



**The Social, Cooperative
and Community Economy**
All-Party Parliamentary Group



A £400bn opportunity

Unlocking social value for a fairer,
more resilient UK

June 2026

CONTENTS

| | |
|---|----|
| Foreword | 2 |
| Key Messages | 3 |
| Background to this report | 4 |
| Introduction | 5 |
| Structural challenges and opportunities | 6 |
| When the system doesn't fit the work | 6 |
| A system built for markets, applied to people | 7 |
| Why do good intentions default to bad practice? | 7 |
| Locked out of the system | 8 |
| The wider cost: a misaligned labour market | 8 |
| What do we mean by value for money? | 9 |
| Fixing the broken housing system | 10 |
| Case studies | 11 |
| Recommendations | 14 |

FOREWORD



Social enterprises are more than just businesses that address social problems. They are a window into a more inclusive, socially just, and thriving future. They demonstrate what an alternative economic model looks like on a daily basis.

However, despite a strong legislative framework which includes the Procurement Act 2023 and the National Procurement Policy Statement; public procurement worth £400 billion to the UK economy is still failing to consistently deliver social value – despite the Social Value Act. Local authorities retain significant untapped powers to commission services in ways that support social enterprises, which could strengthen communities and drive inclusive economic growth.

This report draws upon evidence by social enterprises, local authorities, the private sector and civil society, to identify the systemic barriers and what is required to overcome them. An over standardised procurement process, alongside

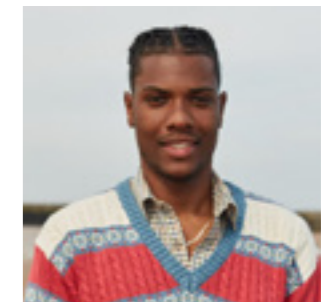
capacity constraints in local authorities and a risk-averse commissioning culture, has resulted in misaligned definitions of value. This must be addressed.

At the same time, this report highlights the proven contribution of social enterprises to labour market resilience, community wellbeing, and local economic development.

This report is a call to action. It sets out a series of practical reforms to align procurement, economic policy, and growth strategy with the UK's social and economic needs.

The Hon. Patrick Hurley MP – Southport

In 2004, Chancellor Gordon Brown wrote about the limits of the market to deliver opportunity and fairness for all. In the two decades since, an economic model rooted in profit maximisation has too often failed our communities and entrenched inequality.



At a time when politics feels more like the problem than the solution, and trust in our institutions is fragile, cooperative principles offer something both radical and practical: shared ownership, democratic control, and a commitment to collective wellbeing.

The task is clear. We must move beyond **sentiment** to structural **transformation**, embedding social value in commissioning, building resilience into our systems, and ensuring communities have a genuine stake in the economies they sustain.

Evidence submitted to this APPG comes at a critical moment. Across the UK, social enterprises and cooperatives are already delivering social value, particularly when traditional systems fall short. Yet they remain under-recognised and under-resourced.

This report shows how this can be done.

Jovan Owusu-Nepaul, Head of Public Affairs, Social Enterprise UK

KEY MESSAGES

1

The UK's £400 billion procurement system is failing to deliver social value

Despite the Social Value Act and the Procurement Act 2023, public procurement is not consistently translating legislative intent into practice. The gap isn't ideological resistance - it's structural, cultural and operational failure.

2

Current social value measurement tools are distorting outcomes

The dominant TOMS framework rewards what is easy to count, not what genuinely changes lives. Providers are incentivised to over-promise on metrics like apprenticeships and job creation, regardless of relevance - penalising honest, impactful organisations.

3

People-centred services are being procured like commodity markets

Adult social care, children's services, and employment support require trust, continuity, and long-term relationships. Short-term, cost-driven contracts are fundamentally misaligned with what these services demand - and what communities need.

4

Capacity constraints in local government are driving risk aversion

Underfunded procurement teams default to familiar but ineffective tools. Without investment in capability and clearer national guidance, even well-designed policy will fail at the point of delivery.

5

Social enterprises are being locked out of markets they're best placed to serve

Lengthy, duplicative bidding processes and a failure to recognise embedded social value in organisational governance mean the most impactful providers are systematically disadvantaged against larger private sector competitors.

6

The housing crisis demands community-owned, procurement-led solutions

With 175,000 children in temporary accommodation, community-led housing models - where financial and social returns are locked in locally rather than extracted - offer a scalable, sustainable alternative that current procurement frameworks actively obstruct.

7

"Good growth" requires aligning procurement, investment, and place-based policy

Economic growth that raises living standards and reduces inequality won't happen by accident. Government must deliberately back social enterprise ecosystems through reformed procurement, improved data, long-term funding, and accountability mechanisms - or risk growth that leaves communities behind.



Social enterprise and local government leaders at an APPG meeting in May 2026

BACKGROUND TO THIS REPORT

Evidence for this report has been gathered through a series of All-Party Parliamentary Group (APPG) meetings of the Social, Cooperative and Community Economy inquiries. The winning Labour Party manifesto included an aim to 'double the size of the UK's co-operative and mutuals sector'. The APPG was established to increase the understanding of the potential of diverse mission-led business models, (social enterprises, co-ops, mutuals, employee-owned and community business etc) to promote, support and enable sustainable growth.

Social Enterprise UK, which serves as the secretariat for the APPG, is the national voice for social enterprise. Founded in 2002, we represent a movement that is proudly reshaping how business is done.

Across our country, approximately 100,000 organisations are proving that it is possible to build successful businesses that put people, communities, and the environment first. Together, they form the world's largest network of social enterprises: a collective which is creating an economy that is not only more productive, but fairer and more sustainable too. This is something the UK can be proud of.

We see first-hand the difference social enterprises make, whether that's creating jobs for people locked out of the labour market, revitalising local high streets, or delivering services where traditional institutions fall short. Too often, those contributions are overlooked and unrecognised, leading to a lack of support by the systems established to assist them.

Our role is to bring these stories into the rooms where decisions are made. Our aim is simple: to ensure that the policy environment reflects the reality of what social enterprises deliver and enables their impact and economic activity to flourish.

This is not new ground for us. We played a leading role in securing the Social Value Act, helping to embed the principle that public spending should deliver wider social, economic, and environmental benefit. We continue that work by regularly convening and supporting policymakers. Like this report, our work is grounded in evidence. Through our research, we build a clearer picture of the contribution social enterprises make, whether in our communities, to the economy, or to our natural environment. We use that evidence to make the case for change.

INTRODUCTION

How might we create a fairer economy? Growth. Resilience. Social Value. Place.

Today, the United Kingdom is challenged by an economy that does not work for ordinary people and their communities.

The labour market is being tested as policies designed to raise revenue for the Treasury have had a knock-on effect on growth, employment and consumer confidence. Global instability has left us exposed to market volatility, and communities have been left feeling more vulnerable than at any point in recent history.

Successive governments have positioned public procurement as a tool to deliver wider social, economic, and environmental outcomes. However, at the heart of it remains a persistent gap between legislative intent and delivery in practice.

The central question is clear:

How do we support the social enterprises that deliver so many vital services to create a fairer, more socially minded economy?

Evidence submitted as part of an inquiry conducted by the All-Party Parliamentary Group on the Social, Cooperative and Community Economy has demonstrated that the gap is not due to resistance in principle, but rather, because of structural and operational barriers that prevent effective implementation.

This report brings to the fore experiences from a range of stakeholders. It calls on government to reflect on the lessons learned and to take seriously the recommendations to make our economy work for working people.



A construction project by Cornerstone Place (see page 13)

STRUCTURAL CHALLENGES AND OPPORTUNITIES

1 When the system doesn't fit the work

In theory, the system is already designed to deliver social value. But in practice, it leads to the opposite. The same names, in the same rooms, and for so many social enterprises little changes.

Across local authorities, one tool has come to dominate: the Themes, Outcomes and Measures framework. Known as TOMS, this was intended to be a solution when measuring social value for already stretched procurement teams. But that convenience has now come at a cost.

For organisations delivering complex, people-centred services such as supporting someone back into work, stabilising a family or helping a young person rebuild their life, the framework of TOMS has become detached from reality. Our inquiry has demonstrated that TOMs has been shaped around metrics that are easy to count, rather than outcomes that matter to people, services and their local communities. Apprenticeships are promised where they are not relevant. Job creation targets are set with little regard for the service itself.

Over time, this creates a quiet distortion in the system:

Providers have been rewarded for what they can measure, NOT what they can change.

As a result, those willing to over-promise can thrive. Those committed to honest, long-term impact are placed at a disadvantage.

Whilst some local authorities have started to move away from this model, re-designing their own approaches that are rooted in local need and focusing on the specifics of each contract, their experience points to a clear recommendation:

Social value frameworks should be flexible, context-specific, and grounded in real outcomes NOT standardised proxies.

However, measurement is only one part of the problem.



Video production course by Mediorite (see page 12)

2 A system built for markets, applied to people

The deeper issue is structural.

Today, the largest areas of local authority spending are also the most relational: adult social care, children's services, employment support. These are not conventional businesses, and they don't operate like a traditional 'market'. They rely on trust, continuity, and the ability to respond to human complexity.

And yet, they are still procured by government as if they were.

Short-term contracts, with competitive tendering and a relentless focus on cost means that contractors find themselves overlooking real community and human centred interests.

This approach is fragmented and undermines outcomes, creating a disjointed service.

It discourages collaboration and makes it more challenging to invest in prevention. In turn it pushes many social enterprises into a constant cycle of uncertainty.

If the system is to deliver better results, it must start from a different premise:

People-centred services require relational - not transactional - procurement.

That means longer-term partnerships, shared accountability for outcomes, and commissioning models built on trust as well as oversight.

3 Why do good intentions default to bad practice?

If the problems are so widely understood, why do they persist?

Part of the answer lies inside local authorities themselves.

As a result of local government funding cuts, local authority procurement teams have found themselves under greater pressure. Capacity is stretched. Time is limited, and in such an environment, the safest option has become the default one. From our evidence inquiry, it is clear that tools like TOMS are used not because they are ideal, but because they are available.

At the same time, national policy sends mixed signals. Expectations around social value are clear in principle, but less so in practice. Guidance is fragmented. The distinction between what is required of central government and what applies to local authorities creates uncertainty.

The result is a system where ambition depends too heavily on individual officers pushing against the grain.

This points to a practical and immediate shift: Government must provide clear, consistent guidance - and invest in the capability of local authorities to deliver it. Without that, even the best policy will struggle to translate into practice.

4 Locked out of the system

For social enterprises and VCSE organisations, these structural issues translate into everyday barriers.

Bidding for public contracts can mean navigating long, resource-intensive processes leading to repetition of the same information time and time again. Contracts are frequently short-term and austere and leave little room to deliver the depth of support that is often required.

And perhaps most fundamentally the system itself struggles to differentiate between social enterprise organisations.

For social enterprises, social value is not an add-on; it is part of the business model. It is part of the business structure, mission, and operation to deliver social or environmental benefit. Yet in procurement, that embedded value must be continually proven, line by line, bid by bid. The consequences are a system that filters out some of the very organisations best placed to deliver long-term impact, and lead to less resource required from the state.

A more effective approach would be simpler: **recognise social value where it is already embedded, reduce unnecessary bidding burdens, and use existing flexibilities - such as direct awards below thresholds - to open up access.**

5 The wider cost: a misaligned labour market

These procurement challenges do not exist in isolation. They shape the wider labour market.

Across the UK, social enterprises are doing work that the system struggles to replicate. They employ people who would otherwise be excluded. They provide wraparound support - coaching, training, stability - that makes employment sustainable, not just possible.

The outcomes are well understood:

- higher retention
- improved wellbeing
- reduced reliance on public services

This is exactly the kind of activity government is seeking to scale.

And yet, the system works against it.

Contracts are often awarded below the true cost of delivery. Organisations compete simultaneously with charities for funding and private firms for contracts. The most essential work, which includes supporting people in employment, often goes unpaid.

The result is a sector delivering high value under increasing strain. At its core, this is a question of definition: what do we mean by 'value for money'?



6 What do we mean by value for money?

If value is reduced to price, the system will continue to favour the lowest bidder. If it reflects long-term outcomes such as employment stability, reduced welfare dependency, stronger communities, the narrative and purpose changes entirely.

In today's climate, growth is not good enough; we must actively pursue 'good growth'.

This question sits at the heart of a broader national debate.

Growth is the government's central mission. But there is growing recognition that not all growth delivers the same outcomes.

From our evidence inquiries, good growth is different. It raises living standards. It reduces inequality. It strengthens places and brings about genuine community prosperity.

Across the country, social enterprises are already delivering this kind of growth-creating jobs, attracting investment, and embedding local economic resilience. In some areas, they represent a significant share of the local economy. But this ecosystem remains fragile.

Access to finance is limited and constraints, for example, around working capital or operating with thin margins, can hamper the delivery of public contracts. Routes to market, especially through procurement, are inconsistent, and support infrastructure is uneven. Data that maps impact is improving but is still too difficult to access and scale.

If government is serious about inclusive growth, this cannot remain a marginal issue. It requires a more deliberate strategy: **aligning procurement, investment, and local economic policy to support place-based social enterprise ecosystems.**

Place-based social enterprises are rooted in the community, and work from the ground up. Supporting these vital ecosystems means improving access to capital, strengthening infrastructure, opening up markets, and building the evidence base to demonstrate what works. This would create a system that can work, if it really wants to. We know that none of these challenges are insurmountable.

The legislation exists. The evidence is strong. The models are already in operation.

What is missing is alignment - between policy and practice, between cost and value, and between short-term decisions and long-term outcomes.

The opportunity is not to reinvent the system, but to make it work as it was intended:

- to measure what matters
- to commission for relationships, not transactions
- to recognise value where it already exists
- and to back the organisations already delivering it

The question is no longer whether social value can be delivered through procurement. It is whether the system is willing to prioritise it.

7 How a broken housing system demonstrates dysfunctionality

The UK's housing system is in crisis. There are record numbers of children living in temporary accommodation in England and Wales, and people are being forced into expensive rents and priced out of affordable homes. On top of this, not enough building is taking place.

Against the backdrop of this sizeable challenge, social enterprises are leading the charge against a status quo of minimum standard housing and community in decline. They are centring place, community and people at the heart of housing regeneration.

Social enterprise housing providers face the same system dysfunctionality within commissioning and procurement you have read about elsewhere in this report.

Housing, employment, and support services are often funded separately, creating conflicting incentives and fragmented care. In some cases, individuals risk losing housing support as soon as they enter work, undermining pathways to independence. Meanwhile, complex procurement processes can delay or prevent innovative, community-led solutions from being delivered at scale.

Evidence presented during our inquiry showed that current procurement frameworks can operate as a structural barrier to innovation. Social enterprises with established track records are frequently required to navigate lengthy and complex processes which tend to favour larger private sector providers. As a result, more nuanced or innovative delivery models are often curtailed before reaching implementation.

At the same time, local authority procurement practices are typically shaped by a high degree of risk aversion. This can lead to an emphasis on procedural compliance over the achievement of

outcomes. In practice, there are limited incentives to expedite or adapt procurement processes, while deviations from established procedures may carry professional or institutional risk. Consequently, this dynamic can further inhibit the development and adoption of innovative approaches.

The opportunity to address these challenges is immense, and needs the spirit, desire and willingness to reshape the landscape for communities and housing, but also for social enterprises.

A core component of this approach is to ensure that ownership of assets is retained within the community, whether through local authorities or social enterprises. This allows communities to not only benefit from the direct use of housing as an asset, but also re-captures the long-term financial value associated with ownership.

Community ownership helps ensure that both the financial and social returns created are preserved in place and neighbourhoods, helping to stem the rise of poverty and growing inequality. Community housing stands in stark contrast to models where value is extracted, as has already been observed in some areas of public service delivery, notably children's social care.

We must:

- Accelerate the delivery of genuinely affordable housing at scale
- Shift toward outcomes-based, joined-up commissioning across housing, employment, and support services
- Reform procurement to enable greater flexibility and direct partnerships with social enterprises, and improve access to long-term, low-cost capital for community-led housing initiatives
- Identify opportunities for community asset ownership wherever possible

WHAT SOCIAL ENTERPRISES TOLD THE APPG



P3 Charity (Derbyshire)

P3 is a charity and social enterprise that changes lives for the better by providing vital support, opportunities and a sense of belonging to more than 80,000 people annually. It provides a range of services to government including rough-sleeping outreach, homelessness prevention support, supported housing, children's and youth programmes, family support services and mental health support.

"What we've ended up with is a situation where to qualify, you either have to game the system and do stuff that you're not really going to do to score well to get through to the next round, or organizations walk away from contracts that traditionally they could deliver really well.

"That's one of the primary issues when local authorities are putting these services out to contract. Over reliance on TOMS as a measure of social value is not particularly helpful.

"To give you a good example of that is where they want to know how many apprenticeships and jobs you're going to deliver. You're looking at the procurement and already what's coming over is a TUPE (Transfer of Undertakings, Protection of Employment) list of staff which is already overstuffed. So actually to deliver that contract, you're going to be making redundancies, not setting new people on.

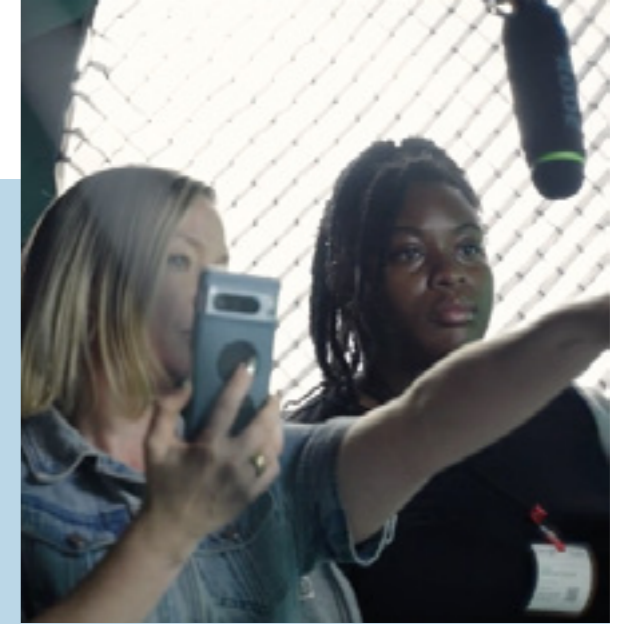


"There's kind of a perversion in that. So we walked away from contracts like that to find out other people have scored maximum points. The only way you could do that really is to be less than honest." - Mark Simms OBE, CEO of P3, giving evidence about bidding for contracts to the APPG on the Social, Cooperative and Community Economy.



Mediorite (London)

Mediorite is an award-winning video production company and social enterprise with offices in London and Leeds. The business produces public sector and corporate videos. It also offers free training courses to a diverse group of young people underrepresented in film production. Last year, 73% of young people on Mediorite's SHIFT programme moved from being not in employment, education or training (NEET) to EET; 71% of them reported significant improvements in their mental health and wellbeing. Graduates have gone on to work for Channel 4, the Discovery Channel and the BBC.



"Demand (for our services) is growing, but how do you remain sustainable when fighting for funding against other charities and fighting commercial businesses for work? We are a more expensive business to run, and labour costs are spiralling.



"Currently, we have no grant funding and tenders we've gone for are below the market rates we charge commercial clients. There is a danger of the social enterprise sector fighting each other for "crumbs" left by the commercial sector." - Lucy Ferguson MBE, Founder, giving evidence to the APPG on the Social, Cooperative and Community Economy.



Half the Story (Nottingham)

Half the Story is a social enterprise employing people facing major barriers to work, including homelessness. The whole team is paid the Real Living Wage, and everyone is offered holistic support and mentoring.

"We recruit people no one else will take and work hard on helping them move on to something better. We employed a person 15 months ago who had been in prison and was on a register that stops you from getting other work opportunities. His hope and self-esteem were through the floor. We employed him baking biscuits, provided coaching and holistic support, and he has just left us to return to his professional career. We were a stepping stone.

"It's purpose-driven first. We make enough money to stay in business, but look what's possible when you aren't purely profit-driven.



"Our business is philanthropically seed-funded but sits under a charitable wrapper. It's the best of business (sustainability, scalability) and the best of

charity (compassion). We aren't asking for permanent subsidies; we're saying if you help us with seed funding for a bigger bakery, the model will sustain and multiply itself." - Matt Parfitt, Managing Director, Half the Story





Cornerstone Place (nationwide)

Cornerstone Place believes that local housing assets should be owned by the local community. It is a social enterprise that delivers ethical and sustainable social housing for local authorities, charities and registered providers for 0% profit.

“When we look around and we’ve got 175,000 children in temporary accommodation, I’m sure everyone would agree that that is almost unforgivable in a first world country.

“And there are loads of empty homes. There are loads of small sites all over the country. “And there’s millions, billions and trillions flying around the economy.

“We need to connect those three things to deliver homes that sit outside of the traditional development.

“We ensure that the ownership of the finished assets resides in the community, whether that be a local charity or the local authority. By doing that, you’re capturing the equity growth that happens as that asset appreciates in value, but you also capture the revenue return.

“Local authorities or charities will then benefit from that revenue growth. They’re also in control of that asset and how it is used to deliver impact for the community. If it’s a local authority, it can ensure that it is only used for people who are in housing need and is not at the whims of the private rented sector. What we’ve seen over the last five years is a massive increase in housing rental costs relative to even the CPI. Inflation has been high anyway, but rental costs have probably gone up at two or three times that over the last three years.



“By delivering assets and ensuring that they are owned in the community or by a local social enterprise or charity, the returns of owning that asset will be there in perpetuity and the value will be captured and locked into that community rather than escaping.” *Richard Kennedy, Co-founder and Director, giving evidence to the APPG on the Social, Cooperative and Community Economy.*

RECOMMENDATIONS

1. Reform how social value is measured

Replace rigid, standardised frameworks with flexible models that prioritise real outcomes. Especially in people-centred services, whilst enabling and supporting local adaptation within a national structure.

2. Create a social enterprise verification system

Introduce a formal mechanism within procurement to recognise verified social enterprises, reducing the need for repeated evidence of social value in every bid.

3. Simplify procurement access

Streamline bidding processes by cutting duplicative requirements and recognising social value embedded in organisational governance.

4. Enable targeted procurement flexibilities

Allow direct awards to social enterprises below thresholds, expand the use of reserved contracts, and ensure consistent enforcement of social value requirements across local authorities.

5. Shift to long-term, relational commissioning

Move away from transactional contracting toward partnership-based models that prioritise trust, transparency, and long-term delivery – directing procurement towards social enterprises that embed sustainability. Make access to finance easier where clear social value is demonstrated.

6. Strengthen local authority capability

Invest in procurement training in local government, publish clear national guidance, and ensure local delivery expectations align with statutory duties and available resources.

7. Reform labour market support funding

Expand the apprenticeship levy to cover wages, fund the true cost of intensive employment support, and reward sustained job outcomes—not just initial placements.

8. Improve data access and impact evaluation

Unlock administrative data for providers, invest in evaluation capacity, and standardise impact reporting where it adds value.

9. Build place-based social enterprise ecosystems

Establish social enterprise zones, align local investment strategies with sector growth, and provide long-term funding for support infrastructure.

10. Strengthen accountability and transparency

Mandate annual social value reporting by local authorities, enable community-led scrutiny, and link reporting directly to spending and commissioning decisions.

Thanks to our partners who supported us to produce this report.



www.socialenterprise.org.uk