



Social Enterprise UK's response to the Green Paper on Industrial Strategy

1) BACKGROUND: Social Enterprise UK and Social Enterprise

Social Enterprise UK was established in 2002 as the national body for social enterprise in the UK. We are a membership organisation. We conduct research; develop policy; campaign; build networks; share knowledge and understanding; support private business to become more socially enterprising; and raise awareness of social enterprise and what it can achieve.

Social Enterprises: Social enterprises are businesses driven by social or environmental objectives whose surpluses are reinvested for that purpose in the business or in the community. Social enterprise cuts across sectors and is perhaps best understood as a model of business (as well as a movement), and one which is the *single most effective proven form of carrying out inclusive business*.

The statistics are compelling in terms of *business*:

- 70,000 social enterprises in the UK, employing 1 million people and turning over £24bn
- Almost half of social enterprises started up in the last 5 years
- A greater proportion of social enterprises (52%) are growing than their mainstream SME counterparts
- 41% of social enterprises have created jobs in the past 12 months (compared to 22% of mainstream SMEs)
- 59% of social enterprises have introduced a new product or service in the last year (compared to 38% mainstream SMEs)
- 14% of social enterprises are exporting

but also in terms of doing so *inclusively*:

- 31% of social enterprises are working in the top 20% most deprived communities in the UK
- 40% of social enterprises are led by women; 31% have Black Asian Minority Ethnic directors; 40% have a director with a disability
- 73% of social enterprises involve the people they work with in their decision-making and governance.
- 59% of social enterprises employ people disadvantaged in the labour market
- The average pay ratio between social enterprise CEO pay and the lowest paid is just 3.6:1 – for FTSE 100 CEOs, this ratio stands at 150:1

Social enterprises now operate in almost every sector of the UK economy: healthcare, energy, retail, transport, housing, leisure, childcare, creative industries and more. Our members come from across the social enterprise movement, from local grassroots organisations to multi-million pound businesses.

2) INTRODUCTION

There is at present a yawning gulf between the stated ambition of Number 10 to create an “*economy that works for all*” and the tone and policy focus in the draft Industrial Strategy. Prime Ministerial narrative is not enough. If Government is seriously committed to creating an economy that works for all, then **the inclusive economy needs to be the golden thread which runs through and ties together the pillars in the Industrial Strategy.**

It should come as no surprise that the Department of Business Energy and Industrial Strategy has struggled to come to terms with the very welcome change of emphasis from the Prime Minister. Under successive Governments, the Department has not been asked to focus on the power of business to address social issues. Culturally, a change in mindset will be difficult to embed, and change will be doubly difficult so long as the part of Government which is responsible for and understand inclusive business, the Office for Civil Society (OCS), remains outside BEIS.

The current situation is deeply unsatisfactory. The social enterprise model of business accounts for around 70,000 businesses, employing 1 million people, and contributing around £24bn to the UK’s economy. Yet our ‘home’ within the Government is not the Department for Business but the OCS which is within the Department for Culture, Media and Sport (DCMS). It is a nonsensical fit for government policy aims for commissioning, social investment, and public sector mutuals.

The creation of the Inclusive Economy Unit within OCS to reflect Prime Ministerial direction makes a move to BEIS imperative and logical. The unit is charged with ‘*a number of innovative contributions to the Government’s broader agenda of creating an economy that, in the Prime Minister’s words, “works for all”...The unit will also further develop the opportunity offered by mission-led business and social enterprise*’¹ Despite assurances that the Inclusive Economy Unit would have a cross-government mandate, there has been little evidence of impact to date.

A broad cross-section of organisations from the social economy pointed out to Government earlier this year that DCMS is entirely the wrong department to advocate for inclusive business. We believe Ministers in BEIS also recognise this. **The important point in relation to the Government’s Industrial Strategy is that BEIS is expected to develop the inclusive economy but does not have all the experience and policy knowledge, whilst the IEU has significant policy knowledge and expertise but not the levers it needs to make things happen.**

Moving the parts of the Office for Civil Society which are responsible for the growth of the inclusive economy from DCMS to BEIS would be an entirely logical step, as would sharing these resources.

¹ <https://civilservice.blog.gov.uk/2016/10/11/social-investment-and-the-new-government-inclusive-economy-unit/>

We very much welcomed the Prime Minister's Shared Society Speech.² Perhaps it is unfair to pull an individual paragraph out and over analyse, but it does illustrate what we think one of the problems is:

“And it is why we will continue to lead the way internationally in the development of social finance to harness the full potential of our charities and social enterprises in working with business and government to tackle some of the biggest social challenges in our country.”

Social enterprises do not need to simply ‘work with businesses’, but be recognised as businesses. More than that, they are the *single most effective proven form* of carrying out *inclusive business*. The statistics are compelling:

- Almost half of social enterprises started up in the last 5 years
- A greater proportion of social enterprises (52%) are growing than their mainstream SME counterparts
- 41% of social enterprises have created jobs in the past 12 months (compared to 22% of mainstream SMEs)
- 59% of social enterprises have introduced a new product or service in the last year (compared to 38% mainstream SMEs)
- 14% of social enterprises are exporting
- 31% of social enterprises are working in the top 20% most deprived communities in the UK
- 40% of social enterprises are led by women; 31% have Black Asian Minority Ethnic directors; 40% have a director with a disability
- 59% of social enterprises employ people disadvantaged in the labour market
- The average pay ratio between social enterprise CEO pay and the lowest paid is just 3.6:1 – for FTSE 100 CEOs, this ratio stands at 150:1

Additionally, many social enterprises have multi-stakeholder governance models, meeting and indeed going far beyond the Prime Minister's desire to see worker representation on company Boards.

Keeping responsibility for social enterprise within DCMS is self-defeating if the Industrial Strategy is to deliver the Prime Ministerial vision for an economy that works for all.

We maintain that what is needed is a strong, informed voice, for inclusive business within BEIS and that it is best achieved by moving (or possibly sharing responsibility and staff) responsibility for the ‘social economy’ from DCMS to BEIS.

There are other ways in which the problem could be addressed, short of organisation change. Working relationships between DCMS and BEIS could be improved; it is clear from the Green Paper that the cross-government mandate that the IEU has been given, and the assurances that we have had of close working relationships between the two Departments³, have proven harder to implement than imagined.

² <https://www.gov.uk/government/speeches/the-shared-society-prime-ministers-speech-at-the-charity-commission-annual-meeting>

³ Letter to Social Enterprise UK from Rt Hon Greg Clark MP, 11 August 2016, Ref MCD2016/17668

Government could look at secondments and job shares between the Departments. Clearer lines could be drawn between the two Departments or joint reporting arrangements. Social enterprises are businesses, so the BEIS has already a mandate to support their growth. Issues pertaining *only* to the charity and social enterprise sector could remain within DCMS.

We are keen to work out a Sector deal with BEIS, though we recognise that given that social enterprises operate in virtually every sector of the economy, this may require a sui generis deal.

A recurring feature of our work as a membership body is spotting where mainstream policy solutions unwittingly prejudice the growth of social enterprise, due to lack of awareness from civil servants about social enterprise models. Emerging policy with BEIS needs to be social enterprise-proofed to ensure that interventions do not mitigate against the social enterprise sector.

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| Recommendation 1 |
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| The desire for an inclusive economy 'which works for everyone' should be the golden thread running through the Industrial Strategy. |
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| Recommendation 2 |
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| To enable BEIS to fulfil this, the Inclusive Economy Unit should be moved from the Department for Culture, Media and Sport, to the Department for Business Energy and Industrial Strategy. There may be alternatives to this in the form of secondments and job shares between DCMS and BEIS, but we suggest that a move is preferable. |
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| Recommendation 3 |
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| Emerging policy from BEIS should be social enterprise-proofed; that is, as a form of business, social enterprises should be included in and able to access BEIS programmes and initiatives. |
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| Recommendation 4 |
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| Consideration should be given to a sector deal with social enterprise in the Industrial Strategy. |
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What follows in this consultation are recommendations against the most relevant pillars to the social enterprise community.

3) Pillar 2: Developing Skills

Our members tell us that there is a problem with careers advice in schools. We appreciate that the current Government is unlikely to recreate Connexions, which (whatever its failings) was seen to provide independent advice to students. We do not for a minute doubt the impartiality of schools and teachers, but under a financial regime where money follows the students, schools are placed in an invidious position where they are *perceived* to have a financial interest in keeping students on their rolls, whether it is in the best interests of the individual or not.

We are pleased note that the quality of careers advice is included in Ofsted's School inspection handbook for secondary schools, where a school cannot be judged Outstanding unless it provides "*high quality, impartial careers guidance, and helps pupils to make informed choices about which courses suit their academic needs and aspirations. They are prepared for the next stage of their education, employment, self-employment or training.*"⁴

We suggest four changes which build on best practice.

The first is that more time needs to be given within curriculum to the provision of appropriate careers advice. We know that business is keen to work with schools to help ensure students have the skills they need, but schools have neither the time nor the incentive to facilitate this.

The requirement for careers advice should be extended to primary schools in a light-touch manner. Whilst formal careers advice is more important at secondary school, choice of which secondary school will be somewhat shaped by parents and young people's expectations – and these are shaped early.

We believe that careers advice needs greater prominence (and greater attention paid to it by inspectors) within Ofsted's Inspection regime for secondary schools. This would send out a powerful message to Heads and Governors about the importance attached to appropriate careers guidance. Currently inspectors make judgements in five key areas: overall effectiveness; effectiveness of leadership and management; quality of teaching, learning and assessment; personal development, behaviour and welfare; and, outcomes for pupils. Careers guidance appears to be a subcategory of personal development, behaviour and welfare for secondary schools – it should be one of the key areas, not a subcategory.

| Recommendation 5 |
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| Careers advice and guidance should be given greater prominence in schools. There should be greater time for considering careers and training in school. Primary schools should be encouraged to introduce discussion about careers. Quality of careers at secondary schools should be given greater prominence by Ofsted, and be more rigorously examined. |

⁴ Ofsted School Inspection Handbook

The Green Paper understandably focuses on STEM subjects. Our members were keen to impress upon Government that while they understand the reasoning behind this, it should not be at the expense of subjects which remain core to a functioning economy such as retail and logistics, nor the arts which help foster creative skills, nor basic employability skills like emotional intelligence, positive attitude and appropriate behaviour.

Our members welcomed the recognition of the importance of lifelong learning, stressing the importance of assisting the transition from operative to supervisory roles in sectors where some element of physical or mental acuity is a prerequisite, particularly given life expectancy and working life expectancy are both increasing. However, funding for this is unclear. Perhaps there is a role for tax breaks for individuals.

The need for technical and academic parity of esteem is well established. Yet “functional English and Maths” devalues and understates the rigour of the qualifications when compared to “English Literature” or “English Language”. Rebranding the qualification as “Workplace English and Maths” or “Business English and Maths” should be considered.

Careers advice – the provision of information, advice and guidance – should be coordinated locally with resources devolved to support the development of local partnerships between employers, local training providers, and schools. We have seen too much money spent on piecemeal national programmes. LEPs are the natural home for this work.

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| Recommendation 6 |
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| More emphasis should be given to non-STEM subjects which are vital to the economy, to ‘the arts’ which foster creativity, and to basic (but often overlooked) interpersonal skills which are a prerequisite to employability. |
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| Recommendation 7 |
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| Parity of esteem between vocational and academic skills is welcome; but the language needs to be changed to reflect this. |
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| Recommendation 8 |
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| Careers advice should be localised, devolved and adequately resourced. |
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Our members also welcomed the notion of the transition year for 16 year-olds. The assessment is critical. Social enterprises and SMEs need to have a role to play here if the young person is to have the best possible advice based on an independent and accurate assessment of their skills, potential and interests.

Likewise, the quality of work experience needs to be better managed for the 16-19 cohort undertaking T level to enhance employability.

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| Recommendation 9 |
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| The assessment at the transition stage needs to be independent and have input from local social enterprises and businesses. |
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| Recommendation 10 |
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| The quality of work experience needs to be better managed for the 16-19 cohort |
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4) Pillar 5: Procurement

Strikingly, the most innovative initiative in public procurement in recent years, the Public Services (Social Value) Act 2012, is not mentioned in the Green Paper; this is further evidence that the links between the Office for Civil Society and BEIS are not as effective as they could be.

We welcome the announcement of the second review of the Social Value Act by DCMS. We hope that Government is sufficient joined up that the recommendations of the second review will be taken account of by BEIS.

Our response covers recommendations for Government which covers public sector *and* private sector procurement.

Public sector procurement

Government has been slow to appreciate the power of its own procurement spend, and understand how it can better use that power to further policy objectives.

The policy and regulatory framework is largely benign. We welcome Policy Procurement Notes covering open book accounting, Freedom of Information, the ability to take into account past performance, and the social value of steel. We welcome the Government's commitment that 1/3 of its spend will be with SMEs by 2020. Within local government⁵, there is growing appreciation of the flexibilities that the Public Services (Social Value) Act 2012 present, and the relatively permissive procurement environment the Public Contract Regulations 2015 and the Utilities Regulations 2016 present.

However, innovation is not widespread. Take up of innovation partnership, reserved contracts, and sheltered workshops have been limited to date. NHS commissioners appear to be conservative in their approach⁶, as do District Councils. As Lord Young himself noted in his review of the Social Value Act, central Government does not appear to be a beacon of good practice.

Once again, there is gulf between Prime Ministerial narrative, which is extremely positive, and how Government acts. Government has very real power in choosing who it does business with and on what terms, **yet there is little to encourage procurement officials to use that spending power to support the Prime Minister's aims of developing an economy that works for all**. We believe that social value – shorthand for wider, long-term social, economic and environmental value – has already gained considerable traction across the public sector and, if built on, can be a mechanism to deliver the Prime Minister's aims.

Disappointingly, Lord Young's work on removing barriers to SMEs to winning work from the public sector does not appear to have had the impact he might have wished for. Our members report that questions once asked in Pre-Qualification Questionnaires are now beginning to appear under other guises, meaning that SMEs are still required to subject lengthy method statements; our members also still see largely meaningless demands for information, such as 3 years' worth of audited

⁵ *Procuring for Good*, Social Enterprise UK

⁶ Soon to be published research by Social Enterprise UK and National Voices.

accounts; and, an increasing use of pass/fail questions in local government tenders which take no account of an organisation's ability to deliver.

However, much can be done to better align procurement policy and spend with the desire to have an inclusive economy:

The Public Services (Social Value) Act 2012 needs to be extended and strengthened. To some extent policy has run ahead of legislation, with the revised Best Value Guidance recommending commissioners ignore the threshold and limitations on application, and PPN 11/17 effectively extending the Act to goods and works. Nevertheless, the Act's impact cannot be overstated as it gave the green light for commissioners to innovate. We see the Act being used in a myriad of ways: to create local employment, to create apprenticeships for looked-after children, to help people with disabilities into the workforce, to support local SMEs and local VCSE sectors – diverse solutions tailored to local need. A majority of those public agencies fully implementing the Act report that it also delivers cost savings.

What is required now is a stronger signal to commissioners who are not yet innovating as they need to.

What we discovered when researching *Procuring for Good*⁷, a review of how local government uses the Social Value Act, was that legislation matters: the public sector responds to legislation. Given that the Social Value Act results in innovative commissioning behaviour, a stronger Social Value Act would result in more innovation. Central government needs to give the lead.

We are not alone in calling for a stronger Social Value Act. Organisations as diverse as the Centre for Social Justice⁸ and the Lords Select Committee on Charities⁹ have called for a stronger Social Value Act. Government needs to:

- Remove the threshold at which the Social Value Act applies and extend it to all external spend, including goods and works.
- Strengthening the Act. Currently public sector commissioners are obliged to “consider” social value. As the Lords Commission on the Future of Charities has recommended, there is a strong case for strengthening this to a “duty to account for social value”
- Bolster these changes with clearer and more robust statutory guidance

Further thought also needs to be given to extending social value in the planning system and to asset management and disposal, in order to further support local community ownership, and community-led development (including but not limited to community energy).

⁷ Ibid

⁸ *Everyone's Business*, CSJ

⁹ <https://www.publications.parliament.uk/pa/ld201617/ldselect/ldchar/133/133.pdf>

Recommendation 11

More information, advice and more robust and detailed statutory guidance to support public sector commissioning and procurement teams make use of the powers that they have, specifically under the Public Services (Social Value) Act.

Recommendation 12

A stronger, clearer Public Services (Social Value) Act 2012. There needs to be a specific duty to account for social value, and an extension to all external spend: with no thresholds and including all goods and works.

Recommendation 13

Research needs to be carried out on how social value can be extended to other policy areas, such as planning and asset disposal.

Recommendation 14

The Government should promote the Mystery Shopper service more widely, and ensure that the treatment of social enterprises and social value is clearly included.

Private sector procurement

The important point here is that it is not always regulation that is the driver for good corporate behaviour. Interestingly, the Social Value Act, which places a duty on the public sector, has proven to be a somewhat powerful driver for innovation in the private sector. As a result of this interest, together with Business in the Community we have launched the Buy Social Corporate Challenge¹⁰, whose members pledge to collectively spend £1bn with social enterprises through their supply chain spend. A stronger Social Value Act would encourage yet more corporates to diversify their supply chains and achieve our mutual objectives.

Government is not at the mercy of markets: it has a role in creating the type of markets we have. Some progress has been made and we welcome the commitment by Government that one third of its spend will be with SMEs by 2020 – helping drive a more dynamic, creative economy: the vast majority of social enterprises are SMEs.

More can be done. Company size is important, but so is the type of SMEs it chooses to buy from. Government should set itself a supplier diversity challenge to buy products and services from businesses which can prove that they are genuinely inclusive. The bottom line counts for business: if business wants to supply Government, Government can set the rules and shape corporate behaviour.

Government can and should continue to shape the nature of the private sector by being more demanding of the businesses that it chooses to do buy from. Many of the tools to do this already exist. Government has extended the remit of the Freedom of Information Act (PPN 01/17) and Government has explained how poor past contractual performance can be taken into account (PPN 04/15). The tools are there,

¹⁰ <https://www.socialenterprise.org.uk/corporate-challenge>

but we question how effectively the policy levers Government has at its disposal are being applied.

The Competition and Markets Authority has a remit to explore 'public sector markets', but seems curiously reluctant to do so. A stronger, bolder, CMA would look at public sector markets such as transport and health and press not just for more competition but for more *diversity* of company size and form.

Finally, although regulation and legislation are not always the answer, they usually form part of the answer. There may be a role for tougher legislation ensuring employers treat groups which are under-represented in the workplace fairly: the Green Paper makes no reference to disability, for example.

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| Recommendation 15 |
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| Government to adopt its own supplier diversity challenge, in addition to the SME target; and to ensure social enterprise is always included in SME targets. |
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| Recommendation 16 |
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| Government should more actively use the powers it already has to encourage inclusive business practice and be more discerning about who it buys from. |
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| Recommendation 17 |
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| Give clear direction to the Competitions and Market Authority to encourage diversity of form and size, not just competition. |
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| Recommendation 18 |
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| Consider a role for tougher legislation to ensure that employers treat groups who are under-represented in the workplace more fairly. |
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5) Pillar 7: Delivering affordable energy and clean growth

We applaud the Government's desire to develop a smarter and more flexible energy system - this will be essential if the UK is to progress security of supply and facilitate the integration of even greater levels of low carbon generation. The need to electrify transport and heat, and the impact that this will have on peak energy demand, make the case more pressing still. Social enterprises could help deliver on these aims if properly involved.

There are hundreds of active community energy enterprises across the UK, and tens of thousands of people investing in local renewables projects that will generate millions of surplus profits over project lives for re-investment back into local communities. 80% of people think that renewables developments should directly benefit the local community (DECC Public Attitudes Tracker, 2016). The growth in community enterprises taking practical local action to reduce carbon emissions, with a place-centred focus, offers a significant opportunity for harnessing local enthusiasm, commitment and social investment behind the carbon reduction agenda.

Significant opportunities exist to advance demand-side response and energy storage, and believe that coops, social enterprises and community energy groups can play a vital role in progressing these. In fact, such groups are already at the cutting edge of innovation across the UK and are proving to be excellent mobilisers of communities and hard to reach consumers in what is very much a low-trust environment. For example, Co-op Energy and Energy Local are advancing smart energy in Bethesda, north Wales, with smart tariffs looking at not just time of day usage, but the marrying of consumption to renewable generation output. BEIS / Ofgem could and should liaise with the community energy sector to build demand-management projects in every major town and city in the UK. This would allow the UK to show global leadership, in the same way as Germany and Denmark have done with generation.

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| Recommendation 19 |
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| Government to facilitate Local Energy demand management & storage projects in every major city and town in the UK |
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| Recommendation 20 |
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| Ensure that genuine community energy enterprises have fair access to appropriate tax reliefs, such as the Social Investment Tax Relief (SITR) |
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| Recommendation 21 |
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| Review planning guidance so that community energy onshore wind and solar-PV projects are fairly treated, and that communities where such projects are supported have a realistic prospect of seeing them advance. |
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6) Pillar 8: Cultivating World Leading Sectors

Government is right to build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.

The UK is recognised globally as one of the pioneers for social investment and social enterprise: a genuine world leader. Social Enterprise UK regularly entertains delegations from many developing and developed countries keen to know more about social enterprise, public sector mutual, social investment, the Community Interest Company model, and innovative approaches to procurement – and how best to develop the model and the movements elsewhere.

The pace of innovation in the UK has slowed, and it is undoubtedly the case that other countries are beginning to catch up having once looked to the UK for inspiration. Other countries are catching up fast: Scotland has recently published its own ten-year plan to support social enterprises; thorough research carried out by the British Council shows a number of developing countries seeking to embed social enterprise solutions in their approach to economic growth. What once was innovative is beginning to be stale and we require ministers to be bold and to innovate further if policy reality is to live up to Prime Ministerial rhetoric.

Moving the Office for Civil Society from the perceived centre of power in the Cabinet Office to DCMS was a retrograde step, and has made people question the Government's commitment to continuing to grow the sector both here and abroad.

The position is far from irretrievable. The UK's social economy has strong roots. What is required is some considerate cultivation to ensure that the inclusive agenda fulfils its potential through a sector deal.

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| Recommendation 22 |
| Implement a social enterprise sector deal as a demonstration of a more inclusive Industrial Strategy. |

7) Pillar 9: Local Growth

Our members emphasise that more devolution of power and money to Local Economic Partnerships (LEPs) is required. We acknowledge that LEPs are not without their issues - as business-led organisations, continuity and consistency of leadership can be difficult and their own awareness of inclusive business can be patchy - but what they do and how they work is now understood by the business community.

The Green Paper mentions productivity over 90 times for understandable reasons. Post-Brexit we need business to be able to compete internationally. We agree with the Green Paper's analysis that devolution appears to be key to raising productivity in our secondary cities.

We will fail to bridge the productivity gap if areas and sectors with low productivity are left behind. Here once again, we can say that local growth can support "good growth", growth which is inclusive and that distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.

By good or inclusive growth we mean:

- Businesses are more productive and more profitable - with healthier, more skilled workforces
- People are better paid and have higher standards of living
- Poverty and inequality are reduced
- Barriers to opportunity are removed
- Environmental damage is reversed or minimised

But not every town or city can be the next Silicon Valley: competitive advantage is clearly important but it is not everything. Key also is economic resilience. Resilience is the product of diversity: diversity in what companies produce, diversity in the size of companies and in the diversity of company form.

Social Enterprise UK fully supports the Prime Ministerial agenda on inclusive growth. It is good sensible politics; but it is also good sensible economics: inequality damages productivity. A study of national statistics by the National Institute for Economic and Social Research (NIESR) found that raising wages among low-paying firms saw increases in labour productivity. Productivity was also raised through a decrease in employee turnover from a rise in the minimum wages.

Support from LEPs for social enterprise is patchy, despite ESF and ERDF supporting employability, education and poverty and a particular focus on the long term unemployed, people with disabilities and people in rural communities. Four things are vital:

- Post-Brexit, similarly focused local and regional funds at a similar level are retained
- That this is matched by a commitment to greater transparency in the way that these funds are spent
- LEPs are given a requirement and a mandate to support the growth of inclusive business

- LEPs are also given a requirement and a mandate to encourage diversity within local economies

We also welcome the government's ongoing support to genuine devolution, and recognise the opportunity and potential for devolved areas to promote and deliver a more inclusive economy. That requires the involvement of social enterprises and using the policy levers available to government. An obvious and simple first step for central government would be to include social value and support for an inclusive economy clearly in *all* future devolution agreements.

Promoting social value and social enterprise supports local growth and a more innovative and robust economy:

- Almost half of social enterprises started up in the last 5 years: it is a truly dynamic sector
- A greater proportion of social enterprises (52%) are growing than their mainstream SME counterparts
- 41% of social enterprises have created jobs in the past 12 months (compared to 22% of mainstream SMEs)
- 59% of social enterprises have introduced a new product or service in the last year (compared to 38% mainstream SMEs)

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| Recommendation 23 |
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| ESF and ERDF programmes needs to be replaced with equivalent domestic funding streams with a focus on developing inclusive business models. |
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| Recommendation 24 |
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| Give LEPs clear direction to focus on ensuring that local economies 'work for all', with a requirement to support diversity and inclusive business. |
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| Recommendation 25 |
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| Include social value and support for social enterprise and a more inclusive economy in all devolution agreements. |
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8) Pillar 10: Local Institutions

The key point in relation to this pillar is that local institutions need to respond to the inclusive business agenda. If BEIS is supporting the development of local economies which are not inclusive, then the Department is merely ‘cost-shunting’ problems to other areas of Government. The opposite is also true, and if BEIS can realise the value of business to deliver on wider policy aims, then other Departments will also drive BEIS’s agenda.

There are signs that this is happening, particularly where there is strong local government leadership – but in too many places this is lacking. In particular, we see a growing interest locally in models where local anchor institutions, the public sector, and businesses work together with shared vision and with alignment in how they procure. The aim behind both is to maximise the multiplier effect - to ensure that as much money spent in a geographical area stays in that area. It is an argument which local politicians from across the political spectrum.

Social Enterprise UK’s Places programme – there are currently 20 across the country - seeks to do just this. Government is right to recognise the importance of “place”, and government is right to “*work with local areas to identify and help develop local specialisms, putting in place the right institutions with the right powers to help support local areas of economic strength*”. Encouraging cross-sector working in places with inclusive business at its heart should be this government’s priority.

There is a secondary and equally important point. Over the past decade, we have seen a decline in the number of local infrastructure organisations which previously supported the social enterprise sector: networks and agencies have gone to the wall. These local infrastructure organisations are hugely significant and play an important role where they exist. Support for national-local and cross-sectoral solutions to this infrastructure problem should be on the governmental agenda.

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| Recommendation 26 |
| Government should incentivise and promote Social Enterprise Places and specialised ‘zones’ of social enterprise activity: working across sectors and institutions. |

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