

RSN Seminar  
The Role of Market Towns  
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# **Social Enterprise in Small Towns, the growth and distribution of Community Interest Companies 2005 – 2012.**

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## Presentation Structure

Some brief points on social enterprise in general and (*rural development*)

The origins and particular nature of Community Interest Companies, for what they might tell us about social enterprise and for research purposes.

The Nature of the Data

The number, growth, regional and LA district distribution of CICs.

Small towns and CICs, some conceptual background and early research findings.

Some concluding comments.

## A Starting Point

The talk is based upon the first comprehensive and time/space detailed set of data on a new form of social enterprise i.e. Community Interest Companies. However, we do not know whether enough of the data are in yet to make definitive statements about findings, although after seven years of data collection we must be getting close!

The geography of social enterprise presented here is therefore 'interim' but on a path to greater understanding. Geography – the study of the distribution and evolution of things in space – is a first port of call in understanding. Well framed geography asks questions and suggests where we might look for answers. Ultimately it is more than just this, of course, not least in policy terms where it identifies key inequalities in social and economic phenomena.

The findings described here are part of a more rounded and extensive study of the determinants of the social and entrepreneurial opportunities presented by CICs. Our collaborator is Dr Helen Haugh of the Judge School of Business, University of Cambridge. Dr Haugh will conduct surveys and in depth interviews looking into such things as the role of macro and local economic circumstances, institutional support, business networks and entrepreneurial culture in the growth of CICs.

## Social Enterprises are:

- businesses that exist primarily for a **social or environmental** purpose,
- businesses that generally aim to tackle **social problems**, improve people's life chances and protect the environment,
- as (mostly small) businesses they aim to create shared wealth through **enterprise and innovation** and give people a stake in the (mostly local) economy,
- of particular relevance in **disadvantaged urban areas** and in **'hard to serve'** rural areas (e.g. community owned transport and shops),
- releases and develops **entrepreneurial skills** for those who want to serve the community.

*But, (a) there is lack of agreement on a formal definition of 'social enterprise' and (b) we don't really know how many there are – 60,000 to 200,000 (?). Hence other important characteristics of SEs – how well they survive, how well they deliver their aims or how much they contribute to the overall and local economy – are not known.*

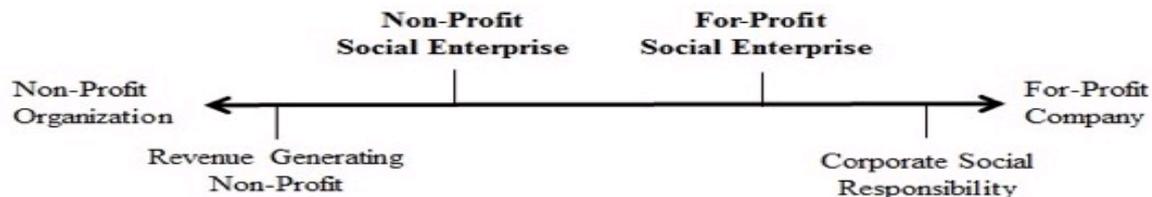
## Community Interest Companies:

- a particularly well identified legal form of social enterprise,
- established by the Companies (Audit, Investigations and Community Enterprise) Act of 2004 and regulated by The Community Interest Company Regulations 2005.

### The Government's aim was ...

... to establish a form of social enterprise that could be set up quickly and easily and that would possess "... all the flexibility and certainty of the company form, but with some special features to ensure they are working for the benefit of the community." (DTI, 2004),

and were perceived as a mix of entrepreneurial opportunity (can pay dividends) and the provision of social benefit. (A rather typical New Labour invention in many ways!)



## CICs, two special features

### A Focus on 'Community'

A CIC must satisfy a '*community interest*' test and it can do so '... if a reasonable person might consider that it carries on its activities for the benefit of the community or a section of the community" (CIC Regulator, 2006 p 4).

### The Provision of an 'Asset Lock',

... which exists to ensure that the assets of the CIC (including physical assets and any profits or other surpluses generated by CIC activities) are used for the benefit of the community.

The asset lock is meant to ensure that the CIC continues to operate for the specified community purposes for which it was established even if the CIC is dissolved or there is a change of ownership (Nicholls, 2010,397)

## **The Regulator's interpretation of 'community' is highly relevant to their local role but it is extremely flexible:**

Elaborating on this legal requisite for company registration the Regulator notes that "... a community for CIC purposes can embrace either the community or the population as a whole or a definable sector or group of people either in the UK or elsewhere".

Furthermore "... any group of individuals may constitute a community if they share a common characteristic which distinguishes them from other members of the community." (BIS/CIC Regulator 2010, p 13). Examples of 'community' given by the Regulator include place based, interest or experience based and purpose based communities (ibid p 14).

The significant point is that the proposed CIC must bring benefits (directly or indirectly) to a client base wider than that of the CIC itself (ibid p 16).

## In terms of rural economic development our wider prospective interest in CICs lies in:

- their hybrid nature to deliver social benefit within an entrepreneurial mindset,
- for what they might potentially tell us about entrepreneurialism (its extent and growth) in rural areas and ultimately about drivers/barriers of rural development,
- for what they might add to what we know about the operation of small businesses generally in rural areas,
- for the potential for delivering services that other public bodies might consider un-economic or otherwise not feasible, but
- most generally of all they provide at last some way into (hard) evidence based research into the nature, role and economic contribution of social enterprise.

# Social Enterprises and Evidence

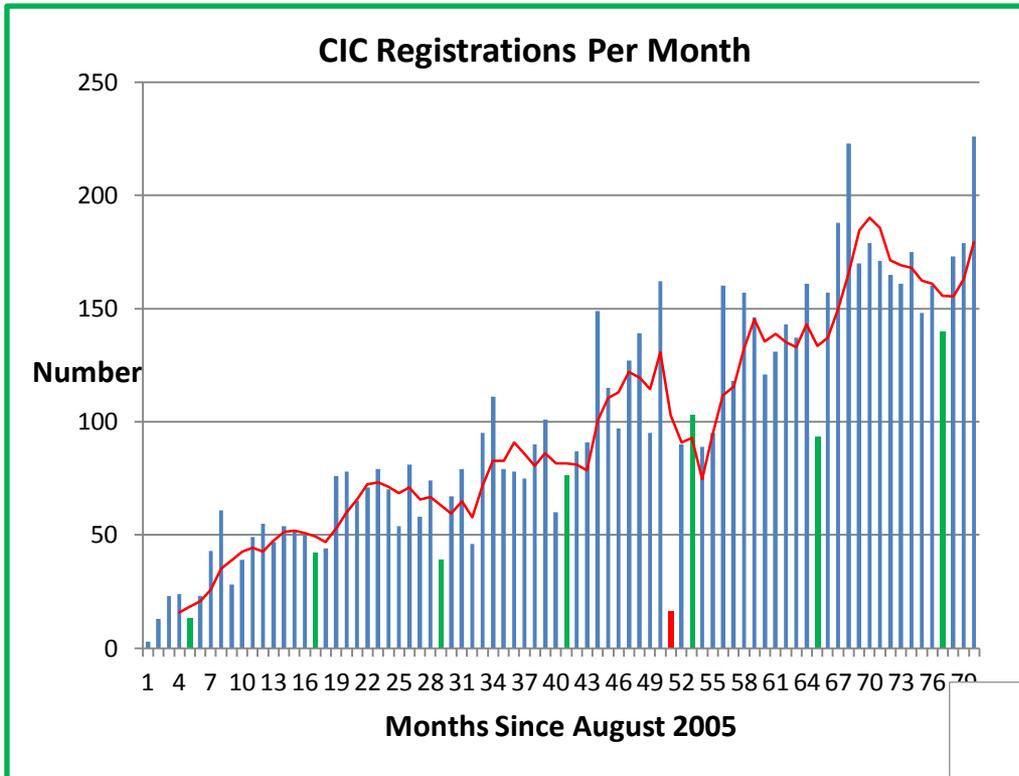
There is now considerable survey and qualitative research on social enterprises but very little (aka none) comprehensive quantitative data. Two reasons:

difficulty in defining SE give its many legal forms,  
hence difficulty (and cost) of identifying and obtaining SE data from Companies House Records

The data kindly made available by the Regulator's office for this study are for the period July 2005 to the end of April 2012 and contains the following items:

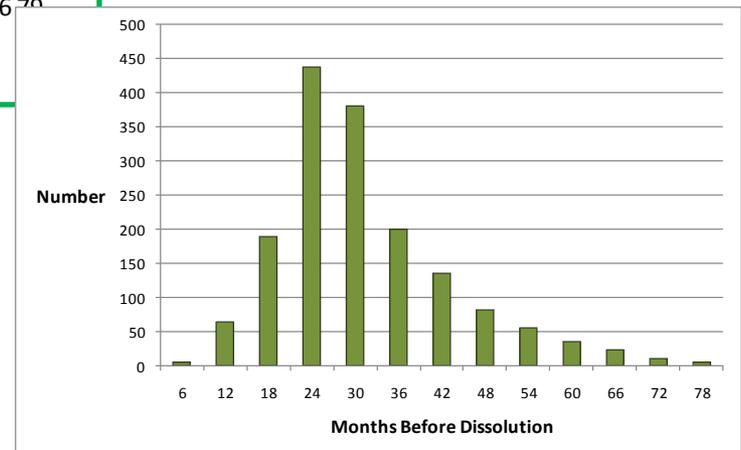
- the Company Number
- the Company Name as registered with Companies House
- date of Incorporation or Conversion
- period live on the Register of Community Interest Companies.
- date of dissolution of a CIC if relevant
- company type (i.e. private limited company, company limited by guarantee, no share capital issued)
- nature of business as indicated by company selected SIC class (2003 classification)
- full postcode of the registered address.

# The Growth of CIC Registrations 2005 - 2012

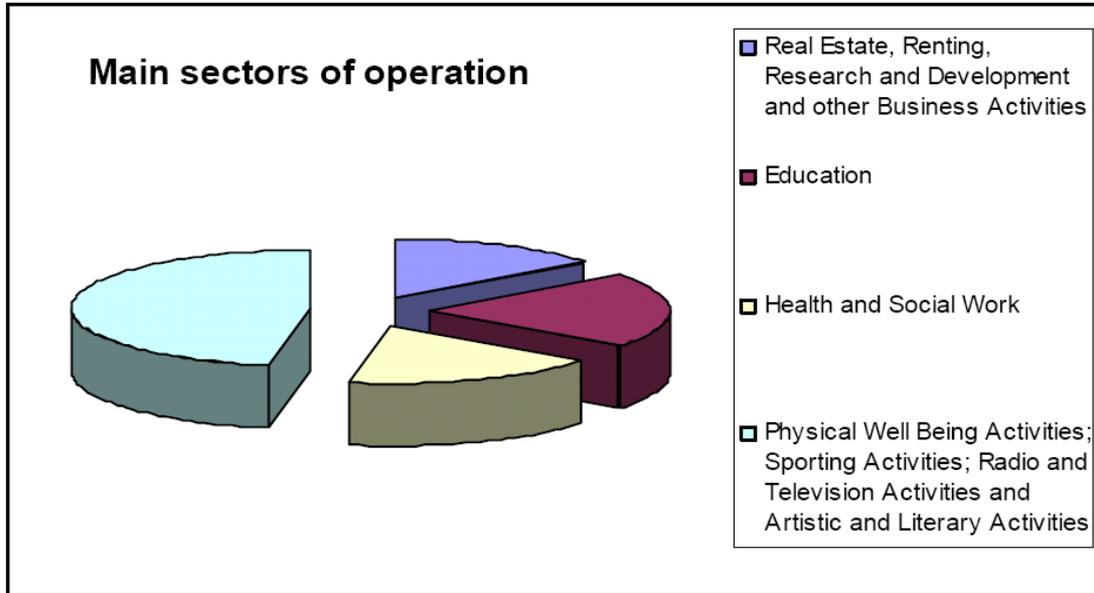


Registrations, the analytical impact of bureaucratic procedures: the end of year 'catch up', the change in regulations 2008/9 + computer glitch!

Dissolutions, 1626 2005-2012, modal life of a dissolved CIC is c 2 years, and after 5 years survival is 96%



# Sectors and modes of operation



Not a very useful breakdown for our purposes.

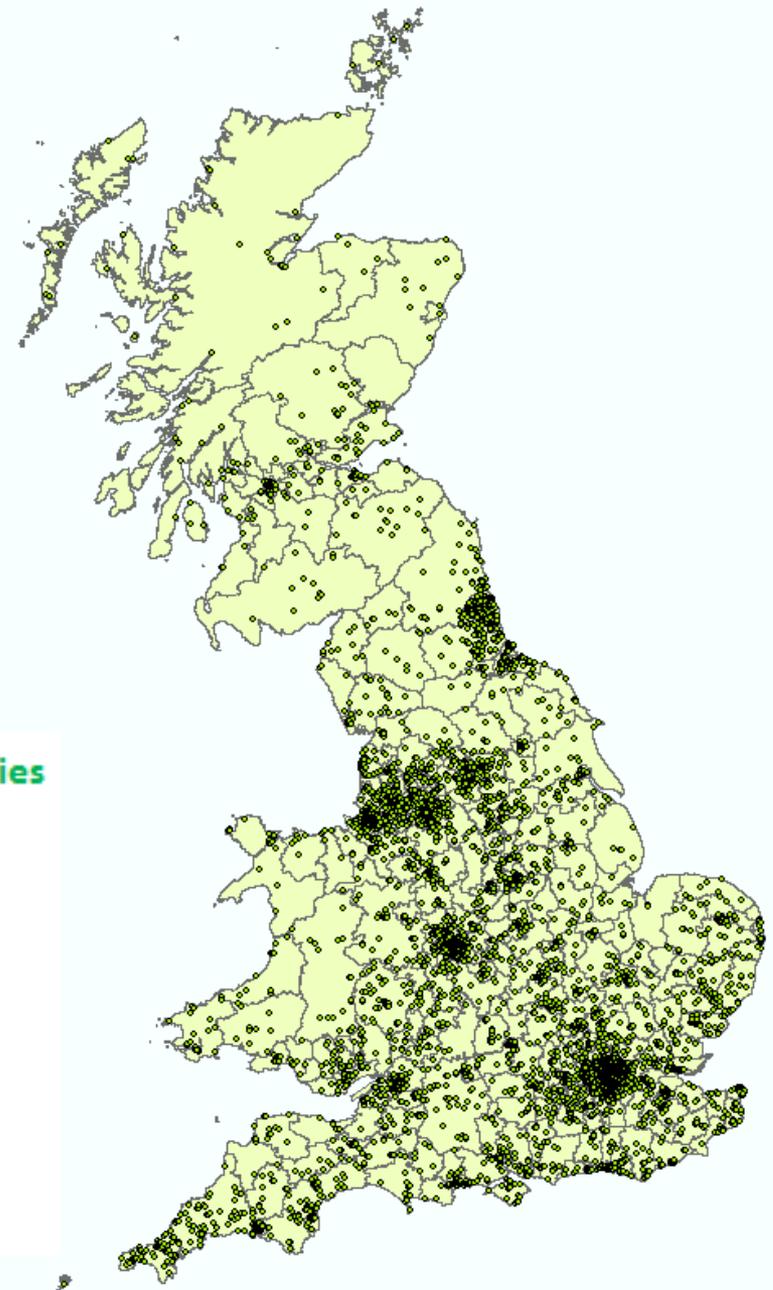
Compromised to some extent by SIC self reporting by CICs themselves and by ONS changes to SIC classification.

Source: CIC Regulator

**75% of CICs are Limited by Guarantee and 25% by shares but between 2010 and 2011 the shares model increased from 25% to 34%, suggesting a more entrepreneurial mode is becoming increasingly popular.**

## CICs are nationwide but with significant national and regional variations

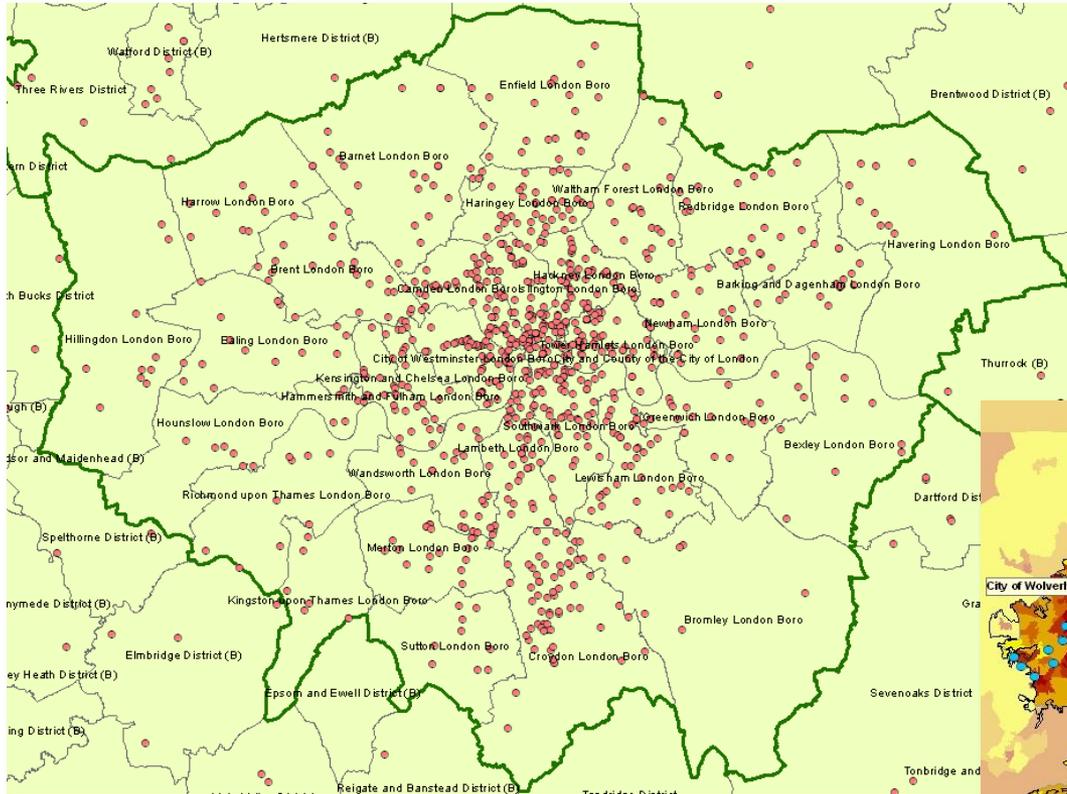
Country	Number	Percent	Per Capita*
England	7299	92.5	14.0
Scotland	296	3.8	5.6
Wales	208	2.6	6.8
NI	88	1.1	4.9
<b>Total</b>	<b>7891</b>	<b>100</b>	<b>12.7</b>



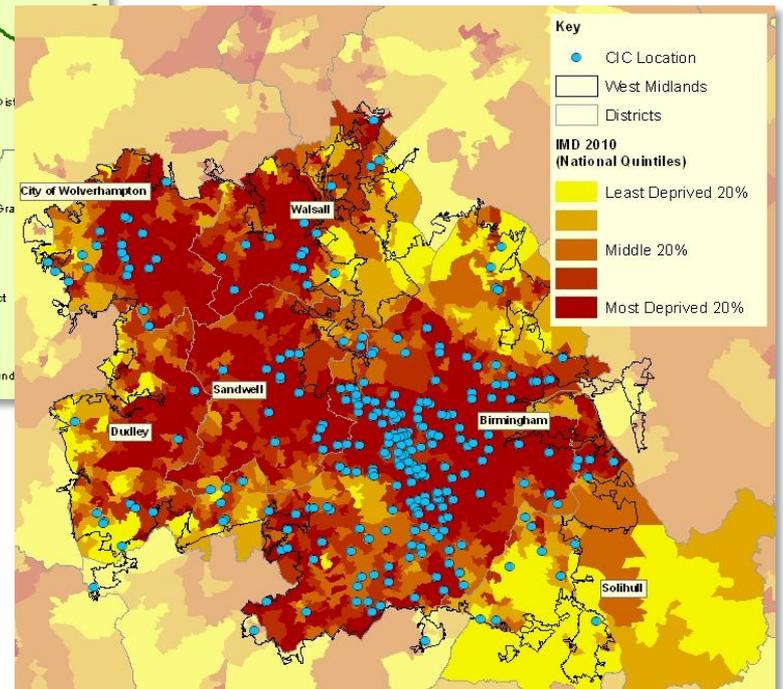
### Community Interest Companies

Area Type	Number	Percent
Metropolitan	2145	40.3
Large Urban	679	12.8
Medium Urban	674	12.7
Other	397	7.5
Small Town	903	17.0
Rural	521	9.8
<b>Total</b>	<b>5319</b>	<b>100.0</b>

# Within the Big Cities



# Greater London



# The West Midlands

## Some Regional Differences in CIC Registrations and Dissolutions, 2005 - 2012

Region	Number	Percent	Per Capita*
North East	582	7.97	22.64
North West	1142	15.65	16.61
Yorks & The Humber	478	6.55	9.16
East Midlands	471	6.45	10.63
West Midlands	811	11.11	15
East of England	614	8.41	10.74
Greater London	1406	19.27	18.34
South East	929	12.73	11.1
South West	865	11.85	16.6
<b>Total</b>	<b>7298</b>	<b>100</b>	<b>14.18</b>

\* Per 100,000 population mid 2008

Region	Ever Registered	Dissolved	Percent
	Number	Number	
North East	582	145	24.9
North West	1142	258	22.6
Yorks & The Humber	478	104	21.8
East Midlands	471	106	22.5
West Midlands	811	139	17.1
East of England	614	102	16.6
Greater London	1406	368	26.2
South East	929	175	18.8
South West	865	128	14.8
<b>Total</b>	<b>7298</b>	<b>1525</b>	<b>20.9</b>

## As we are here, let's examine CICs in the East Midlands

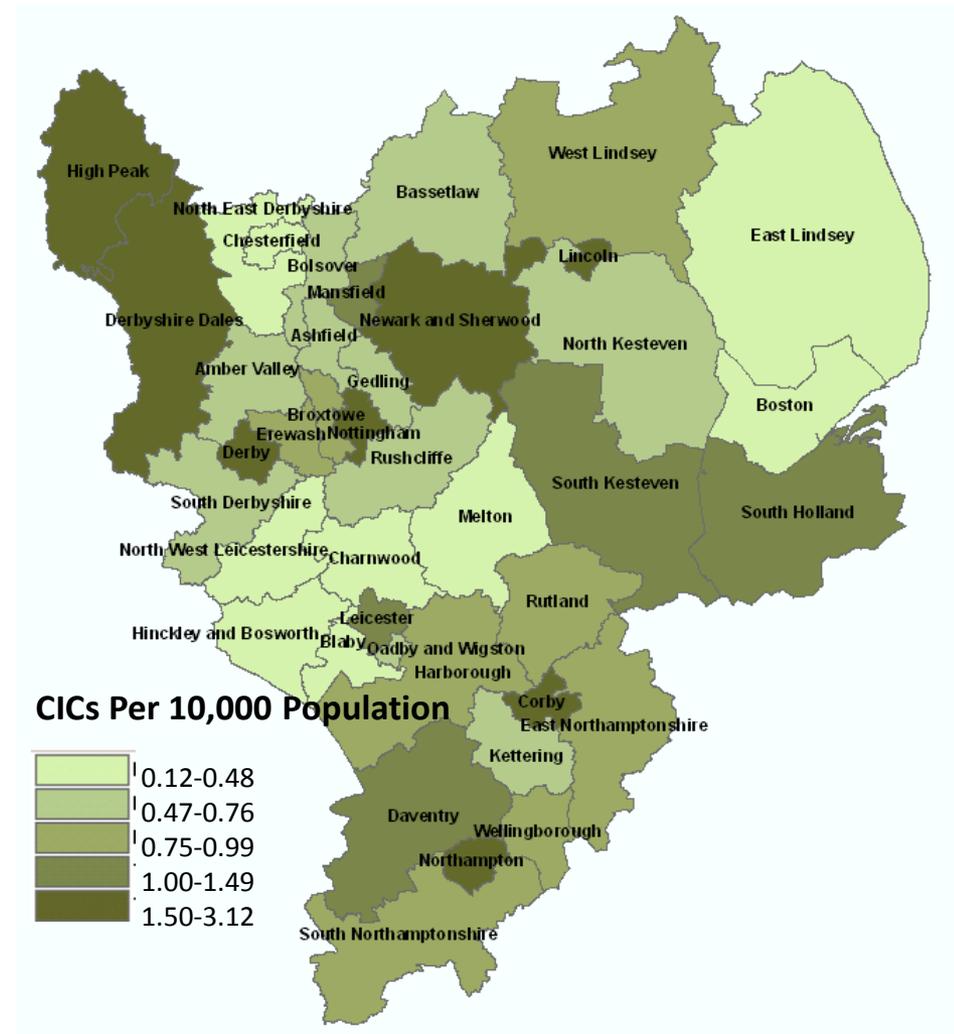
RU Class	CICs	Population	Per Capita*
Large Urban	161	1,022,705	15.7
Other Urban	123	1,016,540	12.1
Significant Rural	36	580,462	6.2
Rural50	78	792,359	9.8
Rural80	73	759,989	9.6
<b>East Midlands</b>	<b>471</b>	<b>4172055</b>	<b>11.3</b>

### Bassetlaw:

Rural 50, 7 CICs, 'expected' 9-10 perhaps

### Activities of 'ever registered' CICs:

- SME business advice and training –
- networking criminal justice professionals -
- sports club stadium - printing business
- opportunities for the disadvantaged-
- encouraging community participation in fe-
- water projects in LDCs



# Small Businesses in Small Towns

## DTI Rural Business Survey 2006

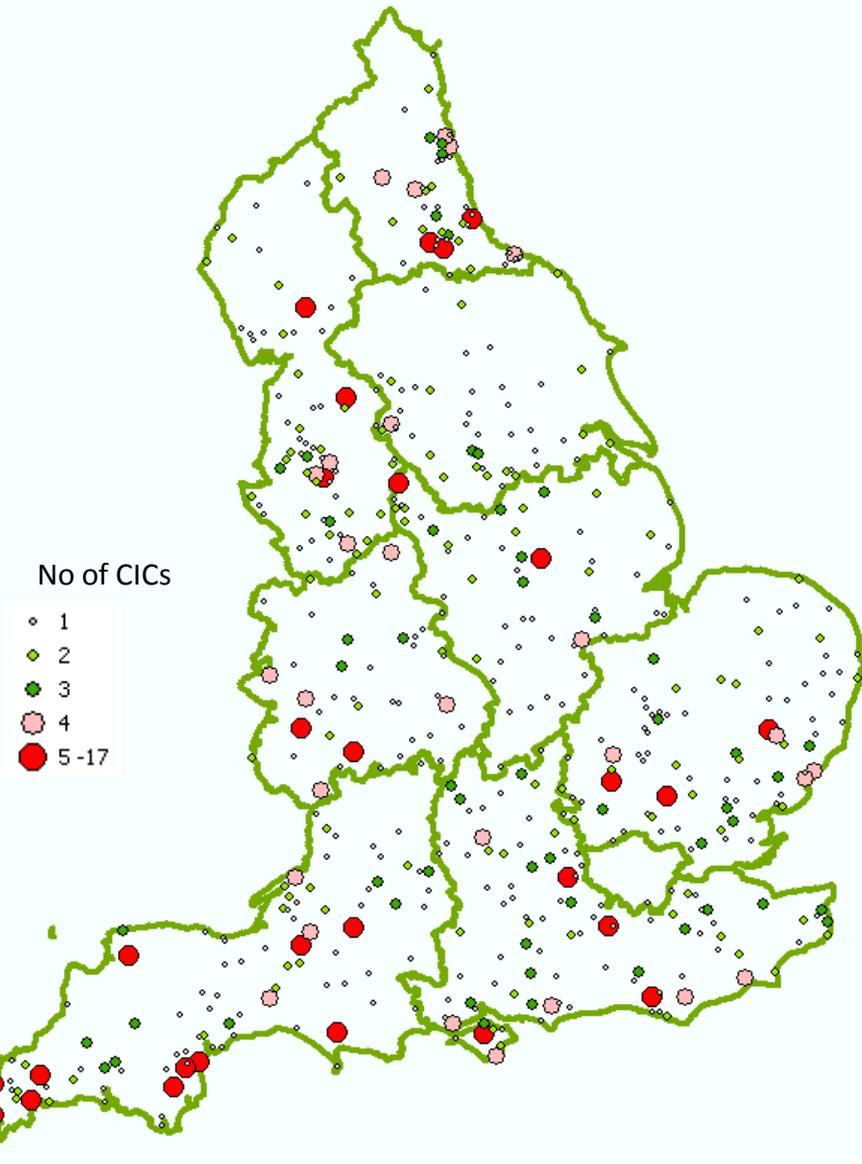
- businesses tend to be smaller than in urban areas, and a higher proportion have no employees,
- are less likely to be companies and more likely to be partnerships than those in urban areas,
- are more likely to be family businesses,
- a higher proportion are sole proprietorships or partnerships and
- they are less likely to use their profits to further social or environmental goals.

## Besser and Jarnagin, 2010

- more socially and economically embedded within the community in which they are located,
- more visible than similarly sized businesses in metropolitan locations,
- social aims and performance more directly and personally shaped,
- owners more likely to conform to local patterns of civic engagement and
- owners more involved socially and politically in the locality than in metro areas

# Community Interest Companies in 522 Rather Different Small Towns

- a cluster of places and clusters within places in the South West
- the North East and North West are well represented around the large cities and some rural areas.
- the West Midlands has a small number of places with clusters of CICs
- in the South East, represented in London 'exurbs' and coastal towns.
- a perhaps surprising lack in remoter rural areas, i.e. Norfolk, Suffolk, Lincolnshire and North Yorkshire.



**A meaningful pattern or just waiting for the map to fill up i.e. random at present? Some places explicable.**

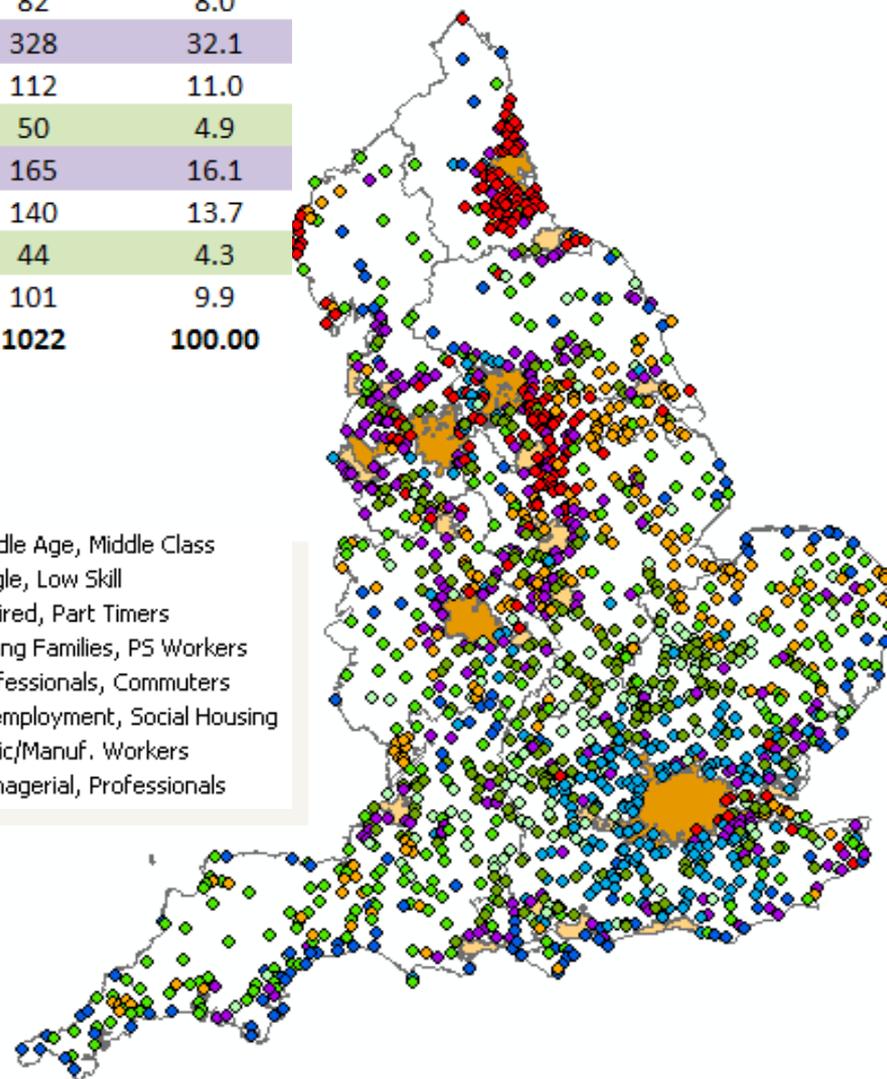
## Further detail: Types of Small Town and CICs

England Small TownType	Rural Towns		CICs April2012	
	No.	Percent	No.	Percent
Middle Aged, Managerial Jobs	236	14.7	82	8.0
Single Persons, Routine Jobs	261	16.2	328	32.1
Older Persons, Leisure Jobs	123	7.7	112	11.0
Young Families, Administrative Jobs	129	8	50	4.9
Professionals, Commuting	188	11.7	165	16.1
Disadvantages	181	11.3	140	13.7
Routine Jobs, Agric/Manufg	209	13	44	4.3
Age Mix, Professional Jobs	280	17.4	101	9.9
<b>Total</b>	<b>1607</b>	<b>100</b>	<b>1022</b>	<b>100.00</b>

## The Top Ten

Town	Region	Population	No. of CIC
Penzance	SW	20255	17
Camborne/Redruth	SW	39937	14
Lewes	SE	15988	13
Totnes	SW	7929	13
Truro	SW	20920	12
Frome	SW	24171	10
Stowmarket	EE	15059	9
Dorchester	SW	16171	8
Glossop	EM	32219	7

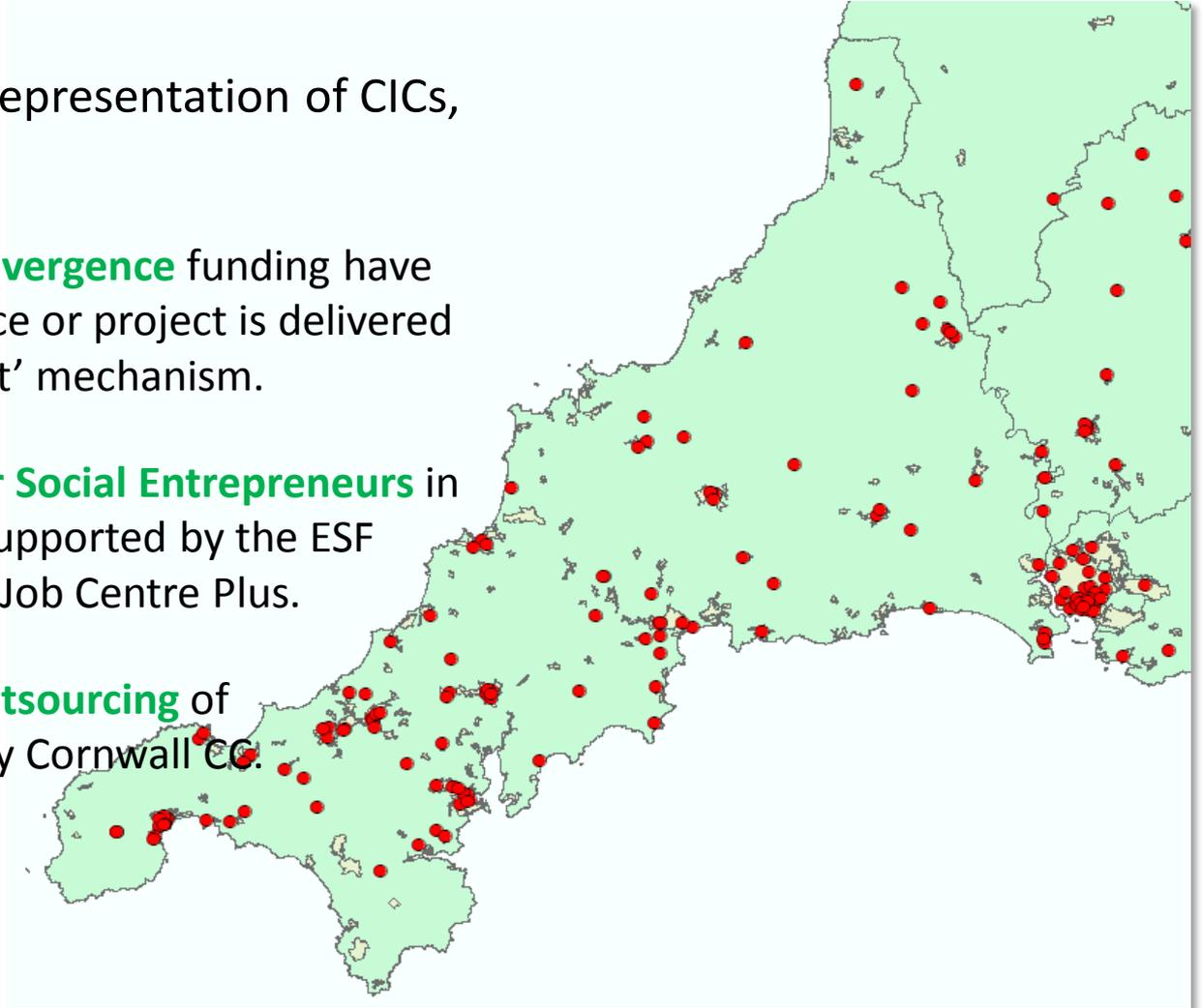
- ◆ Middle Age, Middle Class
- ◆ Single, Low Skill
- ◆ Retired, Part Timers
- ◆ Young Families, PS Workers
- ◆ Professionals, Commuters
- ◆ Unemployment, Social Housing
- ◆ Agric/Manuf. Workers
- ◆ Managerial, Professionals



# Cornwall, the role of 'institutional thickness'

Has a particularly high representation of CICs, possibly because of:

- **Objective One and Convergence** funding have led to finance if a service or project is delivered through a 'not for profit' mechanism.
- the **Cornwall School for Social Entrepreneurs** in Penzance: workshops supported by the ESF Convergence Fund and Job Centre Plus.
- a high proportion of **outsourcing** of services and facilities by Cornwall CC.



## Some Observations

the work at this stage is about using geography to explore a new data source to provide clues as to the reasons for establishing and the performance of Community Interest Companies within England, however

the geography itself has relevance:

- regions: EU support, political culture,
- counties/districts: political support, degree of outsourcing of services,
- small towns: business networks, preserving local facilities etc.,

but this needs improved explanation via rigorously collected and analysed survey/interview data, hence the collaboration with the Judge School of Business.

To this should be added further local experience and knowledge. If you feel you might help in this respect please contact me at:

[j.shepherd@bbk.ac.uk](mailto:j.shepherd@bbk.ac.uk)