates that within 86% of Social Enterprises within the UK have at least 1 female directorship, this does not mean sole ownership nor majority of female directorship (SES female directorship is defined as being in the majority) In addition, the data source is only based on a 200 self-reported survey via Social Enterprise UK members.

35: Langowitz, N. and Minniti, M. (2007), “The entrepreneurial propensity of women”, Entrepreneurship Theory & Practice, Vol. 31 No. 3.

36: (BIS Small business survey 2011)

37: Fight Back Britain Social Enterprise UK 2011

## 5.12 SUMMARY AND ACTION POINTS

- Beneficiary feedback is very positive and SES staff were highly praised for their knowledge, professionalism and approachability.
- The co-operative, social enterprise and VCS business service was particularly effective in raising beneficiaries confidence to create a business, raising aspirations and ambitions and developing the skills required to run a business effectively.
- Beneficiaries both traditional business start, VCS and social enterprise stress the value of face to face advice and cash grants in helping them progress to self employment.
- SES should investigate further their success in delivering and creating women based social enterprise and co-operatives, for instance, average female directorship of a social enterprise is 71% which is much higher than the national average, even within SES traditional business starts women represent 40% which is almost three times more than the national rate.
- During the next social accounting period we will ensure that there is synergy between traditional and social enterprise data capture point in order to achieve more effective benchmarks and comparisons.

## 5.13 SES OBJECTIVE THREE

*“To work in partnership with community development projects and VCS to increase sustainability and business readiness of the sector”.*

There is an overlap between SES core objectives of promoting and developing social enterprise and supporting or assisting VCS to become more sustainable, at times new social enterprises emerge from VCS activity in addition to increased traditional trading income streams via trading of services. Within objective three there are five projects that fall within this particular objective and social accounting period, namely Lot 1, 4 and 10 of the Newcastle Enterprise Package, Cowgate Community Development and Tyne & Wear Basis.

## 5.14 NEWCASTLE ENTERPRISE PACKAGE: LOT 10 - SUPPORT FOR SOCIAL ENTERPRISE/ VOLUNTARY COMMUNITY SECTOR 2009-11

Under Lot 10 SES provided a range of business development advice and hosted awareness raising workshops, which promoted the benefits of enterprise and encourage social entrepreneurial activity within the voluntary and community sector. It also provided one to one tailored support to help organisations to improve their business planning and systems and identifies the skills required to become more sustainable. Support included: business skills and knowledge audit; market research; sales and marketing opportunities; balancing commercial and social objectives; financial planning and sustainability; partnership and consortia opportunities; managing and maintaining public sector contracts; contractual duties and regulations; monitoring and evaluation; policies and method statements.

.Other training courses included: developing income and investment; securing assets; get ready to tender; and social enterprise – a solution to service delivery.

During the Social Accounting period, SES successfully tendered to deliver the next Enterprise Support package (Phase Two) Lot 10 was replaced by Lot 4 in the new package, which started in December 2011.

## 5.15 CONSULTATION FINDINGS OF LOT 10

Newcastle Enterprise Package Final Evaluation Report (Frontline, June 2011) reported 86% of Lot 10 clients stated that one-to-one advice was very or quite useful; the corresponding usefulness feedback on group sessions was 63%. 74% rated the one-to-one advice the most useful service. 90% were very (76%) or quite (14%) satisfied with the support received due to:

- quick to inform about funding
- help with applications for funding
- helped to achieve company aims
- balanced opinion given by advisers
- provide good advice and listen
- provide confidence and drive
- provide introduction to new opportunities

### ENTERPRISE PACKAGE PHASE 1 – LOT 10 SES OUTPUTS (JUNE 2009 – NOVEMBER 2011)

Number of Organisations engaged in services of which were existing SE	127 22
Number of individuals supported associated with those organisations	132
No orgs receiving 12 hours or more support of which the average number of 1 to 1 hours spent with those organisations was	60 25.25
Total number of 1 to 1 sessions	984
Average number hrs spent with orgs	26
Businesses Created	21
Secured Income	596.7k
Projected Turnover new business	1127k
Jobs created (fte) of which male female	31.75 14.25 17.5
Jobs safeguarded (fte) of which male female	14 1 13
No Orgs supported - Asset transfer	2
No of different themed training events of which of which attendees	12 91

*“The enterprise support offered has given staff a greater sense of confidence and the ability to drive enterprise forward in their own areas.”*

*“One-to-one gave us expert advice relevant to us and gave us good contacts.”*

Frontline 2011

The most common benefits for community groups were: improved business planning (86%), improved skills or knowledge (82%) and improved confidence (68%). Commenting on the greatest benefits to them they suggested:

- business planning
- funding and financial support
- increased confidence
- identification of business opportunities

39% stated that they had already made changes, with 29% planning to: 41% have seen impacts to competitiveness and 88% expect to improve competitiveness in the future. 53% have seen impacts on their sustainability and 92% expect to improve this in the future.

NEWCASTLE ENTERPRISE PACKAGE PHASE 2 – LOT 4 SES OUTPUTS (NOV 2011-MARCH 2012)	
Number of Organisations engaged in services of which were existing SE	34 12
Number of individuals supported associated with those organisations	34
Total number of 1 to 1 sessions	110
Average number hrs spent with orgs	5.25
Average number hrs spent supporting existing SE	5.43
Businesses Created	2
Secured Income	0
Projected Turnover new business	48k
Jobs created (fte) of which male female	4.5 0 4.5
Jobs safeguarded (fte)	0
No Orgs supported - Asset transfer	1
No of different themed training events of which	0

*“Some of the ideas put forward, financial models and processes were useful in planning what we can do and how.”*

*“Improving our systems and our customer interface, expanding volunteering opportunities and due to set up a new trading arm.”*

*“We have developed PQQ files; we have changed the way we monitor, report and manage our business.”*

*“We are a lot stronger internally and better placed to identify and win contracts and grants.”*

Frontline 2011

We have helped VCS organisations respond to this by organising workshops around collaboration between provider organisations themselves and between provider organisations and the local authority. Headline results of this work include Reported turnover £1,175,000m, Secured investment £596,720 and 23 new trading social enterprises. The table below lists the relevant SES outputs during this period.

## 5.16 COWGATE DEVELOPMENT (NEWCASTLE)

The Cowgate Community Enterprise initiative is a two-phase development process phase one Kick-Start is focused on three elements namely, mapping networks, marketing of co-operative enterprise whilst developing an agreed Social Accounting Audit and Social Return on Investment Impact Map for Cowgate. The intention is to accelerate, embed and increase the delivery performance of Phase two ‘Cowgate Community Enterprise’ by fostering and creating additional enterprise action within Cowgate whilst demonstrating, measuring and valuing the impact of the project activities. The primary aim being the development of a community owned organisation will be established and is designed to act as a catalyst for economic activity.

- Training and capacity building workshops for young people/ NEETS with regards to enterprise skills and ideas
- Replicate in Cowgate a Youth Enterprise Hub model developed in West Newcastle. Support pre-start up and start up enterprises within the hubs.
- Offer incubation space/desk and facilities for Young People who complete a business plan/proposal.
- Establish a City-wide Young Entrepreneurs forum – a support network for young entrepreneurs to share, learn and plan.
- Set up a youth traineeship programme, where we will train 2 young people per year to be members of the staff team within the Youth Enterprise Hub
- Identify enterprise growth areas such as Health & Care, Creative industries, Environment and Personalisation

## 5.17 NEWCASTLE ENTERPRISE PACKAGE LOT 1

In addition to delivering Lot 4, SES also successfully tendered to be part of the delivery framework for Lot 1, which delivers enterprise support in schools throughout the City. The budget allocated to Lot 1 is disseminated via ‘mini-tenders’, which are issued in response to identified needs within the schools. In the period up to March 2012, SES won a tender to provide an enterprise support programme which involved 8 pupils and 2 teachers in Excelsior Academy who were developing a business called ‘Successorize’ which prints designs onto items such as mugs and T-shirts.



## 5.18 SES: TYNE & WEAR BASIS

Tyne and Wear Infrastructure Consortium (TWIC) supported the development of a project to meet the needs of frontline third sector organisations (TSO) and infrastructure organisations as identified during 2007 and 2008. The aim of the initiative was to co-ordinate and deliver a range of specialist support services across Tyne and Wear, these would: improve opportunities for the sector, help to develop a business focus (sometimes through a social enterprise), facilitate networking and collaboration, support on-going skills and professional development for both trustees and volunteers and the paid workforce. Seven core partners were identified to deliver services:

- Pentagon
- Sustainable Enterprise Strategies [SES]
- Funding Information NE [FINE]
- Project North East [PNE]
- Sunderland CVS [SCVS]
- Education Business Connections [EBC]
- Specialist provider of HR advice [ACAS]

Project-id Ltd was commissioned to carry out the evaluation of the Specialist Support Service Project; the independent evaluation was completed in September. The report made the following observations concerning SES delivery functions within this project:

When SES users were asked about the experiences, 94% of first time users found the service quite or very easy to access. Of those returning to SES 82% found access either much or a little easier and no-one found access difficult. When asked to consider the impact on customer services, 45% felt the services received had made (or would make) a positive difference (figure 19) and a further 40% felt that it was either starting to make a difference or that any improvement hadn't happened yet.

The Table below sets out the responses for users of SES services (which also had the highest impact) identified against management skills at 62% and opportunities for grant funding at 53%. Very similar response rates were given for the other areas, the one to one nature of the support offered through SES has delivered consistent results across the board.

SES IMPACT TABLE (SOURCE PROJECT-ID 2012)	
Improve customer service	45%
Improved management skills	62%
More opp's for grant funding	53%
Improve Chance to win contracts to deliver services	47%
Create a wider range of services	47%
Improve Efficiency	36%

*“The service I received from Toni at SES was particularly useful and she came back with information, far beyond what I expected, in a very short space of time. Her efficiency enabled us to set-up a new CIC with virtually no fuss at all. Very impressive.”*

*“SES have been fantastic in helping us start up they have been supportive from the beginning, work a very quick pace kept us informed at every stage and showed a great interest in the area we are planning to work in.”*

*“My advisor at SES was helpful, easy to talk to, enthusiastic about my company and she had up to date knowledge on the sector.”*

Project-id 2012



## 5.19 EXTERNAL SUPPORT ROLES OF SES TO VCS/SOCIAL ENTERPRISE 2010-12

- Raich Carter Sports Centre - support via Director allocation
- Capitalise (finance for social enterprise) - via Director allocation
- Enterprising Futures – Gentoo Group – steering group and business planning and evaluation
- Social Enterprise North East – a co-ordinated delivery mechanism for new Social Enterprise within the North East – recently awarded capacity Builders funding
- Lead Body, Co-operative Enterprise Hub, North East, Yorkshire and Humber
- National Steering Group – Co-operative Enterprise Hub -
- Co-operatives North East – Director Allocation
- Lead body – North East Co-operative Development Consortium
- Durham Council – advice, guidance, development for externalisation of services to become social enterprises – Spennymoor extended Services (now Success North East CIC) and Investing in Children. advice/guidance on enterprise within hard-pressed communities via SHIP creation (Seaham Harbour Investment Partnership) and preparing a £2.4m business case. In addition support to social enterprise for NW Durham
- Sunderland Council – advice, guidance, development for externalisation of services to become social enterprises – Adult services, Council Training Centres
- Newcastle Council – advice, guidance, development for externalisation of services to become social enterprises – initial discussion with Newcastle City Learning Centre, youth services.
- Bridges Credit Union, development of business plan and merger of South Tyneside and Wearside First Credit Union – production of 5 year
- Hartlepool Credit Union business plan and operational procedures
- Ideal Taxis co-op – Company sec
- Be Active Be Fit - Company sec
- LIBRA Financial Inclusion Partnership - Partner
- FISCUS – integration of SES and FISCUS clients, researching new markets and USP
- FIN – workshops on 'Social Enterprise – a solution to service delivery'
- SES Lead applicant (partners include FISCUS and Gentoo) £1m ERDF application
- NE BIC - Joint Funding bids
- Working with BECON (regional BME infrastructure body)

## 5.20 SUMMARY AND ACTION POINTS

- Within the next social accounting period, we will ensure that we capture staff time and resource allocation to supporting VCS business transition.
- SES services has had very limited leakage and very little displacement, highlighting that SES has been effective in its targeting and well designed and delivered.
- Beneficiaries both traditional business start, VCS and social enterprise stress the value of face to face advice and cash grants in helping them progress to self employment.
- The growing number of women's businesses suggests success in SES business support mechanisms, it also suggest that there is a growing number of women's businesses which can be used as role models to encourage entrepreneurship.
- Within SES next SAA accounting process we will ensure synergy between data capture between social enterprises and traditional enterprise
- Attribution is good average 80.3% (based on the above consultation)
- All the consultation cohorts rated SES services as high quality & Impact average score between cohorts 82% plus
- Proxy Monetisation indicators were difficult to determine by beneficiaries, for instance, valuations ranged from £500 to £1m



# Assessing Economic Performances and Impact

## 6.1 PROFILE OF PRE-TRADITIONAL BUSINESS START UP CLIENTS

The profile of the pre-business start beneficiaries is not that dissimilar to that of the Business start profile, for instance age, housing tenure and gender profile are broadly the same, although there appears to be a higher proportion 'working' pre-start beneficiaries than actual business start-ups from the working category. This may be a result of threat of redundancy circumstances that are facing people over the last 2 years.

### SES GENDER & AGE PROFILE OF PRE-TRADITIONAL BUSINESS BENEFICIARIES

REGISTRATION BENEFICIARY PROFILE	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Female	156 (30%)	190 (38%)	175 (30%)	236 (31%)	218 (33%)	120 (39%)
Male	368 (70%)	311 (62%)	402 (70%)	525 (69%)	437 (66.8%)	183 (60%)
Total	524	501	577	761	655	303
Age 16-25	109 (21%)	110 (22%)	120 (21%)	152 (20%)	133 (20%)	63 (21%)
Age 25-49	368 (70%)	335 (67%)	367 (64%)	489 (64%)	414 (63%)	183 (60%)
Age 50+	47 (9%)	56 (11%)	90 (15%)	120 (16%)	108 (17%)	57 (19%)

### SES HOUSING PROFILE OF PRE-TRADITIONAL BUSINESS BENEFICIARIES

HOUSING TENURE OF INDIVIDUAL CLIENTS	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Social Landlords	204 (39%)	150 (30%)	126 (22%)	176 (23%)	171 (26%)	88 (29%)
Owner Occupiers	141 (27%)	160 (32%)	234 (40%)	268 (35%)	192 (29%)	99 (32%)
Private Rented	63 (12%)	110 (22%)	103 (18%)	159 (21%)	129 (19%)	62 (20%)
Other	78 (15%)	80 (16%)	114 (20%)	158 (21%)	136 (20%)	54 (17%)
Unknown	42 (8%)	0 (0%)	0 (0%)	0 (0%)	27 (4%)	0 (0%)

*"I have gained a lot more confidence and now have structure in my week. I don't go out 'drinking' as often which in turn saves me a lot of money."*

Business Start User SROI focus Group 2012

*"We are a lot stronger internally and better placed to identify and win contracts and grants."*

Frontline 2011

### SES BENEFIT/JOBLESS PROFILES OF PRE-TRADITIONAL BUSINESS BENEFICIARIES

EMPLOYMENT STATUS/ BENEFIT TYPES	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Receipt Of IS/JSA	192 (37%)	180 (36%)	249 (51%)	562 (74%)	303 (46%)	143 (47%)
Receipt of IB/Non JSA	169 (32%)	171 (34%)	84 (17%)	87 (11%)	82 (13%)	29 (10%)
Working	163 (31%)	135 (27%)	128 (27%)	170 (22%)	160 (24%)	84 (27%)
Other	n/a	15 (3%)	8 (2%)	26 (3%)	110 (17%)	47 (16%)
Serving Redundancy	n/a	n/a	16 (3%)	0	0	0

## 6.2 PROFILE OF TRADITIONAL BUSINESS STARTS 2010-11 & 2011-12

The first noticeable observation that can be made by the following business start-up data is the reduction of pre-business start and business start clients between 2010-11 and 2011-12. There is a substantial drop i.e. more than half of business starts and pre business start beneficiaries. This reduction coincides with a reduction of 50% of SES business start workers between 2011 and 2012. As previous SES Social Accounts have demonstrated there is a correlation between the number of Business start-up staff and business created, for instance we would expect a single business start-up worker to generate 3.5 business starts on average.

PROFILE SES TOTAL BUSINESS STARTS BY EMPLOYMENT STATUS 2007-12						
EMPLOYMENT STATUS/BENEFIT TYPES OF BUSINESS STARTS	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	TOTAL
Receipt of IS/JSA	76 (33%)	110 (42%)	105 (40%)	166 (49%)	70 (45%)	527
Receipt of IB/Non JSA	80 (35%)	51 (20%)	64 (24%)	76 (22%)	29 (19%)	300
None (Unemployed Only)	n/a	34 (13%)	36 (14%)	49 (15%)	27 (18%)	144
Working	73 (32%)	66 (25%)	59 (22%)	47 (14%)	28 (18%)	273
Total Business Starts	229	261	264	338	154	1,246
Jobless 0-6 months	60 (26%)	103(39%)	91 (44%)	109 (32%)	26 (17%)	389
Jobless 7-36 Months	63 (27%)	64 (25%)	88 (43%)	131 (38%)	72 (47%)	418
Jobless 36+ months	33 (14%)	26 (10%)	26 (13%)	46 (13%)	27 (18%)	158

The following data tables provide information with regard to the number and profile of SES traditional business start up clients between the years 2007-12. The above table demonstrates that SES consistently delivered business start-ups to those who have been unemployed; of the 1,246 traditional business starts 973 (79%) were started by those not in work. Although over the last 2 years we have witnessed an increase in the workless rates (86% 2010-11 and 82% 2011-12) (82%) prior to engaging with our services. Moreover, during the last 2 years there was an increasing proportion of this cohort that fell within the 7 months and 36 months unemployment category. The Business team work closely with FISCUS to ensure the client is given the best possible financial backing when starting the business, many back to work incentives are dependent on benefit claimed and for how long.

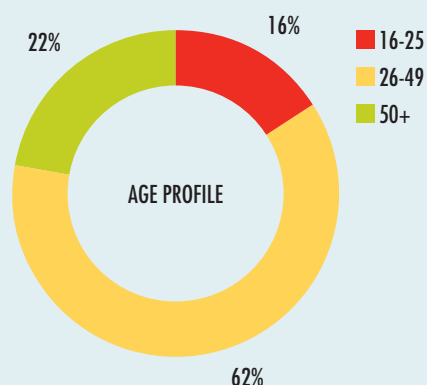
For the period April 2010-11 SES started 338 businesses. 280 of these were sole traders, 38 Limited Companies, 14 Partnerships, 4 Community Interest Companies, 1 Limited Liability Partnership and 1 Co-operative Consortium. The majority of people starting businesses through SES in 2010 – 2012 were in the 26 to 49-age bracket.

*“We have developed PQQ files; we have changed the way we monitor, report and manage our business.”*

Frontline 2011

Of the 338 businesses that commenced trading 64% were male and 36% female (compared with 38% female and 62% male during the 2011-12 period) According to GEM 2010 Monitoring Report female entrepreneurship rates in the UK are 56% those of males (4.5% cf. 8.0%). A recent drop in female interest in entrepreneurship was reported – at twice the rate of males. Typically, 14% of SMEs are ‘women led’.

### 6.3 SES AGE PROFILE OF SES BUSINESS 2010-11 & 2011-12

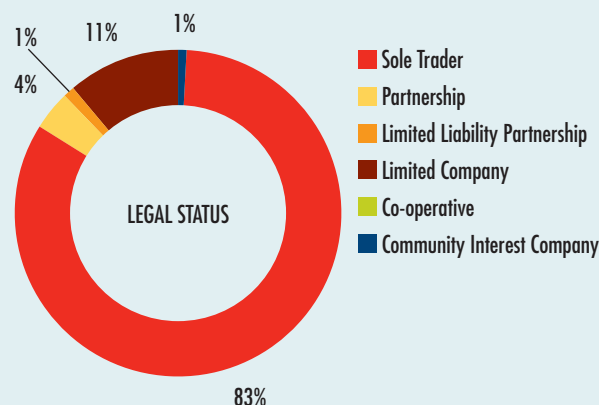


The age profile for people starting businesses through SES during 2011-12 were very similar to that of the 2010-11 cohorts, for instance, the 26 to 49-age bracket (65%) 16-25 age bracket (19%) and 50+ age bracket (16%).

#### PROFILE SES TOTAL BUSINESS STARTS IMD 2007-12

Super Output Area of Business Starts (IMD)	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
0-10% SOA	78 (34%)	83 (32%)	82 (31%)	97 (29%)	42 (27%)
0-20% SOA	137 (60%)	148 (57%)	133 (50%)	170 (50%)	76 (49%)
0-30% SOA	153 (67%)	178 (68%)	176 (67%)	199 (59%)	92 (60%)
31-100 SOA	76 (33%)	77 (30%)	86 (32%)	119 (35%)	52 (34%)
Outside Sunderland	n/a	6 (2%)	2 (1%)	20 (6%)	10 (6%)

### 6.4 SES LEGAL STATUS OF SES BUSINESS 2010-11 & 2011-12



For the period 2011-12 SES started 154 businesses, of these 91% (140) were sole traders, 2% (3) Limited Companies, 2% (3) Partnerships, 5% (8) CICs, the profile is not that dissimilar to that of 2010-11, although there was slight rise in terms of CIC registrations.

The following table, illustrates that SES business start activities across hard-pressed communities has remained reasonable consistent over the last 5 years, for instance, there was a range of between 59% to 68% of the business start owners who resided within the 0-30% SOA. SES works hard at promoting its service throughout these communities, especially where employment is low and income levels are low. To do this the team work out of centres and in some cases alongside other community agencies to ensure barriers around attending formal settings are removed and additional resources are available such as; internet access and other IT facilities.

#### PROFILE SES TOTAL BUSINESS STARTS HOUSING TENURE 2007-12

Housing Tenure of individual clients of Business Starts	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Registered Social Landlords (RSL)	62 (27%)	63 (24%)	52 (20%)	77 (23%)	42 (27%)
Owner Occupier	82 (36%)	119 (46%)	114 (43%)	126 (37%)	59 (38%)
Private Rented	40 (18%)	32 (12%)	50 (19%)	58 (17%)	21 (14%)
Other (no permanent address/living friends/family)	43 (19%)	47 (18%)	48 (18%)	77 (23%)	32 (21%)

*"The main change in doing this and starting up my studio, I have more pride in myself and I feel my kids have more pride in me. As all of my family are unemployed this is my way out of something that has become common place in my family. Plus doing what I do and loving it is great."*

Business Start User SROI focus Group 2012

## 6.6 SES AVERAGE BUSINESS START SURVIVAL RATE 2007-12

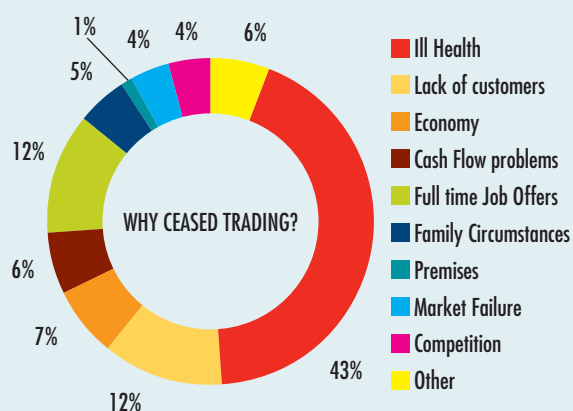
SES carries out consultation with their existing business start ups to conduct monitoring with them all at 6, 12, 18, and 24 month intervals, and the data collected from this exercise advances our analysis and demonstrates the overall survival rates of the businesses assisted with SES. The table below shows how this has changed over the 5 years.

### 6.7 PROFILE SES SURVIVAL RATES 2007-12

YEAR	BUSINESS SURVIVAL RATE 52 WEEKS	BUSINESS SURVIVAL RATE 78 WEEKS	BUSINESS SURVIVAL RATE 104 WEEKS
2007-08	69%	69%	n/a
2008-09	79%	69%	66%
2009-10	78%	64%	63%
2010-11	71%	70%	70%
2011-12	73%	72%	71%

These results show an increase in survival rates at 78/104 weeks increasing year on year, in addition these survival rates are very good considering that 82% of the traditional business starts were jobless prior to trading.

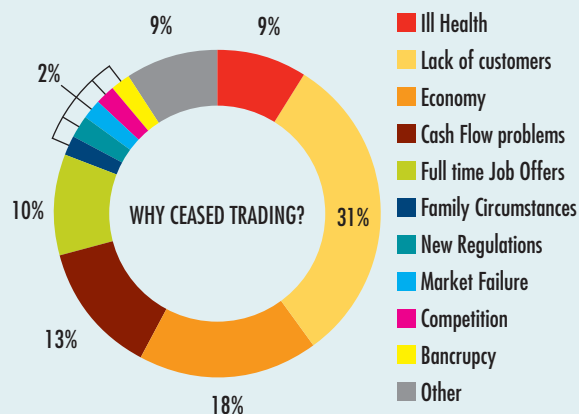
### 6.8 PROFILE SES 2010-11 MONITORING DATA: WHY CEASED TRADING?



Out of the 2010-11 SES business-monitoring cohort (479), 141 were recorded as ceased trading (62 of these were un-responsive), They were asked why they had ceased trading. All 79 answered, some stated more than one reason. 56% of the 79 said they would consider starting a new business.

## 6.9 PROFILE 2011-12 MONITORING DATA: WHY CEASED TRADING?

Out of 2010-12 SES business-monitoring cohort (744), 192 were recorded as ceased trading (62 of these were un-responsive) they were asked why they had ceased trading (120 out of 130 answered). 30% of the 120 ceased trading said they would consider starting another business.



Via our monitoring data we identified that out of 744 business starts recorded 192 were recorded as ceased trading (62 of these were un-responsive) were asked why they had ceased trading (120 out of 130 answered) reported reason were as follows 37 stated Lack of customers, 21 said the economy, 15 said Cash flow problems (please note that these subject areas were highlighted both as barriers to enterprise start and growth and support need) , 12 said they had full time job offers, 11 said Ill Health. The other 24 stated family circumstances, competition, bankruptcy, new regulation and market failure.

## 6.10 SES BUSINESS SURVIVAL RATES BENCHMARKING

These survival rates compare well with those reported elsewhere. For example:

- DWP Research Report No 184 showed 70-75% of Prince's Trust supported businesses were still trading at 18 months, falling to around 50% as the business approached their fourth anniversary.
- MTL 2008 Evaluation study of the South Yorkshire Business Link business start programme indicated a survival rate of 56% at the 52 week stage.
- The English national average for VAT registered businesses was 90% after one year and 65-70% after three years, over the period 1994 to 2001.
- The State of the Region Report for 2008 showed a 70.4% survival rate at 3 years for VAT registered businesses (2002 figures). In 2009 a record number of businesses closed, and the number of closures exceeded the number of businesses created for the first time.
- ONS Business Demography 2010 reported business survival rates at 52 weeks of between 92.0% and 96.5% over the period from 2004 to 2008. 78.7% and 81.2% at 104 weeks; 64.7% and 66.2% at 3 years.
- BERR reported (Enterprise: Unlocking the UK's Talent, 2008) survival rates for VAT-registered firms of 92% at 1 year and 71% at 3 years.

The 'official' data consistently suggests higher business survival rates than other measures. This is because it is based on businesses passing the VAT threshold. Not only are these, by definition, businesses with a relatively high turnover, they are not necessarily new start-ups. Statistics published by Barclays are based on the opening and closing of business bank accounts. These suggest lower survival rates of around 86.6% at year 1, 59.5% at year 2 and 41.8% after 5 years.

All things considered, one would expect the type of businesses assisted through SES Business start activities to show lower survival rates because they are smaller and more 'fragile'. Very few of the businesses created would be registered for VAT purposes (current turnover £70,000 per year). Earlier work conducted for Sunderland's LEGI bid suggested that 40-45% of Sunderland businesses would not be registered. 82% of SES business starts were classed as jobless prior to trading.

*"SES is very reliable, professional, and consistent. They work to budget and to specification and have influenced the North East Improvement & Efficiency Partnership."*

SES Social Accounts & Audit Panel Report 2009-10

## 6.11 SES: TRADITIONAL BUSINESS START TURNOVER LEVELS

The average reported actual turnover from the business is also gathered when monitoring is carried out, this information is given below showing comparisons to the previous five years. Please note that the average 12 months reported turnover for 2011-12 was £14,312 over 32% down on the previous year cohorts. The reason for this 'dip' could be the result of the recession (less sales all round) but more likely to be related to the fact that the number of business starts was reduced by 50% owing to a direct correlation between the number of SES business start staff and level of business starts per staff intervention. For example we expect between 35-45 business starts per worker, however owing to recession and associated public expenditure constraints SES reduced its business staff by 60% - five business start-up advisors were made redundant during 2011-12.

**PROFILE SES BUSINESS STARTS:  
AVERAGE REPORTED ACTUAL TURNOVER 2007-12**

BUSINESS DURATION	AVERAGE TURNOVER 2007-2008	AVERAGE TURNOVER 2008-2009	AVERAGE TURNOVER 2009-2010	AVERAGE TURNOVER 2010-2011	AVERAGE TURNOVER 2011-2012
12 months	£26,078	£15,000	£19,285	£21,104	£14,312
18 months	£29,183	£21,000	£20,847	£21,678	£22,525
24 months	n/a (did not collect)	£28,000	£21,090	£22,123	£26,397

*"I will be financially better off. Provide more for children. Without SES and family don't think I would of started. £5000 confidence."*

Business Start User SROI focus Group 2012

## 6.12 SES LEVEL OF EMPLOYEES/EMPLOYMENT IMPACTS

During 2010-11 of the 338 traditional starts business 90% would employ 1 person (including the proprietor) at the start of trading, 9% would employ between 2-5 and 1 % would employ between 6-10. Employment of ratio 1: 24 - thus creating 419 jobs within the year.

During 2011-12 of the 154 traditional business starts, 90% would employ 1 person (including the proprietor) by the end of year 1, 6% would employ 2 employees, 1% 3 employees, 1% 4 employees and 1% 5 employees. Employment ratio of 1:15 - thus creating 177 jobs within the year. Over the two years 596 jobs were created.



### 6.13 SES: ENTERPRISE START BENCHMARKING COMPARISONS

During 2010-11 the dedicated enterprise activities investment accounted for £395,033, for the year 2011-12 the dedicated enterprise activities accounted for £277,175. Such investment was made up of ERDF, City of Sunderland (VNF), ECZ Back on the Map, The Co-operative Hub, SIB (East & Families) and the New Enterprise Allowance Scheme, page 18 of this report describes in detail such investment.

COST PER SES BUSINESS START (TRADITIONAL & SOCIAL ENTERPRISE*)			
Year	Number of Business starts	Business start investment	VfM
2006-07	210	£384,500	£1,830
2007-08	240	£311,000	£1,306
2008-09	261	£399,850	£1,532
2009-10	303*	£623,951	£2,059
2010-11	395*	£395,033	£1,000
2011-12	199*	£277,175	£1,392

*“Improving our systems and our customer interface, expanding volunteering opportunities and due to set up a new trading arm.”*

Frontline 2011

Costs per net revenue related ‘enterprise’ outputs are calculated by dividing the total revenue expenditure defrayed as reported in the SES Accounts for the financial years 2010-11 and 2011-12 by the net ‘Enterprise’ outputs achieved during these years. These unit costs are benchmarked against a number of indicators, presented in the Table below. The following table provides value for money measures from the SES’s 2010-11 and 2011-12 Traditional and social enterprise business start programmes; the vfm measures are benchmarked against the following 6 key comparators:

### 6.14 SES COST PER OUTPUT (£) COMPARATORS

Unit cost per business created stands at £1,000 (2010-11) and £1,392 (2011-12). This is 72.8%/58.6% lower than that for the Newskills ERDF comparator, 79.9%/69.5% lower than Stockton comparator. Moreover, it represents only 4.4% of the unit cost achieved by LEGL activity nationally (£35,850) and a mere 1.9% of that for the comparable RDA activity.

Value for money in terms of job creation is also very good. The project’s unit cost per net job created in 2011-12 was of £1,193 which is less than 85.6% of that for the only available comparator, RDA activity, which stands at £8,301.

*“I don’t think I would have bothered before the help I got from SES staff and the value of the change is priceless even if it doesn’t work out ill have fund doing something I want to do.”*

Business Start User SROI focus Group 2012

6.14 SES COST PER OUTPUT (£) COMPARATORS							
OUTPUT RESULT TYPE	SES SOCIAL ACCOUNTS 2010-11 (A) 2011-12 (B)	SES ERDF SOCIAL & TRADITIONAL ENTERPRISE PROJECT EVALUATION <sup>38</sup>	STOCKTON ENTERPRISE GATEWAYS PROJECT <sup>39</sup>	NATIONAL LEGL PROGRAMME <sup>40</sup>	RDA ACTIVITY <sup>41</sup>	REGENERIS STUDY OF SEEDA 2007 <sup>42</sup>	MTL 2008 STUDY SOUTH YORKSHIRE B L <sup>43</sup>
Beneficiaries becoming enterprise ready	n/a	£2,989	£1,145	n/a	n/a	n/a	n/a
Business Start-up	£1,028 (a) £1,565 (b)	£3,780	£5,137	£35,850	£74,196	£7,000	£4,356
Job Creation	£1,016 (a) £1,193 (b)	£3,301	n/a	n/a	£8,301	n/a	n/a
Business Support	n/a	£9,049	n/a	n/a	£8,552	n/a	n/a

38: Newskills Consulting Evaluation of Sustainable Enterprise Strategies Social and Traditional Enterprise Project May 2012

39: Enterprise Gateways Interim Evaluation Report, New Skills Consulting, 2011

40: National Evaluation of the Local Enterprise Growth Initiative Programme – Final Report December 2010

41: Impact of RDA Spending, Pricewaterhouse Coopers, 2009

42: Regeneris Consulting Evaluation of SEEDA Enterprise Programmes 2007

43: MTL 2008 study of the South Yorkshire Business Link business start programme



# 7 SES: SROI Impact Map

## 7.1 STAKEHOLDERS

### Investor/Funder:

Those who invest in our services to increase economic development and increase local spend is key stakeholder group. It is expected that the new businesses will generate income for local suppliers through purchasing stock and supplies, and assuming 25% of an annual turnover of £22,525 (average 18 month mid point), we can estimate that each of our businesses may spend £5,631 locally on stocks and supplies, this equates to £2.77m worth of stocks and supplies within the social accounting period.

### Number of Business Starts & Business Turnover:

SES enterprise activities (2010-12) - created 492 new traditional businesses, employing 599 people, and with a combined projected turnover that can be estimated at £9.6 million (18 month midpoint average turnover £22,525 X 492 = £9.6m)

During 2011-12, 82% of these business starts were by clients who were previously unemployed/jobless. Many of the clients had few, if any qualifications; many lacked Internet access, IT skills and confidence. Further, many lacked financial resources or the ability to write a meaningful business plan. Intensive, one-to-one support was the only effective way of addressing these issues.

**Jobs Created /indirect Beneficiaries:** 107 jobs were created by the traditional business starts. This gives a net job creation ratio of 1:21 - which is comparable with similar schemes elsewhere – Total jobs created during the two years were 599. The proxy of increased disposable income (see below) can also be assumed for those who find employment as a result of business start-ups and/or social enterprise starts.

**Unit cost of Business Advice:** Business advice and the production of a business plan are the next step towards business start-up. Private companies routinely advertise business-planning consultancy at £500 per completed business plan (source [www.busplanteam.co.uk](http://www.busplanteam.co.uk)). Typically, bookkeeping advice can be purchased for around £35 per hour and up (source NEESPR); business advice can be purchased at hourly rates of around £45 (source NEESPR); SES Business start-up services generated at least 561 business plans (338 + 154 plus SE business plans 23 + 46 = 561), suggesting that a minimum of £280,500 worth of support may have been given in this regard. This could well be an underestimate.

Research by New Skills Consulting Ltd in 2005 suggested that SES gave an average of 25 hours of support (direct contact time – ranging from 3 to 90) to each client over a period of 3-7 months (ranging from 2 weeks to 2 years). Additional time was spent on 'homework'. It noted that this was a more intensive and hands-on approach than that normally provided by mainstream services.

SES estimated that in 2010-12 the average unit cost per hour of advice and support was £26.13, compared to of £22.83 during SES 2009-10 Social Accounts. If each client received 25 hours of support this would suggest a value of £657.50 per business, giving a total of £672,171.50. ( $\frac{£395033}{£277175} = £672,208$  (pre-bus start & bus Start-up & SE's start  $\frac{655}{303/69} = 1,029 \times 25\text{hrs} = 25,725\text{hrs}/£672,208 = £26.13$  unit cost.)

### SES PROXIES FINANCIAL INDICATOR TABLE

Provision of General Business Advice	NEESPR lists a private business consultant (Alan Grieves) advertising services such as ours at a cost of £45.00 per hour
Writing a Business Plan	<a href="http://www.thebusinessplanteam.co.uk">www.thebusinessplanteam.co.uk</a> advertises costs starting from £500 to write a business plan
Information on Book keeping, Accounts, Tax and NI	Comparable book keeping/accountancy services found on NEESPR (Futures Accountancy and Finance) show a minimum cost £35.00 per hour.
Assertiveness & Building Confidence course	<a href="http://www.ptp.co.uk">www.ptp.co.uk</a> £425.00 <a href="http://www.pdlcourses.co.uk">www.pdlcourses.co.uk</a> £799.00 <a href="http://www.hotcourses.com">www.hotcourses.com</a> £720.00 Therefore Average Cost £648.00

**Spend in local Economy:** Investor/Funder Expenditure in the local economy on supplies and services can also be estimated. Typically this kind of expenditure accounts for around a 20% of annual turnover. Given an average turnover at 72 weeks of £22,525 the estimated expenditure on supplies is £5,631 per business, or a total of £2.77m (492 traditional business X £5,631).

## Increased Disposable Income & Exchequer Welfare

**Benefit Saving:** Research has proven to be very inconsistent when identifying a proxy for this, a study completed by Small Firms Loan Guarantee indicates that the total benefits paid to a single person with no dependants was £6,623.76 pa and for a married person with two dependent children was £16,500 pa, based on 2006 DWP benefit framework <http://research.dwp.gov.uk/asd/asd5/WP40.pdf>.

On the other hand, [sroiproject.org.uk/sroi-database](http://sroiproject.org.uk/sroi-database) shows from a study completed with NEF (New Economics Foundation) using DWP data that benefits claimed prior to people finding work totalled only £48 per week (£2,496 per annum), although this data set is about 8 years old.

As a consequence SES has utilised the expertise of one its core partners FISCUS. FISCUS is a North East based social enterprise that promotes enterprise and jobs as a way out of poverty via Welfare Benefits, Tax Credits and Debt Advice. FISCUS provides a range of financial advice including benefit entitlement checks, better-off into-enterprise calculations and debt/money advice throughout the enterprise journey. During 2010-11, FISCUS gave advice to 1841 clients, identified £1,302,909 in unclaimed benefits and consolidated £1,397,285 in client personal debt.

FISCUS provides an 'average' IS/welfare benefit rate based on three case studies, all cases are paying £70.00pw for rent and £17.16 Council tax. Single Person aged 35 plus – JSA £70.00pw, HB £70pw, CTB £12.87 (total £153.87pw). Lone Parent with 1 child dependant, CTC £62.09pw, CTB £12.87pw, CB £20.30pw and IS £71.00pw (Total £236.20pw). A couple with 2 children IS £111.45pw, CTC £113.68pw, CB £33.70pw, CTB 17.16pw, HB £70.00pw and £12.87pw for Council tax (total £345.99pw). Average welfare benefit rates for these 3 case studies is £245.25pw or £12,758 pa.

This data indicates a potential Welfare Benefit saving of £5.14m (52 weeks duration  $492/82\% = 403 \times 12,758 = £5.14m$ ) or a £2.57m benefit saving (26 weeks duration  $492/82\% = 403 \times 12,758 = £2.57m$ ).

Over the last 6 years FISCUS has monitored and captured data on the level of disposable income and welfare savings that occur when a family or individual moves into a self-employment or employment. The table below provides a consistent data base of savings and gains by the Exchequer and client for the last 6 years – further details on FISCUS methodology can be located in Appendix Eight of this document.

These estimates would suggest that clients moving from welfare into self-employment may have gained, on average, £4,820.80 of disposable income. 492 traditional business starts (82%/599 total employees) of the 2010-12 business starts clients were on JSA/IS, suggesting a total gain of £2.37 million in disposable income. FISCUS identified<sup>44</sup> (for the year 2010-11) that among 234 WNF pre-start enterprise clients, around one in five were missing out on one or more benefits. Overall, an additional £210,928 in benefits and tax credits was identified that clients were entitled to pre-start.

It is very important that clients are aware of, and claim, their entitlements, as this helps them and their families to make ends meet and to have more financial stability at the important business pre start-up stage. It also reduces the likelihood of debt associated with the business pre-start stage, and it often enables the client to become eligible for, and to access, other in-work/into enterprise benefits and grants at the start-up stage.

By March 2011, of the 234 clients who had received financial advice from FISCUS, 54% had gone on to start their own business (the figure will now have increased as pre-pre start-up clients in the last quarter may now have started their own business). FISCUS identified £1,460,532 of potential 'better-off into enterprise gains' for the WNF clients.

Whilst not an intended output of the project, FISCUS also consolidated £25,199 in personal debt for the WNF enterprise clients. This comprises personal debts where FISCUS has negotiated and set up payment arrangements with creditors on behalf of the clients. Interestingly, the actual personal debt of clients was far higher. Many of them would not enter into formal arrangements as they felt this would be detrimental to their business start up. In particular, it might adversely affect their access to further credit/start-up loans. In these cases, FISCUS undertook budgeting activities with the clients, including preparing income and expenditure plans (financial statements) to enable them to manage their finances better and reduce their debts. This partnership demonstrates self-employment as a definite route out of the benefit system.

### FISCUS AVERAGE (- +) FINANCIAL PROFILES OF THREE CASE STUDIES

SES SOCIAL AUDIT DATABASE	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
Treasury Net Gain	124.80	124.80	124.80	124.80	150.00	114.00
Welfare Benefit Saving Indices	6558.76	16767.40	9475.96	7391.45	£7,558	£7,603
Increased Disposable Income of...	4820.80	4754.20	4575.59	3317.75	£1,874	£1,410

44: Through the Benefit and Tax initiative (also funded through WNF Boosting Enterprise - specialist provision) between April 2010 and March 2011.

**Enterprise Client:** The map begins with the value created to our beneficiaries; it begins with “the enterprise client”, and those who have reported increased motivation and self-esteem. Via SES consultation process (see above) 85% of traditional start-up clients feel they have grown in confidence and self-esteem. This is an essential pre-requisite for business start-up. Purchase of a ‘professional confidence training course’ may achieve the same outcome. Typically average cost £648.00 (see financial proxy table below). Of course, other clients may benefit from confidence building and achieve other outputs. Assuming that these balance out, this would suggest that the project achieved £270,864 ( $85\% \times 492 = 418 \times £648 = £270,864$ ) worth of confidence building. This is, of course, a difficult thing to measure.

Other areas of value for this stakeholder include the business advice and subsequent production of a business plan. Many private companies who offer the range of business advisory services do not openly advertise fixed prices; however we have been able to identify starting prices of business plan production to be £500 from the [businessplanteam.co.uk](http://businessplanteam.co.uk).

**Exchequer Tax:** Another key stakeholder group that we have identified is the Exchequer who will benefit from an increase in income tax. The increase in tax payable to the Exchequer can be estimated. The average profit equates to 20% of turnover. Here, turnover is estimated at £22,555. Tax paid at around 10% would amount to £2,270 per traditional business, or a total of £1,359.730 million. This could be an underestimate, for example, an economic evaluation of the Small Firms Loan Guarantee Scheme<sup>45</sup>, reported a minimum payment of 0.08-0.14 per £1 of turnover. This would place the payments in the range of £1,816 - £3,177 per business, or £8.37-14.65 million in total. Interesting to note that the Office of Tax Simplification concludes that average tax for a small enterprise is:

*“Small business” covers a huge range of sizes and activities and it would be helpful to use the .... with turnover below £30,000 per annum paid an average of £2,300 in income tax .... usually accept a profit and loss account or copy tax return in support of an application for...”<sup>46</sup>*

The following Social Account & SROI Impact Map highlights the Social Return on Investment process and journey. It details each stakeholder groups objectives what expected changes they may experience as a consequence of their intervention with SES. It shows both qualitative and quantitative data in terms of what they input and what outputs can be expected but what SROI really aims to demonstrate is the ‘outcomes’ achieved for each stakeholder and what value that outcome is to them, this involves much consultation and evaluation, and for this Social Accounting process SES has only made use of all current and available monitoring and evaluation systems, with this in mind we feel more exploration needs to be carried out in order to tease out more beneficiary changes and outcomes.

## 7.2 SA SROI FOCUS GROUP OCT 2011

15 traditional business start beneficiaries (both pre start and trading) attended a SAA SROI focus group to explore the value and impact of SES business start support. A Staff member of SES was the observational note taker. The notes are outlined in the table below – all of the 15 participants reported that they gained positive change experience ranging from increased confidence, skills, independence, pride, being more social, more options and reduction in fear of unknown (see question 1 below).

*“SES has a track record of working with hard-pressed communities – a unique history. I have personally benefited a lot from working with SES. The staff are very open, very willing to help and very responsive.”*

Sunderland City Council stakeholder comment  
in Social Audit Report 2009-10

Question 2 attempted to ‘monetise’ the value of SES intervention from the perspective of the beneficiary (such an approach is central to SROI methodologies) – all reported positive change and values ranged from £500 - £1m! The participants indicated that it was difficult or impossible to place a value on the intervention received other than it changed/transformed the participants mindsets.

With regard to question 3 ‘who else supported you’ all the participants reported that their respective families and friends were central in their journey to business creation. None of the participants made reference to mainstream business support services such as Business Link and BIS.

Lastly, question 4 asked if SES were not there would you have started a business? Only 2 respondents reported that they would have started the enterprise without SES and only 1 reported a partial contribution between SES and Beneficiary. The vast majority 86.6% of respondents stated that they would not have started their enterprise without SES, thus indicating a good attribution ratio for SES. See Appendix Nine of this report for detailed notes of Focus Group.

45: Marc Cowling, January 2010 Institute of Employment Studies BIS

46: Small Business Tax Review: Final report, Simpler Income Tax for the Smallest Businesses. February 2012. Office of Tax Simplification.

### 7.3 AS AN EXAMPLE FOR LINE 1 IN THE IMPACT MAP, THE STORY OF CHANGE IS AS FOLLOWS

The Beneficiary "Traditional Business Start up Client" will commence intervention with SES, some progress to business planning stage others decide that self-employment may not be for them right now. SES met with 960 potential business start-up clients during 2010-12 of which 492 went into self-employment. Via SES consultation methodology we identified that 85% of traditional business start clients said that through SES they had assurance about their prospects and had grown in confidence and self-esteem. When applying 85% of the total number of business starts (492) we can assume 418 people would report this outcome.

We have set the duration of 2 years, SES knows most of the continued intervention between SES and the client lasts approximately 2 years and providing their business aims and objectives continue to prosper and they gain practical learning experiences as time progresses then the term for this outcome may extend beyond the two years.

The process then asks 'so what', it is here where deadweight, displacement and attribution is applied. For this particular stakeholder group SES have deducted:

- Business survival – not all the businesses are sustained throughout the life of the programme. We have adjusted the figure down in line with an estimated survival rate at 1 year of 82%.
- 10% for deadweight, where other people may have contributed to business formation including family members and other linked local services.
- 10% for displacement, where the new business move into existing local markets.
- 10% Attribution – where business starts may have achieved without the help of the SES business start-up initiatives.

The map then calculates the financial proxy and discounts the deadweight, displacement, attribution and drop off.

SES has already calculated the financial impact of its business start-up activities, using Social Return on Investment (SROI) methodology. It estimated a financial return worth £5.36 for every £1 invested. Adding these together suggests that we might need to deduct up to 30% from the initial estimate of total economic impact.

Typically, all these benefits may extend over a two-year time horizon. This equates to the maximum length of time that a business may be in contact with SES, though the benefits may extend longer where the business survives and prospers. In its calculation of SROI, SES has made some assumptions about drop-off, i.e. the extent to which the outcomes may decrease over future years. This also decreases the overall measure of impact.

### 7.4 DESCRIPTION OF THE QUANTITIES LISTED IN THE ORDER AS THEY APPEAR ON THE SROI IMPACT MAP

NUMBER	DESCRIPTION OF INDICATOR
418	This figure is used based on SES consultation process whereby 85% of traditional 492 business starts, reported an increase in confidence and self esteem
73	Via the consultation process 15% of traditional enterprise respondents reported that their confidence or self esteem never really increased as a consequence we applied 73 negative effect (85% 492 = 73)
492	100% of traditional business starts required a business plan
403	492 business starts minus 18% who failed to survive after 52 weeks - see SES database
463	2010-12 there was 960 pre traditional business starts of which 492 started trading within this time frame. Thus 468 did not progress to business start stage, although this is not to say that none would start trading in the following year
107	Of the 492 traditional business starts 107 further jobs were created from these enterprises see pp 73 of this report
492	The actual number of business starts last year
492	The actual number of business starts during 2010-12
403	82% of the business starts were classed as jobless unemployed = 403 traditional business starts who were unemployed prior to trading
402	402 of the 492 business starts for the period 2010-12 were classed as unemployed claiming benefits





Explanation of the numbers detailed in column I Quantity- listed in order as they appear	Net Present Value £12.95	Net Present Value £3,307,462	Net Present Value £12.95
131 85% of 154 business starts based on consultation methodology whereby 85% of traditional business starts reported better understanding of business plan and increased confidence			
132 15% of 154 respondents did not report an increase of confidence & better understanding of business plan			
154 100% of traditional business starts required a business plan			
128 154 business starts minus 17% who failed to survive after 52 weeks - see SES database			
149 between 2011-12 there was 303 pre traditional business starts of which 154 started trading within this time frame. Thus 149 did not progress to business start stage, although this is not to say that none would start trading in the following year			
23 of the 154 traditional business starts 23 further jobs were created from these enterprises see pp 73 of this report			
154 The actual number of business starts last year			
154 The actual number of business starts during 2011-12			
126 82% of the business starts were classed as jobless as unemployed = 126 traditional business starts who were unemployed prior to trading			
126 21% of the 154 business starts for the period 2011-12 were classed as unemployed claiming benefits			
	Present value of each year £1,963,727.43	£1,590,908.57	£0.00
	Total Present Value £3,554,637.10		£0.00

## 7.5 THE INCREASED VOLUME OF SALES & GVA MULTIPLIER

The increased volume of sales resulting from the programme have been calculated as set out below:

Number of businesses (year 1 2011-12)	<b>154</b>
Number of businesses (year 2 2010-11)	<b>338</b>
Number of businesses (year 3 2009-10)	<b>249</b>
Surviving businesses 3 yr (%)	<b>63.0%</b>
Surviving businesses 2 yr (%)	0.71
Surviving businesses 1 yr (%)	0.71
displacement (%)	<b>10.00%</b>
Deadweight	<b>10.00%</b>
No. Surviving, non-displacing businesses	87
Attribution to SES intervention (SES Social Accounts)	<b>80.0%</b>
Sales increase (cohort 1)	£65,293.00
Sales increase (cohort 2)	£42,768.00
Sales increase (cohort 3)	£21,090.00
Sales increase (cohort 1)	£4,104,903.01
Sales increase (cohort 2)	£6,650,725.09
Sales increase (cohort 3)	£2,416,068.71
Total (Net) sales increase	£13,171,696.80
GVA multiplier (0.329)	£4,333,488.25

**Note:** GVA is the grand total of all revenues, from final sales and (net) subsidies, which are incomes into businesses. Those incomes are then used to cover expenses (wages & salaries, dividends), savings (profits, depreciation), and (indirect) taxes. It is a measure for how much actual wealth is created in an area. For instance, selling bread – purchasing of £1,000 ingredients to sell £1,200 worth of bread the GVA would be the £200. GVA is Sales less purchases, which is not the same as profit, rental of property, ovens etc. which would reduce the profit level but would not be counted in GVA.



## 7.6 THE ESTIMATED COSTS AND BENEFITS OF THE PROGRAMME ARE SET OUT BELOW:

### Exchequer calculations

% employees claiming benefits (SES Social Accounts)	<b>82.0%</b>
weekly benefits (£) (average family DWP)	<b>£244.55</b>
duration of benefits saving (26 weeks)	£6,358.21

**Benefits savings (all employees)** £1,261,723.89

Average wage (MMRC Sunderland 2009-10)	<b>£21,600.00</b>
Income Tax (assume 2012 rates)	<b>£2,699.00</b>
Employers NI	<b>£1,944.08</b>
Employees NI	<b>£1,924.32</b>
Total	£6,567.40
<b>Total tax and NI (all employees)</b>	<b>£1,589,310.26</b>

### **CBA (Nominal)**

Costs (SES investment)	<b>£672,208.00</b>
Out of work benefits	£1,261,723.89
Income tax and NI	£1,589,310.26

**Exchequer benefits** £2,178,826.15

Assumed duration of Benefits saving (weeks)	26
Assumed duration of jobs creation benefits (weeks)	52

### **Notes:**

- i) The 26 relates to the number of weeks counting for benefit
- ii) 52 relates to the amount of tax revenue – we could put it up to show the full 3 years (i.e. cohort 1 = 3 years, cohort 2=2 years, cohort 3=1 year) – in crude terms this will double the tax and NI. Since accounted for survival already that isn't too much of a stretch.



# Compliance

SES has the following quality and improvement assurance schemes to enhance continuous improvement within our contract, project and quality management systems in order to achieve effective service delivery including the management of complaints. For example, SES is an OCR Accredited Centre (Oxford & Cambridge and OCR Examinations Centre Number 39726) for the delivery of NVQ levels 2-4 with regards to Customer Care and Business planning and Administration, Preparing for a Business Venture. As a consequence, all key staff implement OCR Quality Assurance policies and procedures; such procedures are monitored and verified by the external OCR compliance unit. All staff have A1 and A2 assessor Units.

SES has the nationally recognised Social Enterprise Kite Mark – a national standard for Social Enterprise within the UK, a Kite Mark to assure customers that social enterprises are driven by social or environmental objectives and are trading to benefit people and planet.

SES has Small Firms Enterprise Development Initiative (SFEDI) accreditation and is committed to a rolling programme of SFEDI accreditation to staff members. To date staff have Business Advisor and/or Enterprise Coaching SFEDI Level 3 accreditation (at present we are implementing an accreditation process for SFEDI Business Mentoring). As a consequence SES staff and work policies and procedures are externally monitored and assured with regards to the quality standards of SFEDI accreditation. In addition, all senior staff are experienced Social Accounting Auditors and the use of Social Return on Investment methodologies. As a result, such work is assured via an independent Audit

SES was awarded Impact Leader status in the Impact category of the RBS SE100 Index 2011 for its work in developing Social Accounting and SROI methodologies.

We produce independently verified Social Audit & Accounts and Social Return on Investment (SROI) Reports on a yearly basis. We have used this system for continuous improvement and quality assurance for the last 13 years.



## Future plans

Owing to the economic recession and associated public expenditure reduction, SES is focussed on embedding the reorganisational changes that have been implemented over the last 18 months, in essence downsizing in terms of mainstream provision. We will ensure that our business centres in Sunderland and North Tyneside are managed effectively and efficiently and that they are targeted at social enterprises to ensure good rental streams. We are developing our consultancy base particularly with regards to mutuals, co-operatives and public sector reform. This work activity has increased substantially over the last 2 years and we envisage that this will continue for next 3 years.

We are developing constructive partnerships and consortia arrangements in order to be more effective in identifying and seizing tender opportunities both within public and private sector environments. We are witnessing an element of success here in terms of attracting work from other areas within the City Region and Northern England, particularly in relation to our partnership with The Co-operative Group (Enterprise Hub).

We intend to focus upon emerging and existing drivers that could kick-start new and/or improved business activities for instance the green agenda, health and care markets and creative industries in addition to opportunities that will arise from public sector reform and contraction.

# 10 Environmental

## 10.1 NEW CO-OPERATIVE BUSINESS CENTRE

During 2010-12 SES invested £1.4m to construct a purpose-built Container-based development providing an environmentally sustainable and versatile facility constructed of reconditioned shipping containers. It is located on brownfield land in Hendon and acts as a catalyst for the regeneration of the Hendon area of Sunderland.

The facility has been constructed using sustainable, recycled shipping containers, requiring minimal foundations and having a very low carbon footprint (almost carbon neutral). Installation of the facility minimised the disturbance to the natural surroundings and habitats. The hard landscaping on the site was designed to be permeable to avoid surges in rainwater run-off into the drains. This, together with the 'green louvers', which constituted 40% of the roof area, virtually eradicated the water run-off from the building and act as an 'urban heat sink', increases the ecological value of the site.

The large windows of the offices sought to capture as much light as possible but at the same time, avoiding overheating by having louvers above the windows on the southern elevation. The maximum depth of an office with single sided ventilation measuring 6m and offices with cross ventilation measuring 12m, windows naturally ventilate offices. Through the detailed design process following planning approval, various environmentally sustainable mechanical and electrical systems were considered in order to strive for an energy efficient building.

The Container City model provides a much quicker and more cost-effective option than a traditional build alternative, with both cost and construction times reduced by up to 30% of those of traditional building techniques. This has enabled the provision of affordable accommodation which is consistent with the project's economic inclusion objectives.

A Design & Access Statement was prepared for the project along with a Disability Statement of Approach). The facility has meet 16 or more of the 20 criteria and as such, will achieve the minimum standards.

The construction of the 'container development' has achieved an 'excellent' BREEAM rating. During the detailed design process, various low carbon energy sources have been researched, the objective being was to reduce the building's carbon emissions by at least 22% above that required by the Buildings Regulations.

The vast majority of the building is constructed out of recycled shipping containers. The recycled content will therefore be in excess of the 10% required. A Green travel Plan has been prepared for the building. All timber will be sourced in compliance

with the Government's Timber Procurement policy. It was a condition of the tender specification that the contractor to be appointed had to be a member of the Considerate Constructors Scheme.

## 10.2 GREEN OFFICE CHECKLIST

We have other offices throughout the City Region, however most of these buildings we have limited control over, owing to the fact that these offices are often shared and/or owned by other SES partners, however we do implement a Green Office checklist, in attempt to address certain environmental issues that we have control of, Appendix 7 of this report contains the details of SES green office checklist.

## 10.3 SES ENVIRONMENT POLICY

SES environmental policy instructs that all contact with users and micro businesses we highlight the positive side of environmental legislation that can lead to new business opportunities such as waste collection and the disposal of waste. We use idea generation techniques and games to achieve this particular objective. Such work will increase the competitiveness of beneficiary enterprises. SES ensures that all venues used are located beside public transport systems and travel allowances are payable to service users. In addition, staff travel expenses will be covered and personal car allowances will be discouraged (where appropriate) and a staff and beneficiary cycle allowance will be in operation. In addition such policies will be used as case studies within business training/awareness sessions to encourage use in traditional business starts and social enterprises.

# 11 Dissemination and dialogue

Each stakeholder group will receive a summarised version of the final approved social report. The full report will be placed on SES's website ([www.ses.coop](http://www.ses.coop)). The summarised version including the main conclusions will be sent out to all users and policy makers throughout the North East, in total this accounts for about 150 people,

# 12 The next social accounting cycle

We are planning to continue with social accounting and SROI methodologies and ensure that the process is embedded in all the work of SES by initiating and implementing a three year rolling programme of designing and producing social accounts for the period 2012-2015, on a yearly basis.

# 13 Summary and Conclusion

SES has been supporting the start-up and growth of small businesses and social enterprises for over three decades. SES supported social enterprises now have: turnover in excess of £23.3 million and employ 1,334 local people. Between 2010-12 SES have helped 492 traditional business start-ups to trade, 80% plus were classed as jobless, we attracted £1.096m business investment to these enterprise start-ups and reported £9.7m turnover in the first year of trading, which contributed £4.3m to the City's GVA.

These Social Accounts summarise the main findings:

- Notes some of the key strands of emerging government policy as a basis for arguing that enterprise in all its forms, and social enterprise in particular, has a key role to play in addressing some of the major challenges now facing the Country. Demonstrates that entrepreneurial approaches and skills are vital if we are to develop a meaningful 'big society', to unleash local talent and initiative. Shows how one particular organisation – SES – has successfully pioneered such an approach in the North East of England, and is ready to take on the challenge.
- Overall, SES activities have had a very positive impact on enterprise in the target areas, progressing beneficiaries along the enterprise journey towards and into enterprise. This has both strengthened the enterprise culture (developing awareness and building on existing interest), and increased levels of enterprise activity (self-employment/start-ups, and survival). It is also generating positive economic impacts, including job creation and increases in local incomes, where enterprise activity rates are low.
- Success in creating Social Enterprises – SES has been effective in terms of supporting social entrepreneurs to convert their business ideas into trading social enterprises. This success in creating new and supporting existing social enterprises indicates that there is a demand and need for specialised support for such businesses, and the survey evidence indicates that they wouldn't otherwise access alternative provision.
- There is a very high conversion rate for an enterprise support project, reflecting the high rates of satisfaction expressed by surveyed beneficiaries about the support they received. Both beneficiary feedback and the project's business start-up rate indicate that the quality of start-up support is very high. This is SES major strength and the good practice developed by the project should continue to inform future delivery.
- The post-start support service made a notable improvement upon the ability and skills of clients to maintain self-employment or run their business/enterprise, thus explaining the good survival rate of SES business particularly given that the majority of these business starts were unemployed prior to trading.
- Additionality: The majority of beneficiaries indicated either that they aren't aware of alternative or similar provision in the area or that they would be unable or unwilling to access it, providing evidence of high levels of additionality. SES therefore meets a need that wouldn't otherwise be met by alternative provision and as such, does not duplicate other enterprise provision. The recent changes in the support available through mainstream providers such as BENE are unlikely to increase engagement of individuals from disadvantaged areas and groups. Given this, if enterprise animation and development in disadvantaged areas is to remain a policy priority, the evidence from this impact study suggests that there is a case for ongoing provision of a similar nature.
- SES has performed well for clients and joined up enterprise support. It has contributed to the objectives of:
  - Creating and growing co-operatives and social enterprises
  - Engaging local residents in pre-start activities and supporting them to become enterprise ready and to start up
  - Supporting CVS groups to become more enterprising and sustainable
  - Supporting local businesses to grow through.
- SES has a set of values, skills, products and services that are very relevant to the emerging policy drivers and, as a consequence, has the potential to seize the new opportunities. It may also provide a helpful model that can be adapted and replicated in other areas of the UK.
- SES can make a real contribution to meeting the needs of aspiring entrepreneurs from all areas and walks of life – many of them drawn from the most disadvantaged in the community. It can deliver on its mission of using enterprise in all its form to address inequality and poverty if it is given the right support and encouragement.
- Should retain a face to face adviser service because it makes the difference to clients, however, face to face advice is more expensive to fund than group sessions. We may need to balance the amount of face to face adviser support with group sessions, ensuring that we support as many individuals as possible with our budget and that they get enough adviser time to make the difference.



- The business post-start service made a notable improvement upon the ability and skills of beneficiaries to maintain self-employment or run their business/enterprise, 85% plus reported better understanding of business and that their business improved.
- Satisfaction ratings for pre-start and post-start were good to excellent, with the vast majority of beneficiaries having their needs met and expressing high levels of satisfaction with the service they received, for instance 92.5% plus.
- SES services have had very limited leakage and very little displacement, highlighting that SES has been effective in its targeting and well designed and delivered.
- The growing number of women's businesses suggests success in SES business support mechanisms, it also suggests that there is a growing number of women's businesses which can be used as role models to encourage entrepreneurship.
- Within SES next SAA accounting process we will ensure synergy between data capture between social enterprises and traditional enterprise.





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The Co-op Centre  
Whitehouse Road  
Sunderland SR2 8AH

T: 0191 510 5500

E: [info@ses.coop](mailto:info@ses.coop)

[www.ses.coop](http://www.ses.coop)