



REALISING THE POTENTIAL OF SOCIAL ENTERPRISE

A Guide for
People in Local
Government



Social
Enterprise UK

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About This Guide:

This guide is for people working in local authorities who are interested in social enterprise: council leaders, senior managers, directors of services, commissioners, heads of procurement, or those with responsibility for economic development.

It explains what social enterprise is, how social enterprises can help meet a local authority's strategic objectives, and gives practical advice on how local authorities can best work with them.

Partners of Success

GLL

Born in 1993, GLL has grown rapidly to become local government's preferred leisure partner in over 350 venues across the UK.

The foundation of our charitable social enterprise is our four pillars
– better service, better people, better communities and better business.

We are strongly committed to deliver success in all that we do, developing enduring partnerships in physical activity, health and learning along the way.

After 25 years experience working with local authorities, we understand the challenges you work under. We are successful at delivering improvement and investment in leisure, libraries and other services that are affordable, sustainable and well-used.

We are a staff-owned mutual and a true not-for-profit which means we re-invest all financial surpluses in our facilities, services and staff. We engage with local communities, helping get more people more active more often.

GLL's pioneering use of social value to measure our positive effect on people's health & wellbeing, opportunity, education, and on reduced crime, means life is demonstrably "Better for Everyone" in the communities we serve.

Local authority clients also benefit from our partnership with major UK industry bodies such as SEUK, SPORTA, CIMSPA, SPORT ENGLAND, UKACTIVE, PLAYFOOTBALL and the LTA.

We are a stable, sustainable organisation which has been led by an experienced senior management team for 25 years.

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1.0 What are social enterprises?

Social enterprise is all about combining business with social justice, and using business and enterprise as a force for good and a way of making change.

It is estimated that there are over 70,000 social enterprises in the UK, ranging from new start-ups at the grassroots through to large multi-million pound organisations with thousands of employees. It is a diverse and exciting movement to be part of, and social enterprises change people's lives in lots of different ways: through creating jobs; through preventing environmental waste; through reinvesting profits into community activity; through developing new services to help the most vulnerable. Well-known examples include the Big Issue, Belu Water and Divine Chocolate.

Social enterprises exist in the space between traditional charity, the public sector and mainstream business.

They are different from traditional charities in that they:

Make most of their money from selling products or services

Don't rely on volunteering, grants or donations to survive

They are different from the public sector in that they:

Are not part of government

Don't have political leadership (like councils)

Can operate as businesses in the market

They are different from traditional businesses in that they:

Have a primary social mission or purpose

Don't exist to maximise profit for shareholders

Don't exist to make owners wealthy

Measure the social impact and difference they make



Social enterprises come in all sorts of types and forms, but what connects them are these five characteristics:

- 1) They have a social mission written into their company
- 2) They make more than 50% of their money from trading
- 3) They reinvest or give away more than 50% of their profits
- 4) They are independent: owned and controlled in the interests of the social mission
- 5) They are transparent in how they report their social impact and how they operate

If an organisation can tick all five of these, it is a social enterprise: these are exactly the five things we ask organisations when they join Social Enterprise UK as members.

Common social enterprise legal structures include:

Community Interest Companies (CICs)

Registered Charities (or trading arms of charities)

Companies Limited by Guarantee (CLG) with a social purpose

Co-operatives (eg. a Community Benefit Society)

For more on social enterprise definitions, how they are certified, and who regulates them, please see the relevant pages on the Social Enterprise UK website:

socialenterprise.org.uk/Pages/FAQs/Category/FAQs

Case Study:

Waltham Forest Feel Good Centre

Popular leisure centre rebuilt as the beating heart of the local community

Working with Waltham Forest Council, GLL delivered a complete design and rebuild of an ageing facility that occupied a large site with indoor and outdoor facilities including sports halls, pitches, and an athletics track and pool used by former Olympic athletes in training and a young David Beckham.

Fully accessible, The Feel Good Centre caters for many more users than the previous facilities with a wide range of amenities – including a trampoline park – to help residents of all ages lead healthy and active lives. It even boasts a luxury day spa with Elemis treatments.



2.0 Why should local government be interested?

A) Transformation & innovation

Local government is in a uniquely challenging period with constrained and reducing resources coming at a time of increasing demand and demographic change. While different local authorities are taking different routes to navigate through this landscape, what is common among all is:

A need to maximise the effectiveness and value achieved from spend

A need to transform and reconfigure services

A need to do things differently and try new ways of doing things

A need to work across agencies and across sectors more than ever.

Social enterprises offer a potential solution to the problems and challenges that local authorities face. They are run as enterprises, so have a focus on the bottom line and maximising the value they create from each pound. They bridge different sectors, combining the social objectives of a charity with the business discipline and entrepreneurialism of a commercial business. The evidence also shows

that they are more innovative than their mainstream counterparts: 59% introduced a new product or service in the last 12 months, compared to 38% of SMEs as a whole.

In short, social enterprises offer access to innovation, cross-sectoral working, and a focus on both the bottom line and on the problem they were established to address.

Social enterprises also increasingly operate across almost all industry sectors and areas of interest to local authorities: childcare, community transport, education, employment, leisure, public health, social care, libraries and beyond.

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Case Study:

Public & community health

City Health Care Partnership CIC is an employee-owned community interest company that provides a wide range of services to the local community: from district nursing to community pharmacies.

CHCP CIC became a social enterprise in 2010, as an independent provider of all NHS community services in Hull. In the past seven years, CHCP CIC has expanded from Hull to the East Riding of Yorkshire and the North West, growing in size (to £108m+ turnover) and having nearly 2000 employees, of whom over 80% are shareholders: co-owners of the business. CHCP's Foundation has been established to reinvest profits in the local community (over £50k of grants in the last year). Across all services, 96% of patients would recommend CHCP CIC to their friends and family.

One aspect of CHCP CIC's work is in public health: its stop smoking activity in St Helens, for example, has reached over 2,000 people with over half of those successfully quitting. It has also developed QuitPal, a smartphone app, and a full Quit Online system to help more people give up and ultimately reduce the burden on the system in the long-term.

Chcpic.org.uk



B) Economics & employment

Social enterprises are recognised for the additional social value they deliver. What is less well-known is their direct economic impact.

Recent government estimates show that they employ over 1 million people and make a £25bn contribution to the UK's economy. In many local areas, social enterprises operating in healthcare or housing are often amongst the largest local employers.

Many local areas are seeking economic and business growth: and social enterprises can help areas achieve these goals. In direct comparison to mainstream SMEs in the past year, social enterprises are:

More likely to have increased their workforce and created jobs

More likely to have increased their turnover

Starting up at three times the comparative rate

Much more likely to be based in the most deprived areas

Much more likely to employ those disadvantaged from the labour market

For local areas looking for dynamic start-ups, business growth and job creation, social enterprise should be an integral part of their plans.

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Case Study:

Royal Borough of Greenwich

Enduring public service partnership goes from strength to strength

In 1993, faced with funding cuts, Greenwich Council needed to find a new way to run its leisure centres and teamed up with GLL to develop a new model. From a transfer of seven leisure centres, success quickly followed. GLL now partner with the

Council to manage over 35 facilities including libraries, leisure centres and adventure playgrounds and children's centres. The Central Woolwich Library is one of the best used in the entire country, with 2.4m visits in 2016.



C) Social value & shared objectives

Social enterprises and their public sector counterparts will often have similar objectives in the areas in which they work: better health and wellbeing for local people; jobs and opportunities for those who wouldn't otherwise get the chance; support for the most vulnerable to live a fulfilled life. As with local government, social enterprises are not seeking personal profit or shareholder dividends: they reinvest their profits back into their services and people to achieve their aims.

The Public Services (Social Value) Act was created to help bring these shared objectives to the fore, by ensuring that local authorities (and all public sector agencies) consider the wider, long-term social and environmental value alongside the more narrow, short-term financial value in their commissioning and procurement. The Act, which became law in 2013, advises that all parts of government must 'consider' this wider value at the pre-procurement stage. Many local authorities have embraced its potential, and now have a social value policy, statement or outcomes framework which is being translated into procurement: in tenders, with substantive weighting.

It is worth noting that although the Social Value Act only strictly applies to services contracts above EU procurement thresholds, guidance from central government advises that it should be applied more widely and for smaller contracts. For example:

Plymouth Council's policy states that they apply social value consideration to every contract above £5,000

Durham Council have extended their application of the Social Value Act to goods and works as well as services

Halton Council have a shared social value approach with their clinical commissioning group; meaning infrastructure contracts can drive improved health and employment outcomes

The Act is increasingly seen by councils not as a piece of legislation to be complied with, but as an opportunity to do things differently, and help achieve the shared goals that local authorities, social enterprises and organisations across sectors want to achieve

For more information on how local authorities are approaching implementation of the Social Value Act, see [Procuring for Good](#), Social Enterprise UK's research report, which categorises councils based on their approach, policy, leadership and weighting

socialenterprise.org.uk/Pages/Category/research-reports

More information on social value generally can be found at: socialenterprise.org.uk/Social-value

3.0 How to work with social enterprises

A) Commissioning & procurement

Most social enterprises are small, so the challenges they face in relation to commissioning and procurement are the same as many small businesses:

The contracts can be too large

They lack capacity for business development and engagement

They struggle to identify and access opportunities

The costs of access, business development and contracting are high

At the same time, most recognise that capacity within local authorities has also been reduced in these areas; this makes engagement more difficult, and leaves less time for knowledge gathering and relationship building.

We would encourage councils to use the levers they have, including the Social Value Act, in order to do a number of things:

1. Engage with the market: many social enterprises have exceptional reach, understanding and know-how that can help achieve your aims; local social enterprise or charity networks can help with brokerage
2. Consider smaller-sized contracts where you know the social sector may have a significant offer and role to play
3. Encourage larger providers of all types and sectors to sub-contract with social enterprises in their supply chain
4. Ensure that value is the primary means of assessment: this includes environmental and social value, and avoids a short-term race to the bottom on price which doesn't address problems in the long-term
5. Commission by outcomes not outputs, and pick those outcomes smartly
6. Put in place longer-term contracts where possible
7. Make available procurement calendars to improve access to opportunities
8. Seek to 'buy social' from social enterprises in the council's own supply chain

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More broadly, local authorities should look at the opportunities across all of the goods and services it is buying: infrastructure spending can unlock local apprenticeship opportunities; a catering contract can provide employment for people with learning disabilities; profits from community services can be

reinvested into the local community.

It is worth noting that some social enterprises, such as Fusion 21, offer procurement services to local authorities and housing associations which offer both savings and the creation of local social value.

B) Finance

Social enterprises can also be interesting for local authorities in terms of finance and investment, as well as service delivery. Social investment, which seeks to achieve both a financial return and a social return (creation of social value), is increasingly widely used by social enterprises and charities. This can provide a number of opportunities for local authorities:

1. Investing their own funds into local and social investment funds; for example, the London Borough of Waltham Forest invested some of its pension fund in Impact Ventures UK, a social investment fund
2. Attracting external investment for capital or revenue projects into a local area; this can include payment-by-results models (such as Social Impact Bonds), community housing projects (such as Community Land Trusts), or locally-focused funds (such as the Bristol Sitr fund)
3. Creating and investing in community-focused enterprises such as community energy, which create local ownership through community shares, mobilise investment and build local resilience
4. Undertaking community asset transfers, in which a social enterprise is given management and/or ownership of land or buildings by a local authority: usually by means of a freehold or long lease
5. Pursuing joint ventures and ownership models - councils are increasingly looking to set up joint ventures with providers or with other councils and local agencies, and social enterprises are a popular structure for doing so; leading examples include PLUSS in the South West
6. Providing discretionary business rate relief - some local authorities choose to incentivise and encourage social enterprise in their area by using discretionary business rate relief; for example, applying the rate relief to community interest companies as well as registered charities
7. Local authorities can provide direct lending or grants to social enterprises themselves, or through community foundations

Case Study:

Transport

HCT Group is a social enterprise in the transport industry, operating all over the British Isles.

They provide over 20 million passenger trips on their buses each year, and they reinvest the profits from their commercial work into projects in the communities they serve. One specific example of their innovative work is being done in Jersey, the largest of the Channel Islands. HCT's Jersey work has become a model of both how to commission for a genuine partnership and the opportunity presented by bus franchising.

In 2010, the new Sustainable Transport Policy in Jersey called for a significant increase in bus ridership, which created a need for a new model. Jersey began an in-depth procurement process to find not just a contractor for their bus service, but a genuine partner that could work with them to create change. This process led to HCT Group winning the contract. In January 2013, Jersey launched the new bus service under the brand LibertyBus.

The most significant highlight of the partnership is a novel profit-share arrangement – once profits from the bus service reach a certain point, they are shared with Jersey to reinvest in transport infrastructure – which, in turn, helps to increase ridership in a virtuous circle. Other aspects of the partnership include open

book accounting, and shared, open data on contract performance.

The combination of the profit share to align incentives between Jersey and HCT Group alongside a genuine desire to work in partnership has been a great success. Since the new service began in 2013, passenger ridership has increased by 34%, customer satisfaction has increased by 5%, and new routes have been added based on direct community feedback. The model used by Jersey would be entirely replicable in the wider UK.

HCTGroup.org



GLL Case Study:

Swindon: asset transfer

Reduction of council liabilities, investment in service

Since 2012, Swindon Borough Council has been looking to reduce its financial liabilities while securing significant investment in public leisure for local communities.

Leisure assets that have been transferred to GLL's social enterprise include an ice skating rink and a popular

family leisure pool. New investment has enabled the opening of a brand new gym and a trampoline park.

Capital investment under the not-for-profit business model guarantees the sustainability of the facilities and an upgrade to the requirements of the 21st Century leisure customer.



C) Mutualisation

There is a long history of parts of the public sector ‘spinning out’ into social enterprises: housing associations, community transport and leisure trusts are three areas where there has been significant activity in the past. More recently, community health services have spun out from the NHS as social enterprises (particularly between 2009 and 2012) and local authorities have also been exploring this option in several areas, including libraries and adult social care.

Mutualisation tends to refer to a service or services being spun out into a social enterprise with a significant component of staff or employee ownership. Normally, the new organisation is accorded a contract on externalisation of three to five years from its contracting body (there is a ‘mutuals reservation’ clause in EU procurement regulations which allows for this specifically). Different structures of governance and company form have been adopted but most have tended to go for a Community Interest Company Limited by Shares, with £1 shares to employees and a lock on mission and assets to preserve the organisation’s social purpose.

There is a growing body of evidence that mutualisation can deliver significant benefits:

Increased staff engagement and productivity (and decreased absenteeism)

Improved access to external investment and resources for the local area

Increased resilience through diversification of contracts and services

Reduced bureaucracy through ability to act more entrepreneurially

Retained social purpose that was present in public sector

More efficient and effective use of constrained resources

Profits reinvested locally and retained local employment

For these reasons and more, central government is supportive of such activity and many local authorities are considering it as part of their wider transformation and reconfiguration of services.

For more information on mutualisation see [The Right to Run](#)

Social Enterprise UK runs a member network dedicated to those social enterprises who have spun out of the public sector, and has helped assist several in their externalisation process and ongoing sustainability. SEUK can also broker links to legal specialists and other support agencies with expertise on mutualisation and spinning out.

Case Study:

Adult social care

Leading Lives is a social enterprise providing social care to vulnerable adults.

Leading Lives primary business is supporting adults with learning disabilities, but they also provide services to people with autism, acquired brain injuries, and older people and young people in transition.

Their primary business is supporting adults with learning disabilities, but they also provide services to people with autism, acquired brain injuries, and older people and young people in transition. Their core purpose is to support people to “Lead the life they choose.”

Originally part of Suffolk County Council (SCC), it spun out in 2012 and was established as a new employee-owned social enterprise. As part of this transition, Leading Lives had to transfer staff, Care Quality Commission registrations, and

individual services from the public sector to a commercial organization. While there were challenges, the results continue to be positive.

As an employee-owned company with 80% of employees choosing to be shareholder members, staff gets to have a say in how the organization is run. Since the spin out from the council, Leading Lives increased turnover, invested in staff training, and found that 95% of customers are happy with the support they receive. They make their revenue from selling social care services to local authorities, NHS, and direct to customers. Additionally, as part of their co-operative rules, they have created the Leading Lives Community Benefit Fund, in which they have allocated over £75k to over 30 projects benefitting the local community.

In 2015, Leading Lives won the Health & Social Enterprise of the year award in addition to being honoured at the 2016 Suffolk Care Awards and 2016 EOA awards. The company is a great example of creative ways that social enterprises can continue to work with local authorities in the realm of social care.

www.leadinglives.org.uk



4.0 How Social Enterprise UK can help

Social Enterprise UK supports local authorities in their work with social enterprise in a variety of ways, which includes:

Connections and introductions to

social enterprises: SEUK has the largest membership and directory in the UK, and also runs the Social Enterprise Places programme which supports and links to over 20 local social enterprise networks across the UK

Social enterprise research and mapping: to build the evidence base locally, regionally and in particular sectors

Specialist brokerage: SEUK is well-placed to broker introductions to specialist providers in particular areas such as social investors, expert specialist lawyers, and community asset transfer experts

Consultancy on social value:

SEUK has supported a wide range of organisations on developing social value policies, strategies and frameworks, and on assisting them to put these into practice

Support on setting up new social enterprises, including mutuals and joint ventures

Events and conferences with up-to-the minute information and intelligence, and leading sector insight

Membership – local authorities can join SEUK as ‘supporter’ members, gaining unique access to the sector, and a wide range of tangible benefits

*Find information on all of this and more at **socialenterprise.org.uk***

*Email us directly at **info@socialenterprise.org.uk***

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