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# Growing the Social Economy in the WMCA area

## A Framework for Action

iSE Research Team for  
West Midlands Combined Authority  
June 2021 - V2.1 Final



**West Midlands**  
Combined Authority



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## Background & Context

At the end of October 2020 a consultancy team led by iSE and consisting of Sarah Crawley (iSE), Meena Bharadwa (Locality), Carole Donnelly (CJD Consulting), Alun Severn (Third Sector Services), and Charles Rapson (School for Social Entrepreneurs), was awarded a contract by West Midlands Combined Authority to undertake research, development and other work which would help the combined authority achieve its ambitious objective of doubling the size of the social economy in the WMCA area over the course of the next ten years.<sup>1</sup>

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

- Strengthening the social economy.
- Helping charities, social enterprises and community businesses to deliver public service outcomes.
- Identifying situations where public, private, and social sector collaboration can help to meet the region's challenges.

The Taskforce comprised representatives from social enterprises, social enterprise business support providers, social investment funders and fund brokerage services, VCSE (voluntary, community & social enterprise) organisations and local authorities.

In January 2020, the Social Economy Taskforce published a set of six recommendations for WMCA and other regional partners designed to achieve its desired goal of **doubling the size of the social economy in ten years.**<sup>2</sup> These recommendations were:

1. Boost the collective identity of social enterprise and the wider social economy by strengthening and growing its platforms.
2. Develop a collaborative, ten-year business case for social enterprise business support.
3. WMCA Office of Data & Analytics to develop and disseminate a consistent approach for data collection on social enterprises and the wider social economy.
4. WMCA will use its convening role to encourage all regional public sector bodies and publicly-funded projects to spend at least 5% of their commissioning and procurement budget with VCSE organisations.
5. WMCA and partners to lead a campaign to encourage closer links between social enterprises and the wider private sector.
6. Work with social finance and business partners to assess gaps, barriers and improvements that could boost the impact of social investment, as well as increasing demand.

WMCA's commitment to growing the social economy has been given additional impetus by the impact of the global COVID-19 pandemic.

The pandemic has had a profound impact on all parts of society and on all communities but its disproportionate impact on the most economically excluded groups – black and ethnic minority communities, people with disabilities, those in low paid and insecure occupations whose work has put them at risk – has revealed deeply entrenched inequalities which have been further exacerbated by the pandemic.

The social and economic contribution that the social economy makes to some of the region’s poorest neighbourhoods and weakest local economies is therefore now more important than ever, as is its potential to help support inclusive growth and an inclusive recovery.

### **Purpose & Scope of this Report**

The purpose of this report is to describe an ecosystem approach to stimulating social economy growth, and in doing this help establish a framework for action that can guide WMCA’s social economy growth plans over the coming years.

An ecosystem approach to growing the social economy recognises that opportunities in the social sector are driven by a complex of interlocking (and sometimes competing) factors, and that the best chance of growth rests on harnessing these forces and enabling them to work together collaboratively for the benefit of social economy organisations and the communities they serve. This ecosystem approach is increasingly widely recognised, both at the city/region level and the national level (see “An ‘ecosystem’ approach and a framework for action” section for further detail).

Drawing on this approach, four separate but complimentary business cases have been produced and are currently (June 2021) in the process of being considered by the WMCA Board. These business cases propose the following:

1. Developing social economy clusters in the WM region.
2. Establishing a new regional social economy development fund.
3. Establishing new regional social economy growth and accelerator programmes.
4. Utilising WMCA regional investment programmes for social economy growth.





During our initial information-gathering we looked particularly for robust evidence regarding what is successful in stimulating growth – primarily in the social economy, but also in SME terms where this might offer useful lessons. We looked for evidence from a variety of perspectives including business support programmes, voluntary and community sector (VCS) infrastructure support, social investment and grant support, social enterprise support methodologies, local community development programmes, community asset transfer, and commissioning and procurement.

Generally speaking, evidence relating specifically to what is successful in stimulating growth is actually quite limited. There are a number of reasons for this. Programme evaluation is rarely resourced at a level that enables long-term outcomes such as growth in turnover or jobs to be tracked longitudinally over significant time. It is now acknowledged, for instance, that historically many business advice and support programmes have been both poorly designed and poorly evaluated<sup>3</sup> and the Department for Business, Energy & Industrial Strategy (BEIS) has published a business support evaluation framework which it intends should guide both the design and evaluation of publicly-funded business support programmes in future.<sup>4</sup>

There is a wealth of evaluative literature regarding the social investment sector but for similar reasons of cost and timescales relatively little of this focuses on the outcomes that social investment enables borrowers to achieve.

Consequently, there is only limited evidence that social investment stimulates growth.<sup>5</sup> Social investment generally into the West Midlands is in any case lower than other parts of the country. Nonetheless, it is vital that social investment as a means to growth is part of the wider ecosystem. Achieving this in a systematic and coordinated way that meets the needs of social economy borrowers is currently hampered by supply- and demand-side problems. Supply-side problems include competition between providers and an absence of collaboration and strategic purpose.<sup>6</sup> Demand-side problems include lack of access to unbiased social investment advice, low levels of ‘investment-readiness’, risk averseness amongst boards of social economy organisations (often justifiable) and widespread perception that the cost of social finance is too high.

Our initial research conclusively demonstrates that what the WMCA is seeking to do is at the leading-edge of socio-economic policy. The concept of pursuing an ‘ecosystem’ of measures that will help stimulate overall social economy growth is new. While business support programmes predicated on growth are an established feature in the private sector, social enterprise support and development programmes have tended to focus on boosting the number of social enterprises – i.e. increasing the numerical size of the sector – and for this reason historically new-start formations have been a primary goal.

While evidence regarding the impact of different types of business support is equivocal, there are some limited exceptions to this. The Goldman Sachs 10,000 Small Businesses programme has been evaluated three times over the past seven years. The most recent evaluation (2018) suggests that it may well be one of the most effective business growth programmes.<sup>7</sup> We think that a business growth accelerator programme specifically tailored for the social economy should be considered as part of an effective ecosystem approach and that this should operate alongside established sector-led programmes already delivered by social enterprise specialists.

Existing social enterprise support programmes – such as those delivered by iSE, the School for Social Entrepreneurs, and Coventry & Warwickshire CDA – have demonstrable success against all measures of social enterprise formation, trading and survival. Diversity and inclusion on these programmes are also high: in many cases a majority of participants/enterprises are from minority ethnic backgrounds. Evidence regarding growth is more limited, and for the same reasons of evaluation costs and timeframes. SSE research indicates that of 650 organisations provided with a free learning programme and £10k Match Trading grant,<sup>8</sup> 35% saw an average increase in trading income in year 1 and 15.7% achieved a similar increase in year 2. Start-ups created an average 2.5 FTE jobs (1 FT, 6 PT) and established organisations created an average 8 FTE jobs (5 FT, 6 PT).

There is a strong case for extending/ expanding the reach of and access to these programmes of support for new-start and early-trading social enterprises so that such provision is more uniformly available across the region.





## 2.1 - Diversity, Inclusion & Equality

Diversity, inclusion and equality must be regarded as central to growing the social economy, but it is an issue that requires some unpicking. The diversity (and younger age profile) of some parts of the WMCA area may offer particular opportunities for social economy growth, but we were able to find little evidence to indicate that BAME-led social economy organisations are more likely to grow. Indeed, there is evidence to indicate that BAME-led third sector organisations are more likely to:

- Be small and/or micro-organisations, an estimated 65% having turnovers of less than £10K a year.
- Have lower levels of paid staff.
- Experience inequalities in access to tailored, specialist infrastructure support.
- Experience inequalities in access to grants, funding and finance.
- Be less well networked and/or represented in network and other intermediary bodies.<sup>9</sup>

They have also been disproportionately affected by COVID-19 and are at the forefront of the service pressures created by the health and social inequalities COVID-19 has both revealed and exacerbated in BAME and other marginalised communities.

Having said that, we know that BAME groups and BAME social entrepreneurs are well-represented in social enterprise start-up programmes – indeed, in some programmes are a majority. What is less clear are the barriers and other exclusionary factors which may exist for BAME-led social enterprises and BAME social entrepreneurs committed to growth.

We need to be mindful of this. It is also true that some parts of the social economy are ‘whiter’ than others. While BAME social entrepreneurs, including BAME women, are well-represented in social enterprise start-up and early development, for instance, the community enterprise sector is overwhelmingly White British, perhaps because the classic ‘community enterprise’ form – e.g. local ownership and control of a trading asset, and its operation for community benefit – tends to be dominated by developments in more rural economies.

There are newer support programmes focused on BAME enterprises – the School for Social Entrepreneurs’ Black Social Entrepreneurs programme, Power to Change’s COVID recovery programme (aimed at BAME community businesses) and the Phoenix Fund – but it is early days for all of these programmes and it will be a while before data is available from them.





In the rest of this document we focus on identifying the building blocks that are necessary to a successful ecosystem approach to growing the social economy.

This ecosystem approach recognises that opportunities in the social sector are driven by a complex of interlocking (and sometimes competing) factors, and that the best chance of growth rests on harnessing these forces and enabling them to work together collaboratively for the benefit of social economy organisations and the communities they serve.

Some of these building blocks operate at the micro-level (personal confidence; awareness and understanding of the social enterprise model; social entrepreneurial skills and mindset); others are aspects of the wider support environment (access to appropriate business advice and support; access to appropriate finance; access to markets); and others are associated with key public policy and other drivers that help create opportunities for the social economy (private sector supply-chain opportunities; public procurement and commissioning; social value in procurement and public sector reform).

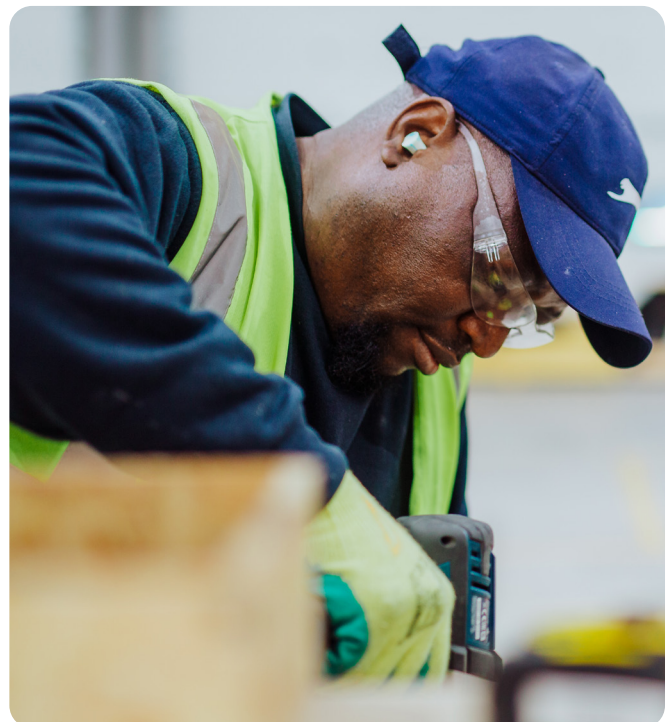
This ecosystem approach is increasingly widely recognised, both at the city region level and the national level. Some plans explicitly use the language of mobilising an 'ecosystem' or 'policy system';<sup>10</sup> others use different language but nonetheless adopt similar multi-stakeholder approaches that seek to harness the contributions of a wide range of players and factors rather than depending solely on the efforts of the social economy sector itself.<sup>11</sup>

## Key Building Blocks of the Ecosystem

We have identified ten ecosystem elements, as follows:

1. Key public policy drivers.
2. Business support.
3. Access to finance & investment.
4. Access to markets.
5. Commissioning & procurement.
6. Place-based development, localities & 'clusters'.
7. Social economy marketing and profile.
8. Partnerships.
9. Education, awareness and social entrepreneurship.
10. Social economy sub-sectors.

The following section sets out an ecosystem framework that WMCA can use over the coming years in planning its actions and interventions to support social economy growth.



## The Ecosystem Framework

### 1 Alignment with Key Public Policy Drivers

There are numerous opportunities to align social economy growth with key public policy and public sector drivers that will resonate with WMCA Member Authorities.

The seven most important drivers are:

- Inclusive economic growth.
- Community wealth building.
- Co-op councils.
- COVID recovery.
- Town centres and high street recovery (closely associated with Levelling up and 'left behind' – however, stimulating social economy growth in 'left behind' localities may be problematic given that these areas will also lack existing community, educational, cultural and VCSE infrastructure).
- Broad commitment amongst most member authorities across the region to work more closely with VCSE – especially as service providers and particularly regarding COVID recovery (sustaining the civil society response), early intervention/prevention, services for vulnerable adults, health & social care, neighbourhood services, community cohesion – but it is very unusual for these commitments to include plans for VCSE support, resilience or growth.

- Broad commitment amongst most member authorities across the region to diversity, inclusion and equalities, reinforced in many cases by the profound inequalities revealed by COVID and the global impact of the Black Lives Matter movement.<sup>12</sup>

The following are also relevant:

- Doughnut Economics model for sustainable development and living.
- Community asset transfer.
- Regeneration/place-based development & localities.
- NHS Confederation/Power to Change – Health on the High Street report.

Key policy drivers are likely to change and can be updated/amended as circumstances demand.



## 2 Business Support

Where possible, social enterprise support programmes delivered by sector specialists should be extended/expanded, so that this existing provision is more uniformly available across the region. Ideally, this support should include:

- Training.
- Coaching.
- Experiential learning.
- Peer support networks.
- Leadership skills.
- Personal development.
- Supply-chain development.
- Support for contract-readiness and investment-readiness.
- Recovery and digital transformation.

However, in addition to this there should be a region-wide social economy growth accelerator programme targeting established social enterprises with a proven commitment to, and capacity for, growth.

It is likely that more uniform availability of social economy business support across the region will depend on:

- Increasing migration to online provision (both COVID-secure and infinitely flexible in distribution).
- Successful integration with Growth Hubs service and other VCSE infrastructure support across region. Also vital to ensure that BAME-led social economy organisations are fully-served by existing and any new provision.
- Building on existing assets/ programmes – e.g. enterprise centres, co-working spaces.

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### 3 Access to Finance & Investment

There is potential for a collaborative joined-up approach by social investment providers and grant funders across the region.

Ideally, we want to see blended finance approaches along the lines of the Key Fund model that combine debt, grants, impact investment. We want to see a core group of social investment providers collaborating for impact, outcomes and strategic purpose. We see two possible routes to achieving this:

- The first is for WMCA to work with existing social finance providers to establish a means of greater inter-provider collaboration. This would be the least costly option but the extent to which it would succeed is unclear.
- The second option – more costly but also more amenable to offering an investment and development vehicle that can be fully aligned with WMCA's strategic purposes – is for WMCA to establish a new, independent social economy development fund. Precedent exists for this: Liverpool City Region, for instance, has started its own local social investment fund, Kindred LCR, in recognition of shortcomings of the marketplace and to harness investment more securely in line with its own plans for growth, VCSE support and COVID recovery.

Clear potential also exists to use grant-making to incentivise social enterprise trading – the SSE Match Trading and Trade Up models demonstrate this and funders are ready to adopt it.

Wherever possible grant and/or social investment finance should be included as an integrated part of business support programmes to stimulate early trading growth, with larger sums for scaling-up, expansion and evidenced growth plans.

A new, concerted package of investment-readiness support should be available across the region. The West Midlands is lagging behind in terms of successful applications for social investment finance – investment levels are higher in other parts of the country (e.g. north) where providers such as the Key Fund have established presence and have innovated their social investment models. 'Investment-readiness' as a concept has been talked about for years but its precise nature is rarely articulated. We believe it should include:

- Access to financial skills and analysis, including social finance confidence, risk analysis and financial literacy training and support for social enterprise leaders and their Boards.
- Access to objective, unbiased social investment advice, guidance and brokerage.
- Ensuring that providers of all kinds (social investment, social finance, grant-makers, mainstream lenders) are challenged to fully-serve BAME-led social economy organisations and BAME social entrepreneurs.

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## 4 Access to Markets

Wherever possible, key sector organisations should be working with commissioning authorities and private sector providers to ensure that social economy organisations can access market and supply-chain opportunities in large infrastructure projects, public works, housing, high street redevelopment, digital infrastructure, transport etc. This means that commissioning authorities, government departments and corporates should be pushed harder to meet (and surpass) their obligations under the Social Value Act to derive maximum social value and community good throughout all purchasing, all supplies, supply-chains and sub-contractors.<sup>13</sup>

Where local authorities are bidding for resources for COVID recovery, town/high street redevelopment, place-based regeneration and other works consideration should always be given to including resources that will enable social economy organisations to take the fullest role possible in delivering social value and community benefit, including through supporting and growing the sector where local evidence supports this necessity.

WMCA regional investment programmes also offer key opportunities to unlock new markets for the social economy. In particular, we believe that the following should be the focus of WMCA's efforts in this direction:

- WMCA's devolved budgets/responsibilities for house-building.<sup>14</sup>
- Fuel Poverty Retrofit.<sup>15</sup>
- Circular economy (especially in the 'sharing economy' and food).<sup>16</sup>

These programmes have been selected because:

- They offer social economy opportunities where potential barriers to entry can be overcome through interventions such as brokerage and supply-chain or market development; capital costs for entry are achievable; and skills thresholds can be met.
- They play to the sector's strengths and are aligned with the existing trade/service sector profile of the social economy.
- They offer linkages to and benefits for:
  - Inclusive growth.
  - Social value.
  - #WM2041 net zero goals.
  - Retraining/reskilling.
  - Employment support and creation.
- They have potential for high impact and offer maximum reach across the region and in multiple locations/centres.

Separately commissioned work to develop WMCA's Circular Economy Route Map has already identified opportunities for social and community enterprise in the 'sharing economy' (shared resources, maker spaces, re-use/recycling) and in food/food justice. The planned fuel poverty retrofit, which is likely to commence at some point with a pilot 'retrofit neighbourhood' also offers potential to unlock a new regional market in retrofit. The WMCA housebuilding programme could be strengthened through amendments to WMCA's Single Commissioning Framework (SCF) that will better guarantee social value-based commissioning and social economy supply-chain opportunities.



## 5 Commissioning & Procurement

There should be integrated action that supports both social economy organisations and commissioners:

- Contract-readiness support/training – link to forthcoming national training programme.
- Consortia & partnership building to enable service delivery and/or bidding consortia.
- Social Value – support for both social enterprises (evidencing) and commissioners (more effective application of Social Value) – especially in key public works/goods e.g. HS2, CWG, Metro where we know social value is being poorly implemented.
- Specific regional target/proportion of spend with social economy.
- Reserved contracts (by local geography/SMEs/VCSE) – and other flexibilities from Transforming Public Procurement Green Paper.
- Public sector commitment to minimum spend with social economy – 5% is not ambitious enough.
- Higher award weighting in public sector contracts to Social Value and improved post-contract award measurement of social value delivered.
- All WMCA member authorities to promote use of Social Value Act in all spend, at all levels and throughout supply-chains and all providers, including private sector.
- ‘Keeping it local’ and ‘Local by default’ commitments by some WMCA member authorities – this tends to be used in the context of localised and locality-based service delivery but has relevance in commissioning and procurement too.<sup>17</sup>

However, these programmes are unlikely to offer systematic, structured routes to market for environmental and social economy organisations without a framework of action and strategic intervention that makes this possible. We are therefore recommending that WMCA should either create a new, reasonably senior officer role of Lead Officer: Social & Environmental Economy or create an internal staffing team (possibly a ‘virtual team’) capable of delivering on the aims set out above.

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## 6 Place-Based Development, Localities & 'Clusters'

Potential exists to build on the success of existing place-based social economy clusters in Coventry, various parts of Birmingham, and Sandwell by extending the concept of social economy cluster development to other parts of the region through support for a cluster development programme. Four 'hot-spots' have been identified that have potential for further development and growth, in East Birmingham and in several Black Country locations. These clusters will be developed in collaboration with local authorities and other social economy stakeholders.

Based on sector experience elsewhere where cluster development has already been successful, we developed basic criteria that would help identify places where potential exists for the formation of Social Enterprise Clusters. These criteria include:

- Evidence of existing social enterprise activity in the area – e.g. at least 10 VCSEs that can or do form a cluster and are keen to grow.
- Access to dedicated SE business support (i.e. this could be from a CVS-type organisation but should be in addition to whatever local Growth Hub provider offers).
- A lead/anchor organisation that takes on the co-ordination of the development of the social enterprise place.

- Evidence of specific opportunities that would be ideal for VCSEs and aligns to the WMCA Inclusive Growth Framework.
- Commitment of local key stakeholders to support the development of the social enterprise cluster. (This could include: local social enterprises large and small, Local Authority/Borough Council, University, LEP, Private sector, residents, social finance, commissioners etc.)

The chosen locations meet all or some of these criteria but it must also be emphasised that this concept is in its early stages and local cluster development will not progress without extensive local dialogue and consultation with stakeholders. We know from experience that cluster development has to be organic and requires local buy-in and commitment. It is also important that it has a local flavour – not all clusters look the same or operate in the same way or necessarily have the same purpose. So far there has been some initial engagement with local stakeholders as part of our work but we urge WMCA to make further local engagement possible as it continues to build on this work.



There is also potential to build on availability of physical spaces for:

- Large scale social & community enterprise spaces in key city centre locations – Coventry, Birmingham & Wolverhampton.
- Community hubs to act as local focal point/anchor organisations for social enterprise.
- Space to showcase and sell social enterprise products and services.
- Space to deliver support programmes.
- Space for events.
- Co-working and Incubator space.

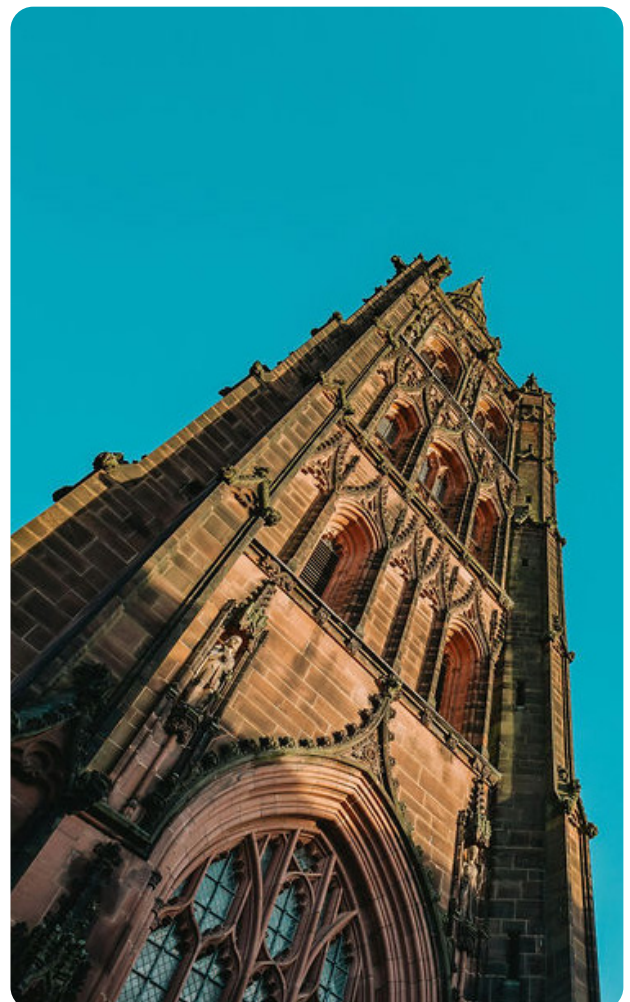
The role of digital technology/ transformation needs consideration at various places in the ecosystem, including business support, marketing/profile and place-based development. Digital transformation will help solve some of the physical access problems inherent in working across the WMCA territory but is not necessarily a cheaper option – there are preparation, capacity, skills and investment implications.

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## 7 Social Economy Marketing & Profile

There is potential to build on a number of existing collective marketing/profile initiatives and roll these out across the region:

- City Drive/Social Enterprise Drive (while a Birmingham model exists we would ideally like to see localised variants that reflect local sectors/priorities/markets).
- SEUK 'Buy Social' campaign in the region.
- Social Enterprise Places/Cities (Birmingham, Coventry) – is there potential for other Social Enterprise Places elsewhere in the region – needs local drive and leadership.



## 8 Partnerships

Partnership will be essential in achieving such an ambitious growth target for the social economy – partnership is also central to the ecosystem approach. The plan will need academic partnerships for:

- R&D, market intelligence.
- Continuing research and building the evidence-base.
- Data collection and monitoring the progress of the plan – WMCA Data & Analytics Office + others (capacity, resourcing, expertise?).
- Knowledge transfer.

Partnerships and close working between all business sectors e.g. government, health, universities and colleges, schools, corporates etc.

Private sector partnership to draw in mentoring, skills exchange, Board members, expertise around markets/marketing. Sector partnerships and collaboration will be vital both within the social economy and beyond it (cross-sector partnerships).

## 9 Education, Awareness and Social Entrepreneurship

In order to bring through new generations of social entrepreneurs, there should be a social enterprise in education programme (a pre-start foundation programme?) aimed at:

- Primary, secondary and tertiary education.
- Fostering entrepreneurship and developing new solutions to unsolved social challenges – for all ages.
- Building awareness amongst younger generations.
- More intensive Introduction to Social Entrepreneurship for universities/colleges.

As part of COVID recovery we should also seek to create awareness of social entrepreneurship for career changers (especially redundancies resulting from COVID/Brexit).

Where appropriate/possible all of these programmes should have small grants/awards integrated into them as part of the development process.

## 10 Social Economy Sub-sectors

There is potential to harness and build on specific social economy sub-sectors although in the context of the overall offer we are still considering how best to do.

The sub-sectors are:

- Community enterprise/community businesses (e.g. rural economies).
- Co-operative sector – some of the biggest social enterprises are in the co-operative sector (e.g. Co-op retail / other services) and could be harnessed as flagship partners.
- Social housing/RSL sector – some of the wealthiest and most asset-rich social enterprises are housing association – how to utilise this potential?



# Developing Social Economy Clusters in the West Midlands

Investing into places with social economy growth potential.

## What will be done?

WMCA and other funders will invest into up to five community organisations that are acting as an 'anchor' within their area, over a period of three years. In return, those organisations will create and deliver a plan to strengthen the social economy in those areas, and will work to connect the different parts of that localised social economy to dedicated support, peer learning, access to market opportunities and access to finance.

Specifically:

- Creating relationships with public and private sector organisations to maximise procurement from cluster enterprises;
- Referring cluster enterprises to the new Social Economy Growth Accelerator;
- Unlocking investment from the new Social Economy Development Fund;

## What will the outcome be?

The investment from WMCA and other funders will create the organisational capacity in localities to plan for resilience and growth, leading to higher turnover and more employment opportunities across VCFSE organisations in the cluster location. Notably:

- £1m investment via public sector procurement across all clusters resulting from direct brokerage;
- Year-on-year turnover growth of 15%;
- 20-50 VCFSE organisations brought into the cluster, accessing support;

## How much will be invested?

WMCA will invest the following in up to five localities, over three years:

- Year 1: £20,000 per locality;
- Year 2: Between £10,000 and £20,000 per locality;
- Year 3: Between £5,000 and £10,000 per locality;

Further funding will be sought from social investors and others where required to boost this pump prime investment, and the clusters will be required to plan for future investment beyond the three year programme.

The variance in funding amount in years two and three reflects our assumption that different places will have different requirements.



## **West Midlands Social Economy Development Fund**

A place-focused social impact fund that goes with the grain of existing social investment. This is being developed under the working title 'West Midlands Future Funds'.

## What will be done?

WMCA will commission a specification for a social impact investing fund that builds into it a principle of co-design between WMCA, local authorities, LEPs and the social economy. The extent of the fund will be determined through partnership, but it is thought that it will, at a minimum, contain the following components:

- Advice and brokerage relating to existing financial products and investment vehicles, to improve knowledge, uptake and connection to business support programmes.
- Underwriting for grants and contracts paid in arrears.
- An 'insetting' fund, where the local public sector and local businesses can offset their carbon emissions by investing into regional social economy-led energy efficiency and natural capital programmes.

## What will the outcome be?

For the fund to be worth establishing, it needs to meet three objectives. It must:

1. ...be an independent, multi-purpose vehicle capable of accessing government and other third-party funds.
2. ...seek to offer products and services that overcome current barriers to social finance take-up.
3. ...find a way of enabling potential borrowers and investees to navigate a complex and confusing marketplace, better understand the role of social finance and make better decisions regarding its use.

As such, the minimum expectations are of increased investment into the social economy, greater uptake of repayable loan finance, and greater knowledge across the social economy of options for funding, financing and growth.

More broadly, this is a fund that brings the region's broader social and environmental goals into an economic space. Social investments made will align to local priorities and values, achieved by drawing on advice and guidance from a network of experts.

## How much will be invested?

In the first instance, WMCA will invest ~£80,000 into the specification for the fund. In the event that this is agreed as a solution that works for all partners, the amount of investment required from the local public sector will be in the magnitude of £5m (using Bristol City Funds as a comparator).



# **Social Economy Growth & Accelerator Programme**

A programme focused on enabling small social enterprises, cooperatives and community businesses to grow.



## What will be done?

This will be a 12-month learning programme based on peer group sessions and action learning teams. The first cohort for the programme will take on three groups of 15 enterprises, and will support the leadership of social economy organisations and their boards:

- 15 with income between £50-150k per annum;
- 30 with income in excess of £150k per annum.

Social enterprises, cooperatives and community businesses from across the three-LEP West Midlands will be eligible for the programme, but it is likely to be delivered from the three cities – Birmingham, Coventry and Wolverhampton – and online. It is intended to be flexible, but with space to target enterprises that meet certain criteria where necessary or desirable.

The programme would contain a grant funding component known as ‘Match Trading’, which releases grant funding in line with trading activity and acts as a bridge to repayable finance and investment. This has been tested by 500 organisations and is overseen by a national Match Trading Task Force, containing many major funders.

## What will the outcome be?

The programme is intended to support the trading parts of the social economy to develop the key skills and business confidence associated with growth, supported by a Match Trading grant that will help them put the learning into practice.

Positive outcomes will include:

- Trading revenues and impact improved by at least 20% by the end of the programme.
- Improved strategies and growth plans are in place and being delivered, supported by a board that is more confident in seeking growth.
- Improved understanding of and confidence with loan and equity finance, supported by West Midlands Future Funds.
- Greater access to public sector contracts.
- Stronger networks formed and commitment to collaborative working across sector unlocked.

## How much will be invested?

One of year of the programme will cost around £1.3m – this will substantially be derived from the UK Shared Prosperity Fund and grant-making bodies, subject to application.



# Using WMCA Regional Investment Programmes for Social Economy Growth

Maximising opportunities for the social economy from regional investment programmes, focusing on housing, home retrofit and the circular economy.

## What will be done?

In the first instance, the focus will be on unlocking value from housebuilding, retrofit and circular economy investments:

- Housebuilding: create new guidance for the existing inclusive growth 'hooks' in the WMCA Single Commissioning Framework to create stronger links between developers and social economy organisations. In time, ensure that the brokerage elements of West Midlands Future Funds can be used to connect social economy organisations to relevant opportunities.
- Retrofit: work within the Energy Capital-led programme to develop social economy opportunities from within the retrofit programme, including by mapping current social economy activity, supporting smaller traders to achieve scale, and focusing skills and other support programmes to build on existing strengths.
- Circular Economy: working with WMCA's Circular Economy Lead and within the new Circular Economy Routemap, focusing on sharing, reuse and food. Social Economy Clusters will be supported to embed sharing and reuse networks within their growth plans as a starting point.

## What will the outcome be?

By connecting this effort to the wider social economy growth and WMCA investment programmes, a combination of the following should be possible:

- More social economy organisations trading in the supply chains of housebuilding and home retrofit supply chains.
- More social economy organisations focused on mending and reuse to divert waste from landfill and incinerators.
- More membership of cooperatives, with value from trading accruing to members as well as employees.
- More social entrepreneurs accessing green skills programmes regionally.
- Increased procurement spend with social economy organisations.

## How much will be invested?

This will be realised through staff time, which will be drawn from a social economy growth 'virtual team', spanning WMCA, local authorities, universities, funders and the social economy sector.

The social economy contributes an estimated £3.5bn a year to the regional economy. Doubling this to £7bn a year was the goal for growth adopted by WMCA and the Social Economy Task Force. During the course of this work, however, we have tended to talk about doubling the economic contribution and impact of the social economy, because to organisations that trade in order to fulfil a social mission, sales revenue is not the only measure that matters. These organisations also care about the social outcomes that their trading enables them to achieve. The ecosystem approach to growth reflects this and many of the other real-life nuances of the social economy.

Originally, WMCA asked us to develop a ten-year business plan that would enable this goal of doubling the economic contribution of the social economy to be achieved. But it became increasingly evident that such an approach was fraught with difficulties. We read social economy development strategies from virtually every city, region and country for which they exist and they all exhibited the same problem. The desire to be all-encompassing, to devise plans for every aspect that may contribute to (or indeed hinder) social economy growth can overwhelm with detail and result in immobility. We understand, therefore, the combined authority's desire for a limited number of business cases focusing on specific, achievable interventions.

However, we hope that the business cases we have produced will be considered in the spirit of that original ambition – the beginning of a ten-year process and not its end.



## Introduction Footnotes:

1. By 'social economy' the combined authority is referring to all kinds of organisations that create social value by trading for a social purpose rather than personal profit, including social enterprises, trading voluntary organisations, charities with trading arms, third sector organisations delivering contracts and public services, mutuals and co-operatives, community enterprises, development trusts and other kinds of community-led organisations.
2. The social economy contributes an estimated £3.5bn a year to the regional economy. Doubling this to £7bn a year was the goal for growth adopted by WMCA and the Social Economy Task Force.

## Initial Research Footnotes

3. Leading providers of business support evaluation such as The What Works Centre for Local Economic Growth have long recognised the methodological and logistical difficulties inherent in evaluating the contribution that specific interventions make to business and/or economic growth. <https://whatworksgrowth.org>.
4. BEIS has published Business Support Evaluation Framework (January 2019) which it says marks the beginning of an iterative process in seeking to introduce greater robustness, comparability and analysis into the evaluation of business support interventions funded by the Department. <https://www.gov.uk/government/publications/business-support-evaluation-framework>.
5. Key Fund, for example, reports that its investments help create jobs, kick-start new businesses, protect existing ones and lever additional funds into

organisations. In 2019/20 its loans of £4.8m and grants of £432.4K created 134 new jobs, 11 new businesses, protected 175 jobs and 65 sustainable business and enabled local VCSE organisations to lever in an additional £2.8m.

6. There are at least 46 social investment and related funders serving the West Midlands and over 70 nationally.
7. 1400 UK SME's had graduated from the programme at the time of this evaluation in 2018. 15% of beneficiaries were social economy organisations. Within one year of completing the programme participating SMEs reported: overall revenue growth of 14% (£0.4bn) and 13% employment growth (+5840 jobs). 2 years after completing the programme
8. participating SMEs reported: overall revenue growth of 101% and employment growth of 54%. To put this in context, revenues amongst GS10K businesses grew 16 times faster than the overall SME sector and were 25% higher than similar sized high growth SMEs. Employment grew 13 times faster than the overall SME sector and by 23% more. See: Stimulating Small Business Growth: Progress Report on Goldman Sachs 10,000 Small Businesses (2018): <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/news-and-events/multi-media/10ksb-impact-report-2018.pdf>
9. Match Trading & Trade Back are innovations from SSE in grant administration developed in partnership with 15 major Funding & SE support organisations. Its goal is to reduce grant dependency by incentivising trading activity and changing mind-sets, as opposed to the convention of

rewarding social outcomes. Trade Back is a version of Match Trading developed in response to the impact of COVID-19 on the Social Economy. Match Trading grants have been shown to help increase trading income by 2.5 times the level that conventional grants do.

10. See: BAME organisations: infrastructure and support – An overview of literature findings, Locality (2020). See, for example, Policy Systems and Measures for the Social Economy in Seoul, Kil-Soon Yoon and Sang-Youn Lee (United Nations Research Institute for Social Development Working Paper 2020-6 (July 2020). <https://bit.ly/3aaVdWG>, which takes an explicitly ‘ecosystem’ approach.

### **An ‘Ecosystem’ Approach & a Framework for Action Footnotes:**

11. See, for example, Policy Systems and Measures for the Social Economy in Seoul, Kil-Soon Yoon and Sang-Youn Lee (United Nations Research Institute for Social Development Working Paper 2020-6 (July 2020). <https://bit.ly/3aaVdWG>, which takes an explicitly ‘ecosystem’ approach.
12. See Scotland’s Social Enterprise Strategy 2016-26 (Scottish Government/Social Enterprise Scotland), which takes a collaborative, integrated approach designed to draw together the various forces and factors that can help create growth. <https://socialenterprise.scot/cms/wp-content/uploads/2019/05/4defb475a5.pdf>; and Transforming Wales through Social Enterprise: <https://wales.coop/transforming-wales-through-social-enterprise/>. It is likely that Greater Manchester Combined Authority’s approach (in preparation) will take a similar ecosystem approach.
13. See, for example, Tackling Inequalities: Everyone’s Battle, Everyone’s Business, Birmingham City Council Cabinet Report & Statement of Intent: <https://www.birminghambeheard.org.uk/economy/tackling-inequalities-everyones-battle/>.
14. ‘No one left behind’, Levelling Up and the new flexibilities and interpretations offered by the Green Paper Transforming Public Procurement are all relevant. <https://bssec.org.uk/green-paper-aims-to-transform-public-procurement/>
15. Including the £350m Housing Deal WMCA has agreed with government. <https://www.wmca.org.uk/news/350m-housing-deal-for-the-west-midlands-announced-by-chancellor-of-the-exchequer-in-spring-statement/>.
16. See: <https://www.wmca.org.uk/news/ambitious-plan-launched-to-retrofit-50-000-homes-across-the-west-midlands/>.
17. See: <https://www.wmca.org.uk/what-we-do/environment/circular-economy/>.
18. See, for example, Keep it local: How local government can plug into the power of community, Locality (March 2020). This report describes seven local authority areas across England that have chosen to adopt a commissioning approach which invests in local community organisations/businesses. It indicates that if local authorities do commission locally with community-based organisations then the social economy sector will grow; other research – e.g. Lloyds Foundation – confirms that large-scale outsourcing by local authorities and other public bodies takes finance and resource out of the social sector. <https://locality.org.uk/wp-content/uploads/2020/03/LOC-Keep-It-Local-Report-40pp-WG08.pdf>.



**West Midlands  
Combined Authority**

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