

# No More Business as Usual

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## A Social Enterprise Manifesto



## About us

The Social Enterprise Coalition is the UK's national body for social enterprise. We represent a wide range of social enterprises, regional and national support networks and other related organisations. As well as showcasing the benefits of social enterprise, and sharing best practice, we work closely with our members to inform national policy.

This manifesto has been developed in collaboration with the social enterprise community across the UK. We would like to thank all those individuals and organisations who took the time and effort to feed into this process.

We would particularly like extend special thanks to the Development Trusts Association, CAN, Sandwell Community Caring Trust, Triodos Bank, The Big Life Group, Turning Point and HCT Group. Without their generous support this work would not have been possible.

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# Introduction

The current economic situation and its repercussions have raised a number of important questions that we cannot, and must not, ignore.

It is time to ask - how do we create a system that is accountable not just to the few, but to the majority? How do we create lasting and equitable change? How do we bring about social, environmental and economic prosperity?

It is clear that business as usual is not the answer.

The economic challenges we face require a greater plurality of business models. We should be promoting businesses that operate for more than profit alone; that foster social and environmental innovation; that are ethical in their motivations; and accountable to their employees, consumers, and communities.

Social enterprises are such businesses.

Driven by social and environmental purposes, social enterprises play a powerful role in the overall growth and prosperity of the UK by creating positive outcomes for people and planet.

They contribute £24 billion to the economy<sup>1</sup>; are twice as confident of future growth as traditional small and medium enterprises<sup>2</sup>; and since the economic downturn began, 56% have increased their turnover<sup>3</sup>. However, while their financial contribution is considerable, the additional value they create through their social and environmental outputs, be it reducing waste to landfill, addressing health inequalities or tackling poverty and social exclusion, is exceptional.

As businesses based on the principles of mutualism, coproduction and participation, social enterprises offer a more accountable and sustainable business model. They offer a model where people are given a direct voice in running their organisation; where public assets can be locked into community ownership; and where people can transform their lives and the lives of

those around them. Whether it is a question of revitalising a local football team, delivering primary and community care services, or creating local jobs, social enterprises provides a mechanism through which people can together lead, create and participate in change for the better. This is a crucial time for the social enterprise movement; the sector is committed to rise to meet the social and economic challenges that face the UK.

**The Social Enterprise Coalition is calling for social enterprises to increase their contribution to the economy threefold by 2020.**

However, growing the sector requires an ambitious and consistent policy framework.

This manifesto highlights **six priority areas** that are fundamental to increasing social enterprises' contribution to the UK. The first four set out key policy areas where social enterprises are already delivering real and immediate solutions. The final two discuss more broadly the **levers** and **incentives** that can be deployed to support the general growth of UK social enterprise.

## Opportunities for enterprising solutions

1. Social enterprise models for public service delivery
2. Supporting green economy
3. New approaches to unemployment
4. Stronger support for community enterprise

## Levers and incentives for change

5. Creating a culture of social enterprise
6. Supporting social and environmental investment

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# Opportunities for enterprising solutions

From delivering public services to community regeneration, social enterprises are making a lasting contribution to our society. This section sets out how this contribution can be readily enabled.

## 1) Social enterprise models for public service delivery

Transforming the way we deliver public services is one of the greatest challenges we face as a country.

We need to capitalise on the expertise and commitment of frontline staff and see our citizens not as beneficiaries but as participants and contributors. Involving them in the control, design and delivery of public services makes for higher quality, more appropriate services and increases people's satisfaction with the services they receive. Without this change we will continue not only to fail to deliver the outcomes we need but at a huge cost to the public purse.

Achieving such change requires us to transform the way in which we design, commission and control our public services. This requires a system that supports new models of ownership; that is well regulated; that is transparent on performance and outcomes; and that has lower barriers to entry.

Social enterprises should be the vehicle of choice in delivering such a transformation. They are providing high quality, innovative services in almost all public service markets from childcare to primary and community care, to education, transport and recycling. Further, social enterprises reinvest their profits, locking in wealth for public benefit.

Social enterprises are calling for:

### **Supporting the development of social enterprise models across public sector agencies**

Frontline staff should be supported to transform public services by establishing independent social enterprises accountable to the staff, service users and communities. Similarly where a public service is underperforming, social enterprise should be the choice for transforming and revitalising the services, for reconnecting with service users and rebuilding trust.

Individuals moving to these organisations from the public sector should have their employment terms protected.

### **Commissioning services on the basis of outcomes**

Commissioning public services on the basis of narrow predefined targets rather than wider social outcomes stifles innovation and limits the ability to assess excellence. Future public services should be commissioned on the basis of outcomes and the achievement of these outcomes should be rewarded. Such a change would support new entrants into the market, foster innovation and deliver greater value for money.

### **Social and environmental criteria to be incorporated in all procurement decisions**

The public sector spends £141 billion on procurement each year. Requiring all procurement decisions to demonstrate their wider positive social and environmental impact will ensure that the full weight of the public sector's purchasing power is directed at achieving social and environmental change, alongside delivering financial efficiency.

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## 2) Supporting a green economy

Sustaining the quality of our natural environment and tackling the problem of climate change presents one of the greatest challenges to the UK.

Placing citizens and communities at the centre of climate change policy is essential in achieving the targets of any future government in increasing renewable energy and resource efficiency, as well as combating climate change and fuel poverty.

Addressing climate change also presents an opportunity to design interventions that generate both social and economic benefits. Creating environmental skills and employment in areas of need should be central to the development of new environmental markets.

Social enterprises at the heart of a green economic strategy can give multiple benefits. From energy production to environmental innovation social enterprises deliver multiple environmental and economic policy objectives, and have the potential to do much more.

### Social enterprises are calling for:

#### **Reconfiguring environmental public bodies into social enterprises**

The recent decision of the British Waterways Board to seek charitable status highlights the opportunity to transform other key public bodies such as the Forestry Commission and Environment Agency into social enterprises. Moving from public sector ownership to social enterprises could result in more effective and efficient management of these organisation's assets and services, generating additional revenue and employment opportunities that could underpin a green economy.

#### **Identifying renewable energy production locations within local development frameworks**

The uptake of small-scale community based renewable energy technologies has been hindered

considerably by the nature of the planning system. The high risk of failed planning applications and the financial cost this incurs is too great for most organisations to contemplate, resulting in insurmountable barriers to entry for smaller enterprises. Identifying renewable energy production locations within local development frameworks could enable a larger number of smaller enterprises to enter the market.

#### **Introducing tax incentives to promote the reuse and repair of goods and buildings**

Environmental sustainability requires making better use of all resources and yet there are currently limited financial incentives to promote the reuse, recycle and repair of goods and buildings. Introducing financial incentives for repair and reuse could encourage the growth of a sector where social enterprises are excelling. This should include removing VAT on the resale of reusable items; reducing VAT payable on building repair and maintenance; and introducing an enhanced company tax incentive for product donations.

#### **Designing feed-in tariffs and renewable heat incentives that support community-level generation**

Feed-in tariffs and renewable heat incentives have the potential to provide financial incentives for community renewable energy production. However, it is essential that these incentives are designed in a way that supports organisations of all sizes including community-level generation.

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### 3) New approaches to unemployment

The challenge for a future government facing high levels of unemployment is to foster an environment in which more creative and community-led solutions can create sustainable employment.

Social enterprises provide the jobs, skills and services that are needed to hold the economy and communities together, all the more so in the wake of economic upheaval. Organisations such as Social Firms and other Work Integration Social Enterprises<sup>4</sup> have been set up specifically to meet the needs of particular groups providing solutions which are embedded within their organisations. Other social enterprises provide targeted and supportive interventions that tackle the root causes of unemployment.

Many of the solutions social enterprises offer to address unemployment fall outside the UK's welfare policies. The employment services market in the UK has been designed in such a way that restricts entry to only very large organisations, limiting competition and innovation. There is little in the way of incentives and support to organisations employing severely disadvantaged people. Similarly the punitive nature of the benefit system in the UK fails to take into consideration the complexity of getting people back into work and so forces people into a trap of dependency.

Social enterprises are calling for:

#### **The provision of financial support for social enterprises that tackle unemployment through work integration**

Investment in support costs for providing employment for disadvantaged employees in Social Firms and other Work Integrated Social Enterprises could unleash their potential to generate more business, create more jobs and considerably reduce benefit costs.

#### **Introducing a community allowance**

A community allowance could enable community organisations to pay people to undertake work that strengthens their neighbourhood without it affecting their benefits. This would provide increased flexibility and greater opportunity for individuals to re-enter the labour market breaking the cycle of dependency. It would also abolish the 'earnings disregard' to enable more people to work on a supported permitted work basis for up to 16 hours per week.

#### **Supporting locally tailored approaches to employment**

A future government should support more tailored solutions to address unemployment that are commissioned at a more local level and drive economic development locally. These should build on the Future Jobs Fund and include active programmes to support the creation of quality, sustainable jobs in social enterprises.

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## 4) Stronger support for community enterprise

Factors such as the recession, a widening poverty gap, a shortage of affordable housing and the threat of climate change are challenging local communities across the UK. A failure to respond effectively to these challenges will result in increasingly fragmented and demoralised communities.

We believe that responding to these challenges should not be left solely to government. Some of the most effective and imaginative responses will be those led by communities to tackle the problems they are facing in their own localities.

We believe that social enterprises, with a people-led and problem-solving culture, are able to harness the power of local communities and are the most effective vehicle for a community-led response.

In recent years, there has been increasing recognition of the value of community-led enterprises in regeneration, delivering public services and creating local jobs and wealth. Social enterprises are poised to empower and strengthen communities across the UK.

Social enterprises are calling for:

### **Introducing legislation to support a community's 'right to buy'**

Community ownership of assets is an important element of community-led enterprise. The next government should introduce legislation to facilitate community acquisition of assets, and support more communities to be able to act for themselves. This should be modeled on the Scottish legislation where communities with a population of less than 10,000 can to apply to register an interest in land and the opportunity to buy that land when it comes up for sale.

### **All new town developments and large scale redevelopments include provisions for community assets**

New town developments and large scale redevelopments have the potential to provide an enormous opportunity in terms of community asset ownership. In order to help foster the growth of community spirit and shared ownership of place, all new such developments should include provisions for asset transfer to an independent community trust, creating the foundation for the development of community led affordable housing, retail, enterprises and public space.

### **Support for community-led regeneration**

The current climate presents an opportunity to foster models of community-led regeneration that move away from traditional approaches based purely on the development of physical infrastructure, to approaches that empower people to develop their own solutions to local social, physical and economic challenges.

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## Levers and incentives for change

Deploying the right levers and incentives is essential to foster the start up and growth of social enterprises. This includes access to appropriate finance and a supportive tax system, along with developing a culture of social entrepreneurship and providing access to appropriate, high quality business support.

### 5) Creating a culture of social enterprise

Social enterprise must be considered a distinct part of the business landscape in order for the movement to grow.

Social enterprises are driven by social and environmental goals and as such, they have support needs over and above those of conventional businesses. Access to the right support can make the difference between success and failure both in the start-up phase and as a social enterprise develops.

Additionally, we need to support the next generation of social entrepreneurs. Social enterprises harness a diverse range of entrepreneurial talent, for example, research has shown that Black, Asian and Minority Ethnic groups and women are more likely to establish social enterprises than conventional businesses<sup>5</sup>. Releasing this resource and talent can play an important role in rebuilding the British economy. Further, social enterprise has much to offer young people as a career option that combines delivering social and environmental change with entrepreneurship.

**Social enterprises are calling for:**

#### **The routine collection of representative data on social enterprise**

Designing a policy framework to support the growth of the social enterprise sector requires

better information on its contribution to the economy and key growth areas. The Department for Business, Innovation and Skills (BIS) and the Office for National Statistics should ensure that comprehensive data on social enterprise is routinely collected in their surveys of the UK economy and that this reflects the full scale and breadth of the sector.

#### **Access to high quality business support**

Business support for social enterprise and social entrepreneurs needs to be pitched for the audience, easily understood and accessible. Packages of support need to be provided that are appropriate, are flexible and can be tailored to the needs of the social enterprise. It is also crucial, given the varying routes to the establishment of social enterprises, that relevant support should be accessible from multiple points of entry.

#### **The development of social enterprise hubs**

Social enterprise hubs/centres providing a combination of business support, shared workspace, enterprise incubation and peer support have repeatedly proven to be cost effective interventions that support growth of the sector. These should be supported as a key mechanism by which to support the growth of the sector.

#### **Incorporating social entrepreneurship within the education system**

Supporting the next generation of social entrepreneurs requires social enterprise to be incorporated throughout our education system. This should include extending social entrepreneurship across all business courses as well as introducing social enterprise through more practical cross- and extra-curricular enterprise initiatives.

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## 6) Support social and environmental investment

Finance is the motor for all business development, including social enterprise. There needs to be a greater commitment to financial and fiscal incentives that support organisations delivering social and environmental benefit and new methods of financing it. A Social Investment Wholesale Bank, expanding and supporting community share issues, the creation of a social stock exchange and rolling out social impact bonds, could revolutionise not only the social finance landscape but the financing of the social enterprise economy.

This will be key to the growth of the sector, and will allow it to prosper.

### Social Enterprises are calling for:

#### **The Establishment of a Social Investment Wholesale Bank**

An independent wholesale financial institution of sufficient size could significantly increase investment in social enterprises. It should be designed to support rather than distort the existing social finance market; invest in building the capacity of the sector to take on investment and support the sustainability and growth of the sector.

Mainstream financial services organisations, especially those in receipt of government support should be encouraged to match fund the wholesale bank and so provide additional wholesale financing to social finance intermediaries in the sector.

Further, given that a key constraint in attracting private investment is the lack of liquidity for the investor, the wholesale bank should provide a 10% liquidity pool for accredited investments until there is a fully functioning secondary market. This would allow organisations raising capital to offer some liquidity to investors.

#### **The introduction of community reinvestment obligations**

Intervention to secure access to finance and credit to people and enterprises in deprived areas should be developed through community reinvestment obligations on financial institutions. A UK Community Reinvestment Act would require all financial institutions to: disclose information regarding who and where they offer services; invest in all communities and provide fair, accessible and responsible credit for all.

#### **A strong and clear package of tax incentives to encourage social investment**

Fiscal incentives are essential to attract a full range of private investment into social and environmental solutions.

This should include strengthening, simplifying and extending Community Interest Tax Relief (CITR) to encourage longer-term investment in social enterprises and other businesses in deprived communities. Existing tax breaks such as the Enterprise Investment Scheme and Venture Capital Trusts should be adapted to give a higher return for organisations delivering social or environmental benefit.

Clear guidance should be developed to support these incentives and to support and encourage communities to invest in themselves.

#### **Expansion of the use of social investment bonds**

A future government should also further develop mechanisms to attract private capital into solving deep-rooted problems that soak up inefficient amounts of public money. Social impact bonds can raise money to pay for the expansion of organisations with the expertise to address some of our most entrenched problems. The more money the organisations save the government, the higher the return the bond pays investors, rewarding better social outcomes and not merely cutting costs.

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## References

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<sup>1</sup> This figure is based on the annual small business survey 2005-2007. This is based on social enterprises with fewer than 250 employees.

<sup>2</sup>State of Social Enterprise Survey

<http://www.socialenterprise.org.uk/pages/research.html>

<sup>3</sup> Ibid.

<sup>4</sup> A form of social enterprise that creates employment within the organisation for people who are severely disadvantaged in the labour market.

<sup>5</sup>[http://www.socialenterprise.org.uk/data/files/Research/delta\\_economics\\_social\\_entrepreneurship\\_in\\_the\\_uk\\_full\\_report.pdf](http://www.socialenterprise.org.uk/data/files/Research/delta_economics_social_entrepreneurship_in_the_uk_full_report.pdf)

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## What's next

This manifesto is one part of a larger election campaign to gather support for social enterprise in the run up to the 2010 election.

We are asking parliamentary candidates to sign up to the Social Enterprise Charter to demonstrate their support for social enterprises in their constituencies and across the UK.

However, we cannot do this alone. We have produced an election campaign pack to support the social enterprise movement to influence their local candidates. The pack includes tips on working with your MP, attracting the attention of the local media and a template letter to ask your MP to sign the Social Enterprise Charter.

To view the charter and download the campaign pack, please visit <http://www.socialenterprise.org.uk/pages/campaigns.html> or email [election2010@socialenterprise.org.uk](mailto:election2010@socialenterprise.org.uk).

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