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# **Final *Legacy* Report**

## **Strategy, Investment and Activity**

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## Executive Summary

This report follows the final SEEING European and UK Conferences. These events were used to build cross-sector working and to test the recommendations from the project. SEEING has made 14 recommendations under a number of headings, and these are set out below with examples of the relevant recommendations:

**The LEP is a significant audience for the Final Recommendations emerging from the SEEING project.**

**Members should be encouraged to see the potential in social enterprises and in Social Value.** The members of the private sector led LEP Board should be encouraged to adopt codes of good practice to help improve working relationships with social enterprises.

**Build on what works: Existing Synergies that Enable Cross-Sector Working** - There is a need to work in broader consortia and cross-sector groups as the size and expectations of contracts increase and there is much to be learned from existing consortia such as Well UK. A potential emphasis could be through place-based conversations

**Potential New Mechanisms and Support Structures** - the Local Enterprise Partnership (LEP) should investigate the potential role for a new (or existing body) to help fill the gaps in geographic social enterprise coverage and in supply chains through driving up aspiration, signposting to finance and access to business support.

**Financing** - the LEP and others to give consideration to an organisation providing unsecured finance for start-ups (£5k-£10k), in line with current LEP and SWIG plans.

**The Golden Thread: Social Value/Social Impact and the Crucial Role of the Public Sector** - social value needs to be communicated to those seeking to provide support and services to local communities through events such as 'meet the buyer' and 'tender-writing' workshops. A number of these have already taken place through programmes such as Social Enterprise Focus, however not all local authorities / public bodies have signed up to this approach. Ultimately, cross-sector agreement on how to approach social value should be sought. The public sector needs to work with social enterprises and others on their internal approach to the understanding and effective delivery of social value.

**The Potential of Impact as an Enabler** - procurers need to investigate, with social enterprises and others, how to commission and measure performance in such a way that the provider is able to demonstrate effective change or impacts that include social value and social investment. Procurers need to use and develop relatively simple mechanisms to allow the calculation of social value impacts which may not all be capable of being demonstrated in monetary terms.

**The Social Enterprise Spectrum and Business Support** - there needs to be a graded approach to support, recognising that social enterprises lie on a spectrum and that the great majority of their business needs are similar to those of traditional SMEs. Specialist expertise is needed on topics such as 'legal structures' but, after that, 'traditional business support' should be the priority. Those designing mainstream business support programmes should include social enterprise definitions and legal structures, to provide an inclusive approach.

In this way, awareness of the benefits and distinctive, special characteristics associated with social enterprise can be increased.

**Further Research** - there will be a number of opportunities through national and European funding streams (such as INTERREG *Channel* – where social enterprise is a priority) as well as various trusts and charities for SEEING to explore, ideally with similar cross-sector partners, taking these recommendations forward and testing/piloting them locally.

This report has also sought to place the increasingly important work of social enterprises into international and UK contexts, seeing them as part of an emerging mixed economy hybrid model. Also included is a section exploring the need for new approaches in service delivery and details of the recent Strasbourg Declaration on Social Enterprise.

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## Background

The SEEING (Social Economy Enterprises for Innovation and Growth) project has tried not to be bound by rigid definitions of terms such as 'social enterprise' but views the various organisational entities as lying along a spectrum, with private/traditional enterprises at one end and the voluntary and community sector (VCS) at the other. Towards the middle of the spectrum lie enterprises with active Corporate and Social Responsibility (CSR) agendas as well as social enterprises in all their forms. We also recognise that organisations are dynamic and where they lie along the spectrum may well change through evolution, opportunity and destiny.

Identifying and overcoming the barriers to the public, private and social economies working together is central to the SEEING project. The SEEING partners believe that the 'golden thread' may be the influence they can have on public authorities in Devon, such as the Local Enterprise Partnership (LEP), to encourage recognition of social value and how the UK Government's Public Sector Social Value Act is being implemented.

In Devon, the social economy is vast and complex as is the breadth of the business community. While seeking to create better conditions for cross-sector working across the spectrum is a key aim, as an action research pilot project, the Devon partners have centred their work on those organisations which seek to trade and deliver contracts – especially with the public sector – and want to demonstrate the impact of their work, most especially those organisations near or on a journey towards the middle of the spectrum described above. In practical terms, the focus has been around 'social enterprise' in its widest sense and the challenges and opportunities social enterprises face as they grow and many of them seek to work with the public and private sectors.

It is important to recognise the complex nature of social enterprises and the spectrum along which they lie. The Cabinet Office's *Social Enterprise: Market Trends Report* (based on the 2012 Small Business Survey) in May 2013 provides estimates of the number of social enterprises, their characteristics and performance. It recognises that around 6% of private-sector Small and Medium-sized Enterprises (SMEs) are SEs. In Devon in 2012, there were 39,520 SME local units (VAT/PAYE registered) located within the County. Applying the 6% finding to this produces an estimate of 2,370 social enterprises in Devon, significantly more than the 300-900 previously estimated. Further research is needed to establish the scale of SEs in the County.

The SEEING project was a European Union (EU) funded action research partnership which took place in Devon (UK), Kolding (Denmark) and Luxembourg Les Hautes Ardennes (Belgium). The project, ran from September 2012 to February 2014, examining and piloting new ways for the public, private and social enterprise sectors to work together. In each of the three countries, there were three or four partner representatives of the public, private and social economy sectors. In Devon, the partners were:

- Devon County Council (Public)
- Peninsula Enterprise (Private)
- Devon Community Foundation (Social Economy)
- Well UK (Social Economy)

Through the full partnership in three countries, the project has five concrete deliverables, as follows:

- 1) Three state-of-the-art reports, one from each of the three participating countries, and one common report pointing at areas for mutual learning (completed).
- 2) A Conceptual Framework including:
  - Policy recommendations and strategic guidelines for local authorities.
  - Guidelines on how to create public/private partnerships within the three respective areas, including the presentation of political and economic models (template).
  - A counselling and training concept for social entrepreneurs (template).
  - Guidelines on how to create access to venture capital and credits for social enterprises (template).
- 3) The participating local authorities will develop an overall strategy for the social economy and a readiness:
  - within their local business development strategy, to assist and develop social enterprises;
  - within their local employment and social affairs environment, to create co-operation with social enterprises in order to enable inclusion of vulnerable citizens who are in a disadvantaged position.
- 4) A European web-based platform with inspirational material for municipalities all over Europe and a European Social Economy 'Toolbox'.
- 5) Seminars and information material:
  - a promotional brochure;
  - three newsletters;
  - a regional/national seminar in each country;
  - a final conference in Brussels.

More information is available on the SEEING project website: <http://www.seeing-project.eu/>

## Approach

This report forms the final part of a series of three reports seeking to inform closer cross-sectoral working between the private, public and social enterprise sectors. These reports are:

1. Current strategies and initiatives around social enterprise and corporate social responsibility in Devon.
2. Interviews and workshops with key stakeholders in Devon (results).
3. Final report with agreed recommendations (this report).

The results of the first two reports alongside the details of the SEEING project's activities have been presented to an expert conference. This included a series of draft recommendations aimed at local and regional (LEP-level) policymakers and practitioners. The final recommendations are set out in this report and have been modified in response to feedback given at the conference.

The work of the SEEING Project has taken place at a time of rapid policy evolution and this is reflected in the need to include reference to new documents such as the Structural and Investment Fund (SIF) strategy for the Heart of the South West (HotSW) LEP and the still emerging Strategic Economic Plan (SEP) which will underpin the LEP's offer to government, and will play a crucial role in making the case for funding support for the (sub) region.

This report recognises the very timely work of the SEEING Project in seeking to enhance cross-sector working at a time when pressure is being placed on the public sector to deliver services more cheaply and more locally. In essence, they are being asked to do more with less and, simultaneously, to learn new ways of working.

## Lessons from SEEING

The bulk of this report establishes the critical strategies, investment decisions and activities that could help promote cross-sectoral working in Devon. In doing so, it includes reference to the key themes that emerged both from the work of the SEEING project itself, and from the many interviews with stakeholders that supported the report, *Interviews and Workshops with Key Stakeholders in Devon*.

### Understanding the context for Social Enterprise in the UK

The Government recently set out the steps being taken over the next year to enable the right conditions for social enterprises to thrive in the UK in its *Social Investment Roadmap*, including plans to extend support in the tax system for the ways in which people can invest in social enterprise. The Roadmap builds on a formal consultation on social investment tax relief, published in summer 2013, and draft legislation published in December 2013. It sets out the Government's plans to:

- seek approval from the European Commission to introduce a larger scheme;
- expand the options for indirect investment;
- establish a government-run accreditation scheme for Social Impact Bonds eligible for social investment tax relief;
- make changes to community interest companies' regulations;
- promote the scheme to investors and social enterprises.

Research from Big Society Capital has found that the relief, which will give an income tax deduction to investors from April, could unleash up to £500 million of extra investment over the next five years. The Government has already announced that the social investment tax relief will be available for private investment in charities, community interest companies and community benefit societies, and in Social Impact Bonds where the special purpose vehicle is a company limited by shares. The Government wants to make the UK one of the easiest places in the world in which to invest in social enterprises.

In terms of the Right to Provide, the Government firmly supports<sup>1</sup> the view that public sector mutuals or 'spin-offs' are a new opportunity and model for the improved delivery of state services. The Government accepts the views of the Mutuals Taskforce report, *Public Sector Mutuals: The next Step*<sup>2</sup> that: "*the case for public sector mutual is a simple one. Mutualisation can transform the delivery of public service. Mutuals can deliver substantial benefits to a wide range of public service stakeholders; service users; service commissioners; service employees; and the communities they serve*".

Additionally, the Government points to Pathfinder pilots and other examples where companies, mutuals and social enterprises deliver traditionally state-run services, especially in health and social care, prisons and

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<sup>1</sup> Public Service Mutuals: New opportunities for Local Authorities: Letter to Local Authority Chief Executives and Leaders of Councils, 29 July 2012, The Rt Hon Francis Maude MP, Minister for the Cabinet Office and Paymaster General

<sup>2</sup> Public Sector Mutuals: the Next Step: The Mutuals Taskforce 2012.

<http://mutuals.cabinetoffice.gov.uk/sites/default/files/documents/Public%20Service%20Mutuals%20next%20steps.pdf>



children's centres. Locally, some recent examples of public services delivered by social enterprises or business include:

- Westbank Community and Care which runs a consortium contract of social enterprises for the delivery of Carers and Young Carers support.
- Well UK (a partner in the SEEING Project) which is one of 35 lead providers delivering social care in Devon. Specialising in consortia, Well UK leads a partnership of 14 local delivery partners for this work.
- Virgin Care (private sector firm), which, in July 2012, won preferred bidder status for a £45m contract to run integrated children's health and social care services in Devon.

The SEEING report (available from the SEEING website), *Current Strategies and Initiatives around Social Enterprise and Corporate Social Responsibility in Devon*, includes detailed sections on the policy setting at national and (regional) local level in Devon and includes a detailed description of the HotSW LEP's work around both the new Strategic Economic Plan (SEP) and its accompanying EU Structural and Innovation Funds (SIF) strategy. This report seeks to place SEEING within a wider framework.

In the UK (and in Europe) the enhanced interest in social enterprise reflects three drivers:

1. The drive for austerity imposed by the financial crisis that has led public authorities to look for more efficient ways of delivering public services.
2. An acceptance that austerity now means local authorities do not have the funds to grant support local social economy groups and a growing recognition that grant funding can lead to grant dependency and may also not deliver efficient services or support the longer term sustainability of the grantee organisations.
3. The perceived benefits and general implications of the rapid growth of social investment funds in the United States where a different culture of giving, supported by generous tax breaks, has stimulated interest.<sup>3</sup>

UK government policy on the provision of services including welfare and education/training) continues to be dominated by aggressive privatisation and marketisation within a broader liberal economic strategy. There has been strong pressure to privatise delivery and a contracting out culture has become the dominant mode of delivery. Most continental European countries, as represented by the SEEING partners, have not converted to private contracting to the same degree and tend to run their public sector services using public resources and delivery. Increasingly in the UK, services are delivered through a mixed economy combining public, private and third sector delivery.

Writing from an American viewpoint, Stephen Goldsmith, Harvard professor and former Mayor of Indianapolis, argues that welfare systems have gone through four stages of tackling social policy delivery:

Stage 1: when care for people was largely left to families and charities.

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<sup>3</sup> [INNOVATIVE FINANCING AND DELIVERY MECHANISMS FOR TACKLING LONG-TERM UNEMPLOYMENT. PETER RAMSDEN, OECD LEED PROGRAMME, 2013](#)

Stage 2: marked by the welfare state in Britain, when the Government took on the job of ending poverty. Private efforts were largely crowded out.

Stage 3: when the state tried to foster partnerships with the private sector through competitive outsourcing. This sometimes made a big difference, but often the partnerships were too prescriptive and highly focused on cost-cutting.

Stage 4: when government taps the ability of the private sector, for-profit and non-profit, to deliver “disruptive, transformative innovation” through a mixed economy hybrid model.

The UK, in particular through its ‘Welfare to Work’ model, can be seen to have reached Stage 3 with some forays into Stage 4.

The recommendations from the SEEING project should be viewed as part of a move from Stage 3 into Stage 4 and the mixed economy hybrid model. Indeed, the recommendations in this report, based as they are on attempting to promote cross-sector working, are critical to the rapid adoption of this model.

Elsewhere in Europe, there has been more criticism and resistance to adopting the UK’s privatisation approach and it is possible that some SEEING partner countries will try to move straight to the mixed economy hybrid model without going through the competitive outsourcing stage. This may well fit better with a European social model compared to the more free-market liberal/Anglo-Saxon model in the UK.

### **The need for new approaches**

The partner organisations and many of those who have engaged with SEEING recognised problems with the funding model pursued by Government and those contracting services. The dominant input funding paradigm for many social enterprises (and voluntary sector bodies) has created a culture where organisations search for grants and can take an increasingly technical and mechanical attitude to funders. The current grant funding paradigm has a number of hidden costs:

1. The cost of failure. Whereas a venture capitalist assumes that a relatively small percentage of investments will succeed, the normal assumption with public funding is that the great majority will succeed. In practice, many policies are not working well but continue because: “this is how things have been done in the past”.
2. Transaction and reporting costs are high for the recipient. Senior managers in the social economy have to spend huge amounts of their time on fundraising, making grant applications and providing funders with monitoring reports and hosting audits. This is effort that takes away from service delivery. Similar problems beset public sector managers who are accountable for the money they receive to various levels of government. Compliance costs are often at the expense of doing more work on content and innovation in the programmes.
3. Projects and initiatives often end when their funding finishes, unless organisations can ‘switch horses’ to another funding stream. Valuable knowledge and teams are lost in this way.
4. Philanthropic support responds poorly to being approached as a ‘cash point’. Philanthropic support is more often linked to the donors passions than in response to ‘need’ and many donors are particularly wary of funding what perceive as ‘statutory services’. Consequently increased ‘need’

expressed as a consequence of reduction in public spending may discourage givers now and in the future.

New ways of using money are only important if they can do something that was unattainable through old ways of financing, or do something better. The economic crisis has revealed a number of problems with existing systems in fields such as welfare, employment, training and skills where a lack of market opportunities inevitably impacts on those seeking to support people into work/training etc.

Similarly, finance tends to be spent by one agency or level of government in order to be saved by another (*e.g.* local government spends on childcare, but reduced welfare costs among parents accrue to the central state welfare budget).

In theory, re-designing systems of finance can help to solve these problems by driving innovation, improving efficiency and effectiveness and bringing in new service providers. Consequently, Government has moved to fund projects through outcome-based mechanisms, such as the Work Programme. While it is known that grant funding can lead to grant dependency, it is equally true that performance-based funding can lead to manipulation of outputs as the actors in the system are under some incentives to maximize return rather than service or performance.

### **Social Enterprise: New Ideas**

In the United States, new thinking on how foundations spend their money was triggered under the Clinton administration, which reformed laws on 'programme-related investment', allowing foundations to use their investments to fund activities that would promote well-being. Grant-making foundations have significant investment holdings and use the financial returns from their investments to finance their grant-making activities. Foundations were heavily lobbied to disinvest in non-ethical businesses. The result was a shift by foundations towards more ethical investments. It did not take long for the same foundations to realise that they could be using their vast investment power as a force for good in their own programme areas – programme-related investment. Such investment takes investing for good a stage further and allows the foundation to use its investments to pursue its foundation's aims. It usually requires some changes in by-laws to make this possible.

Impact investment is an extension of programme-related investment. Impact investing refers to those where assessment is made not only of the financial return on investment, but also of the social and environmental impacts that will happen in the course of the operation of the business and the consumption of the product or service that the business creates. Impact investing seeks to maximise the so-called triple bottom line. Impact investors therefore seek out new ways of measuring triple bottom lines, such as social return on investment (SROI), which is like a social cost-benefit analysis.

In the 30 years since financial deregulation, there has been a rapid accumulation of wealth by a small number of people working in financial services, computer software (the founders of Microsoft), the Internet (Google)

and, most recently, social media (e.g. Facebook). This concentration of wealthy individuals has led to a new trend of giving among the ultra-rich. This move towards giving in their lifetimes is not limited to the United States. Private, and especially philanthropic, finance is becoming more important both because of the growth in funds under management largely stimulated by tax credits and exemptions, but also because fiscal retrenchment is making it harder for projects to win conventional public funding, so necessitating, or at least encouraging, alternative sources.

The setting up of Big Society Capital in 2011 illustrates how important the social investment market is becoming. The bank focuses on lending to social enterprises at commercial rates. Two-thirds of the capital for the bank has come from dormant bank accounts (those which have not been utilised for at 15 years or more) through an agreement with the banking industry.

The major trend in social investment is a shift away from grants to loans and equity. This shift has also been mirrored in the public sector where there has been a growing interest in financial engineering techniques such as those demonstrated by EU initiatives including the JEREMIE SME Funds, JESSICA Urban Development Funds and the Progress Microfinance Facility. Although grants continue to be the dominant paradigm, there has been rapid growth in a wide range of social investment funds that are focused on other types of investment.

### **Strasbourg Declaration on Social Enterprise**

The Strasbourg Declaration, the outcome of a major event on social enterprise organised by the European Commission in January 2014, has just been released and offers potential for social enterprises in Europe. As SEEING is an EU-funded project and needs to look to the Commission both to direct its findings and to seek to influence policy, this is an important development. Below are the key recommendations:

1. The EU must follow through on all the actions in the Social Business Initiative (SBI). It should develop a second phase of the SBI that broadens its scope, deepens its partnership with Member States, regional and local authorities, civil society organisations and key players in the ecosystem.
2. The European Economic and Social Committee, the next European Commission (with a dedicated inter-service structure) and the next European Parliament must take full ownership and deliver on the actions suggested in Strasbourg.
3. There must be a stronger engagement at EU, national, regional and local levels with the social enterprise community in the co-creation of new policies to support social enterprise, suited to the local context.
4. The Commission must ensure that its commitment to create an eco-system for social enterprise is mainstreamed in its policies.
5. In partnership with the social enterprise sector, Member States, regional and local authorities must fully support the growth of social enterprises and help them build capacity, for example, through legal frameworks, access to finance, business start-up and development support, training and education and public procurement.
6. The European institutions and Member States should reinforce the role of social enterprises in structural reforms to exit the crisis, notably where the social economy is less developed.

7. The Commission, the Member States and regions must boost cooperation between social enterprises across borders and boundaries, to share knowledge and practices. Similarly, all public authorities should cooperate better between themselves and enhance their capacity to support social enterprise growth.
8. Public and private players must develop a full range of suitable financial instruments and intermediaries that support social enterprises throughout their life-cycle.
9. Social enterprise still needs further research and national statistical collection to enable the better understanding, recognition and visibility of the sector, both among policymakers and the general public.
10. In this new Europe, all players need to look at growth and value creation from a wider perspective, by including social indicators and demonstrating positive social impact when reporting social and economic progress.

These EU recommendations both reinforce and compliment the recommendations from the SEEING Project and should be considered jointly by our Local Enterprise Partnership.

# The SEEING Project Final Recommendations

## **Build on what works: Existing Synergies that Enable Cross-Sector Working**

There are a great number of welcome synergies that can easily be overlooked, such as the contribution of sectoral bodies and consortia that can lend scale and expertise. Notable synergies lie in relation to:

- Networking;
- Organisations that already work across sectors;
- Social value;
- Some funding streams and funders;
- The personalisation of services;
- Place.

There is already some good practice (and some not so good) in the delivery of services to the Department of Work and Pensions via programmes such as the Work Programme. The current plans by the Ministry of Justice to privatise large elements of the Probation Service under the ‘Transforming Rehabilitation’ agenda will involve a number of changes to the National Offender Management Service. Significantly, Voluntary, Community and Social Enterprise (VCSE) organisations are being encouraged to tender, both independently and through consortia. Where large private sector primes are awarded contracts, the steer within this has been the need for good market stewardship, with lessons learned from the Work Programme and other areas where the VCSE has too often been seen as ‘bid candy’.

The current political climate is forcing organisations from different sectors to work more closely together and public funding will be expecting social outcomes on top of specific service delivery, making closer relationships with community organisations a necessity. Furthermore, the movement from small grants to large framework contracts gathers pace and the need for partnerships to enable effective delivery is becoming a priority. Small organisations will not have the capacity to deliver large contracts and must seek partnerships within and outside of their sector.

There is a need for the public sector to recognise the importance of personal relationships which remain central in the private (and SE) sectors but are a challenge for the public sector, which needs to be clearly impartial. Clusters, consortia and Chambers of Commerce are all very important to SEs, and the public sector often underestimates this, allowing the bureaucracy to get in the way.

## **Recommendations**

1. The public sector should seek to move to a more rapid delivery of pilot projects with co-opted volunteers from differing sectors (private, funders, third, voluntary etc.).
2. There is a need to work in broader consortia and cross-sector groups as the size and expectations of contracts increase and there is much to be learned from existing consortia such as Well UK.

## Potential New Mechanisms and Support Structures

The potential exists within the LEP and the associated Social Enterprise Special Interest Group to drive forward new partnerships and delivery structures/models. With a declining public sector in a region with a high dependency on public service employment, it is critical for the LEP to engage with innovative new forms of service delivery.

LEP initiatives, notably the SIF and Plymouth and Peninsula City Deal, offered tremendous potential for driving forward the social enterprise contribution to service provision in Devon. The GAIN initiative run by Plymouth University includes Regional Growth Fund support for a portal and a variety of other business support services, and the LEP should ensure social enterprise support is included. Nonetheless, an advocacy role for social enterprises is unlikely to be included within initiatives such as GAIN.

The SIF includes a Local Impact Fund which should be structured in such a way as not to exclude funding for SEs. It could offer the potential of being the funding Board/resource that becomes a focus for bringing together different organisations such as charity banks, traditional banks, SWIG, grant-awarding bodies, philanthropic donors, funding bodies etc.

The private sector-led LEP Board should be encouraged to adopt codes of good practice to help improve working relationships with social enterprise and the Voluntary and Community Sector (VCS).

Different sectors have very different drivers but, through adhering to mutually understood standards, they can work effectively together. Capturing the differing motivations of the sectors will be of crucial importance in delivering successful services in future.

Supply chain development is a priority and the LEP needs to consider the key role it has in driving this forward in terms of service provision and ensuring a shared understanding of what success would look like. Social enterprise provision is embryonic and, even when present, can lack scale and resource. Aspiration can also be a barrier and there could be a role for a new body (or an existing one) to help try and fill the gaps in geographic coverage and in supply chains. Cloud support could be a practical way of achieving much of this. Business support services which, though predominantly very similar to traditional business support to the private sector, should also encompass limited specialist, dedicated support for social enterprises as they have differing legal forms, missions and business models.

Ultimately, the political drive in England is for a blended approach to service delivery and this will need to include local authorities, the private sector, social enterprises and charities. Building this new infrastructure will require strategic thinking at the LEP level if the economy is to be rebalanced and disparate resources pulled together.

## Recommendations

1. The LEP is a significant audience for the Final Recommendations emerging from the SEEING project. Members should be encouraged to see the potential in social enterprises and in Social Value. The members of the private sector led LEP Board should be encouraged to adopt codes of good practice to help improve working relationships with social enterprises.

2. The LEP should ensure that its delivery programmes, such as the GAIN initiative, include identified social enterprise support. Similarly, the new Local Impact Fund could be a vehicle for bringing together different sources of funding such as charity banks, traditional banks, SWIG, grant-awarding bodies, philanthropic donors, ESF, ERDF and funding bodies.
3. The LEP should investigate the potential role for a new (or existing body) to help fill the gaps in geographic social enterprise coverage and in supply chains through driving up aspiration, signposting to finance and access to business support.
4. The LEP should consider establishing a Volunteer Board where people from different sectors agree to give their time free to support innovative cross-sector working. This could also be somewhere to test new ideas and to discuss the practicalities of getting funding. Brokered goodwill and expertise can be as valuable as finance.

### **Further Research**

Despite the work of SEEING and other champions in the region, there is still much to be understood about the scale of the social enterprise sector, its geographic spread and the kinds of activities in which it engages. If it is to provide a more significant role in delivering public services, there is a pressing need to understand where the gaps are and how they could be filled.

### **Recommendations**

1. A small research project should be supported to identify the size and shape of the social enterprise sector in Devon (or the LEP area). To help alleviate the impact of pre-conceived ideas concerning SEs, a number of case studies highlighting a small number of Devon's successful ones, communicated through private and public sector partners, could be included.
2. Investigate, in partnership with the LEP, how to help support social enterprises that offer real potential to drive growth and to step in where current public sector support is to be removed but significant benefits still remain.
3. There will be a number of opportunities through national and European funding streams (such as INTERREG *Channel* – where social enterprise is a priority) as well as various Trusts and Charities for SEEING to explore, ideally with similar cross-sector partners, taking these recommendations forward and testing/piloting them locally.

### **Financing**

When discussing social enterprise finance, there is often a failure to recognise that banks offer far greater potential for lending and they need to be included in groups discussing financing of social investment and Social Value. An approach of this kind could be used to bring together complex funding of strategic priorities and could include ESF and ERDF.

Seed funding is needed to help establish new social enterprises. This should be linked to supply chain and capacity-building to help knit together a framework of support that enables social enterprises to form a more



coherent part in service delivery. Non-traditional funding as well as specialist social enterprise funding is the likely source of this in the short term.

Drawing together funding capacity offers the potential to respond more easily to other funding opportunities (e.g. by knowing what similar activities are being funded and what other match funding may be available). Philanthropic donors are often excluded from consideration when planning new projects and programmes and this needs to be looked at.

### *Recommendations*

1. The LEP and others to give consideration to an organisation providing unsecured finance for start-ups (£5k-£10k) (in progress)
2. Banks and traditional instruments for financing need to be included within new structures seeking to support social enterprise investment and support.
3. A new structure, bringing together different sources of financing, would enable a more rapid response to opportunities for the public sector and others, such as the LEP, interested in driving strategic priorities. This could include a home for philanthropic donors.
4. EU funding (ESF and ERDF) has been important to many social enterprises and the LEP must ensure its eventual mechanism for allocating these funds takes account of the differences between the various sectors.

### **The Golden Thread: Social Value/Social Impact and the Crucial Role of the Public Sector**

A critical finding of the SEEING Project partners is that social value, when fully embraced by the public sector, offers the potential to be the 'golden thread' that can draw together effective cross-sector working as different organisations attempt to deliver social value and social investment against hopefully rather more evolved and holistic impact criteria. It needs to be a transversal cross-cutting theme, similar to equalities and environment. Ultimately, cross-sector agreement on how to approach social value should be sought, involving social enterprises directly in local authority policy formation.

There needs to be a clear explanation and dissemination of what the Social Value Act is and how this can be translated into an opportunity. It needs to be clearer what organisations need to do in order to benefit from these changes and how the Social Value Act will be brought into the tendering process and its weighting versus price competitiveness. To attract a social enterprise audience, events to communicate information about the Act should be focused on parallel activities such as 'meet the buyer' or 'tender-writing'. There would be a strong reason for organisations to attend and a clear benefit for them.

In terms of where social value strategies should reside, the logical home is in local authorities as they are the main (along with NHS etc ...) service delivery bodies whereas the LEP is more strategic.

A critical role for local authorities in enabling delivery of the Social Value Act is to build the capacity of their supply chains and to start to fill in the spaces where currently provision is patchy or absent. The implementation of social value needs to embrace broader definitions of impact than is currently the case and

this needs to be a focus for new thinking in procurement. Internally, it may make sense to appoint a Social Value Auditor/Champion and cabinet member to ensure it is considered across the authority in areas such as planning agreements, procurement and commissioning.

The Social Enterprise Mark was recognised as being of significance particularly in relation to future social enterprise aspirations. However, at this stage in the development of the sector there was considered to be a risk that its application could inadvertently act as a deterrent or block to limit social enterprise development.

### **Recommendations**

1. Social value needs to be communicated to those seeking to provide support and services to local communities through events such as 'meet the buyer' and 'tender-writing' workshops. Ultimately, cross-sector agreement on how to approach social value should be sought. The public sector needs to work with social enterprises and others on their internal approach to the understanding and effective delivery of social value.
2. The Social Enterprise Mark should be supported as an aspirational quality mark but, with an immature SE market, it should not be used as a selective tool as yet by procurers.
3. Local Authorities to consider appointing a Social Value auditor/champion and cabinet member to ensure it is considered across the authority, including in areas such as planning agreements. The post-holder must have sufficient power to enable change within the Local Authority.
4. Nationally or through procurement, there needs to be a way of ensuring that private sector organisations sub-contracting services to social enterprises (and VCOs) maintain standards in line with those pertaining where the social enterprise (or VCO) would have been directly contracted.
5. SEs should be encouraged to maintain the public sector's high standards of employment relations and employee engagement.

### **The Potential of Impact as an Enabler**

The UK national report of the SEEING Project identified that one of the barriers to social finance and public services tendering to the social economy is the lack of knowledge and understanding as well as tools for measuring social impact. In practical terms, one of the main challenges for commissioners and providers is how to measure the impact/changes achieved as a result of services delivered? And how this would be expressed in a procurement opportunity and responded to and measured by a provider? In the near future, social enterprises and others will need to demonstrate impact alongside activity instead of just outputs. There have been a number of useful pieces of work in the region on this topic including the ValueESS Project and Proving our Value (SW Forum).

One of the impacts of the Social Value Act should be to include social value and social investment within local authority procurement. A one-size-fits-all approach to impact will not be sufficiently robust and would depend on the procurement officer understanding what assumptions had been used in the calculation (SROI etc). Even an approach where the organisation ticked a box which stated how they measured their impact and provided

a copy of their last impact report requires time on the officer's part to read and understand the information provided.

The challenge for procurers is how to commission and measure performance in such a contract and for the provider to demonstrate effective change or impacts. Outcome or impact-based commissioning is potentially useful here in that it is more about demonstrating what you achieve/the change made rather than being procured to undertake a series of tasks. In the private sector, when calculating impact, banks tend to look at money and the bottom line, which again is different from SEs. There is the potential, in the area of 'impact', to bring together banks, the voluntary sector, social enterprises and the public sector to share approaches and to learn from each other.

### *Recommendations*

1. Procurers need to investigate, with social enterprises and others, how to commission and measure performance in such a way that the provider is able to demonstrate effective change or impacts that include social value and social investment. Procurers need to use and develop relatively simple mechanisms to allow the calculation of social value impacts. Much still needs to be done by local authorities in this field.

### **The Social Enterprise Spectrum and Business Support**

The SEEING project regards social enterprise activity as lying along a spectrum, with charities at one end and 'for profit' private sector organisations at the other. Entities can travel along the spectrum from both ends or join it as a start-up at any point. The direction of travel along the spectrum is by design, accident or opportunity and may be deliberate or sub-conscious.

SEEING believes that the desire to differentiate social enterprises rigidly from other organisational types was acting against the best interests of the sector and risked leaving it marginalised. Confusion over the term 'social enterprises' did not help and SEEING supports them being referred to, instead, as 'Business for Good'. The SEEING team feel that having too narrow a definition can lead to a 'gated community' approach, where new entrants are potentially put off from considering social enterprise. Social enterprises can seem too exclusive, and not welcoming enough to those businesses or charities which are well motivated but do not meet the defined criteria.

Social enterprises' strict self-perception also had the potential to impact negatively upon their performance in that, when seeking business support, they may feel exempt from more traditional business 'headings' such as sustainability, finance, etc. It makes better sense to ensure that all mainstream business support delivery includes information on social enterprise legal structures. This can encourage purely private sector enterprises to think about social value, and also help them to understand the value of social enterprises and, hopefully, encourage them to be included in their supply chains. Until social enterprise information is embedded, there remains a strong argument for differentiated support.

### *Recommendation*

1. For now, there needs to be a graded approach to social enterprise support, recognising that social enterprises lie on a spectrum and that the great majority of their business needs are similar to those of traditional SMEs. Specialist expertise is needed on topics such as 'legal structures' but after that, they need 'traditional business support'.

## Conclusions

The SEEING Project has been a rare opportunity to examine honestly the challenges and opportunities of supporting and growing social value and social impact through social enterprise activity – the golden thread. It has been an opportunity for both the private and public sector to put strategy in place that takes these things forward.

The specific challenges identified going forward by the project have included:

- Getting the three sectors working together to find ways of growing and measuring social value.
- Minding the gap between rhetoric and reality in driving the delivery of services by social economy

At the European level, the tools provided by the SEEING partners that have been tested in the local authorities can be transferred to other local authorities in Europe and provide inspiration and assistance. At the more local level, the project has enabled the development and/or improvement of local strategies and a better business environment for social enterprises. In the longer term, the project seeks to achieve a legacy of improved Social inclusion and inclusive growth.

In the UK, there is considerable appetite (and a considerable need) for both change and closer collaborative working. There is equally a need for new resources and time to build trust. All three sectors still have a considerable distance to travel individually and, most importantly, together.

It is the hope of the SEEING partners that the recommendations from this report can be taken on board by the organisations within Devon and the wider region that are in a position to boost cross-sector working. Central to this will be the LEP and its associated projects and programmes, and the local authorities for whom social value should be leading the re-alignment of provision and who will need to work with the LEP and with stakeholders in the social enterprise and private sectors to ensure that future service provision can be guaranteed across all geographies.