Guidance on Mapping Social Enterprise

Final Report to the DTI Social Enterprise Unit
Guidance on Mapping Social Enterprise

Final Report to the DTI Social Enterprise Unit

C2453

31 July 2003

ECOTEC Research and Consulting Limited

6-8 Marshalsea Road
London
SE1 1HL
United Kingdom
Tel: +44 (0)20 7089 5550
Fax: +44 (0)20 7089 5559

Web: www.ecotec.com
E-mail: welcome@ecotec.co.uk
6.0 Lessons from Regional and Local Studies ................................................................. 35
  6.1 General Issues and Guidance .................................................................................. 36
  6.2 Issues and Guidance in Relation to Suggested Core Data Fields ......................... 36
  6.3 Issues and Guidance in Relation to Desirable Data Fields .................................... 39
  6.4 Conclusions .......................................................................................................... 42

7.0 Taking a UK National Perspective ............................................................................. 43
  7.1 The European Dimension ...................................................................................... 43
  7.2 National Data Sources ......................................................................................... 44
  7.3 Standard Industrial Classifications ....................................................................... 47
  7.4 Economic Contribution ......................................................................................... 47
  7.5 Conclusions .......................................................................................................... 48

8.0 The Way Forward ..................................................................................................... 49
  8.1 Good Practice Lessons .......................................................................................... 49
  8.2 Recommendations ............................................................................................... 50
  8.3 Conclusion ............................................................................................................ 55

ANNEX 1 PRACTICAL GUIDANCE SUMMARY
ANNEX 2 LIST OF CONTRIBUTORS
APPENDIX 1 ABSTRACTS OF EXISTING MAPPING STUDIES
APPENDIX 2 DATA SCOPING
APPENDIX 3 CONSULTATION SUMMARY
APPENDIX 4 CASE STUDIES
APPENDIX 5 WIDER LITERATURE REVIEW
EXECUTIVE SUMMARY

Introduction

This guidance has been developed in response to the lack of a comprehensive and consistent evidence base to support the on-going growth of the social enterprise sector at a UK national level, as acknowledged in the Government’s ‘Social Enterprise: A Strategy for Success’ in July 2002 (www.dti.gov.uk/socialenterprise). This guidance is designed to be of practical help in undertaking social enterprise mapping across a range of geographical scales and for any purpose. Good practice pointers and recommendations are based on the experience of 33 mapping studies which have all attempted to map social enterprise to some extent (as set out in Appendix 1), as well as extensive consultation with the social enterprise sector.

Purposes of Mapping Studies

Existing mapping studies can be identified as being used for four key purposes; strategy development, programme delivery, assessing economic contribution and developing directories. Different purposes drive the different types of information used and the way it is collected. This ranges from open-ended qualitative information requiring interpretation, to systematically codified data used within databases and directories. This can lead to issues of consistency and comparability.

Methodologies

Four broad approaches to mapping social enterprise can be identified; regional approaches, bottom-up local approaches, membership-based approaches and process-based approaches. Each of these have distinctive features as well as pros and cons in relation to comprehensiveness, comparability and cost-effectiveness. The pros and cons of different approaches need to be balanced against the resources available to undertake any particular study. In the absence of an ideal way to map social enterprise, a combination of elements drawn from all the approaches outlined can be used to good effect.

Applying the Strategy for Success Definition

Applying definitions of social enterprise is one of the key challenges for mapping studies, which often focus on different aspects of the social economy. The publication of the Government’s definition has brought more clarity around an emphasis on business, social objectives and re-investment of surpluses, but the potential for a lack of consistency and comparability across studies remains. A test-based approach provides a way to apply definitions in practice by focusing on the way in which social enterprises work, rather than their form. Test-based approaches can be combined with process-based methodologies to give good results.

Existing Knowledge

The existing UK picture of the social enterprise sector is very patchy, both in terms of coverage against suggested core and desirable data fields as well as geographically. There appear to be particular difficulties in collecting financially sensitive information. The fragmented picture is further compounded by issues of consistency and comparability, meaning that any attempts to aggregate data across studies are inherently flawed. However, an alternative approach can be used to generate a crude estimate of the overall size of the social enterprise sector in the UK using a ‘tight’ application of the Government definition. This gives a guesstimate of the total number of social enterprises of around 5,300.
Learning Lessons from Regional and Local Studies

Further good practice guidance points are suggested, in addition to the test-based approach, in order to collect consistent data. Guidance points are further supplemented in Annex 1 by a summary of practical recommendations for mapping exercises. Five core data fields are highlighted as being feasible to collect, whilst also having the potential to give a comparable baseline picture of the sector.

Taking a UK National Perspective

There are a number of national data sources which could be utilised as part of a UK national approach, but drawbacks would need to be addressed by adding information from regional and local sources. Companies House records can be used as a ‘first cut’ to give a long list of social enterprises, but core data fields in relation to employment and turnover are not covered. If comparable estimates of economic contribution are to be made, information from the Inter Departmental Business Register or similar would have to be used to produce summary statistics.

The Way Forward and Recommendations

A number of good practice points are identified in relation to; incentivising participation, not re-inventing the wheel, planning to deal with ‘grey areas’, the validation of results and the use of technology.

The Government’s definition of social enterprise should be supplemented by the following three tests applied during mapping exercises:

- Registration
- Trading
- Pursuit of social objectives

The following data fields should form the core of any mapping exercise of social enterprise:

- number of social enterprises
- number of employees (part-time / full-time)
- geographical location of social enterprise by postcode
- core trading activity of social enterprise
- turnover (incl. proportion from trading / non-trading activities)

In addition, the following data may be seen as desirable, depending on the objectives of particular studies:

- number of employees (temporary / permanent, volunteers, gender, age, ethnic origin and disability)
- profits/surpluses (before interest, depreciation and tax)
- wage and salary costs
- income sources, including proportion from each source
- geographical scale of market served
- additional trading activity of social enterprise
- asset base
- date of registration
- legal form
- measures of confidence e.g. whether turnover will increase or decrease next year
- measures of social / environmental impact
(xii) other quality of work indicators, such as skill development and training of employees
(xiii) Section 75 categories (N. Ireland)

The following steps are recommended for local and regional studies in applying the three tests above to collect core and desirable data where not otherwise available from national or existing local and regional sources:

1. Compile an initial database using a combination of national and local sources
2. Form a reference group to oversee the study
3. Undertake primary research to collect core data plus desirable data according to study objectives

The recommended approach for the planned UK National Study involves the following four stages to collect core baseline data as part of establishing an on-going, dynamic resource for the sector.

1. Compilation of initial regional databases from National sources
2. Validation of initial databases by regional partners and National co-ordinating body
3. Telephone survey to verify tests and collect core data
4. Summary estimate of economic contribution of the social enterprise sector
**STUDIES REVIEWED**

In developing this guidance, the following mapping studies were reviewed.

<table>
<thead>
<tr>
<th>Wales, Scotland and Northern Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4.</strong> Lowland Scotland: <em>Social Enterprise in Lowland Scotland – An Audit of Audits – Review of Recent Local Studies</em>, Social Enterprise Institute (2001)</td>
</tr>
<tr>
<td><strong>5.</strong> Highlands and Islands: <em>Assessment of the Social Economy of the Highlands and Islands</em>, Highlands and Islands Enterprise (2002)</td>
</tr>
<tr>
<td><strong>6.</strong> Strathclyde (2): <em>Adding Value: The Social Economy in 2002</em>, Community Enterprise Strathclyde (underway)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>English Regions</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sub-Regional Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>15.</strong> North Staffordshire: <em>Audit of Community Enterprise in North Staffordshire</em>, Community Development Foundation (2000)</td>
</tr>
<tr>
<td><strong>17.</strong> Rural Cumbria: <em>Social Enterprise Mapping in Rural Cumbria</em>, Enterprising Communities (2002)</td>
</tr>
<tr>
<td><strong>18.</strong> Devon &amp; Cornwall: <em>Business Research Information Analysis Navigator, ‘BRIAN’</em> Co-Active (2002)</td>
</tr>
</tbody>
</table>

27. **Yorkshire, Humber & Wold**: *Mapping the Social Economy*, Yorkshire, Humber & Wold Rural Community Council (underway)

<table>
<thead>
<tr>
<th>Local Studies</th>
</tr>
</thead>
</table>

28. **Bristol**: *Mapping the Social Economy in Bristol: Evaluating the barriers and drivers for growth*, Bristol City Council (1999)

29. **Leicester**: *Audit of Leicester's Social Economy*, Ahlquist, D (1999)


A number of additional studies are known of, but are either at an early stage of development, or do not have results available at the time of writing. These are also listed in Appendix 1, together with contact details.
1.0 INTRODUCTION

1.1 Background

This guidance has been developed in response to the acknowledged lack of a comprehensive and consistent evidence base to support the on-going growth of the social enterprise sector in the UK. The need for good practice guidance as a pre-cursor to a UK national mapping exercise was highlighted in the Government’s ‘Social Enterprise: A Strategy for Success’ in July 2002 (www.dti.gov.uk/socialenterprise). In March 2003, the DTI Social Enterprise Unit appointed ECOTEC Research and Consulting Limited to develop this guidance to feed into the UK national mapping study planned for Autumn 2003.

In addition to informing the development of a UK national evidence base, this guidance is designed to be of practical help in undertaking social enterprise mapping studies at any geographical scale. Good practice pointers and recommendations are based on the experience of 33 mapping studies which have all attempted to map social enterprise to some extent, as well as extensive consultation with the social enterprise sector.

The objectives of this study are:

A. Report on the extent of current basic knowledge of the social enterprise sector

B. Develop guidance on applying the definition of social enterprise as set out in ‘A Strategy for Success’

C. Identify methodologies capable of identifying and securing core data on social enterprise

D. Identify / develop best practice for applying methodologies to map social enterprise and recommend one methodology

1.2 Approach

This guidance has been developed through an extensive process of consultation with commissioning and research bodies, support agencies and umbrella organisations as well as ‘mapped’ social enterprises. The following steps were involved in developing this guidance.

1.2.1 Review of Existing Studies

Some 37 existing studies, which have sought to map social enterprise to some extent were identified during the research phase. These include published mapping exercises undertaken at regional, sub-regional and local levels and unpublished ‘grey literature’ identified through consultation. Information was not yet available for 4 studies currently underway, meaning that a total of 33 have been reviewed in developing this guidance, as listed in the previous section.

A summary of each of these studies is set out in Appendix 1, with 12 case studies selected from this ‘long list’ and reviewed in more detail in Appendix 4. These case studies involved telephone interviews with key stakeholders, including social enterprises that have been ‘mapped’, to gain views on the success of the approaches taken, how definitions were applied and any specific good practice points and lessons learnt. In addition, where raw data was made available within existing studies, a
data scoping exercise was undertaken in Appendix 2, which assesses the coverage, comparability and potential for aggregation of existing information.

1.2.2 Wider Literature Review

In parallel, the research team reviewed wider literature, not necessarily directly related to social enterprise, but concerned with mapping more generally. This included mapping exercises conducted for small businesses and the voluntary and community sectors, as well as internationally, in order to gauge whether alternative approaches are appropriate for social enterprise. This stage involved consideration of a ‘clean sheet’ approach to mapping social enterprise nationally using existing data sources. The results of this stage are summarised in Appendix 5.

1.2.3 Consultation

Consultation was a key feature of the development of this guidance, and involved a series of one-to-one interviews with over 30 stakeholders within the social enterprise sector, including national partners. These interviews were used to gain views on the core and desirable data which should be collected, the potential use of national information sources, as well as good practice, and are summarised in Appendix 3. Additional consultation took place through an online discussion forum (www.ecotec.com/semg), publicised by articles in Social Enterprise Magazine.

1.2.4 Analysis and Reporting

This guidance brings together the information contained in Appendices 1 to 5 to answer the research objectives set out above. Throughout, case study examples are used to illustrate points made, cross-referenced to the appendices using the numbering system for existing studies, as set out in the previous section.

Chapter 2 sets out some of the different purposes that mapping exercises are undertaken for, which in turn dictates the method adopted and data collected.

Chapter 3 then sets out a broad typology of methodologies used in existing studies.

Chapter 4 looks in more depth at the issue of applying the ‘Strategy for Success’ definition of social enterprise in the light of studies undertaken to date.

Chapter 5 then assesses the extent of existing information overall, including an assessment against core and desirable data fields.

Chapter 6 highlights specific good practice points from existing regional and local levels in relation to suggested core and desirable data fields.

Chapter 7 takes a UK national perspective in assessing how data sources might be used to create a national UK map of social enterprise.

Chapter 8 concludes with specific good practice pointers and a recommended approach for local and regional mapping exercises as well as the planned UK national study later this year.

Attached to this report is a summary of practical guidance in Annex 1, which translates the findings of this report into a stand-alone guide for future mapping studies at the local and regional levels.
1.3  *A Word of Thanks*

This guidance has been dependent on the willingness of a range of individuals in the sector to contribute research material and experiences. In particular, the work of the Social Enterprise Unit Research and Mapping Working Group provided a body of valuable research which gave this guidance a ‘head start’. The research team are grateful for the exceptional level of goodwill from all individuals and organisations who have helped with the research, and would like to express their thanks to all concerned. A list of contributors is included in *Annex 2*. 
2.0 PURPOSES OF SOCIAL ENTERPRISE MAPPING EXERCISES

Summary Points

Four broad purposes of mapping exercises can be identified:

- **Strategy development** often involves a qualitative information sample to supplement published data sources.
- **Programme delivery** uses detailed, often codified, information to be gathered in relation to specific aspects of social enterprise support.
- **Assessing economic contribution** requires detailed income and employment information and has been attempted in a number of studies to generate a range of estimates.
- **Developing a directory** requires accurate and updated contact details and systematic categorisation.

Each of the existing mapping studies reviewed in developing this guidance was undertaken to fulfil one or more different purposes. For example, as part of a wider study of the social economy, to help improve the delivery of support activity or to develop an online directory. This chapter sets out some of the purposes for existing mapping studies as the key to understanding why different types of information are collected in different ways. It is important to recognise that social enterprise mapping studies will always be undertaken for different purposes. This guidance seeks to establish a common core of information which can be collected for the mutual benefit of all concerned.

Based on existing studies summarised in Appendix 1, this chapter sets out four key purposes for mapping studies; strategy development, programme delivery, assessing economic impact and developing a directory.

2.1 Strategy Development

Most existing studies have played at least some role in helping to develop and inform strategies to further develop the sector at the regional or local level, often linking to wider economic development and regeneration objectives. Examples of these studies include York (Study 33 in Appendix 1 and the case study box below), the South East (12) and the East Midlands (8).

At the regional level, Regional Development Agencies have instigated a number of studies which have focused on growth potential, contributions to wider objectives, development of effective interventions and influencing policy as well as establishing a ‘baseline’ for the sector. A number of these studies, such as the East Midlands (8) start with the wider perspective of the social economy as providing the foundations for the development of social enterprise, before going on to focus on enterprising elements. This gives the resulting strategy ‘depth’ in covering developmental parts of the social enterprise lifecycle.

A similar approach was adopted in York (33), as set out in the case study box below, in making a distinction between ‘established’ and ‘emerging’ social enterprises. This study was typical of strategy development studies in including a strong qualitative element, using case studies, interviews and focus...
groups, in order to explore issues and barriers faced by the sector. As part of this, answers are often open-ended and require a high level of interpretation in analysis.


Community Regeneration York worked with Social Enterprise London to apply the Government definition of social enterprise to a typology of social enterprises which made a distinction between established (51% or more of their income from trading) and emerging social enterprises (less than 51%).

*Approach:* Included a sample of in-depth telephone interviews, covering stakeholders within the York area, that followed up a questionnaire stage. Two focus groups were undertaken with observers and practitioners respectively.

*Findings:* Led to priority areas being identified for the strategy as:

- Organisational development, including structures, team building and dealing with growth
- Business planning assistance
- Finance, particularly patient capital to finance growth

### 2.2 Programme Delivery

Moving on from strategy development, a number of studies have sought to inform more detailed aspects of programme development and delivery. In particular, studies in Rural Cumbria (17), Tyne and Wear (26), Yorkshire (27) and Devon and Cornwall (18) have helped to inform activities of support organisations, the last three specifically in relation to business support. These studies typically have a tighter focus on specific support needs in a given area, for example, to develop more effective tools or to influence targeting of resources. In Devon and Cornwall (18), the purpose was to develop a diagnostic tool for business advisors, which generates a development plan for the individual social enterprise as well as detailed mapping information on the sector.

The purpose of these studies means that information is sought in very specific areas, often involving a high degree of codified rather than ‘open ended’ answers. In the Rural Cumbria example below, questions were focused on the specific support and advice needs of rural social enterprises, culminating in the development of an ‘index of usefulness’, used to inform the development of future support activities.

**CASE STUDY EXAMPLE: Rural Cumbria: Social Enterprise Mapping in Rural Cumbria, Enterprising Communities (2002)**

The Enterprising Communities Project was set up by Voluntary Action Cumbria in collaboration with the Cumbria Local Enterprise Agency Network (CLEAN) to provide a range of business advice and developmental support specifically for social enterprise in rural Cumbria.

*Approach:* Included a structured baseline questionnaire, supplemented by focus groups with support agency staff.
Findings: Used to inform the delivery of support activities in areas including:

- Information and support in appropriate funding applications
- An understanding of legal structures and governance needs
- Information and support on social auditing
- Providing links to other social enterprises and networking

2.3 Assessing Economic Contribution

If not the primary purpose of studies, attempts to assess the economic contribution of the social economy and social enterprise are sometimes attempted as a by-product. As part of the consultations during this study, a number of ‘health warnings’ were given for attempts to estimate economic contribution to any degree of accuracy.

Conventionally, economic impact is measured in terms of income or employment, and both these data fields provide a focus within studies such as the East of England (7) and Bristol (28 and case study box below). Attempts to then estimate the economic impact of social enterprise are then undermined by the absence of proven input / output models and economic multiplier effects for the social economy and social enterprise at the local or regional level. Without these, existing studies have made general estimates of the impact of the social economy relative to the wider economy. The approach to estimating the economic contribution of social enterprise is considered in more depth in chapter 7 as part of a national approach.

CASE STUDY EXAMPLE: Bristol: Mapping the Social Economy in Bristol: Evaluating the barriers and drivers for growth, Bristol City Council (1999)

The work of the audit was conducted by a partnership between local Social Economy organisations, Bristol City Council (BCC) and the University of West of England (UWE). This was part of a three-year project to support and develop the city's social economy.

Approach: The audit provides evidence of the value of the social economy in terms of jobs, wealth creation and overall impact. A good practice point was the validation role played by UWE in checking research findings.

Findings: The Bristol Social Economy is made up of 1,100 organisations with an annual turnover of £230 million, representing 4.3% of local GDP. As a proportion of the total workforce the sector in Bristol employs around 9,400 people, representing 4.6% of the total workforce in the city.

2.4 Social Enterprise Directories

The final purpose identified here is the development of directories, increasingly online, which can be used as an on-going resource for the sector. Examples include the Beeline Mapping Exercise in London (9), Bristol (28), Merseyside (19) and the East of England (7 and below). The focus of these studies is to collect contact details, profiles of trading activities and systematically categorised information on other key aspects, which can then be readily searched for in the directory. These directories have then been used to further develop networks and to disseminate information as well as promoting trading opportunities. A number of studies highlighted the advantages of a direct ‘pay
back for the sector resulting from these directories which are the product of mapping studies. As part of this, it is important that mechanisms are put in place whereby information can be updated on a regular basis.


The purpose of this study was initially to identify the size and the scope of the social economy in the Eastern region, to promote the sector, influence policy and evidence funding applications. Thanks to a grant from the DTI’s Phoenix Fund, the study has subsequently been used to populate an online directory.

*Approach:* Good practice points include information from a range of different sources being cross-checked to ensure accuracy. A short questionnaire was designed in order to increase the likely response rate (33%). Also, permission was sought after the research was completed for inclusion on the database on the web site.

*Findings:* [www.nearbuyou.co.uk](http://www.nearbuyou.co.uk), provides a searchable database which promotes trading with and within the sector as well as networking.

### 2.5 Conclusions

The four key purposes identified illustrate why different types of information are collected in different ways in mapping studies. This ranges from open-ended qualitative information requiring interpretation to systematically codified data used within databases and directories. This range can lead to issues of inconsistency and comparability, considered in more detail in chapter 6.
3.0 METHODOLOGIES

**Summary Points**

Four approaches can be identified within existing studies, which are not mutually exclusive:

- **Regional methods have used public data sources together with sample surveys for qualitative aspects**
- **Bottom-up local methods use existing knowledge and networks within the sector**
- **Membership based methods use existing membership lists and need to guard against double counting when aggregated**
- **Process-based methods have appeal given the dynamic nature of the sector as well as the potential to establish on-going mechanisms**

This chapter sets out the broad types of methodologies used by existing studies to meet different purposes for mapping exercises as outlined in chapter 2. The four methodologies listed below should not be seen as mutually exclusive, with a number of studies employing a combination of approaches as outlined in the following sections.

1. Regional Approaches
2. Bottom-Up Local Approaches
3. Membership-Based Approaches
4. Process-Based Approaches

### 3.1 Regional Approaches

Regional approaches have been identified as key in informing strategies to help develop the sector and typically involve ‘top down’ and ‘bottom up’ elements. These are usually commissioned by Regional Development Agencies or Regional Social Enterprise Partnerships, with examples including:

- East of England (7)
- East Midlands (8)
- London (9)
- Rural East Midlands (10)
- West Midlands (11)
- South East (12)

These approaches typically involve the following stages:

**Stage 1:** Use of publicly available registers, such as from Companies House or the FSA, followed by some form of initial filter, for example to exclude mutual financial societies, sports and social clubs.

**Stage 2:** Takes a random sample of the organisations identified to explore specific issues in more depth and make inferences about the whole population. This typically takes the form of a telephone survey, with a further focus group or case study stage also used in some cases.
This approach has provided a useful overview of the social enterprise sector, often set within a wider focus on the social economy. This wider focus on the social economy is illustrated by the East Midlands case study example below, with a tighter social enterprise focus having been taken in London (9) and the South East (12). The approach has advantages in terms of cost effectiveness and comparability and has been used to inform regional strategy development.

However, the approach risks missing smaller, emerging social enterprises which make up a more significant proportion of the enterprise population than for ‘mainstream’ businesses. It also relies on a sample survey approach for qualitative aspects, which needs to be carefully targeted if it is to be representative. The response rates from surveys used in this approach can be poor, for example the West Midlands achieved under 10%, and other studies achieving only up to 20%. Overall, the approach is less useful for providing detailed information on support needs, unless the second stage of the process is particularly thorough. It is also less likely to engender buy in from the social enterprise sector when compared to more participatory bottom-up approaches.


**Approach:** Initial list formed using records held by Companies House and the Registry of Friendly Societies. This was followed by a random telephone sample of 10% of the organisations.

**Findings:** 1900 constituted (either Companies Limited by Guarantee or Industrial and Provident Societies) social economy organisations were identified in the East Midlands. This contrasts with the broader social economy which includes a further 4000 voluntary and community organisations as well as thousands of informal groupings. With a lot of caveats about the data, it might be possible to say that about 16% of organisations have over 50% earned income and up to 40% are enterprising to some degree.

### 3.2 Bottom-up Local Approaches

The bottom-up approach is typically used in sub-regional and local studies, involving a higher level of participation by social enterprises. This is where the largest amount of social enterprise mapping activity has taken place, undertaken by a wide range of different bodies, from local authorities to umbrella groups at different geographical scales. Studies focus on a restricted area and tap into the existing knowledge of intermediary support agencies. The approach can also make use of ‘snowballing’, using local networks to refer-on questionnaires. As part of this, research can be undertaken by organisations within the sector, in the case of Bristol (28), six local social economy organisations were involved.

Examples of bottom-up local approaches can be found in the following examples in Appendix 1:

- Black Country (13)
- North Staffordshire (15)
- Rural Cumbria (17)
- Merseyside (19)
- Cambridge (20)
- North Yorkshire (25)
- Castlemilk (30)
These approaches typically involve the following stages:

**Stage 1**: Postal or telephone survey of support organisations to form an initial composite list of known social enterprises in the sector from existing databases.

**Stage 2**: Follows up a selection of respondents with focus groups or similar to explore specific issues, often in relation to programme delivery.

The defining feature of this method is the use of existing knowledge and networks within the sector and high levels of participation by social enterprise themselves in research. Whilst being more resource intensive, there are benefits in terms of capacity building and achieving good coverage through high response rates to surveys (97% in Castlemilk, 30), due to personal contact, existing networks and thorough preparatory work. Disadvantages of this method include resource intensity, a dependence on goodwill and focusing on the ‘usual suspects’, with special steps having to be taken to try and capture organisations outside of existing networks.


*Approach*: Used Cambridge Co-operative Development Agency’s existing directory to test for social enterprises against three criteria, including involvement of the local community in governance.

*Findings*: Directory created of Co-ops and social enterprises that provides brief information on each organisation. 37 enterprises listed in 2003, with information also collected on income sources.

### 3.3 Membership-Based Approaches

This approach relies on the aggregation of membership-based information from sub-sectors within the social economy. In Great Britain, there has been a series of mapping exercises undertaken nationally by membership-based organisations such as Co-operativesUK, the Development Trust Association and Social Firms UK.

This approach was also followed in Northern Ireland (2), as shown in the case study box below. A subsequent study in Northern Ireland (3) broadened the scope of interest through a more inclusive focus on the social economy and introduced a web-based process for collecting information. These studies have been complemented in Northern Ireland by a range of mapping activity undertaken and planned at the local level through Local Strategic Partnerships, which will add a bottom-up dimension to existing work and broaden the scope from the initial membership-based approach.

The membership-based methodology essentially involves contacting organisations held on membership databases, with the main disadvantage similar to bottom-up approaches in the potential exclusion of organisations outside of existing lists. Without cross-checking, it also risks double-counting of enterprises that belong to more than one membership organisation.

Enterprises belonging to three types of membership organisations were captured during the course of the study; Housing Associations, Credit Unions and Community Enterprises. Membership lists were used to generate an overall database, however, social enterprises could be members of more than one organisation, therefore cross checking was essential to avoid double-counting.

3.4 Process-Based Approaches

This approach combines with elements of other methodologies, but crucially builds in a process to deal with areas of contention which may arise during the study. This is particularly helpful when it comes to the application of definitions, which, as described in chapter 4, can be an area of debate. Examples of this approach include Merseyside (19) and the Black Country (13), where reference groups were formed from representatives within the sector to oversee the mapping exercise. The Black County case study below highlights the role of an ‘Inquiry Group’, initially to help define a definition for the study, but then to oversee data collection and use.

This approach has particular appeal for comparative studies and can involve academic input. It also promotes inclusivity and responds to the dynamic characteristics of what is an emerging sector. It is used in the transnational John Hopkins International Comparative Non-profit Sector Project, which appoints ‘raconteurs’ for participating countries who regularly meet to discuss and resolve anomalies. A further advantage of this approach is that a mechanism is established which may have a life beyond the initial mapping exercise. Where the purpose of the study is to form a directory, the mechanism can go on to oversee the continual updating of the directory, as in the East of England (7) and Bristol (28).


This study started by presenting 3 definitions of community enterprise to a focus group and coming to a common understanding of the application of the definition to be used throughout. The study was managed by a Co-op Inquiry Group, who facilitated the focus group made up of community enterprise managers, practitioners and other key players involved in economic regeneration in the Black Country.

The group came to an agreement of the following core features:
- Local community ownership
- Social objectives / values (and economic aims)
- Providing goods and services
- Surpluses reinvested in the local community

The study was successful in drawing up a picture of the contribution of the social enterprise sector in terms of both volume and turnover.
3.5 Conclusions

Each of the four broad approaches to mapping social enterprise outlined here has advantages and disadvantages in relation to comprehensiveness, comparability and cost effectiveness. These need to be balanced against the resources available to any particular study. In the absence of an ideal way to map social enterprise, a combination of elements drawn from all the approaches outlined can be used to good effect.
4.0 APPLYING THE STRATEGY FOR SUCCESS DEFINITION

**Summary Points**

- In the context of mapping studies, it is useful to see social enterprise as a subset of the social economy
- The Government’s definition emphasises business, social objectives and re-investment of surplus aspects of social enterprise
- Since 2002, most studies use the Government’s ‘Strategy for Success’ definition of social enterprise, often supplemented by subsidiary tests
- The use of sub-sectors and self-definition can lead to confusion and double counting and issues also arise in relation to multi-functional organisations
- The most common criteria for the enterprise test is achievement of a trading threshold. Social aims are the most difficult to evidence, a situation which should be improved with increased use of social audit techniques
- The test based approach can be enhanced by process-based methodologies

4.1 The Government’s Definition

The Government’s ‘Strategy for Success’ (2002) established an important milestone in the development of the social enterprise sector with the publication of the following definition:

*A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profits for shareholders and owners*’

‘Social Enterprise: A Strategy for Success, 2002’

This definition helps to address one of the main challenges faced by mapping exercises undertaken prior to 2002 in how to define, and therefore identify, social enterprise. This chapter outlines attempts by studies to develop and apply their own definitions before highlighting a test based approach as good practice in applying definitions in recent studies.

4.2 Social Enterprise in Context

There have been a number of attempts to conceptualise where social enterprise sits in the context of the wider economy. At a European level, the economy is often divided into the first (private sector), second (public sector) and third (voluntary and community sector) systems. The term ‘social economy’ can then be used to describe that part of the third system which is engaged in trading, although the wider Co-operatives, Mutuals, Associations and Foundations (CMAF) definition is also used by the European Commission. Social enterprise can then be seen as that part of the social economy which is primarily engaged in trading and comprises various sub sectors, such as social firms (employing people with disabilities) or community enterprises (serving a defined locality).
The boundaries of social enterprise in relation to the social and wider economies can be difficult to draw. Whilst this provides material for debate, it is helpful to see social enterprise as part of a bigger picture in order to put mapping exercises in context. For example, a number of existing studies have sought to map the wider social economy and this has captured important information regarding social enterprise. This includes the Almanac of the non-profit sector produced by the National Council for Voluntary Organisations (as described in Appendix 5), incorporating relevant work by the Northern Ireland Council for Voluntary Action, Scottish Council for Voluntary Organisations and Wales Council for Voluntary Action. Similarly, more specific research on sub sectors, such as social firms, could have the ability to be aggregated as part of the wider social enterprise sector.

One of the aims of this guidance is to develop a common core of information, in line with the Government definition of social enterprise, which can be collected across mapping studies looking at different aspects of the social economy.

### 4.3 Elements of Government’s Definition

In order to identify social enterprise within the wider social economy, there are a number of key terms highlighted below in the Government’s definition which provide pointers for applications in mapping studies.

‘A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profits for shareholders and owners’

The focus on ‘business’, ‘social objectives’ and ‘reinvestment of surpluses’ offers defining characteristics for social enterprise in terms of trading, an articulated social purpose, and the use of surpluses. As the Strategy for Success emphasises, social enterprise is, first and foremost, a business. Like any business, it aims to generate surpluses, but rather than being driven by the need to maximise profits for shareholders and owners, it seeks to reinvest its surpluses principally in the business or in the community to enable it to deliver on its social objectives.

### 4.4 Definitional Issues

Prior to the publication of the Government’s definition, there was large variation in definitions used in mapping studies and in the way they are applied. A number of studies encompass the broader social economy, for example in Leicester (29) and the East Midlands (8), the latter starting with the EU Co-operatives, Mutuals, Associations and Foundations (CMAF) definition. Other pre-2002 studies attempt to develop their own definitions, for example for Hereford and Worcester (14), or to adopt definitions from academia, such as with North Staffs (15).

Overall, around half of the existing studies have used either the Government definition (10 studies) or a hybrid version enhanced by ‘tests’ (6 studies), as outlined in the next section. Nearly all of the studies undertaken since the publication of the ‘Strategy for Success’ have used the definition. The exceptions include Hackney (31), which explicitly applied a broader definition in order to capture wider social economy organisations. Even within those studies which have used the Government’s definition, issues of consistency and comparability remain in its application, as outlined in the following sections.
4.4.1 Attempts to Define Sub-Sectors

In applying definitions, a number of studies attempt to break down the social enterprise sector in terms of sub-sectors or legal form, often mixing the two. A list of common legal forms for social enterprise is given in Annex 1. Figure 4.1 below shows a mix of potential sub-sectors and more precisely defined legal forms, which results in potential for confusion and double counting.

Figure 4.1 Examples of Potential Social Enterprise Sub-Sectors

- Building society
- Charity
- Community business
- Community interest company (proposed)
- Company limited by guarantee
- Consumer retail society
- Co-operative
- Credit union
- Development Trust
- Employee owned business
- Fair trade company
- Housing association
- Industrial and provident society
- Intermediate labour market company
- Local exchange trading scheme
- Mutual co-operative society
- Public interest company
- Social business
- Social firm
- Worker co-operative

The key point here is that social enterprise cannot be identified solely by legal form or pre-set categories. Whilst lists such as in figure 4.1 above can be helpful as illustrative prompts to help social enterprises understand definitions, difficulties arise when these categories are used definitively in mapping exercises. Social enterprises can often see themselves as belonging to more than one category, leading to problems of double counting. For example, a social enterprise may be a charity registered with the Charities Commission or an ‘exempt’ charity which is also an Industrial and Provident Society. There is also much variation in the categories which have been used in studies to date, making aggregation and comparison very difficult. The issue of classification is examined in more detail in chapter 6.

4.4.2 Self-Identification

An alternative approach used by some studies such as Bristol (28) requires social enterprise to self-identify, avoiding the use of a pre-set definition and instead asking social enterprises to respond to an open ended question as to how they see themselves. This responds to an issue which arose in a number of studies, finding that a number of social enterprises simply did not recognise themselves as such unless further explanation was given beyond a statement of definition. This highlights the need for awareness raising to accompany any mapping exercise, but also shows the role of subjective judgements in the application of definitions. Whilst self-identification addresses the limitations of pre-defined sub-sectors described above, the subsequent necessary process of retrospective categorisation leads to similar difficulties with comparability.

4.4.3 The Multi-Functional Dilemma

An issue which arises in a number of studies is the multi-functional nature of some social economy organisations, which may incorporate a number of ‘arms’, including social enterprise. The example of large voluntary sector organisations or charities with trading arms brings a dilemma both in terms of how the organisation is defined, but also which part of it should be mapped. Similar issues arise in relation to ‘head office’ functions. Oxfam, for example, is a multi-million pound charity with a number of trading arms which could be defined as social enterprise, but could significantly skew results if not dealt with transparently. This issue has again been dealt with in different ways by
different studies, some of which have chosen to include entire (multi-functional or national) organisations, some to exclude them, and others just to include the relevant trading activity.

4.5 The Test Based Approach

A number of existing studies have tackled some of the issues above by focusing on the way in which social enterprise works, rather than the entity itself, through a test-based approach. This involves a subsidiary stage which breaks down the definition into a number of key characteristics which can be more easily used as criteria than an overall statement. This type of approach was used in London (9), Rural East Midlands (10), York (33), Cumbria (24) and Merseyside (19). Typically, this approach involves the tests outlined below (adapted from London, 9, see case study box below).

Test A: Enterprise Orientation: Direct involvement in the production of goods and the provision of services to the market, seeks to be viable trading concern, makes a surplus from trading.

This test relates to the level of trading activity, with a distinction often made between emerging social enterprises with less than 50% of income from trade and established social enterprise with over 50% income from trade. The studies reviewed mainly apply this test to include income from contracts and service level agreements with public bodies, but exclude grants, subsidies, fundraising, membership fees from supporters and voluntary contributions.

Test B: Social Aims: Explicit social aims such as job creation, training and provision of local services. Values include a commitment to local capacity building, accountability to members and the wider community for social, environmental and economic impact.

This test can be difficult to verify and usually relies on primary research rather than the laborious process of checking Memorandum and Articles, for example. Social enterprises are typically simply asked whether they have and pursue social (including environmental) objectives as part of a telephone survey. Potential developments in relation to social audit and Community Interest Companies outlined in chapter 7 may make this information more accessible and verifiable in the longer term. An alternative term used here is ‘public benefit’.

Test C: Social Ownership: Autonomous organisations with a governance and ownership structure based on participation by stakeholder groups (users or clients, local community groups, etc.) or by trustees. Profits are distributed as profit sharing to stakeholders or used for the benefit of the community.

Social ownership does not form part of the Government definition, although it can be seen as a way to achieve social objectives and to ensure surpluses are re-invested. A number of studies have chosen to test this aspect as part of mapping studies as a way to ensure the inclusion of stakeholder groups. For example, in Cambridge (20), the focus is specifically on the involvement of communities in the governance of social enterprise.

Ownership can mean the right to control assets and surpluses and/or the right to control what an organisation does. The range of interpretations of ownership and what it means makes it less useful as a defining characteristic of social enterprise. For example, it risks excluding many social enterprises, including charities and companies limited by shares or guarantee, that may not be considered as ‘owned’ but rather owned by no-one.

In particular, there has been debate surrounding the inclusion or exclusion of co-operatives within existing and planned studies, in particular in the West Midlands (11) and Wales (underway). Co-ops
have been in the forefront of the social enterprise movement and social objectives are enshrined in their constitutions, the moot point is whether significant social objectives are always achieved for the wider benefit of society. Whilst Industrial and Provident Societies registered as for the benefit of the community (ben coms) are included in the majority of existing studies, inclusion of the alternative category, bona fide co-operatives, is less consistent.


Approach: Following initial work to scope wider trends in the social economy, Social Enterprise London (SEL) has adopted a test based approach, complemented by a typology of social enterprise using nine categories. SEL also make a distinction between established and emerging social enterprises with a cut off of 51% of trading income.

Findings: Since September 2001, 6298 questionnaires have been sent out to social enterprises and support organisations. The project is on-going and has recently included an online form and use of a telemarketing agency using Companies House records. The result of the mapping exercise is to develop an online directory, www.sel.org.uk/beeline/, as a resource for the sector and for distributing support material.

4.6 Combining Tests with a Process-Based Methodology

The test-based approach becomes particularly attractive when combined as part of a process based methodology, as described in the previous chapter, to help validate the application of definitions. In this way, the Black Country (13) and Merseyside (19 and below) show the advantages of drawing on the experience of partners which also builds on the cumulative experience of mapping studies.


The Merseyside mapping exercise was commissioned by the North West Development Agency (NWDA) as part of Merseyside Social Enterprise Initiative. A key initial element of the study was for the Steering Group to develop consensus around the application of the Government’s definition using a series of tests. In this way, the application of the definition evolved as part of a process of trial and error. The study also made use of existing research tools used in Bristol (28).

The approach in the North West is to roll out the Merseyside experience to other areas, including Greater Manchester, Cheshire, Lancashire and Cumbria. This ensures that data in all these exercises has been collected in a comparable and compatible manner, overseen by the Regional Intelligence Unit.

4.7 Conclusions

Applying definitions of social enterprise is one of the key challenges for mapping studies, which can focus on different aspects of the social economy. The publication of the Government’s definition has brought more clarity around an emphasis on business, social objectives and surpluses, but the
potential for a lack of consistency and comparability across studies remains. A test-based approach provides a way to apply definitions in practice by focusing on the way in which social enterprise works, rather than their form. Test-based approaches can be combined with process-based methodologies to good effect.
5.0 EXISTING KNOWLEDGE

Summary Points

For suggested core data fields, the best information currently exists for:

- number of employees – part-time and full-time, temporary and permanent
- core (and additional) trading activity of social enterprise
- turnover (incl. total turnover and proportions from trading / non-trading activities)

This is followed by:

- number of social enterprises
- geographical location of social enterprise by postcode

Least information is available for:

- profits (before interest, depreciation and tax), including surpluses
- wage and salary costs
- core (and additional) social aim of social enterprise

Consultees’ views on core data include:

- Want a more detailed breakdown of employees
- Sensitivities regarding profits / surpluses, wage and salary costs (suggest turnover as a proxy)
- Would find the additional geographical dimension of markets served helpful
- Reminder that social aim should also include environmental aspects

Whilst attempts to aggregate existing data are inherently flawed, all regions and nations have at least some information on mapped social enterprises, albeit in localities.

A guesstimate of the total number of existing social enterprises based on existing studies gives a total of up to 5,300.

This chapter provides an overview of the extent of existing knowledge of the social enterprise sector, as covered by existing mapping studies listed at the start of this guidance. This overview is based on the more detailed data scoping exercise contained in Appendix 2 and uses as its reference point a set of core and desirable data fields suggested by DTI. This chapter then goes on to attempt to aggregate available data and to make an estimate of the size of the social enterprise sector in the UK currently.

5.1 Core and Desirable Data Fields

The following sections make an assessment of data coverage in existing studies against a series of core and desirable data fields suggested by DTI as part of the brief for this guidance. Also included are the views of consultees on data fields gathered during the course of this study. These data fields are set out in figure 5.1 below.
Figure 5.1 Suggested Core and Desirable Data Fields

<table>
<thead>
<tr>
<th>A. Suggested Core Data Fields</th>
<th>B. Suggested Desirable Data Fields</th>
</tr>
</thead>
<tbody>
<tr>
<td>• number of social enterprises</td>
<td>• income sources, including proportion from each source</td>
</tr>
<tr>
<td>• number of employees – part-time and full-time; temporary and permanent</td>
<td>• number of volunteers – part-time and full time</td>
</tr>
<tr>
<td>• profits (before interest, depreciation and tax), including surpluses</td>
<td>• number of employees / volunteers by gender, age, ethnic origin and disability</td>
</tr>
<tr>
<td>• wage and salary costs</td>
<td>• asset base</td>
</tr>
<tr>
<td>• geographical location of social enterprise by postcode</td>
<td>• age of social enterprise</td>
</tr>
<tr>
<td>• core (and additional) trading activity of social enterprise</td>
<td>• legal form</td>
</tr>
<tr>
<td>• core (and additional) social aim of social enterprise</td>
<td>• measures of confidence e.g. how income will increase or decrease</td>
</tr>
<tr>
<td>• turnover (incl. total turnover and proportions from trading / non-trading activities)</td>
<td>• measures of social / environmental impact</td>
</tr>
<tr>
<td></td>
<td>• other quality of work indicators, such as skill development and training of employees</td>
</tr>
</tbody>
</table>

5.2 Coverage of Core and Desirable Data Fields

Figure 5.2 below provides an overview of the data collected by the 17 existing studies for which raw data was available. This excludes studies currently underway or for which primary data was not available at the level of detail necessary (i.e. it had been aggregated in the process of reporting). The final row in the table gives a percentage figure for the number of studies containing information for respective fields, and shows that there is a wide variation in data coverage.
Figure 5.2: Coverage of Core and Desirable Data Fields *(NB studies have been excluded where primary data was not available)*

<table>
<thead>
<tr>
<th>Study</th>
<th>DTI Core Data</th>
<th>Desirable fields</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number of employees</td>
<td>Profits &amp; surplus</td>
<td>Wage &amp; salary</td>
<td>Geog Location by postcode</td>
<td>Core trading activity</td>
<td>Social Aims</td>
<td>Turnover</td>
<td>Income sources &amp; prop from each</td>
<td>Volunteers</td>
<td>Employees by Gender &amp; BME</td>
<td>Asset Base</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>✓ ✓</td>
<td>x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>East Midlands</td>
<td>✓ ✓</td>
<td>x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>East of England</td>
<td>✓ ✓</td>
<td>x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>South East</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>London</td>
<td>✓ ✓</td>
<td>x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>N. Yorks</td>
<td>x ✓</td>
<td>x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Tyne and Wear</td>
<td>✓ ✓</td>
<td>x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Hs &amp; Is</td>
<td>✓ ✓</td>
<td>x x x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Merseyside</td>
<td>x ✓</td>
<td>x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Rural Cumbria</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Bristol</td>
<td>✓ ✓</td>
<td>x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Cambridge</td>
<td>x ✓</td>
<td>x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Castlemilk</td>
<td>✓ ✓</td>
<td>x x x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Rural E. Mids</td>
<td>✓ ✓</td>
<td>x x x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Black Country</td>
<td>x ✓</td>
<td>x x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Hackney</td>
<td>✓ ✓</td>
<td>x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Hereford &amp; Ws</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>x x x x ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>% Coverage</td>
<td>65%</td>
<td>100%</td>
<td>29%</td>
<td>6%</td>
<td>75%</td>
<td>82%</td>
<td>35%</td>
<td>94%</td>
<td>47%</td>
<td>88%</td>
<td>41%</td>
<td>35%</td>
</tr>
</tbody>
</table>
Figure 5.2 shows that for five core data fields information has been collected by over half the studies, with over 80% coverage for the following three fields:

- Employment
- Trading Activity
- Turnover

Collection of employment and turnover information has been relatively consistent and the results are often directly comparable. However, there has been less consistency in the collection of information about trading activity, with each study using a bespoke scale for the analysis with different classifications.

The majority of studies have also collected information on the number of social enterprises and geographical location by postcode. Where this information has not been collected, the results have been based on small sample surveys and have not extended to making whole population estimates.

The key gaps in the coverage of core data fields relate to social aims and financial information beyond turnover, where there are most sensitivities. Relatively few studies collected information on profits / surpluses or wage and salary costs.

Coverage of desirable data fields is mixed. Most studies collected information on volunteers, with legal form and measures of confidence also relatively popular, but each of the other data fields were covered by less than half of the studies. The desirable data field with the poorest coverage was measures of social and environmental impact (beyond employment contribution) with only four studies covering this issue, through beneficiary perspectives.

The implications and lessons from existing studies in collecting core and desirable data fields are considered in the next chapter, further informed by the attempt in the following section to aggregate existing information for the UK.

### 5.3 Aggregating Existing Data

Figure 5.3 takes the next step from the overall assessment above and attempts to aggregate core data available in existing studies. It should be noted that this exercise is inherently flawed due to the lack of consistency and comparability in data between studies. This stems from differences in the application of definitions as highlighted in chapter 4 and is compounded by the use of different classifications as set out in chapter 6.

Figure 5.3 also gives a picture of the completeness of core data available at a UK level, subdivided into Wales, Scotland, Northern Ireland and the English regions. Geographically, all regions include some attempt to map at least the number of social enterprises within a locality, with the exception of Wales, for which a study is planned. Activity in the Midlands has been highest, with a number of regional and sub-regional / local studies undertaken. Regional studies have also been undertaken in London, the South East and the East of England.

From a UK perspective, the coverage of mapping information can be seen to be very patchy, both in terms of core data fields and geography. Whilst good information is available for a number of localised areas, there are large areas where no information is available, for example for parts of the North East, the South West and Yorkshire and Humber. Aside issues of inconsistency and lack of comparability, this means that there is limited potential to aggregate existing information to generate an overall picture of the social enterprise sector in the UK.
### Figure 5.3: Existing Studies Available Data Totals

<table>
<thead>
<tr>
<th>Study</th>
<th>Core Data Fields</th>
<th>Number of Social Enterprises</th>
<th>Number of Employees</th>
<th>Profits &amp; Surplus (£m)</th>
<th>Wages &amp; Salaries (£m)</th>
<th>Turnover (£m)</th>
<th>Volunteers</th>
<th>Asset Base (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Northern Ireland</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>424</td>
<td>5258</td>
<td>-</td>
<td>-</td>
<td>261.5</td>
<td>7500</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Scotland</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Castlemilk</td>
<td>95</td>
<td>356</td>
<td>-</td>
<td>-</td>
<td>22.4</td>
<td>51</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Borders</td>
<td>199</td>
<td>&lt; 1000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1700</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Dumfartown</td>
<td>109</td>
<td>526</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Forth Valley</td>
<td>125</td>
<td>1731</td>
<td>-</td>
<td>-</td>
<td>9.75</td>
<td>1240</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Glasgow</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Renfrewshire</td>
<td>36</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Tayside</td>
<td>54</td>
<td>991</td>
<td>-</td>
<td>-</td>
<td>27.0</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>England</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North East</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tyne and Wear</td>
<td>57</td>
<td>570</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>596</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>North West</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merseyside</td>
<td>122</td>
<td>2362</td>
<td>-</td>
<td>-</td>
<td>46</td>
<td>1843</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Rural Cumbria</td>
<td>61</td>
<td>642</td>
<td>-</td>
<td>-</td>
<td>8.9</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Yorks &amp; Humber</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Yorkshire</td>
<td>88</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>East of England</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East of England</td>
<td>1103</td>
<td>67834</td>
<td>-</td>
<td>-</td>
<td>4745</td>
<td>8549</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Cambridge</td>
<td>37</td>
<td>424</td>
<td>-</td>
<td>-</td>
<td>19</td>
<td>101</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>East Midlands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Midlands</td>
<td>1905</td>
<td>3619</td>
<td>-</td>
<td>-</td>
<td>336</td>
<td>-</td>
<td>1559.5</td>
<td></td>
</tr>
<tr>
<td>Rural East Midlands</td>
<td>176</td>
<td>275</td>
<td>-</td>
<td>-</td>
<td>20.7</td>
<td>107</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Leicester</td>
<td>149</td>
<td>4040</td>
<td>-</td>
<td>-</td>
<td>209</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>West Midlands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hereford &amp; Worcs.</td>
<td>2013</td>
<td>4789</td>
<td>6.7</td>
<td>28.7</td>
<td>56.4</td>
<td>2,402</td>
<td>118.7</td>
<td></td>
</tr>
<tr>
<td>Black Country</td>
<td>56</td>
<td>337</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>250</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td><strong>London</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>London</td>
<td>498</td>
<td>8602.5</td>
<td>-</td>
<td>-</td>
<td>362</td>
<td>4830</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Hackney</td>
<td>-</td>
<td>842</td>
<td>-</td>
<td>-</td>
<td>34.8</td>
<td>290</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>South East</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South East</td>
<td>332</td>
<td>7830</td>
<td>-</td>
<td>-</td>
<td>50.1</td>
<td>4691</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>South West</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bristol</td>
<td>100</td>
<td>9400</td>
<td>20</td>
<td>-</td>
<td>233</td>
<td>21000</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

An alternative approach to generating an overall picture of the sector would be to use the results of existing studies to estimate the proportion of the whole business population which comprises a ‘tight’ definition of social enterprise (as set out in chapter 8), and then to apply this to areas for which no data exists. For a sample of existing studies where a 50% trading level has been used as a defining characteristic, this ratio averages between 0.2 and 0.3

---

1 Studies excluded where primary data not made available
percent. Applying this ratio to the number of businesses in each region, Wales, Scotland and Northern Ireland gives a guess estimate for the UK overall of 5,300. This estimate has been arrived at very crudely and is provided only for indicative purposes. As a benchmark, it broadly equates to the size (in terms of number of businesses) of the clothing manufacture sector, which has a total of 4,500 businesses.

5.4 Views on Core and Desirable Data Fields

In addition to an overview of existing information, stakeholders consulted in preparing this guidance expressed the following views on the appropriateness of the suggested core and desirable fields, in light of their experience of existing studies. A fuller write up on consultee views is contained in Appendix 3.

• **Number of social enterprises**

Only comments made were in relation to the desire for simple and consistent application of the Government’s definition.

• **Number of employees – part-time and full-time; temporary and permanent**

There was support for more of a breakdown in core data (rather than desirable) in terms of gender, disability and minority ethnic group, as well as the number of volunteers.

• **Profits (before interest, depreciation and tax), including surpluses**

Consultees confirmed sensitivities regarding these fields, some argued that turnover was sufficient to give a feel for the income and expenditure of enterprises. Suggestion that the term ‘surplus’ is preferable to profit.

• **Wage and salary costs**

Similar concerns regarding sensitivities regarding information as for profits.

• **Geographical location of social enterprise by postcode**

Felt that it is equally important to ascertain the scale of operation and market served.

• **Core (and additional) trading activity of social enterprise**

Seen as particularly important to understand the degree of local purchasing, which could help to build up a model of economic contribution through supply chains and regional multipliers to quantify ‘leakage’ from local areas.

• **Core (and additional) social aim of social enterprise**

This field was felt to be the most potentially confusing, need to be clear that it also includes environmental impacts.

• **Turnover (incl. total turnover and proportions from trading / non-trading activities)**

Seen as preferable to questions about profit / surplus, but need to breakdown turnover to capture income from trading as against grants and subsidies.
• **Desirable Fields**

In addition to the above core information, the desirable fields seen as most important by consultees were; age of social enterprises, sector / cluster (with most people favouring self-classification rather than Standard Industrial Classification) and growth potential. Consultees in Northern Ireland specifically highlighted the potential to include Section 75 categories covering religious beliefs, political opinion, age, marital status and sexual orientation. Otherwise, all desirable fields were seen as potentially useful by consultees, depending on the objectives of the respective study.

5.5 **Conclusions**

The existing UK picture of the social enterprise sector is very patchy, both in terms of coverage against suggested core and desirable data fields as well as geographically. There appear to be particular difficulties in collecting financially sensitive information. The fragmented picture is further compounded by issues of consistency and comparability, meaning that any attempts to aggregate data across studies are inherently flawed. However, an alternative approach can be used to generate a crude estimate of the overall size of the social enterprise sector in the UK using ‘tight’ interpretations of the Strategy for Success definition. This gives a guesstimate of the total number of social enterprises of around 5,300.
6.0 LESSONS FROM REGIONAL AND LOCAL STUDIES

Summary Good Practice Points for Local and Regional Studies

- Collect information as transparently as possible, making assumptions clear
- For multi-functional organisations, only information on relevant trading activity at the local level should be collected, leaving head office and national functions to be reconciled at a UK national level
- Mapping exercises should be carefully planned and focused on essential information only, building on existing information and questionnaires which are as short as possible to avoid ‘mapping fatigue’
- Estimates of economic contribution should be reconciled with the recommended national approach (as outlined in chapter 7)
- Wherever possible, precise (rather than averaged or banded) information should be collected
- Where classifications and categories are used, use those set out in Annex 1
- The approach whereby studies collect information on a wider set of social organisations is to be encouraged, so long as the social enterprise core can be easily identified within this
- Full time employment should be defined as over 30 hours per week and part time less than 30 hours
- Profits / surpluses is seen only as a desirable supplement to turnover information
- Wage and salary costs is seen as a desirable rather than core data field
- Postcode information for the primary business address is collected for social enterprise as a core data field
  - Classifications of trading activity should be traceable to Standard Industrial Classifications
  - Social aim is more usefully seen as a test of social enterprise rather than a classifiable attribute
  - Turnover should be classified in £50,000 increments for absolute figures (or smaller increments which can be aggregated to £50,000) and 25% steps where income from trading is being measured as a proportion
  - Desirable data should only be collected where necessary to fulfil study objectives, and using standard classifications given in Annex 1 wherever appropriate

This chapter examines specific issues in relation to consistency and comparability of existing data and highlights good practice points for use in future regional and local studies. It starts by revisiting some of the general issues highlighted in previous chapters. It then takes the suggested core and desirable data fields outlined in chapter 5 as a reference point and examines particular issues in relation to classifications within these. Core data fields are those suggested by the DTI as essential information.
that should be collected by any mapping study, with desirable data being less critical but useful in respect of specific mapping study purposes. Even where relatively consistent methodologies have been used within regional approaches, as outlined in chapter 3, this chapter shows that a number of issues remain within both core and desirable fields.

6.1 General Issues and Guidance

Three definitional issues were highlighted in chapter 4 in relation to sub-sectors, self-identification and multi-functional organisations. Whilst it was suggested that these would be partly dealt with by the use of a test-based approach, further guidance on the first two issues in relation to classification is given in section 6.2 below. For multi-functional organisations, the general point that information should be collected in as transparent a way as possible applies, but more specifically, only information on relevant trading activity at the local level should be collected. This means that head office and national functions, should then be mapped and reconciled at a national level.

Further general issues were identified in consulting with ‘mapped’ social enterprises. It is clear that ‘mapping fatigue’ is a real issue in some areas. This re-emphasises the need for mapping exercises to be carefully planned and focused on essential information only, building on existing information, and questionnaires which are as short as possible. In addition, making accurate estimates of economic contribution is difficult, especially where social enterprises are unwilling to disclose sensitive financial information. It is therefore suggested that future estimates should be reconciled with the recommended UK approach as outlined in chapter 7.

The ‘Audit of Audits’ in Lowland Scotland (4 and case study box below) highlighted some of these general issues in comparing and aggregating existing data. These issues led the Scottish Council for Voluntary Organisations (SCVO) to develop a consolidated database of over 35,000 social economy organisations (with detailed records on 5,000), within which it is possible to identify social enterprises.


Approach: This study reviewed local studies in Lowland Scotland in terms of the divergences and similarities in; Borders, Dumbartonshire, Forth Valley, Glasgow, Renfrewshire and Tayside.

Findings: Each of the studies adopted different definitions. These showed a divergence of views regarding the degree and nature of the economic-orientation expected of social enterprises and whether or not they are ‘trading’ organisations. All of the studies agree that community enterprises, social firms, intermediate labour market organisations, housing associations and co-operatives, voluntary organisations and credit unions are part of the social economy. Mutual insurance, building societies and charity shops are often excluded on the grounds of being branches of non-local concerns. Registered social landlords are included but have needed special treatment, as their size can skew the sample information.

6.2 Issues and Guidance in Relation to Suggested Core Data Fields

Whilst another general good practice guidance point applies here that wherever possible, precise information should be collected, in the interests of efficiency it is inevitable that mapping exercises will use classifications and categorisations to collect information. This section considers issues and makes recommendations in relation to core data fields, as initially suggested by DTI. The aim is to
promote greater consistency in classification and categories for data collection by identifying a set of core data fields, with good practice points, including recommended classifications and categorisations summarised as practical guidance recommendations for use in future studies in Annex 1. In light of the experience of existing studies, this chapter goes on to identify which of the suggested core fields can be collected most feasibly.

- **Number of social enterprises**

Collecting information for this field is not as simple as it may seem. Critical is the application of definition and deciding what is ‘in’ and ‘out’. A test-based approach was highlighted in chapter 4 as one solution, potentially combined with a process-based methodology. Approaches could be adopted whereby information on a wider set of social organisations is collected, with the social enterprise ‘core group’ identifiable within this. In line with this, chapter 8 suggests a way forward in terms of collecting core information which can then be aggregated and compared at a UK level.

- **Number of employees – part-time and full-time; temporary and permanent**

A number of existing studies make no distinction between full time and part time staff, with even fewer then going on to distinguish between temporary and permanent staff. It is suggested that the threshold of 30 hours as used in Rural N Yorks (25) and Tyne & Wear (26) should be used elsewhere so that full time is defined as over 30 hours per week and part time less than 30 hours. Temporary employment should then be defined as fixed term as against open-ended (permanent) employment contracts, but is seen as less of a priority in terms of core data.

- **Profits (before interest, depreciation and tax), including surpluses**

As noted in chapter 5, relatively few studies have collected information for this field. The South East (12) did have some limited success but information is far from comprehensive. Other studies have derived ‘surplus’ information from turnover (and expenditure) information and this is the approach which is suggested here, but as a desirable supplement to turnover information.

- **Wage and salary costs**

This is the field with the poorest coverage within existing studies. Difficulties in collection as well as the availability of proxy information from other national sources such as the Labour Force Survey (see chapter 7) point to this also being a desirable rather than core data field. Information should therefore be collected wherever possible, most probably through telephone surveys, but confidentiality issues need to be respected.

- **Geographical location of social enterprise by postcode**

The majority of existing studies use postcode information, which can be ‘translated’, for example, to names of community areas which may have more meaning to the social enterprises being mapped. In this way, in central London (16), ‘SE1’ was supplemented by ‘South Bank’ . Once postcode information is collected, it can then be manipulated to analyse data by local authority area, ward, or postal town, as in North Yorks (25). It also means that software applications such as Geographical Information Systems can be used, as in the example using crime data in Case Study 3, Appendix 5. Additional information can potentially be collected for the geographical scale of operation, (international, national, regional, local, urban / rural), but this would need to be specifically required as part of the study scope. It is therefore suggested that postcode information for the primary business address is collected for social enterprise as a core data field.

- **Core (and additional) trading activity of social enterprise**
As figure 6.1 below illustrates, this field was the most varied in terms of classifications used, even within regional studies. In addition, business models were also sometimes mixed with trading activity. Whilst there is merit in using classifications which make most sense to the sector, there is also a need to ensure results are comparable and linked to conventional sectors. The approach as used in the East Midlands (8) is therefore suggested here, whereby classifications are traceable to Standard Industrial Classifications (as described in chapter 7, with further work suggested as part of the planned UK national study to establish traceable categories which make sense to the sector).

As a desirable field, one ‘additional’ category of trading activity which can be usefully collected is the amount spent by social enterprise on local goods and services. This information can then be used to calculate local multipliers and also for promotional campaigns to promote inter-trading amongst local businesses and social enterprises.

Figure 6.1: Examples of Different Categories used for Trading Activity

<table>
<thead>
<tr>
<th>Area</th>
<th>Categories Used for Trading Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>East of England</td>
<td>Agriculture / Arts / Catering / Childcare / other care / Environment; (Unclear) / Finance / Gardening / Horticulture / Housing / Manufacturing / Recycling / Retail / Training / Transport / Other</td>
</tr>
<tr>
<td>South East</td>
<td>Housing / Health and Welfare / Sport / Manufacturing / Retail / Religion / Arts / Culture, and Heritage / Environment / Community and Regeneration / Trade Body / Agriculture / Hobby / Finance / Business or Social Economy support / Managed workspace / Advisory and Advocacy / Education and training / Social Club</td>
</tr>
<tr>
<td>London</td>
<td>Trading activity as an open-ended question, but were grouped afterwards into the following categories: Training / Tenant Management/Housing / Childcare / Education / Arts and Leisure; Counselling, Support and Advice Services / Youth and community services / Health &amp; Social Care / Environment / Recycling Services/ Retail / Business Consultancy / Workspace/Venue Hire / ICT / Financial/Insurance Services / Printing and Publishing / Hospitality and Catering / Media / Transport / Manufacture / Architectural Services / Research / Funeral Service / Events Organisation / Laundry Services / Travel Agency / Legal Services / Translation Services / Sale of Advertising Space / Removal Services / Marketing/Promotional Services / Repair Services / Criminal Investigation / Mechanic Services</td>
</tr>
<tr>
<td>East Midlands</td>
<td>Education and Training / Sport / Care / Housing / Culture / Tourism / Health / Agriculture / Transport / Environmental / Financial / Advice / General / Mediation / Food and Drink / Refuge / Religion / Retail</td>
</tr>
</tbody>
</table>

- **Core (and additional) social aim of social enterprise**

This is again an area in which existing studies had difficulties in collecting and subsequently categorising information. It is suggested here that social aim is more usefully seen as a test of social enterprise rather than a classifiable attribute. However, there is merit in including it as a desirable data field as a ‘cross checking’ question, for example the following classification, adapted from London (9), developed retrospectively in response to an open ended question:

- General welfare
- Access to financial services
- Gender issues
- Health promotion
- Religion based
- Asylum seekers
- Support to homeless people
It is suggested that a focus on beneficiaries within this classification is more useful as a measure of social aim than categories which are more descriptive of an organisation’s activities, such as:

- Redress Market / Public Sector Failure
- Increase Personal Capacity
- Raise Sustainability Awareness
- Provide Benefits for the Community

- Turnover (incl. total turnover and proportions from trading / non-trading activities)

From the experience of existing studies, this appears to be the most feasible financial data field to collect. There are a number of ways of classifying information, and the preferable collection of precise data is reiterated here. Standard classification is then suggested in terms of the most common approach adopted to date, namely initial £50,000 increments for absolute figures and 25% steps where income from trading is being measured. Mapping studies are encouraged to use smaller increments within this where required, but need to ensure that categories can be aggregated to £50,000 for comparative purposes. For example, studies can use £10,000 increments up to £50,000 and £25,000 increments thereafter. Furthermore, the 25% protocol would allow social enterprises to be grouped in bands used in South East (12) and London (9) for ‘emerging’ (less than 50%) and ‘established’ social enterprises (over 50%).

Trading should be limited to income relating to sales, contracts and service level agreements. It should exclude grants, subsidies, supporters’ membership fees, voluntary contributions and fundraising activities.

6.3 Issues and Guidance in Relation to Desirable Data Fields

This section continues the exercise above, but considers issues and makes recommendations in relation to desirable data fields, as initially suggested by the DTI.

- Income sources, including proportion from each source

This information would need to be collected through primary research, but has proved useful for a number of studies, such as the East of England (7), which used the following classifications:

- Grants
- Loans
- Contracts / Service Level Agreements
- Sales of goods / services (direct trading)
- Donations from the public and/or companies
- Investments
- Endowment funds
- Income from property holdings
- Other

When required, information can then be broken down further to the specific source of grant, as with Hereford & Worcester (14), which included the following categories:
- European Funding
- Lottery Funding
- Charitable Trusts
- Business donations
- Individual donors
- Other Fundraising activities

Classifications for this field should be used as required, with a suggested standard breakdown contained in Annex 1.

- **Number of volunteers – part-time and full time**

Most commonly, a total number of volunteers was collected in existing studies for this field. Where full and part time information is needed, it is suggested that the same thresholds as for employment information (see section 6.2 above) should be used.

- **Number of employees / volunteers by gender, age, ethnic origin and disability**

Only a small number of studies break down the workforce further, although consultations identified this as a key desirable field. In London, information is collected by gender, disability and ethnicity, in line with census classifications, with Merseyside (19) adding sexual orientation.

- **Asset base**

Very few studies have collected information for this field, either by value, as in the East Midlands (8) which used £25,000 bands, or type, as in Hereford & Worcester (14) which used the following categories:

- Property
- Land
- Vehicles
- High Value Equipment
- Low value equipment
- Community Buildings
- Other

Where information is central to the study requirements, it is suggested that both aspects (value and type) are collected. Wherever possible, value should be stated in line with accounting standards i.e. audited.

- **Age of social enterprise**

Year of establishment is a commonly asked question and does not appear to be a contentious area as long as it is asked in relation to the primary trading entity relevant to the study area. A more consistent figure used is year of registration (either with Companies House or the Register of Friendly Societies, for example).

- **Legal form**

Chapter 4 noted that legal form is not the best way to define social enterprises, but the following classification has been developed as an amalgam from existing studies as useful desirable data field in itself, as well as a useful ‘cross check’ question. It is important that legal status is not mixed with
**Business model** (co-op, housing association, development trusts, credit union), although this can be collected separately, if necessary.

- Company Limited by Guarantee
- Company Limited by Shares
- Partnership
- Statutory body
- Industrial and Provident Society / bona fide co-operative
- Industrial and Provident Society / society for the benefit of the community
- Unincorporated Association
- Sole trader
- Charitable Status (Yes/No)

**Measures of confidence e.g. whether turnover will increase or decrease next year**

The most common approach to this field is to ask social enterprises whether they are positive about future prospects, for example in terms of increased turnover. Subsidiary qualitative questions are then often asked in relation to anticipated staffing and volunteering levels, for example in Tyne & Wear (26). It is suggested that a simple yes / no question will suffice in most cases, except where studies are specifically examining the potential for growth. In this respect, Castlemilk (30) went one step further by quantifying growth plans in relation to the following areas, with other studies including open-ended questions on barriers to growth:

- Income
- Expenditure
- Number of Staff
- Volunteers
- Range of activities
- Need for our services
- Involvement in partnerships

**Measures of social / environmental impact**

This is an area of emerging technical knowledge and warrants fuller consideration outside the scope of this study. In terms of the approach taken by existing studies, the most tangible approach appears to be similar to social aim, through target beneficiary group (for example black and ethnic minorities, women or long term unemployed). An alternative to this would be to use recognised indicators for social and environmental impact, such as those suggested by the Sustainable Development Commission (see Annex 1), or the emerging tools as part of social audit. It is suggested that established indicators be used wherever possible, in particular for environmental impact, but that mapping exercises should also seek to define social impact in terms of beneficiary group wherever possible. Linked to this, it may be useful to ask social enterprises whether they have / or plan to conduct a social audit.

**Other quality of work indicators, such as skill development and training of employees**

Very few existing studies attempt to collect additional quality of work indicators, Tyne & Wear (26) asked for information on areas of staff training and Castlemilk on assessment of staff skills levels. No guidance is given in relation to these specific requirements which emerge as a result of the particular study objectives.

**Other classifications**
Two further classifications are untried by existing studies so lack practical good practice guidance. First, classification in terms of customers or clients, for example community, private or public sector, either the end user or the contract holder. Second, classification in terms of overall approach, for example social or environmental, which could act as a summary of more detailed trading activity. This approach is also untried and would require a level of awareness raising to accompany new mapping exercises.

6.4 Conclusions

Further good practice guidance points are suggested for use, in addition to the test-based approach, in order to collect consistent data. Guidance points are further supplemented in Annex 1 by a summary of practical recommendations for mapping exercises. Five core data fields are highlighted below as being the most feasible to collect, whilst also having the potential to give a comparable baseline picture of the sector.

a) number of social enterprises
b) number of employees (part-time / full-time)
c) geographical location of social enterprise by postcode
d) core trading activity of social enterprise
e) turnover (incl. proportion from trading / non-trading activities)
7.0 TAKING A UK NATIONAL PERSPECTIVE

Summary Points

- European level studies focus on the third sector and the collection of four key variables. Satellite accounting techniques are also being developed, initially in Belgium, to estimate the economic contribution of associations.

- National sources include; Companies House, the FSA / Registry of Friendly Societies, the Charities Commission, the Inter Departmental Business Register, the Annual Business Inquiry, the Labour Force Survey and the Global Entrepreneurship Monitor. All these sources have drawbacks in relation to mapping social enterprise.

- Community Interest Companies may provide a better source of information in the future.

- Standard Industrial Classifications are important if wider economic comparisons are to be made, especially of economic contribution.

This chapter considers mapping social enterprise from a UK national perspective in terms of the data sources and approaches that might be used to complement work at the regional and local level. It starts by looking upwards at the need to fit into European level work, before considering potential data sources for the UK national study. This includes consideration of coverage in terms of core data fields outlined in chapter 5.

7.1 The European Dimension

Although not included as part of the review of existing studies in Appendix 1, a number of European studies focusing on the wider social economy (and in particular co-operatives) are outlined in the wider literature review in Appendix 5.

In total, five studies mapping the social economy at a European level are outlined. These have been produced by a range of organisations, including the International Co-operative Alliance (ICA), CIREC/DG EMPL, and EUROSTAT. These studies focus on collecting data relating to four key variables within the social economy:

1. Number of enterprises
2. Number of individual members
3. Number of workers
4. Economic size (turnover / market share)

Each study examined employed the ‘Co-operatives, Mutuals, Associations and Foundations (CMAF)’ definition of the social economy, based on legal forms. The use of consistent definitions means that changes in the social economy over time can be examined, and attempts have been made to build a time series data set from 1995 to 1998 from 7 member states’ business registers.

From a European perspective, the wider focus on the third sector and social economy is useful in order to capture the diversity of the social enterprise sector as part of an inclusive approach. The application of the four key variables which EU studies focus on will need to be integrated into the core data requirements for social enterprise mapping at a UK national level.
7.1.1 Satellite Accounting

Satellite Accounting is a methodology for reorganising national economic accounts to investigate the contribution of a given sector to the national economy. It has been used in the past to investigate the economic contribution of tourism, but recently an attempt has been made by the Belgian Government and the National Bank of Belgium to complete a similar exercise for the ‘associations’ sector.

The methodology involves developing links across national datasets, including the Belgian business register, results from a structural survey of non-profit organisations, and various pieces of information from the national accounts. By identifying ‘associations’ in each dataset, and matching them across datasets, the researchers will create a database of information about associations. The procedure will allow the researchers to identify a share of the total national sales in each industry for associations from the national accounts.

7.2 National Data Sources

Whilst there have been attempts to map the social economy and to a certain extent social enterprise in Northern Ireland (2&3), Scotland (1,4,5,6 and current SCVO database) and Wales (underway), there has been no attempt for either England or for the UK overall. This section sets out a number of information sources that would be available to assist in a UK mapping exercise. The attraction of these sources is that they are, in the main, publicly available and would offer a cost effective resource at a UK level. However, as will be shown, all have drawbacks in relation to information held on social enterprise and core data fields. Contact details for these sources are included in Annex 1.

7.2.1 Companies House Records

Companies House is the Government agency responsible for company registration in England Scotland and Wales, with a parallel organisation, the Companies Registry operating in Northern Ireland. Companies House (and Registry) manage a database containing the information fields as set out in figure 7.1 below. In terms of core data fields, missing information includes turnover and employment, which is important for estimating economic contribution.

Regional studies have used records of Companies Limited by Guarantee held by Companies House as a start point for mapping exercises, as this is a popular model for social enterprises. Databases can be purchased from Companies House which also incorporate information from the Financial Services Authority (as formerly held by the Registry of Friendly Societies, see below). If information has been filed, in theory, it is possible to ascertain social objectives from Director’s Reports, however, this represents a time consuming exercise.

Figure 7.1 Information Fields Available from Companies House

- Company Number
- Company Type
- Date of Incorporation
- Company Name
- Registered Office
- Address (if not dissolved)
- Postcode (if not dissolved)
- Accounting reference date
- Accounts Type (if any have been filed)
- Date of Latest Accounts Filed (if any have been filed)
- Annual Return Made Up Date (if filed)
- SIC (92) Code (if registered)
- Mortgage Flag
7.2.2 **Financial Services Authority / Registry of Friendly Societies**

The functions of the Registry of Friendly Societies were taken over by the Financial Services Authority (FSA) in July 2001. One of the roles of the FSA is to maintain public records on five different categories of organisation:

- Industrial and Provident Societies
- Credit Unions
- Building Societies
- Friendly Societies
- Societies other than Friendly Societies registered under the Friendly Society Act

The database contains information on the numbers of these different organisations, number of members, funds of members, surpluses and total assets, with data fields set out in figure 7.1 published alongside Companies House records.

7.2.3 **Charities Commission**

Similar to the FSA, the Charities Commission in Liverpool maintains a record of all registered Charities in England and Wales, as well as copies of annual accounts. Sister organisations operate in Scotland (Scottish Charities Office) and Northern Ireland (Charities Branch within the Department for Social Development). However, the Scottish Charities Office does not maintain an up to date register, with the best source of information on charities held by the Scottish Council for Voluntary Organisations. There are proposals to put charities information across the UK on-line as part of ‘Guidestar’ (see section 7.2.7 below).

The Charities Commission maintains a register of charities which operate exclusively for charitable purposes. In the context of social enterprise mapping, it is important to recognise that there are also a number of ‘exempt’ charities which cannot register with the Commission and are not subject to their supervisory powers. These charities include:

- charities which are also Industrial and Provident Societies (registered instead with the FSA, see 7.2.2 above)
- charities which are also registered societies (registered with the FSA)
- most universities

7.2.4 **The Inter-Departmental Business Register**

Due in part to restricted access, an avenue not explored by many existing mapping studies is the use of the Inter-Departmental Business Register (IDBR). The IDBR is a sample of UK businesses maintained by the Office for National Statistics (ONS) and combines the former Central Statistical Office (CSO) VAT based business register and the former Employment Department (ED) employment statistics system.

The IDBR covers 99% of economic activity in the UK, but misses some very small businesses (self employed and those without employees and low turnover, below the VAT threshold of £54,000) and some non-profit making organisations, for example charities which aren’t Companies Limited by Guarantee (about 60%). It also uses the Customs and Excise and PAYE cut off point of 50% of government grants as the defining feature of a business.

Some studies, particularly those at regional level, interrogated public lists and combined databases similar to the IDBR, for example the use of an Experian database by the East Midlands (8). The IDBR has the advantage of carrying more information, derived from a number of sources and is comparable with other datasets, making it easier to compare the performance of the social economy with the
whole economy. The IDBR contains similar fields to those provided by Companies House in figure 7.1 above, but crucially also includes turnover and employment information.

7.2.5 Annual Business Inquiry and Labour Force Survey

The Annual Business Inquiry (ABI) is an annual sample survey of 74,000 businesses conducted by the Office for National Statistics. It is used to calculate the economic contribution of individual industries to Gross Value Added and Gross Domestic Product and to measure productivity.

The sample is based on the Inter Departmental Business Register and is stratified by industrial sector and business size. The ABI collects information additional to that contained in the IDBR, covering profits, gross value added and gross capital formation as well as full-time and part-time employment. The IDBR population totals are used to gross these results to a national level.

The Labour Force Survey is a parallel quarterly survey of those aged 16 and over across the UK. The survey is used, among other purposes, to calculate unemployment rates, economic activity rates, and educational levels. As a survey of households rather than organisations, its main use would be to provide contextual information for mapping studies.

7.2.6 The Global Entrepreneurship Monitor

The Global Entrepreneurship Monitor (GEM) was first conducted in 1999 and is now in its fourth year. It examines trends in entrepreneurship in 37 countries, including the UK, and is conducted in the UK by the London Business School. The key indicator used to measure entrepreneurship is the Total Entrepreneurial Activity Index (TEA). It is measured by estimating the total number of people involved in start-up businesses and in firms established for up to 42 months. GEM also contributes an analysis of how entrepreneurship contributes to regeneration objectives. In 2003, for the first time, the survey included a question in relation to social enterprise activity, the results of which (when available) could be usefully used as part of a comparative assessment on the potential for social enterprise.

7.2.7 Future Developments

The DTI’s Social Enterprise Mapping Working Group, formed during the preparation of the Government’s ‘Strategy for Success’, recommended the inclusion of new fields within a number of the national data sources outlined above in order to give a better evidence base for the social enterprise sector. Recommendations included the inclusion of a statement on social objectives within Companies House returns and identifier questions in the Labour Force Survey and entrepreneurship monitor. Whilst these developments would be very welcome, this guidance focuses on practical short-term steps to help improve the information base for the sector.

Also in the long term, an opportunity exists to use a more standardised legal form for social enterprise with Government proposals to establish Community Interest Companies (CICs) and regulator. However, there will be no legal obligation for organisations with social aims and objectives to register as a CIC and there may be a danger that mapping studies in the future could solely focus on CICs without including other legal forms. Further background on CICs is given in the box below.
Community Interest Companies (CICs)

The ‘CIC’ was proposed in the Cabinet Office Strategy Unit Report (2002) ‘Private Action, Public Benefit’ as a new form of company. The aim is to create a new legal form for social enterprise that can be easily recognised and understood. The consultation exercise on CICs (that closed on 18 June 2003) set out that CICs will be easy to establish, with the flexibility and certainty of company form. They will be registered as companies in the usual way, but with an additional requirement to demonstrate community benefit, which is likely to give a boost to the social audit movement. As part of this, a CIC will report to an independent regulator on how it is delivering on that commitment.

Further information can be found via: [www.dti.gov.uk/cics](http://www.dti.gov.uk/cics)

Finally, ‘Guidestar’ is a web-based platform, similar to one used in North America, which gives access to key information on Charities based on an analysis of annual reports. The Office for National Statistics (ONS) and University College London are promoting a similar information system in the UK, which will broaden their collection of information in line with EUROSTAT guidelines. Whilst this does not currently specifically include social enterprises, there is scope to broaden the categories to include this sector, it also has the facility to incorporate impact measures. However, the approach is currently restricted to Charity Commission records, is resource intensive and has a built-in time lag in respect of the time taken to file accounts. It is expected that the ONS will have the UK system up and running by the end of 2003, with historical and live data on line in 2004.

7.3 Standard Industrial Classifications

The use of Standard Industrial (and Occupational) Classifications (SICs/SOCs) are a common feature of national data sources outlined above. The issue that self-defined categories used within existing social enterprise mapping studies do not align with SICs has already been noted. However, if a UK national study is to be comparable to wider economic studies, to gauge comparative productivity levels, employment levels and growth, there needs to be a way to trace categories to SICs. A full list of four digit SICs is included in Annex 1.

Four digit SIC codes give a description of the core products or services produced by an organisation. The East Midlands (8) study applied these codes to the social economy and found that 38 per cent of the social economy was covered by 12 four digit SIC codes, as shown in table C1 in Annex 1. This demonstrates that SICs can be used up to a certain point in social enterprise mapping studies, but need careful interpretation. The most relevant range of SIC codes are those in the 8000s and 9000s and it is suggested that the East Midlands experience could be built on in tracing bespoke categories to SIC codes in light of the results of the proposed UK-wide national mapping exercise.

The use of SIC codes also offers opportunities for filtering data at a strategic level. For example, a number of regional studies found that it was necessary to exclude village halls and sports and social clubs at an early stage as the sheer numbers registered with the FSA (around 9000 clubs in total) made manual filtering too time consuming. Although some social enterprises are lost by ‘strategic filtering’, if a compensatory process could be developed to add key social enterprise sports and social clubs back in at a later stage, this approach could be justified.

7.4 Economic Contribution

Chapter 2 outlined that one of the purposes of existing studies has been to try and assess the economic contribution of the social enterprise and social economy sectors. Lack of detailed input / output
models and multipliers at the regional, sub-regional and local levels means that wide ranging estimates have been made. This section describes a UK national approach that could be developed to avoid some of the pitfalls at a local or regional level.

The Office for National Statistics measures the gross output of the UK economy (Gross Domestic Product) in three ways; income measurement, expenditure measurement and output measurement. The income and expenditure approaches sum the values of income earned in the economy and expenditure on finished goods and services respectively and is calculated for the whole economy. The output approach is used to calculate the contribution of individual industries to the economy.

To calculate the output measure of GDP, it is necessary to first calculate Gross Value Added (GVA). The GVA produced by the social enterprise sector could be estimated using the IDBR, the Annual Business Inquiry and the New Earnings Survey. This could be achieved using the following steps:

(i) Identify social enterprises in the IDBR, and create a new data set from these entries.

(ii) Construct a table of total employment in social enterprises by industrial sector based on the new data set.

(iii) Combine Annual Business Inquiry and New Earnings survey data on GVA, employment and average hours worked to calculate GVA per hour worked by industrial sector.

(iv) Apply these figures to employment by sector in the social enterprise data set to calculate total GVA for the sector.

The drawback of this approach is that the Annual Business Inquiry does not cover SIC Section J, ‘Financial Intermediation’, meaning that this approach would not cover GVA for Credit Unions. However, this could be estimated by taking the employment share of credit unions in section J and applying this figure to the UK estimates for GVA for the sector, derived from the National Accounts.

7.5 Conclusions

There are a number of national data sources which could be utilised as part of a national approach, but drawbacks would need to be addressed by adding information from regional and local sources. Companies House records have merit as a ‘first cut’, but core data fields in relation to employment and turnover are not covered. If estimates of economic contribution are to be made, primary information, or information from the Inter Departmental Business Register would have to be used.
8.0 THE WAY FORWARD

This guidance started by setting out some of the purposes for which social enterprise mapping exercises are undertaken. It is clear that whilst much excellent research has been undertaken as part of this, the knowledge base is far from complete, with social enterprise in some areas suffering from ‘mapping fatigue’ and many more still unidentified. There are no ‘magic solutions’ to many of the issues which have been highlighted, but if good practice lessons are widely followed, the overall information base will be more consistent and comparable across the UK.

As a key part of this, this guidance aims to take a step forward in highlighting a set of core data which can be collected, and added to, for any social enterprise mapping exercise. This common core should run through, and be verified by, all studies at the local, regional and national levels. As part of this, a process is recommended which will, in effect, give all regions, Wales, Scotland and Northern Ireland a ‘level playing field’ in terms of a comparable information base to build upon, allowing a UK-wide picture of social enterprise to be developed.

This chapter starts by setting out a number of good practice lessons arising from existing studies, offering pointers for future mapping exercises at all levels. These lessons have fed into the production of the summary of practical guidance contained in Annex 1, for anyone mapping social enterprise at the local or regional level. Good practice lessons have also fed into specific recommendations later in this chapter for the UK-wide social enterprise mapping exercise that DTI is planning to commission later this year.

8.1 Good Practice Lessons

Based on the extensive consultation undertaken as part of this study, which has included commissioning and research bodies as well as ‘mapped’ social enterprises, a number of specific good practice lessons have been identified.

**Incentivise Participation**

- Make mapping exercises part of wider process, such as developing an on-line directory (and publicising this), to encourage active participation from social enterprises as there is a ‘pay back’ benefit for the sector
- Ensure on-going mechanisms for updating directories are resourced
- Accompanying publicity, warm up letters / telephone calls and use of existing networks to improve response rates and the quality of information collected
- Survey activity should not be onerous for social enterprise - the shorter the questionnaire, the better

**Don’t Re-Invent the Wheel**

- Use publicly available information (e.g. Companies House) and other existing sources (membership lists) wherever possible, but cross check databases to avoid double counting
- Use and refine existing tools in order to build capacity in the sector
**Plan to Deal with ‘Grey Areas’**

- Retain a degree of flexibility within categories to cope with the dynamic nature of the sector, for example an ‘emerging social enterprise’ category
- Reference groups, drawn from within the sector, and external experts can help ensure consistency when making subjective judgements
- Collect precise data wherever possible rather than using ‘bandings’ in questionnaires
- Be as transparent as possible when including large social enterprises, such as Registered Social Landlords or large Financial Mutuals, which are likely to skew results
- Only include social enterprises trading in the relevant local or regional area of interest, leaving head office / national functions to the UK study

**Validate Results**

- If possible, verify information collected from a number of sources and also cross check answers within questionnaires for consistency
- Links to other, parallel studies (for example into the whole business population commissioned by Regional Observatories), can improve usefulness of information and comparability
- Consultation with support agencies outside of the social enterprise sector may improve results, in particular business support agencies and local authorities who may offer new information and different perspectives on the sector
- Take care and seek external validation when attempting to make estimates of economic contribution, use recognised Gross Value Added methodologies as set out in chapter 7

**Use Technology where Appropriate**

- Web sites and on-line tools can be useful for improving participation and stimulating discussion where the scale of the study justifies it
- Other Information and Communication Technology applications, such as Geographical Information Systems (GIS) add insights to the analysis of results, for example in relation to clustering of social enterprise

**8.2 Recommendations**

Following on from these good practice lessons, a number of recommendations are set out below for future mapping studies at the local / regional and UK level. First, recommendations in relation to core tests and data fields are set out. This is followed by specific recommendations for the processes suggested at the local / regional and national level respectively which are seen as complementary. Within these recommendations is a common core approach and set of data for future social enterprise mapping exercises which, if followed, would offer new opportunities in terms of information exchange and the development of the sector.

Underpinning the recommendations is encouragement to local and regional bodies to continue to undertake mapping exercises for their own purposes. In this way, different aspects of this dynamic and emerging sector can be researched by adding to the core data in whatever way local and regional
bodies deem appropriate. The intention is to foster innovation around a common core rather than to impose restrictions on future research.

8.2.1 Recommended Tests

It is recommended that the Government’s definition of social enterprise should be applied in mapping exercises using the following three tests. Only organisations that satisfy all three tests should be included as the ‘core group’ of social enterprises.

A: Registration

Formal registration indicates a degree of permanence and also that the social enterprise has defined its core values through the process of constitution, for example as part of developing Memorandum and Articles. Social enterprises may take a range of legal forms, with Companies Limited by Guarantee and Industrial and Provident Societies shown by previous mapping studies to be the most popular. In past studies, the scale of the task of separating out social enterprises which are Companies Limited by Shares and (non-exempt) Charities from much larger registers has proved prohibitive, although these social enterprises should also be included to capture the full range of social enterprises.

It is therefore recommended that the start point for mapping exercises should be organisations registered with Companies House as Companies Limited by Guarantee, and Industrial and Provident Societies. Provision is made later within the recommended process to add qualifying social enterprises that adopt alternative legal forms back into this ‘core group’. In the future, this could include social enterprises which are registered Community Interest Companies as well as Companies Limited by Shares and (non-exempt) Charities.

B: Trading

The second test is that the social enterprise is actively trading, through sales, contracts and service level agreements. It is recommended that social enterprises with trading income of 50% and above should be included as part of the core group. Information on social enterprises with income under 50% should be collected as deemed appropriate for individual studies depending on their purpose, for example in targeting the development of fledgling social enterprises. Trading would exclude income from grants, subsidies, supporters’ membership fees, voluntary contributions and fundraising activities.

C: Pursuit of Social Objectives

This is perhaps the most difficult test to apply due to difficulties in accessing information. Documents deposited at national registries have the potential to yield such information but searching can be time consuming. A defining feature of a social enterprise is that it has primarily social (including environmental) objectives and that in pursuit of those objectives, it principally reinvests its surpluses in the business or in the community. A test that simply identifies that the business does primarily pursue social objectives in this way is recommended, rather than an approach which attempts to categorise these objectives.

In setting these three tests, it is acknowledged that it may be more appropriate for local and regional studies to incorporate additional flexibility, in particular around the criteria for registration and trading, depending on the purpose of the study. If such studies enable the ‘core group’ to be easily identified within data sets, it will enable comparative information to be gathered, helping to build up a UK-wide picture of social enterprise. Tightly drawing the core group enables comparable data to be gathered across the full range of study scales (both in terms of size and cost), whilst still enabling studies to tailor additional (desirable) data fields according to their own objectives.
8.2.2 Recommended Core and Desirable Data Fields

It is recommended that the following core data fields should be collected as part of any mapping study involving social enterprise, using the classifications and categories set out in Annex 1:

a) number of social enterprises  
b) number of employees (part-time / full-time)  
c) geographical location of social enterprise by postcode  
d) core trading activity of social enterprise  
e) turnover (incl. proportion from trading / non-trading activities)  

In addition, the following desirable data could be collected in line with study purpose and objectives and using classifications and categories set out in Annex 1:

(i) number of employees (temporary / permanent, volunteers, gender, age, ethnic origin and disability)  
(ii) profits/surpluses (before interest, depreciation and tax)  
(iii) wage and salary costs  
(iv) income sources, including proportion from each source  
(v) geographical scope of market served by postcode (local, regional or national)  
(vi) additional trading activity of social enterprise, including local purchasing  
(vii) asset base  
(viii) date of registration  
(ix) legal form  
(x) Section 75 categories (N. Ireland)  

In addition, other data fields may be collected, such as the following fields where a wide range of measures may be appropriate depending on the purpose of the study:

(xii) measures of confidence e.g. whether income will increase or decrease  
(xiii) measures of social / environmental impact  
(xiviii) other quality of work indicators, such as skill development and training of employees  

8.2.3 Recommended Regional and Local Process

We recommend the following stages applying the above tests and collecting core and desirable data for regional and local mapping studies. These are seen as complementary to the process recommended for the national level, which will give future regional and local studies a ‘head start’ in providing core data, allowing regional and local studies to focus on their own specific mapping requirements. A summary of practical guidance for use in these stages is provided in Annex 1.

i) Compiling an Initial Database

Regional and local bodies should make as much use as possible of existing databases and membership lists held by support networks and intermediaries. This information should be supplemented and cross-checked with lists of Companies Limited by Guarantee and Industrial and Provident Societies within the study area available from Companies House, and in the future available at a regional level as a result of the process recommended under 8.2.4 below. Only social enterprises with their primary trading activity in the geographical area of interest should be included, leaving national and headquarter functions to the UK exercise outlined below. The initial database should be formed around a core group of ‘tagged’ social enterprises which satisfy all three tests above. Regional and local bodies are encouraged to add to this core group, for example with social enterprises that only fail to meet the registration test.
ii) **Forming a Reference Group**

In parallel to compiling an initial database, it is recommended that a reference group is formed to oversee the mapping exercise, drawn as far as possible from representatives within the sector. It is also suggested that wider research bodies such as Regional Observatories (research organisations which work with RDAs in tracking socio-economic trends) and Universities are involved. This group will have responsibility for ensuring that the definition of social enterprise is applied consistently through the three recommended tests. The group should also seek to ensure that wherever possible, mapping exercises are part of an on-going process of benefit to the sector, rather than a one-off exercise.

iii) **Undertaking Primary Research**

Once the initial database is agreed, research tools can be developed to fulfil the study’s purpose and objectives. Questionnaires should be kept as short as possible and different formats used (telephone, postal, face to face and focus groups) according to the needs of the research and preference of social enterprises being mapped. The minimum information collected is likely to relate to the trading and social objective tests and five core data fields, where this is not available as a result of the UK national study (see below). Added to this will be supplementary tests and relevant desirable data fields.

**8.2.4 Recommended UK-wide Process**

In order to bring the whole of the UK up to a ‘level playing field’ and to give local and regional studies a head start, a stand-alone UK wide mapping exercise is recommended. The need for a UK-wide evidence base on social enterprise has been highlighted in earlier chapters. This does not detract from the valuable insights into social enterprise, nor offer a replacement to the detailed information, offered by regional and local studies.

In an ideal world, it would be desirable to undertake a ‘bottom–up’ approach to building a comprehensive database of social enterprises across the UK through the knowledge of support agencies and umbrella bodies. However, whilst this approach has been shown to be effective at a local level, the required coverage of intermediary support networks does not exist across the UK on a consistent basis. In addition, such a resource-intensive exercise would raise questions over cost effectiveness and place an additional burden on social enterprises already suffering ‘mapping fatigue’.

This means that a more strategic approach is required to gather data on social enterprise at a UK level. Our recommendation here is to follow a four-stage approach which takes the core tests and data fields recommended above and completes the national picture of social enterprise through establishing common ‘building blocks’ for each region, Wales, Scotland and Northern Ireland. This could then feed directly in to more comprehensive regional and local studies as outlined above, enabling them to focus on their own desirable data fields (not repeating the collection of core data), thus enriching the overall data set over time. Finally, we go on to recommend how the information gathered could be developed into a resource for the sector whilst also being used to provide quantitative evidence on the size and diversity of the sector across the UK.

i) **Compilation of Initial Regional Databases**

This first stage establishes a common start point for each English region, Scotland, Wales and Northern Ireland. It involves establishing an initial database from Companies House records comprising a ‘long list’ of Companies Limited by Guarantee and Industrial and Provident Societies, each with a unique company number identifier.
This initial regional database would then be filtered to exclude building societies, sports and social clubs (due to the sheer number of non-qualifying clubs), schools and non-trading voluntary sector organisations wherever possible.

ii) Validation and Enhancement of Initial Databases by Regional Partners and National Co-ordinating Body

The second stage will require input from regional partners (including Wales, Scotland and Northern Ireland) who would validate the initial database. It is recommended that representatives within the sector as well as public agencies are involved in this process. This process would involve making recommendations, in the light of local knowledge, to subtract organisations from the initial database that are known not to satisfy the three tests, and to add those which are known to have been missed (for example social enterprises limited by shares and non-exempt charities). It is envisaged that this validation exercise is performed by cross checking the initial database with existing records held within the regions, Wales, Scotland and Northern Ireland. The result would be a ‘validated’ initial database for English regions, Wales, Scotland and Northern Ireland.

It is suggested that this overall stage be mediated by a national co-ordinator to help ensure consistency. The national co-ordinator would also check the inclusion of national organisations which may have been excluded at a regional level, as well as for potential double counting. It would also compare the results of validation exercises between regions in respect of the number of additional social enterprises identified (e.g. either limited by share or charities). This would enable estimates to be generated, if required, for regions where local knowledge is less complete.

iii) Telephone Survey to Establish Social Aim and Trading Level

The final recommended stage for the national approach involves primary research in order to verify the three tests and collect the five pieces of core data where they are not already available. A limited telephone survey is recommended in order to ascertain that the organisation does satisfy the trading and pursuit of social objectives tests.

This survey could be undertaken nationally or regionally and should be limited to a small number of questions in order to ensure consistency and minimise the burden on social enterprises. Given the rough estimate made in chapter 5, this step is likely to involve around 5000 telephone interviews. Telephone numbers would have to be added to the validated database by matching records to a recognised source of contact information such as yell.com. If costs were deemed prohibitive, a sampling approach could be pursued. It is recommended that as part of the introduction or sign off script, participants are asked to confirm that they are happy for their contact details to be included in a public database as an on-going resource for the sector (see below).

iv) Estimating Economic Contribution

This final stage would involve collating further data on the final list of social enterprises identified through the previous stages. The Inter Departmental Business Register (IDBR), or alternative commercially available business registers (such as Experian or FAME) contain information on the number of employees, turnover and core trading activity. Using unique company number identifiers of the social enterprises, data could be extracted to give aggregated (or sampled where data is not complete) information at a national and regional level of the size and diversity of the social enterprise sector.

Further analysis of this information could generate estimates of Gross Value Added, either in line with the approach detailed in chapter 7 or through random sampling. It would also provide the opportunity to review initial East Midlands work contained in Annex 1 in terms of tracing social
enterprise trading activity to Standard Industrial Classifications and make recommendations for more useable categories in relation to social enterprise in the future.

8.2.5 Establishing an On-Going Resource for the Sector

The recommended UK approach should provide a common data platform for each region, Wales, Scotland and Northern Ireland as a resource for the sector. This could then be taken forward and added to by local and regional research as well as potentially used for a range of agendas, including, for example; an online directory / a market place, awareness raising, a marketing tool, developing networks, inter-trading and disseminating information on training, events and funding. These functions would also then have the potential to be performed nationally.

This use of the mapping work to populate an on-going resource will be a key factor in the success of the national database as social enterprises are more likely to co-operate and contribute if there is an obvious benefit. As part of this, it might also be worth exploring the potential use of direct incentives (such as a monthly prize draw) for social enterprises that submit updated contact details.

It is suggested that the UK National database be maintained regionally on a common software platform and that information would be publicly available in line with principles of data protection (www.dataprotection.gov.uk). The recommended UK approach is therefore envisaged as the beginning of a process whereby databases for the regions, Wales, Scotland and Northern Ireland are refined and added to over time. Key to this will be the on-going involvement of regional partners, representative and support bodies working with social enterprise.

It is also suggested that a national co-ordinating body has an on-going role in overseeing and moderating the on-going development of the database. This should involve reviewing the tests (for example, to reflect new legal forms such as CICs) and core data fields to ensure continued relevance. Part of this role could also be to investigate links to wider developments such as Guidestar (as outlined in chapter 6). One of the key steps in taking forward the recommended UK approach is therefore to seek the views of regional and national stakeholders on how the UK-wide mapping exercise can be used to develop an on-going resource for the sector.

8.3 Conclusion

The Government’s definition of social enterprise should be supplemented by the following three tests applied during mapping exercises:

- Registration
- Trading
- Pursuit of social objectives

The following data fields should form the core of any mapping exercise of social enterprise:

a) number of social enterprises
b) number of employees (part-time / full-time)
c) geographical location of social enterprise by postcode
d) core trading activity of social enterprise
e) turnover (incl. proportion from trading / non-trading activities)

In addition, the following data may be seen as desirable, depending on the objectives of particular studies:
i) number of employees (temporary / permanent, volunteers, gender, age, ethnic origin and disability)

ii) profits/surpluses (before interest, depreciation and tax)

iii) wage and salary costs

iv) income sources, including proportion from each source

v) geographical scale of market served

vi) additional trading activity of social enterprise, including local purchasing

vii) asset base

viii) date of registration

ix) legal form

x) measures of confidence e.g. whether income will increase or decrease

xi) measures of social / environmental impact

xii) other quality of work indicators, such as skill development and training of employees

xiii) Section 75 categories (N. Ireland)

The following steps are recommended for local and regional studies in applying the three tests above to collect core and desirable data:

1. Compile an initial database using a combination of national and local sources
2. Form a reference group to oversee the study
3. Undertake primary research to collect core data plus desirable data according to study objectives

The recommended approach for the planned UK National Study involves the following four stages to collect core baseline data as part of establishing an on-going, dynamic resource for the sector.

1. Compilation of initial regional databases from National sources
2. Validation of initial databases by regional partners and National co-ordinating body
3. Telephone survey to verify tests and collect core data
4. Summary estimate of economic contribution of the social enterprise sector