

WHAT THIS PAPER IS ABOUT

This paper is a business case approved by the WMCA Board in November 2021. The context is as follows.

In February 2018 the WMCA Board established an independent Social Economy Taskforce to help the combined authority understand the contribution that the social economy could make to its commitment to foster inclusive growth in the region. In January 2020, the WMCA published six recommendations arising from this work, each designed to contribute to the goal adopted by the WMCA of doubling the size of the region's social economy – from around £3.5bn to £7bn – over the next ten years. Following this valuable exploratory work, WMCA commissioned a team of sector experts to develop a plan that would enable social economy growth of this scale to be achieved. For further information about WMCA objectives in growing the social economy see the following:

This plan, *Growing the Social Economy in the WMCA area: A Framework for Action*, was published in November 2021 and is available at the links below:

‘Launch of new strategy to help create a better place for everyone across the West Midlands’, WMCA blog post, 25/11/21: <https://bit.ly/3Dp8HfD>

Growing the Social Economy in the WMCA area: A Framework for Action (June 2021) – full report: <https://bit.ly/3DqggCF>

At the same time as the social economy growth plan was adopted, four more detailed business cases proposing specific actions were also agreed. These business cases cover the following:

- Developing and supporting social economy clusters in the region.
- Establishing a new regional social economy development fund.
- Establishing a regional social enterprise support programme.
- Using WMCA regional investment programmes to stimulate social economy growth and new markets.

WMCA
31/03/22



Strategic Outline Business Case

Social Enterprise Growth & Accelerator Programmes

1.Overall

The strategic rationale for all of the social economy investment is to deliver inclusive growth by investing in people and businesses which put social and environmental outcomes at the heart of what they do.

In February 2018 the WMCA Board established an independent Social Economy Taskforce to help the combined authority understand the contribution that the social economy could make to its commitment to foster inclusive growth in the region, with particular reference to WMCA's role in:

- Strengthening the social economy;
- Helping charities, social enterprises and community businesses to deliver public service outcomes;
- Creating a development plan for areas where public, private, and social sector collaboration can help to meet the region's challenges.

In January 2020, the WMCA published six recommendations arising from this work, each designed to contribute to the goal adopted by the WMCA of doubling the size of the region's social economy over the next ten years.

Interventions designed to create more favourable conditions for the social economy and stimulate its growth are important because:

- Social economy organisations contribute to helping communities be entrepreneurial, and to starting, sustaining and growing organisations and businesses that help people and places to live well. Many operate in and serve the places and communities where health outcomes are poorest.
- Social economy organisations trade in order to fulfil a social mission and in so doing enable people to turn their passion into purpose, and to make a success of it. Many social economy organisations have improved mental health as an aim or have well-documented mental health benefits.
- Social economy organisations contribute economically, socially and environmentally to local communities and local economies. They enable and encourage volunteering and citizen action, help create local economic and social opportunities and make it easier for people to access amenities and opportunities in their neighbourhoods.

Many operate in and serve the most disadvantaged communities where poverty, child poverty, labour market barriers and market failures hold people back.

- Investment in and support for social economy organisations targets people who are under-represented in the wider economy.

WMCA's commitment to growing the social economy has been given additional impetus by the impact of the global COVID-19 pandemic. The pandemic has had a profound impact on all parts of society and on all communities but its disproportionate impact on the most economically excluded groups – black and ethnic minority communities, people with disabilities, those in low paid and insecure occupations whose work has put them at risk – has revealed deeply entrenched inequalities which have been further exacerbated by the pandemic. The social and economic contribution that the social economy makes to some of the region's poorest neighbourhoods and weakest local economies is now more important than ever, as is its potential to help support inclusive growth and an inclusive recovery.

In addition, the huge array of actions and strategic interventions needed in order for WMCA to meet its climate change obligations¹ also have widespread implications for the social economy and opportunities exist to ensure that maximum linkages exist between the combined authority's #WM2041 net zero goals and the social economy sector. If ways can be found to achieve these linkages the social, economic and environmental benefits will be multiplied because:

- The efforts of social economy organisations, which are already at the forefront of contributing to improved social outcomes, health and wellbeing, and to creating social value and community benefit, will be more closely aligned with the region's net zero goals;
- WMCA will be further utilising organisations that already pursue a social, economic and environmental outcomes and whose other practices and working methods are amongst the least environmentally damaging and most beneficial.

As a consequence of the earlier work undertaken by the WMCA Social Economy Task Force and of the consultancy contract awarded by WMCA in October 2020, the combined authority has agreed that in the first instance a limited number of strategic business cases should be produced which taken together offer specific, achievable interventions that have the potential to make a real difference to the strategic growth and direction of the social economy sector in the region. Four separate but complimentary business cases are being produced. These are:

1. Developing and supporting social economy clusters in the region
2. Establishing a new regional social economy development fund.
3. Establishing a regional social enterprise support programme – **the subject of this business case.**

¹ As set out in: #WM2041 Five Year Plan: Technical Report and WMCA Circular Economy Route Map Baseline Analysis.

4. Utilising WMCA regional investment programmes to stimulate social economy growth and new markets.

2. Identifying details

2.1 Name of project

West Midlands Regional Social Enterprise Growth & Accelerator programmes.

Growth programmes aimed at trading social economy organisations of all types that are capable of growing their trading revenues and impact by at least 20% each by the end of the programme. This proposal is for 3 groups of 15 per group (45 participants) in a Social Economy Growth & Accelerator programme targeting:

- Participants that are both able and committed to achieving 20% growth in trading turnover and impact, and in two categories:
 - 15 with income between £50k and £150k per annum.
 - 30 with income in excess of £150k per annum.

2.2 Organisations that are accountable for delivering and supporting the project

This proposal assumes that the specialist growth accelerator programmes described here will in all likelihood be subject to a Tendering exercise and may, in order to achieve region-wide access and capacity, require delivery by either a single organisation or partnership/consortia that could include specialist and 'mainstream' providers and academic institutions.²

2.3 Geographical / digital location(s) of project

The programmes should be offered across the West Midlands region. They can be delivered at any location that is practical for participants but are likely to centre on the main population areas of Birmingham, Coventry & Wolverhampton. The programme would be a blend of face to face and online activity over a 12-month period with a residential 2 day/1 night element at the start to build relationships, Covid permitting. Participants will be encouraged from the Social Economy Cluster locations of Ward End, Sandwell, Central Walsall and Central Wolverhampton and other cluster areas as they emerge.

² Providers of specialist social enterprise business support in the region include iSE, SSE Midlands, DiSE and Coventry & Warwickshire CDA. Other types of support – not all enterprise-related – is provided by: Sustainability West Midlands; local authority programmes such as Solihull for Success; LEP Growth Hubs; Chambers of Commerce; private Sector business consultancies; universities; Councils for Voluntary Services; national organisations such as UnLtd, Power to Change, Locality, SEUK and Princes Trust Enterprise Programme; Community Development Trusts.

2.4 Location(s) of intended beneficiaries of project

The programme would be accessible to trading Social Economy organisations of all types operating within the WMCA area. Design and delivery of the programmes should emphasise flexibility so that support can if necessary target social economy organisations that contribute significantly to specific WMCA priorities such as:

- a) Geographic – focused on organisations working in key WMCA places/localities and proposed Social Economy Clusters (see business case: ‘West Midlands Social Economy Clusters’).
- b) Strategic – focused on organisations that are aligned with specific WMCA policy drivers, such as Inclusive Growth Corridors, #WM2041 net zero goals and new markets arising from retrofit, the environmental economy and the circular economy (see business case: ‘Utilising WMCA Regional Investment Programmes for Social Economy Growth’).
- c) Thematic – focused on organisations that are active in specific sub-sectors (e.g. employment & skills, mental health, social housing, health & wellbeing, social care etc).
- d) Investment-readiness – focused on organisations applying to or receiving investment from the proposed West Midlands Social Economy Development Fund (see business case: ‘West Midlands Social Economy Development Fund’).

2.5 Estimated costs

Final costs would require detailed assessment but it is estimated that a total investment of c£1,330,000 would be required. This would provide support including a built-in incentivised grant element (conditional on achieving specific growth targets) for 45 organisations.

It is proposed that the programme should exist in two variants and target participants that are at different stages of the growth cycle, as follows:

- 15 with income between £50k and £150k per annum (estimated by SEUK to be 27% of the sector). Including £15K Match Trading grant.
- 30 with income in excess of £150k per annum (estimated to be 46% of the sector). Including £30K Match Trading grant.³

Rational for Incentivised Match Trading Grants

The grant funding element described above would be a ‘Match Trading’ grant designed to incentivise trading activity, reduce grant dependence and act as a stepping stone to Loan/Debt/Equity (Social) Investment.

Match Trading is a recent innovation in grant funding and has been tested with 500 organisations and overseen by a Match Trading Task Force consisting of major grant-making bodies and other stakeholders, including The Big Lottery, Barrow Cadbury Trust, Lloyds

³ Data taken from Social Enterprise UK(SEUK) State of the Sector West Midlands report – June 2020).

Foundation, Office for Civil Society, Social Investment Business, Locality, etc.⁴ 'Levelling up our communities: proposals for a new social covenant', Danny Kruger MP's report for government (Sept 2020), also identified the concept of Match Trading grants as an effective mechanism in helping to stimulate growth in the social economy.⁵ The Centre for Social Justice has also endorsed Match Trading grants as a key policy area.

3. Executive Summary

3.1 Brief description of project

This will be a 12-month learning programme based on Peer Group Sessions and Action Learning Teams for groups of 3 x 15 Social and/or Environmental Enterprise leaders to facilitate growth in trading revenue and impact.

Peer Learning and Action Learning can be demonstrated to be effective as experience and knowledge is shared and networks formed; it is practical and responsive to needs and develops long-lasting support networks and is also more cost effective than one to one support.

This type of programme, where an incentivised Match Trading grant is used, has been shown to grow trading income by an average of 39% (pre-COVID). Given the impact (and likely continued impact) of the pandemic a more modest target of 20% growth is set for this programme.

The programme focuses on developing the key skills and business confidence such as:

- Business strategy & plans for growth.
- Sales & marketing and customer service.
- Financial management, planning & sources of finance.
- Loan/equity finance readiness.
- Operational management, systems & processes, quality & productivity.
- Contract-readiness & procurement.
- People management & leadership.
- Networking, stakeholder engagement, partnership & consortium working.
- Digital adoption & innovation.

Co-design with participants would be a fundamental aspect of the programme with emphasis on areas where there is greatest need and opportunity.

⁴ See <https://www.matchtrading.com/>.

⁵ Levelling up our communities: proposals for a new social covenant: a report for government, Danny Kruger MP (Sept 2020). <https://www.dannykruger.org.uk/files/2020-09/Levelling%20Up%20Our%20Communities-Danny%20Kruger.pdf>.

Evaluation of 500 participants on similar programmes showed the following improvements:

Confidence	Networks	Impact	Business Skills
14%	24%	25%	29%

3.1.1 Participant Targets

The programme should include targets for recruitment to ensure that minority communities are fully and even overrepresented. Priority will be given to the social economy clusters.

Target Group	%
BAME communities	35
Working in areas of multiple deprivation (20%)	50
Disabled	10
LGBTQ+	10
Specific Environmental Focus - 10 organisations*	22

*10 organisations will have a specific environmental focus, but green recovery and environmental considerations should be covered for all 45 participants.

The Growth Accelerator programme should however have stringent entry assessment for enterprises to ensure that resources are focused on social economy organisations that are committed to, and able to meet, growth targets.

3.1.2 Programme Structure

8 x Group Peer Study Sessions

- Peer Witness presentations – social entrepreneurs from all parts of the social economy sharing experience around specific topics (this is an opportunity to mix sectors and enterprise types – e.g. social enterprises, trading voluntary organisations, charities with trading arms, community enterprises, co-operatives and mutual, RSLs etc).
- Expert presentations – where specific expertise is needed such as Finance, Tax, HR, Procurement, etc. This could be from within the Social Economy but also Private & Public Sector expertise.
- Peer to peer experience & knowledge sharing.
- Group work.
- Culminating in a tailored growth plan for each participating enterprise.

Board Vision Sessions

Sessions per cohort for Board members (2 Board members per cohort and half of each cohort per day = 6 days in total) to explore the barriers and commitment to trading growth.

4 x Action Learning Team Sessions⁶

Real time problem resolution through powerful questioning and active listening and reflection.

⁶ 3 teams of 5, meeting 4 times = 12 sessions per group

1 to 1 Coaching/Mentoring

6 hours per participant to address unique & specific challenges. The potential for Corporate Mentoring could be explored albeit quality can be variable.

3.1.3 Programme Outcomes (SMART)

- Number of social economy organisations supported.
- Growth in trading income over the programme's duration.
- Number of FTE jobs created.
- Volunteer Hours generated.
- Number of end beneficiaries of enterprises supported.

4. Strategic Case

Inclusive growth is a key WMCA objective. Around two-thirds of social enterprises operate in the most deprived communities. The remainder tackle social and environmental issues that are less place-dependent. This programme will enable 45 social economy organisations to increase turnover and impact by 20% over the course of the 12-month programme and beyond.

Social economy organisations tend to operate in areas of multiple deprivation and employ people from those areas. Employment rates are higher for similar sized private sector businesses. Survival rates beyond five years are significantly better than private sector SMEs (see below).

Growth accelerator programmes have been commonplace in private sector business support programmes (e.g. Goldman Sachs 10,000 Small Businesses programme) and while these have been open to social economy organisations they have not been specifically tailored to the operation and social mission characteristics of the sector. Nor has a region-wide growth accelerator programme specifically tailored for social economy organisations previously been available in the West Midlands. The programme proposed here seeks to meet this need and fill a defined gap in the marketplace of specialist business support provision.

The programme will have distinct commonalities with the recently announced Help to Grow programme.⁷ Like the Help to Grow programme, the Social Economy Growth Accelerator should be designed to be manageable alongside full-time work, combine a practical curriculum with 1:1 support from a business mentor, peer-learning sessions and an alumni network, and resulting in each participating business having a tailored growth plan. However, it will be distinguished from the Help to Grow scheme in a number of important ways:

- It will be tailored specifically for trading social economy organisations of all types.
- It will be aligned with identified WMCA policy drivers and priority area/sectors.

⁷ See Help to Grow: <https://helptogrow.campaign.gov.uk>.

- It will incorporate an innovative Match Trading grant element to incentivise take-up and trading growth.
- It will have a central emphasis on co-design of content to ensure that programme topics/modules do fully reflect the needs and priorities of participating businesses.

4.1 SMART Objectives (45 organisations) by programme end:

Activity	Objectives	Measured by	Timeframe
Social Economy Organisations Supported	45 over a 12 month duration programme	Increase in Business skills & confidence	2021/22
Growth in Trading Income	A 20% increase in income by the end of the programme	Increase over similar base line period	2021/22
Growth in Impact	A 20% increase in the number of people supported	Increase over similar base line period	2021/22
Number of FTE jobs created	An average of 3.5 FTE jobs per organisation created by programme end	The number of new jobs created in the period	2021/22
Volunteering rates increased	A total of 1350 additional volunteer hours provided by programme end	The amount of additional volunteer hours generated over the period	2021/22

4.2 Risk Assessment

Risk	Likely	Impact	Mitigation Actions
Failure to recruit course participants with sufficient potential	M	H	Marketing & recruitment processes in place with sufficient lead-time for outreach and targeting. Grant availability greatly enhances recruitment
Match Trading grant does not achieve desired outcome and no uplift in traded income occurs	M	M	Match Trading grant management process is designed to regularly support social entrepreneurs to grow (and measure) their traded income, which allows for early detection of challenges.
Ineffective learning programme	L	M	On-going monitoring of learning programmes and independent quality audits mitigate against this risk. If necessary, support will be provided to under-performing cohorts, and if the problems were not resolved, the delivering organisation would identify alternative approaches.
High drop off rate of course participants	L	M	Systems in place to support retention, including regular check ins via learning days, and regular monitoring forms, to ensure the programme is addressing the needs of participants. Participants must attend a certain percentage of learning days in order to access grant funding.
Brand damage (e.g. as a result of fraudulent or unacceptable behaviour by course participants)	L	M	A robust recruitment and assessment process and strict grant terms and conditions to minimise the risk, including safeguarding

Risk	Likely	Impact	Mitigation Actions
			policies and procedures. An emergency response communications process should be in place.
External factors Unforeseen (e.g. economic or public health emergencies)	M	M	Delivery organisation(s) to have a risk register & contingency in place which is monitored and updated on a regular basis by the Senior Management and board of trustees. If any unforeseen events arise, they need to be addressed quickly and openly.

5. Economic & Social Value Case

Analysis of the Social Return on Investment from around 200 participants in similar programmes over a 7-year period showed a return of £16 for every £1 invested. This is simply looking at the value of jobs created, volunteer hours generated and income generated. This is an understatement of impact as it doesn't account for the value to secondary beneficiaries of those enterprises supported.

Based on the above, a £1,330,000 investment would produce a SROI of at least £21 million.

Also:

- Social Enterprises employ c25% more people than a similar sized private SME.
- Employees tend to be sourced from areas of deprivation or disadvantaged people.
- Survival rates for Social Enterprise beyond 5 years is c66% compared with only 47% for private enterprise.

5. Estimated funding requirement

A programme supporting a 20% growth in 45 Social Economy organisations would cost an estimated £1,330,000 – of which:

- £1,125,000 is incentivised grant funding directly to participants.
- £205,000 is programme delivery and grant management.

7. Management Case:

7:1 How will the project be managed and governed, both in development and delivery?

The programme will be managed by the contract-holder; delivery may be by a single organisation, consortium or partnership. The contract-holder will report on delivery and progress to the WMCA Lead Officer: Social & Environmental Economy (post proposed in business case: Utilising WMCA Regional Investment Programmes for Social Economy Growth'.

It is proposed that the programme should include a high degree of co-design in order to ensure that content adequately addresses the needs of participants.

7:2 What will monitoring, and evaluation look like?

Monitoring and evaluation will ultimately be set out in terms of contract between WMCA and the contract-holder but the following framework is proposed:

Each learning session will be evaluated for quality and learning at the end of each session.

3 stage reports will be undertaken at the beginning (base line), middle (progress) and end (outcomes) covering all KPIs agreed for the programme – Trading, Employment, Volunteer Contribution, Beneficiary Impact, Business Skills & Confidence and Networks.

The end programme report will be produced looking at strengths, weaknesses and lessons learned from the programme.

A final report at 12 months post programme completion will look at the longitudinal and lasting impact on participants.

Monitoring and evaluation could also examine:

The degree to which the programme has supported/drawn-in participants from other WMCA initiatives/opportunities that relate to the other three business cases being submitted (e.g. social economy organisations active in the proposed Retrofit Consortium, the proposed Sharing & Re-Use Consortium; applicants to/beneficiaries of the proposed WM Social Economy Development Fund; enterprises active in new/emerging social economy clusters; enterprises active in specific priority sectors such as health & wellbeing, mental health, social housing etc).

There should be an alumni network and continuing access to advice and peer support beyond the lifetime of the programme.

-Ends-