

**Response by the Social Enterprise Coalition to the Department for the Environment,
Food and Rural Affairs' Towards a DEFRA Third Sector Strategy Consultation**

Introduction

1. The Social Enterprise Coalition (“the Coalition”) welcomes the opportunity to respond to the Department for Environment, Food and Rural Affairs' Towards a DEFRA Third Sector Strategy consultation. We have responded to the main headings.
2. The Coalition was established in 2002 as the national voice of social enterprise. 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 co-operatives and mutuals, development trusts, housing associations, leisure trusts and Social Firms. 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. This response was informed by consultation with relevant members of the Coalition.
3. The Coalition is also submitting more detailed considerations in a Think Piece, “Social Enterprise and Defra’s Objectives: an Agenda for Collaboration”, in conjunction with Co-operatives UK, the Development Trusts Association, the Plunkett Foundation and RISE.
4. We believe that social enterprises can make a real and sustained contribution to achieving Defra’s strategic objectives, especially climate change, the natural environment, sustainable production and consumption, food and farming and rural communities. Social enterprises with environmental aims are the most suitable business model to address ‘greatest market failure in history’¹.

Key recommendations

5. Stronger collaboration with key partners can enhance the considerable contribution social enterprises can make towards delivering Defra’s strategic objectives by:
 - raising understanding of the distinctiveness of social enterprise throughout Defra and its agencies
 - a strategic partnership on social enterprise and the environment
 - strengthening the Defra Social Enterprise Forum
 - removing barriers to social enterprises in Defra’s commissioning and procurement.

Vision and Objectives

6. The Coalition supports Defra’s ambition for a flourishing, strong and independent third sector. In order to achieve this it must be understood that the sector is internally diverse and that policies can have differential impacts on different parts of it. This is especially true in the difference between

¹ Stern Review Report on the Economics of Climate Change, 2007.

social enterprises and more traditional community and voluntary organisations. Social enterprises are already making a considerable contribution to living within environmental means, and the social enterprise model has the potential to deliver much more. Defra can help maximise this by co-ordinating its and its agencies actions with the social enterprises that provide solutions to challenging policy objectives and increasing recognition of how many aims are held in common.

7. The Coalition approves of Defra's recognition of the skills and expertise that exist in the third sector and its desire to work together. It is pleased that Defra has noted the distinctive role of social enterprise in developing, through business acumen and entrepreneurial methods, economically sustainable ways to most effectively achieve environmental sustainability. However, the role of social enterprise is not limited to this, it includes:

- innovating to develop new solutions to problems,
- regenerating and sustaining rural and urban communities and
- allowing community and social relations to be translated into actions, especially behaviour changes, which can contribute to environmental sustainability.

We welcome the enhancement of a relationship that would be to mutual benefit and improve performance towards essential and shared aims, the means to achieving which is discussed further below. A level playing field for the sector is essential to this. While the Compact does not cover trading and contracts, and so has limited relevance to social enterprise, we are encouraged by the idea of extending good practice in delivery and commissioning to the Third Sector and to social enterprise in particular beyond the limits of the Compact.

8. In maintaining and enhancing a strong relationship with social enterprise, it is important that its distinctiveness is recognised and that the relationship extends across the department and permeates to appropriate levels, and is considered in Defra's relationships with other departments and key stakeholders, such as delivery agencies.

Working in Partnership

9. Defra and its delivery bodies should recognise the difference between types of third sector stakeholders, including that effective relationships with social enterprise entail more than Compact compliance. Where appropriate Defra should encourage delivery bodies to adopt social enterprise strategies. Defra should develop strategic partnering with key social enterprise partners. Strategic partnering can not only add value in a specific area, but facilitate connections between Defra, social enterprises and bodies directly supporting them that can help inform policy decisions, set models of practice for the future and contribute to improving mutual understandings of work cultures.

10. Social enterprises contribute across Defra's objectives, most notably in:
- environmental entrepreneurship,
 - community based enterprises which integrate environmental with economic and social benefits,
 - social enterprises which change the way business is done and change behaviour, and
 - social enterprises which deliver renewable energy, waste and other environmental services.

This is discussed in more detail in the think piece "Social Enterprise and Defra's Objectives: an Agenda for Collaboration". Defra could enter into effective strategic partnering with one or a small number of organisations on all of the above where there are already common interests between the social enterprise community and Defra, where both could contribute complimentary and additive expertise to each other and where both parties can increase their own effectiveness and potentiate the activities of the other(s) to achieve those ends which are shared. Where a choice must be made, the first priority for adding value to existing activities should be the theme of social enterprise and environmental sustainability (especially but not restricted to climate change). Considerations in making that selection are:

- the importance of the issue, across departments and internationally,
- that it is central to a cluster of issues of Defra concern: waste, energy and other environmental services, communities (especially but not exclusively rural), environmental entrepreneurship, behaviour changes towards greener living and the social technology to make them achievable,
- that this is an area where there must soon be enormous economic transformation if stated targets are to be achieved and
- it is where social enterprise can make a distinctive contribution.

11. Strategic partnering is likely to have the greatest impact for Defra if it is with a small number of organisations where close relationships can be developed. Wider representative reach can be through the strategic partners, for example their membership.

12. Social enterprise partners can offer a deeper, more coherent and more active engagement between Defra and social enterprise. This would include a translation and transmission role, in dealing with both parties to explain to each how to match social enterprise solutions to environmental problems to the appropriate members or associates of Defra and their problems. The partner should be one primary accountable conduit through which a range of different stakeholder concerns could be expressed, articulated and represented to Defra. The role includes reaching out beyond usual suspects in their constituency and ensuring communication within a partnership and between partner and key stakeholders. There should be an expectation that government and the third sector partner agencies would gather and share evidence as well as proposals for policy changes or new initiatives at an early formative stage, if necessary in confidence. A partnership will allow a joint approach with Defra to other departments and Defra's delivery bodies, enabling both partners to function more efficiently. A partner should offer critical but friendly policy influence to all parts of Defra, drawing on its expertise and connections as a locus of networks, and extend understanding within Defra by arranging events and meetings, as well as providing advice. Partners should be engaged in disseminating information, including best practice and evidence of success, to social enterprises, social enterprise organisations, other third sector and Defra parties at all levels. There is also a role for social enterprise strategic partner to further integrate environmental considerations into the aims and practice of enterprises primarily motivated by social considerations.

13. Defra should be prepared to make some core funding available to help contribute towards the costs of such work, or fund the development of financially sustainable models for conducting the tasks involved in the partnership. In order to best achieve the objectives of the partnerships, partners should be afforded access and inclusion, where relevant, throughout the department ensuring, for example a social enterprise perspective at discussions pertinent to the success of social enterprises in environmental sustainability where there is no explicit third sector objective.

Future Grant Funding

14. Most effective use of grant funding is in establishing sustainable and independent income streams (building capacity, specific advice, facilitation, addressing barriers to entry, growth or flourishing) rather than funding which is used as income for schemes that then risk financial collapse or long term grant dependency. If there is a funding or commissioning role, the strategic partner should be assisting the coordination of transactions, advising on the best way to ensure standards and add greater long term impact, rather than diverting funding from end organisations. Funding criteria for grants should allow flexible and dynamic achievement of ends agreed with and set by Defra, rather than a central specification of means. While not all enterprising or innovative methods will be successful, where there is success it can be great and it can be replicated. Defra and partners should celebrate schemes that work and hold them up as examples for others.

Common Goals

a) Creating a supportive environment for a healthy and environmentally sustainable Third Sector

15. A Defra third sector stakeholder group must reflect the distinctions within the third sector; stakeholder interests extend far beyond the Compact. If Defra pursues representative strategic partnerships, the strategic partners themselves should be the core of the Third Sector stakeholder group. Additional third sector representation should come via them. A separate stakeholder group might undermine the purpose of having strategic partners and lead to duplication of work and expense. Both officials and strategic partners should be asked to run sessions with other guests invited if appropriate. The group should increase third sector contact with NDPBs and other delivery agencies,
16. The group should be independent in the content of its contributions but interdependent insofar as it partakes in a dialogue with Defra and its agencies in which for Defra can present their needs and the third sector their solutions, and vice versa. The provision of resources should match this objective; if Defra does not provide the secretariat, resources should be made available, but there is no pressing need for a separate secretariat.
17. Defra can improve the amount of business it conducts with social enterprises, through its direct commissioning and through executive and commissioning agencies, making use of social enterprises

in delivery and in its role in creating and structuring markets in which they operate. Defra and its agencies are major figures in existing markets and will be in emerging ones. This impact can be used to influence prevailing practice for the better. As noted elsewhere in this response, building close relationships with key strategic partners can further full consideration of third sector issues and social enterprise solutions throughout Defra and in its important relationships with other departments. More detailed discussion can be found in the Think Piece, "Social Enterprise and Defra's Objectives: an Agenda for Collaboration".

18. It should be noted that social enterprises, including those whose primary objectives are not environmental, may well be more environmentally sustainable than comparable private and public organisations.² The Coalition applauds and is a signatory to the Third Sector Declaration on Climate Change and is improving its own environmental performance. For smaller organisations especially, the barrier to improving environmental performance is not a lack of commitment but of resources: both appropriate information and the capacity to invest to make changes. Both could be provided by social enterprises were they to be commissioned. Where there is differential environmental impact between parties, this should be recognised in commissioning processes. This requires Defra assistance and leadership in developing and encouraging the use of standardised measurement tools that can be applied across sectors and types of organisations. While standards such as ISO 14001 set a benchmark, they do not provide a direct incentive for competitive improvement. Defra can collaborate with third sector organisations and strategic partners to celebrate what many social enterprises are already doing and share evidence of methods that improve environmental performance.

b) Enabling voice and campaigning

19. The 'hard to reach' are least likely to commit what are to them scarce resources if the decision seems to them already made and if the relative costs to contributing are high. The role for strategic partners and other intermediary organisations lies: in facilitating their input by increasing a sense of influence by pooling contributions, extending consultative reach via existing community and social structures and providing 'translation' into culturally appropriate terms, demonstrating relevance and applicability. In this membership and community organisations have some advantages over specific issue advocacy organisations and the two may choose to work together.

c) Strengthening communities

20. The barriers to greener living are less in a lack of motivation or generic information, than in a lack of the means to make appropriate changes. Provision of expertise, specific advice and environmental services is required. There is a potential role for existing or new organisations based on a social enterprise model to provide this, more effectively and efficiently than profit taking consultants, providing the resources can be contributed by Defra or others.

² *Saving money, saving the Planet*; Triodos Bank and Scottish Social Enterprise Coalition, September 2007.

21. In championing climate change in negotiation there is often a perceived tension between multiple objectives, environmental, social and economic, and constrained resources. Social enterprise as a model and practice can offer positive resolutions to these tensions by demonstrating multiple policy benefits from single actions, and multiplier effects from the use of scarce funds. However, Local partnership arrangements can be extremely time consuming and divert energy and resource away from the core business of third sector organisations. If resources are to be used in this way to help achieve common objectives, some form of supplement is appropriate.
22. Defra can develop a strand of the strategic partners programme specifically to promote community-led social enterprise in rural areas; specifically by helping rural communities respond to structural change through self-help, developing new markets and creating successful community-run enterprises.
23. Volunteering of course has many benefits for both parties. However, resources can limit those who can participate especially in areas of multiple deprivation. It might be more inclusive to channel efforts into creating jobs that would further the same agenda by setting up or utilising social enterprises to create the jobs (with all the benefits of involvement and skills development) but which would be financially self sustaining and so no drain on Defra resources. We would welcome Defra staff spending more time visiting and getting to know social enterprises. Strategic partners could develop a brokerage service for Defra, to help place volunteers, secondments and mentors with social enterprises.

d) Transforming public services

24. Defra should use more social enterprises to deliver its objectives. How this can be achieved is discussed more below. It is important that Defra recognise the distinctions within the sector and attendant differences in the best form of support, for example between support which represents an investment in capacity to develop self-sustaining social enterprises, grant funding. Defra can assist in the development of, and encourage the use of, robust evidence measuring the comparative effectiveness of third sector and social enterprise services in addressing environmental concerns. Defra can support third sector delivery in its relationships with other departments, such as CLG, where their objectives coincide and where social enterprise models can be used to achieve results for both departments' policy agendas (e.g. community recycling schemes which tackle climate change and also promote employment, re-skilling and community cohesion).
25. Social enterprises contribute to and could contribute more to: Community renewable energy generation, energy efficiency and energy services, (including tackling fuel poverty), reuse, waste reduction and recycling, land management, education and engagement (especially with 'hard to reach' groups) and community transport. Social enterprise also contribute to climate change by: dual and multiple use services and facilities which reduce building related emissions and reductions in

transport emissions maintaining local amenities, food, shops and employment, especially but not exclusively in rural areas.

26. Social enterprises are sometimes unintentionally excluded by pre-qualification questionnaires, and aggregation of contracts for efficiency savings. Commissioners consequently need to reassess what constitutes value for money to take into consideration wider social, environmental and economic gains. Commissioners should have incentives for meeting multiple objectives and joining up different types of service for efficiency gains. Work carried out by the new economics foundation on local multipliers has demonstrated that by spending locally, procurement expenditure can play a role in stimulating local economies³. Commissioners should also have incentives to commission preventative solutions. There is often a disparate understanding by commissioners of what constitutes a social enterprise; we recommend a capacity building programme to bring about the required cultural change including increasing commissioners' and procurers' understanding of social enterprises, ensuring they are aware of the wider social, environmental and economic impacts of their decisions and are empowered to take advantage of the innovation that social enterprises can offer. Defra could adopt a long term view of developing the supply side for their procurement, supporting fledgling social enterprises to make them ready for tender and for investment.

e) Encouraging social enterprise and environmental entrepreneurship

27. Defra, working with key social enterprise organisations, should endeavour to undertake a cultural shift in its understanding of social enterprise, both within Defra and its agencies, and including procurement. Defra can assist in building the evidence base of social enterprise contributions and move towards agreement on commonly accepted comparative measure. Defra can, in its role as a commissioner and in research (in conjunction with OTS and social enterprise organisation support) encourage market development for environmental social enterprise solutions. Defra can also work with other departments to address barriers to social enterprise development such as access to suitable business support. More detail is to be found in Think Piece: "Social Enterprise and Defra's Objectives: an Agenda for Collaboration". Defra should develop a specific strategic partners theme focused on social enterprise and environmental sustainability. The strategic partner can act as a link between Defra and social enterprises themselves, to most effectively direct and extend social enterprise expertise and input to Defra and environmental support and information to social enterprises and to generate in collaboration with Defra and other key stakeholders innovative ideas for social enterprise solutions to environmental sustainability challenges.
28. Defra should strengthen the Defra Social Enterprise Forum which can serve an important role as a social enterprise specific source of expertise and representation. Engagement with individual social enterprises should probably be mediated in the first instance via umbrella organisations, by consultation, collaboration or by invitation to the Forum. In order that the forum contributes best to deepening and extending social enterprise's relationship with Defra, it should:

³ http://www.neweconomics.org/gen/newways_socialreturn.aspx

- Have a brief to Set clear objectives and draw up a plan of action to achieve specific policy outcomes
- be able to invite Defra delivery agencies where relevant
- have its status raised by the appointment of a ministerial chair, and
- advise Defra on establishing a dedicated social enterprise unit, led by a Director-level official, to drive a culture change across the department.

29. Under social enterprise on Defra's web site there should be a link to the Coalition's web site and links to strategic partners, if and when the programme is established.

30. The Coalition would welcome the opportunity to discuss these comments further with the Department for Environment, Food and Rural Affairs.

31. Should you wish to discuss this matter further please contact:

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February 2008