

West Midlands Social Economy Growth Roundtable Event 23/05/22: Questions and Possible Solutions

1.0 INTRODUCTION

As part of efforts to ‘popularise’ and explain the regional social economy growth plan that has been adopted by WMCA,¹ Sarah Beaumont of BSSEC has offered to facilitate discussion groups aimed at broadening engagement and getting more sector organisations involved. WMCA has a stated ambition of pursuing actions and policies that will double the size of the social economy over the next ten years.

Our first roundtable focused on the social economy ecosystem and its many components and we sought to understand what was meant by an ecosystem, what the issues are and some possible solutions. A number of keynote contributors kindly agreed to give their initial thoughts on the ecosystem approach as a means of stimulating discussion.

2.0 MAIN POINTS OF DISCUSSION

David Alcock of Anthony Collins Solicitors said that in defining an ecosystem he borrowed from the natural world where ecosystems are seen as biological communities of interacting organisms and their physical environment. He went on to explain that concepts of interdependence and interconnectedness are seen as increasingly important – and are especially relevant in thinking about an ecosystem approach to development, or community action. He also noted that in nature a static, fixed, unchanging ecosystem is generally a dead one; he also emphasised the role of collective responsibility.

WMCA agrees that a dynamic social economy ecosystem is essential to the growth of the social economy in the region. While the *Growing the Social Economy in the WMCA Area* report identifies the key features of this ecosystem considerably more work is needed in order to find a way that individuals and organisations across the region can work together in practical ways to support a dynamic environment, encourage innovation and maximise social value creation and business growth.

There was reference to the Hastings Commons, a partnership of organisations associated with the Hastings Community Land Trust, which work together to promote regeneration, area-based development, housing and community assets.²

¹ See: Growing the Social Economy in the WMCA area: A Framework for Action:
<https://www.wmca.org.uk/media/5282/growing-the-social-economy-in-the-wmca-area-report-1.pdf>

² See: Hastings Community Land Trust: <https://heartofhastings.org.uk/hastings-commons/>

2.1 Practical experience of trying to access the support ecosystem

We were fortunate to be able to at hear first-hand from a social entrepreneur who explained her personal experience of attempting to navigate the ecosystem. She found it hard. It had been difficult to understand the functions of different agencies and hard to identify entry points. She particularly stressed that there seemed to be no post-start-up support capable of helping her to grow her business to the next stage, take on more staff and increase her social value. Available business support varies depending on place and resources and is often also limited further as a result of a policy environment which fails to recognise the value the social economy can add to a community, town or city.

2.2 Ecosystem – local flexibility & identity

Participants concluded that the ecosystem is complex and varies from place to place. It is informed by a variety of stakeholders and policy ambitions but will never look the same in every locality. For this reason, practical approaches to supporting and promoting ecosystem methods to stimulate growth should have inherent flexibility and local determination.

2.3 Social finance & social investment

Many participants commented on Social Finance as part of the ecosystem and were concerned that it was not being used as a tool to growth the sector. The West Midlands is challenged by having many very small micro social enterprises, poor innovation and poor growth.

The WM is significantly low in uptake of social finance. Many asked why this is so low and what can be done to address it. It was suggested that the sector struggles understand ‘financial’ language. Good Finance’s online jargon-buster was recommended.³

Other specific social finance issues raised included:

- SITR is due to lapse in April 2023 which is the only tax relief that can still work when SEIS and EIS cannot (due to the risk to capital clause) which is a real challenge for social enterprises and community businesses.⁴
- CITR provides an interesting prospect. Same tax relief rates, but via CDFIs. Nobody has raised for third party yet, but Key Fund is working on a couple of potential deals.
- Responsible Finance has a useful video explaining the work of Community Development Finance Institutions (CDFIs).⁵

Melanie Mills (Big Society Capital) said that there were some perceptions of repayable loan finance that she would love the ecosystem approach to change and identified these as follows:

³ See: <https://www.goodfinance.org.uk/jargon-buster>

⁴ See *A Simple Guide to Tax Reliefs for Charities and Social Enterprises* was recommended (Get SITR/Big Society Capital, 2018): <https://www.getsitr.org.uk/sites/default/files/2019-11/Simple-Guide-to-Tax-Reliefs-for-Charities-Social-Enterprises.pdf>

⁵ See <https://responsiblefinance.org.uk>

- Debt isn't bad, bad debt is bad!
- Social investment is not just for big turnover organisations – the median first-time investment need is £50K; one-third of organisations accessing Growth Fund investment have turnovers of only £36K per year (Key Fund and others lend in this space).
- Social investment can be the right tool – but understanding when it is, is key.
- Social investment is not more expensive in the WM (why it costs what it does is important to understand).

Other social finance resources flagged up included the following:

- On the cost of capital: Good Finance, 'How much does social investment cost?'⁶
- Good Finance, 'Social Investment Unpicked'.⁷
- Resources intended to help infrastructure and intermediary organisations better explain social finance options to their members: Good Finance's 'Scoping Social Investment'.⁸

2.4 Business support

Business support it always key in these discussions. It was felt it would be useful to know how this agenda fits into the WM Business Support Review that went to the WMCA's Economic Growth Board last month (and how it fits into UKSPF, Community Renewal Fund, Towns Fund and Levelling Up fund etc).

2.5 Defining 'social enterprise'

We returned to the thorny issue of definitions but from a refreshingly different perspective: who has the potential to grow? It was noted that all too often 'social enterprise' is often dismissed as being 'just' CICs or small, unscalable micro-business models, which will never grow, and never employ anyone (and may not even want to). Whereas, as is being increasingly illustrated, many 'mainstream' businesses with growth potential could *become* social enterprises, access social investment, and generate greater social return.

One such example is Heat Treatment 2000 in West Bromwich: following an employee-led buyout, this company became a co-operative overnight. And yet it is doubtful that it considers itself a 'social enterprise'. Social business models are becoming more 'hybridised' and there are multiple ways that trading for a social purpose can be pursued, but this isn't always reflected in how we think about social enterprise business support and stimulating growth. How can this potential for 'conversions' be harnessed?

⁶ See: <https://www.goodfinance.org.uk/understanding-social-investment/how-much-does-it-cost/what-is-the-cost-of-capital>

⁷ See: <https://www.goodfinance.org.uk/resources/social-investment-unpicked>

⁸ See: <https://www.goodfinance.org.uk/scoping-social-investment>

3.0 CONCLUSIONS & NEXT STEPS

- 1) The conversation is important to bring together key agencies to work together to support the growth of the social economy sector and 'communication' across agencies.
- 2) The ecosystem in the West Midlands is hard to navigate either as a supporter and enabler or as a social entrepreneur.
- 3) A strong policy environment with social economy threads embedded within the work of the public sector, not just through procurement but identifying how social business can really add value. This needs to be across all public sector organisations!
- 4) There needs to be better connections with mainstream business support to promote innovation and growth.
- 5) Growing the social economy requires more and better collaboration.
- 6) There needs to be a dedicated plan to address the opportunities being missed through poor take up of social investment. This could include better training for social economy support organisations, confidence building sessions for social entrepreneurs or more dedicated one to one support for organisations and their boards to see the benefits.

3.1 Next steps to connect the ecosystem

The following are proposed as for discussion at the next of our facilitated sessions.

Who is responsible for developing the ecosystem?

- We have a collective responsibility.
- Do we need a simpler collectivist approach? What is a practical expression of the ecosystem?
- Fund 'places' where people can come together – SE Hub approach with affordable workspaces

How do we reach other agencies that are part of the ecosystem?

- Strong leadership and good culture needed.
- Good communication.
- Open events and networking.

How do we simplify the routes to getting support for social entrepreneurs?

- Responsibility of agencies providing support? Collaborate to solve?

How do we support a better understanding and adoption of social investment?

- Increased training and professional development of support agencies.
- Increased understanding of social investment amongst social economy organisations – language and confidence in products.
- Increased support for BAME organisations.
- Do we need another type of fund that is controlled by the sector?

How do we stimulate Innovation?

- Support agencies working in isolation – it's a non-joined up ecosystem
- Showcase innovation in other Combined Authority areas and in other parts of the country and world.
- How do we harness Better Business Act campaign (Mary Portas)?
- Increased use of 'competitions' with financial prizes for innovation?
- Closer working with social investment sector.
- Tax breaks?

How do we increase the references to the social economy in policy locally and regionally?

- Champions appointed in public sector organisations?
- Use of Anchor networks to influence policy?

How do we link with mainstream more effectively?

- Joint start up programmes across mainstream and SE sector.
- Joint networking.
- Joint growth programmes e.g. Business schools.
- Share social value measurement approaches with mainstream businesses.
- Social economy business models explored at University by students and graduates.

How do we get commissioning and procurement be a more efficient part of the ecosystem?

- New procurement Bill – what are the changes we want to see?
- Action plans for procurement teams that result in higher numbers of contracts being awarded to SEs e.g. DCMS and Birmingham City Council.
- Range of indicators utilised.
- 'Nudge' wording changes in procurement documentation.
- Social economy sector itself accountable/with targets for purchasing from social economy?
- Private sector?

'Impact Matters'

- How do we embody and promote social value?

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