

Thematic Update: Theme D

Entrepreneurship

Social economy

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Summary

This paper presents an overview of policy developments in the field of social enterprise at the European, national and regional levels since the last Thematic Update was produced 12 months ago. A number of important developments have continued to occur at all levels during 2004 and 2005 in relation to regulatory frameworks, finance and business support.

At the **European Level**, policy in support of the social economy is historically weak. However, during 2004 there was a continuing focus on the development of the social economy, with the formal adoption of the European Commission Communication on Co-operatives in February 2004. This year saw the publication of the results of the stakeholder consultation on mutual societies, and an exploration of the role of social enterprises in delivering services in the field of health care, mobility and the environment as part of the European Action Plan for Entrepreneurship. There has also been a focus on enhanced collaboration with the new European Member States on the issue of social enterprise in the context of EU Enlargement in May 2004. In this respect, October saw the 2nd European Social Economic Conference in Central and Eastern Europe in Krakow, which focused on 'Social Entrepreneurship & Economic Efficiency'.

In 2005 the developments across Europe have not been as eventful and the potential introduction of a European Services Directorate could present some barriers to social and economic regeneration in the United Kingdom.

The most significant development in 2005 was the introduction of a range of new legal structures for social enterprises. This includes the new legal classifications of Community Interest Company (CIC), Charitable Incorporated Organisation (CIO), and Community Benefit Society (BenComm).


Over the past two years there have also been advances in the field of social enterprise and procurement policy following the ODPM's National Procurement Strategy for Local Government published in 2003.

Probably the most significant policy development occurring during 2005 was the Social Enterprise Unit's review of the 2002 Social Enterprise: 'Strategy for Success.' A revised strategy and action plan is due to be produced in the spring of 2006. An independent review of the strategy is currently available.

October 2004 saw the first funding application deadline for Futurebuilders, which aims to extend the role of community and voluntary organisations in delivering better public services. Another round of applications for funding opportunities will become available in the spring of 2006. In 2005 the Social Enterprise Unit and the Social Enterprise Coalition continued to work together to promote the interests of social enterprise in the Big Lottery Fund.

Social enterprise research continued to grow during 2004 and 2005. New research developments include an important number of studies into social enterprise, the collection of baseline data on social enterprises, a scoping study for a 'social enterprise portal', a survey

on the information needs of social enterprise organisations and the release of BRIAN social enterprise diagnostic tool. Probably the most significant piece of research published in 2005 was 'A Survey of Social Enterprises Across the UK.' It was commissioned by the SBS and involved over 8000 interviews which aim to provide better information on the nature and the extent of the social enterprise sector.



1.0 Introduction

This paper updates policy developments in relation to Theme D of **Equal** which have occurred since the publication of Community Initiative Policy (CIP) Guidance in May 2001 and the Thematic Updates published in March 2002, February 2003, December 2003 and March 2005 <http://www.equal.ecotec.co.uk/resources/thematicpapers/>. It sets out developments over the past 12 months at European, national and regional levels, in particular highlighting issues of relevance to social enterprise, reflecting the focus of Development Partnerships (DPs) in Great Britain. The purpose of this paper is to enhance the impact of DPs by improving policy links as part of the development, evaluation and mainstreaming of activities. References and sources of further information with internet addresses are given throughout this paper.

Theme D falls under the Entrepreneurship pillar of **Equal** and is concerned with: 'strengthening the social economy (third sector), in particular the services of interest to the community with a focus on improving the quality of jobs'.

The strategic objective of Theme D is 'to develop a framework for supporting and developing the social economy in GB'. The rationale for the theme stems from the different ways in which the voluntary and community sector (in particular) have been active in addressing labour market disadvantage across Europe, but with a lack of clarity about the role of the social economy in developing solutions for tackling social and economic issues where traditional public and private sector responses have failed. The **Equal** Initial Guidance highlights social firms, community businesses, credit unions, LETs, intermediate labour market (ILM) projects, development trusts, co-operatives and a range of community-based activities as being appropriate for the focus of actions under this theme.

2.0 Thematic Networking Group Update

The Theme D Thematic Networking Group last met in September 2005 in Birmingham at the International Convention Centre and is due to meet again in London in March 2006.

The September meeting consisted of a presentation by Kirsten van den Hout from the Social Enterprise Coalition (www.socialenterprise.org.uk) on the work they are undertaking to help Theme D DPs mainstream their work. This was followed by a short policy update by the Chair of the TNG, Steve Wallace from the Social Enterprise Unit at the DTI, and a short presentation by Oliver Hindle from the Equal Support Unit on work planned by the Support Unit to support Theme D DPs in the future.

The second half of the meeting focused on the group exercises, which were facilitated by Susan Burgess, Senior Consultant for Ecotec Research & Consulting, Melissa Dreyling, Consultant for Ecotec Research & Consulting and Oliver Hindle from the Equal Support Unit. The purpose of the session was to use different tools and models to assist Theme D DPs with their planning for mainstreaming of projects in the near future, with a view to implementing this either post-Equal (for Round 1 DPs finishing in November 2005) or during Action 3 (for ongoing Round 2 DPs).

The aim of the session was to look at the Possible, Probable and Preferred Futures for 3 different outputs from a DP in terms of mainstreaming them post Equal. Once the Preferred Futures were agreed, a SWOT and PEST analysis of the sustainability of the output was discussed.

The idea behind the exercises was to use these as a tool to help plan mainstreaming outputs and outcomes within the DP which could be repeated on a regular basis to see whether anything had changed. The outcome of the session was a clearer understanding by participants of the usefulness of an easily replicated process to establish direction, identify potential markets and plan for implementation; and to identify current and future risks to the success of the chosen strategy.

A report was compiled as a reference tool for use within individual DPs which would be a useful initial planning strategy for Round 2 DPs writing the Action 3 Mainstreaming Partnership Agreement. Please contact the EQUAL Support Unit for a copy.


3.1 European Thematic Group

Developments have also continued with ETG 2. The European Thematic Group on Entrepreneurship for All met in Berlin in September 2005 to discuss a proposal for mainstreaming activities at the EU level. It was agreed at the meeting to establish two distinct but interlinked strategies for Business Creation (namely Theme C activities) and the Social Economy (Theme D). In order to co-ordinate these activities two steering groups were created, one for Business Creation and one for Social Economy.

The experience of EU Member States from Round 1 of EQUAL indicates considerable contribution of social economy activity to progress in employment conditions and social inclusion. Transnational cooperation in this field will be a chance to share existing models of the social economy with other Member States and will provide an excellent opportunity for identifying new ways of working that could be transferred to other European labour markets and legal systems.

The Social Economy Steering Group, consisting of participants from Finland, Italy, Poland, Sweden and Great Britain have subsequently met in Brussels, Warsaw and Rome with the purpose of planning a number European events to cover the remainder of the Equal programme period.

The first activity in this chain of events is planned to run in Warsaw in May 2005, followed by an event in Rome in December which will focus on local development. Subsequent events are planned for Helsinki in February in 2007 with an emphasis on sustainability in social enterprises and the Steering Group intends to pull all this learning together through a policy forum with the Business Creation Group in Berlin in June 2007.



3.0 European Level

4.1 European Commission adopts 'Communication on Co-operatives'

The '*Communication on the Promotion of Co-operative Societies*' was adopted by the Commission on 23 February 2004. See:

<http://europa.eu.int/comm/enterprise/entrepreneurship/coop/consultation/index.htm>

The Communication is the result of an extensive consultation process and is directed towards three main areas:

- ◆ The promotion of the greater use of co-operatives across Europe by improving the visibility, characteristics and understanding of the sector.
- ◆ The further improvement of the co-operative legislation in Europe.
- ◆ The maintenance and improvement of cooperatives' place and contribution to Community objectives.

Twelve specific recommendations for action are proposed in the Communication including legislation and government policy, working with co-operative representative organisations, employment creation, regional development, financial instruments, statistical collection, business support and education and training.

4.2 Results of the stakeholder consultation on mutual societies across Europe

In October 2003 the European Commission launched an exploratory on-line consultation on '*Mutuals in an Enlarged Europe*' to:

- ◆ improve European and national authorities understanding of the sector in order to ensure appropriate regulation;
- ◆ assess the potential of the proposed European Mutual Society statute to facilitate mutuals' cross-border activities and foster the creation of new ones; and
- ◆ see how mutuals can help enhance enterprise competitiveness and help meet EU enlargement challenges.

Replies from the consultation have recently been published on the website: <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/mutuals-consultation/>. The majority of the contributors welcomed the chance for a debate on the mutual form and the recognition of the "right to do business in a variety of alternative forms of enterprise". There was also general support for the development of a European statute for mutual societies, as it was felt that this would lead to the formal recognition of mutuals at the European level and support for the further development of cross-border activities.

Other results from the consultation included:

- ◆ in many European countries mutuals are relatively restricted in the sectors they can cover, the main sectors being insurance, credit or health. Suggested sectors for the future development of mutuals in Europe included school clubs, art and culture and the information society;
- ◆ it was felt that the economic weight of mutuals in Europe and their market share fully demonstrated their added value. However a number of respondents commented on the lack of visibility of mutual societies, and the fact that potential entrepreneurs are not made aware of the possibilities around mutuals in education and training;
- ◆ national legal frameworks vary in the degree to which they give support to mutual societies. A number of respondents felt that national legislation was too broad and not easily applicable to mutual societies. The absence of a national 'grouping instrument' for mutual societies was frequently mentioned; and
- ◆ there was a misunderstanding of the "mutual" concept in some new Member States. In the Czech Republic, legislation actually prohibits the creation of societies in mutual form.

4.3 New legal form introduced — the European Company

From October 2004, businesses with operations in more than one EU member state have been able to incorporate using a new EU-wide company form, the European Company. European Companies are public limited-liability companies with a minimum capital requirement of €120,000. A European company must be registered in the member state where its administrative headquarters are based.

4.4 Public procurement in Europe

2004 saw the publication of an important new report on Public Procurement at the European level, "Observations on the relationships between local authorities and the social economy" compiled by the transnational EQUAL partnership Squares and published by the Social Enterprise Partnership, available at:

<http://www.sepgb.co.uk/downloads/europeanreportonpublicprocurement.pdf>

4.5 Social Enterprise under focus: The European Action Plan for Entrepreneurship

As a follow-up to the 2003 Green Paper "Entrepreneurship in Europe", the European Council asked the Commission to present an Entrepreneurship Action Plan at the 2004 Spring European Council. This Action Plan provides a strategic framework for boosting entrepreneurship, based on the public consultation that followed the publication of the Green Paper. This consultation generally supported the Commission's ongoing activities but called for more effort in certain areas. One of the areas which the Commission is currently analysing is the role of social enterprise, particularly in relation to the delivery of services in the field of health care, mobility and the environment. The Commission has committed to working with the Member States to address barriers to the development of both


commercially-driven and non-profit enterprises in these sectors under the open method of coordination.¹

4.6 Potential EU Legislation Impacting on the Social Economy

There is an impending piece of EU legislation that could potentially create obstacles for social enterprises. The European Services Directive (ESD) is designed to open up Europe's services sector by increasing competition, and threatens to reverse local authorities' tendency to favour social enterprises. In early 2006 the Council of Ministers will decide whether to adopt the new law. Supporters of the ESD are optimistic about its ability to increase job creation and trade within the EU. However, local authorities are worried that it could make it more difficult to set and monitor standards in the provision of services. It threatens to weaken the progress made with local authorities' use of social enterprises in awarding contracts and limits council's relationships with companies delivering service. For further information see www.regen.net²

4.7 European Research

In order to promote social enterprises across Europe, the Commission launched a project titled 'Promoting social entrepreneurship in Europe' in 2004 and commissioned a study on national policies and good practices concerning social enterprises in Europe in 2005. The study on policies and practices regarding the social enterprise sector in Europe is to be published soon. The study aims to gather information on relevant specific measures adopted by public authorities at national, regional or local level promoting social enterprises in European countries. Case studies will be produced to highlight good practices across the EU and will focus specifically on the New Member States.



¹ P.6

http://europa.eu.int/comm/enterprise/entrepreneurship/promoting_entrepreneurship/doc/com_70_en.pdf

² Article 13 Jan 2006 'New Kids From the Block'

4.0 National Level

Social enterprise is a high priority for the UK government, led by the Small Business Service's Social Enterprise Unit. Social enterprises are providing alternative business models for carrying out a wide range of activities across the economy.

There were a number of key developments in England during and up to 2005 of relevance for Theme D DPs.

5.1 Social Enterprise Unit as part of the Small Business Service

The Social Enterprise Unit contributes to the DTI's Small Business Service objective of 'building an enterprise culture', which is one of SBS' seven strategy themes as key drivers for 'economic growth, improved productivity and a wider involvement in enterprise for all'.

5.2 Home Office Active Community Unit

The Active Community Unit (ACU), which was re-launched in May 2002, has continued to focus on the achievement of the Government's target of increasing voluntary and community sector activity (which includes social enterprise), including increasing community participation, by 5% by 2006. In the past two years they have been very active in supporting and demonstrating commitment to the voluntary and community sector and have published a variety of documents detailed below. The Active Communities Unit is also looking at increased contestability in the procurement of public services, with a view to social enterprises and the voluntary sector playing a greater role in the delivery of public services. Funding to build the capacity of the voluntary and community sector to enable them to compete on public tenders is seen as a key objective and also links in with the work of DTI in section 5.7 of this report.

In March 2005 the ACU published a consultation document: *Strengthening Partnerships - Next Steps for Compact. The Relationship Between the Government and the Voluntary and Community Sector*. It sets out how the Government proposes to work together with the sector and suggest the establishment of a Compact Champion to act as a neutral body between the Government and the voluntary and community sector. Copies are available at: <http://www.homeoffice.gov.uk/documents/2005-strengthening-partnerships/cons-strengthening-partnerships?view=Binary>

Joint Government commitment to the voluntary and community sector

In March 2005 the Home Office, HM Treasury and Department of Trade and Industry jointly published a discussion paper exploring the role of the voluntary and community sector in public service delivery and reform. It calls for more research in the area.

5.3 The Community Development Finance Association and the Community Investment Tax Credit

The Community Development Finance Association (CDFA)³ was established in 2002 to represent the interests of financial intermediaries specialising in providing loans and investments in disadvantaged communities and under-served markets (Community Development Finance Institutions - CDFIs). Members of the CDFA include social banks, micro-credit agencies, community venture capital funds, community loan funds and community development credit unions. The CDFIs are the gateway for accessing the Community Investment Tax Credit (CITC), which offers a 25% tax credit on investments through CDFIs in the 15% most deprived wards in England over five years.

The CDFA launched a new three-year strategy effective from January 2004. It provides a clear and focussed framework for how the association will build a thriving community finance sector throughout the UK. The strategy includes developing services, raising profile and increasing the membership of the CDFA.

The SBS commissioned the CDFA to research the types of business support that CDFIs provide to social enterprises and to investigate how costs associated with technical assistance can be funded. Findings showed a more complex picture than expected, with different CDFIs taking varied approaches to the provision of technical assistance. The report is called 'Access to Technical Assistance for Social Enterprises' and is available at:

http://www.sbs.gov.uk/SBS_Gov_files/socialenterprise/second_access-tech-assis-rept.pdf

In 2005 the CDFA, received confirmation from HM Treasury that £11m of funds for support for English CDFIs will be made available through regional development agencies (RDAs) from April 2006. The funds aim to support CDFIs over the next two years as responsibility for their funding transitions from central DTI to RDAs comes to an end. There was great concern in 2005 how the shift from the national fund to the RDAs would happen. This funding is an acknowledgement of the strong work of the CDFI sector and its importance in creating wealth in strategic areas.

5.4 Update on key policy developments

The years 2004 and 2005 have seen important policy developments in relation to social enterprise in the UK, most notably in the areas of new company forms, and changes to public procurement policy.

³ www.cdfa.org.uk/

5.5 Social Enterprise: Strategy for Success

In 2004 the Social Enterprise Unit continued to build on the recommendations of the '*Social Enterprise: Strategy for Success*,' launched in July 2002. The strategy put forward a definition of social enterprise as:

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

The strategy identified a number of key barriers to the development of the sector, including:

- ◆ a poor understanding of social enterprise outside the sector;
- ◆ little statistical evidence on the growth or impact of the sector;
- ◆ fragmented availability of business support;
- ◆ difficulties in accessing finance; and
- ◆ regulatory and legal frameworks do not adequately cover the social economy.

The strategy highlighted the role of national, regional and local agencies in enabling the conditions for the growth of social enterprise and outlined a commitment to improve regulatory and tax regimes. The potential role for social enterprise in the delivery of public services was also highlighted as well as improving business support for social enterprise. As part of this, a number of recommendations were made in relation to improved business support, access to finance and identifying the value of the sector.

The Social Enterprise Unit is currently undertaking a 2005 – 2006 review of the 2002 Social Enterprise: Strategy for Success. A revised strategy and action plan is due to be produced in the spring of 2006. This work has been driven forward by a working group and an independent review of the strategy. Contributions were welcomed from organizations and key consultation questions can be accessed at:

<http://www.sbs.gov.uk/sbsgov/action/detail?type=RESOURCES&itemId=7000021118&r.l3=7000021093&r.l2=7000000634&r.l1=7000000412&r.s=e>

An independent review of the Social Enterprise Strategy is now available. The findings reveal growth in the sector in recent years, but the evidence is fragmented. It does indicate however, that business support in the sector has increased and the quality of business in the sector has grown. It was not possible to quantify the strategy's impact on the sector, but it has helped to raise the profile among policy makers and legitimized the sector resulting in leverage of additional finance and funding. A summary of the full findings is available at: http://www.sbs.gov.uk/SBS_Gov_files/socialenterprise/GHK-Review-of-SEStrategy.pdf

'Social Enterprise A Strategy for Success' (2002), is available at:

http://www.sbs.gov.uk/SBS_Gov_files/socialenterprise/SEAStrategyforSuccess.pdf

5.6 Community Interest Companies

In 2002, the Cabinet Office Strategy Unit published '*Private Action, Public Benefit*,' to consider how the existing regulatory and legal framework governing the not-for-profit sector could be improved. The review proposed to establish a new legal form, the Community Interest Company to improve access to finance and preserve assets and profits solely for social purposes.

The Community Interest Company (CIC) is new type of company, designed for social enterprises who want to use their profits and assets for the public good. CICs will be easy to set up, with all the flexibility and certainty of the company form, but with some special features to ensure they are working for the benefit of the community. CICs will report to an independent regulator on how they are delivering for the community and how they are involving their stakeholders in their activities. The CIC complements existing legal forms for social enterprise, such as the Company Limited by Guarantee or Shares and the Industrial & Provident Society.

The Act received Royal Assent on 28 October 2004 and, following approval of the regulations, it has been possible to register CICs since 1 July 2005. A Community Interest Companies website has been set up to offer guidance and information. It also offers a list of companies that are currently registered at CIC. The website can be found at: <http://www.cicregulator.gov.uk/>

In addition to CICs a range of other new legal structures for social enterprises was introduced in 2005 and also includes Charitable Incorporated Organisation (CIO), and Community Benefit Society (BenComm). Information detailing these new forms of social enterprises is available at the DTI Small Business Service website: <http://www.sbs.gov.uk/sbsgov/action/layer?topicId=7000016748&r.l3=7000016740&r.l2=7000016729&r.l1=7000000412&r.s=e>

5.7 Changes to procurement policy

Following on from the publication in October 2003 of a toolkit on public procurement, 'Public Procurement: A Toolkit for Social Enterprises' <http://www.sbs.gov.uk>, the Social Enterprise Unit consulted with social enterprises in 2004 on their experience of public procurement. The findings were published in 2005 in '*A study of the Benefits of Public Sector Procurement from Small Businesses.*' The study examines statistical data on government public procurement from SMEs, looks at current literature on the benefits of small businesses and contains case studies on procurement from small businesses. The full report is available at http://www.sbs.gov.uk/SBS_Gov_files/services/sme-procurement-study.pdf.

In 2004, there was evidence of a further opening up of procurement policy, with the potential for greater flexibility in relation to the employment of social enterprises to deliver public services. At the national level, the Social Exclusion Unit hosted a meeting in June 2004 with a group of stakeholders from social enterprise, local and central government to establish strategic priorities for opening up public procurement opportunities, and improving the

capacity of social enterprises to bid for work. Following on from the ODPM's '*National Procurement Strategy for Local Government*' published in 2003, the SBS published in March 2005 the '*SME Friendly Concordat: Good Practice Guide*' to encourage effective trade between local authorities to encourage effective trade between local authorities and small businesses, including social enterprise. They also published an addendum to the guide in October 2005. Both documents are available at: <http://www.odpm.gov.uk/index.asp?id=1136719>.

At the local level, there is also evidence of individual councils taking steps to increase the opportunities available to social enterprise through the public procurement process and taking a more radical approach to procurement legislation. For example, Sheffield Council drew up a strategy in 2004 detailing ways in which its procurement and planning procedures could be reshaped to make it easier for social enterprises to bid for contracts. The move could be worth an estimated £100m in the housing sector alone⁴. Across the country, other local authorities have also been looking at new ways for community businesses to bid for the right to deliver public services with Nottingham, Bristol and Liverpool taking important steps in increasing flexibility around this issue.

A further area of interest in 2004 was the new trading powers being proposed for 'best value authorities' within local government, which may potentially lead to the development of 'municipal social enterprise'. The Government has laid an Order before Parliament to allow the best performing councils to trade and retain the profits. Best value authorities in England rated as "excellent", "good" or "fair" in the Comprehensive Performance Assessment will be able to use company structures to trade with private individuals and companies, as long as they trade within areas covered by their statutory activities. Examples could include contract cleaning and catering, refuse disposal, IT services and sport and leisure services.⁵

The Social Enterprise Coalition, in partnership with the NHS Purchasing and Supply Agency (PASA), has published *More for your Money - a guide to procuring from social enterprises for the NHS*, a short guide to achieving better outcomes from NHS procurement and how social enterprises can help in achieving this. With case studies that illustrate how contracting with social enterprises has benefited a range of NHS organisations, the guide highlights the benefits of buying goods and services from social enterprise and recommendations for encourage social enterprises to successfully compete for contracts.

5.8 Other National Policy Developments

Local Enterprise Growth Initiative (LEGI)

⁴ www.newstartmag.co.uk/news630.html

⁵ <http://www.odpm.gov.uk/>

The Local Enterprise Growth Initiative (LEGI) was announced by the Chancellor in his 2005 Budget and aims to release the economic and productivity potential of the most deprived local areas across the country through enterprise and investment thereby boosting local incomes and employment opportunities, and building sustainable communities. The aim is supported by three national-level outcomes; to increase total entrepreneurial activity among the population in deprived local areas; to support the sustainable growth and reduce the failure rate of locally-owned business in deprived areas; and to attract appropriate investment and franchising into deprived areas, making use of local labour resources. <http://www.neighbourhood.gov.uk/page.asp?id=1612>

The first round of successfully funded LEGI projects has recently been announced and is available to download from the link below. A second round of funding is due to have been announced at the end of March 2006.

<http://www.neighbourhood.gov.uk/page.asp?id=1696>

Business Link Service transferred from the Small Business Service (SBS) to Regional Development Agencies

Following the Chancellor's announcement in the 2004 Budget, responsibility for the Business Link Service in the region was transferred from the Small Business Service (SBS) to Regional Development Agencies in April 2005. The Business Links have a remit to reduce the barriers that inhibit businesses ambitions and assist them to operate effectively and achieve their goals. Business Link is the primary government-funded business support brand providing an access for SMEs and suppliers of business support services/solutions. This, and BLs not-for-profit status, gives them the impartiality they need to concentrate entirely on helping businesses to start-up and grow. This objectivity, coupled with the insight each BL has into local business issues, support their strong role in developing and delivering a strategy for business support across the region.

Finance for social enterprise

The following guidance documents on the subject of finance for social enterprises were published in 2004 - 2005:

- ◆ The Social Enterprise Coalition launched a new publication on finance in June 2004 called *'Unlocking the Potential'* in partnership with The Charity Bank and Lloyds TSB Business. Launched by Nigel Griffiths MP, Minister with responsibility for social enterprise, this new guide focuses on the different forms of non-grant finance available to social enterprises <http://www.socialenterprise.org.uk>

- ◆ The Social Enterprise Unit published a report on '*Lending to the Social Enterprise Sector*' in June 2004, containing case studies of loans made to social enterprises by high street banks and community development finance institutions (CDFIs). The Social Enterprise Unit will use this report to help educate banks and other financial providers about the particular needs of the social enterprise market and to encourage more loan finance into the sector. A conference was held in July to discuss the report. See [http://www.sbs.gov.uk/SBS Gov files/socialenterprise/soc_lending-social-enterprise.pdf](http://www.sbs.gov.uk/SBS_Gov_files/socialenterprise/soc_lending-social-enterprise.pdf)
- ◆ The Community Development Finance Association (CDFA) has also recently launched the UK's first '*Community Finance Directory*' - a directory of organisations providing finance to social enterprises and community ventures. See <http://www.cdfa.org.uk/>
- ◆ Social Enterprise London recently published a new finance guide for anyone looking to set up a social enterprise. '*Climbing the Ladder - Step by Step Finance for Social Enterprise*', is edited by Financial Times journalist Andrew Bibby and Information is available at: <http://www.sel.org.uk/>

Other developments in relation to finance for the Social Economy include:

Futurebuilders

The first funding application deadline for Futurebuilders in England, the £125m investment fund to assist voluntary and community organisations in their public service work, was 31 October 2004. Over 600 applications were processed and some of the 2005 investments included *Get Well UK* – a £350,000 investment in a groundbreaking social enterprise integrating complementary treatment into the NHS, *Derwent Stepping Stones* – a £450,000 investment to build a nursery and community training centre in Derby and *Derwent Stepping Stones* – a £450,000 investment to build a nursery and community training centre in Derby. The next Futurebuilders application window will open on 1 May 2006 and close on 30 June 2006. For further information see: <http://www.futurebuilders-england.org.uk>

The Big Lottery Fund

Social enterprise has been included in DTI proposals to DCMS on the development of the new Big Lottery Fund (BLF), which is the new lottery distributor created by the merger of the New Opportunities Fund and Community Fund. The Social Enterprise Unit (SEnU) has recommended eligibility for social enterprises to bid for projects across all the themes and outcomes identified in the BLF framework. In 2005 SEnU and the Social Enterprise Coalition worked together to promote the interests of social enterprise in the Big Lottery Fund (BLF). In December they had a positive meeting with the BLF distributor about social enterprise eligibility and ways in which social enterprises could help achieve the fund outcomes and agreed opportunities for further contact.

Commercial collaboration strategy

The Social Enterprise Unit published in 2005 a strategy to encourage more commercial collaborations between social enterprise and private sector companies. The guide aims to showcase existing collaborations, draw out the benefits of collaboration, illustrate lessons learned and encourage more links. It is available at:

<http://www.socialenterprisemag.co.uk/upload/documents/document25.pdf>

5.8.1 Research

Important research is currently being carried out in a number of areas relating to social enterprise in the UK.

Baseline Data on social enterprises

As a result of the recommendations of the Mapping Social Enterprise study, the Social Enterprise Unit has been working with the English Regional Development Agencies and the devolved administrations to establish baseline data on social enterprise across the UK. As stated by the Social Enterprise Unit, 'The project is a first step towards building a strong, national evidence base on social enterprise which will increase understanding of the sector and help improve delivery of services to it - for example allowing 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'. Work on the project began towards the end of 2003 and thousands of enterprises were invited to take part in a telephone survey during September and October 2004. The survey involved over 8000 telephone interviews, of which over 1400 organizations met the definition of a social enterprise. The main objective was to gain further understanding of the nature and the extent of the social enterprise sector. The full report was published in July 2005 and is available at:

http://www.sbs.gov.uk/SBS_Gov_files/press/PRE_SurveyofSEsacrossuk.pdf

BRIAN social enterprise diagnostic tool

In 2004, Ecotec, in partnership with Professor Peter Lloyd and Co-active were commissioned by the SBS to pilot 'BRIAN' (Business Research Information Analysis Navigator) in three areas of England. As a diagnostic tool, BRIAN has been specifically designed to assist those running social enterprises to effectively deliver strategic and operational objectives. Having been successfully trailed by Co-Active through its Phoenix Development Fund, BRIAN is now on the market for users under licence terms.

5.9 Training

In 2003, the DTI, including the SBS-led Phoenix Development Fund, worked with a number of providers to develop training and information packages for social enterprises, for example:

- ◆ supporting the piloting and running of a range of training modules, primarily for business advisors, devised with support from Social Enterprise London; and
- ◆ working with a number of providers of training to establish a Social and Community Enterprise Training Consortium (SCETC). www.setas.co.uk

In 2004, The Social Enterprise Partnership (SEP) (a partnership of six umbrella organisations funded through the EQUAL programme) has also been developing training for social enterprise managers and advisers in 2004. SEP has produced new National Occupational Standards both for individuals working in, and providing advice to, social enterprises. See <http://www.sep.org.uk>

As part of the SEP DP, Social Enterprise London (SEL) have jointly developed the first social enterprise qualification with the Institute of Leadership & Management (ILM). It is an Award in Knowledge of Social Enterprise based on *Unit H* - knowledge and understanding of social enterprise of the new standards and gives 6 credits at the new Level 5 towards further qualifications. The Award in Social Enterprise is now accredited as a Vocationally Recognised Qualification (VRQ).

RISE, based in Exeter and a partner in the C3 EQUAL DP has recently developed SFEDI accredited training courses in the area of social enterprise. "Introducing Social Enterprise" is a one day training course suitable for those who give early advice to social enterprises and signpost onto specialist business support providers. See <http://www.rise-sw.co.uk/index.php>

SEAM Social Enterprise Alliance provides training and support for social enterprise. They run an annual training program on a variety of issues such as legal structures, funding etc. See <http://www.seamidlothian.co.uk/support.html>

5.0 Regional Level

The prominence of regional work was highlighted at the Social Enterprise Coalition's second national conference on social enterprise at the Manchester International Conference Centre on January 25 2006. In the opening plenary session, the conference heard from the Prime Minister and Alun Michael MP, Minister of State for Industry and the Regions. In his speech, Alun Michael emphasised the key role that the Regional Development Agencies will play in the future as they are now responsible for the delivery of Business Links. Fourteen workshops were delivered during the day reflecting the sector's geographical presence right across the economy. For more information, including power-point presentations from the breakout sessions visit: <http://www.socialenterprise.org.uk/Page.aspx?SP=1932>

Whilst DPs are well placed to link to a range of activities being undertaken at the regional and local level in relation to the social economy, highlighted below are a number of developments which may inform future policy development and provide examples of good practice.

6.1 Social Enterprise East Midlands and Business Link Leicestershire

SEEM and Business Link are offering an information and diagnostic service tailored to the needs of social enterprise. The diagnostic will include a visit to look at the needs of the business to then develop an action plan with the social enterprise. This service is a pilot service being delivered across the East Midlands and is a first for the UK. It will be carried out by a local business advisor with experience of social enterprise and aims to investigate how a specialist IDB (Information, Diagnostic and Brokerage) service for social enterprises might be developed and delivered in order to meet the particular needs of social enterprises and ensure that support is effective. The pilot will be operating until the end of March 2006. For more details email: info@seem.uk.net

6.2 Social Enterprise London

Social Enterprise London (SEL) is looking to test a new electronic Performance Measurement Toolkit it has developed with support from the London Development Agency. It is a simple strategic management tool that is free from jargon which provides an informal 'do-it-yourself' method of measuring and managing an organisation's performance. The pilot project is running from January to June 2006 and will work closely with organisations to provide them with free one-to-one support to work through the Toolkit and apply the processes within their own organisation or work programme. It will allow organisations to analyse data to help them make decisions, review progress and set performance targets. It provides uncomplicated ways of linking outputs and outcomes to the resources available and allows organisations to articulate planned projects and targets.

Interested companies can log on to www.sel.org.uk/PMT

6.3 RISE – South West

RISE is the voice for South West social enterprises. RISE aims to establish a favourable environment for social enterprises to develop and flourish. RISE supports social enterprises by aiming to ensure that they have access to high quality business support throughout the region; RISE does not give business support to social enterprises. It is currently seeking tenders from organisations who can help develop a regional model for the delivery of social enterprise support that responds to both the needs of the client whilst reflecting the overall mainstream business support changes at the regional level. See <http://rise-sw.co.uk/modules.php?op=modload&name=News&file=article&sid=207&mode=thread&order=0&thold=0> for more details.

6.4 Sunderland Homecare Associates – North East

Care work has traditionally been women's work and generally underpaid. But for a women-led social enterprise in Sunderland, caring for people is providing social and financial returns. The 160 employees of Sunderland Home Care Associates own the company, share in some of the profits and participate in the decision making processes which affect them. The result is an unprecedented low staff turnover of 3.5% and the business is a major service operator for Sunderland City Councils social services department, providing personal care and domestic services to hundreds of people in need.

6.7 Developments in Scotland

The Scottish Policy Context

The Scottish Executive has made an overall commitment to recognise and promote the role of the social economy in Scotland, particularly in relation to its social justice objectives. In its *Review of the Social Economy* (2003)⁶, the Scottish Executive highlighted the importance of social economy organisations in tackling poverty, closing the opportunity gap and delivering better public services.

The Review set out the strategic framework for strengthening the social economy in Scotland. With the launch of Futurebuilders Scotland (Aug 2004),⁷ the Executive announced a suite of measures and practical action to promote a vibrant and sustainable social economy in Scotland.

A Strategy for Social Enterprise in Scotland

Scottish Ministers have committed to developing a differentiated strategy for social enterprise in Scotland. The strategy will link to Scottish Executive commitments to deliver better public services and grow Scotland's economy. It will also link to the Executive's vision for the voluntary sector and the wider social economy.

The strategy will:

- set out what is meant by social enterprise;
- explore the work undertaken by social enterprises;
- examine support for social enterprises; and
- examine how the growth and development of social enterprises can be encouraged.

Who is involved?

Communities Scotland's Social Economy Unit will project manage the development of the strategy with contributions from:

- A cross-departmental working group with officials from:
 - o Development Department,
 - o Enterprise, Transport and Lifelong Learning Department,
 - o Communities Scotland,
 - o Scottish Enterprise and Highlands & Islands Enterprise

And

- social enterprises in Scotland

When will it be ready?

⁶ <http://www.scotland.gov.uk/library5/social/rose-00.asp>

⁷ <http://www.scotland.gov.uk/about/UNASS/UNASS/00015300/Futurebuilders.aspx>

Consultation is currently being undertaken on the content of the strategy. A draft strategy will be available in March 2006 and the final strategy will be published in June 2006. The strategy will include an action plan with a timetable for implementing the actions. Please see link below for further details:

http://www.fbs.communitiesscotland.gov.uk/stellent/groups/public/documents/webpages/cs_011758.hcsp

Future Builders Scotland

An investment of £18 million which will run over financial years 2004-05 and 2005-06. The aim is to extend the role of the social economy in delivering better public services. The policy priorities targeted within Futurebuilders Scotland are:

- Closing the Opportunity Gap
- Community regeneration
- Supporting and developing young people

The package of investment includes:

- ◆ £12 million Investment Fund for medium to large social economy organisations with a track record in service delivery
- ◆ £4 million Seedcorn Fund for emerging organisations to develop new ideas and a programme of small grants aimed at social entrepreneurs
- ◆ £1 million Training Fund
- ◆ £1 million Support Programme: a procurement guide for social economy organisations; organisational development tools, a guide to social added value; a database of service delivery opportunities and a commissioners guide.

A new social economy unit will be established in Communities Scotland to manage the Investment Fund, supported by a newly established Advisory Board.

The success of the social economy zone pilots in Dunbartonshire, Lanarkshire, Highlands & Islands and the South of Scotland (twin-track zone; Dumfries & Galloway & Roxburgh) has inspired Communities Scotland to set up Local Social Economy Partnerships (LSEPs) as part of the Futurebuilders Scotland support programme.

A research project match funded by Communities Scotland and managed by the EQUAL team was initiated in order to identify lessons learned from the Zone partnership experiences. In 2005 they published a report titled 'Action Research Project of the Social Economy Zones Pilots of the Equal Strengthening the Social Economy Mainstreaming Partnership'. It is available at

<http://www.socialeconomyscotland.info/documents/Action%20Research%20Final%20Report.pdf>

Tendering for Public Sector Contracts a Practical Guide for Social Economy Organizations in Scotland is available from the Scottish Executive. It is a guide for staff and directors in social economy organizations in Scotland. See <http://www.socialeconomyscotland.info/documents/tpscg.pdf>

Supporting the social economy locally

Local partnerships will play a pivotal role in delivering Futurebuilders Scotland, and building on the successful Social Economy Zone model piloted by EQUAL Strengthening the Social Economy, local social economy partnerships will be established in each local authority area comprising key local agencies with a remit to support the social economy – Councils for Voluntary Service, Local Enterprise Companies, Local Authorities, area offices of Communities Scotland and others. Links to Community Planning and Economic partnerships will be encouraged.

The Scottish Executive's stated intention is that the partnerships will support the delivery of the Futurebuilders Scotland by informing proposals for seedcorn funding and "*improving co-operation across partners, facilitating local networking, strengthening the range of locally-available support and unlocking market opportunities for new and existing social economy organisations.*"

The Social Entrepreneurs Network Scotland covers a network of social enterprises operating in Scotland. See <http://senscot.spl21.net>.

Social Investment Scotland (SIS) was established to provide loans and business support to social economy organisations in Scotland. It aims to stimulate the demand for loan finance within Scotland's social economy and improve the levels of business development assistance available to social economy organisations. Scotland's four clearing banks are major investors and support from the public sector is provided by Communities Scotland and the enterprise networks. SIS re-launched its loan ambassadors' programme in Autumn 2004.

6.8 Developments in Wales

In Wales, responsibility for the social economy sector now forms part of the portfolio of the Minister for Social Justice and Regeneration, under the Social Inclusion Unit. The Unit's main objectives include tackling social exclusion and promoting the social economy in Wales.

The Unit's responsibilities for 2004-05 include:

- ◆ taking forward the commitments in the Social Enterprise Action Plan (SEAP), including participating in the DTI-led UK-wide social enterprise mapping exercise and proposals for a Community Development Financial Institution;
- ◆ supporting and monitoring Credit Union development across Wales;
- ◆ overseeing the development of Co-operatives across Wales;
- ◆ producing the Social Justice Report;
- ◆ contributing to UK and EU social inclusion initiatives;
- ◆ co-ordinating a strategy to tackle financial exclusion and assisting the Deputy Minister in his proposed review of debt in Wales;
- ◆ managing the Social Economy Budget and the Queen's Award for Voluntary Service; and
- ◆ developing a regular newsletter on social enterprise.

Social Enterprise Strategy for Wales

In June 2005 the Welsh Assembly Government produced the 2005 - 2008 strategy which builds on responses to the Social Enterprise Action Plan consultation carried out in 2003. It is aimed at social enterprise practitioners and individuals who facilitate the development of the social economy in Wales. The three main aims include:

- Creating an environment that encourages social enterprise and capitalizes on opportunities for growth;
- Establishing integrated support for the sector involving mainstream and specialist agencies leading to;
- The creation of a thriving social enterprise sector in Wales

The strategic objectives of the strategy include:

- Creating an enabling environment
- Making social enterprises better business
- Establishing the value of social enterprise
- Encouraging the development of new opportunities

The new strategy for Wales also prioritizes procurement by improving expertise in the sector, to bid for and deliver contracts and through raising awareness of benefits by opening up contracts in the sector in both public and private sectors.

Sell2Wales is an initiative created to help small and medium sized companies work successfully with the public sector. The website is an excellent resource for social enterprises and lists all public sector tenders published in Wales. Social Enterprises can also register as suppliers on goods and services on the website. See <http://www.sell2wales.co.uk/index.html>

A copy of the Social Enterprise strategy 2005 - 2008 is available at:
<http://www.wales.gov.uk/themessocialdeprivation/content/enterprisestrategy-e.pdf>

A copy of the consultation document on social enterprise 'Social Enterprise Action Plan' (2004) is available at:
<http://www.wales.gov.uk/themessocialdeprivation/content/actionplan/seap-e.pdf>

The Welsh Assembly publishes a quarterly social enterprise newsletter. It is designed to be two-way information board and provides an opportunity to share experiences and practices. Copies are available at:
<http://www.wales.gov.uk/themessocialdeprivation/content/enterprise/index-e.htm>

Community Enterprise Wales is a network to promote the development of community enterprise in Wales and to encourage expansion and co-ordination of resources for community business. See <http://www.communityenterprisewales.com/>