

SOCIAL ENTERPRISE IN GLASGOW 2015



Social Enterprise in Glasgow: The Summary Facts

	704	SOCIAL ENTERPRISES CURRENTLY OPERATING IN GLASGOW
	14%	OF SCOTLAND'S SOCIAL ENTERPRISES LOCATED IN GLASGOW
	26%	OF GLASGOW'S SOCIAL ENTERPRISES FORMED IN THE LAST 5 YEARS
	19,014	EMPLOYEES IN GLASGOW'S SOCIAL ENTERPRISE SECTOR
	60%	OF GLASGOW'S SOCIAL ENTERPRISES LED BY A WOMAN
	£12.3m	THE ECONOMIC VALUE OF VOLUNTEERING IN GLASGOW'S SOCIAL ENTERPRISES
	£881.3m	THE ANNUAL INCOME OF SOCIAL ENTERPRISES IN THE CITY
	75%	OF SOCIAL ENTERPRISES EXPECT THEIR INCOME TO INCREASE NEXT YEAR
	74%	OF SOCIAL ENTERPRISES PAY AT LEAST THE NATIONAL LIVING WAGE
	55%	OF SOCIAL ENTERPRISES GENERATING HALF OR MORE OF THEIR INCOME FROM TRADING
	£701m	IN TRADED INCOME GENERATED BY GLASGOW'S SOCIAL ENTERPRISES
	67%	OF SOCIAL ENTERPRISES SELLING TO OTHER THIRD SECTOR ENTERPRISES
	£3.25bn	IN COMBINED ASSETS ON THE BALANCE SHEET OF THE CITY'S SOCIAL ENTERPRISES
	£1.13bn	THE NET WORTH OF GLASGOW'S SOCIAL ENTERPRISES
	45%	OF SOCIAL ENTERPRISES OPERATING WITH THE STATED OBJECTIVE OF 'CREATING EMPLOYMENT OPPORTUNITIES'

SECTION 1: INTRODUCTION

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Describes the backdrop to this report and its wider significance.

SECTION 2: SCALE

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Examines the individual and collective scale of social enterprises in the city including turnover, workforce, and assets.

SECTION 3: PURPOSE AND STRUCTURE

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Takes a look at the resilience of social enterprises and examines their future prospects.

SECTION 1: INTRODUCTION

This report shines the spotlight on social enterprise activity in Glasgow. A dynamic and growing source of economic activity that is good for business and good for Glasgow.

Context

In 2013 Glasgow Social Enterprise Network (GSEN) published 'Scale and Substance', a ground-breaking piece of research carried out by Social Value Lab (www.socialvaluelab.org.uk). This was, at the time, the most comprehensive analysis ever undertaken of social enterprise activity in any town or city in the UK.

Now two years later we have again worked with Social Value Lab to update this picture and develop new insights into the scale and characteristics of social enterprises as well as their contribution to Glasgow.

The research has been carried out to dovetail with the first national Social Enterprise in Scotland Census 2015. As such, this report provides the opportunity to benchmark progress over time in Glasgow as well as with the social enterprise sector nationally.

Definitions

The social enterprise community continues to develop as a broad church that includes well-established as well as new forms of trading activity. As such, the way that 'social enterprise' is defined is subject to ongoing refinement.

Social enterprises are businesses that trade for the common good rather than the unlimited private gain of a few. They tackle social problems, strengthen communities, improve people's life chances, and protect the environment.

For the purposes of this study, social enterprise has been defined according to the Voluntary Code of Practice for Social Enterprise. Our interpretation of the Code has been refined since 2013 to become aligned to the Social Enterprise in Scotland Census. This has brought some minor modifications (e.g. inclusion of all forms of Community Interest Companies as well as some forms of community enterprise activity that would previously have gone under the radar, and exclusion of some forms of activity by bona fide co-operatives).

The Voluntary Code of Practice for Social Enterprise

The Code defines social enterprises as organisations with the following main characteristics:

- ✓ They trade in a marketplace with the primary objective of social or environmental benefit.
- ✓ Any profits are reinvested back into the business or for the benefit of the people it exists to serve, rather than distributed to shareholders or owners (an asset lock).
- ✓ On dissolution, any assets are reinvested in another organisation with similar aims and objectives (an asset lock).
- ✓ They aspire to financial independence through trading, which sets them apart from other charities and voluntary organisations.
- ✓ They operate outside of the direct influence or control of public authorities.

Central to the Scottish understanding of social enterprise is the presence of some form of asset-locked business structure. This guarantees that social enterprises do not distribute dividends and that assets are protected against future sale. For further information see www.se-code.net.

Methods

Independently conducted by the team at Social Value Lab the study involved three main aspects.

Building a database

The 2013 database of social enterprises active in Glasgow was updated to reflect changes both in activity and slightly modified criteria. Data were again compiled and cross-matched with information available from the Charity register (OSCR), Company register (Companies House), Mutuals register (Financial Conduct Authority), and RSL register (Scottish Housing Regulator). Entries were screened for eligibility using further online searches and verification calls. This **identified 704 active social enterprises**, an increase of 195 since 2013, with most of this rise explained by a large increase in the number of social enterprises formed in the city during the period.

Analysing financial performance

A full and objective financial analysis of the identified 'population' of social enterprises was undertaken. Publicly available accounts were purchased where available¹ for all known social enterprises covering the financial year ending March 2014 (or as closely aligned to this accounting period as possible). **Full or abbreviated financial accounts were analysed relating to 379 social enterprises and some level of financial information was sourced for 72% of all social enterprises in the city.** 'Common sized' financial data was extracted for each social enterprise, and then aggregated, analysed and benchmarked using various financial ratios. Where ambiguity as a result of financial accounting practices existed, expert judgement was used and assumptions verified against financial approximations provided in survey returns.

Gathering survey data

A large-scale survey of identified social enterprises was carried to verify and extend upon the data already gathered. The survey was administered and follow-up telephone calls used to boost responses and gather missing data. A total of **154 social enterprises submitted information and views** relating to their scale, characteristics, geographic reach, barriers, and prospects.

Where necessary, the data gathered were extrapolated to reflect missing financial records and survey non-responses. Any grossing up was based on conservative assumptions consistent with the method used in the national Social Enterprise in Scotland Census 2015, based on the use of median values for particular sub-categories of social enterprises.

The methods used have again ensured the most **comprehensive and accurate snapshot** of social enterprise activity in any city in the UK.

This report

This report sets out the findings from the research, drawing on data from the social enterprise database, financial review and survey work. The report aims to present information in a straightforward and accessible way. Where relevant, comparisons are drawn with the data reported in the 2013 Scale and Substance Report. It has also been possible to benchmark the evidence for Glasgow's social enterprise in some places with the national data set out in the Social Enterprise in Scotland Census 2015 Report. The evidence contained in the report reinforces the picture presented two years earlier of a substantial, diverse and fast-growing social enterprise community in Glasgow.

¹ In a number of cases accounting data could not be secured where smaller organisations were not obliged to file financial returns or were in their formative stages and had not yet produced financial accounts

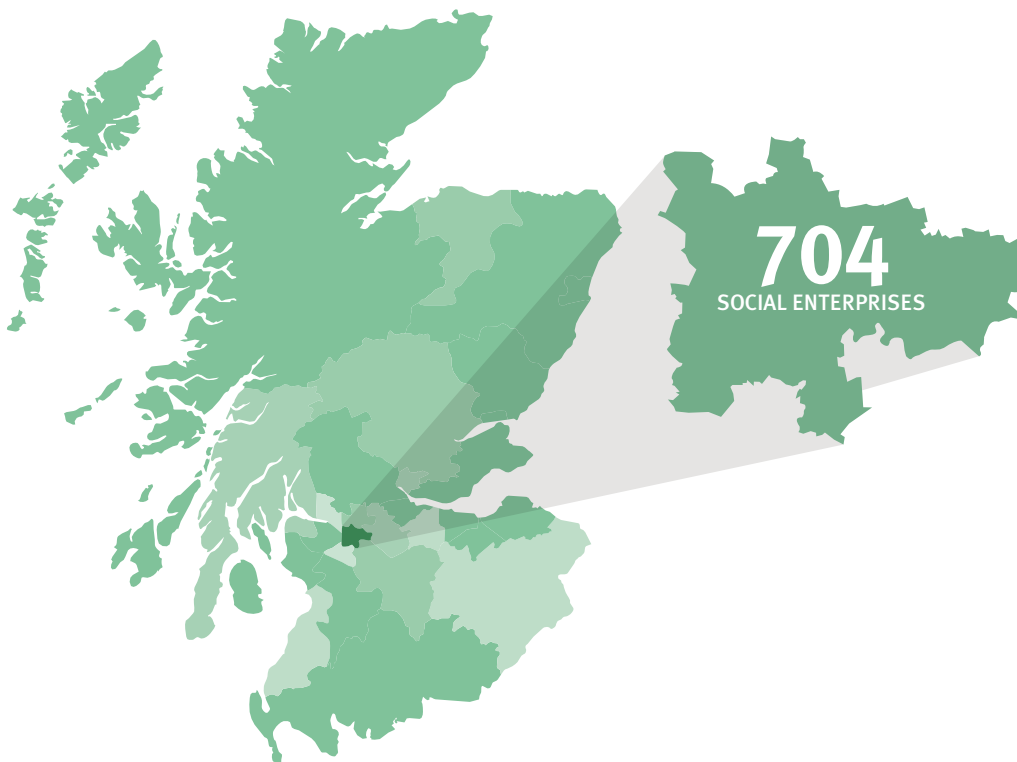
SECTION 2: SCALE

Social enterprise has become an established part of the fabric of the city and continues to grow in both its scale and contribution.

A growing sector

There are now an estimated 704 social enterprises in the city, an increase of 195 from two years earlier. Over half of this increase is explained by 104 start-up social enterprises that have registered during the period and the rest from established charities that have increased trading levels, or small-scale community enterprises previously operating

under the 'social enterprise' radar. This reaffirms the view of social enterprise as a relatively youthful movement with many enterprises forming in the last five years. Glasgow now contains 14% of all social enterprises in Scotland, more than any other local authority in Scotland.



104

start-up social enterprises
formed in the last two years



26%

of all social enterprises
formed in the last five years

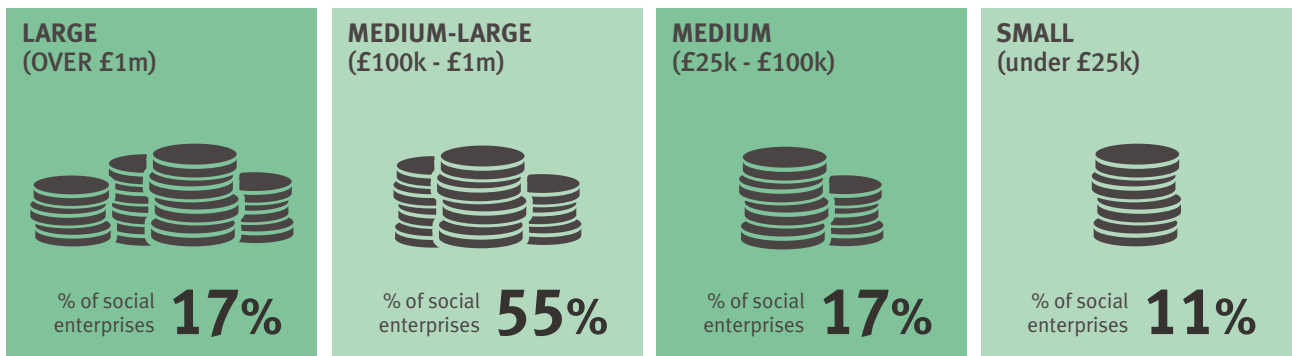


Enterprises of a substantial scale

While social enterprises come in many shapes and sizes, Glasgow tends to provide the headquarters for a disproportionate number of large-scale enterprises that operate on a national stage. The research has found that a majority of social enterprises in the city can either be

categorised as large or medium large – the available financial data indicates that 72% have a turnover of £100k or more. This stands in marked contrast to the national picture, where only 40% of social enterprises are of such scale.

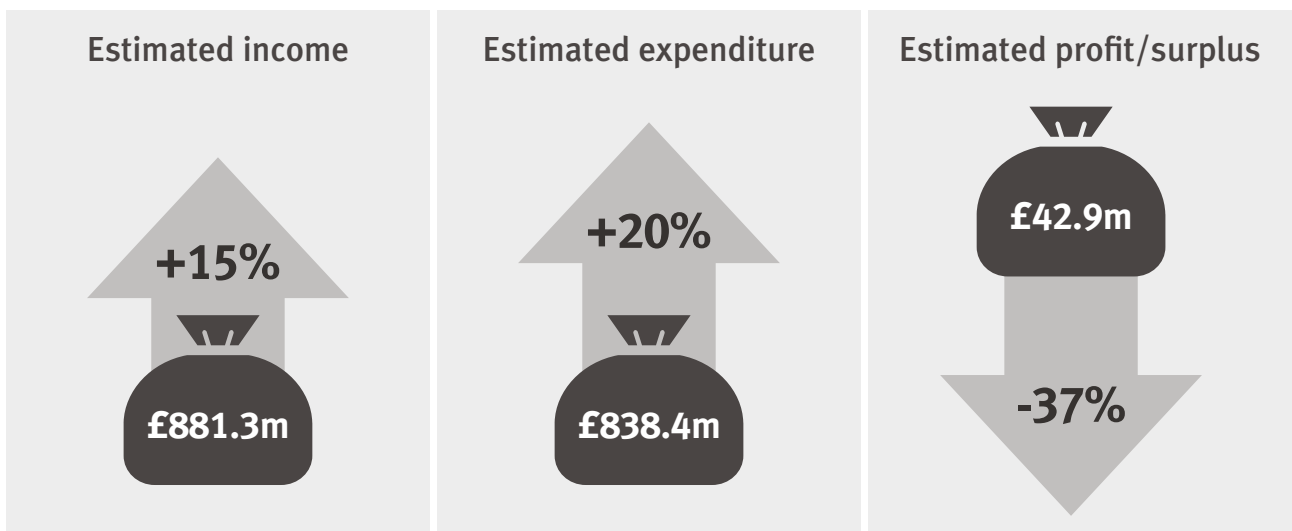
Size of social enterprises by income band



Financial strength and vulnerability

Collectively, the social enterprise sector in Glasgow achieves a significant financial scale. Last year, Glasgow’s social enterprises generated a combined income of approximately £881.3m, expenditure of £838.4m, and a surplus of £42.9m.

While turnover has increased during the period, costs have risen even more steeply; thus negatively impacting on the combined surpluses of the sector (this is discussed further in Section 7).







Financial concentration

In 2015 the net worth of the social enterprise sector in Glasgow stands at £1.13bn. In practice, as reported in the 2013 Scale and Substance Report, there is a varying financial contribution from different parts of the social enterprise

community in Scotland. Housing Associations (Registered Social Landlords) make a disproportionately large contribution, accounting for 51% of income, 89% of fixed assets, and 73% of the net worth of the sector.

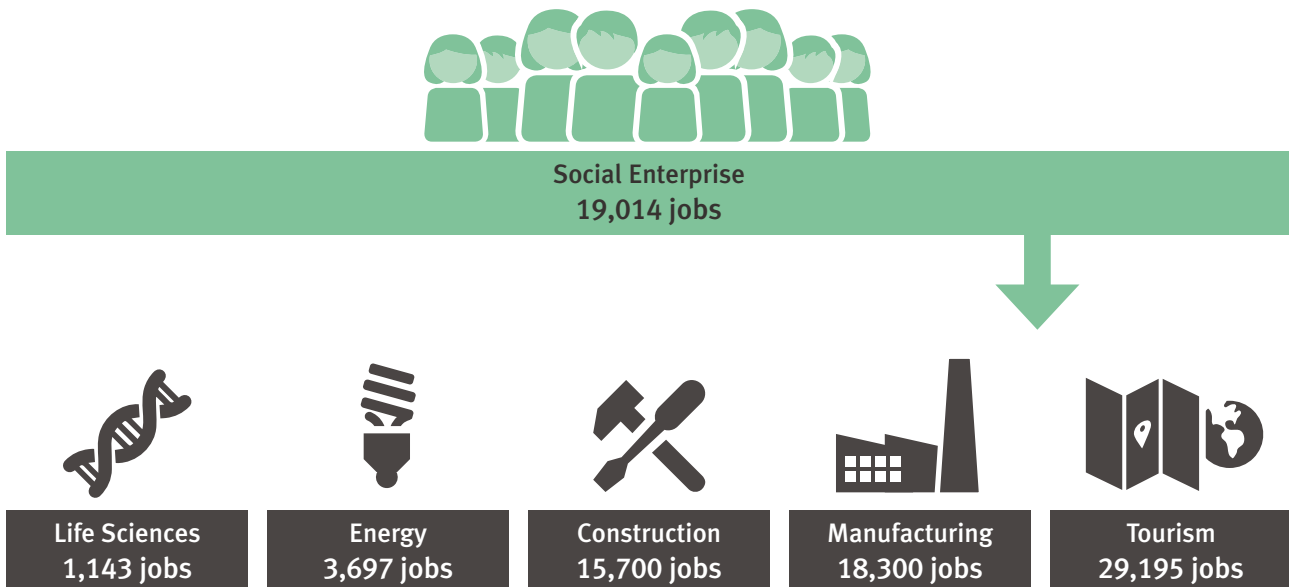
Estimated scale and share of Glasgow’s social enterprise sector

	 Registered Social Landlords	 Credit Unions	 Other Social Enterprises	 Total Glasgow
Estimated income	£450.7m	£18.5m	£412.1m	£881.3m
Estimated fixed assets	£2,180.0m	£4.1m	£260.6m	£2,444.7m
Estimated net worth	£830.2m	£36.9m	£266.4m	£1,133.5m

Supporting jobs

The social enterprise community in Glasgow is a large and growing employer. An estimated **19,014 people work in the city’s social enterprises**². This represents 17% of all employees in the social enterprise sector in Scotland and 5%³ of all employees in the city. Although strictly speaking

not an economic sector (it makes a varying contribution to other sectors) social enterprise employment stands up well when contrasted with other parts of the Glasgow economy, surpassing employment in construction, manufacturing and a number of the city’s priority economic sectors.



² Based on staff headcount data contained in social enterprise company accounts and detailed workforce information provided by a sample of 154 social enterprises. It should be noted that these figures relate to employment in social enterprises with a main base in Glasgow, and the associated services and jobs may be located outside as well as inside Glasgow.

³ Figure based on Office for National Statistics (ONS) Business Register and Employment Survey (BRES), 2013.

Valuing Volunteering

Social enterprises in Glasgow often draw on considerable support from volunteers. Excluding board/committee members, there are **an estimated 5,294 active volunteers that work in Glasgow's social enterprise sector**⁴. The evidence suggests a somewhat smaller number of active volunteers contributing more time than two years earlier, although this is balanced by a larger number of paid employees in Glasgow's social enterprises.



5,294 active
volunteers



£12.3m total
economic value of
volunteering in social
enterprises

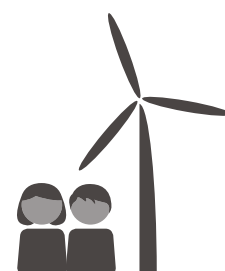
⁴ Volunteering information based on an analysis of survey data from a representative sample of 154 social enterprises.

SECTION 3: PURPOSE AND STRUCTURE

Social enterprise in Glasgow is a broad church that embraces many organisational missions, business models, and legal forms. Each social enterprise is a product of its market environment, origins and purpose.

Mission-driven

The main purpose of a social enterprise is to deliver on social and/or environmental objectives. Based on the survey evidence gathered as part of the survey, the most widely reported objectives related to: providing volunteering opportunities; promoting learning and education; improving health and wellbeing; and helping people to actively participate in the local community. All social enterprises that responded to the survey were driven by **a strong social purpose, to improve the situation for a particular issue, area or group within society.**

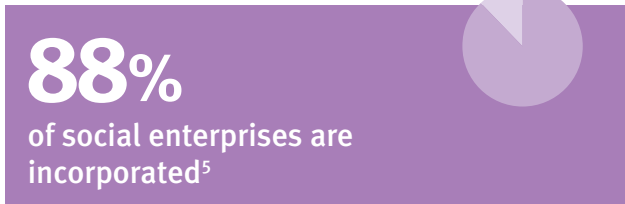
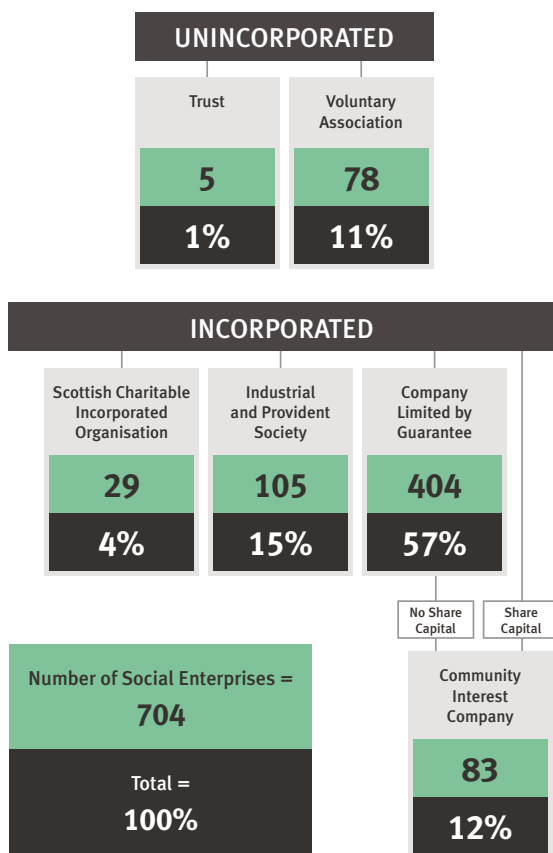


Top 10 Social and environmental objectives	% of social enterprises
1. Providing volunteering opportunities	58%
2. Promoting learning or education	56%
3. Improving health and wellbeing	55%
4. Helping people to actively participate in local community	54%
5. Tackling poverty and financial exclusion	48%
6. Addressing social isolation/exclusion	47%
7. Creating employment opportunities	46%
8. Providing opportunities for young people	45%
9. Promoting equality and human rights	41%
10. Supporting other organisations with a social purpose	36%

Form follows function

For social enterprises form should follow function. **All but the smallest and newest social enterprises in the city continue to operate as incorporated entities** (making them distinct under law from the people involved). Social enterprises in Glasgow are somewhat more likely to be registered under company or co-operative law than social enterprises across the country generally (88% incorporated in Glasgow compared to 70% nationally). Most commonly

this means registration as a company limited by guarantee (without shareholding). Many older, specially regulated social enterprises such as credit unions and housing co-operatives are registered as Industrial and Provident Societies (IPs). While Community Interest Companies (CICs) were established as a legal form designed specifically for social enterprises, these are in a small but growing minority, and most CICs tend to be relatively new.



Main forms of social enterprise incorporation:

Companies Limited by Guarantee. A standard legal form which limits members' individual liability, enshrines social mission in Memorandum and Articles, and eliminates shareholding and therefore profit distribution.

Community Interest Company (CIC). A specially regulated legal form introduced in 2005 specifically for social enterprises. They are limited companies, with special additional features that certify their social mission, lock in assets, and limit dividend payments to members.

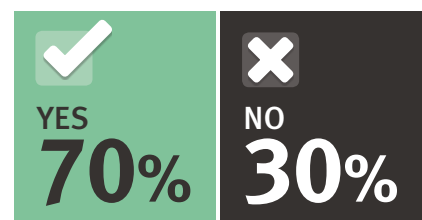
Industrial and Provident Society (IPS). A well-established legal form for co-operatives and community benefit societies, which ensures democratic ownership and control by members.

Scottish Charitable Incorporated Organisation (SCIO). An optional new legal form for registered Scottish charities, introduced in April 2011. Enables small enterprising charities to become a corporate entity able to enter into contracts, employ staff, incur debts, own property, etc.

A growing sense of identity

Over recent years there has been a discernible shift in recognition of the term 'social enterprise' and affiliation to the social enterprise movement. Some 53% of survey respondents described themselves as social enterprises two years ago rising to 70% in 2015. This is also evidenced in the fast growing membership of Glasgow Social Enterprise Network (GSEN), now boasting more than 130 members. There is still some way to go, however, to establish a common language for the sector in which 30% of social enterprises do not readily identify themselves as such.

Is 'social enterprise' a term that your organisation uses to describe itself?



⁵ Incorporated under either company or co-operative law.

SECTION 4: LOCATION AND OPERATING AREA

Glasgow's social enterprises have a strong reach into the city's neighbourhoods and are at the forefront of tackling social needs. At the same time they have an increasingly national and international footprint.

Located in every part of Glasgow

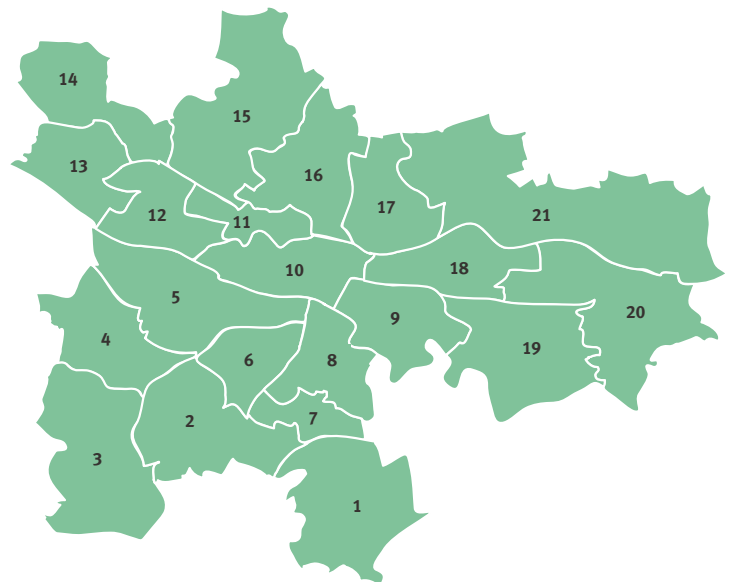
Social enterprise can be **found in every neighbourhood in Glasgow**. That said, there is an increasing clustering of the social enterprises in the city centre (Anderston/City ward), where 29% have their main base. This includes the

headquarters of many of the major players who operate beyond the city boundaries and this trend is being reinforced by a growing number of new-start enterprises that are taking premises in central areas of the city.

Main base of social enterprises in the city

Ward	% of social enterprises in this Ward	
1	Linn	3%
2	Newlands/Auldburn	2%
3	Greater Pollok	2%
4	Craigton	1%
5	Govan	10%
6	Pollokshields	3%
7	Langside	1%
8	Southside Central	5%
9	Calton	7%
10	Anderston/City	29%
11	Hillhead	4%
12	Partick West	4%
13	Garscadden/Scotstounhill	2%
14	Drumchapel/Annie'sland	3%
15	Maryhill/Kelvin	3%
16	Canal	4%
17	Springburn	3%
18	East Centre	3%
19	Shettleston	3%
20	Baillieston	3%
21	North East	4%

Percentages may not add up to 100% due to rounding



There remains a strong presence of social enterprises with a main base in traditional regeneration areas of the city, such as Govan, Calton and elsewhere and just over one-third are located in parts of the city characterised by high levels of economic and social deprivation.



36%

of social enterprises located in areas of the city classified among the 15% most deprived in Scotland

Pushing out

While most social enterprises are formed to serve local needs, there is **growing evidence that social enterprises are expanding to operate across a much wider area**. The survey evidence suggests that in the last two years the proportion of social enterprises operating in only one part of the city (typically a defined neighbourhood or community)

has reduced from 36% to 16%. Market horizons appear to be widening and a new wave of ambitious outward looking social enterprises are forming. Over half of Glasgow’s social enterprises now operate outside of the city’s boundaries, reinforcing the trend towards trading across multiple local authority areas, nationally, or indeed internationally.

Widest geographic area across which social enterprises operate



	% of social enterprises 2013	% of social enterprises 2015
One part of Glasgow	36%	16%
All of Glasgow	25%	21%
More than one local authority area	16%	24%
Scotland-wide	11%	22%
Across the UK	7%	7%
Internationally	5%	11%

With many social enterprises increasingly involved in international networks and collaboration, the survey responses reveal that 8% of Glasgow’s social enterprises have exported or licensed to overseas markets in the last 12 months (the national average is 5%).



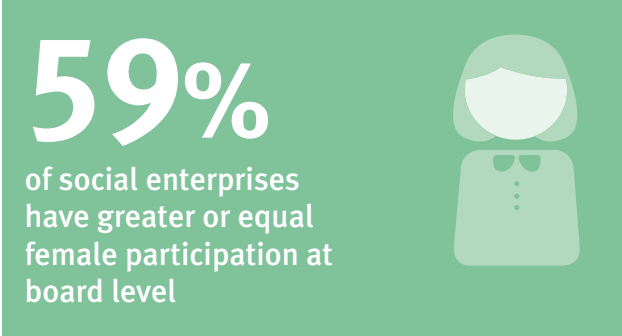
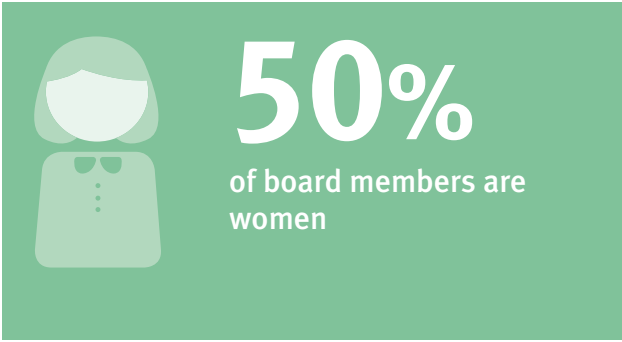
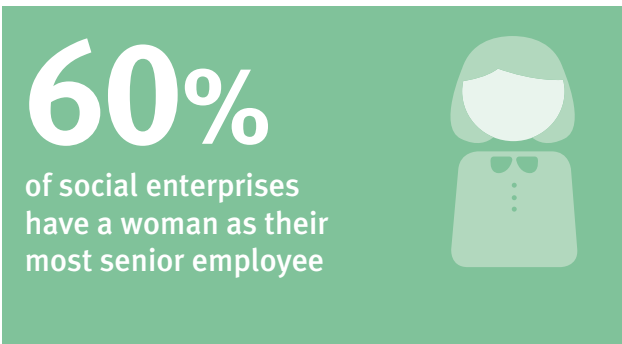
8%
have exported or licensed to overseas markets in the last 12 months

SECTION 5: FAIRNESS, EQUALITY AND OPPORTUNITY

Glasgow’s social enterprises seek to ensure fairness and dignity in the workplace, operate in an inclusive way, and extend opportunity where possible.

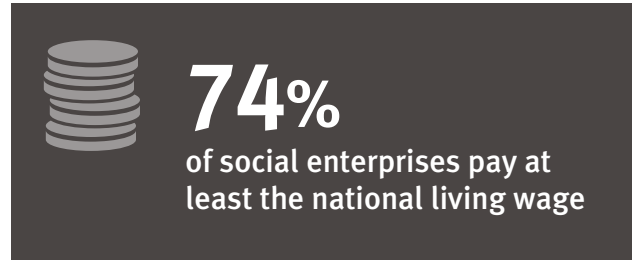
Achieving a gender balance

The under-representation of women in the business world is a well-recognised issue. As is typical of the social enterprise sector in Scotland, however, Glasgow’s social enterprises are a beacon for gender equality. The survey evidence indicates that gender balance at board level has been achieved in almost three-in-five social enterprises and that half of all board and committee places are currently filled by women. In addition, the survey results show that 60% of all social enterprises in the city are led by a female senior employee.



Ensuring fair pay and conditions

The failing trust in business that we witness today can partly be attributed to a basic lack of fairness, often visible in rampant executive pay and exploitation of low-paid workers. The evidence suggests that this is clearly not the case in Glasgow’s social enterprise community. The vast majority of social enterprises keep executive pay low, with the survey findings suggesting an average pay differential of 1:2.6 between the highest and lowest paid across the sample of social enterprises. Social enterprise also attempt to offer a decent wage to those at the bottom, and the survey findings have revealed that almost three-quarters (74%) are now paying at least the national living wage (£7.85 per hour). The research has also found that social enterprises in Glasgow tend not to employ people on zero hours contracts, with only 10% of survey respondents reporting their use.



Promoting diversity in the workplace

Social enterprises in Glasgow also offer an inclusive workplace. The survey findings show that in 65% of cases, social enterprises draw at least half of their workforce from among the female population and 55% employ over half of their workforce from the communities around them. Almost three-in-five social enterprises also employ people formerly disadvantaged in the labour market (e.g. long-term unemployed, ex-offenders, older people, people with disabilities).

65%

of social enterprises report more than half of employees are female



55%

currently employ more than half of their workforce from the local area

58%

currently employ people formerly disadvantaged in the labour market



Extending opportunities

Given the persistent inequality and labour market exclusion evident among the population of Glasgow it is therefore not surprising that the city's social enterprises seek to play a role in extending economic opportunity and helping people back into work. The survey evidence suggests that almost half of social enterprises attempt to create employment opportunities as part of their social mission, two-in-five explicitly target these opportunities towards disadvantaged areas or groups, while almost three-quarters seek to build the employability of their employees.

45%

of social enterprises report a stated objective of 'creating employment opportunities'



40%

of social enterprises target recruitment at disadvantaged areas or groups

73%

of social enterprises provide training or support intended to improve employability



SECTION 6: MARKETS AND TRADING ACTIVITY

















Social enterprises can operate in almost any part of the economy. They aspire to some level of financial independence through trading in these markets. They have a clear sense of who their customers are and seek to deliver goods and services of value to them.

Operating in many economic sectors

Glasgow's social enterprises operate in many economic sectors. The social enterprise sector in the city remains dominated by activity in the Arts & Creative Industries (accounting for the main activity of one-in-five social enterprises), with Health & Social Care, and Housing also remaining prominent. This profile of economic activity

by Glasgow social enterprises varies from the national picture in a number of main respects – for example, we see disproportionately more activity in the Creative Industries, Housing, and Financial Services (Credit Unions) but notably less Childcare and Community Amenities (centres and halls) operated independently by social enterprises.

Number and income of social enterprises across economic sectors

	Number of social enterprises	Split in Glasgow	National Comparison
 Arts and Creative Industries	142	20%	14%
 Childcare	53	8%	13%
 Community Amenities	47	7%	16%
 Education, Training and Employment	39	6%	4%
 Environment and Recycling	20	3%	3%
 Financial Services	45	6%	3%
 Food, Catering & Hospitality	17	2%	2%
 Health & Social Care	83	12%	12%
 Housing	74	11%	5%
 Information, Consultancy & Support	59	8%	5%
 Property, Energy and Land Management	18	3%	5%
 Retailing	15	2%	3%
 Sport & Leisure	25	4%	4%
 Tourism & Heritage	12	2%	5%
 Transport	4	1%	2%
 Other	51	7%	6%


Note: Social enterprises have been categorised by their principal field of economic activity (not main social purpose). Some social enterprises will work across multiple economic sectors.

Multiple customer groups

Social enterprises in Glasgow serve multiple customer groups. Notably distinct from the national picture, the survey evidence shows that most social enterprises in Glasgow (67%) provide goods and services to other third sector organisations; this highlights the importance of inter-trading and collaboration within the social enterprise community in

Glasgow. Almost as prevalent, and much more significant in financial terms, two-thirds of social enterprises serve public sector markets. Consumer-facing trading activity remains more modest at this stage than in other parts of Scotland and, like elsewhere, trade with the public sector is less likely than with other customer groups.

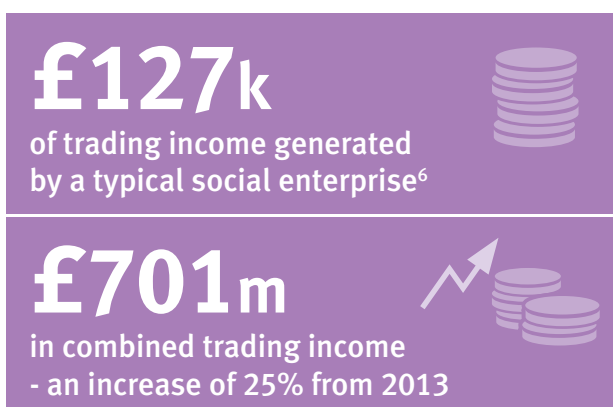
Reported customer groups of social enterprises



	% of social enterprises	National Comparison
General public	57%	68%
Public sector	66%	61%
Third sector (including social enterprises)	67%	50%
Private sector	40%	39%

Trading for good

The trading of goods and services in a marketplace is what sets social enterprises apart from traditional forms of charitable and voluntary sector activity in Glasgow. By ‘trading’ we refer to income generated through providing goods or services in return for payment, often under contract (or ‘service level agreement’). Last year **social enterprises in Glasgow generated an estimated combined trading income of £701m**. This represents a 25% increase in the level of traded income by Glasgow social enterprises over two years, which equates to £148k for the typical social enterprise (compared to a national average of £5k for the social enterprise sector).



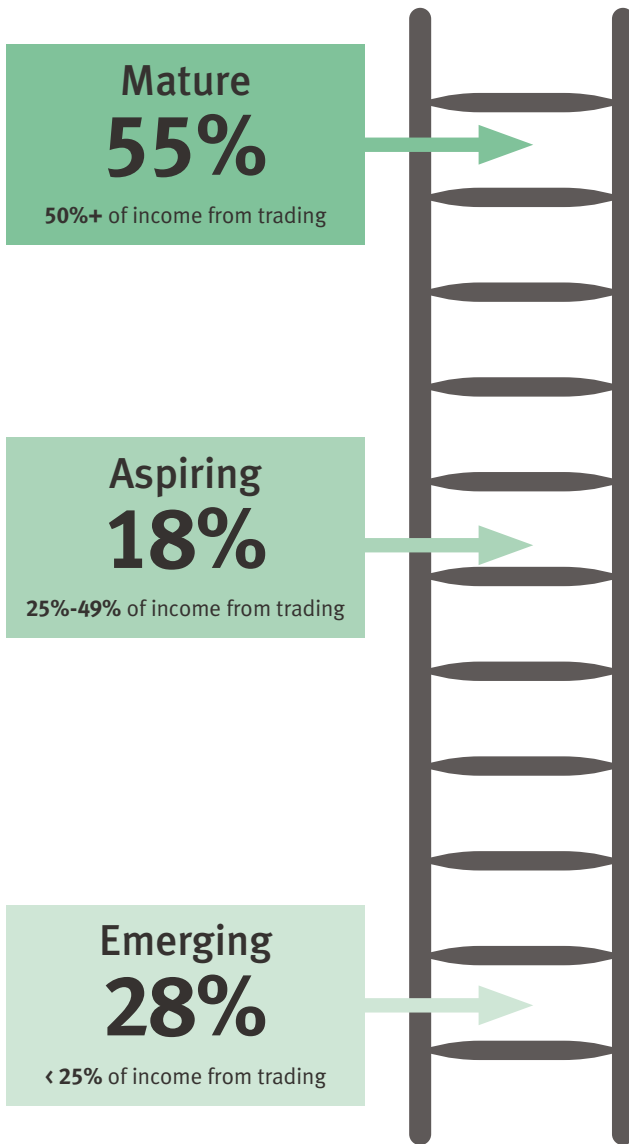
⁶ Based on a social enterprise of median income outside of the Housing Association or Credit Union sectors.

On an enterprising path

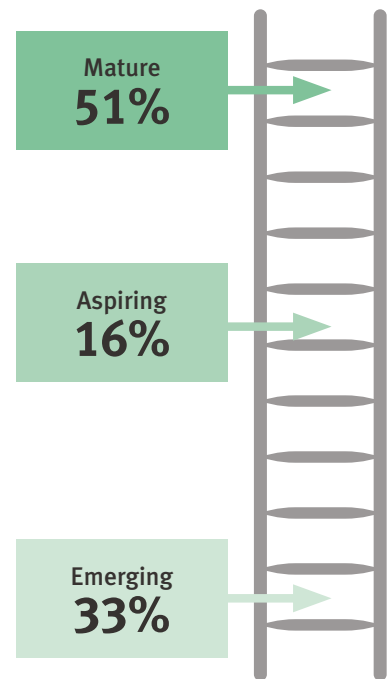
Social enterprises in Glasgow are continuing on their journey towards becoming more independent through trading (attempting to earning income, generating surpluses and building financial reserves). For most this does not mean full self-reliance (100% traded income) given that public authorities and other donors continue to pay by way of grants

rather than contract for certain types of socially worthwhile services. The study reveals that the levels of traded income are growing, albeit slowly – the proportion of ‘mature’ social enterprises (more than half of income from trading) in Glasgow has increased from 51% to 55% during the last two years.

2015



2013



↑
INCREASINGLY SELF-SUFFICIENT

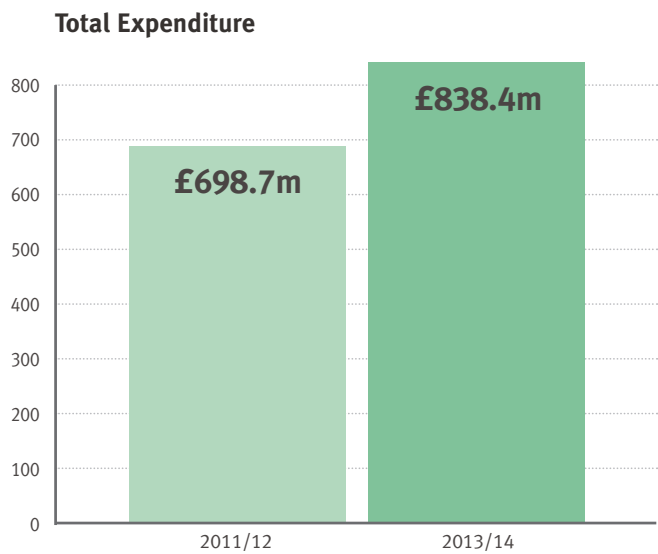
SECTION 7: FINANCIAL STRENGTH

A successful social enterprise needs to be, first and foremost, a successful enterprise. Ultimately the ability of social enterprises in Glasgow to deliver social good will depend on strong and sustained financial performance.

Rising expenditure

Collectively Glasgow’s social enterprises spent £838.4m last year, a rise of 20% on the comparable figure from two years earlier. This **rising expenditure comes from a combination of price inflation and added costs** associated with meeting needs and delivering on mission. Staffing remains the most

significant item of expenditure, rising from 56% to 65% of costs for the typical social enterprise over a two-year period. The profile of costs continue to vary between different types of social enterprise.



2013/14 Staffing Costs Ratio
 (Excluding housing associations and credit unions).

65%

What is the staffing costs ratio?
Formula: Staffing Costs/Total Expenditure x 100
What the ratio tells us: The percentage of actual expenditure among social enterprises which is allocated to staffing costs, including sessional staff costs.



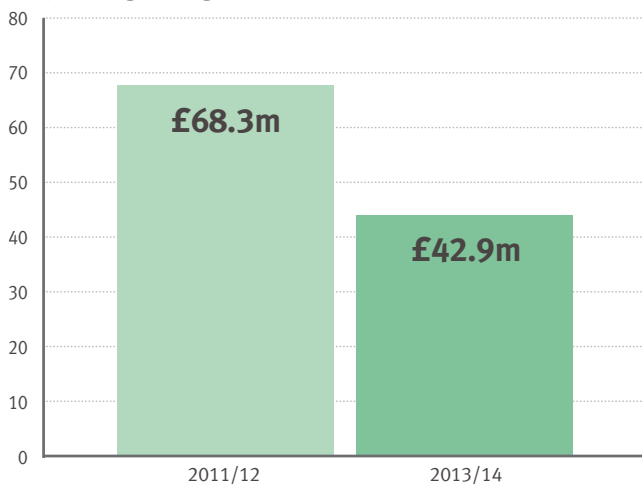
A continued squeeze on profits


With costs generally rising faster than income, the profits of social enterprises have remained squeezed over the last two years. Collectively the estimated surplus of all social enterprises was £42.9m, down 37% over the period. This aggregate picture disguised significant variation. While the typical social enterprise (excluding housing associations and credit unions) returned a modest 1.9p surplus. However, 38% of this typical group of social enterprises returned a

deficit during the year, often deliberately spending more than they earn (and dipping into reserves) in order to invest in necessary services, meet rising client needs, or secure long-term assets (e.g. buildings). It is through actively managing these surpluses and deficits over time (not achieving year on year profits) that social enterprises are able to maximise the good that they do.

Operating Surplus

(Excluding housing associations and credit unions)





2013/14 Profitability Ratio
 (Excluding housing associations and credit unions).

1.9%


What is the Profitability Ratio?
Formula: Net Surplus (Deficit) / Total Income x 100
What the ratio tells us: The amount of surplus per £1 of income social enterprises have earned after taking account of all expenditure.

Remaining financially viable

The liquidity of any company is vital if it is to remain viable, in other words its ability to pay debts due within one year out of current assets. On average the current assets of social enterprises in Glasgow last year were three times the value of current liabilities. This means that in the short term social enterprises generally have adequate financial cover. Financial stability is also affected by the quality of trade debtors (i.e. how quickly customers pay) – on average customers pay their invoice within 42 days for the typical group of social

enterprises examined in Glasgow. Levels of liquidity do, however, vary somewhat between different types of social enterprises.

	+ Current Assets	- Current Liabilities
Housing Associations	£323m	£156m
Credit Unions	£321m	£288m
Other Social Enterprises	£163m	£58m



Current Ratio
 (excluding housing associations and credit unions)

2.8

What is the Current Ratio?
Formula: Current Assets/Current Liabilities
What the ratio tells us: An indication of social enterprises ability to meet short-term obligations (those obligations due within 1 year or less).

Debtor Turnover Ratio
 (excluding housing associations and credit unions)

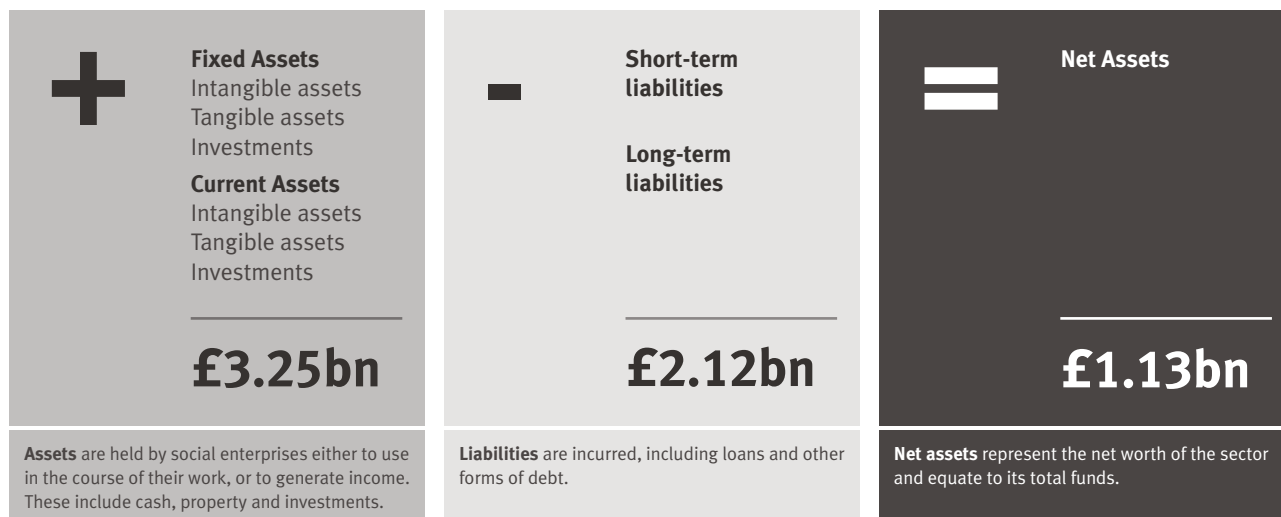
42 days

What is Debtor Turnover Ratio?
Formula: Debtors / Total Income x 365
What the ratio tells us: Indication, in days, of how long debtors take to pay their accounts.

A strong balance sheet

The balance sheet of the social enterprise sector in Glasgow suggests that it is financially strong. Combined the sector holds estimated assets of £3.25bn. This is set against an estimated £2.12bn in total liabilities (from short-term loans to long-term pension liabilities). When liabilities are subtracted from assets, the sector's total funds notionally available

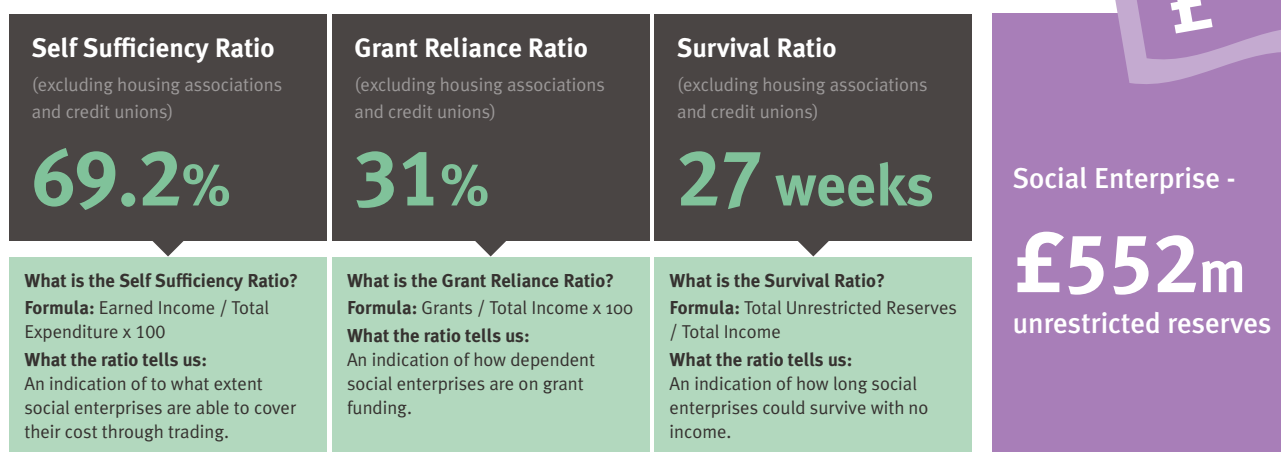
for future distribution are **worth a net £1.13bn** (up from £0.76bn two years earlier). It should be noted again that the concentration of housing associations in the city accounts for 73% of the sector's net worth, and the strength of the sector's aggregate balance sheet is largely dependent on the strength of assets and sustained profitability from housing.



Financial sustainability

Social enterprises strive to become largely self-sufficient through trading, but in practice few operate without some level of income from grants. Excluding housing associations and credit unions (with very high levels traded income), the data indicates that Glasgow's social enterprises are able to generate more than two-thirds of the resources they require through trading, and grants account for just 31% of their income. This grant funding is important to social enterprises

both to get new services off the ground and deliver important services that consumers (clients) themselves are unable to pay for and which deliver a public good. Collectively the social enterprises have built up unrestricted reserves of an estimated £552m (up from £312m two years earlier), meaning that if income ceased tomorrow they could continue to operate for more than six months.



SECTION 8: FUTURE PROSPECTS


With the Glasgow economy well on the road to sustained recovery in 2015 there is much scope for optimism. However, social enterprises still work to tackle social needs in the city and there are a number of main obstacles that constrain the potential of the sector.

The prevailing economic climate

Wider economic conditions are crucial to the success of any business. For social enterprises, the economic context shapes the social and economic needs they exist to respond to, the strength of the markets in which they are active and, ultimately, their ability to operate on a viable and sustained basis. The evidence points to **an improving economic**

context for social enterprises. This is still a reasonably negative picture, however. In the latest survey, 32% of social enterprise leaders have characterised the last 12 months as negative for their organisation (compared to a finding of 56% some two years earlier).

How the economic climate during the last 12 months has affected social enterprises

	% of social enterprises 2015	% of social enterprises 2013
Positively 	13%	6%
Neither positively nor negatively 	55%	38%
Negatively 	32%	56%

Still struggling to make the breakthrough

So what is it that's holding social enterprises in Glasgow back from reaching their full potential? The research has again examined the **ten most frequently reported barriers/obstacles**. For the most part these barriers remain similar or

the same as those reported two years earlier. The three main barriers remain: the lack of time/capacity to develop trading potential; insecure or declining grant funding; and increasing costs.

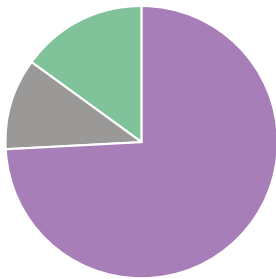
Top 10 barriers/obstacles to the development of social enterprises in Glasgow			% of social enterprise reporting barrier
	1.	Lack of time/capacity to develop trading potential	60%
	2.	Insecure or declining grant funding	52%
	3.	Increasing costs	37%
	4.	Difficult market/trading conditions	32%
	5.	Competition within the market	25%
	6.	Skills gaps or shortages	23%
	7.	Difficulties securing Contracts/Service Level Agreements	22%
	8.	Cashflow difficulties	22%
	9.	Public awareness or preconceptions of social enterprise	21%
	10.	Inadequate business support	15%

Looking forward with confidence

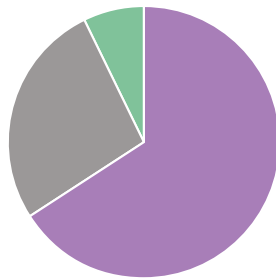
Business confidence is an important barometer of the health of any economic sector. This report like the previous one, suggest that **confidence within Glasgow’s social enterprise community remains high**. The survey data suggests particular confidence that incomes will grow over the next year (reported by 75% of respondents), including from

traded income. However, given a widely held expectation of rising costs and predicted increases in demand for services and associated collaboration, it is anticipated that there is unlikely to be any widespread reduction in the reliance on grants.

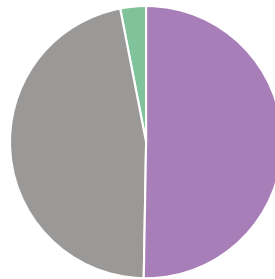
Expected changes during the next 12 months



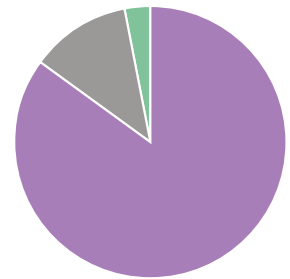
TOTAL INCOME	
Increase	75%
No change	11%
Decrease	15%



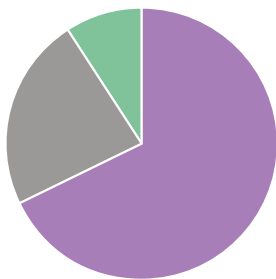
TRADING INCOME	
Increase	66%
No change	27%
Decrease	7%



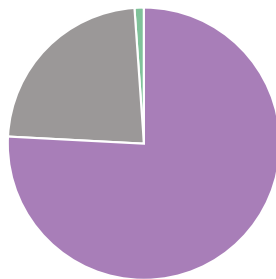
GEOGRAPHIC REACH	
Increase	51%
No change	47%
Decrease	3%



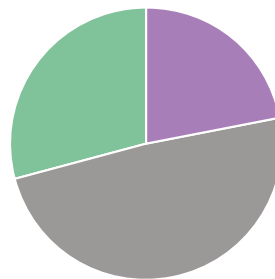
DEMAND	
Increase	86%
No change	12%
Decrease	3%



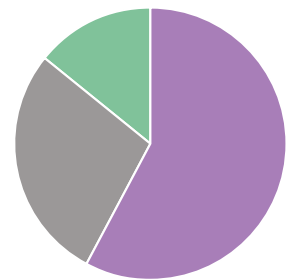
COSTS	
Increase	68%
No change	23%
Decrease	9%



COLLABORATION	
Increase	76%
No change	23%
Decrease	1%



GRANT RELIANCE	
Increase	22%
No change	49%
Decrease	29%



WORKFORCE	
Increase	58%
No change	28%
Decrease	14%





ABOUT GSEN

Glasgow Social Enterprise Network (GSEN) is a network of Glasgow's social enterprise leaders; one of a growing number of geographic and thematic Social Enterprise Networks in Scotland. It provides a regular forum for information-sharing and peer support, as well as a confidential environment that is conducive to inter-trading between social enterprises. The Network also engages selectively with policy makers, funders and other strategic partners to lobby, challenge and shape an environment in which social enterprise can flourish.

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