

**Response by the Social Enterprise Coalition to the Department
of Communities and Local Government *Communities in
Control: real people, real power* White Paper.**

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The Social Enterprise Coalition's Response to the Department for Communities and Local Government Participatory *Communities in Control: Real People, real power* White Paper

1. The Social Enterprise Coalition (the 'Coalition') welcomes the opportunity to respond to the Department for Communities (CLG) and *Communities in Control: Real People, real power* White Paper.
2. The Coalition was established in 2002 as the national voice of social enterprise. Social enterprises are businesses with primarily social or environmental 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. The Coalition represents a wide range of social enterprises, umbrella bodies and networks, with a combined membership reaching over 10,500 social enterprises. These include cooperatives and mutuals, housing associations, leisure and football supporter's trusts and Social Firms. Social enterprises in the UK generate more than £27 billion in turnover, and contribute more than £8 billion to GDP per year. In preparing this response the Coalition consulted widely with its members.
3. The *Communities in Control: Real People, real power* White Paper is an opportunity for communities to have more power in both democratic decision making and the delivery of services. As such it is essential that the full range of organisations across the public, private, and third sectors are involved in developing the actions to be delivered.
4. By prioritising the social or community benefits of their activities, social enterprises play an important role in fostering community well-being and cohesion. Because many social enterprises are also community owned or governed (thereby providing an eminently suitable model for the provision of community based services), the social enterprise movement is also central to a thriving civil society. Consequently social enterprises should be at the centre of the CLG's empowerment agenda.
5. There are considerable number of programmes and potential activities which the White paper indicates the CLG wishes to explore or undertake. The Coalition would like to see a greater level of information of how this links to the broader agendas of the CLG. The Action Plan is vague in terms of responsibility within the Department and where these actions will contribute to cross departmental PSA's, or be shared or effected by other department's objectives.
6. This consultation response will go through the relevant issues within each Chapter and address any specific needs or issues for social enterprises arising from the proposals.

Chapter 1: The case for people and communities having more power.

7. The Coalition welcomes the Department for Communities and Local Government *Communities in Control: Real people real power* White Paper. The role of the citizen is fundamental to the efficient functioning of democracy and public services in the UK. They are also important to the success of many social enterprises such as cooperatives, development trusts and community enterprises that empower individuals to support their community.
8. In taking forward the empowerment agenda the principles laid out in the CLG White paper prioritise greater citizen involvement. Although the White paper also recognises the role of empowered individuals and communities in driving improvements in public services, it fails to give sufficient weight to the role individuals and communities can have in delivering products and services directly to their communities. The development of ownership in the delivery of services from communities to communities will encourage democratic involvement, but it is also central to the development of active and empowered citizens. The role of active citizens in directly delivering services must be emphasised and supported in order to support all forms of empowerment,
9. The Coalition is pleased to see the role of social enterprises recognised as integral to the empowerment agenda. Unfortunately because the paper prioritises democratic decision-making over other forms of community involvement, social enterprises is seen as a means for learning the principles and skills for democratic citizenship. This fails to identify the practical role of social enterprises in delivering services in the most effective ways. This in itself empowers communities by creating a responsive community with the resources to deliver what the community needs.
10. We are concerned that the new relationship between central and local government in the White Paper is not fully understood among general public, including among many small community led organisations and social enterprises. There would have to be a significant community education scheme on a national basis to develop this understanding.
11. The White Paper identifies that central and local government will act in accordance with the Compact. The Compact is not broad enough to be suitable to deal with social enterprises and focuses on non-surplus generating activities. Also the Compact does not represent relationships between third sector organisations and commissioners, which is central to being beneficial for social enterprises. Although a review of the Compact has been undertaken by Sir Bertie Massie this cannot be expected to fulfil the appropriate criteria for social enterprises and therefore the White Paper must ensure that the right basis for the relationship with central and local government is set out from the beginning.

12. Social enterprises, particularly community enterprises are a potential resource for streamlining consultation and engagement and should be identified as such.
13. What implications does the empowering the frontline taskforce have for social enterprises in delivering public services and considering the greater level of contracted out public services? Will this have powers and responsibilities over independent social enterprises?

Chapter 2: Active citizens and the value of volunteering.

14. We are concerned that the use of the 'community allowance' to encourage voluntary and community activity could arguably create a false economy and not tackle the core problems faced by those excluded from the labour market. Encouraging the involvement of individuals in the social enterprise activities, regardless of whether there is monetary compensation, is important to drive the empowerment agenda for those most excluded from the labour market.
15. There is real opportunity to use social enterprise for practical experience and linking citizenship education to local communities. This will empower individuals and engender community spirit as a core value in active citizenship.
16. The Coalition and its partners looks forward helping to develop a methodology by which the administration of the Communitybuilders Fund will ensure the distribution reaches the neighbourhoods of greatest need.
17. We have concern regarding the development of the Grassroots Grant and the £50 million endowment fund as primarily grant giving funds. Both the Grassroots Grant and Endowment Fund could perpetuate grant dependency among small organisations without the capacity to develop sustainable funding options, while generating a mechanism of locally supported grant dependence for local needs. This essentially will embed local grant dependency for solving local problems, and not empowering communities themselves. This seems to give a contradictory message to that of the aims of the empowerment agenda by promoting mechanisms of grant dependency
18. Considering that the most excluded communities are those that often develop small volunteer led organisations, developing a grant dependency mechanism for these groups will exclude the most in need communities from main empowerment funding.
19. There is a potential conflict between the removal of barriers to commissioning faith based groups and the CLG Community Cohesion Guidance for funders reporting requirements. In light of these and the recent judgement in the case between Ealing Council and Southall Black Sisters establishing case precedent of funding specialised services, the legal landscape of funding community organisations is becoming very complex . There could be an extra burden on the faith

based groups and BAME led organisations to navigate new funding processes and this could undermine the equality services.

20. Community media is an essential element of empowering and communicating among local communities. It is essential that these opportunities are supported. This can be done through a range of means but one problem is the lack of available wavelength to provide community radio and broadcast media. With the move to digital there will be a significant gain in the amount of wavelength available. The CLG must work with other departments to ensure that community media benefits from these opportunities and does not get excluded through weight of private sector resources.

Chapter 3: Access to Information

21. Local area agreements are a method for the local communities to understand how Local Authorities will tackle the major priorities for their area. These new systems require close monitoring across all sectors and stakeholders to improve their effectiveness for incentivising development of social enterprises supporting these priorities.
22. The National Performance Indicators will assess progress of the Local Authority against the Local Area Agreements. Their use in evaluating the empowering role of social enterprises in local communities is limited. NI 6 only relates to participation in regular volunteering and most of social enterprises' workforces are not volunteers. Where the source of labour is important to community outcomes, it is often by providing good work to those who have been most distant from the mainstream labour market, a community benefit not captured by NI 6.

NI 7 attempts to measure the impact of local authorities in creating and sustaining an environment for a thriving third sector. While many social enterprises and wider third sector organisations empower the communities they work with and work in through many different routes, Utilising a single index may mask complexities between different types of TSO, for example between those that most actively and effectively empower communities and those with entirely different objectives.

There is also considerable diversity amongst TSOs; some traditional philanthropic organisations charitable actions may be experienced as *disempowering* by recipient communities, compared to more integrated models of community social and economic development. The means of developing the sampling frame for the National Survey of Third Sector Organisations makes it likely that registered charities will be over-represented in comparison to social enterprises, which should be born in mind when making assessments with differential effects within the wider third sector on the basis of aggregate data. The usefulness of the NI7 results for examining community empowerment will depend greatly on how the information is made available, how it is disaggregated for internal comparisons and how it is related to other data sets.

Chapter 4: Having an influence

23. We would like further clarity on the implications petitions power will have for those public services that are contracted out run by social enterprises independently? Will this add a further layer of administration for social enterprises, or is it possible that social enterprises will be used as a means to move responsibility away from councils and therefore rush their creation and externalisation. This is more a limited driver than cost removal but is a concern that must be clarified to remove rather than create additional administrative burdens.
24. As per the Coalition response to the Participatory Budgeting consultation, the term 'community' is very ill defined in terms of the use of budgets. There are no clear methods to be used and many of the beneficiaries of participatory budgeting in terms of exclusion are communities and networks based on identity and not just geography. CLG needs to make clear what this term means exactly to ensure that the actual communities of the UK are empowered.
25. Equally many social enterprises act on behalf of a community, gain their trust and act to represent them because of that trust. In terms of participatory budgeting, there needs to be enough safeguards and flexibility within the system to allow these organisations, such as community anchors, to both act as representatives and garner opinions, as well as deliver services through these budgets.
26. What involvement has the Social Enterprise Coalition have had in terms of the National Strategy on participatory budgeting? The Coalition and its members need to be involved to ensure that the full range of service delivery models is considered.
27. The White Paper states that 'third sector organisations' are full and equal partners in Local Strategic Partnerships (LSPs). Although there is significant involvement in LSPs this is inconsistent across the country and does not occur everywhere. It is the role of central government to ensure that LSPs do carry accurate and effective representation from social enterprises and this should be part of the White Paper. There is a potential role for the LGA and LARIA in developing and disseminating good practice in this regard.
28. The concept of Community Justice is important for raising confidence in the criminal justice system. Already social enterprises are acting to constructively engage offenders and tackle reoffending. The involvement of local people in determining 'community payback' scheme must be for positive 'added value' gains to the community and not retributive schemes for the individuals. Working with social enterprise solutions already functioning will add the range of options available to achieve this.

29. The Duty to Involve means that local people should be more involved in developing and commissioning services. Social enterprise and particularly community led enterprise is a form of local community ownership of services which could fulfil the needs of the Duty to Involve. This should be recognised as part of the Regional Improvement and Efficiency Partnerships and the Regional Empowerment Partnerships to support and access presently existing structures.
30. To ensure this is the case, regional networks and key examples of social enterprise should be included in these partnerships rather than merely representatives of the Voluntary and Community sector or charitable sector. Understanding of social enterprise and their needs is particularly essential.
31. The Coalition welcomes the opportunities and the encouragement of housing cooperative models for tackling the lack of social housing opportunities.
32. In *The Aiming High for Young people a Ten Year Strategy*, the Youth Opportunities Fund and the Youth Capital Fund give the opportunity for young people to have real influence on spending decisions. It is the intention that by 2018, 25% of Local Authorities positive activities budget should be decided by young peoples influence. Social enterprise delivering to young people often include these young people as part of the decision making structures. Local Authorities must be made aware of these possibilities and develop conducive criteria by which they can examine organisations to meet these conditions. Further clarity and a programme of education would be welcomed as well as promotion among local authorities.

Chapter 5: Challenge

33. It is unclear how these new methods of accountability that have been indicated impact on externalised services? In terms of delivering public services will these apply pressure to create social enterprises which won't be under the jurisdiction of these new methodologies? Will it change or affect the procurement processes?

Chapter 6: Redress

34. The Community pledgebank is one method to develop ownership, but government support for Community Share issues for Community Anchors and community enterprises can deliver ownership of community services and organisations while raising much needed capital for social enterprises solutions.
35. Although the community contract is seen as a means of embedding the community and the standard of service delivery together, it is essential that certain elements are clarified. First what will be the priority of the community contracts; will it be in terms of cost or standard of service

delivered? Secondly how can the assessment methodologies (not yet stated) identify the added value of social enterprises?

Chapter 7: Standing for Office

36. The community mark is an important element for helping create understanding between business and civic engagement. Unfortunately this programme fails to recognise the embedded nature of social enterprise in the community. Social enterprise, using agreed methods of identification, can meet the requirement of the community mark already. CLG should use the activities of the Social Enterprise Coalition and its members as a means to determine some of the factors for the Community Mark.

Chapter 8: Ownership and Control.

37. Social enterprise delivers local community ownership, encouraging citizenship and the empowerment and development of active citizens.
38. There is very limited detail on the working and structure of the Asset Transfer Unit and its links with the CLG Social Enterprise Unit. The Communitybuilders scheme specifies the focus on social enterprise in developing premises and community assets so this should be an automatic structural link. There needs to be evidence of how the sustainability of asset transfer will be maintained (social enterprise) and links with the Communitybuilders Programme.
39. We believe that CLG should clarify and strengthen its commitment to Community share issues, not just for the gaining of land and assets/premises, but also as a means for encouraging social enterprise, which would promote community ownership of business and not just assets.
40. The Social Enterprise Unit should be part of the community share issue investigations and a means of communities developing finance products for social enterprise and embedding them in community control. The Community Interest Company (CIC) structure is one such mechanism that could be encouraged.
41. There is a mixed approach to supporting social enterprise with accountability for local authorities and democratic decision making being vaguely linked to community ownership. Social enterprise should be embedded throughout the White Paper and local infrastructure. This would ensure that the changes become a structural part of local service delivery and accountability.
42. Social clauses are an untested means of guaranteeing social returns on investment and should not be the primary focus of activity considering all the good practice and opportunities that the Coalition and its partners have already identified. We believe that CLG should start by piloting

methods that are significantly advanced and not developing unevidenced mechanisms that could undermine SROI mechanisms as a whole.

Recommendations

43. Social enterprise is central to the development of community ownership of services within local communities. Therefore the promotion of social enterprise should be central to the Empowerment White Paper to achieve its aims.
44. The Grassroots Grant and Endowment Fund mechanisms institute a mechanism of grant dependency at a local level. The Grassroots Grant mechanism should be altered to encourage and facilitate sustainability throughout social enterprise solutions. The Endowment Fund should be used to promote the local raising of finance for social enterprises.
45. CLG should investigate specific social enterprise performance indicators for the next round of Local Area Agreements to ensure that incentives for increased performance to the benefit of social enterprise solutions is embedded in the evaluation procedures of local authorities.
46. CLG should promote the use of community share issues and community bonds to raise start up finance for social enterprises in communities.
47. The CLG needs to promote the role of social enterprise networks in Local Strategic Partnerships to ensure the diversity of the third sector are involved in the design and delivery of public services. This should involve awareness raising of social enterprise among LSP member organisations.