

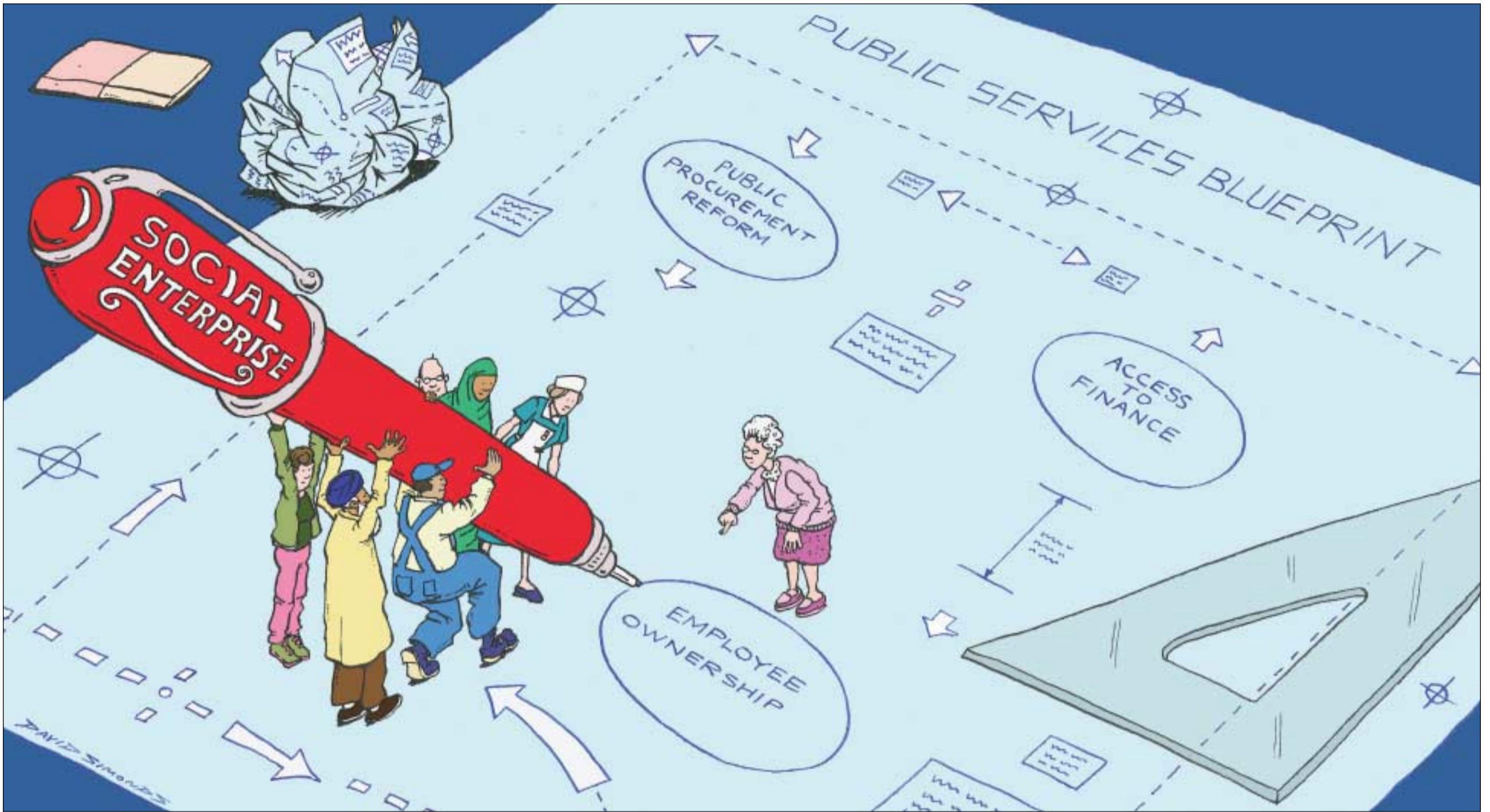
Social Enterprise

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Business phenomenon of the century

The Government wants social enterprises to run public services in an outsourced welfare state. But are they serious? If not, big business will get the cream and Tony Blair's planned legacy could be destroyed

Nick Mathison

The UK is on the cusp of a revolution every bit as far reaching as the privatisation of nationalised industries under Margaret Thatcher. Who provides public services and how the public consumes them is to fundamentally change.

This agenda won't die with Tony Blair's premiership. The foundations of centrally funded, locally managed services have been dug up over 20 years with the introduction of internal markets and the public finance initiative. The structures have been condemned – the question is what replaces them.

The public, and much of the Labour party, are suspicious, if not downright hostile, to the idea of mainstream business sucking cash out of services underpinned by taxpayers' money. The story of the private finance initiative serves as a stark warning. New facilities, funded by what amounts to a hire purchase scheme, are hugely expensive and often poorly designed.

In recent months, politicians across the spectrum have begun to suggest that social enterprises – businesses with a social or environmental mission which tend to be employee-owned, community based and plough profits back into their core businesses – together with large charities with a similar structure, will play a part in delivering key services.

If a place can be found for these social enterprises to run medical centres, offer therapies, place in work those on incapacity benefit and run probation services, then maybe the opposition to wide-ranging reform can be mitigated.

The Labour party manifesto pledged to remove barriers to their expansion. Champions of the sector within government include health secretary Patricia Hewitt and environment secretary Margaret Beckett. Ed Balls, one of Gordon Brown's most trusted lieutenants, is sympathetic to the cause. Conservative party leader hopefuls, Davids Cameron and Davis, have in recent weeks regularly cited the sector as a way to foster entrepreneurialism in run-down areas.

This has manifold advantages. These so-called social enterprises, locally managed and employee-owned, have the potential to offer a dedication that bluechip corporates can only dream about. They also offer the possibility of social cohesion in neighbourhoods. Social enterprises are heirs to the mutual and co-operative society movement that sprung up in the 19th century. Throughout the country new mutuals are running nurseries, care for the elderly, waste management and anti-fuel poverty initiatives.

The example of Greenwich Leisure Limited (GLL) – this year's winner of the Enterprising Solutions Award backed by The Observer – proves beyond doubt how social enterprises can deliver on a wide scale. GLL has taken a failing service – sport and leisure provision in a cash-strapped inner London borough – and turned it around, increasing revenue and customers, and reducing local authority subsidy, while offering a training to employees who own the business which is second to none. The business has grown as other boroughs buy into their social cohesion ethos. It now runs more leisure centres than any other business in the capital.

GLL is not alone. New Life, a Leicester-based construction company, trains long-term unemployed, and has transformed what was one of the most run-down areas in the country into a sought-after district. Hackney Community Transport, last year's Enterprising Solutions winner, consistently tops the best customer satisfaction league among London bus companies and is winning contracts off its mainstream rivals. Today, nurses, therapists and doctors numbering several thousand are organising themselves into John Lewis-style collectives primed to deliver services in their local area.

One of Britain's best kept business secrets is out. Until this summer no one knew how many people were employed by social enterprises. But an economic mapping of social enterprises by the Department of Trade and Industry last July showed that the sector makes an

£18bn contribution to the economy, three times the size of agriculture.

Nearly 500,000 are in paid employment and 200,000 are working voluntarily. A substantial majority of social enterprises make most of their income from trading, and 50 per cent are located in disadvantaged areas.

Thanks to a new company legal form, the community interest company, social enterprises can now use assets to borrow against. Access to finance is easier. Share issues to outside investors are not uncommon. In fact, annual returns from shares in projects run by Baywind – a renewable energy community-based enterprise – approach a healthy six per cent.

Yet it remains unclear whether these social enterprises will play a meaningful role in providing key public services in a reformed welfare state, or whether big business will get the cream?

The problem is that despite the hype and headlines, civil servants and local government officials have little understanding of the sector and less desire to

hand over contracts worth hundreds of millions of pounds. Many sector leaders are wary that unless procurement rules change to force local authorities to consider social enterprises, then big business will scoop up most of the contracts.

Behind the scenes, among charities, there are seismic changes afoot. Three of the UK's biggest charities, the Red Cross, the Royal National Institute of the Blind, and the Royal National Institute for the Deaf, have formed a consortium to launch an online exchange so those in need can buy 'life aids'. The move could spark a revolution in the way essential services are organised. Although it is early days, those involved in the consortium say the new business could eventually lead to the charities offering further services and counselling. In effect, they could compete with, and even replace, social services.

Meanwhile the government is poised to hive off all job centres to the private sector. The Association of Chief Executives of Voluntary Organisations is urg-

ing the Department of Work and Pensions to look at how Australia used social enterprises to run much of its job centres. The result was a marked increase in the quality in skills training and the placing in jobs of long-term unemployed.

Most of the ambulance service in Surrey is to be hived off to a private company specialising in prison management, immigration centres and court escort duties. A healthcare entrepreneur has raised more than £100m from the City to kick-start plans to build a chain of private hospitals across England using an employee-owned model. A new prison building programme is about to start taking the number locked up from 70,000 today to close to 100,000. Some private prison operators are keen to hook up with local organisations to run drug treatment, jobs retraining and probation services.

Central to the recent education white paper is the drive to wrestle control of schools from local education authorities and bring in outsiders to run them. Ministers appear mindful of the problem. Last month, care service minister, Liam Byrne set up a taskforce to identify how to break down barriers that stop third-sector organisations having a greater involvement in delivering services.

Jonathan Bland, chief executive of the Social Enterprise Coalition and a member of the taskforce, said: 'The government is very committed to open markets in public services. But the default option will see big business run services unless there is intervention. At the moment a lot of the thinking has been limited about this. People working in government need to unlock the potential of social enterprise.'

They say social enterprises could be the business phenomenon of the 21st century. Unless the politicians are serious about ensuring quality not-for-profit based organisations provide key services in a reformed welfare state, social enterprises will be left on the margins. And the chances are the standard of hospitals, schools and other key institutions won't improve.

What the politicians say

The Labour party manifesto, May 2005

We believe that enterprises in the mutual and co-operative sector have an important role to play in the provision of local services, from health to education, from leisure to care for the vulnerable... Its potential for service delivery should be considered on equal terms. We have introduced a new legal form – the Community Interest Company (CIC) – and want to support new enterprises. As a major stimulus to this sector, central government and local authorities will work with these 'social enterprises' wherever possible. Where services can be provided by mutuals, cooperatives or CICs to the required standard of quality and value for money, they should be positively encouraged to develop and be included in procurement policies.

David Cameron, Conservative leadership candidate

So just as we said to business leaders in the 1980s, 'Go to our inner cities. Create jobs and wealth and opportunity in Enterprise Zones,' so we should now say to the voluntary sector leaders whose solutions are working where the state is failing: 'We'll set up social action zones where we set you free to turn neighbourhoods around.' There is a new generation of social entrepreneurs tackling this country's most profound social problems.

David Davis, Conservative leadership candidate

I will constantly visit schools, charitable projects and neighbourhoods that can teach us how we overcome today's great social problems. These visits won't be mere photo opportunities. They'll be serious opportunities to learn why Labour has failed and how to learn from Britain's blossoming army of successful social entrepreneurs.

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Young, gifted and back from the brink

Kibble Works turns young, troubled lives around mixing a business nous with a strong sense of community. For many who have spent years in care, it is a last resort and a guiding hand toward full-time work

Marijke Peters

For most of the boys sent there, the Kibble Education and Care Centre in Paisley is their last hope: a final care placement after years spent in foster homes or other institutions. They come for a multitude of reasons; some have histories of violence or inappropriate sexual behaviour, others have been victims of serious sexual or physical abuse.

Andrew, 17, has been in and out of care since he was three, and came to Kibble a year and a half ago when his father could no longer cope with him. Various approaches at Kibble have enabled Andrew to gain independence and he is addressing his aggressive behaviour through counselling, education, training and employment opportunities. 'The main difference between Kibble and other places is that everybody is treated the same,' he says. 'They show me more respect. At school they don't try to treat us as schoolboys, they treat us as normal boys with problems.'

The centre has made good use of its social enterprise status, establishing a series of small community-based social enterprises under the umbrella of Kibble Works. At 16, the boys are offered the chance to become trainees at one of these enterprises. The idea is that they experience working life at the same time as gaining useful practical skills and interacting with the people of Paisley.

Andrew works for the Community Warehouse, a Kibble Works enterprise that provides local people with access to goods at low prices. Next year Andrew will move to 'supported caring' in his home area where he will start a college course. 'I never had a lot of independence,' he says. 'I feel more proud of myself because I have learnt how to have independence and I know the staff can trust me. They know I'll be there at the time I should be.'

Jim Mullan, the enterprise manager for Kibble Works says the placements help the boys to grow up. 'When they come here they get a true sense of themselves as young adults. We have quite high expectations of them and there are responsibilities around their conduct and toward those they work with. For the most part, the young men who are placed here pick up the baton and run with it.'

Kibble was originally conceived as a farm reformatory in 1859 and for many years was partly financed by the sale of produce grown by the boys living there. This social enterprise ethic was lost as Kibble became a council-run centre, underfunded throughout the 1980s and early 90s. It was relaunched in 1996 when the trustees took control back and started to turn it into the successful business it is today.

But functioning as a social enterprise providing services to councils in Scotland required a completely new approach. 'We had to move towards pro-



At Kibble Works, enterprise manager Jim Mullan (right) supervises two trainees. Photograph by Ian MacNicol

viding what councils needed rather than what they said they needed,' says chief executive Graham Bell. 'Simply consulting councils is not enough. You have to develop services that people want to buy.'

This mixture of business nous and a strong sense of serving the community has helped Kibble survive. Local councils were initially reluctant to take advice from Kibble, so it had to show them how it could fill a gap in care services and encouraged local authorities to diversify their care provision. Bell says: 'We see part of the job of a social enterprise is to be innovative in its response to social need.'

Now Kibble works with most of Scotland's local authorities, accepting boys

aged 12-18 for residential and day places. Part of its extraordinary success is due to the quality of the facilities. There is room for 63 full-time residents in nine specially designed units, and care packages are tailored to individuals' needs. Extra provision is made for vulnerable boys and there is a halfway house for those who are planning to start their lives outside the centre.

The majority of boys at Kibble first came to the attention of social services by the age of seven. Some have been in trouble with the police, for petty crime or more serious criminal activity. They invariably have histories of truancy and may have little or no contact with their families. 'It's the end of the line,' says

Local councils were initially reluctant to take advice from Kibble, so it had to show them how it could fill a gap in care services

Mullan. 'Contact is key, and if social services can maintain family contact they will, so Kibble is often the last resort.'

Stephen, 16, has been at Kibble for over three years and currently lives in the community house which is preparing him for independent living. In a few weeks he will move into his own flat. 'I'm an inch away from getting out of here,' he says. 'I wouldn't have had this chance if I had stayed at home.'

Although he is leaving the centre, he will keep his job as a joiner at a Kibble Works enterprise, and hopes to become professional. 'Before I moved into Kibble I thought I could do anything I wanted. But as soon as you move in you realise you haven't got everything – you still need to get it. You build up things for a good future.'

Kibble has attracted attention from all over the world, and accepts boys from England as well as Scotland. The care provided at Kibble is not a short-term solution for their problems; it aims at equipping boys with the skills they will need in adult life. Boys and staff are on an equal footing, which makes it easier to gain their trust. 'We are all on first-name terms and there is a very democratic feel to the way things operate here,' says Mullan.

Kibble Works placements offer boys opportunities they don't have at other care institutions, and Mullan believes it makes a big difference. 'There is a lot of responsibility. One of the things we look at as an outcome is how they respond to being given that responsibility.'

'The spin-off has been that there have been educational gains that we hadn't planned, that came out of the process that we have developed here. We see staggering improvements in basic numeracy because arithmetic becomes a concrete function in a warehouse.'

Kibble currently employs 300 members of staff and has a turnover of £10.5 million which it hopes to increase to £15m by 2007 with the creation of Kibble Safe Centre, a maximum security unit for youth offenders and young people at risk. It's an ambitious proposal that requires Kibble to borrow money for the first time, something Bell describes as 'a commercial risk' but one worth taking.

The biggest challenge facing Kibble is balancing its strong social mission with a need for commercial growth. Bell thinks the solution is to stick to what the company knows best, which is working with young people, and not branch out into other areas as a conventional business may do.

Heavy investment in staff over the past decade means Kibble can blend business and professional skills with its expertise in care provision. But perhaps it is the investment in future generations that will ensure Kibble's continued success. Bell has not lost sight of who the service is really for. 'The benefit of a social enterprise is that the assets are tied in for the future benefit of society, and nobody can walk away with them.'

Breathing new life into a community

A pioneering construction company has transformed a once-deprived area into an attractive neighbourhood

Simon Caulkin

In 2002, 'Six Streets', a run-down area of Braunstone, Leicester, was about to be demolished. As the most deprived ward in the East Midlands and one of the most needy in the country, it was riddled with social ills: soaring unemployment and teenage pregnancy, rock-bottom qualifications and expectations, and income trailing the national average by more than half.

Now this is no longer the case. In a three-year programme, Newlife Regeneration Construction, an innovative building firm and pioneering social enterprise, in collaboration with the community, has transformed the area. Uninhabitable houses have become attractive homes.

There is now a waiting list of people wanting to move in — inconceivable in 2002. Development of a play area, park and conversion of a derelict factory have helped turn Six Streets from an area that people couldn't wait to get out of — if they could — into a desirable location to move to.

It was not just the environment that was overhauled. The work directly created 80 training and 74 employment opportunities for marginalised hard-to-reach local youngsters. 'Building trades are always in demand; and construction is very well suited to teaching people on the job who don't do well in classrooms,' says John Montague, the social entrepreneur who founded and heads the £6m construction firm.

At the same time, Newlife has used the refurbishment to bequeath the area a sustainable new locally owned business of its own. In 2003 the East Midlands RDA through Social Enterprise East Midlands gave it funding to set up Ground Control, which specialises in ground maintenance and training. Ground Control carried out the environmental improvements at Six Streets, on the back of which it has won other local contracts. The company has seven per-

manent staff and is run by a board largely drawn from the local community. Although the programme has finished, its legacy lives on.

Newlife, which now employs 94 people, is that rare combination, a small construction firm that is both financially sound and socially engaged. A classic social enterprise, it has used economic opportunity to bring about lasting social change to an area in need of both. It has challenged attitudes by employing women on building sites (albeit two) and training those often thought to be untrainable. Increases in employment, skills and income have fed through into confidence, engagement and raised expectations; development of the community areas has helped to strengthen and extend local networks that in the past barely existed. In particular, says Montague, the initiatives have drawn in otherwise alienated young people and given them hope for the future.

Newlife emerged in 1999 from Montague's conviction that economic and social viability weren't enemies but went together. As a career construction manager at John Mowlem, working with Leicester Housing Association, Montague was frustrated that his job wasn't about people any more (everything was subcontracted), but about numbers. In Leicester he could see that 'there were communities in need, councils spending money, and a huge requirement for education and training — why didn't we join it all up?' says Montague.

The opportunity to do just that occurred in a conversation with the chair of Leicester Housing Association. It struck both of them that maintaining the association's properties provided a vehicle for doing much more than refurbishing: it could add social value by employing and equipping local people with qualifications for life, kick-starting community enterprise, maximising local income, and helping to bridge the crippling gap between hopes and expectations. Regeneration, in short, in the fullest meaning of the word.



Six Streets has now been transformed from an area people couldn't wait to leave into a desirable location. Photograph by Allie Day

'There were communities in need, councils spending money, and a huge requirement for education — why didn't we join it all up?'

Newlife's subsequent growth owes a debt to the bold decision of the housing association to get the idea off the ground with an initial £1m contract. By the end of the second year, turnover was up to £5.5m as the company won other contracts, a level which it has maintained while steadily building employee/trainee numbers from 15, in the second year, to today's 94. Of these, half are youngsters between the ages of 16 and 24.

So far, Montague says, Newlife has employed and trained 200 local people, of whom 100 have moved on, and most of those are still employed. It is important that they do get qualifications and move on, Montague points out, to leave Newlife room to take on new people.

Montague reckons that Newlife has reached the optimum size in Leicester for its dual aims: it is driven by local needs and its social mission rather than size. For example, housing refits, of which it does 40-50 a year, are in some ways better for its purposes than larger-scale projects, since they provide ideal opportunity for employees to learn in small teams over the end-to-end refurbishment process, from stripping out to painting and decorating.

However, that doesn't mean that Newlife isn't out to expand, just that it wants to do so by cloning itself in other localities and services rather than get big. Ground Control and Thorpete, a gas servicing and emergency call-out business, are two examples of the latter, while the parent company has moved into consultancy and maintenance services. The company has also formed a construction partnership in Amber, Derbyshire, which aims to develop local building services along the lines that have proved themselves in Leicester.

'We can share practice and experience and gain through joining up on procurement: different companies but sharing the same infrastructure,' says Montague. The model is proven; expanding it is a matter of identifying more clients who are interested not in lowest cost 'but true best value'.

A bigger splash

Greenwich Leisure Ltd is this year's enterprising solutions overall winner for achieving business and social goals renovating rundown sports centres

Nick Mathiason

You'd be hard pressed to find a better business success story. One in which dynamic entrepreneurialism is successfully married to meeting social and health goals.

It was 13 years ago that leisure centres in the south London borough of Greenwich were run-down, loss-making and faced closure. Today, the reverse is the case. In fact Greenwich Leisure Ltd (GLL), the social enterprise that manages the centres has become the biggest leisure operator in London with a £45 million turnover. Not bad for an employee-owned company.

GLL has grown its customer base exponentially by reaching out to all sections of the community – women, ethnic minorities and the elderly using flexible pricing strategies and targeted community programmes.

And what's more, the organisation is a trust where all profits are poured back into the business. Instead of paying shareholders, GLL money goes to boosting investment in staff, ensuring its pay and training are probably the best in the sector.

GLL is winning more contracts as councils buy into a philosophy that has proved time and again that it can get its residents of all classes, ages, genders and races taking up new active pursuits on a regular basis. Next year turnover is projected at £50m and it is likely that the business will be running over 50 leisure centres throughout the capital.

Not only that, councils employing GLL – and nine out of 32 have signed up in London – find it costs less hiring them to run services than any other provider.

Welcome to the world of social enterprise as practised by GLL, one of the most successful social enterprises in Britain repeatedly beating private sector rivals to scoop contracts. And its model is being replicated throughout the country.

'Today it would be unusual not to consider a leisure trust as part a procurement, but getting there has been a 13-year journey,' explains GLL's managing director Mark Sesnan in a poky meeting room in his London Bridge satellite office.

The numbers tell the story. Before Greenwich transferred its leisure services to GLL in 1993, the council spent £2.5m running the service and took £2.5m through the tills. Today the 10 centres run by GLL in Greenwich take £8.5m through the till and the council subsidy is down £1.6m to £900,000.

Out of the borough's 230,000 residents, 80,000 own leisure cards – the highest in the UK. Of that, 30,000 are entitled to half-price discounts thanks to its 'Robin Hood pricing policy'.

GLL offers 16 different price bands depending on residency, age and status. For just £4 each week, benefit claimants can use all facilities within leisure centres.

It employs community development officers who tailor sport and leisure programmes to all sections of the community, be they young or old, white or brown. Sport, previously a male, middle-class activity in Greenwich, is now open to everyone.

'Our strength is to make sure price is not a barrier to entry,' said Sesnan. 'We work with community groups and with

Councils find it costs less hiring GLL to run their services than any other provider

clubs to get as many people as possible. The cards we issue give us access to the DNA of our customers and that forces us to put on appropriate programmes in consultation with the centres.'

It's one thing having an entrepreneurial dynamism with a social purpose; it's another meeting the demand of other councils who want to buy into the GLL philosophy.

'We used to have to tender. Now we're invited. But also we're now a good business model. Councils want a good service but they don't want to provide it. So we offer a good solution.'

GLL came into being in 1993 amid a crisis in local government spending. Greenwich council, after years of rate capping, had to make cuts of £35m from its £210m budget. The leisure services were a prime candidate for the chop. But the decision to transfer the services to a leisure trust was made possible following the Tory government's decision to replace the poll tax with council tax. Business rates were set nationally rather than locally. Businesses operating as a trust or charity could claim rate relief. This saved Greenwich Leisure, £400,000 in 1993 and was the financial lifeline that enabled it to fly.

Its management led by Sesnan slowly grew the business throughout the Nineties. In the last four years, the message has got through to other councils, not just in London but increasingly fanning out into the home counties. To this end, a partnership with the London Development Agency has proved extremely valuable.

How come local authorities can't do what you do? 'Most people go into public service because they want to do a good job. But the system undermines them. It is wholly bureaucratic. Local authorities are not organisations good at delivering services if the truth be known. What we try to do is keep the public service ethos and be much more commercial. With a new facility we can get from decision to completion in 12 months. Local governments take two to three years. We do what David Lloyd or Fitness First do. This enables us to be much more customer focused.'

But GLL faces several challenges. Its biggest is keeping up with the pace of expansion. It currently employs 80 people in its Woolwich, south east London, hub. But there are another 1,000 working in leisure centres and 2,500 part-time staff. Sesnan describes his organisation as now having a long tail. He can't personally influence how centres are run anymore. Staff have to be captivated by the vision.

Though this may be easier for GLL. After all, it is structured as an industrial and provident society (the familiar legal vehicle for co-operative and community-based organisations) and is an employee-owned company with staff forming the majority of the board.

'Clearly there's an issue of growing too fast too soon. But we got to seize the



GLL is riding the wave in nine London boroughs

day. The opportunity to work with councils doesn't come along very often. Typically they look to let contracts for between 10 and 15 years.'

One of the biggest opportunities on the horizon is the London Olympics in under seven years. He sees the Olympics as representing the pinnacle of his career. After all, GLL's ethos chimes perfectly with the London bid team's message to the International Olympic Committee that the London games is about regeneration and community engagement.

GLL will be bidding to run Olympic facilities, but there are concerns. It is unclear how seriously Ken Livingstone's team recognises social enterprise as a tool for regeneration.

Sesnan is also worried that when Manchester held the Commonwealth Games three years ago, private sector firms were brought in to run the facilities.

'GLL absolutely wants to be considered when contracts are let but more than that, we can deal with not just the

job itself but the legacy. We operate in all five Olympic boroughs. We have an ambition to operate at least the aquatic centre. It's very much our skill set, our links with clubs.'

Other challenges are rising consumer expectations. Private gyms offer customers fluffy towels and gleaming facilities. It's the Whiskers syndrome,' says Sesnan. 'Give a cat Tesco cat food and it's happy. Change to Whiskers and that's all it will eat.'

Full of customised sayings, Sesnan adds with a wry smile: 'I keep on saying we're only as good as our last broken locker.'

The quality of GLL-managed facilities compare well to the private sector. But to grow, Sesnan knows he has to create a consumer awareness of the social enterprise model akin to fair trade goods, in order that the public realise when they enter a GLL centre – or any other social enterprise-run facility – that they are investing not only in a quality organisation but one that does social good as well.

As for the wider sector, Sesnan is guarded. 'We definitely need to kick-start this. It's for the government. If we don't, then all services will go to the private sector. The government talks about the mixed economy but it's not doing it. It needs to come off the fence. All the ministers have their heart in it but the civil servants don't have any interest in it.'

Maybe they should enrol in some training at a GLL gym.

Curriculum vitae

Mark Sesnan, GLL managing director

Born in Darlington, Mark Sesnan, 50, grew up in Edinburgh. He went to college in Staffordshire and became a manager of a leisure centre in Stafford. He then worked in Burntwood near Walsall, a Labour enclave in a Conservative county council that forced him, he says, 'to grow up quickly'. Sesnan now earns £90,000 and lives with a long-term partner.



Service users at one of GLL's gyms

'We give 110 per cent to the business'

A company formed seven years ago to provide meaningful employment to people with learning difficulties has flourished and diversified, yet remains faithful to its original remit

Julian Graff

Martin, 31, operates the till at the Karibuni Coffee 'healthy options' town-centre takeaway with a little more enthusiasm than your average nine-to-five employee. 'I used to work in the kitchens but I prefer this position because I come into contact with so many members of the public,' he beams. 'I handle money and get to chat.'

A regular job with a competitive salary and social satisfaction to boot is a big achievement for Martin, a man with special needs and learning difficulties, who a decade ago was drawing benefits and twiddling his thumbs at a local council daycentre. Today, he's shed his 'label' as a disabled person surviving on benefits and instead is pulling a wage and paying his way as part of an energetic, award-winning team powering a raft of revenue-generating businesses.

That team is Cope (Community Opportunities for Participation in Enterprise), a 'model of best practice' social enterprise firm formed seven years ago and based in the Shetland Islands capital of

Lerwick. Currently employing a staff of 41 – 11 of whom are disabled – it also provides training for 30 other 'disadvantaged' people in the Islands and in addition offers an outlet for voluntary workers to make their mark.

A limited company with registered charitable status and receiving grants and funding from a range of national and regional agencies, Cope estimates that around 68 per cent of its turnover (£1million in the year to April 2005) is derived from its interlinked enterprises which range from catering to horticulture, furniture repair to waste disposal, luxury skincare products to business consultancy. The Karibuni Coffee takeaway where Martin works is part of the current portfolio. A unit bottling Shetland spring water is scheduled to come on-stream early next year.

Although he says Cope's dynamism stems from its committed staff, it was founder and current general manager Frank Millsop's vision to provide meaningful employment for islanders with learning difficulties that underpinned the company's creation and growth.

'There was a daycare centre offering

recreational facilities, but no provision for vocational skills development or the promotion of employment opportunities for adults with learning difficulties,' the former special needs teacher recalls.

So Millsop and volunteers helped daycentre and other 'clients' – of whom Martin was one – to organise their own sandwich-making facility which earned a reputation for providing quality food. That was 10 years ago. The offspring of that enterprise today serves the business park housing Cope's headquarters and has had contracts to supply the local airport and secondary college, as well as growing an outside catering component.

A regular job with competitive salary and social satisfaction is an achievement

When his second project – a nursery for indigenous trees, coupled with a horticultural training programme for the disadvantaged – also took off, Millsop hunted down funds, including a five-year capital business grant from the National Lottery as well as a slice of North Sea oil revenue earmarked for community concerns, and in 1998 formed Cope.

In a population of over 22,000 spread among the Shetlands' 15 inhabited islands, it soon became apparent that many more people excluded from productive employment for one reason or another could be profitably helped to integrate into the community.

Thus it was not merely fortuitous that one Cope idea generated another. From the organic leftovers of the catering firm came a waste disposal project; the waste was recycled into compost which fed the growth of the nursery and also produced low-burning fuel logs for sale there.

Similarly, Cope's furniture recycling business yielded as a side-product timber for the construction of hen houses, rabbit hutches and, soon, flat-packed children's playhouses, together with waste

compactors whose eco-friendly design and components are today marketed throughout Scotland and beyond. A £50,000 contract from the local council for the recycling of 80 tonnes of household furniture was yet another by-product of and stimulus to the business.

However, behind Cope's example of entrepreneurial-driven growth remains the firm's commitment to those with special needs, including the more profoundly handicapped or people with mental health issues.

With its finger on the community's pulse, Cope has identified a 'spike' in the number of children with difficulties related to autism coming through the education system. 'The number is set to double in the next 10 years,' according to the company, 'and this drives us to create new opportunities to provide for these young local people who will require and deserve special training skills development in order to lead "normal" lives and to have the prospect of meaningful employment.'

Hence Cope is marketing its skills as a social enterprise business consultant, advising and fundraising for an SE cen-

tre on the British dependency of St Helena in the south Atlantic and forging pilot trading partnerships with firms in Italy and Poland.

Closer to home, the flagship Shetland Soap offshoot, with outlets in Edinburgh's top department store, the Scottish Parliament gift shop and its own shops in Lerwick and Orkney town centres, has grown to contribute 25 per cent of the company's turnover in little over two years, helped by internet marketing.

But can Cope really handle expansion, achieve its aim of being open to all the islands' disadvantaged and at the same time further reduce its dependency on grants? A 2004 operating deficit of £25,000 – double that of the previous year – suggests there are limits.

'We give 110 per cent to the business, says Millsop. 'We've shown our revenue potential. But at the same time, we are providing a much-needed social service. That has to be recognised through ongoing support from the local council and agencies. But at the end of the day, we too will cope.'

Back at the coffee shop, Martin is just one of many who hope Millsop is right.



Martin now works front of house at Karibuni Coffee shop: 'I come into contact with many members of the public. I handle money and get to chat.' Photograph by John Coutts

Reaching across the divide in Northern Ireland sparks an enterprise revolution

Northern Ireland's pioneering Bryson House is redefining business practice with a self-help spirit

Henry McDonald

Northeast Ireland's industrial revolution was launched in the late 19th century from the river Lagan. Along that waterfront, textiles, engineering parts and ships, including the ill-fated Titanic, were sent to every corner of the planet.

In the early 21st century the river coursing through the centre of Belfast towards the Irish Sea is the focal point for a new revolution in social economy, where a charitable community organisation eschews grant aid and stands on its own two feet instead.

The charity Bryson House is now central to environmental and social policy in Northern Ireland with a turnover of £12m from recycling, youth services and anti-fuel poverty measures.

It pioneered recycling in Northern Ireland two decades ago and its waste management programme earned around £1.9m in the year to last April. Its recycling team currently holds contracts with several local councils across Northern Ireland. This includes the largest, Belfast, where Bryson House workers recycle waste from 25,000 homes in the city. It has also won yet another contract with the waste management company Arc21, which in turn recycles waste in 11 council areas. The Bryson House teams recycle the waste of schools in Armagh, Ballymena, Castlereagh and Newtonabbey. Overall this service collected and then processed 6,300 tonnes of recyclable material and currently employs 65 people.

And like the hard-nosed capitalists who created the city's past industrial might, Bryson House is now using the Lagan as a fundraising resource.

Lagan Watersports provides courses in canoeing, kayaking, power boating and sailing for 4,250 children and adults from the deprived working-class areas based around the river. Working in conjunction with the Irish Amateur Rowing Association, Bryson House pays for the three month watersport projects not through grants but by unselfish business acumen. The charity owns the building where the boats and kayaks take to the water and has rented the top floor to private and public enterprises. The rent entirely funds the courses for people who otherwise couldn't afford to take part in what were once regarded

as yuppie pursuits.

'It's about turning the river into a social asset again,' says Bryson House's co-executive director John McMullan. 'The scheme reflects the philosophy of our work as we don't want to be grant-dependent. Bryson House seeks to fund its own projects, and the Lagan Watersports scheme is very typical of that.'

That dualistic approach of hard-nosed business sell with a social conscience extends beyond the river Lagan as far west as across the border in Co Donegal. Bryson House for instance runs a Home From Hospital scheme that has reduced 'bed blocking' in the local NHS. The 68 workers assigned to that particular project are hired out by local health trusts to look after discharged patients.

'If, for example, an elderly lady who has had a hip replacement wants to leave hospital early, our Home From Hospital carers can offer her assistance,' McMullan says. 'They can look after her shopping, housework, transport from the hospital and so on. The patient gets to come home if they wish and another badly needed bed is freed up on the NHS.'

The 52-year-old former factory worker himself personifies the Bryson House ethos. He joined the charity on an Action for Community Employment (ACE) scheme 12 years ago after being made redundant at a local tyre factory. While working in the early days at Bryson House, the charity sponsored him to return to education. He eventually ended up with an MBA from university.

'What Bryson House did for me, I and colleagues want to do with others,' McMullan says. 'We are proactive in investing in people. It's not a slogan on a wall for us but a reality every day. They helped me work my way up from the unemployment queue to where I am today.'

Paul O'Kane comes from one of the areas that has benefited from Bryson House's Lagan Watersports project. The 36-year-old grew up beside the Lagan in the Markets, an inner city area of Belfast which saw its fair share of violence during the worst days of Northern Ireland's Troubles. He joined Bryson House six years ago and has risen to head repair and maintenance at the organisation's headquarters in central Belfast.

'Bryson House encouraged me to go back and get an education while I was



Bryson House waste management employees, now numbering 65, are contracted by a clutch of local councils

'Wherever there are riots on the news you are bound to see our training units'

working with them. They pushed me on, they convinced me to go back and learn and make a fresh start.'

Although based in the sectarian-neutral space of central Belfast, Bryson House has satellite organisations dotted all across the city and beyond. Many of them, such as its North City Training organisation, a community employment scheme, are situated along major sectarian flashpoints.

'Whenever there are riots on the news from the flashpoints of north Belfast you are bound to see our training units in the background. This shows that we are working to train people up in employment skills in the most deprived,

Troubles-hit parts of Northern Ireland,' McMullan says.

Despite 35 years of incipient civil war, Bryson House has maintained a balance in its workforce that accurately reflects the sectarian demographics of Northern Ireland: the present ratio is 50 per cent Protestant, 40 per cent Catholic and 10 per cent other, including the new ethnic minorities settling in the Province from across the globe.

As well as the river, Bryson House also harnessed the city's other main natural landmark, its mountains, as a resource. It helped establish a consortium comprising several other charities to protect and preserve the mountain

range that marks the city's northern geographic boundary. Again with an eye to making money as well as protecting the environment, the consortium is selling the mountains as a tourist attraction.

The spirit of self-help and independence stretches back more than a quarter of a century to when the charity's then director, the late Peter McLachlan, pioneered a heating scheme to cut down poor families' household bills. Bryson House's home installation scheme is still used to this day by the Northern Ireland Housing Executive to save millions in public-owned homes across the most deprived parts of Belfast.

'I lost the plot and thought what am I going to do...?'

The story of Daily Bread proves people with learning difficulties can be part of a successful co-operative

Ben Flanagan

Daily Bread is a thriving, profitable business where there are no managers telling people what to do and all the staff are paid the same. In a small and not particularly attractive industrial estate in Cambridge, Daily Bread is a co-operative selling wholefoods, fair trade, organic and locally produced fare. It started trading in 1991, based on a similar operation in Northampton. Its turnover has grown steadily each year to almost £1 million.

The first thing that strikes you is the shop's aroma: herbs, spices, and fragrant smells from the attached café. But what this social enterprise sells is only part of the story. What makes it special is the way it is staffed.

Many of the company's 32 employees have a history of mental illness or learning difficulties. Other members of the team are on hand to provide support; everyone is a 'warehouse assistant' and paid a flat £7 an hour regardless of responsibility.

Staff share duties, with all mucking in to help in the packing room, serving customers, or replenishing stock. Some work on the personnel group, drawing up rotas and arranging training. The only distinction between staff is that some become 'members', entitling them to attend business meetings and vote on decisions.

The company claims to have paid out over £1.4m in salaries and training in its history – of which around one quarter was paid to individuals who would otherwise have been institutionalised or on benefits. It has also donated over £32,000 to good causes – from local schools to Third World charities.

Nick Williams has worked at the company for three years. He is its chairman – although, of course, gets paid the same as the other workers. 'The beauty of it is that we allow, and actively encourage, people to take on as much responsibility as they can,' he says. 'Rather than have them pushing trolleys around a car park, we give them jobs with self-respect.'

Working at Daily Bread helped 56-year old Lyn Briant gain confidence after she suffered a personal tragedy.

'I lost my husband very suddenly. I really lost the plot – and ended up in hospital,' she says. 'I came out and thought 'what am I going to do?'. I'd been out of the job market for 30 years – and totally lost my confidence.'

The turnaround came when Lyn started as a volunteer at Daily Bread in 2002. 'I started tidying the shelves and making the tea – it was I all I was capable of doing. But as my confidence grew I

took on more responsibility – I became a buyer, and joined the personnel group. I've gone right from the bottom to the top – if such a thing is possible in a co-operative.'

It's a supportive environment, says Lyn. 'Nobody jumps on your back if you make a mistake – it's a real place of encouragement. I dread to think what would have happened to me if I'd not found this place.'

Mark Ashton has an altogether different background. Two years ago, he left a sales job paying £40,000 a year to work at Daily Bread. 'I got sick of the rat-race. I think the reason we've succeeded is our Christian ethos,' he says – though he adds that around a third of staff are not of that faith.

Some may feel that religion should be kept out of such enterprises – though employee Katherine Connell disagrees. 'I'm not a card-carrying Christian,' she says. 'But I find the Christian principles on which Daily Bread is founded provide space for an ethical conduct at work.'

Connell adds that the workspace is designed around social interaction. 'The warehouse and shop are combined – which means that workers are interacting with customers. It's an organic way of working.'

However the management structure at Daily Bread does have its downsides. With individual salary increases a no-no, alternative ways to motivate staff must be found, such as setting personal targets. One member of staff describes the decision-making process as 'a bit long and painful'.

But the company must be doing something right. In the early days it received some funding through grants and loans – although in the last eight years has been completely funded through trade. This year, Daily Bread has a projected turnover of £1.13million.

The Tesco up the road may be cheaper but Daily Bread reports a loyal and growing customer base, with many travelling relatively long distances to visit. The Ecover detergent range is the biggest seller; they also stock 'real' nappies and a range of foods suitable for those with allergies.

And it's set to expand nationwide. In what is a vivid vindication of this business model, the company has embarked on a licence programme with Social Firms Ventures UK, whereby the business may be replicated on a franchise basis. Expressions of interest have come from all over the UK, from Scotland to Ipswich. If this pans out, Daily Bread can truly lay claim to being a guiding light.



Daily Bread's Nick Williams and Lyn Briant, warehouse assistants in a workplace where parity and social interaction are key Photograph by David Rose

The government will avoid controversy by outsourcing to socially aware business

Baroness Thornton of the Social Enterprise Coalition reveals why the sector's profile is on the rise

Neasa MacErlean

The development of the social enterprise sector looks set to change the landscape of the workplace. These businesses could double in number in the next few years to more than 30,000 organisations, according to Baroness Thornton, chair of the Social Enterprise Coalition.

And if they keep employing people at their present rate, then social enterprises will have a payroll of over one million, employing about one in 30 of the UK's employees. This sector will be a major beneficiary of the government's outsourcing plans. On the day that this interview took place, the Department of Work and Pensions was talking about its plans to outsource 650 Job Centres.

The government knows that controversy about such proposals – including privatisation of the NHS – will be greatly reduced if some of the new operators come from the voluntary and social enterprise sector.

Baroness Thornton's most important role in this story is undoubtedly her post at the Social Enterprise Coalition where she opens bureaucratic doors, calls on her government contacts, redefines the capabilities of social enterprises and performs the other detailed work of genuine change rather than lip service.

But the social enterprise culture has been with her since birth and before. 'I come from a working class co-operative tradition,' she says in one of the few asides where she is prepared to dwell on herself, rather than on the cause.

Glenys Thornton was ennobled in 1998 and attends the House of Lords every day it sits, in her capacity as a Labour and co-operative member. In the past couple of years since the coalition was launched she has worked behind the scenes on the kinds of schemes which remove the barriers to change in a world increasingly tied up in red tape. For instance, she has worked closely with the Department of Trade and Industry's Social Enterprise Unit – set up for a three-year period in 2002 – to accelerate the development of this sector.

The unit's achievements might sound basic but the social enterprise sector was not even able to say how big it was until July this year when research from the unit concluded that 15,000 social enterprises generate £18 billion of turnover by employing nearly half a million and working with another 200,000 volunteers.

Baroness Thornton's next task is to ensure that the unit, now officially at the end of its lifespan, becomes permanent and flourishes. 'We would anticipate that it would continue,' she says. Other specific tasks include changing the procurement roles of local government to cater better for social enterprises; liaising with different central government departments to see more work commissioned out to social enterprises; developing better links with regional devel-

opment authorities and other interested parties; and encouraging banks to lend to social enterprises just as willingly as they do to traditional purely profit-motivated businesses.

The procurement issue is a big one for now. 'If you want to get real growth in social enterprises, we've got to have an even playing field,' she says.

She and the coalition are currently in discussions with ministers and civil servants at the Office of the Deputy Prime Minister over issuing new procurement guidelines which would make it easier for – and perhaps even explicitly encourage – local government to commission not-for-profit organisations. 'I think we shall see changes over the next year,' she

'The challenge for social enterprises is to scale up quickly enough.'

says. In her view, the current procurement guidelines have sometimes been interpreted to exclude social enterprises.

Another development which may sound innocuous is actually crucial. It is the creation of a new legal entity, community interest companies (CICs).

Established in July this year, CICs enable social enterprises to own or use public assets – whether schools, old people's homes or swimming pools – but to guarantee that such properties will always remain in use for the public benefit. About 20 CICs have been set up since the summer.

Another part of the coalition's job is to help social enterprises deliver. Whether they are running doctors' surgeries, providing Meals on Wheels or generating renewable energy, social enterprises need access to capital and professional expertise in order to provide a service as good as any profit-making business. Baroness Thornton sees the challenge for the organisations themselves as being to meet the expected future demand: 'The challenge for social enterprises is to scale up quickly enough.' Many social enterprises work in fields where they could take on health, education and other functions traditionally provided in the UK by government.

One of the largest social enterprises, the Eaga Partnership, is a former energy efficiency quango and now employs over 550 staff in the UK. Another, the Big Life Company which was spun out of the Big Issue idea in the north-west, provides



Baroness Glenys Thornton hails from a cooperative tradition

healthcare services including drug rehabilitation. 'I am very interested to see how this one works,' says Thornton. 'They are very entrepreneurial.' Enterprises such as these could take on government contracts in the ever-increasing trend for outsourcing.

To help the enterprises meet such demands, Thornton and the coalition staff have their work cut out. Take the Regional Development Authorities behind Business Link and other business support. 'They're providing the right sort of business support now,' she says. 'They are making a lot of progress. But when you spoke to RDAs five years ago, they did not know what you were talking about.' Now though, the North West RDA is a major supporter of the Coalition's national conference.

A lifetime's involvement in the social services and local sides of politics clearly contributes to her current role at the coalition. She persuaded high-profile members of each political party (Patricia Hewitt for Labour, Liam Fox for the Conservatives and Simon Hughes for the Liberal Democrats) to visit social enterprises in the run-up to the last general election. And Labour carried a commitment to social enterprises in its manifesto. She founded the all-party social enterprise group in the Houses of Parliament. 'We've worked very hard to get buy-in,' she says.

And she describes all these activities as 'what I do in my leisure time'. She has a full-time job at work just off London's Piccadilly where she chairs a communications and media company, Pall Mall Consult, and she has a full-time role at her Hackney home which she shares with her husband, John Carr, a consultant on child safety and the internet, and their two teenage children.

Until now social enterprises have not had a high profile – but that could be about to change. 'When they did not even know how big a sector they were, they could not boast about it.'

Before the DTI did its research, there were vague estimates that perhaps 5,000 organisations were in this sector – a third of the number which the DTI produced. 'Some of the organisations which classify themselves as social enterprises – including the Eden Project, Cafedirect and Jamie Oliver's Fifteen – are actually very famous but not identified as social enterprises by the public.'

When it is outsourcing the provision of health and education services, the government could well find it useful to highlight the admirable aims – ploughing back rather than distributing profits to owners – of this sector.

The vocabulary of this field also lends itself to New Labour. While the privatisation of the NHS might sound provocative, outsourcing away from the first and second sectors (the public and private sectors) to the third sector of the voluntary and social enterprise fields will sound far more attractive to Labour party traditionalists.

Put your money where your ethical mouth is

Opportunities to buy shares in social enterprises are opening up. And the returns are good. There are even calls to create a stock exchange for the sector. But there are still problems accessing enough finance

Heather Connon

If you want to buy shares in Baywind Energy Co-operative you have to wait for someone to die. Its investment performance means death is the main reason its 1,300-odd shareholders sell.

Mortality rates would have to jump dramatically to satisfy demand: the company, which operates six wind turbines in Cumbria, has around 3,000 people on its books interested in investing in the schemes. And not all of them can be accommodated in Westmill Wind Farm Co-operative either, which is poised to launch a share offer to raise £3.7 million to buy five wind turbines.

Interest is not restricted to wind-power: Cafedirect, the fair trade coffee company, had to turn investors away when it launched its ground-breaking £5m share issue last year, and a number of other ethical organisations, such as the Ethical Property Company and Golden Lane Housing, have also managed to raise money from outside investors.

Unfortunately, these companies are still the exception: social enterprises are likely to find it hard getting their funding from conventional investors. The biggest obstacle can be their structure: social enterprises will often be set up as charities or co-operatives and their rules will differ from conventional companies. At Baywind, for example, every member has just one vote, regardless of how much he or she has invested, and the maximum shareholding is just £20,000.

Others may stipulate that their profits are ploughed back into their charitable or social activities. This can be hard to reconcile with the rather more selfish interests of equity investors, venture capitalists and other conventional sources of finance for small businesses, whose main interest is usually in how much of the profit will be channelled back to them.

But there is a growing awareness of

the need for social enterprises to have access to a wider range of finance. Research by Bridges Community Ventures, a private equity firm which invests in socially deprived areas, concluded that there was a real need for venture funding to back companies which do social, as well as financial good. Bridges director Michelle Giddens said that about one-tenth of the companies which approached Bridges for finance in its first year of operation were social enterprises.

'Many of these were exciting business models that could be financially sustainable and achieve great social impact, but we could not invest in them with our current funds because we invest in profit-maximising businesses located in deprived areas. We found that there was no clear place to refer these entrepreneurs and many were failing to get started or to grow their businesses

Investment table

Baywind
5.64% average income over last five years.

Ethical Property Company
Dividends annually 3p so average annual return 3 per cent based on initial sub price of 100p. Share price in a year has risen from 100p to 110p in five years – a 10 per cent rise. Price is set by directors rather than dealings.

Cafedirect
Price is set by board and hasn't yet changed since share issue – based on earnings per share and about to do latest figures so may change now – and no dividend so zero return.

Triodos Renewables
Average 2.24 per cent dividend payment over five years, shares risen from 100p issue to 130p, though been 130p for three years. Again price set by board.

through lack of access to appropriate capital.'

Bridges' research concluded that there was a place for a venture capital fund which was both socially responsible and could produce a return of between 3 and 4 per cent a year. It believes that 'wealthy individuals were excited by the prospect of investing in such a fund and that foundations were willing to make grants for operating costs'. But Bridges is not currently considering such a fund and there is no indication that others are rushing to fill the gap – Bridges' research concluded that any organisation which did would have to have experience in the area.

Some social enterprises are producing returns well above that level. Baywind, for example, has returned between 5.6 and 6.6 per cent to its members in six of the eight years of its life so far. It qualifies under the Enterprise Investment Scheme so members can claim 20 per cent tax relief on their initial investment, raising this to between 7 and 8.2 per cent. But the shares are not redeemable on a specific date for a specific price: members who want out have to rely on the list of willing buyers remaining.

Jonathan Bland, chief executive of the Social Enterprise Coalition, thinks one of the keys to getting a vigorous financial market would be a social stock exchange which would allow investors to buy and, more importantly, sell their holdings easily. Not every company will have Baywind's waiting list and the fear of being locked in for ever could be enough to deter many investors from considering social enterprises.

But he added a significant caveat: 'While investors can make money from investing in social enterprise, it is not the same as buying shares in a company listed on the stock market. For a start, the share price will often be determined by the company, rather than the stock market – as is the case for Cafedirect, Ethical Property Group and Triodos



Demand is significant for shares in wind power Photograph by Murdo Macleod

Renewables. That is perhaps inevitable given the lack of an active market for the shares, but it does mean that share prices tend to go nowhere.'

Triodos Bank, the ethical bank which backed the Cafedirect finance raising, runs its own Ethex market which will try to match buyers and sellers. Cafedirect, Triodos Renewables, its own windpower fund which has just had a third share issue, and Golden Lane Housing are among the companies on this. Others, such as Traidcraft, use Brevin Dolphin as their marketmaker and some are traded on Ofex, the over-the-counter market for small companies.

But Joel Moreland, an equity and investment manager at Triodos, says: 'What matters to investors is liquidity – it is not a matter of who markets the company; the ability to sell is the real issue. Investors need to think about the facts of smaller companies.'

Judging by the 500,000 or so people who hold ethical unit trusts and other collective vehicles, there is plenty of interest in investing in companies which are socially, as well as financially, good. So far, however, the list of investors in social enterprises is quite small – Triodos, one of the main participants in this area, has less than 9,000 investors across its four schemes, although Traidcraft, for example, have considerably more. But getting information out to interested investors can be challenging – Cafedirect used its coffee jars to promote the issue but not all companies have such high-profile brands. Baywind gives priority to people who live locally so uses the local media to promote itself.

Moreland says there has been growing interest in external fundraising from social enterprises but does not expect a flood of new issues: 'There will not be 20 next year. The key is to bring good quality offers to the market. We do not want to do just any old thing. It would be easy to put off investors and allow them to say that all social enterprise is rubbish just because one fails.'

Regional Development Agencies: We're spreading the word and here to help

Regional Development Agencies want to extend their support to all businesses, including the third sector

Conal Walsh

JIM BRATHWAITE is a man on a mission. Most social entrepreneurs have not realised that England's Regional Development Agencies (RDAs) are championing the sector. But as national lead for the RDAs on enterprise policy, Brathwaite is determined to get this key message across.

'We now give social enterprises the same support that applies to all businesses, including financial support and business advice,' he says. 'More people from a vast range of backgrounds are getting involved in social enterprises and it's important to make clear that we recognise all forms of economic activity.'

The key change came last April, when England's nine RDAs began funding the Business Link network, an organisation for SMEs, including social enterprises. Closer links with social enterprises are probably long overdue. RDAs, after all, exist to reduce social and economic disparities at a regional level, which chimes well with the aims of social enterprise to regenerate deprived communities by fostering innovation and jobs.

Brathwaite is keen to hear from all manner of socially minded outfits. 'There are lots of charities and not-for-profit organisations out there that don't see themselves as social entrepreneurs, but we want to include them as well,' he says. 'Increasingly, charities are seeking to become financially independent. Social enterprise offers a way to generate income that fits with their purpose.'

The nine RDAs, each a public body with responsibility for a different part of England, bring an impressive track record to the job. Together, they claim to have created more than 270,000 jobs in the past three years – as many as there are in the UK oil and gas industry. They have helped create 17,000 new businesses, regenerated 3,686 hectares of brownfield land – an area equivalent in size to a large London borough – and provided retraining opportunities for more than half a million people.

Brathwaite, whose day job is chairman of the South East England Development Agency (SEEDA), has a busy role, briefing politicians and travelling the country, from crowded inner cities to impoverished rural localities, encouraging new economic life.

Different regions have different problems, which is why locally nurtured social enterprises are sometimes so effective. Less than a year into their involvement with social enterprises, RDAs can claim some notable successes. In Yorkshire, for example, the RDA has provided financial assistance to Pitstop, which provides training and leisure activities to help keep vulnerable and disengaged young people in education, and has generated such demand that it has outgrown its premises.

Run by social entrepreneurs Adrian Woods and Paul Craft, and working with



SEEDA chairman Jim Brathwaite recognises the importance of social enterprises

local schools and youth offending teams, Pitstop now has plans to develop a purpose-built facility with accommodation and workshop. The Halifax-based organisation says it helped 31 young people to secure full-time jobs last year and a further 103 to gain qualifications.

In the east of England, the RDA helped set up a fund providing unsecured loans of up to £50,000 to social businesses. Companies and individuals can invest in this fund and, as well as witnessing the community benefits their investment brings, can expect a safe, if modest, rate of return: the loans are repayable in full and charge interest.

Wood'n'Stuff, a recipient of a £25,000 loan from the fund, is a garden centre in Bury St Edmunds. It is also the commercial face of a respected disability day care business. Plants and shrubs sold in the garden centre are grown on site. Furniture sold in the shop is mostly made in workshops run for people with disabilities. The firm has 12 staff catering for over 100 people on behalf of four councils. And the South West RDA has backed several businesses including a community recording studio in Bristol.

A recurring complaint from some social enterprises is that they have difficulty securing large contracts from councils and other public-sector bodies, many of which allegedly adopt a conservative approach and award all work to companies in the old-fashioned private sector. Brathwaite says that the RDAs can provide crucial help in tackling this problem.

Social enterprises, he says, often need to be given a little extra business savvy in order to compete for the most lucrative work. 'In my opinion councils are willing to give work to social enterprises, but the government has imposed rules of audit on them which make it difficult to give money to organisations unless they have the right credentials.'

'Councils used to have budgets to give to charities for jobs of work. Now they have to tender for such work, which needn't be a problem, because very often social enterprises are indeed best placed to carry out the work. The problem is that once words like "tender" are used, some social enterprises are all at sea. We're trying to make sure they get the business skills that will enable them to compete properly.'

Key RDA projects

Homeless youth

In Thornthorpe, Middlesbrough, one of the most deprived districts in the UK, Community Campus provides training, housing and support to young homeless or excluded people.

In 1987 a group of youth and social workers set up a company to provide better housing to homeless people. With a grant from the John Paul Getty foundation, they bought a dilapidated property and contracted a local builder to renovate it. The various problems they encountered made them think that they could do it better, and in 1991, with a grant from Middlesbrough Task Force they bought seven properties, which were renovated and repaired by young people trained by Community Campus Key Skills Project. Those properties were later used to house young people, and the experience allowed them to develop a sustainable model that could be put into practice again and again. The business now turns over £1m.

Some of the young people trained are now employed by the Community Campus Trading Company, which provides 50 per cent of the projects' funding. Recently it completed the renovation of a children's hospital in Romania: 'Some people working on that project didn't know where they were going to sleep when they were 16; now they work and have a place of their own. In terms of personal development I think that's great,' says Lawrence McAnelly, Community Campus's development co-ordinator.

The RDA One North East has been working closely with Community Campus assisting their business development and raising their profile within the region. The project now owns 50 properties, houses 70 16- to 25-year-olds and provides training on building work and living skills for over 100 people a year

while it continues to support similar initiatives across the region.

Credit unions

Mainstream banks often refuse to offer their services to the poor. This is where credit unions – new-style mutual savings and loan companies – come in. One of the most successful projects in the UK is Creating Wealth in the West Midlands Through Sustainable Credit Unions, an initiative developed by the Association of British Credit Unions Ltd (ABCUL).

From 2002 until May 2005, a group of experts worked closely with seven credit unions in the area, while also offering support to 30 others. The result in the seven beacon credit unions was that the value of loans increased by 49 per cent to £6.44m. Savings rose 48 per cent to £7.51m, compared with growth in the rest of the region of 22 per cent and 26 per cent, respectively. The considerable increase in loans and savings meant that not only more wealth was created, but also that it could be retained within the region.

Andy Powell, initially manager of the project and now an Abcul employee, was pleased to see how most of the credit unions involved were transformed from traditional, product-driven organisations to more customer-driven ones. He says that the credit union also realised the importance of analysing their figures and devising plans, alongside maintaining their ethical values: 'To achieve their social mission they have to become successful businesses, and this is something we were able to help them with.'

RDA Advantage West Midlands enabled the project, allowing it 'to effectively operate across regions,' says Powell, 'and this regional approach made the project more useful.'

Maria Quevedo

In competition for the local business

Despite government support, few local authorities are procuring their services from social enterprises

Heather Stewart

It sounds like a win-win for local councils. Instead of handing over millions of pounds to faceless conglomerates to empty the bins and mow the parks – and rewarding their shareholders in the process – why not invest the money in local providers which will throw the promise of community regeneration into the bargain?

Social enterprises can often provide local services efficiently, at the same time as training long-term unemployed or disabled people, for example. But Matt Walsham, of the Coalition for Social Enterprise, says they can have problems making their case to local authorities. 'The biggest barrier is a lack of knowledge of what social enterprises are. Local authorities see them as a strange beast. Neither private sector business nor charity, social enterprises can slip through the net if there isn't someone within a council who understands their potential.'

And handing a contract to a social enterprise may take some seriously creative thinking. The New Economics Foundation (Nef), which has produced 'Public Spending for Public Benefit', a guide aimed at local authorities, says councils need to learn to 'bend the spend'. Instead of tendering for council services strictly on the basis of cost, and then looking for separate providers to deliver local regeneration, for example, they might be able to 'bend' some of the money earmarked for, say, help for the long-term unemployed, towards a social enterprise that can also deliver a service.

That's exactly what happened in Liverpool, with Bulky Bobs, a social enterprise that collects people's large items of rubbish and is funded by the council. At the same time as keeping Liverpool's streets free of fridges and sofas, it is providing training and employment for the long-term unemployed, paid for through the Neighbourhood Renewal Fund.

Bulky Bobs is now tackling 50,000 calls a year, for the same price that the



Hackney Community Transport wins a contract to supply school buses in West Yorkshire Photograph courtesy of Metro

council was previously paying for 29,000 calls – and since they recycle more than a third of what they collect, the council also saves money in landfill charges.

'We get a service very well delivered, and the profits stay in Liverpool,' says councillor Richard Kemp. But he admits that persuading procurement professionals to think creatively, to 'bend the spend', is the key to working with social enterprises.

'One of the difficulties is convincing procurement people that we can bundle outcomes together like that,' Kemp says. 'It's total procurement rather than just

'Between the ministerial statements and the civil servants we have to deal with, there is a big gap of understanding of social enterprise'

services procurement. You need people within the council to understand what social enterprises are and how to use them.'

Convincing civil servants from Whitehall that a social enterprise might be the best provider of a service can also be difficult, says Chris Roberts, the leader of Greenwich Leisure, a non-profit-making enterprise now running sports facilities in a quarter of London's boroughs. 'It's not as easy as I think it could be.'

In theory, the government is entirely in favour of councils procuring services from social enterprises. Local authorities are now expected to take the needs of the local community into account when they spend money – even to work with local groups to help develop markets, if that's what's needed. But Roberts says that's not always reflected in day-to-day reality. 'Between the ministerial statements and the civil servants we have to deal with, there is a big gap of understanding.' Before he could get Greenwich Leisure off the ground, he had to win over Whitehall, and it wasn't easy. 'We just kept telling them, "we can do this", and we got to a stage when nobody said no any more. Nobody ever said yes – they just stopped saying no.'

But perseverance can pay off. John Taylor of Nef points out that the sums of money councils have to spend are so large that even a small shift towards local providers – and particularly towards social enterprises – could have an enormous impact. Councils spend £125bn a year on procuring services. If just one-tenth of that was retained in local areas, it would be worth 17 times more than the government spends on regeneration projects. 'Social enterprises are very good at recycling money within a community: they're very lean, they're very embedded in their community.'

They also have a special character, says Roberts. 'The people running it are very important. You get the entrepreneurial spirit and risk-taking that you see in the private sector, but you also get

very much the public service ethos.' Greenwich has been able to reduce its subsidy of leisure services each year, as its not-for-profit sports centres have reinvested their surpluses.

Dai Powell, the chief executive of Hackney Community Transport, which runs transport services in many London boroughs using local staff, says councils are beginning to wake up to these benefits.

'There are a lot more local authorities now who understand the role that social enterprises can play,' says Powell, 'but there's still an awful lot that don't.' He says the way that councils tender for contracts is critical for determining what services social enterprises can provide. 'That's always the crunch. It's procurement, without a shadow of a doubt.'

He says authorities should try to take a longer-term view of the cash they lay out on services such as transport and waste collection. 'They're investing that money: they're investing it in local people and services.'

Hackney Community Transport recently won a contract to provide yellow school buses in West Yorkshire, against private sector competition. Powell says that's because there were demanding quality criteria which private-sector companies struggle to provide, while still turning a profit. 'If it's a quality contract, we'll be very competitive on price,' he says. 'Social enterprises in general don't bid for the cheapest services: it's not about poor services for poor people.'

But what social enterprises really need is champions. Powell says that years of working in the local community means he understands people's needs, and he has built up the political savvy to change things.

Kemp in Liverpool sees part of his job as pestering the rest of the council to give social enterprises a fair chance. 'This never works unless you've got within the council someone who's interested. And even then you've got to kick arse the whole time.'

Meet the social entrepreneurs

Three top leaders in the sector offer their take on what it means to be a social entrepreneur



Sophi Tranchell
Managing director, the Day Chocolate Company

Social enterprises are mission-driven businesses. Our mission at the Day Chocolate Company is to improve the livelihood of small-scale cocoa farmers in West Africa.

Our business is to establish Divine fair trade chocolate in the UK market, one of the most competitive and valuable markets in the world. To do this we have had to win over some of the most hardnosed people in the UK retail sector. Comic Relief and Christian Aid's support got us through the door, but the deal with Fairtrade and the farmers' ownership of the company engaged and inspired the retailers. And as the products were good and the margins were reasonable, they were prepared to give us shelf space. Then it was down to chocolate lovers to buy Divine and move it off the shelf. Slowly but surely they did.

This has been an incredible year: the combination of UK G8 presidency, the Make Poverty History campaign and the Live 8 concerts saw more UK media coverage about the issues affecting Africa than ever before. One of the results is a growing appetite among UK consumers for fair trade products, products that deliver real benefit for producers in developing countries, products that make them feel they can really make a difference.

This increased demand has led to more interest from retailers, who have stocked an increasing range of products, and even developed own-label Fairtrade ranges. Ultimately there has even been interest from multinational corporations like Nestlé. They are all responding to a growing consumer demand, and while increasing numbers of people in Britain are looking for products and services from companies that are powered by their principles, the outlook for social enterprise is good.

But the challenges are still the same: raising finance to fund our growth is still difficult. In the main, we are companies without assets to secure loans. I repeatedly have to explain why it is not appropriate to ask directors who are not paid, who donate their time and expertise, to put up a guarantee. David Cameron recently recognised the potential social enterprises have to solve the social problems particularly in the inner cities. If we are to see this potential unleashed then financial institutions need to take the leap. They might not understand the risks, but the impact of backing social enterprise could be more than they dared to imagine.

'As the products were good and the margins reasonable, retailers were prepared to give us shelf space'



Cocoa farmers get a fair deal in Ghana Photograph by Karen Robinson

John Clough
Chief executive, Eaga Partnership

In 1999, after delivering the Home Energy Efficiency Scheme (HEES) for central government for nine years, Eaga, an organisation founded for the social purpose of tackling fuel poverty, faced going head-to-head with the big utility companies over the renewal of its contract.

My first priority was to find a structure for Eaga that encompassed private sector disciplines while retaining public sector values. We looked at joint ventures with utility companies, a management buyout, setting up a co-operative, and co-ownership as potential models for the future structure. I contacted the UK's largest, most successful employee-owned company, John Lewis, to look at how a partnership model might work, and the rest is history.

Eaga won the contract in three out of four areas of England, and on 1 January 2000, with 135 employees, Eaga Partnership Ltd was born. Today, Eaga has over 15 years of experience of delivering key public sector projects. During that time we have worked with central government, the devolved nation governments, local authorities, housing associations and utility companies to make a difference to the lives of more than seven million vulnerable people across the UK.

In 2005 Eaga tendered for and won all four areas of Warm Front (the successor to HEES), a contract worth over £1.5bn over the next five years. Faced with delivering against some tough targets and a UK industry capacity not ready to respond to the challenge of lifting a further 2 million vulnerable households out of fuel poverty, Eaga took the decision to acquire MICO Group, a market leader

installing insulation in homes across England and Wales. By establishing an in-house installer capacity for insulation and heating, Eaga has been able to make important improvements to the delivery of Warm Front and other key fuel poverty schemes across the UK, and to expand its ability to tackle the housing and social problems of low-income families.

Today Eaga is Europe's largest residential energy efficiency provider, with over 1,600 employees and operations in India, Canada, Ireland and the United Arab Emirates. Eaga Partnership acts as the anchor of the Eaga Group, a matrix of companies that exist to provide products, services and solutions where social, environmental and energy needs meet.

Eaga is keen to explore a greater role for employee-owned social enterprise in the delivery of public sector services. As a commercial business with co-ownership and a strong set of ethics, our success lies in the mix of the commercially competitive and the socially responsible. I am no less committed to the partnership model that sits at the heart of this growing organisation than I was when I set up the partnership in 2000. The challenge now is to take co-ownership across a business with over 1,600 people which operates in eight different countries.

As Eaga expands, one thing remains true. We're not just another fast-growing and ambitious enterprise—we're a family. Like any good parent, I want to allow our offspring to be different and individual, to go out and make it on their own, as long as they retain the ethics and values that define our organisation to the core.



'We have worked to make a difference to the lives of seven million people'

John Bird
Founder and editor-in-chief, The Big Issue

In 1991 the Big Issue started a social enterprise. Starting an enterprise is not like starting a charity. Starting a charity is building a constitution that guarantees, above all else, longevity. That is, you will be around in years to come.

Starting an enterprise is an endeavour that, one hopes, will find a marketplace, that will, through some smart thinking, supply products or services that fulfil a need. But it may well flounder, it may be overtaken by other enterprises, or suffer the fate of many attempts at gaining a foothold and fail. It is a perilous journey to take the enterprise road because it is more like a business than a charity.

Charities have to be cautious, steady and therefore lacking in initiative. If a charity does show initiative it has to be careful that it has no chance of failing. As charities are playing with the lives of the needy and the coffers of the public, they quite rightly have to be dominated by the cautious.

I am not being critical of charities. I am just accepting that to be entrepreneurial and socially enterprising, you run the risk of failure. And one thing the public and charities custodians hate is failure. It smacks of incompetence. Whereas an enterprise will expect to learn from its failures and mistakes, constitutionally a charity has to do all in its power to deny the very possibility of something not working.

At the Big Issue, we still receive plaudits because we were one of the first to market ourselves and we are a rare thing. We need more enterprises that have about them all the features of a



'We need more enterprises that have about them all the features of a business'

business, but with a social purpose. There are few truly social enterprises because there is little appetite for entering the marketplace. Rather, there are hybrids. The hybrid is about language and organisation. Aware of the fact that a charity or local authority department cannot convert to swashbuckling market-led entrepreneurship, they take up the language. And they try to take up the form and appearance, too.

Government departments, local councils and charities now court social enterprise, though within the constraints of their cautious, predictable brief. They do their best to shake up the old ways of doing things. They try to create initiative. The National Health Service is full of social enterprising, often supplied by the private sector.

Charities are moving in the same direction. Any provider, riddled with constraints, should be applauded for trying to create initiative and enterprise. But possibly the best method is to create truly independent and therefore risk-laden social enterprises.

Creating an appearance of enterprise is not the same as creating an enterprise culture. Culture is deeper and should bring better results. And that is what people want and need. Social enterprise can at times deliver opportunity better than anyone. They can move quickly. And they can inspire those who need what is being offered.

The social enterprise sector, as it matures, will increasingly demand funds, support and no interference, in the best traditions of business. And that is how it should be.

'A growing force in our economy'

Social enterprises solve social and environmental problems and are now part of the business mainstream

Alun Michael

We have a government-wide commitment to building an enterprise culture and supporting enterprising people. The Enterprising Solutions Award helps by recognising the very best of social enterprise.

We need a can-do attitude in all walks of life – not just in terms of wanting to start a business, or changing society, or protecting the environment ... or doing all three at once.

That is why it is vital that enterprise activity is encouraged in the UK to support a diverse economy. And the starting point must be to change mindsets.

Enterprise needs to be seen and understood as a positive and worthwhile activity by those making career choices and by society at large. This will now happen in schools – stimulated this year with the provision of Enterprise Entitlement funding for pupils at key stage 4. It's also being done outside of the classroom, led by organisations such as Young Enterprise, Shell LiveWIRE, the Prince's Trust, Entrepreneurs in Action and Enterprise Insight.

I hope that everyone is now aware that 14-20 November is Enterprise Week – part of Enterprise Insight's Make Your Mark campaign. The government is a key supporter and main funder of this campaign and I am delighted that the first ever Social Enterprise Day took place on Thursday. The day was an opportunity to wave the flag for social enterprise, showcase inspirational role models to young people and celebrate successful examples of social enterprise.

Social enterprise is a growing force in our economy, and part of the business landscape. It is about achieving success by solving social and environmental problems through business.

Our survey found that there are at least 15,000 social enterprises operating across all sectors and all regions of the UK. The vast majority of social enterprises exist to help particular groups of people either through providing employment or providing goods and services. Nearly a quarter had environmental objectives. They generate almost £18bn in annual turnover and employ at least 450,000 people.

The majority of turnover and employment is generated through trading activity. Almost 90 per cent of those surveyed generated 50 per cent or more of their income from trading. In other words, these are serious businesses.

Like other businesses, social enter-



Minister Alun Michael congratulates Enterprising Solutions award-winners. Photograph by Andrew Lloyd/Wales News Service

'Enterprise needs to be seen and understood as a positive and worthwhile activity by those making career choices'

prises can take different legal forms. In September, I extended that choice by launching a new legal structure for social enterprises, the community interest company. At the last count, 30 businesses have been approved as community interest companies.

This new legal structure provides social entrepreneurs, with a dedicated limited liability structure for the first time. This enables them to compete fairly and to be paid going market rates, to run competitive businesses, while having an 'asset lock' for the community. Regulation provides them with the clear badge they need to unambiguously say, 'I want to do good with my business, not just to do well.'

The novel features of the community interest company include a public declaration of intended benefits and methods to achieve them – to be reported on each year. An asset lock ensures surpluses remain within the organisation or its community.

I also believe there is much to be

gained from closer links between social enterprises and the private sector. That is why we have just unveiled Match Winners, a guide to commercial collaborations between social enterprises and private sector businesses produced by Community Action Network. My hope is that it will be the catalyst for future partnerships benefiting all.

Finally, with the continued support of NatWest and the Royal Bank of Scotland and England's Regional Development Agencies, together with our partner, the Social Enterprise Coalition, and associate sponsors, Defra, the Oxford Said Business School, The Observer and Social Enterprise Magazine, the Enterprising Solutions Award is now in its seventh year.

With the ever-increasing quality of applications, this is further evidence of the strength and continuous growth of the sector. I congratulate the winners wholeheartedly.

Alun Michael is minister of state for industry and the regions

Resources directory

Want to find out more about Social Enterprise? Check out these websites

Social Enterprise Coalition:
www.socialenterprise.org.uk

Community Action Network:
www.can-online.org.uk

Development Trusts Association:
www.dta.org.uk

Social Firms UK: www.socialfirms.co.uk/

Co-operatives UK:
www.co-opunion.coop/live/welcome.asp

Small Business Service, Social Enterprise Unit:
www.sbs.gov.uk/sbsgov/action/layer?r:l2=7000000416&r:l1=7000000412&r:s=m&topicId=7000000412

Social Edge: www.socialedge.org

CIP Hounslow: www.hounslow.info

Greenwich Leisure: www.gll.org

ECT: www.ectgroup.co.uk

Eaga Partnership: www.eaga.co.uk

Northwest Regional Development Agency
www.nwda.co.uk

Yorkshire Forward
www.yorkshire-forward.com

One NorthEast www.nesep.org.uk.

Advantage West Midlands
<http://www.advantagewm.co.uk/>

East Midlands Development Agency
www.seem.uk.net.

East of England Development Agency
www.investingincommunities.org.uk or
<http://www.socialenterprise-east.org.uk/>

South West of England Regional Development Agency
www.southwestrda.org.uk or www.rise-sw.co.uk

London Development Agency www.lda.gov.uk

South East England Development Agency
www.seeda.co.uk



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