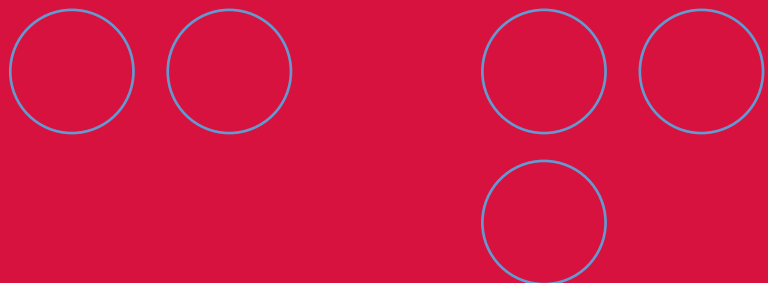
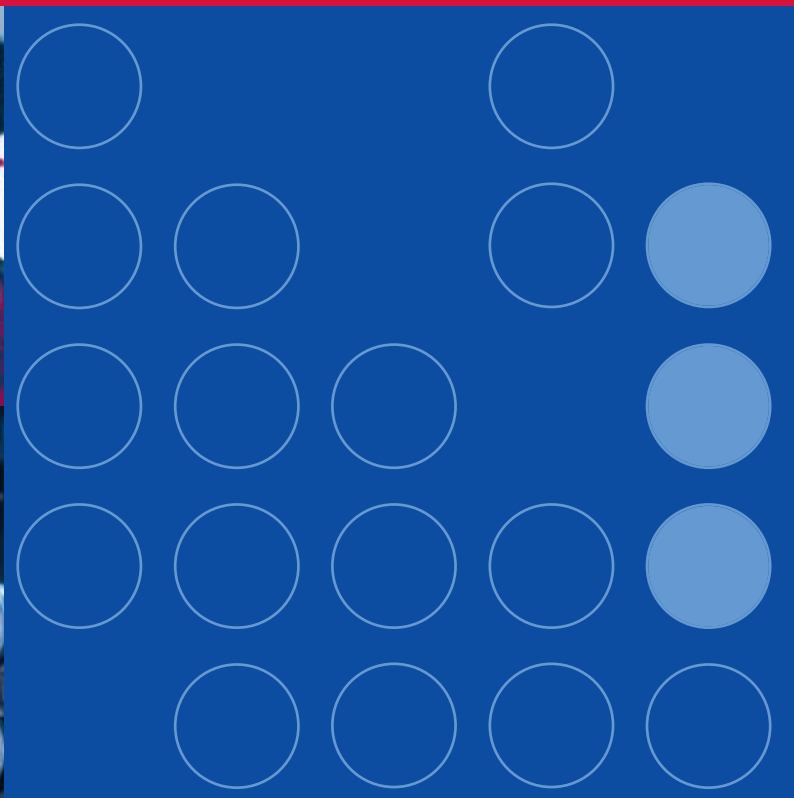


# Social Enterprise: . . . . . a strategy for success



**dti**

Department of Trade and Industry



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## Foreword Prime Minister

When I hosted a social enterprise breakfast at No.10 in February, I met people from every part of the social economy, many of whom were running businesses in areas of the UK where such economic activity and job creation was particularly needed. I was struck by the fact that social enterprises are delivering high quality, lower cost products and services. At the same time, they create real opportunities for the people working in them and the communities that they serve.



The combination of strong social purpose and energetic, entrepreneurial drive can deliver genuine results. But if the UK is to benefit fully, then I believe it is important that the Government seeks to do all it can to help the future development of social enterprise.

Our vision is bold: social enterprise offers radical new ways of operating for public benefit. By combining strong public service ethos with business acumen, we can open up the possibility of entrepreneurial organisations - highly responsive to customers and with the freedom of the private sector - but which are driven by a commitment to public benefit rather than purely maximising profits for shareholders.

Many social enterprises are already showing how this can be done. But we recognise that they are currently only a small part of our economy. We want to build on this foundation and create an environment in which more people feel they are able to start and grow such businesses.

Through this strategy, we aim to provide a more enabling environment, to help social enterprises become better businesses, and ensure that their value becomes better understood. Now is the time for us to join together to make social enterprises bigger and stronger in our economy.

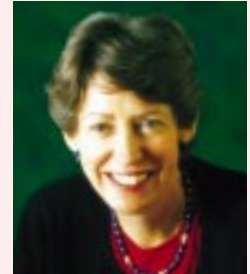
Tony Blair  
Prime Minister



# Introduction Secretary of State for Trade and Industry

I have always believed that there need not be a conflict between seeking to create a strong and inclusive society and encouraging enterprise and entrepreneurship.

Far from being mutually exclusive, the realities of a 21st century economy mean that social and environmental issues should be increasingly viewed as commercial opportunities, and drivers of business success, rather than as threats.



Social enterprises are dynamic, progressive businesses that we can all learn from. They experiment and innovate, and have the advantage of being able to draw upon best practice in the voluntary sector, as well as the entrepreneurial flair that exists in the best of our companies.

Any world-class economy, like any world-class business, is ultimately based upon the strength and skills of its people and this is an area where social enterprises can leverage real commercial advantage, often finding it much easier to attract and retain highly motivated staff.

Crucially, social enterprises provide a mechanism for bringing excluded groups into the labour market, raising skill levels and increasing the chance of future employability. And, if we are to encourage a greater spirit of enterprise in our public services, then there is no reason why all the partners in this process should come from the mainstream private sector. There are very real opportunities, I believe, to promote social enterprise as a key component in the process of modernising and reforming our public services.

I want to ensure that we do more to encourage, grow and sustain social enterprises - to ensure that social enterprise is not seen as a 'side show' to the 'real' economy but rather an integral and dynamic part of it.

That is why we are publishing the Government's social enterprise strategy: to identify the issues which directly contribute to the success of the social enterprise sector; and, where necessary, to seek to remove the barriers that are preventing its growth and development.

Let me be clear, this is not an exercise in political correctness but rather a simple recognition of the fact that social enterprises can make a very real contribution to our economy whilst also actively benefiting the communities and wider society in which we all live.

Of course, there is a lot that needs to be done: to join-up Government, to challenge the established models - financial, legal and regulatory - so that we unlock the potential in the social economy. This cannot be done by Government alone, but I believe we now have a real opportunity to create a much larger mainstream social enterprise sector in Britain.

I look forward to working in partnership with you to make this strategy become a reality.

Patricia Hewitt  
Secretary of State for Trade and Industry



# Executive Summary

## Social enterprise explained

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

Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, the Government believes that social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.

Social enterprises are diverse. They include local community enterprises, social firms, mutual organisations such as co-operatives, and large-scale organisations operating nationally or internationally. There is no single legal model for social enterprise. They include companies limited by guarantee, industrial and provident societies, and companies limited by shares; some organisations are unincorporated and others are registered charities.

## Our strategic vision

**The Government's vision is of dynamic and sustainable social enterprise strengthening an inclusive and growing economy.**

Successful social enterprises can play an important role in helping deliver on many of the Government's key policy objectives by:

- helping to drive up productivity and competitiveness;
- contributing to socially inclusive wealth creation;
- enabling individuals and communities to work towards regenerating their local neighbourhoods;
- showing new ways to deliver and reform public services; and
- helping to develop an inclusive society and active citizenship.

The strategy sets out a programme for the next three years illustrating how, working with other stakeholders, we will promote and sustain social enterprise activity. Key partners in the delivery of the strategy will include central government and its agencies, Government Offices, the devolved administrations, Regional Development Agencies, local authorities, the Co-operative Movement, the Social Enterprise Coalition, practitioners and intermediaries, as well as other key stakeholders in the social enterprise sector.

## Meeting the challenges

The Social Enterprise Unit was set up in Autumn 2001, within the Department of Trade and Industry, to provide a focal point for strategic decision making across Government. Eight Working Groups, involving key stakeholders from the social enterprise community, were established by the Unit, and they have identified the major barriers to growth of the social enterprise sector:

- poor understanding of the particular abilities and value of social enterprise;
- little hard evidence to demonstrate the impact and added value of social enterprise;
- fragmented availability of accessible, appropriate advice and support;
- difficulty accessing and making use of what is perceived to be limited appropriate finance and funding available;
- limited account taken of the particular characteristics and needs of social enterprise within an enabling environment; and
- complexity and lack of coherence within the sector, combined with widely varying skills and knowledge bases.

### We aim to tackle these barriers and achieve three key outcomes:

- create an enabling environment;
- make social enterprises better businesses; and
- establish the value of social enterprise.

## Create an enabling environment

### Government's role in creating an enabling environment

Government's role is to create the environment in which social enterprises can flourish. We will do this through coordinated action by the DTI, with its strengthened agenda, the Regional Development Agencies, Government Offices, other government departments and local government. The values that successful social enterprises exemplify - enterprise, innovation, competitiveness and social inclusion - are placed firmly at the heart of DTI.

### Legal and regulatory issues

The Government is determined that the regulatory, tax and administrative framework should not hinder the development and growth of social enterprise. The Performance and Innovation Unit Review into the legal framework for the voluntary sector will be published shortly.

### Public procurement

Social enterprises are often well placed to be able to deliver good quality, cost-effective public services. They can demonstrate innovative new practices, increasing the participation of staff and users in service delivery. The Government believes there is significant potential for more public services to be delivered by social enterprises, and that local authorities in particular have an important role in opening up procurement processes. We also need to build know-how in procurement issues amongst social enterprises and their advisors.





## Make social enterprises better businesses

### **Business support and training**

Like any other business, social enterprises need access to good quality business advice and training. They have to meet both financial and social 'bottom lines' and that can cause tensions and conflicts many mainstream businesses do not have to face. The Government is committed to working more closely with training providers, whether public sector or private, to ensure that the level and quality of support for social enterprises available in some parts of the country, and in some sectors, is made available to all.

### **Finance and funding**

At present, many social enterprises are undercapitalised and struggle to access external finance, particularly when starting up, growing or moving away from grant dependency. Ensuring appropriate finance and funding is available to social enterprise is key to enabling the sector to develop and grow. It is central to our strategy to encourage social enterprises to move away from grant dependency and towards greater self-financing.

## Establish the value of social enterprise

### **Establish the knowledge base**

At present, there is insufficient detailed information on the number of social enterprises in the UK and the Government acknowledges that there is an urgent need for research to determine the exact size, strength and spread of the sector.

### **Recognise achievement and spread the word**

Raising awareness and celebrating success and entrepreneurial achievement is important. The strategy recognises that Government has a crucial part to play in the active promotion of social enterprise, and that awards offer the opportunity to recognise and reward success, promote the sector, and provide examples of innovative and entrepreneurial models for other enterprises. Social enterprise, like other sectors, can benefit from a representative organisation to be a voice for the sector and to develop capacity and raise quality.

### **Create trust**

Social enterprises have an impact much broader than just financial return. The ability to show that a social enterprise is meeting both its financial and its social bottom lines - reconciling its mission and its money - will be increasingly important if social enterprises are to play an expanding role in the delivery of public services. There is also a need for a social enterprise to 'prove' itself to build confidence. To help achieve this, it may be helpful to develop and agree minimum standards of behaviour or an accreditation system - for instance along the lines of Investors in People - which allows 'social enterprise' to be clearly identified and 'trusted'.



## Making sure it happens

Through this strategy, the Government has clarified the focus and direction of its work on social enterprise over the next three years. Because the strategy sets out a wide-ranging and ambitious agenda for change, involving many partners, the Social Enterprise Unit will co-ordinate and work with others, as well as delivering on the specific tasks allocated to it.

The Government intends to establish two new groups, to monitor progress and advise on future actions:

- A. An Interdepartmental Official Group to monitor implementation across Government
- B. An External Stakeholder Consultation Group

By end October 2003, the Government will publish its first report on progress on social enterprise, to show what has been achieved so far and set out a renewed action plan for the future.

Specific actions to be taken forward by the Government are covered in detail in the strategy and are summarised below.

## Summary of key action points

### Create an enabling environment

#### Legal and regulatory issues

We will:

- follow up any recommendations in the PIU Review relating to social enterprise.

#### Public procurement

We will:

- work with partners to promote greater understanding of social enterprises among those responsible for public sector procurement at local and national level; and
- prepare and disseminate, to social enterprises and their advisors, a 'toolkit', which will distil good practice for social enterprises in winning public sector business.

### Make social enterprises better businesses

#### Business support and training

We will:

- ensure that social enterprises are properly supported by all Business Links and develop the mainstream schemes offered by the Small Business Service and DTI so that they are available to social enterprises;



- monitor take-up by social enterprises of the Learning and Skills Council's New Entrepreneurship Scholarships and consider if there continues to be a need for a separate social enterprise bursary scheme;
- facilitate networking;
- review existing advice, information and websites available to social enterprises, assess what else is needed and work with partners to fill any gaps;
- work with the social enterprise sector and the RDAs to design a series of social enterprise awareness raising days and practitioner-led training events to be available throughout the English regions;
- work with partners to develop business and finance training for the non-business members of social enterprise boards and management committees; and
- identify and support methods of replicating successful social enterprise business models.

## **Finance and funding**

We will:

- work with partners to increase the capitalisation of Community Development Finance Institutions specialising in the social enterprise market, and encourage CDFIs generally to consider how they could improve service to this market;
- ask the Bank of England to review the debt and equity finance available to social enterprises, including that offered by CDFIs, mainstream banks, business angels, venture capitalists and others. Where there are gaps or barriers identified by the Bank on either the demand or the supply side, we will take forward recommendations on how best to address them;
- develop a financial awareness programme for social enterprises;
- explore how best to address any real and perceived barriers to the transfer of assets to social enterprises; and
- work to ensure that the rules and flexibilities on clawback are fully understood and implemented.

## **Establish the value of social enterprise**

### **Establish the knowledge base**

We will:

- develop a case study database covering the range and diversity of the sector;
- establish baseline data about the social enterprise sector through research; and
- create guidance on mapping social enterprise to improve the comparability of future research.



## **Recognise achievement and spread the word**

We will:

- continue to support the 'Enterprising Solutions' National Social Enterprise Award;
- sponsor a specific award, as part of this year's 'Inner City 100', for the fastest growing social enterprise in an inner city area;
- work with the social enterprise sector to review promotional material on social enterprise and commission materials to meet the needs of key target groups;
- encourage social enterprises to engage with their local schools to raise awareness of social enterprises as a possible career option;
- work with Enterprise Insight and others to ensure that social enterprise is included alongside mainstream examples of entrepreneurship in their programmes; and
- continue to support and work with the Social Enterprise Coalition so that it is a strong, inclusive and coherent focal point for the sector.

## **Create trust**

We will:

- support research into existing social auditing methods, identify the most effective approaches for measuring social and economic impact, and then help spread this information; and
- investigate the development of a quality standard and a branding scheme within the sector.

## **Making sure it happens**

We will:

- set up an Interdepartmental Official Group;
- set up an External Stakeholder Consultation Group;
- set up subgroups on specific issues; and
- arrange interdepartmental Ministerial meetings as necessary.

## **In support of the strategy, the Social Enterprise Unit will:**

- co-ordinate work across Whitehall and the regions to ensure that, where change is needed, action is taken to bring this about;
- work with and support practitioners, intermediaries and other key stakeholders as they implement their parts of the strategies; and
- deliver on the specific tasks allocated to the Unit directly.

## **The remit of the Social Enterprise Unit is:**

- to act as a focal point and co-ordinator for policy making affecting social enterprise;
- promote and champion social enterprise;
- take action needed to address barriers to growth of social enterprises; and
- identify and spread good practice.

## 1.1 Definition and characteristics

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

Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, the Government believes that social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.

The case studies in this document illustrate the size and diversity of social enterprise and, through research, the Government intends to establish the overall size and scope of the sector.

To many outside the sector, social enterprise is an unknown concept. It is therefore crucial to start by clarifying what we mean by the term.

A social enterprise is, first and foremost, a business. That means it is engaged in some form of trading, but it trades primarily to support a social purpose. Like any business, it aims to generate surpluses, but it seeks to reinvest those surpluses principally in the business or in the community to enable it to deliver on its social objectives. It is, therefore, not simply a business driven by the need to maximise profit to shareholders or owners.

Social enterprises are diverse and operate at many levels. They include local community enterprises, social firms, mutual organisations such as co-operatives, and large-scale organisations operating nationally or internationally. What they have in common is a commitment to meeting the social and financial double bottom line, with some adding a third – environmental.

While some social enterprises start off as businesses, most are in transition from their beginnings as voluntary sector organisations, dependent largely on grants and volunteers, and working to increase traded income. A recent National Council for Voluntary Organisations' (NCVO) report said that up to 35% of general registered charity income is derived from trading activities.

### The Eden Project

The Eden Project Limited is an £86m centre in Cornwall, which attracted 1.96m visitors in its first year of operation. It was set up and is administered by the Eden Charitable Trust, a registered charity, which will ensure that commercial surpluses are reinvested in the project to guarantee its future.



It has already had a considerable social and economic impact on the local community, employing 600 permanent staff, of whom 95% were recruited locally and 50% were previously unemployed. Employment ages range from 16 - 77, in areas including retail, marketing, education, catering and horticulture. In addition to attracting new visitors to the area, it is estimated that the Eden Project has already created 1,700 FTE (full-time equivalent) jobs in the South West. It also plans to provide a business support unit for SMEs operating in the area of environmental sustainability, thus contributing to wealth creation in Cornwall which is recognised as one of the poorest regions in the European Community. The Eden Project also seeks to be a model of best practice for other businesses.

There is no single legal model for social enterprise. They include companies limited by guarantee, industrial and provident societies, and companies limited by shares. Some organisations are unincorporated and others are registered charities.

### Aspire

Aspire, a company limited by shares, is one of the UK's most innovative social enterprises and has challenged traditional approaches to tackling homelessness. Started by two university graduates in 1999, Aspire creates full-time employment for rough sleepers and other homeless people. They operate a fair-trade catalogue service and in just over two and a half years have employed over 150 homeless people. Over 60% have moved on to other areas of full-time work and many, thanks to their guaranteed salary, are renting private accommodation. Aspire employees can now be found working in restaurants, hotels, factories, bars, call centres, warehouses, car parks, offices and building sites.



Whatever the size, origin or nature of a social enterprise, it will be pursuing one or more of the following activities:

- offering social or environmental goods and services (for example, recycling or childcare);

### **Bulky Bob's**

Bulky Bob's was launched in June 2000 and is a unique partnership between the Furniture Resource Centre and Liverpool City Council.

Every working day of the year, Bulky Bob's call at more than 200 homes in Liverpool to collect unwanted items of furniture. These are then sorted, and goods in reasonable condition are sold on at low cost to people in need. White goods – fridges, freezers, cookers – are handed over to Create, where formerly long-term unemployed staff in training contracts refurbish the products and sell them on.

In the words of Mike Storey, the Council Leader, "with Bulky Bob's we are showing how a new social business can genuinely join things up. Residents get a much improved and reliable collection service. Families in need get decent cheap furniture. Unemployed people get jobs in collecting, sorting, recycling and selling. Everyone wins in this new way of doing the city's business."

- trading to provide (or cross-subsidise) social or environmental goods or services (for example, the trading arms of some charities); and
- using processes or ways of working that have a significant social benefit (for example, co-operatives, social firms and fair trade organisations).

### **Reclaim – Sheffield**

Reclaim is a plastics recycling specialist based in Sheffield employing people with learning disabilities and mental health problems. It has achieved almost 300% growth in turnover on the last four years (to nearly £800,000 in 2000/01).



A pioneer in the plastics recycling arena, Reclaim has initiated a plan to develop a cluster of recycling businesses in the city, tapping into the inner city location's access to both the incoming workforce and the outgoing product. Reclaim currently employs 50 members of staff.

### The Arts Factory

Arts Factory is an independent development trust established by local people in the Rhondda Valley. They are developing, in conjunction with United Utilities Green Energy, a £10m wind farm development project. The aim of the development is to create a new income stream to fund local regeneration work and provide employment opportunities. They are currently hoping to develop an environmentally friendly small business park, which will also be home to a garden centre, a learning centre for sustainable living, a café, a crèche and a gym.



Local people join the Arts Factory as members for £1 per year and then have free access to all the services it delivers, including 'Ready for Work', a specialist jobs search service, and other activities at the Arts Factory facilities at Trerhondda. In 2001, over 500 people a week were using these facilities.

Social enterprises embrace a variety of ways of working and the Government believes that successful social enterprises embody the following characteristics:

- gaining independence and autonomy through trading;
- entrepreneurial, innovative, risk taking behaviour;
- flexible and adaptable practices;
- customers and community focus;
- stakeholder engagement;
- democratic and participative management;
- delivering socially and/or environmentally as well as financially; and
- financially viable, gaining their income from selling goods and services.



## 1.2 The international dimension

### ACTION POINT

The Government intends to raise the profile of social enterprise at European level, ensuring that the interests of the social enterprise sector are better represented, and promoted more widely across Europe. We will work closely with other European governments to ensure that this is achieved.

### Europe

The European Union sees the social economy as an essential part of the European economic model and as important in promoting social cohesion and democracy.

The social economy has developed differently in each Member State, mainly because of the different regulatory frameworks that exist. Activity in several countries, together with focused support from relevant EU authorities, has helped to create an enabling environment. In Italy, for example, the passing of a new regulation for the creation of social co-operatives has contributed to the considerable expansion of the sector over the last ten years, and assisted the re-orientation of the co-operative sector from a direct focus on delivering benefit for members to providing wider benefits to the local community.

The European Commission uses the CMAF definition (Co-operatives, Mutuals, Associations and Foundations) based on the registration of the company to define the social economy. It has established the presence of a Social Economy Unit in the Directorate General for Industry to provide a stronger focus on social enterprise.

### USA

In the USA, the 'not-for-profit' sector has an established history dating back 40 years, with US organisations operating in a very different environment to that of British social enterprises.

Many of the strongest US organisations - some with turnovers of up to \$55m a year - started trading in the early 1960s to address the causes of inner city riots, cutbacks in public services or the long-term decline of traditional industries.

Whatever their origins, 'not-for-profits' are recognised by US taxation authorities and benefit from a range of tax exemptions not currently available to UK social enterprises. For example, some organisations offering training to disadvantaged groups are exempt from the US equivalent of National Insurance payments. In addition, under the Jarvits-Wagner-O'Day Act, US government departments are required to procure goods and services from organisations employing people with disabilities, providing they are able to compete on price and quality with other suppliers. The Community Reinvestment Act also requires the US banking sector to invest in poor communities.

Like social enterprises in the UK, US not-for-profits draw income from a diverse range of sources, but a significant difference between the two

**ACTION POINT**

We will look more closely at the US to determine if the financial and legal environment provided by public and private sector bodies for the not-for-profit sector provides models from which we can learn in the UK.

countries is the amount of direct benefits US organisations receive from the 'mainstream' business community. Such help ranges from the donation of capital goods (such as vehicles and machinery) to enable businesses to start up, to the placing of contracts on terms that take account of the additional 'social' costs carried by a not-for-profit e.g. the Boeing work handled by the Lighthouse for the Blind and Pioneer Human Services in Seattle.

Those US not-for-profit organisations that are commercially successful often have a business-led Board, recruit key managers from business and have a strong business culture – practices that are sometimes lacking in their British counterparts.

### Dynamic and sustainable social enterprise, strengthening an inclusive and growing economy

#### 2.1 Introduction

The Government's objective is to create a dynamic and sustainable social enterprise sector, as part of an inclusive and growing economy. The strategy sets out a programme for the next three years illustrating how, in conjunction with external stakeholders, the Government is seeking to promote and sustain social enterprise activity at national, regional and local levels.

The Government is already working across a number of Departments to promote programmes and ideals that are consistent with these objectives. However, the Government acknowledges that there is a need for greater strategic focus and improved co-ordination across Whitehall, so as to maximise the benefits of individual initiatives and deliver a real step change in the Government's approach.

The Social Enterprise Unit, based in the Department of Trade and Industry, will act as the focal point for this co-ordination and will assist the development and implementation of new policies and programmes for social enterprise. Some of the issues affecting social enterprise are not fully devolved. Where action is planned on these, the devolved administrations will be fully consulted and engaged.

Successful social enterprises can play an important role in helping deliver on many of the Government's key policy objectives by:

- helping to drive up productivity and competitiveness;
- contributing to socially inclusive wealth creation;
- enabling individuals and communities to work towards regenerating their local neighbourhoods;
- showing new ways to deliver and reform public services; and
- helping to develop an inclusive society and active citizenship.

### Forth Sector

Forth Sector, based in Edinburgh, is driven by the aim of providing innovative solutions to social exclusion. The focus of the organisation is on creating social firms, providing employment support and developing new initiatives. Initially a grant-making trust, Forth Sector found a demand for flexible, supportive employment after conducting a survey of users of mental health services in 1986. The small business model was identified as a way of offering supportive work which could be sustained in the longer-term through sales income.

From 1990, the organisation established social firms and currently has a guesthouse, a specialist laundry, a catering business, an embroidery service and an IT business. Each business aims to generate over 50% of income from sales and integrate employees with mental health problems into the workforce, working alongside non-disabled staff. Forth Sector also provides training and work experience to assist people with mental health problems to make the transition into employment.

## 2.2 Driving up competitiveness and productivity

Social enterprises create new goods and services and develop opportunities for markets where mainstream business cannot, or will not, go. They provide examples of new ways of working that can be replicated throughout the whole economy. A key factor is the role social enterprises play in empowering individuals and communities, encouraging the development of work habits and increasing employment diversity.

### The Circus Space

One of the top three circus schools in Europe, the founders of The Circus Space have customised a huge derelict former power station in Hackney. The organisation runs degree courses as well as private training and ensures all its operations are commercially viable. The Circus Space has been an active contributor to the creative buzz that now dominates parts of East London. It is also an important anchor of the social community, having recently initiated an extensive programme for local young people. The group's turnover growth of 380% in the last five years is further evidence of its Europe-leading performance.



Social enterprises can be fast growing, highly competitive businesses. The 2001 Inner City 100 awards index, which recognises the fastest growing inner city businesses, showed around 10% of those included were social enterprises.

#### **The Inner City 100**

The Inner City 100 is a yearly business index that locates and celebrates the 100 fastest growing inner city enterprises in the UK. Launched in 2001, the project is led by the New Economics Foundation and supported by a wide range of partners and sponsors, including HM Treasury, DTI and the Royal Bank of Scotland and NatWest. Social enterprise winners include The Circus Space, Hackney Community Transport, Reclaim, Hoxton Bibliotech and the Furniture Resource Centre.

## **2.3 Creating wealth through sustainable economic activity**

Like any business, social enterprises generate wealth through economic activity. Indeed, their 'business' operations may be indistinguishable from other private sector companies, or vehicles for the delivery of public services. Some start out as independent businesses, many are co-operatives, and others are making the transition from a grant dependent voluntary sector or community organisation to one which is independent. While fledgling social enterprises may derive less than half their income through commercial activity, mature social enterprises aim for close to 100%.

#### **The Furniture Resource Centre Group (FRC)**

FRC offers the opportunity for those on low incomes to get the furniture they need for themselves and their families.

FRC collects, refurbishes and restores pre-owned furniture to sell throughout the UK to those people who would normally struggle to own such items. In 2001/2002, 160 people were provided with jobs, 40 of whom were from long-term unemployment. FRC's core business is a one stop furnishing service to social landlords. With a single order a customer can receive everything required to turn an empty property into a home – from a three-piece suite, to a knife and fork.

Six years ago FRC was a £1m not-for-profit organisation with 20 employees. 80% of its revenue came from grants. Today FRC has a turnover of £7m, a 500% growth since 1996, employs in excess of 100 people and 97% of its income is self-generated.



Community based social enterprises seek to provide sustainable economic activity in ways which ensure that the money and benefits from such activity flow directly back into the locality in which the social enterprise is based. This is of particular value when the social enterprises are based in disadvantaged communities. Though most social enterprises are established to address a specific local or community need, this does not mean that they are incapable of reaching out and successfully delivering their products to a wider market.

Real economic impact is often achieved by social enterprises 'clustering' together to benefit from support networks and greater economies of scale. Once 'critical mass' is achieved, there are opportunities for inter-trading, partnership working and consortia bids for public procurement contracts, leading to further growth.

### **Nottingham Environmental Construction Training for All (NECTA)**

NECTA is a construction company involved in allotments, public buildings, new build, street works and estate management programmes. The company provides jobs for Nottingham's long term unemployed and the business focuses on the development of sustainable, energy efficient buildings.



Finance comes from a variety of funding sources including the European Social Fund (ESF) and the New Deal. In three years they have evolved from 2 to 95 employees (70 of whom are trainees). They have an annual turnover of about £1.2m with 45% being commercial income and the rest grants.

### **Mazorca**

Mazorca is an example of how social enterprises can support the development and growth of mainstream small businesses.

Mazorca Projects supports designer-makers, enabling them to develop from sole trader to a small business and beyond. The organisation has developed a major international network of over 1,800 designer makers and manufacturers. Through the Hidden Art initiatives, it promotes and supports the very best of British design as well as encouraging global participation in Hidden Art events.

In 2001 and 2002 Mazorca supported 655 designer-makers, many of whom were women and/or drawn from ethnic minority groups.

## 2.4 Neighbourhood and urban renewal and regeneration

Social enterprises can provide solutions to some of the problems faced by many of the United Kingdom's most disadvantaged areas. They provide inclusive economic activity and are often responsible for promoting creative and entrepreneurial behaviour in communities where this is most needed.

Social enterprises give local people opportunities not only as potential employees, but also as consumers, encouraging participation in the mainstream economy. They contribute to the availability of better facilities and so improve the economic and social infrastructure of an area, making it more attractive for people to live there and helping mainstream companies consider it as a place in which to do business.

### **The Bromley-by-Bow Health Centre**

Bromley-by-Bow is one of the most deprived areas in the UK. The Bromley-by-Bow Centre is a community enterprise which runs a variety of integrated projects linking health with education, training and family support.

The centre boasts a community café, a health centre where GPs and other health professionals are integrated with community projects, a nursery for local children, opportunities for learning and skills development for over 150 people at one time, community care and opportunities in arts and sports for young people.

### **R.A.S.C.A.L.S. (Ringway After-School Care Active Leisure Scheme)**

R.A.S.C.A.L.S was set up in 1994 in Northumberland to provide childcare in rural areas for parents who wanted to return to work. After initially establishing an out of school club in a spare classroom at a local school, a further centre was then set up in Wansbeck - there are now five R.A.S.C.A.L.S centres in all.

The provision of these after-school clubs has positively affected the attendance rates of the schools which they serve. R.A.S.C.A.L.S now employs 111 people across the organisation, with those centres that make a larger profit helping to subsidise those that are less profitable. The organisation has also focused on providing assistance to children who have been excluded from mainstream education and children with special needs.

## 2.5 Public service delivery and reform

Delivering high quality public services is a key goal of government. Social enterprises' combination of enterprise, social purpose and customer focus makes them an effective method of delivering improved public services. They can balance the needs of public service staff and users without being driven by the requirement to maximise profit for external shareholders.

The Government believes social enterprises have the potential to play a far greater role in the delivery and reform of public services, and is currently considering a number of ways in which to increase the role of such organisations.

Entrepreneurial behaviour combined with a continuing commitment to delivering public benefit, can lead to local innovation, greater choice, and higher quality of service for users.

## 2.6 Social and financial inclusion: social capital and active citizenship

By providing employment, support and training, social enterprises offer significant opportunities to those groups within our society who are too often excluded from economic and social activity. Social enterprises provide disadvantaged and excluded groups with a mechanism for joining the labour market; support ongoing government initiatives to 'make work pay'; and can also play an active role in reducing crime and anti-social behaviour.

They create ways for local people to take ownership of their futures, to be actively involved in designing and implementing solutions to fit their own, or their community's, needs. Co-operative principles - the very act of working together - can bring social and economic benefits. Through working in this way, people can develop a sense of their own power to change things, recognition of the importance of collective action, and better understanding of wider concepts of citizenship.



### **The Goodwin Centre**

Founded in 1994 by local volunteers, Goodwin is an entirely resident led provider of services to Hull's deprived Thornton Estate and Riverside Area. The Centre itself incorporates a community café, conference facilities, a 25 place crèche, a 16 place IT suite, a Jobshop and offices to let to partner organisations that add value to existing provision. It also runs 3 Neighbourhood Warden Schemes, a New Deal programme for 18-24 year olds, a multi-venue summer play provision through the Children's Fund, and leads on Sure Start 5 in 2 local wards.

Whilst its focus is on providing services and training opportunities for local residents, the Goodwin Centre has adopted an entrepreneurial approach in order to fully benefit from business opportunities and to create sustainable growth.

Goodwin has also developed a world first, ethernet based, wireless CCTV project based around a network capable of delivering other broadband services, which has reduced crime on the estate by 45%. £10m has been secured to roll out the Goodwin model citywide.

In 1997 Goodwin employed one person and turned over £17,000. Today those figures are 67 full-time and 10 part-time, with 55 local youngsters on the waged New Deal project. Turnover is now £3.2m.

### **Not Just Enterprises**

Not Just Enterprises is a social enterprise, run by Friends of Riboleau House, an established charity on the Isle of Wight. The project provides a supported work environment for people with a mental health illness, offering participants the opportunity to acquire:

- office skills in the organisation's administration unit;
- catering skills in a developing buffet/contract catering side;
- gardening skills through a gardening service for private and commercial customers; and
- retail skills in the Friends of Riboleau House charity shop.

They have recently benefited from a series of workshops, organised through a partnership between Community Solutions, an approved training provider and social enterprise, Business Link Wessex and the Small Firms Enterprise Development Initiative. Not Just Enterprise, through these workshops, has gained not only new skills, but links with other organisations that have led to new business opportunities.

### Supercare

Supercare is a training and employment organisation for people with learning disabilities. It enables individuals to demonstrate the contribution they can make to the local community given the opportunity, and helps to develop social skills and interaction with the wider community.

Supercare has a proven track record of providing quality cleaning and gardening services. Trainees work towards NVQ qualifications and receive a weekly training allowance. Supercare has been contracted by the London Borough of Ealing to carry out garden maintenance and also provides cleaning services at the Council's sheltered housing units.



### Credit Unions

Credit unions are financial co-operatives that provide their members with affordable loans, the opportunity to build wealth through saving and a range of insurance products. Overwhelmingly, the members of credit unions are on below average income. There are currently over 650 credit unions in Great Britain, with a combined membership of over 300,000. Examples of 'live or work' credit unions serving the whole of their community are found in Leeds, Edinburgh and Lothian, Telford, Walsall, Wakefield, Tower Hamlets, Southwark and elsewhere.



## 3 Meeting the challenges

### 3.1 Introduction

In order to achieve the Government's commitment to support and assist the growth of the UK's social enterprise sector, the Social Enterprise Unit was set up in Autumn 2001, within the Department of Trade and Industry, to provide a focal point for strategic decision making across government. The Unit was set up in the DTI to reflect the need for social enterprises to be seen as effective and viable businesses. However, the Government readily admits that the step change required in this area of policy will not be delivered by Government alone; consequently government departments and agencies at national, regional and local levels have sought to fully engage with the social enterprise community.

The Government has also sought to learn from organisations with an established history in this area of policy, in particular the Co-operative Movement, whose expertise and experience has proved valuable when considering future policy options.

To support this process, the Government established eight Working Groups, involving key stakeholders from the social enterprise community, to identify the issues and problems facing the sector and make recommendations for tackling them.

The Working Groups focused on those areas identified by Government, and the social enterprise community, as of critical importance to the development and growth of the sector: Finance & Funding, Legal & Regulatory Frameworks, Business Support & Training, Public Procurement, Impact Measures, Promotion, Learning from Experience, and Research & Mapping. The Groups reported in February 2002 and many of their recommendations have been taken into account in the development of this Strategy.

The Working Groups identified the major barriers to growth of the social enterprise sector.

### 3.2 Barriers

#### a) **Poor understanding of the particular abilities and value of social enterprise**

Social enterprise is not properly understood outside the networks of those within the sector. Limited understanding has meant that:

- policy makers have not considered social enterprise as a potential solution to a wide range of social and economic problems;
- business support providers have not targeted social enterprise or been able to offer appropriate advice;
- finance providers have been unsure of the risk and appropriateness of lending to the sector;

- mainstream businesses have not seen the potential for new partnerships;
- voluntary sector organisations have not recognised the potential social enterprise offers them to move from reliance on grants towards greater self-sufficiency; and
- people have not been inspired to set up social enterprises or see that as a valid career or employment option.

**b) Little hard evidence to demonstrate the impact and added value of social enterprise**

At present, there is limited information on the size and growth of the social enterprise sector in the UK. This can make it difficult to plan and provide appropriate Government support. One of the reasons for the lack of statistical evidence is that social enterprises create a range of social and environmental impacts, beyond their financial return (the 'double' or the 'triple' bottom line) that are hard to measure (even by the social enterprises themselves). Limited information on their social and environmental, as well as financial, impact also means that policy makers, business support providers and finance providers find it difficult to assess the value of targeting social enterprises or of including them in their activities.

**c) Fragmented availability of accessible, appropriate advice and support**

While much of the support available to mainstream business is relevant to social enterprise, the particular requirements and characteristics of social enterprise require better recognition from Government, business, and professional business advisors. Some specialist support and practitioner advice does exist, but it is not widely available. There is also limited access to good practice examples and learning, despite the recent emergence of innovative networks that are supporting social enterprise.

**d) Difficulty of accessing and making use of what is perceived to be limited appropriate finance and funding available**

Many social enterprises have difficulty in accessing appropriate finance. There are many reasons for this, including a lack of understanding by lenders of the characteristics of social enterprises, difficulty in assessing their risk profile, and often their lack of a proven track record. Additionally, social enterprises may not have assets to use as collateral and many are also unaware of their funding options and need to improve their financial management and business planning.

**e) Limited account taken of the particular characteristics and needs of social enterprise within an enabling framework**

The particular characteristics of social enterprises are not always taken into account by existing financial, legal, and regulatory frameworks, or in procurement activities. Addressing the needs of the sector, which does not fit neatly into traditional private or public sector models, also poses challenges for Government. This can mean that social enterprises do not benefit from Government initiatives because they, or those who administer the schemes, do not recognise their eligibility.

**f) Complexity and lack of coherence within sector combined with widely varying skills and knowledge bases**

Understandably, social enterprises have not always been good at presenting themselves coherently to policy makers, financiers, and business support providers. Combined with a lack of clarity over what social enterprises are, this has diluted the impact of the sector and made it more difficult for their needs to be identified and met.

If a social enterprise is to be sustainable, its managers need to possess good business, financial and personnel management expertise. Because of the social purpose that drives the organisation, those supporting and training the sector need to be aware of both the 'money' and 'mission', and work with social enterprises to find effective ways of handling these dual priorities. Social enterprises must see themselves as businesses, seek to become more professional and continuously raise their standards of performance and their ambitions.

### 3.3 The key outcomes

If social enterprise is to be strengthened and increase its contribution to an inclusive and growing economy, three key outcomes from this strategy are necessary. We need to create the appropriate enabling environment; help make social enterprises better businesses; and establish the value of social enterprise, not just to its supporters but to those who currently understand little of what it offers.

#### **The key outcomes**

- 1. Create an enabling environment**
- 2. Make social enterprises better businesses**
- 3. Establish the value of social enterprise**

The Action Points in the strategy are those that the Government believes, with the resources available, can most effectively impact on these outcomes. Each of these is considered in more detail in the following three Chapters.

## 3.4 The role of Government

The Government's role is to create the environment in which social enterprises can flourish. We can achieve this in a number of ways, in particular:

- we can help to ensure that social enterprises are able to compete effectively with mainstream businesses by 'levelling the playing field';
- we can make sure that the specific and justified needs of social enterprises are recognised and taken into account in policy making and programme delivery;
- we can help 'change the culture' and show through the Government's own actions, and the promotion of others, that there are ways of doing business which are socially inclusive and sustainable;
- we can make sure that social enterprises have access to appropriate finance;
- we can make sure that timely and appropriate business advice is as widely available to social enterprises as it is to any mainstream business;
- we can help ensure that appropriate advice and support is available to voluntary and community organisations that wish to become more sustainable enterprises but are currently dependant on grant aid; and
- we can encourage public sector bodies actively to consider social enterprise solutions when making procurement decisions.

To succeed in achieving our stated outcomes, the Government believes a range of measures and interventions are necessary. Some of these will be quickly visible – there are a number of small-scale, low-key interventions that could be helpful. Large-scale changes are also required but will obviously take longer to deliver. The strategy therefore encompasses both practical, pragmatic and low-key interventions as well as ambitious large-scale change.

Key partners in the delivery of the strategy will include central government and its agencies, the devolved administrations, Regional Development Agencies, local authorities, the Co-operative Movement and other key stakeholders in the social enterprise sector.

### The Devolved Administrations

The devolved administrations in Scotland, Wales and Northern Ireland support social enterprises in their areas of the country.

In **Scotland**, the Scottish Executive is reviewing charity law, conducting a strategic review of the funding of voluntary organisations, including those in the social enterprise sector, and is working with the financial sector and social economy organisations to develop new funding opportunities for the social economy.

The National Assembly for **Wales**'s direct and indirect support for this sector includes support for the Welsh Credit Union development strategy, Community Enterprise Wales, aspects of the Entrepreneurial Action Plan, support through the structural fund programmes, the Finance Wales Community Loan Fund, as well as contact with the sector via Communities First and Rural Development Initiatives. The Assembly will be undertaking research to identify the precise business support needs of the sector. Through the auspices of Finance Wales, it is actively preparing a Community Development Finance Institution to ensure that Wales benefits from the proposed Treasury Community Investment Tax Credits, which will become available to support new firm formation and the social economy in deprived areas.

In **Northern Ireland**, the Executive's Programme for Government 2002-05 commits to working with the community and voluntary sector to develop the contribution to the social economy. Preliminary work is underway to establish a Social Economy Network as a voice for local social enterprise. The next step will be to establish a Social Economy Forum, to be chaired by the Minister for Enterprise, Trade and Investment, to provide strategic direction to those promoting and developing the sector.

## 3.5 The role of intermediaries and other organisations

The Government recognises the work that those in the sector are already doing to help social enterprise fulfil its potential. A strong support infrastructure for social enterprises already exists in the form of a number of organisations such as the Development Trusts Association (DTA), The Co-operative Movement, Community Action Network, Social Firms UK, and Social Enterprise London. These are now being supplemented by a growing number of regional support networks, often with backing from the Regional Development Agencies and Business Links, and by financial support from the Government's Phoenix Fund. The recently established Social Enterprise Coalition seeks to build on these networks by providing a national voice for the sector, and has been set up with funding from the Department of Trade and Industry and the Co-operative Group.

Government will seek to work in partnership with these and others in the sector, and build on the work being done in order that our shared vision

for the sector is realised. The Government also welcomes moves to create an All Party Parliamentary Social Enterprise Group.

### **Social Enterprise Partnership GB**

This 3-year £3.8m EQUAL development partnership, which is funded by the European Social Fund, SBS, RDAs and local authorities, will run from May 2002 to May 2005. The programme involves key partners such as the Development Trusts Association, Co-operative Union, Social Enterprise London, Local Government Association, New Economics Foundation and Social Firms UK.

**The Project has four objectives:**

1. raise awareness of social enterprise and its contribution to economic and social inclusion;
2. improve the performance of social enterprises;
3. make the social enterprise support system more effective; and
4. mainstream best practice and innovation within the sector to influence national and regional inclusion and employment policies.

**It aims to achieve these objectives in a number of ways. It will:**

- reduce local duplication and overlap of services through joint working;
- formalise and consolidate practitioner-to-practitioner working;
- use extranets and other forms of ICT to deliver support and create peer networks;
- create new national standards (e.g. certificate of financial competence);
- establish a body of knowledge on social enterprise and its development on a national scale;
- research existing financing arrangements to create new knowledge, developing a range of new financial packages and training materials;
- rationalise training and development provision for the sector; and
- set up agreed accreditation systems for social enterprise support.

### **Social Enterprise London (SEL)**

SEL is the regional agency tasked with the job of promoting social enterprise in London and increasing the scale of the social economy. It was launched in 1999 with core funding from the Association of London Government. Its work is divided into three broad areas: improving understanding of social enterprise, improving business support and ensuring access to finance. SEL works in collaboration with a wide range of partners building upon each other's expertise. SEL's partners are drawn from diverse backgrounds and include banks, universities, the NHS, local authorities, borough councils, co-operative development agencies, government departments and national trade associations. SEL is currently working with the London Development Agency, Government Office for London, Association of London Government, Business Link for London and other key partners on the development of a regional business support strategy for social enterprise for the capital. (<http://www.sel.org.uk>)



One of the most important roles that the Government can play in ensuring that businesses, including social enterprises, thrive is to create and maintain a stable macro-economic climate. Making sure that the wider economic environment is one in which growth and competitiveness is enabled and encouraged remains an ongoing priority for this Government. Having taken action to create such an environment, the foundations are now in place to enable Government to take additional steps to promote social enterprise.

One important early step was the establishment in 1997 of the **Social Exclusion Unit** to help improve Government action to reduce social exclusion by producing 'joined-up solutions to joined-up problems'. As part of its work on neighbourhood renewal, eighteen cross-cutting Policy Action Teams (PATs), covering England, were established to take forward an intensive programme of policy development. A number of these teams addressed issues that were directly relevant to social enterprise, including PAT 3 (Business) and PAT 16 (Learning lessons). Their recommendations fed directly into the development of the Government's National Strategy for Neighbourhood Renewal, and have helped create a more conducive environment in which social enterprises can prosper.

## **PAT 3 – Business**

PAT 3 reported its findings in November 1999, setting out an analysis and an ambitious agenda for using enterprise to help tackle social exclusion and contribute to neighbourhood renewal. The report highlighted that social enterprises can strengthen the social and economic fabric of deprived communities, and act as a bridge between the community and the mainstream economy. It recommended that the Small Business Service should have a remit to understand and support social enterprises in the same way as other businesses, and that Regional Development Agencies should be encouraged to include the sector in their regional economic strategies. These recommendations are currently being taken forward by the DTI, SBS and the RDAs.

## **PAT 16 – Learning Lessons**

PAT 16 published its findings in March 2000. It recommended that more be done to equip policy makers, community leaders and front-line public sector professionals with the skills to undertake challenging jobs in deprived neighbourhoods. Its main focus was on the individual - the social entrepreneur. The work is being taken forward in the Action Plan for Neighbourhood Renewal.

The launch of the **National Strategy for Neighbourhood Renewal** by the Prime Minister in January 2001 marked a major step forward in the way in which Government tackles issues of urban and rural regeneration.

### ACTION POINT

We will follow up on any recommendations in the PIU Review relating to social enterprise.

Crucially, it placed a new emphasis on involving the private, voluntary and community sectors as well as public bodies.

In recognition of the growing importance that the Government attaches to social enterprise, two **reviews** have looked at the future development of the broader social economy, including social enterprise. Their reports will be published later in 2002.

The **Performance and Innovation Unit** review of charities and the wider not-for-Profit sector was announced in July 2001.

The project's remit was to:

- comprehensively map the wider not-for-profit sector;
- clarify government's strategy towards the sector;
- set out the principles which should underpin a reformed legal and regulatory framework;
- against this background, review the legal and regulatory framework for the sector in order to assess how it can better enable existing organisations to thrive and grow, encourage the development of new types of organisations, and ensure public confidence;
- review which types of organisations should have special status
- make recommendations for the removal of any unnecessary legal restrictions on investment, entrepreneurial activities, mergers and acquisitions; and
- make recommendations on modernising the regulatory framework for charity and the not-for-profit sector.

The **HM Treasury Cross-Cutting Review of the Role of the Voluntary Sector in Public Service Delivery** had a remit which included the role of social enterprises. While the main outcomes were published in the Spending Review White Paper, the full report, including recommendations about the role of social enterprise is due to be published later in 2002.

The remit of the review was to examine the relationship between the voluntary, community and social enterprise sector and the Government in service delivery, taking account of the key role the sector can play in strengthening civil society and building capacity in local communities. The review did this by:

- i. Mapping the extent and the variety of means by which the sector is already involved in overseeing and delivering services;
- ii. Examining best practice in effective partnership between the sector and the public sector, including suggesting practical ways in which the principles in the Compact for the voluntary sector can be applied in the delivery of services;
- iii. Drawing common lessons to guide the public sector in working in partnership with the sector;

- iv. Establishing whether and how barriers to sector involvement, and lack of capacity, might be overcome to promote successful partnership with the public sector and how the Government might be able to assist to that end.

## 4.1 Government role in creating an enabling environment

### a) A strengthened agenda for the DTI

The DTI's new Mission Statement makes clear one of the Department's core objectives is 'the promotion of enterprise, innovation and increased productivity'.

The values that successful social enterprises exemplify – enterprise, innovation, competitiveness and social inclusion – are placed firmly at the heart of DTI. It is for this reason that the Social Enterprise Unit was set up in DTI, in recognition of the contribution that social enterprises can make to the business landscape in the UK, and to the nation's economy.

#### Remit of the Social Enterprise Unit

The Unit will:

- act as a focal point and co-ordinator for policy-making affecting social enterprise;
- promote and champion social enterprise;
- take action needed to address the barriers to the growth of social enterprises; and
- identify and spread good practice.

Promoting social enterprise is also a key component of the **Department's Neighbourhood Renewal Strategy** that seeks to encourage the development of new enterprises and further investment by existing enterprises in disadvantaged neighbourhoods.

It is clear from the increased interest of large businesses in **corporate social responsibility**, and from research showing the multiple motivations of small business owners, that there is already a measure of overlap between social enterprise and mainstream business. Some mainstream businesses are starting to move away from evaluating their organisation's success and effectiveness simply by looking at the balance sheet. Increasingly, businesses are beginning to realise that spending more time on the social aspects of their business can deliver real business rewards; happier, more productive employees, better

understanding of their customer base and stronger links with local communities, so a better public profile. A full breakdown of the Government's strategy to promote Corporate Social Responsibility - Business and Society – is available at [www.societyandbusiness.gov.uk](http://www.societyandbusiness.gov.uk).

The **Small Business Service** addresses the support and training needs of small and medium sized businesses. It has made an explicit commitment that support for social enterprise should be written into each of the business plans of the 45 Business Links that operate throughout England. Additionally, the finance and funding needs of social enterprise are included in a number of programmes administered by the SBS, such as support for the Community Development Finance Institutions (CDFIs), the Community Development Venture Fund and the Phoenix Fund.

The national **Phoenix Fund** was announced by the Secretary of State for Trade and Industry in November 1999. The Phoenix Fund is designed to encourage entrepreneurship in disadvantaged areas. It includes:

- a **£30m Phoenix Development Fund** to promote innovative ways of supporting enterprise in deprived areas. To date, it has funded 96 projects to encourage the start-up and growth of businesses in disadvantaged areas. Seventeen of these projects focus specifically on social enterprise;
- a pilot network of **volunteer mentors** to pre and early start-up businesses, through the Business Volunteer Mentoring Association;
- a Challenge Fund to help resource **Community Development Finance Institutions**;
- a **Community Development Venture Fund** to create a venture capital fund for SMEs in disadvantaged communities;
- **loan guarantees** to encourage commercial and charitable lending to CDFIs; and
- **City Growth Strategies** (CGS) designed to encourage towns and cities to develop and implement policies that put enterprise and business at the heart of their regeneration programmes. Several successful pilot projects are currently operating in Nottingham, Plymouth, St.Helens and areas of London.

Spending Review 2002 has provided for an extra £50m to extend the Phoenix Fund for a further two years from March 2004.

### **Bangladeshi Women's Co-operative Social Enterprise**

With Phoenix funding, the Tower Hamlets Co-operative Development agency will run the Bangladeshi Women's Co-operative project in conjunction with St Hilda's East Community Centre, Stifford TJRS Community Centre and Dame Colet House Community Centre.



The project encourages Bangladeshi women to start-up and operate social businesses and provides educational facilities and skills training to enable them to do this. This project has opened up opportunities for Bangladeshi women, many of whom have previously not held jobs, had little command of English and suffered from literacy problems.

## **b) The role of the Regional Development Agencies and Government Offices**

The Government believes Regional Development Agencies, and Government Offices in the regions, have a vital role to play in ensuring that the potential of the social enterprise sector is realised throughout England. To achieve this, RDAs have established a Social Enterprise Network covering all the English regions. This supplements the work of the Government Offices and a range of regional networks that are already in existence within the social enterprise community.

### **East of England**

The East of England regional economic strategy contains a headline priority to maximise growth and investment in the social economy. Currently, the sector accounts for 30,000 full-time jobs, 13,500 part-time jobs and has an estimated turnover of £4.7bn in the East of England.

East of England Development Agency (EEDA) has supported an ESF equal funded partnership, 'Supporting the Social Economy in the East of England Region' (SSEER) which is being led by Business Link Hertfordshire. SSEER aims to: develop a robust business support framework, through the collaboration and integration of specialist social economy and mainstream business support agencies. It aims to create innovative community development finance institutions, promote networking, inter-trading and sharing best practice in the social economy through ICT, and strengthen the role of social enterprise in meeting public sector procurement and service delivery needs. SSEER builds upon a mapping and labour market assessment of the social economy undertaken by The Guild, and commissioned by EEDA.

### **East Midlands**

The Government Office for the East Midlands is working closely with the East Midlands Development Agency (EMDA) to ensure that the right links are made between social enterprise and neighbourhood renewal activity throughout the region.

EMDA has also been actively supporting the development of Social Enterprise East Midlands (SEEM), whose mission is to create an environment in the region where social enterprises can set up and flourish. SEEM is seeking to: develop a seamless support structure for existing and emerging social enterprises; develop social enterprise clusters; promote social audit techniques; develop a training programme for business advisers from all sectors; undertake research and mapping; and develop a best practice strategy for the region. EMDA is currently providing seed funding for the first two years of SEEM's activities.

### **London**

The London Development Agency (LDA) recognises that social enterprise plays an important role in promoting the growth of London's economy. In its Economic Development Strategy (published July 2001), the LDA set out clear commitments to support the development of London's social enterprise sector and enhance investment flows.

One of the ways in which the LDA is supporting social enterprise is through 'Enterprise for Communities', a 3-year scheme, led by Social Enterprise London, that delivers practical support and finance to London based social enterprises. Projects include: business support for social enterprise nurseries and social firms, a postgraduate programme for training business advisers, and funding for London Rebuilding Society.

### **North East**

One North East (ONE) has supported the creation of the North East Social Enterprise Partnership that will deliver a programme of social enterprise capacity building worth £240,000 in the North East in 2002-05 with funds from One North East and the Social Enterprise Partnership GB project. This network brings together the social enterprise support agencies and ensures social enterprises work in a co-ordinated way consistent with the objectives of the Regional Development Plan. ONE has also co-founded, with the Social Enterprise Unit, the pilot training project at Durham Business School.

### **North West**

The social enterprise work of the North West Development Agency (NWDA) is co-ordinated by a Social Enterprise Officers Working Group, and the Agency is closely involved with an independent regional Social Economy

Task Group, which includes social enterprise practitioners, Government Office, the regional assembly, and the Small Business Service (SBS).

Much of the work of the Agency is undertaken on a sub-regional basis. An example of this is on Merseyside, where the NWDA is supporting a developing social enterprise sector. The NWDA is intending to invest £2.5m over three years in the social economy.

### **South East**

As part of its Regional Economic Strategy, the South East England Development Agency (SEEDA) states that the development of a vibrant social enterprise network is an essential ingredient of healthy communities. It is currently working towards creating a best practice network of social enterprise across the South East, reviewing existing business support and training packages to remove barriers to social enterprise growth, and considering the potential for regional centres of excellence for the sector. It is also developing a community investment finance and social investment strategy to support the growth of the sector, including the promotion of community and city bonds.

### **South West**

The South West RDA has provided funding to support the establishment of the RISE partnership (Regional Infrastructure for the Social Economy) which represents community enterprise support organisations across the region. This has enabled research, mapping and other activities to be carried out with a view to building a strong and purposeful social economy sector. The Agency has hosted a regional conference to discuss the findings of the reports that have been produced and to promote better understanding of social enterprise.

### **West Midlands**

The development of the social economy and support for social enterprise was highlighted as a key priority within the West Midlands Economic Strategy (WMES). The development of the strategy prompted a collective, regional response within the social enterprise sector and Advantage West Midlands (AWM) played a leading role in co-ordinating a regional grouping which is known as 'Enterprise in Communities' (EIC). The group has been in existence for two years and is a loose partnership representing the diverse groups within the region that are interested in developing the social economy.

This group has assisted and supported a number of regional projects, including the development of the Advantage Community Loan Fund. The fund for the West Midlands was launched in May 2002 and has received strong financial support from AWM and Unity Trust Bank.



### Yorkshire and the Humber

Yorkshire Forward has commissioned social economy research that maps current policy initiatives, looks at social economy successes and the strategic issues affecting the sector in this region. A key document, *'Advancing Community Partnerships – the Social Economy in Yorkshire and the Humber'*, has been produced and, following on from the recommendations made in that report, a practitioner orientated Social Economy Task Group has been established for the region. It will produce a Social Economy Framework which will indicate social enterprise.

### Clusters

The RDAs are also responsible for implementing clusters policy in each of the nine English regions. The Government is keen to support the development of social enterprise clusters, where appropriate. There are some marked clusters of social enterprise activity centred upon, for example, a strong co-operative development agency. Where clusters do occur, research consistently shows that the gathering together of firms and skilled workers is a key driver of economic growth.

Similarly, incubators and managed workspace, networking, developing supply chains and inter-trading all help support the development of new businesses. Social enterprises, based with other businesses, can take advantage of these opportunities, enjoy mutual support and learning, and take advantage of the possibilities for consortium bids for contracts, joint trading and marketing. The Government believes that RDAs and Government Offices in the regions can play a pivotal role in bringing together social enterprises and 'traditional' businesses.

The RDAs have access to Regional Innovation Funds of £50m a year to support clusters and incubators.

### The Derry Inner City Trust

The Derry Inner City Trust in Northern Ireland is a development trust which has spanned the sectarian divide through community enterprise. One third of the old city within the city walls was demolished by bombing during the Troubles. Through the work of the Trust the bombsites have been turned into thriving community businesses: a crafts village with courtyards, shops and workshops; the Nerve Centre - an acclaimed arts venue and training centre; a backpackers hostel; a housing scheme for young homeless people and drug addicts; and a conference centre and tourist exhibition. The latest project opened in June 2002: Derry's first luxury hotel. The Trust now has an asset base of around £12m, providing economic, social and environmental renewal, and generating £700,000 a year for further work. The next project on the stocks is to create an international language learning centre - in an abandoned convent.



### c) The role of other government departments

Policy and action affecting social enterprise is being taken forward across a large number of government departments and agencies. This needs appropriate coordination.

#### **Department of the Environment, Food and Rural Affairs (DEFRA) - Social Enterprises for Rural Economies**

Social enterprises can play an important role in rural areas by generating economic activity, promoting regeneration, creating employment opportunities and helping individuals and entrepreneurs with access to finance. Evidence from Countryside Agency research indicates that there is potential for social and community enterprises to make more of a contribution to productive, sustainable and inclusive rural economies. In particular, social enterprises can make an effective contribution through:

- delivery of services in rural areas which might not otherwise be available via 'traditional' commercial means;
- rural regeneration and economic development;
- tackling social and financial exclusion in rural areas;
- community development;
- local capacity building and empowerment; and
- promoting partnership and co-operation which can give both social and economic benefit.

#### **Office of the Deputy Prime Minister (ODPM) - Neighbourhood Renewal, New Deal for Communities and Urban Policy Unit**

The Neighbourhood Renewal Unit (NRU) was established to address problems facing some of the UK's most deprived areas. The NRU tackles the root causes of deprivation, through improvements to mainstream public services and the direct involvement of local people. Encouraging business to invest in deprived areas is also a central part of the National Strategy for Neighbourhood Renewal.

The NRU currently provides resources to the 88 most deprived local authority areas in England and is responsible for delivering the New Deal for Communities (NDC) programme that takes forward the Government's commitment to tackle social exclusion. Over the ten-year duration of the programme deprived neighbourhoods will receive funding totalling £1.9bn.

As part of this process, Local Strategic Partnerships (LSPs) have been set up in these areas to bring together the public, private, community and voluntary sectors to develop a strategic action plan for the renewal of their poorest neighbourhoods.

### **ACTION POINT**

We will set up an Interdepartmental Working Group to ensure that social enterprise is fully taken into account in policy development and delivery across Whitehall. We will work on specific issues through sub-groups. The Group will help to ensure that the particular characteristics of social enterprise are taken into consideration in changes to regulations, administrative practices and fiscal policy.

Projects delivered through the New Deal for Communities (NDC) and Neighbourhood Management Programmes include provision of workspace for new enterprises, support for social enterprises and additional job matching services.

The Urban Policy Unit (UPU) was set up in March 2001 to lead the delivery of the cross-government agenda for improving towns, cities and suburbs set out in the Urban White Paper '*Our Towns and Our Cities: The Future*'. This complements Neighbourhood Renewal policy but is not just concerned with the most deprived areas. The Unit has identified successful best practice, through such initiatives as the '24 Towns and Cities: Partners in Urban Renaissance' and is disseminating the results. The Unit's Special Grants Programme currently supports work being done by a number of national social enterprise bodies, including the Development Trusts Association and the Association of British Credit Unions.

### **Home Office – The Active Community Unit (ACU)**

The Active Community Unit in the Home Office, originally launched by the Prime Minister in 1999, was relaunched by the Home Secretary in May 2002. Its vision is of 'a society where the voluntary and community sector flourishes and where all individuals and communities are enabled to play a full part in civil society.'

ACU recognises that voluntary and community organisations which have the capacity to move away from grant dependency, and towards greater sustainability through trading and enterprise, can play an important role in building strong, active communities and promoting community cohesion. ACU has identified a severe lack of appropriate capacity building and technical support, as well as investment-based grant funding, accessible to such organisations. It will be seeking to address these needs as part of the work it will be undertaking as the lead on the implementation of the Treasury cross-cutting review of the role of the voluntary sector in public services.

### **Department for Work and Pensions (DWP) – Making work pay through the New Deal**

New Deal for Young People was launched in 1998. Since this time further New Deal programmes have been developed: for unemployed people over 25 years, lone parents and 50 plus, as well as disabled people. Individuals can work in social enterprises through New Deal placements, and also benefit from the services they offer to help set up new enterprises.

The Government believes it is important that a supportive benefits regime is in place to facilitate the transition from welfare into work and is determined to look closely at the benefits system to 'make work pay', particularly for those seeking to move from unemployment into self employed status.

### **Department of Health – Promoting Social Enterprise within the NHS**

Key principles of health and social care policy include promoting citizenship and building active communities to help shape local care provision.

The DoH, working alongside other statutory bodies and government departments, is committed to developing entrepreneurial organisations in the public sector and the social economy and ensuring that they have the same access to support and advice as those in the private sector. The NHS acknowledges that it needs to do more to ensure that there is a shift in attitude towards encouraging risk-taking and learning from the outcomes of social enterprise development.

Primary Care Trusts (PCTs) are being encouraged through the Engaging Communities programme which is facilitated by Nat PaCT, to identify and support potential social enterprise ventures in their local communities. Key individuals who are developing social enterprise within a community will be identified and encouraged to take part in the new Public and Patient Involvement structures, and regeneration, development and modernisation agencies, in order to promote the contribution which social enterprise can make to social and economic development and health improvement.

#### **NHS Foundation Hospitals**

The recent decision that the best performing NHS hospitals be enabled to operate as freestanding legal entities shows the innovative ways in which public services can be delivered. These 'Foundation Trusts' will provide high quality, customer focused care and will be governed by people from the local community instead of by the state or by shareholders, thus allowing those that use the service to play a more active and effective part in running a health service that is most responsive to their needs. The freedoms that these NHS Foundation Hospitals will enjoy include retaining the proceeds from land sales, borrowing for investment in services, and the freedom to use the flexibilities of the new pay system to modernise the NHS workforce, including developing additional rewards for those staff who are contributing most.

### **Department for Education and Skills (DfES) - Support for Enterprising Communities**

The DfES is closely involved with a wide range of community and voluntary sector groups and organisations as both deliverers and recipients of its services. Many of these are community or social enterprises. These include the Connexions service, the Neighbourhood Support Fund, the UK Online initiative and the Neighbourhood Nurseries Initiative. DfES is co-ordinating the pilot of a joint initiative with the DTI Small Business Service, Social Enterprise Unit and Active Community Unit in the Home Office to investigate opportunities for increasing the cohesiveness of support for enterprising communities. The initiative, which is funded under the Treasury's Invest to Save Budget, will set up a series of pilot projects in different areas to investigate how new social and community enterprises can be supported and developed to increase the sustainability of their enterprises and their potential to provide employment and skills development opportunities for local people.

#### **DfES - Neighbourhood Nurseries Initiative (NNI)**

The NNI focuses on pioneering childcare solutions for England's most disadvantaged communities. From 2001 to 2004 over £300m will be channelled through Early Years Development and Childcare Partnerships (EYDCPs) to create 45,000 new childcare places. Community based, social enterprise and co-operative childcare models offer some of the most innovative solutions to the challenge to create sustainable, high quality and affordable childcare provision for low-income families. Community based nursery providers are beginning to develop unique childcare business models, which bring together the strengths of the commercial private sector (enterprise and innovation, access to private capital) with fundamentals of the community based nursery model (social responsibility, user ownership and social aims).

### **Department for Culture, Media and Sport**

DCMS has policy responsibility for a number of sectors that impact on social enterprise, including sport, arts, libraries and museums, historic and built environment, media and creative industries, tourism and the National Lottery. Each can make a substantial contribution to enterprise and employment by developing both social capital (strengthening community networks/capacities) and personal capital (developing skills and confidence), as well as being sectors in which social enterprises can themselves contribute.

In addition, the National Lottery has funded a number of social enterprise initiatives. For example, the New Opportunities Fund's Childcare programme has established a wide variety of neighbourhood childcare

facilities, freeing up parents' time to engage in both formal employment and community activity. Lottery funding has an important role to play in funding social enterprise within communities, and DCMS will publish a consultation paper reviewing distribution policy later this summer.

#### **d) The role of local government**

Local government has an important role to play in supporting social enterprise and providing an environment at the grass roots in which social enterprises can flourish. In turn, social enterprises enable local people to become directly involved in delivering the goods and services their community requires.

##### **Some examples of local government support for social enterprises**

- Bristol City Council has undertaken a full audit of social economy activity so that it is better able to support the city's social enterprises and remove barriers to growth.
- Cheshire County Council's Community Enterprise Unit provides advice and support to social enterprises and has published 'The Community Enterprise Toolkit - a guide to setting up and running a community enterprise'.
- Liverpool City Council's Social Enterprise Team has given over £1m of financial support to social enterprise, and this is estimated to have created over 1,000 jobs and provided training for over 1,000 local people.
- The London Borough of Ealing has supported a number of social enterprises, including Ealing Community Transport, which operates UK wide, employs over 200 staff and has a turnover in excess of £13m. Social enterprises are offered support in Council tendering processes.

## **4.2 Legal and regulatory issues**

#### **a) Existing legal forms**

One of the social enterprise sector's greatest strengths is its diversity, and this is reflected in the complex legal and regulatory framework under which many social enterprises are currently required to operate.

The choice of legal model is often determined by the nature of the activities being undertaken by the social enterprise, the requirements of the key stakeholders, the appropriate governance structure and, crucially, the ability to access the required finance. Some social enterprises use group structures, making use of a variety of legal forms in order to carry out the

full range of their activities. Many social enterprises point out that the legal model is only the vehicle for their activities, not the defining feature.

### Coin Street Community Builders

Coin Street Community Builders (CSCB), a development trust, was set up to make the South Bank a better place in which to live, to work, and to visit. All members of the company are required to live locally and so understand the needs and opportunities of the area.



CSCB was set up in 1984, after a long community campaign against proposals for major office development, to buy 13 acres of derelict land between Waterloo and Blackfriars bridges. Since then CSCB has overseen demolition of old buildings, completion of the South Bank riverside walkway, the creation of Bernie Spain Gardens and Gabriel's Wharf market, refurbishment of Oxo Tower Wharf for mixed uses including shops, restaurants, retail design studios and flats, and the building of 220 affordable homes for four mutual housing co-operatives. CSCB is currently planning a major mixed development including subsidised, cost rent and market housing; a public swimming pool and indoor sports centre; and a neighbourhood centre to provide childcare, youth and family support, enterprise and learning support, and creative and social facilities for the local community.

### Leicester Housing Association

As a registered social landlord, LHA (Leicester Housing Association) provides affordable housing, maintaining and managing over 7000 homes across the East Midlands, including 40 supported housing schemes (10 of which are directly managed). Through its charitable Industrial & Provident Society, TREES, it supports the development of social enterprises (including a gas servicing and a construction company) that recruit and train local jobseekers and use their profits for social purposes. In the former Nottinghamshire coalfields region of the Meden Valley, LHA has set up the Village Companies Project - a network of community-led social enterprises that act as a catalyst for economic regeneration. With substantial funding from the Coalfields Regeneration Trust and the European Social Fund, five Village Companies have been established so far. The companies are run by community volunteer directors and engage in activities that will benefit the local community. All profits are to be used to support social projects in the local area.



Legislation governing Industrial and Provident Societies was also covered by the PIU Review, and was the subject of a Private Member's Bill that has now successfully completed its passage through Parliament. The Government supported Gareth Thomas's Bill as a further step to improve the legal environment in which social enterprises, particularly co-operative societies and mutual organisations, operate. The Bill contains two substantive clauses:

- a provision to bring the voting procedure to convert an industrial and provident society (I&PS) into a company into line with that for building societies (a threshold minimum of 75% voting in favour of conversion, and at least a 50% turnout of members voting); and
- a provision that would enable amendments to be made to certain provisions in I&PS legislation in line with provisions available in relation to building societies and friendly societies to assimilate that legislation with company law, through statutory instrument, thereby avoiding the need for primary legislation.

### Emmaus - Cambridge

Emmaus tackles the problems of homelessness through a network of self-supporting Communities where people are offered a home, meaningful work and a sense of belonging. There are nine Emmaus Communities in the UK, with plans to open a further 18 during the next three years. Emmaus companions, as residents are called, sign off Job Seeker's Allowance and Income Support. In return they receive board and lodging and a modest weekly allowance. Each Community aims for self-sufficiency through the collection, refurbishment and resale of donated goods. Last year Emmaus Communities picked up more than 3,750 tonnes of donated furniture in total, much of which could have ended up in landfill. The only revenue funding from Government is Housing Benefit paid to the Community depending on the number of resident companions.

Emmaus Cambridge, established ten years ago and situated in former derelict farm buildings at Landbeach, was the first in the UK. It has now achieved £300,000 annual turnover through the Community shop, nearly all from donated goods, especially furniture and electrical items, many of which have been repaired in the Community's own workshops by companions who have learnt new skills in the process. There is also a strong ethos within Emmaus to support others in need: Emmaus Cambridge has made donations of £40,000 from its trading surplus over the last two years to pay the food bill at the local night-shelter and to set up the Cambridge Foodbank which distributes donated food and household goods, and to help other community projects.



## b) Regulatory and administrative issues

Social enterprises, because of the variety of legal forms they take, are subject to a variety of regulatory and tax regimes. The Financial Services Authority (FSA) has certain registration or supervision responsibilities in relation to mutual organisations, such as credit unions or co-operatives, whereas companies, whether limited by guarantee or by shares, are subject to Company Law. Registered charities are regulated by the Charities Commission.

### **Fees consultation for Industrial and Provident Societies**

The functions of the Registry of Friendly Societies in relation to societies registered under the Industrial and Provident Societies Act 1965 and the Friendly Societies Act 1974 transferred to the FSA on 1 December 2001. The FSA is required to be self-funding.

Following extensive consultation, the FSA introduced a fee structure to recover its costs that comprised application fees payable on first registration by new societies and a flat, periodic fee payable by all societies. When it became clear that many small societies considered a flat fee was unfair, the FSA decided to reopen the issue and have been seeking views from all societies on a new tiered periodic fee structure under which the fee payable each year would be determined by the asset band in which a society falls.

The Government is determined that the regulatory, tax and administrative framework should not hinder the development and growth of social enterprise. In fact, there is some evidence that parts of the existing regulatory framework are helpful to social enterprises, for example, the VAT exemptions applicable to externalised local authority leisure departments.

### **The role of VAT exemptions in the growth of externalised local authority leisure departments**

Externalised local leisure departments established as Non Profit Distributing Organisations (NPDOs) are able to take advantage of VAT exemption on the 'Supply of Sport'. In practice this means that, as an NPDO operating a leisure centre, the individual payments by the customers for (say) swimming are not subject to VAT.

Whilst NPDOs can only recover VAT on expenditure in the same proportion as that which is collected on income, the net result is that most Leisure NPDOs can achieve around a 6-10% uplift in income through this VAT exemption.



Additionally, the 2002 Budget included a number of important policy announcements to support the drivers of productivity growth, to bring down the barriers to enterprise and to create a more entrepreneurial culture. One of these was the Community Investment Tax Credit, (CITC), introduced to encourage investment in both profit seeking and not-for-profit enterprises in disadvantaged areas, including social enterprises (the CITC will be fully explored in section 5.2).

### 4.3 Public procurement

Public procurement opportunities for social enterprises are most likely to arise in the delivery of public services. Social enterprises are close to their customers and are not concentrated on maximising profits for external shareholders. They are often well placed to be able to deliver good quality, cost-effective public services. In addition, social enterprises can demonstrate the worth of innovative new practices to increase the participation of staff and users in service delivery.

All public procurement, including central government departments and, for example, the NHS, has to be conducted within the framework of the EC Treaty and its related Directives and UK regulations. Local authorities must also take account of Best Value.

Local authorities are responsible for commissioning and funding public service contracts. The Government believes that within the existing regulatory framework, local authorities have opportunities to open up the procurement process to social enterprises.

#### **a) Promote greater understanding of social enterprises among public sector procurers**

The Government believes there is significant potential for more public services to be delivered by social enterprises. To ensure that social enterprises are recognised, and able to compete fairly with their mainstream competitors, there is a need to promote greater understanding of social enterprises among those responsible for public procurement at all levels, as well as those who audit and inspect their work .

If social enterprises are to contribute effectively to the delivery of customer focused, cost-effective public services, then local authority procurement officers need to be fully aware of the characteristics and value that social enterprises can offer. The Government is committed to working with local authorities to address the current 'knowledge gap'.

In the leisure sector, the catalyst for social enterprise solutions has been the compulsory competitive tender process. A social enterprise model was initially established in Greenwich, replicated in Bristol, and has since been copied by many other local authorities. The model was an IPS bencom - an Industrial and Provident Society for the benefit of the community. The use of this model was key to the competitiveness of these leisure organisations, because it enabled discretionary VAT exemption and rate relief.

### Greenwich Leisure (GLL)

In July 1993, Greenwich Council faced rate capping for the ninth consecutive year. As a result, budget cuts totalling over £20m were proposed and leisure centres, as a discretionary service, were earmarked for annual expenditure reduction of £400,000. The result of this would have been the closure of 2.5 centres (out of 7) and resulting widespread job losses.

In order to avoid cuts to the leisure centre services, on the initial instigation of the Chair of the Leisure Committee, the staff worked with the Greenwich Co-operative Development Agency to find an alternative solution.

In 2001, with a workforce of over 1000, they have increased the number of leisure facilities in Greenwich and have trebled the Greenwich income to more than £9m, while more than halving the cost to the local authority. GLL has also assisted the replication of the model in 21 other local authorities from Bristol to Teesside and these Leisure Trusts form part of a growing family of Social Enterprises operating leisure centres for more than 60 authorities nationwide.

GLL itself is growing organically and now operates 25 leisure centres for community benefit in the London Boroughs of Waltham Forest, Merton and Newham, and a centre in the Borough of Epsom and Ewell.



In the care market, in some areas, private sector providers have been unwilling to deliver services, for example home care services in rural areas where there is a limited labour market and high travelling costs, or residential homes with complex infrastructure problems.

In such circumstances, social enterprises have been able to step into the gap and provide improved services, and have prompted an increasing

number of local authorities to consider establishing social enterprises as a means of addressing such problems.

### **Walsall Home Care Co-operative**

The Walsall Care Co-operative started in 1989 on the initiative of a local authority care officer who began a visiting service for older people. The project began as an experiment with 12 local carers and quickly grew to 28. To control the business and co-ordinate work a co-operative was established with help from the Black Country Co-operative Development Agency and a small grant. Over three years Walsall Home Care Co-operative created over 250 jobs.

The Walsall model has now been replicated elsewhere in the country, beginning in nearby Telford with the Wrekin Home Care Co-operative that has created around 80 jobs. There are now over 40 care co-operatives delivering care to people in their homes, following a variety of ownership and management structures.

Another way in which social enterprises can deliver public services is through tendering for local authority contracts. Local authorities may decide to split a large contract into smaller ones, providing this is done within the regulatory framework and is based on a value for money assessment of what is best for that particular procurement. When this happens, opportunities are created for smaller businesses, including social enterprises, to compete for contracts. Although there are administrative costs in handling a number of small contracts, procuring from small suppliers helps build local capacity and their potential to handle larger contracts in future. The Government believes that if local authorities use the flexibilities available in the tendering process, opportunities for social enterprises will arise.

### **Ealing Community Transport/ECT Group**

Ealing Community Transport is a not-for-profit organisation whose main focus is the provision of accessible transport services and environmentally sustainable re-use and recycling services.

The ECT Group comprises four separate companies, employing over 250 staff and providing recycling and community transport services for eight local authorities, two outside London. Current group turnover is £13m per annum and increasing by 20% annually.



The Small Business Service has been active in promoting the value of working with small suppliers and has recently published, in association with the Office of Government Commerce, *'Small Supplier...Better Value?'*, a guide for procurement officers aimed at ensuring that they understand the potential benefits of working with small suppliers, including social enterprises.

A Cross-Government Sustainable Procurement Group, led by the Department of the Environment, Food and Rural Affairs, has also been set up to consider how central government and its agencies can procure goods and services in ways that better support the Government's sustainable development objectives. The group is due to make recommendations in Summer 2002 for a policy framework that joins up the Government's objectives for procurement with sustainable development, helps encourage innovation in the market, and overcomes inertia in purchasing practice.

At local government level, an independent taskforce, chaired by Sir Ian Byatt, made a number of recommendations to improve local government procurement in England, which were set out in its report *'Delivering Better Services for Citizens'*. The Government and the Local Government Association published a joint response to the Taskforce report in July 2002, which announced the establishment of a local government procurement forum, to take forward a national strategy for local government procurement. The newly formed Social Enterprise Coalition will be invited to join the forum alongside other representatives of the supplier community.

#### **'Competitive Procurement'**

The Audit Commission recently published *'Competitive Procurement'*, to help local authorities become more effective at procurement. [*'Competitive Procurement'*, available from Audit Commission Publications, PO Box 99, Wetherby, LS23 7JA, tel. 0800 502030, Stock code LLI2712.] The report draws on the Commission's inspection, audit and research work and on the best practice of local authorities. It identifies that "procurement is more than just buying goods and services or outsourcing. When used well it is a mechanism to challenge current services and to determine new models for service delivery." The report emphasises the importance of ensuring that the outcomes sought from procurement are fully consistent with an authority's broader aims and objectives, which may include environmental and social concerns, so long as these are not handled in a way that discriminates against potential suppliers or invested with disproportionate importance. It also consistently highlights the potential role of social enterprises in public sector procurement.

### ACTION POINT

Working with partners, including the Office of the Deputy Prime Minister, Small Business Service, Office of Government Commerce, Local Government Association and Local Government Improvement and Development Agency, the Social Enterprise Unit will carry out a programme of work to promote greater understanding of social enterprises among those responsible for public sector procurement at local and national level. This will include providing guidance on the wider social benefits offered by social enterprise bidders and disseminating examples of good practice in opening up opportunities to social enterprises, as well as taking forward the work of the Cross-Government Sustainable Procurement Group.

### NEMCO

NEMCO is a flourishing Co-operative, run by teachers, which grew out of Newcastle City Council's musical instrument teaching service and supported by the Musicians Union and the City Council.

In 1995, Newcastle Local Education Authority was facing budget cuts and was being forced to make all peripatetic music teachers redundant. The LEA wanted to continue to offer the service to its schools, but could no longer afford directly to employ the teachers. The teachers grouped themselves together as a Co-operative, which contracts directly with the schools.

The results have been spectacular. Newcastle City schools now enjoy more musical instrument teaching than ever before. Hours taught in schools has increased by over 67%, whilst the number of teacher members of NEMCO has increased from 16 to 32. The range of musical instruments available has also broadened.

### b) Increase expertise on procurement within social enterprises

There is currently a lack of expertise in many parts of the social enterprise sector about public procurement practices and processes, and, in some cases, lack of recognition of the contracting opportunities that local authorities and other public sector procurers may offer. The Government believes social enterprises need assistance to develop their capacity to bid for contracts and better access to information about forthcoming tender opportunities, as well as guidance on how to express their financial and social competitiveness in their bids. In some instances, as is already happening in Sheffield, social enterprises themselves may be able to improve their ability to win contracts by forming consortia to bid jointly for work.

Related to this, there is a need to build knowledge and know-how in procurement issues amongst social enterprise advisors. Capacity building in the sector needs to take place alongside work to raise awareness of social enterprise solutions amongst public sector procurers, so that expectations on both sides are fulfilled.

The Government has already taken action to open up procurement to small businesses. The Small Business Service and the Office of Government Commerce offer guidance, '*Tendering for Government Contracts*' (available through [www.businesslink.org](http://www.businesslink.org)) which includes advice on how to supply to the public sector market as well as comprehensive contact details.

In addition, SBS and the Office of Government Commerce are developing an on-line system which will make details of smaller public procurement contracts (i.e. those under the EC procurement threshold) available to small businesses, including social enterprises.

**ACTION POINT**

We will prepare and disseminate, to social enterprises and their advisors, a 'toolkit', which will distil good practice for social enterprises in winning public sector business. This will build on the guidance in the SBS/OGC guide *'Tendering for Government Contracts'*, by providing guidance specific to social enterprises, including information on how to express social benefits and examples of social enterprise successes.

**Ealing Borough Council**

As part of its social firms initiative, Ealing Borough Council developed a tendering assistance programme where social enterprises wishing to be on the approved tender list for council contracts were supported to complete the complicated paperwork. This innovative development was instrumental in Ealing Borough Council winning a national Community Care Award in 2001 to promote its good practice to other local authorities.

Like any other business, social enterprises need access to good quality business advice and training. It has been estimated that social enterprises " may be 80–90% similar to other business, but that the 10-20% that is different is often the make or break factor. The real difference is often found in the organisational culture. Social Enterprises have participatory cultures with a strong sense of social mission and community" (*Understanding Social Enterprise*, Social Enterprise London, 2001). Consequently, they require business support and training delivered by people and organisations that understand what they are trying to achieve and the additional pressures that creates.

Social enterprises have to meet both a financial and a social bottom line which can cause tensions and conflicts that many mainstream businesses do not have to face. In social enterprises, commitment to the training and involvement of employees is usually very strong. However, this commitment can have implications for cost, productivity and competitiveness if training requirements are not properly focused or if additional support is needed, for example for employees unused to working.

Social audits suggest that those who work in social enterprises tend to be highly motivated, problem-solving and productive individuals, so the benefits of the right training, workplace skills and support programmes can be great.

The HM Treasury Cross Cutting Review of Services for Small Business considered the full range of government services for small business, including financial support, indirect support such as workforce development, and advice on tax and regulation. Improvements in these services will be as useful for social enterprises as they are for the mainstream business community.

The challenge for government services for small businesses is to re-design themselves around small business needs. This will require a new approach, but the review points to some examples where services have already combined to improve the customer experience. Within government, the Small Business Service is to play an enhanced role in helping departments and agencies identify where services can be combined and improved to raise standards overall. Regional Development Agencies together with the Small Business Service will establish an overall framework for business support which will encourage locally based solutions and pilot innovative arrangements to improve local delivery.

The review found a widespread need for better presented and comprehensive information about what new businesses have to do and what government can do to help them. The Small Business Service is consulting on a new strategy to encourage people to start new businesses and help those who have just started, including: an information pack for new businesses; a phone line service for advice; and, enterprise events bringing together public, voluntary and private sector providers to publicise services and support available for business.



The key to affordable, high volume, high quality services tailored to meet customer needs will be electronic delivery. To streamline existing services and build new services around the customer, Spending Review 2002, published 15th July, has made available £40m more funding in 2005-06 than in 2002-03.

The review found that a reduced willingness to approach Government for support is a significant barrier for under-represented groups and recommended that public services train and encourage their employees to recognise and value entrepreneurship. Spending Review 2002 has provided for an extra £50m to extend the Phoenix Fund a further two years from March 2004 to encourage enterprise in deprived areas.

DTI has also undertaken a review of its business support. As a result, it will make strategic investments to drive up productivity; focus more on customers; and improve delivery. A key strategic objective is to ensure that social enterprise is properly taken into account.

The Government is committed to working more closely with training providers, whether public sector or private, to ensure that the level and quality of support for social enterprises available in some parts of the country, and in some sectors, is made available to all.

## 5.1 Business support and training

### ACTION POINT

We will work closely with SBS to ensure that all Business Links offer appropriate services for social enterprises and that their take up is increased.

#### a) Training the trainers and business support providers

A key part of creating appropriate advice and support for social enterprises is to open up mainstream business advice so that providers are able to recognise the requirements of social enterprise, provide what is appropriate and signpost to others for specialist advice.

In line with PAT 3, the Small Business Service (SBS) requires that all Business Link Operators (BLOs) specifically consider the needs of social enterprises when formulating their business plans. The SBS and the London Development Association (LDA) have also funded the development of pilot training modules for business advisers in conjunction with Social Enterprise London (SEL).

#### The Role of Business Links – Examples of Good Practice

- BL4L (Business Link for London) has, with Social Enterprise London, developed a series of training opportunities, funded by the LDA, for business advisers. It has set up a Centre of Excellence. two Business Links Operators have been appointed to work specifically with social enterprises;
- Business Link Berkshire and Wiltshire is funding (with Co-operative Futures) a Social Enterprise Adviser;



### ACTION POINT

In order for social enterprises to be properly supported by these mainstream schemes:

- we will investigate the creation of a CONNECT module specific to social enterprises and promote the value of adding a 'social enterprise element' to mainstream businesses;
- we will seek to create a 'social enterprise specific' part of the SBS's Benchmarking Index; and
- we will include social enterprises in the Inside UK Enterprise visiting scheme and encourage social enterprises to take part in visits.

- Business Link Durham is currently setting up a 'Social and Community Enterprise Taskforce';
- Business Link Kent has set up a social enterprise workshop for 40 business advisers in the county; and
- Business Link Wessex has appointed a Social Enterprise adviser and has planned a regional conference for September.
- Business Link Norfolk is funding a specialist consultancy, The Guild, to encourage more business expertise in the social enterprise sector, offering help with every aspect of business planning, marketing and operation.

### b) Business training and support for social enterprises

Business Links provide a range of services designed to spread best practice and encourage growth among Small to Medium sized Enterprises (SMEs). All these are already available to social enterprises because most are businesses employing less than 250 employees. At the moment, too few social enterprises think of going to their local Business Link for advice, although a growing number are well able to meet their needs. The Government is looking at ways to ensure that all Business Links offer appropriate services for social enterprises and that social enterprises make full use of them.

The SBS CONNECT programme spreads awareness of best practice and leads to 80% of companies taking part going on to take positive action to improve their company. Last year 10,000 delegates went through this process. By opening up this scheme to social enterprises, the Government is seeking to ensure that social enterprises represent a growing proportion of participants in the future.

The SBS Benchmarking Index offered by the Business Links enables the adviser to develop a tailored improvement programme for each business. There is also a 'sectoral' approach, including modules which have questions specific to a sector. The Benchmarking Index is the largest such scheme in the UK and will, in future, be opened up to social enterprises, allowing them to compare themselves with other social enterprises and mainstream businesses.

Inside UK Enterprise also spreads best practice by setting up an agreed programme of visits to exemplar companies willing to share their methods and experiences. In this way, companies can learn from others how to improve their own businesses. The IUK programme is highly successful and has been copied by several other countries across the rest of Europe. The challenge now is to ensure this programme reaches out to embrace more social enterprises.

**ACTION POINT**  
We will monitor take-up by social enterprises of the LSC's New Entrepreneurship Scholarships and consider if there continues to be a need for a separate social enterprise bursary scheme.

There are currently several government programmes offering support, including funding and expert assistance, to small businesses at low or no cost. For example, the Small Firms Loans Guarantee Scheme is a debt finance instrument available to SMEs and social enterprises. It can be used in circumstances where banks might be lending anyway (i.e. the business proposition is good) but there is a lack of collateral. The government guarantee acts as an alternative form of such collateral. While most of these schemes are technically already available to social enterprises, in practice, either because social enterprises do not know about them or those offering them do not understand social enterprise, take-up has been disappointingly low. The Government wants to see social enterprises making more use of the wide range of support available to SMEs.

#### Co-active Ltd

Co-active, founded 16 years ago, has a long and successful record developing social enterprises in the South West of England and is now a contractor to Business Link Devon and Cornwall. They provide a range of services tailored to match the needs of the enterprises it supports. This work included business consultancy, specialist development work, incorporation and governance advice, accredited training across the spectrum of social economy activities and advice and support for practitioners.

Co-active provide business support to a wide variety of social enterprises including nurseries, glass recycling, organic horticulture and many others. They have also developed and piloted NVQ3 'Enterprise for Everyone' – designed specifically for social enterprise start-up. Their local Learning and Skills Council has recently awarded them a grant to enable the course to be mainstreamed by April 2003.

Of course, no matter how good the education, training and support schemes may be, they will fail if social enterprises cannot afford the cost of using them. The Social Enterprise Unit's Business Training & Support Working Group recommended the introduction of a bursary fund to help social enterprises obtain the specialist skills and training that they need. The Government sees some merit in these proposals but believes there may be less need for such a bursary scheme in the light of the Learning and Skills Council's recently announced New Entrepreneurship Scholarships.

New Entrepreneurship Scholarships are managed by the LSC following initial development by the DfES, DTI and the Treasury. The aim of the Scholarships is to help entrepreneurs from the most deprived areas to access high quality management and business training to help them develop a business idea into reality. There are 200 places available across all regions in England.

**ACTION POINT**

We will facilitate networking directly and through intermediaries, groups of social enterprises and appropriate trade associations.

**c) Networks**

Networks of social enterprises, and social entrepreneurs, ensure that the social enterprise voice is heard and can play an important role in the sharing of best practice. They link social enterprises together with other organisations with common characteristics and goals, helping them to build mutual support frameworks and assisting the spread of people and ideas. One such network is supported by the Development Trusts Association (DTA), involving 215 trusts in England and Wales (with DTA in Scotland in formation).

Whilst Government cannot itself create such networks, it can play a role in facilitating the development of infrastructure that promotes their existence. This is particularly true within distinct geographic regions, which is why many of the Regional Development Agencies are already actively engaged in supporting social enterprise networks within their regions.

Government also recognises the important links that can, and should, be made between mainstream business and the social enterprise sector through secondments, mentoring, cash, or 'in kind' support. Both sides have much to learn from each other and the Government wishes to encourage more of this cross-fertilisation of ideas and mutual support.

**East London Business Alliance**

East London Business Alliance (ELBA) is an independent business led and funded alliance working in partnership with public and voluntary organisations. ELBA uses the skills and resources of the private sector to maximise support for the social and economic regeneration of East London. Its business members include HSBC, Tesco, Morgan Stanley, Dresdner Kleinwort Wasserstein, Canary Wharf Group plc, Deutsche Bank AG, BT, and UBS Warburg.

The primary focus of ELBA (which acts as a catalyst and facilitator) is to actively involve business in the achievement of:

- a skilled workforce;
- integrated transport;
- high quality schools;
- business growth and inward investment;
- a quality environment;
- healthy communities; and
- decent, affordable housing.

Private sector volunteers working in Hackney, Tower Hamlets and Newham, have enabled those social enterprises involved to improve their project management, business planning, human resource management, organisational development and marketing skills. They have also (usually on a pro bono basis) helped with legal issues, planning and fundraising.

### **Business in the Community and Jaguar**

Jaguar, together with the DTI (through the Phoenix Fund), are sponsoring a three-year mentoring programme involving business managers from a wide range of companies and individuals from social enterprises. The programme is being run by Business in the Community, and builds on existing successful business mentoring schemes. It seeks to help develop the leadership and management skills of people working in social enterprises and by the end of the scheme (2004) 1,000 pairs will have been through the programme. 80% of those social enterprises involved are located in disadvantaged local authority districts.

A central objective of the programme is to develop longer-term partnerships between the organisations as well as the individual participants. It is hoped that such partnerships will be of considerable value in many ways. For example, business managers could join the social enterprise's board, or encourage the shared use of facilities such as childcare, training and conference facilities. In return, mainstream businesses will be able to become more engaged in their local communities and deliver support to worthwhile social and environmental projects.

Involvement also benefits the individuals from the private sector businesses who gain valuable leadership and management experience. Their companies increasingly see this active engagement of their employees as part of their corporate social responsibility and an essential component of a successful business strategy.

### **Community Action Network and Social Entrepreneurs Online**

The Active Community Unit has provided three year funding to the Community Action Network (CAN) to develop a database directory that: identifies social entrepreneurial organisations; facilitates the production of a mailing list to disseminate information; enables people to interrogate the database with particular queries; and allows individuals and organisations to communicate with each other. CAN is itself an example of the potential for on-line communication and networking to create new opportunities for social entrepreneurs and social enterprises. [www.seo-online.org.uk](http://www.seo-online.org.uk)

Practitioners have indicated that there is no lack of help available, but they see a need for it to be co-ordinated and standardised in some way so it is easier to find out what is available and make use of it.

### **d) Social enterprise specific training**

There is a need to ensure that social enterprises are able to access both mainstream business support and advice tailored to their specific

**ACTION POINT**

We will review existing advice, information and websites available to social enterprises, assess what else is needed and work with partners to fill any gaps.

**ACTION POINT**

We will work with the social enterprise sector and the RDAs to design a series of social enterprise awareness raising days and practitioner-led training events to be available throughout the English regions.

**ACTION POINT**

Working with DTA, the NCVO and others, we will develop business and finance training for the non-business members of social enterprise Boards and management committees.

characteristics. Training provided by those working within the sector, such as the Regen School, set up by the Manor and Castle Development Trust in Sheffield, can also create opportunities to learn from the successes (and mistakes) of others.

The Government believes that social enterprise specific training is essential, which is why we have co-funded (with One North East) the Exchange Programme at Durham University Business School (DUBS) - a programme designed to bring together social and mainstream entrepreneurs in a mutual learning network. The success of this pilot project will be assessed this summer with a view towards possible wider use.

**The Cat's Pyjamas**

The Cat's Pyjamas was set up in 2000, initially as a spin-off from the Liverpool based Furniture Resource Centre (FRC). FRC was becoming such a recognised beacon of good practice that it was receiving more visits than it was resourced to cope with. The Cat's Pyjamas was set up as a three day event for those involved in social enterprise to explore some of the issues that organisations trying to meet a double bottom line face on a daily basis. These sessions have proved highly popular, and in 2002, for the first time, the Cat's Pyjamas Top Cat programme went to the U.S. to explore how social enterprises have developed in the States.

**School for Social Entrepreneurs**

The School for Social Entrepreneurs is both a school running an International Programme for social entrepreneurs, and an action-learning network to support local and regional social entrepreneurs' programmes around the UK. Five new SSE programmes started in April 2002.

The programme runs between England and Scotland with alternate study weeks in London and Edinburgh. In addition four new SSE Millennium Award programmes started in Bradford, Cardiff, East London and Newcastle. With the existing Millennium Award programmes in Salford, Birmingham and Shrewsbury, there are now seven Millennium Award Programmes running concurrently.

Because many social enterprises are either in transition from being grant dependent voluntary sector bodies or are wholly owned by a charity, they often have boards of directors or trustees who come from a voluntary sector rather than a business background. This can lead to a lack of business focus and prevent social enterprises from truly reaching their potential.

The Development Trusts Association and the National Council for Voluntary Organisations, conscious of this issue, have already each done some preparatory work on the sort of training that would be needed to

enable non-business members of Boards and management committees to understand the different types of financing available, together with their risks and benefit. The Government believes this is an area where further work is required.

#### e) Models and replication

Recognition of diversity is key to the future success of individual social enterprises and the wider economy. This diversity is reflected in the range of sectors in which social enterprises trade; their social objective or mission; their sources of finance; their forms of governance; and their business models. Networks already provide a range of information and case studies. However, existing practitioners and prospective social enterprises have indicated a need to co-ordinate and standardise this information.

The Government believes it may be possible, without seeking to limit the valuable diversity, to replicate successful social enterprises. The example of The Big Issue, both within the UK and internationally, illustrates how successful replication, modified to meet regional circumstances, can be. It is therefore important to enable social enterprises to examine the template of others and consider how they could be developed or franchised to meet the needs of different communities.

##### The Big Issue

The Big Issue magazine sells 250,000 copies a week and is read by over one million people. The Big Issue has given thousands of homeless people the opportunity to earn a legitimate income and stand on their own two feet, giving them a route out of poverty and exclusion.



The Big Issue has developed beyond London, with five separate editions now covering the UK: The Big issue in the North, The Big Issue South West, The Big Issue Cymru, and The Big Issue Scotland. Although each region is a separate company, all share the same principles and work as a national whole, exchanging ideas and editorial copy. Local initiatives may vary in response to the regional needs of the homeless.

The Big Issue has also been replicated internationally, with editions being produced in Sydney, Cape Town, and Los Angeles.



**ACTION POINT**

We will identify and support methods of replicating successful social enterprise business models.

**Environappies (Bradford Ltd)**

Based on established operations in Preston, Blackpool and Tameside, the project provides a nappy delivery and collection service at a cost of £6 per week per child. By being part of a wider group the Bradford operation gains access to Environappies technical expertise, business support and a wider range of products including specially designed wraps and nappies. One of its key strengths is its strong links with the Sure Start initiative. The project is a not-for-profit distribution co-operative project set up under the new 2000 - 2006 Objective two Programme for Yorkshire and the Humber.

## 5.2 Finance and funding

In addition to revenue generated from the sale of goods and services, social enterprises make use of a range of private and public funding and finance sources. We will promote a wider understanding of the sources of finance available to social enterprises that include:

- grants, donations and help-in-kind;
- government contracts;
- government programmes such as New Deal or the Single Regeneration Budget, or European funding initiatives such as the European Social Fund;
- programme related investments from foundations and trusts;
- debt finance from banks or specialised community loan facilities; and
- equity finance, either as shareholders with limited rights or through accessing social venture capital or in some cases, mainstream equity.

**Co-operative Action**

Co-operative Action is a new foundation established to support the development of new forms of co-operative and mutual enterprise, so is open to social enterprise taking this form. It will do this by giving grants and making loans of between £5,000 and £200,000, and resources will be prioritised towards the following areas:

- developing and supporting new or existing co-operative enterprises;
- promoting co-operative solutions and structures of all kinds and in all sections of the economy;
- research into co-operative structures and solutions; and
- research into new forms of finance for co-operative enterprises.

At present, many social enterprises are undercapitalised and struggle to access external finance, particularly when starting up, growing or moving away from grant dependency.

Whilst this is often to do with a lack of financial skills, in many social enterprises it is also a result of an understandable reluctance to take on debt. In addition, it is sometimes that investors do not understand the social enterprise market, and this situation is exacerbated for those social enterprises located in disadvantaged areas where the transaction costs associated with such investments can be extremely high.

The Government believes further investment is needed in the social enterprise sector to: build up business activity, for asset development, for working capital, and for skills and technical support. Traditionally, the right form of investment has been difficult to access. Much grant funding in the regeneration field has been unsuitable because the funding regimes inhibit an enterprise approach. Obtaining loan finance can be problematic and the option of equity finance also remains out of reach for most social enterprises.

We need to consider whether a fresh approach is needed, for example, mixed funding packages that combine grant funding as investment together with loan and other forms of investment finance. Specialist training to trustees and social enterprise managers in business planning, managing risk, and financial management may be needed to accompany such an approach.

The issue of under-investment in disadvantaged communities and underserved markets, such as the social enterprise sector, led the Government to set up the **Social Investment Task Force**, led by Sir Ronald Cohen. It reported to the Chancellor in October 2000, recommending steps to increase the capacity for creating wealth, economic growth, employment and improved social fabric in such communities. The report made five key recommendations which were welcomed by the Government and which are currently being taken forward:

1. a Community Investment Tax Credit;
2. a Community Development Venture Fund;
3. bank disclosure on lending in under-invested areas;
4. greater latitude for investment in Community Development Finance Institutions by charitable trusts and foundations; and
5. support for Community Development Finance Institutions (CDFIs).

In the 2002 Budget the Government introduced the **Community Investment Tax Credit** that will encourage up to £1bn investment in start-up businesses and social enterprises in deprived areas. This tax credit is part of a new approach on the part of the Government to encourage enterprise in some of our most challenged communities.



The Government believes that incentivising private investment into under-invested communities can stimulate enterprise growth, in turn providing employment and building assets and wealth.

The tax credit, which will be worth 25% of the amount invested over a five year period, will provide an incentive for individuals, companies, banks and investment houses to put money back into the community and see a financial, as well as a social return on their investment. For example, an investor putting in £100,000 will be able to reduce his or her tax bill from other activities by £5000 per year for 5 years. This process will open up new markets for more conventional investments, creating a bridge between investors, investment intermediaries, and the customers they serve, including social enterprises.

The tax credit will be available to investors in accredited CDFIs (with accreditation to be administered by the Small Business Service). There will be an emphasis on the role of social enterprises, as well as mainstream businesses, including a generous regime for property development for social enterprises, with up to 50% of the funds attracting the tax credit being available for non-residential property development by non-distributing enterprises.

#### **a) Monitor what is currently available and identify gaps**

Ensuring appropriate finance and funding is available to social enterprise is a key part of enabling the sector to develop and grow. It is central to our strategy to encourage social enterprises to move away from grant dependency and towards greater self-financing.

Much is already being done by the Government to encourage investment in businesses in deprived areas, including social enterprises. The SBS, through the Phoenix Fund, has played a key role in helping to develop and support Community Development Finance Institutions (CDFIs), and the Community Investment Tax Credit (CITC), announced in the Budget 2002, will help to encourage both institutional and individual investment in disadvantaged areas.

**Community Development Finance Institutions (CDFIs)** are independent sustainable financial institutions, providing capital and other financial support to enterprises in disadvantaged communities. They are funded by individuals and banks as well as the Phoenix Fund. CDFI clients include start-ups and micro enterprises, established SMEs and social enterprises. They aim to support enterprises that are deemed 'viable but not bankable'. The CDFI sector in the UK consists of well over 50 organisations that are estimated to have around £250m under their management. CDFIs targeting social enterprise include Aston Reinvestment Trust (ART), Industrial Common Ownership Finance (ICOF),

### ACTION POINT

We will work with the Community Development Finance Association, the SBS, RDAs, local government, the Co-operative Movement and banks to increase the capitalisation of CDFIs specialising in the social enterprise market, and encourage CDFIs generally to consider how they could improve service to this market.

London Rebuilding Society (LRS) and the Local Investment Fund (LIF). The experience of CDFIs that specifically target social enterprises in their area reveals that there are differences in underwriting methodology for social enterprises. Social enterprises have a smaller appetite for capital than SMEs, but need, in many cases, initial pump priming by grants. Their experience has also revealed that debt finance is not always the most appropriate form of finance for social enterprises. Acting in a catalytic way, these CDFIs have been able to increase the flow of investment to social enterprises and other small businesses.

#### Industrial Common Ownership Finance (ICOF)

ICOF was set up in 1973 and is a loan fund for employee-owned co-operatives and social enterprises. It is supported by public shares and is fully self-sustaining, not receiving any grant support.

ICOF works throughout the UK and offers loans ranging from £5,000 to £50,000, and also uses its licence with the Financial Services Authority to offer loan fund management to other lenders who have broadly ethical objectives. ICOF lends at risk and security is not a condition of lending. Despite this, loss rates have averaged under 4% over the last five years. Additionally ICOF estimates that since it was set up it has created or sustained nearly 7,000 jobs. In the past six years, ICOF has lent as much again as it did in the previous 20.

#### Local Investment Fund

The Local Investment Fund (LIF) was set up as a partnership with support from Government, Business in the Community and the private sector, led by NatWest, with the aim of overcoming the funding gap often experienced by social enterprise. It has been making loans to economically viable, not-for-profit community enterprises who have been unable to secure funds from traditional sources.

Since it was set up, LIF has offered 35 loans totalling £29m and has leveraged £15m into community regeneration. Through its work it has maintained 1192 jobs and 1947 training places.

**Bridges Community Development Venture Fund (CDVF)** is a £40m 50:50 partnership between government and the venture capital industry aimed at supplying venture capital finance to firms operating in some of the most disadvantaged areas in England. The Fund, which will operate commercially on venture capital principles will provide equity capital for development, combined with expert advice and guidance to firms expected to show strong growth. It was launched by the Chancellor in May 2002 and is now actively negotiating with potential investee businesses. ([www.bridgesventures.com](http://www.bridgesventures.com))

Initiatives which seek to provide equity/venture capital do not exclude social enterprises. In practice, because of the high rates of return required, it is anticipated that only a small number of social enterprises will attract finance of this type. Social Brokers and Finance Squared are two new organisations working in this area.

Social enterprises do access finance from the **mainstream banks**, but the reality is that they are poorly understood, often have few or no assets, minimal track record, unconventional cashflows, and their risk can be difficult to quantify using traditional methods. Providers such as the Co-operative Bank, Triodos Bank, Unity Trust, NatWest/Royal Bank of Scotland and Barclays have been pioneers with the sector. However the perceived lack of available finance remains the overriding concern for most social enterprises.

#### Charity Bank

On 1st May 2002, Investors in Society, which has attracted over £10m in exempt deposits and gifts, converted to a bank. It will be publicly launched in September. Its sole business will be to accept beneficial deposits in order to create a source for affordable loans to the charitable and social enterprise sector – for those who might otherwise find it difficult to access finance on terms they can meet.



Charity Bank will provide finance and related support to help charities and other organisations develop sustainable charitable ideas. Borrowers will usually be voluntary groups or associations, community businesses or social enterprises, registered or exempt charities, working mainly in the UK. Charity Bank is itself a registered charity and social enterprise, using business methods - in this case financial instruments - to deliver social objectives.

We know from current community investment and social banking work already being undertaken that there is an increasing desire to work with social enterprises within the banking sector. Although there are great examples of the ways in which mainstream banks are engaging in the social enterprise market, evidenced not least by the fact that some have played an important role in capitalising CDFIs, real progress is unlikely to occur until banks see the sector as a genuine market. There is, therefore, a need to deal with the confusion among bank managers about what social enterprise is, how it differs from mainstream business, and how properly to assess the risk.

We also need to have a clear idea about how much lending activity occurs between mainstream banks, and CDFIs, and the social

### **ACTION POINT**

We will ask the Bank of England to review the provision of debt and equity finance to social enterprises, including that offered by CDFIs, mainstream banks, business angels, venture capitalists and others. Where there are gaps or barriers identified by the Bank on either the demand or the supply side, we will take forward recommendations on how best to address them.

### **ACTION POINT**

SBS will develop a financial awareness programme for social enterprises in conjunction with the CDFA, major banks, and regional partners.

enterprises, in order to assess how this situation changes over time. The Government intends to work more closely with the banking sector to identify what can be done – by all involved – to improve relations between social enterprises and financial institutions. Progress has already been made with the SBS and the British Bankers' Association co-funding a website designed by Social Enterprise London (SEL) to improve the understanding of social enterprises amongst business advisers and bank managers by seeking to have this made more widely known and available. However, we believe that further work needs to be done in this area.

Business angels have proved to be invaluable in the development of some mainstream businesses. They can provide vital finance, at a key stage, and often business advice. Social enterprises are potentially a prime recipient of attention from business angels, who often wish to 'put something back' into society. It is therefore important to raise the profile of social enterprises among mainstream business angels and, in the long-term, develop a network of social business angels.

It is clear that if social enterprises are to move towards greater financial independence, they will need improved access to the loans and other forms of finance that already exist. Additionally, the Government will consider whether new structures and processes may be needed for social enterprises to be able to grow and develop.

### **b) Build capacity and financial awareness to help social enterprises make stronger bids for financial support**

The Government acknowledges that, at present, too many social enterprises appear to have underdeveloped financial management and business planning skills. This means that they present themselves poorly to potential lenders and investors, who then see them as high-risk businesses. While some of this perception may be unfounded, and comes perhaps from differences of style between traditional business and social enterprises, some of it stems from a lack of financial experience, knowledge and competency within the sector.

### **c) Addressing the asset transfer issue**

Social enterprises without assets to use as collateral often have difficulties in accessing external sources of finance. Such assets are useful for creating revenue streams, for example, through the rental of building space. While social enterprises may benefit from low rent properties from the public or private sector, they are often restricted in the use they can make of such premises or the alterations they can make to them. Even if they were to have these freedoms, many may hesitate

**ACTION POINT**

We will explore how best to address any real and perceived barriers to the transfer of assets to social enterprises, building on the work already done by the Active Community Unit and the DTA on asset development and transfer.

to make capital investment in an asset they do not own outright. Current government accounting rules do not allow the purchase of assets for investment purposes or borrowing against government funded assets and further work is required to more accurately determine if amendments to the existing rules would deliver a real impetus for the growth of the social enterprise sector.

**Community Asset Transfer**

The Active Community Unit has been consulting with the social enterprise sector and more broadly to consider the issue of community asset transfer.

Physical assets, such as community centres, parks and redundant buildings, are of critical importance to the development of active communities and viable community-based enterprise. It is sometimes the experience of both holders of such assets (whether central or local government or other bodies) and social enterprise organisations that there appear to be barriers that unnecessarily or unreasonably restrict the transfer of assets to communities. ACU is working with partners across government and in other sectors to identify these real and perceived barriers and consider what actions can be taken to address these, through, for example:

- guidance aimed at removing perceived legal and regulatory barriers;
- opportunities for sharing good practice; and
- increasing the availability of skilled advice and practical support for both the holders of assets, and community organisations wishing to acquire and manage them.

**ACTION POINT**

We will work with others to ensure that the rules and flexibilities on clawback are fully understood and implemented.

**d) Tackle 'clawback' clauses**

An important way of growing and developing any business is through the reinvestment of surpluses and reserves back into the business. There is a perception that some social enterprises are held back from doing so by government accounting rules in cases where public funding is involved.

The general duty of clawback requires that monies paid as grant must be managed with regularity and propriety, and that monies paid must be recovered if it is found that they are not spent in accordance with the wishes of Parliament when it voted them. These rules are designed to meet an important objective - to protect funds voted by Parliament - but there is considerable flexibility within them. The Social Enterprise Unit will work with government departments, local authorities, intermediary

support providers, and social enterprises themselves to ensure that the rules and flexibilities are fully understood and implemented.

#### e) **Simplify grant funding**

While the Government's aim is to decrease grant dependency of social enterprises, we recognise that for some, the social cost of their business will always be too great to permit the business side to generate sufficient surpluses unless that cost is paid for, at least in part, by some other means. We believe, therefore, that steps to simplify government grant funding regimes would be of direct benefit to many social enterprises.

##### **The Small Grants Action Plan**

The Small Grants Action Plan has been developed by the Home Office, following work by the Interdepartmental Working Group on Resourcing Community Capacity Building and the consultation document, *Funding Community Groups*. For the purposes of the Action Plan, small grants are considered to be grants of £10,000 or less. The Group focused on the need to ensure that community groups have straightforward access to information and funds to enable them to develop activities that will help them to regenerate their local communities.

##### **The main aims of the Action Plan are:**

- to rationalise national programmes and improve co-ordination of government small grants funds;
- to provide outreach and development support to ensure that small grants programmes are accessible to marginalised and hard to reach groups; and
- to ensure that small grants programmes can be adapted according to local need.

The Action Plan sets out a programme and timetable for implementing these aims. This includes the commitment to provide a single source of information for all government grants (a pilot website [www.volcomgrants.gov.uk](http://www.volcomgrants.gov.uk) was launched in July 2002); a single organisation, appointed by the Government Office for that region, to administer all government small grants programmes in the area; and further rationalisation of funding streams in the future in the light of a broader review of government support for community capacity building.

The Active Community Unit in the Home Office will have responsibility for implementing the Action Plan, in collaboration with other government departments and Government Offices.

‘Social enterprise’ is currently not widely understood as a concept; it is also perceived by many to be ill defined. Better support for the sector will come when government (at all levels), the financial community and business advisors understand its nature and needs better, are convinced of its value, and alter their practices to incorporate the social enterprise model.

To achieve these results, we need to be able to demonstrate the current and potential contribution of the sector to the UK economy and to the delivery of social objectives. We need to engage in active promotion, to give a higher profile to the sector and help spread understanding. Raising awareness and celebrating success and entrepreneurial achievement is important. The sector also needs to come together to make social enterprise stronger and more visible.

Work to enable social enterprises to measure their social, environmental and economic impact, to benchmark themselves against other businesses, and to reach appropriate quality standards, will also help to establish the value of social enterprise.

## 6.1 Establish the knowledge base

### ACTION POINT

We will develop a case study database covering the range and diversity of the sector.

#### a) Establish baseline data through research

The case studies in this document provide just some examples of the many successful social enterprises active today. They illustrate the range and diversity of social enterprise, but we need to go further and build up a comprehensive evidence base so that we can quantify its scale, and prove its value.

Knowing the extent and scale of social enterprise in the UK is critical to establishing its credibility. Furthermore, strong and reliable evidence on the sector will allow government and others to develop a more accurate assessment of the demand for finance and advice, to consider how best to facilitate networking within the sector, and monitor changes in the sector over time.

At present, there is no precise estimate of the number of social enterprises in the UK today and the Government acknowledges that there is an urgent need for qualitative research to determine the exact size, strength and spread of the sector.

There are some tentative estimates of the relative size of the social enterprise sector available. In 2000, Mike Campbell, when Director of Policy Research Institute at Leeds Metropolitan University, as part of a European study, suggested that the social economy accounts for roughly



**ACTION POINT**

We will commission research to establish baseline data about the social enterprise sector including details of its size, its contribution to the UK economy, and the number of people it employs.

7.3% of employment in the UK. 10-20% of this may therefore be accounted for by social enterprise.

There are also a number of recent regional studies. Work done in 2001 by the New Economics Foundation and Urban Strategy Associates for the **East Midlands** Development Agency, for example, estimated that social enterprises might be about 10-20% of the incorporated social economy as measured by all companies limited by guarantee, industrial and provident societies (IPs) and friendly societies. The Countryside Agency has now commissioned detailed research to map social enterprises in the rural areas of the East Midlands.

A survey of 400 social enterprises in Merseyside recently carried out by the **Merseyside** Social Enterprise Partnership found that the total income generated by the social economy across the sub-region amounted to over £46m, of which 45% was from the sale of goods, services and lettings. Nearly 2500 paid staff, supported by 1800 voluntary staff were employed. 50% of ventures had income below £200,000. 79% expected their income to increase in the next year.

The **Bristol** social economy audit undertaken in 2001 by Bristol City Council sought to gain a wider view of the economic impact and potential of the social economy. The audit used self-definition by organisations and, in practice, included community businesses, co-operatives, community transport, development trusts, Credit Unions and CDFIs, housing co-operatives and tenant management, arts, supported employment, workspace and training. It estimated that the social economy accounts for 4.6% of Bristol's employment and 4.4% of GDP and indicated that most social enterprises had an income of less than £100,000, less than 10 staff members and more than 20 volunteers.

While each of these separate studies offers valuable data, the Government recognises that there is an urgent need for more research to be done to understand the scope, scale, size, strength and diversity of the social enterprise sector within the UK in order to make an accurate assessment of its contribution to the UK economy.

**ACTION POINT**

We will create guidance on mapping social enterprise that will be circulated to government departments, local government, RDAs and research bodies to improve the comparability of future research.

**b) Create guidance for others mapping social enterprise**

The evidence already collected through sectoral and regional scoping studies provides some information on the size of the sector and its contribution to the British economy. However, making direct comparisons between existing studies is made difficult by the fact that their remits, methodologies, and even definitions, have been very different.

We need to develop standard definitions, methodologies and practices to enable local, regional and national studies being carried out to generate data that can be easily compared or benchmarked.



## 6.2 Recognise achievement and spread the word

### ACTION POINT

We will continue to support the 'Enterprising Solutions' National Social Enterprise Award and work with the social enterprise community to increase the profile of the event.

### ACTION POINT

We will sponsor a specific award, as part of this year's 'Inner City 100', for the fastest growing social enterprise in an inner city area.

### a) Awards

Awards offer the opportunity to recognise and reward success, promote the sector, and provide examples of innovative and entrepreneurial models for those within the sector. Awards to celebrate social enterprise already exist, and have helped, in the past, to identify enterprises that are new, exciting, and growing quickly.

The NatWest/Royal Bank of Scotland Enterprising Solutions award for social enterprise is in its 4th year of operation and operates across the UK. It aims to recognise and celebrate the best of the social enterprise sector. The award is aimed at enterprises that have a three year or longer track record of financing 65% of their work through social and environmental trading. In the past, winners have included Re-cycle IT, the Furniture Resource Centre and Tropical Wholefoods. It is now being supported by the DTI to become the 'National Social Enterprise Award'.

As well as supporting this and other social enterprise specific awards (including the New Statesman/Centrica Upstarts), the Government wants to see mainstream business awards recognising the entrepreneurial achievement of social enterprises. Already, Paul Harrod and Mark Richardson, founders of Aspire have been winners of the Shell LiveWIRE Young Entrepreneur of the Year award and around 10% of the Inner City 100 winners in 2001 were social enterprises.

### b) Spread the word

Active promotion of social enterprise is vital, to raise the profile of the sector and help spread understanding. Government has a crucial part to play in this process. It possesses the ability to reach out and spread information and best practice, and can gain access to networks that other organisations cannot reach. The Government wants to help create a step change in understanding of social enterprise so that people are excited by its potential.

The delivery mechanisms for promoting the sector will be varied and multi-layered, including use of the media, the internet, events and seminars, awards, printed and other material, networks and champions. Such action is needed at national, regional and local level. Intermediaries, such as social enterprise networks, business organisations and educators at all levels, will be invited to help 'multiply' the effects of the messages. One of the most important targets will be the wider business community. A key aim of this approach is to 'mainstream' social enterprise without diluting its core value of social purpose.

**ACTION POINT**

We will, in collaboration with the social enterprise sector, review existing literature on social enterprise and commission materials, both printed and electronic, to address current gaps and to meet the needs of targeted key groups.

**ACTION POINT**

We will encourage social enterprises to engage with their local schools to raise awareness of social enterprises as a possible career option.

**ACTION POINT**

We will work with Enterprise Insight and others to ensure that social enterprise is included alongside mainstream examples of entrepreneurship in their programmes.

Many of the more recognised and successful social enterprises have been, to some degree, a victim of their own success, and have had to devote significant time and resource to accommodating visits by fellow social enterprise practitioners, researchers and government officials alike. This has caused an additional pressure on their meeting of their double bottom line. The production of specific case studies should help to alleviate this pressure, and encourage the important messages of good practice that they exemplify to be disseminated even more widely, as should opening up Inside UK Enterprise to the sector.

**c) Catch the next generation**

The Government recognises the importance of the education sector in helping young people seeking work in the future to develop more enterprising skills and attitudes. In 2001, the Government asked Howard Davies, Chairman of the Financial Services Authority, to conduct a review, looking at how to promote better understanding of business, the economy and enterprise throughout the school and further education systems. The Report, published in February, has been welcomed by the Treasury, DfES and DTI as an important step in opening up the opportunities of enterprise to all and in encouraging a deeper and wider entrepreneurial culture. Officials are currently considering its recommendations.

The Government is supporting Enterprise Insight's Enterprising Schools Campaign, a national campaign that was launched throughout England, Scotland, Ireland and Wales in the Summer of 2001. Enterprising Schools is working in collaboration with Business in the Community, National Education Business Partnership Network, businessdynamics (formerly Understanding Industry) and Young Enterprise. It aims to double the number of teachers, pupils and students engaged in enterprise activities in schools; raise awareness and aspirations; encourage more positive attitudes to enterprise; and develop enterprising behaviours, skills and capabilities. This will be achieved through a focused national recruitment drive for business support of the enterprise agenda.

Good work is also being done to promote social and community enterprise in higher education. The Barclays Centre for Entrepreneurship at the Durham University Business School has recently focused on the area of Social Entrepreneurship. Cambridge University has this year introduced a Masters in Community Enterprise (supported by the Development Trusts Association) to be run by the University's Judge Institute of Management Studies. London Business School is currently developing a social entrepreneurship programme within its foundation for Entrepreneurial Management. The University of East London, in conjunction with Social Enterprise London and the London Development Agency, has developed social enterprise postgraduate courses, ranging from certificate to Master's degree level.

The Government welcomes these developments as ways of mainstreaming social enterprise on the academic agenda, alerting the next generation of entrepreneurs to the potential offered by social enterprise, and promoting the skills needed for success.

#### d) A strong voice for the sector

Many social enterprises are small and widely dispersed across the country and across all sectors of the economy. They often feel isolated and believe that their voice is not heard in the development and delivery of regional and central policy and support.

#### ACTION POINT

We will continue to support and work with the Social Enterprise Coalition so that it is a strong, inclusive and coherent focal point for the sector.

The **Social Enterprise Coalition (SEC)** was incorporated as a company limited by guarantee on the 29th April 2002, after over a year of consultation and preparation with key stakeholders in the social enterprise sector. Supported by initial funding from both the Co-operative Group and DTI, SEC will:

- be a voice for social enterprise;
- develop capacity and raise quality within the sector;
- develop targeted initiatives; and
- work for a legal and financial framework that will encourage the growth and development of social enterprises.

SEC's membership consists of umbrella organisations working in the field of social enterprise, partnership organisations that promote the development of social enterprise and individual social enterprises.

## 6.3 Create trust

#### a) Social audit and impact evaluation

Social enterprises create a range of impacts that are broader than just financial return. If social enterprises measured with authority and certainty their social and other impacts, such proof of the true value of the businesses could significantly reduce some of the obstacles they face in terms of access to finance and competing for public sector contracts. Individual organisations need to be measured, not only against the targets that they may set themselves, or their performance year-on-year, but also to show how they are performing compared with their peers in both the social and the mainstream economy. The ability to 'prove' that a social enterprise is meeting both its financial and its social bottom lines - reconciling its mission and its money - will be increasingly important if social enterprises are to play an expanding role in the delivery of public services.

**ACTION POINT**

Building on the DTA/NEF and EQUAL work, we will support research into existing auditing methods, identify the most effective approaches for measuring social and economic impact, and then help spread this information.

While it is not the Government's intention to make social auditing mandatory, we do believe there are real economic and social gains for organisations that use appropriate mechanisms to evaluate their impact and improve their performance. Although some social enterprises already make good use of the social auditing already available, the Government believes a better range of accredited tools, techniques and benchmarks is needed to enable organisations to measure and evaluate outcomes including social and economic impact.

The Community Enterprise Research Group, set up by DTA and NEF and involving practitioners, funders and academics, is currently looking at this issue and is developing a programme of research on impact evaluation, designed to be of benefit to investors as well as those running social enterprises.

**ACTION POINT**

We will investigate the development of a quality standard and a branding scheme within the sector.

**b) Quality standards, branding and accreditation**

Because social enterprises are often poorly understood, customers and contractors may not have the same confidence that they will be able to deliver a minimum quality level as they would if dealing with a mainstream business.

In order to gain credibility for the sector, the Government believes that it may be helpful to develop and agree minimum standards of behaviour or an accreditation system which allows 'social enterprise' to be clearly identified and 'trusted'. This would be particularly important were social enterprises to be delivering public services or using community and public money and assets. Such a system may take the form of a 'self identification' such as the Investors in People accreditation.

Through this strategy, the Government has clarified the focus and direction of its work on social enterprise over the next three years. In it, we have articulated our vision of dynamic and sustainable social enterprise, strengthening an inclusive and growing economy. We have set out the outcomes we want to achieve: to create an enabling environment, make social enterprises better businesses, and establish the value of social enterprises. We have committed ourselves to a range of actions to enable us to move towards achieving these things. It is vital that we make clear from the outset how we intend to ensure that we follow up on these commitments and how we will develop our thinking further in future. The Government tasks the Social Enterprise Unit with monitoring progress, keeping DTI Ministers informed and reviewing the strategic direction and priorities as circumstances change.

Because the strategy sets out a wide-ranging and ambitious agenda for change, involving many partners, the Social Enterprise Unit will:

1. co-ordinate work across Whitehall and the regions, to ensure that where change is needed, action is taken to bring that about;
2. work with and support practitioners, intermediaries and other key stakeholders as they implement their parts of the strategy; and
3. deliver on the specific tasks allocated to the Unit directly.

The Government intends to establish two new groups, to monitor progress and advise on future actions:

### **A. An Interdepartmental Official Group to monitor implementation across Government**

This will involve the key departments whose work has been included in the strategy. With the Chair and Secretariat provided by the Social Enterprise Unit, this Group will meet at regular intervals to report on progress and alert members to new issues and initiatives arising. The Group will draw up a work plan, allocating specific tasks to subgroups to take forward on an agreed timetable. The Group will keep DTI Ministers informed and, at their request, set up Ministerial interdepartmental meetings as appropriate.

## **B. An External Stakeholder Consultation Group**

This will involve key practitioners, intermediaries and others involved in social enterprise to ensure that first-hand and direct information on the impact the strategy is having, and ideas on what else might be needed, are continuously fed into the monitoring and review process.

In addition, the Social Enterprise Unit will monitor progress at regional and local level, through Government Offices, the RDA Social Enterprise Network and the Local Government Association.

The Government is due to publish its first report by the end of October 2003, on progress on social enterprise, to show what has been achieved so far and set out a renewed action plan for the future.



## Working Groups: Terms of reference and membership

### 1. Legal/Regulatory/Governance

**Leader:** Mark Sesnan (Greenwich Leisure)

Working closely with the PIU Review, it will identify the key points on legal/regulatory/governance issues it would like to see taken into account by PIU in its consideration of legal structures, and propose other routes to change as appropriate.

**MEMBERS:** Jonathan Bland, Social Enterprise London; Vicki Bakshi, Performance Innovation Unit/Cabinet Office; Tom Cannon, Respect London; Ann Chinner, Inland Revenue; Michael Dynan-Oakley, HM Treasury; Pauline Green, Co-op Union; Paul Harrod, Aspire; Peter Hunt, Co-op Party; Sam Mitha, Inland Revenue; Kathleen McKinlay, Department of Trade and Industry; Simon Morys, Cabinet Office; Elizabeth Pillar, Department of Trade and Industry.

### 2. Research/Mapping

**Leader:** Andrea Westall (IPPR, London Business School, now New Economics Foundation)

It will carry out a literature survey of what research has already been done on social enterprises in the UK and do a critical analysis of how robust that is, and how safe it is to extrapolate from it to build up a base line and/or a reliable overall picture of the size, scale, spread, type of social enterprise.

**MEMBERS:** Kevin Baillie, East Midlands Development Agency; Leslie Budd, Open University; Ray Donnelly, Heriot Watt University; Ted Fowler, Bristol City Council; John Goodman, Co-operative Society; Les Hems, University College London; Henrietta Moore, London School of Economics; Chris Newis, West Midlands Social Economy Forum; Roger Spear, Open University; Françoise Rutherford, Heriot Watt University; James Wilson, Demos.

### 3. Business Support/Training

**Leader:** Steve Wyler (Development Trusts Association)

It will focus on what is needed and members will draw on their own experience of what is available. They will be looking at both mainstream and specialist business support and training.

**MEMBERS:** James Alexander, Community Action Network; Baroness Glenys Thornton, Social Enterprise Coalition; Annette Carroll, BBC; Peter Couchman, Co-operative Union; Joyce Francis, Social Enterprise London; Sean Griffin, Inland Revenue; Gerry Higgins, Social Firms UK; Sheila Large, Business in The Community; Amanda Paul, London Rebuilding Society; Charles Wood, Active Community Unit/Home Office; James Phillips, Project Connect; James Smith, School for Social Entrepreneurs; Shaun Spiers, ABCUL; Grisel Tarifa, Office of the Deputy Prime Minister; Roger Turner, Countryside Agency; Mervyn Wilson, Co-operative College; Felicity Winter, Department for Education and Skills.



#### 4. Finance/Funding

**Leader:** Andrew Robinson (NatWest/Royal Bank of Scotland)

It will look at all aspects of finance and funding for social enterprises including how to access financial assistance for startup and growth, and to consider what might need to be done in order to make sure that social enterprises are not disadvantaged in obtaining funding streams compared to other businesses.

**MEMBERS:** Jim Baker, Whitehaven Community Trust; Jonathan Bland, Social Enterprise London; Ros Boyle, UK Social Investment Forum; Tom Cannon, Respect London; Sarah Davies, East Midlands Development Agency; Amelia Fawcett, Morgan Stanley Europe; Ted Fowler, Bristol City Council; Michelle Giddens, Bridges Foundation; Paul Harrod, Aspire; Naomi Kingsley, London Rebuilding Society; Sarah McGeehan, New Economics Foundation; Timothy Modu, Voluntary Action Haringey; Norman Price, Department of Trade and Industry; Susan Rice, Lloyds TSB; Mark Richardson, Aspire; Stephen Serpell, Department of Trade and Industry; Sam Woods, HM Treasury; Steve Wyler, Development Trusts Association; Shaun Spiers, Association of British Credit Unions (ABCUL); Ian Taylor, Industrial Common Ownership Finance, Roger Brocklehurst, Local Investment Fund; Tracey Betts, Barclays.

#### 5. Promotion (perception, quality, branding, websites, awards)

**Leader:** Jon Fitzmaurice (Big Issue)

It will look at how social enterprise is currently perceived, both the positives and negatives, and consider what might be done to build on/overcome that and raise a positive profile.

**MEMBERS:** Kevin Baillie, East Midlands Development Agency; Malcolm Corbett, Poptel; James Cully, New Statesman; Jon Fitzmaurice, Agents for Change; Ted Fowler, Bristol City Council; Sheila Large, Business in The Community; Mark Richardson, Aspire; Andrew Robinson, NatWest and The Royal Bank of Scotland; Stephen Serpell, Department of Trade and Industry; Steve Wyler, Development Trusts Association.

#### 6. Impact/Evaluation/Social and Economic Indicators

**Leader:** Ed Mayo (New Economics Foundation)

Working through the existing New Economics Foundation/Development Trusts Association Research Group, it will survey the work that has already been done on impact measures and subject it to critical analysis. Members will use that to devise methods of evaluating the social and economic impact of social enterprises that would be rigorous and robust enough to convince lenders and policymakers.

**MEMBERS:** Barbara Ainger, Housing Finance Corporation; Nick Bailey, University of Westminster; Jonathan Bland, Social Enterprise London; Michael Carley, Heriot Watt University; John Duncan, Joseph Williamson Society; Tony Dylak, ROYDS Community Association; Fiona Ellis, Northern Rock Foundation; Rachel Elliott, Ibstock Community Enterprises; Mike Emmerich, Number 10; Neville Eisenberg, HM Treasury; John Goodman, Co-operative Union Ltd; Lorraine Hart, Environment Trust; Victoria Hornby, Sainsbury Family

Charitable Trusts, Neil Johnston, Paddington Development Trust; Nina Massarik, London Development Agency; Ed Mayo, New Economics Foundation; Theresa McDonagh, Joseph Rowntree Foundation; Amobi Modu, Regional Co-ordination Unit; Henrietta Moore, London School of Economics; Colette Nagpaul, London Development Agency; Jeremy Nicholls, Urban Strategy Associates; George Nicholson, Development Trusts Association; Nicola Pollock, Esmée Fairbairn Foundation; Tony Rich, Local Government Association; Jennifer Ridden, Cambridge University; Eileen Rubery, The Judge Institute of Management Studies; Barrie Scholfield, TESCO/ROYDS Community Association; Ann Taggart, HM Treasury; Steve Thake, University of North London; Keith Thorpe, Office of the Deputy Prime Minister; Richard Walton, Northern Rock Foundation; Andrea Westall, New Economics Foundation, Steve Wyler, Development Trusts Association.

## **7. Learning from Experience (modeling, case studies, replication, best practice, growth, leadership, networks)**

**Leader:** Henrietta Moore (London School of Economics)

Starting with a survey of what is already known, it will seek to determine whether successful social enterprises have common characteristics that could be replicated. If so, how might these be made best use of and communicated? In the process of arriving at that, some perceived (and actual) barriers and enablers in the operating environment will also have been identified.

**MEMBERS:** Jim Baker, Whitehaven Community Trust; Liam Black, Furniture Resource Centre; John Goodman, Co-operative Union; Andy Griffiths, Social Enterprise London; Maria Kenyon, Department of Trade and Industry; Timothy Modu, Voluntary Action Haringey; Helen Seymour, Co-operative Union; Iain Tuckett, Coin Street Community Builders; Andrea Westall, New Economics Foundation.

## **8. Public Procurement**

**Leader:** Lydia Hayes (TGWU/Icon-Tact Ltd)

Building on the work already begun by Small Business Service and the Office of Government Commerce, and in the light of the Best Value approach used by Local Authorities, the group will identify what is being done and what more might be done to enable social enterprises compete for and win public contracts.

**MEMBERS:** Martin Barnes, Audit Commission; Liam Black, Furniture Resource Centre; John Goodman, Co-operative Union; David Griggs, Office of Government Commerce; Sippi Hamaheeno, Greenwich Co-operative Development Agency; Caroline Hill, New Economics Foundation; Judith Haxton, Small Business Service; Lindsay Renwick, Bristol Community Sport; Judith Reynolds, Co-Active; Beth Sedgwick, Office of the Deputy Prime Minister; Alan Severn, Birmingham Social Economy Consortium; Henry Stewart, Happy Computers; Mark Swarbrick, Department of Trade and Industry; Ben Turner, Office of the Deputy Prime Minister.