

**SOCIAL ENTERPRISE**  
**From the Margins to the Mainstream?**

*Context and Issues Paper  
for the  
South East England Regional Assembly  
Select Committee on Social Enterprise*

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# **1. Introduction**

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- 1.1 We have prepared this document as background briefing for the forthcoming Select Committee on Social Enterprise which the South East England Regional Assembly is convening, with a day of hearings in October 2006.
- 1.2 The Assembly is particularly interested in the effectiveness of SEEDA, working together with the voluntary and community sector and other organisations, in developing a vibrant social enterprise network in the South East and its contribution to regional economic development.
- 1.3 This paper therefore sets the context for the Select Committee, tells the story so far of SEEDA's work to support social enterprise, and identifies key issues which Committee members might explore further.
- 1.4 To prepare it, we have read national and regional policy, strategy and review papers, and interviewed both those responsible for social enterprise support within SEEDA, and a range of others outside who work with SEEDA, or are knowledgeable about its work. We have sought a range of contributions and perspectives, reflecting the breadth of the social enterprise sector, and the breadth of opinion within it. We are very grateful to everyone we have spoken to for contributing so freely and helpfully.
- 1.5 The document is presented simply, with an initial section on the context, and a second identifying issues. Throughout we have pointed-up questions which the Committee members might raise, and collected them together in a final section, for convenience.
- 1.6 We have annexed data on SEEDA's activity so far to support social enterprise, and some examples of what it has spent its money on.

## 2. Context

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### What is 'social enterprise'?

- 2.1 'Social enterprise' is now very much in vogue in Britain, but its roots go back a long way. It was back in 1844, for example, that the "Rochdale Pioneers", opened the first shop in what was to become the national Co-operative Wholesale Society. While arriving at the model from a more commercial viewpoint, The John Lewis Partnership has been in existence for three quarters of a century and is often held up as an example of a commercially successful business with social enterprise's strong emphasis on democratic ownership. There are many more examples.
- 2.2 Many of those involved in the sector feel that there are more social enterprises now than there were, and that they are part of a growing movement – but as evidence of numbers is thin it is not possible to definitively confirm this. What is clearly new is the extent of Government attention – eg the Social Enterprise Unit was established in autumn 2001, a first national strategy was published in 2002, and a new Office of the Third Sector set up in May this year – and attention by others – eg the annual Enterprise Week in November now includes a Social Enterprise Day (16 November this year).
- 2.3 Greater attention, and greater expenditure of taxpayers' money, has provoked discussion of the definition of a 'social enterprise'. Views vary, both about whether it is helpful to have a definition or not, and, if so, about what that definition should be. Some of those who prefer to avoid a definition take that view because of the passion with which possible definitions are debated by those who want one.
- 2.4 The DTI's definition, from its 2002 national strategy, 'Social Enterprise: A Strategy for Success', is this:
- 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.*
- 2.5 This emphasises:

- that social enterprises are businesses – which is the key difference between social enterprises and other not-for-profit organisations. For example, the trading arm of Oxfam – the shops – is a social enterprise because it is a business, but the international relief and development arm is a charity. Some definitions try to quantify this, by setting a benchmark that at least 50% of income should be from trading activity. This approach aims to differentiate social enterprises from others which are largely dependent on public funds. The counter argument is that such dependency may be an early stage in the life of what will later become a free-standing social enterprise, financially reliant on trading, rather than grants.
- that the primary objective of the business is social – which is the key difference between a social enterprise and a conventional company with social objectives which are subsidiary to the main objective of maximising profit (including CSR – “corporate social responsibility”). Thus while the Body Shop is widely known for its strong ethical stance and investment in deprived communities, social benefit is not the prime purpose of the company. Simply put, in social enterprises, personal gain is subordinate to social benefit. That is also true, of course, of all voluntary and community groups, but by no means would all of them pass the first test of commercial activity.
- that what happens to any profits from trading activity is different from what happens to them in a conventional company: they are re-invested in the business, or distributed to the community which it owns it. A co-operative is the clearest model: all profits available for distribution go to the members.

2.6 While many accept and use the DTI definition, emphasis varies widely between the different elements of it.

2.7 The wording of the definition is rather wooden and disappointingly un-poetic for a movement (it does feel itself to be a movement) with such passion and commitment. Tony Blair caught the spirit rather better when he explained that “a social entrepreneur brings to social problems the same enterprise and imagination that business entrepreneurs bring to wealth creation”.

2.8 This is the Jamie Oliver / Bob Geldof model of the social entrepreneur as hero, dreaming-up creative ideas such as The Fifteen Foundation, and Live Aid, and taking a strong personal lead.

2.9 Some in the social enterprise movement would place the emphasis differently, worried that the DTI definition lacks the vital ingredient of community ownership, or democratic control. For them, a social enterprise is one which does everything which the DTI definition covers, *and* is controlled by those who work for it: for example, a classic workers’ co-operative.

2.10 Thus the Social Enterprise Coalition, in its 2003 report “Social Enterprise in the English RDAs”, identified three broad types of social enterprise:

- social enterprises trading in a standard marketplace – very much the DTI focus;
- organisations focused on social and economic inclusion, which SEC thought to be a model particularly promoted by the European Union;
- models with stronger historical antecedents which emphasise democratic management principles.

2.11 SEEDA and its partners have sought to avoid the debate and the distraction and inaction which it fears would result from spending too much time on it. In its ‘Social Enterprise: An Enabling Framework for the South East’, it says:

*The strategy’s focus is on social enterprise but since innovative practice is central to that concept, it would be quite wrong to get tangled into arguments about definition.*

2.12 The framework goes on to say that in the South East, social enterprise is taken to include: “consumer co-operatives, mutuals, housing associations, trading arms of charities, worker and consumer co-operatives, community businesses, development trusts, social firms, intermediate labour market projects and social businesses”.

2.13 It should be clear from that list that social enterprises can vary in scale from the tiniest enterprise to very substantial ones, measured by financial turnover or employment. As an example, Ealing Community Transport, whose Chief Executive was Social Entrepreneur of the Year in 2004, has a turnover of £45m and serves two million customers through its doorstep recycling and community transport contracts.

**Discussion Point 1:** does it matter whether SEEDA and its partners define “social enterprise” or not? Can they make real progress without a clear definition?

### **Social enterprise: National policy**

2.14 The UK national strategy on social enterprise was published by DTI in 2002 and set out a three-year programme to promote and sustain social enterprise. It was mainly co-ordinated through the Social Enterprise Unit within the Small Business Service.

2.15 The main objectives of the three-year programme were to:

- create an enabling environment for social enterprise;
- make social enterprises better businesses;

- establish the value of social enterprise.
- 2.16 A review of the strategy in 2005 found that, while it was difficult to attribute specific developments in the sector to the strategy, it had helped to identify the key barriers faced in the sector, to raise its profile amongst policy-makers, provided “a common jumping-off point” for other government departments and agencies, and “legitimised the sector, resulting in leverage of additional finance and funding”.
- 2.17 The main areas for future work identified by the review were:
- continuing to raise awareness across Government;
  - promoting the role of social enterprises in building sustainable communities;
  - exploring further the need for tailored business support for social enterprise, distinct from mainstream provision;
  - exploring further the needs of social enterprise emerging out of the voluntary and community sector;
  - investigating ways in which the procurement framework might enable more account to be taken of the additional costs incurred by delivering a social benefit, such as employing certain groups;
  - further establish the value of social enterprise through development and promotion of social impact measurement tools;
  - developing systems to monitor the process of the cross-government framework promoting social enterprise and to measure its success.
- 2.18 In a further development in May 2006, Ed Miliband was appointed Minister for the Third Sector in the Cabinet Office, with a newly-formed Office for the Third Sector. This brings together DTI’s Social Enterprise Unit and the Active Communities Directorate from the Home Office, which supported the voluntary and community sector. Miliband is preparing a 10-year vision and strategy for the Third Sector, as part of the Treasury’s current Comprehensive Spending Review.
- 2.19 Within this review, he clearly has an eye on the role of RDAs in promoting social enterprise, commenting in July 2006: “I understand that more needs to be done to put social enterprise at the heart of what the RDAs do”.

## Social Enterprises in the UK

- 2.20 The Small Business Service commissioned a survey of UK social enterprises in 2005 to attempt to measure the scale of the sector. The report is tentative, and makes it clear that the findings are to be treated as a ‘first step’, not a definitive picture. Another useful source of indicative data is the survey commissioned by SEEDA in 2003 of social enterprises in the south east. The data from both surveys covers solely businesses which are companies limited by guarantee or Industrial and Provident Societies – a readily-identified group, but one by no means covering all social enterprises.
- 2.21 The SBS survey results estimated that there are around 15,000 social enterprises in the UK, with the great majority (88%) identified being companies limited by guarantee and the rest (12%) Industrial and Provident Societies. On this basis social enterprises make up 1.2% of all enterprises in the UK.
- 2.22 The turnover of these businesses is estimated at £18 billion, with one in five turning over £1m pa: these are substantial enterprises. The median turnover figure of £285,000 also indicates, however, that there is a long tail of much smaller organisations. The figures are much lower in the SEEDA survey, with the total turnover in the South East estimated between £143m and £498m, depending on what assumptions are made.
- 2.23 The national survey estimated that 82% of this revenue was from trading sources, and 88% of those businesses surveyed generate over half their income from trading. Social enterprises employ 475,000 people in the UK with an additional workforce of 300,000 volunteers working an average of two hours a week. The average UK social enterprise employs 10 people, and 2% employ more than 250.
- 2.24 The SEEDA survey estimated total employment in the South East to be 21,000 paid jobs (11,000 of them full-time) and 35,000 volunteering opportunities. The balance is different here with the South East study estimating more voluntary jobs than the UK average. The SEEDA study also suggests that social enterprises employ more people, on average, than conventional businesses: 30% employ more than 10 people, compared to 15% of all businesses.

<b>Table 2.1: Social Enterprise Summary Comparison</b>		
	<b>UK</b>	<b>South East</b>
Number	15,000	1,000
Turnover	£18 billion	£498 million
Workforce (paid)	475,000	21,000
Workforce (voluntary)	300,000	30,000

2.25 The table below splits the main trading activities of social enterprises in the UK. Health and social care is the single most common classification, covering activities such as daycare, childcare, welfare and accommodation services. Community or social services largely refers to cultural organisations or sporting activities.

Health and Social Care	33%
Community or Social Services	21%
Real Estate / Renting	20%
Education	15%
Wholesale / Retail	3%

2.26 Table 2.3 shows the geographical distribution of social enterprises in the UK. London dominates, with almost a fifth of the total and, strikingly, a much larger share of social enterprises than it has of all businesses. The South East is one of four regions to record a lower share of social enterprises than of the overall business population. (The SBS study suggests a figure of 2,100 social enterprises in the South East while the SEEDA study estimates 1,000. The SBS survey took place two years after the SEEDA one but it seems unlikely the population would increase so dramatically. This clearly illustrates the need to treat data from surveys such as these as indicative).

<b>Area</b>	<b>% UK social enterprise</b>	<b>% UK business population</b>
London	22%	14%
<b>South East</b>	<b>14%</b>	<b>15%</b>
South West	12%	9%
North West	11%	10%
East	10%	10%
Scotland	7%	7%
West Midlands	6%	9%
Yorkshire and Humber	4%	8%
North East	4%	3%
Northern Ireland	4%	3%
East Midlands	3%	7%
Wales	3%	4%
UK Total	100%	100%

2.27 The SEEDA study also identified significant clusters of certain types of social enterprise activity in particular areas, as indicated below:

Table 2.4: Concentrations of social enterprise types	
Type of social enterprise	Area
Co-operatives	Oxfordshire, East Sussex
Education and training	Hampshire, Kent, Surrey
Housing	Buckinghamshire, East Sussex, West Sussex

## The role of the Regional Development Agencies

2.28 In its 2003 review, prepared for them by Professor Peter Lloyd, the Social Enterprise Coalition concluded that all the RDAs, and the devolved administrations in Scotland, Wales and Northern Ireland, were generally supportive of the Government’s strategy on social enterprise: “there was no example of an RDA that regarded the injunction to look closely at social enterprise as an unacceptable use of their scarce time and resources”.

2.29 However, the Coalition did comment that:

*It does, however, represent a steep learning curve for them [the RDAs] and there is a real problem of finding ‘commitment room’ in the absence of a central target.*

2.30 The Coalition concluded that in their role as strategic enablers, RDAs have typically chosen to work through outside agencies in the social enterprise field. Some have done this directly by bringing organisations together in partnerships to which the RDA provides a lead, while others have acted to build the capacity of external organisations while keeping them at arms length.

2.31 The Coalition identifies as a key challenge the question of how RDAs’ impact in this field is to be evidenced, taking the view that RDAs need to be clear what they are doing, know how to measure the impact and understand how to relate that to wider aims. The report comments:

*While most of the RDAs insisted they were ‘not hung up on definitions’, when it comes to strategy, this approach cannot be seen as appropriate for assembling an evidence base to measure the impact of their actions.*

2.32 The review noted that the approach taken by different RDAs in part depended on the complex history of previous arrangements in each region (into which the RDA stepped as “a relative newcomer”), and the resources available to them. Thus SEEDA, like EEDA, with little access to funds (particularly to the European Regional Development Fund) was more likely to adopt a “gap filling and pump priming” role than other RDAs with greater resources.

2.33 The review concludes that the challenge going forward (from 2003) was to sustain commitment and establish rigorous monitoring and evaluation procedures to determine impact. Specifically, it recommended:

- social enterprise should be included in the Regional Economic Strategies;
- there should be clear targets for social enterprise;
- there should be budgets for strategic support on social enterprise;
- there should be a designated Board member with lead responsibility;
- there should be staff with dedicated social enterprise responsibilities.

2.34 Neither this report, nor any other source, has sought to say authoritatively how far any one of the RDAs is doing “better” than the rest in supporting social enterprise. At anecdotal level we heard differing views. One, with some knowledge across the country, sees SEEDA as leading the way. Another contrasted SEEDA’s approach with that of the South West RDA, regarding both as supportive, but preferring the way that SWRDA held back from a leadership role. (We describe SEEDA’s approach below).

### **Social Enterprise in the South East**

2.35 The 2003 SEEDA-funded study mapping the size and scale of the social enterprise sector in the region identified a number of key barriers to social enterprise development in the region. These included the:

- need for more long-term and flexible sources of finance for social enterprises;
- need for more tailored and affordable one-to-one business support and training;
- lack of resources for training;
- need for a clear definition, and promotion of the concept of social enterprise;
- development of social enterprise networks to avoid isolation by sector and reliance on ‘word of mouth’;
- need to map rural social enterprises;
- high rental prices in the South East;
- general barriers which face all businesses, such as the economic climate.

### ***“Social Enterprise: An Enabling Framework”***

2.36 SEEDA's work on social enterprise grew out of the economic inclusion team, fortuitously led by someone with personal experience of running a social enterprise. After re-establishing good relations with the social enterprise sector through a broad-based regional steering group – the South East Social Enterprise Steering Group - which SEEDA chaired, the first fruit of the new partnership was the 2004 publication "Social Enterprise: An Enabling Framework", notably sub-titled "It's business, but not as we know it".

2.37 The stated aim was clear:

*... to take social enterprise from the margins of the economy into the mainstream.*

2.38 In order to achieve this the document set out three main objectives:

- a greater understanding of the role and value of social enterprise;
- develop an integrated, easily accessible business support infrastructure;
- enable social enterprises to work together more effectively.

2.39 The document notes that "a lack of understanding of how social enterprises work, and of their potential" is "a huge barrier", resulting:

*"all too often in misrepresentation and exaggeration of its potential, fragmentation in the provision of support and real and perceived barriers to accessing contracts and mainstream funding opportunities".*

2.40 It highlights a concern that social enterprise is increasingly seen as either a solution to the modernising public services agenda, or for tackling the problems of disadvantaged communities. It recognises what can be done in both areas, but is concerned to present social enterprise as a positive choice, and not simply as a cost-cutting measure. It worries that the focus on social inclusion has damaged the development of social enterprise as a successor to mainstream business.

2.41 The following priorities for action are identified:

- training and education for the public, private and voluntary sector on the realistic potential of social enterprise;
- developing networks for promoting information and understanding;
- developing a regional approach to the delivery of advice and support to public sector agencies considering social enterprise models for services;
- providing training to social enterprises on evidencing their total impact, including social factors;

- regular mapping work on social enterprise activity.

### **Regional Economic Strategy**

- 2.42 The draft Regional Economic Strategy for the South East 2006-16, circulated earlier this year, barely mentions social enterprise – but we understand from SEEDA that this is a mistake and that the relevant text was inadvertently omitted from the published version. We are assured that the final draft will give some prominence to social enterprise, and that it features as one of the new action points.
- 2.43 At the time of writing, however, the revised text was not available to us, so we cannot comment further. (The full text will have been to the Regional Assembly in September, before the Select Committee hearing is held on 3 October).

**Discussion Point 2: Does the Regional Economic Strategy give the right focus to social enterprise?**

### **What has SEEDA done?**

- 2.44 We have set out a clear list of the main activities SEEDA has undertaken and/or funded in Annex A. We describe a number, briefly, below.
- 2.45 SEEDA has a formal agreement with **Business Link** through which the six Business Link contract holders for the South East have agreed a programme of action which should result in a “regional sameness” – i.e. equivalent levels of understanding and service in every part of the region. This should ensure that those who answer the phone in each area are briefed on social enterprise, and therefore know how to ask the right questions to ensure that the callers are helped appropriately.
- 2.46 The second step is to train at least four people in each of the six areas from the IDB service (“Information, Diagnostic, Brokerage”), and we understand that this should be complete by the end of 2006. The third strand is being developed in parallel, which is to ensure that a specialist advisory service is in place, so that there are people whom Business Link can refer clients on to who have the requisite knowledge, understanding and skills to be as helpful as possible. There are many advisers available, and Business Link’s processes are designed to ensure that only those who can offer a quality service join their register.
- 2.47 Business Link told us that the complete “regional sameness” service should be in place by April 2007.

- 2.48 This work on business support is backed up by a project (through European Social Fund co-financing) to develop and deliver an engagement and training programme in the new Small Firms Enterprise Development Initiative (SFEDI) Occupational Standards for social enterprise advice. These standards, developed by the national Social Enterprise Partnership, would provide a standardised approach to tailored social enterprise business support.
- 2.49 SEEDA has also supported the formation of a social enterprise network in eight areas in the south east. While these networks are at different stages in their development they have similar aims to bring together the relevant organisations and stakeholders in an area in order to foster the development of social enterprise. The most developed of the networks is Social Enterprise Berkshire which is also receiving SEEDA funding through one of the three Area Programmes (Thames Valley).
- 2.50 In May 2004, SEEDA created the Community Loan Fund, with an initial capital endowment, in order to improve access to loan funding. This is designed to provide support to small businesses in deprived areas as well as social enterprises in general. Loans can be from £10,000 to £100,000.
- 2.51 SEEDA is also planning to fund, again through ESF co-financing, two additional projects. One will address the need to support social enterprises in measuring their impact by providing training in the use of social audit tools. The other focuses on the need for training for social enterprises that want to bid for public service procurement contracts.
- 2.52 The other major strand of SEEDA's work on social enterprise comes in the *Cultural Shift* development partnership. This is an action research and resource development programme for the social economy in the South East funded through EQUAL (European funding) with SEEDA as the lead partner. This aims to develop models for successful social enterprises as well as fostering partnership working between social enterprises and mainstream public service providers.

## 3. Issues

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- 3.1 In this section we identify a number of issues round which Assembly members might focus their questions.

### Taking the lead

- 3.2 SEEDA has chaired the South East Social Enterprise Steering Group so far. Some observers give SEEDA a good deal of credit for taking the lead in a complex field with many competing views on how to take the agenda forward. One said: “SEEDA kick-started the process”, and another that SEEDA has “done an extremely good job in bringing together a broad range of people”.
- 3.3 On the other hand, SEEDA is a government agency largely funded by national Government with a completely different ethos from most social enterprises, and it has taken the lead essentially from outside the social enterprise movement. So, while social enterprises might be grateful for the support and the recognition, they would prefer the lead to be taken by others.
- 3.4 One of the original ambitions in the 2004 strategy was to encourage social enterprises themselves “to find a representative voice”. While progress has been made, SEEDA retains the leadership of the regional group.
- 3.5 In some other English regions a different approach is being tested with responsibility for driving the social enterprise agenda falling to an organisation at arms-length from the RDA (although usually at least partly funded by it). This is the case in the South West with RISE and in the East of England with Social Enterprise East of England (SEEE). A key distinction of this approach is in allowing social enterprises themselves to drive development with the support but not the leadership of the RDA.

**Discussion point 3:** Should the regional leadership role still be with SEEDA? Are there now alternatives, or could there be reasonably soon?

### Awareness and understanding

- 3.6 For all its historical antecedents, “social enterprise” is usually presented as quite a youthful movement, still developing, and still poorly understood – this can present problems to more mature social enterprises as the majority of the support available takes its lead from this ‘youthful’ presentation. Understanding has become more important as expectations grow, particularly from central Government, but the risk of misunderstanding has grown with those expectations. “Social enterprise” has become fashionable, and that carries with it the risk that it will be seen as the answer to many more problems than can be realistically the case.

- 3.7 At one level, this is about definitions. Defining “social enterprise” in the right way matters enormously to those who want to be sure that their variant is included in the definition: it’s primarily about recognition and about being valued. For others, including SEEDA, this is a largely fruitless path, generating heat and passion for little benefit. They argue that the lack of a definition is not a barrier to effective activity.
- 3.8 At another level, awareness may much more helpfully be about examples, which illustrate the range of possible interpretations on what “social enterprise” means and how social enterprises can be used to achieve various social purposes. One observer commented that SEEDA has a very strong publicity arm, wondering if it could use it to show people some of the imaginative work going on in the South East.

**Discussion Point 4:** How well is “social enterprise” understood now, and how far is its potential understood, in the South East?

**Discussion Point 5:** What else could and should be done, by SEEDA and by others, to develop greater understanding? How far is it SEEDA’s job, and how far the job of others?

- 3.9 It is worth pointing out here that one observer also suggested that the Assembly itself may have a role, by using its contacts to spread understanding of social enterprise within local authorities, who are not widely seen as well-informed.

### **Business Support: Generalist or Specialist?**

- 3.10 A more specific question relates to formal business support agencies: do they understand social enterprise, and how best to provide support to them?
- 3.11 It has not been tested rigorously, but those in a position to comment told us that the level of understanding of social enterprise by Business Link staff used to vary considerably across the region, and is now a good deal better. Business Link itself told us that the “regional sameness” agreement with SEEDA is expected to be completed by April 2007 – ie that the level of service across the region would be both good and uniformly so by then.
- 3.12 The best evidence available to Business Link indicates that social enterprises are less likely to use formal business support mechanisms than conventional businesses – but that when they do so, the benefits are very similar (ie businesses taking advice are more likely to start up, more likely to survive, and more likely to prosper).

- 3.13 There is a view from within the social enterprise movement, however, that most social enterprises will not naturally look towards Business Link, or other mainstream business advice services. They worry that the mainstream agencies have a very different culture and do not truly understand how different it is in a social enterprise where the key purpose is not profit, but social good.
- 3.14 As one observer put it to us: 80% of what a social enterprise does is the same as what a conventional business does, ie in running a successful business where money in reliably exceeds money out, and so on – BUT that 80% of the attention and energy in a typical social enterprise goes on the remaining 20% of what they do, which is *different from* a conventional business.
- 3.15 Even if 80% of a social enterprise is the same as a conventional business there is a question over whether the additional 20% is bolted-on (easily recognisable and detachable) or embedded (an inherent and inseparable part of the whole). This affects the extent to which traditional business support can be adapted to serve social enterprise.
- 3.16 That raises the question whether mainstream business support agencies can ever really reach as many social enterprises as they do conventional businesses. If they cannot, should there be a specialist service – or at least a separately-branded service within the mainstream one? The national context is that Government is keen to cut down on the range of business support services offered, in the interests of greater efficiency and effectiveness.

**Discussion Point 6:** Will the current work to brief and train Business Link staff be sufficient, or is there likely to be a need for a separate, or separately-branded, specialist service?

### **SEEDA's role**

- 3.17 SEEDA has limited funds at its disposal to support social enterprise, and much of what it has is only available for the short term (see next item). How, then, should SEEDA best be supportive?
- 3.18 It has taken a leading role in creating a regional alliance and in leading that alliance so far. The alliance has created a strategy and set various activities in hand which strengthen the supporting infrastructure for social enterprise. But there has been little direct activity, so although SEEDA has taken the lead, it is not attempting to drive social enterprises forward as some in the sector want. Should it? Would a more interventionist role achieve more – or risk antagonising more, as existing players felt that their toes were being trampled on?

- 3.19 Is there a risk that if SEEDA maintains even its current level of activity, it will crowd-out other effort, particularly at local level (support by local authorities, and from within the social enterprise sector itself) which might be much more effective in the long-term because it will ultimately command far greater resources?

**Discussion point 7:** What role should SEEDA play to achieve the most from its influence, including stimulating the efforts of others?

## **Mainstreaming**

- 3.20 Much of what SEEDA has been able to do so far to support social enterprise, has been achieved using European Union funding, notably the EQUAL funding through which it has funded two projects. Most of that opportunity will go away in the near future, as total EU funding for the South East is cut, and some budget lines disappear altogether. SEEDA described it to us as “urgent” that ways are therefore found to ensure that the new approaches piloted during recent years are identified, and embedded in the mainstream: short-life external funding will not be available to carry forward activity on a project basis.

**Discussion point 8:** What is the best way forward to ensure that social enterprise takes its place effectively “in the mainstream” and influences it?

## **Public sector procurement**

- 3.21 An important motivation for SEEDA in promoting social enterprise is that the model may be a more effective way to deliver public services.
- 3.22 One well-placed observer is worried that the current emphasis on social enterprise as a way forward for public sector procurement is potentially a double-edged sword. If the sector fails to live up to the perhaps exaggerated billing it has had, social enterprise may be damaged more widely. This person’s fear is that there may well be failure because skills are still lacking to ensure success: in other words, the push is premature.
- 3.23 Another observer suggested to us that the best prospects for social enterprise to take on substantial public service roles lies in the health sector, but Primary Care Trusts are in no position to put real effort into the possibility because their agendas are so full already. If that is the case, what future is there for social enterprise in the public sector procurement field? Is the prize so potentially valuable that real effort needs to be taken to open up new possibilities? Or should this be something put aside for another day?

- 3.24 It is worth noting that despite this pressure on PCTs a Social Enterprise Network has recently (June 2006) been set up within the NHS. This is designed to address the interest within the health sector for utilising social enterprises by facilitating a greater understanding of the detail and mechanics of how social enterprises work.

**Discussion point 9:** How important is the role which social enterprise can play in public procurement, and should more be done (to increase skills, leadership and capacity) to make it possible?

### **Success?**

- 3.25 How should SEEDA's success in supporting social enterprise be judged? The strategic direction so far might best be described as 'building momentum' – ie strengthening the regional infrastructure, both within the social enterprise world, and in the mainstream business support world, and raising the profile of social enterprise. What is the ultimate goal?
- 3.26 The original strategy document talked in terms of taking social enterprise "into the mainstream". Is the logical goal, then, that social enterprise should be widely understood by all those who need to understand it, as a valuable tool for both economic and social development within the region – and that this achieved level of understanding is the end-point? Or is there something more specific, like having a certain percentage of employment, or public sector contracts, or regional GDP, provided by social enterprise? If such a target could be created, would it be realistic and could SEEDA make enough difference to make it a sensible goal for them?
- 3.27 SEEDA has made it clear to us that it will not be setting targets for its social enterprise work under the next Regional Economic Strategy, and would be very loathe to change tack on that. It argues that social enterprise makes a very valuable contribution to its wider economic and social goals for the South East, but that it is a contribution, and that creating precise targets in such a diverse and fast-moving field is likely to be both distracting and potentially distorting.
- 3.28 Many in the social enterprise world will welcome this approach from a Government agency which is more commonly characterised in exactly the opposite way, putting targets before flexibility. The Social Enterprise Coalition, by contrast, has urged RDAs to be much more specific in setting targets. Is this needless fear that without them RDAs will back off from a short-term enthusiasm and focus effort elsewhere – or simply business-like, following the dictum "what gets measured, gets done"?

**Discussion Point 10:** How should SEEDA's success in the social enterprise field be measured?

## 4. Questions Summarised

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4.1 Here are the discussion points from throughout the paper, in one convenient list.

- Discussion Point 1: does it matter whether SEEDA and its partners define “social enterprise” or not? Can they make real progress without a clear definition?
- Discussion Point 2: does the Regional Economic Strategy give the right focus to social enterprise?
- Discussion point 3: should the regional leadership role still be with SEEDA? Are there now alternatives, or could there be reasonably soon?
- Discussion Point 4: how well is “social enterprise” understood now, and how far is its potential understood, in the South East?
- Discussion Point 5: what else could and should be done, by SEEDA and by others, to develop greater understanding? How far is it SEEDA’s job, and how far the job of others?
- Discussion Point 6: will the current work to brief and train Business Link staff be sufficient, or is there likely to be a need for a separate, or separately-branded, specialist service?
- Discussion point 7: what role should SEEDA play to achieve the most from its influence, including stimulating the efforts of others?
- Discussion point 8: what is the best way forward to ensure that social enterprise takes its place effectively “in the mainstream” and influences it?
- Discussion point 9: how important is the role which social enterprise can play in public procurement, and should more be done to make it possible?
- Discussion Point 10: How should SEEDA’s success in the social enterprise field be measured?

## Appendix A

4.2 The table below lists the main activities undertaken and funding provided by SEEDA in its role supporting social enterprise development.

Activity	Description
Business Link Capacity Building	To ensure that Business Link Advisors have the requisite skills and knowledge to provide effective business support to social enterprises
Cultural Shift Development Partnership	An EQUAL funded programme with SEEDA acting as lead partner. This aims to model inclusive employment models delivered through independent social enterprises and to create new protocols for entrepreneurial partnerships between mainstream public sector providers and social enterprises in the South East.
County Network Support	These networks aim to bring together social enterprises and agencies in a locality in order to foster social enterprise development. SEEDA has provided funding of £10,000pa for three years to each of the eight networks.
Social Audit Training	An ESF co-financing project to build the case for a wider economic impact of social enterprise on the regional economy. This will be achieved by establishing a regional standard in social audit and training individuals/organisations to be proficient in the use of those social audit tools selected, including practical application.
Procurement Training	An ESF co-financing project to develop a procurement training initiative to support social enterprises to develop the skills to tender for contracts and grow their business in the public, private and voluntary and community sectors.
Occupational Standards for Business Advisors	An ESF co-financing project to develop and deliver an engagement and training programme in the new SFEDI Occupational Standards for social enterprise advice.
Community Loan Fund	A community development finance institution set up in May 2004 through a SEEDA capital endowment to provide access to loans for social enterprises and SMEs in deprived areas.
Recruiting two workers to drive strategy	These posts will be time limited (to 2 years) and will be tasked with the strategic development of support to regional and local social enterprise networks (Both at the strategic policy level and for local practitioners.) These positions will be SEEDA-funded but sited within UnLtd.

## Appendix B

- 4.3 The following table gives examples of some social enterprises operating in the South East in order to provide some context on the types of businesses currently in existence.

Social Enterprise	Based	Description
Focus to Work Trust	Thanet	The inaugural recipient of funding from the South East Community Loan Fund with a loan of £100,000. Focus to Work provides training, mentoring, work experience and job finding services for all types of disadvantaged people including those with learning difficulties.
Sunlight Development Trust	Oxfordshire	An organisation run and managed by members of the local community this brings together a range of organisations with a common mission to reduce health inequality and achieve regeneration. The Sunlight Centre now houses 60 resident-led support groups as well as community health teams.  The Centre was completed in January 2003 after receiving a £1 million grant from New Opportunities fund and support from Medway Council and PCT. Earned income now represents 70% of its £500,000 turnover.
Appleton Community Shop	Medway	Based in the village of Appleton this shop was bought by a group of villagers in 2000 when the previous owners decided to sell.  By 2005 it employed one full-time member of staff, three part-time staff and had a turnover of £210,000 (all generated by sales).
East Oxford Action	Oxford	EOA provides training, advocacy, advice and grant funding to local communities in order to share good practice in regeneration. Originally part of an SRB programme, EOA was set up as the exit vehicle for the programme and developed trading practices to ensure sustainability.  By 2003 EOA was a company limited by guarantee and by 2004 its turnover had reached £400,000 with 50% generated through trading.
Social Enterprise Berkshire	Reading	Originally Reading Community Enterprise Agency, SEB has expanded to provide services across Berkshire.  SEB has been supported by SEEDA and continues to receive funding through the Thames Valley Area Programme. However, they also receiving money from their trading activities, providing business support, training and networking opportunities to social enterprises.