

Department for Environment, Food and Rural Affairs

Social enterprises: their potential contribution to the Local Enterprise Partnerships growth objectives

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Introduction

The Social Enterprise Strategic Partnership (SESP) was commissioned by Defra to research the role of rural social enterprises in supporting Local Enterprise Partnerships (LEPs) to achieve their objectives. SESP includes representatives from Defra, the Plunkett Foundation, Co-operatives UK, Locality, REalliance and Social Enterprise UK. The need to explore the role between rural social enterprises and LEPs was supported by Lord de Mauley, Parliamentary Under Secretary of State at Defra.

SESP conducted the research in August to September 2013 primarily through semi-structured interviews with three LEPs:

- Cumbria (Rob Randell and Paul Dobson).
- Cornwall and Isles of Scilly (Sandra Rothwell).
- The Marches (Delia Yapp).

Furthermore, the insights gained at a LEP roundtable at Defra in mid-October, which included a presentation from the SESP Chair Peter Couchman (Plunkett Foundation) and talks by representatives from the above LEPs, have been included in this paper.

Summary of research

This paper summarises what social enterprises are and provides recent statistics on their impact, and includes three concise case studies on the LEPs interviewed. The paper also includes a guide as to how to consider your LEP's approach to prioritising social enterprises and rural development, why it is essential that LEPs are clear on their approach, the challenges and the benefits.

The main finding gained from the research was that LEPs believe that social enterprises and rural development is important in helping them to meet their objectives. At the LEP roundtable meeting in October, many of the LEPs attending reported that they value and positively engage with the rural social enterprise sector. The interviews also revealed the benefits of this, including the ability of social enterprises to support economic growth and create employment opportunities, and help to meet social objectives.

About social enterprises

Social enterprises are businesses for social purposes. They come in many forms but what they all have in common is that they trade to tackle social problems, improve communities and people's life changes or environmental problems. 14% of all social enterprises are

start-ups, less than two years old which is more than three times the proportion of start-ups among mainstream small businesses.

SESP represents for example community enterprises operating in rural communities through the Plunkett Foundation, community-led organisations and enterprises through Locality, the co-operative sector through Co-operatives UK, the community resource use sector through REalliance and the wider social enterprise sector through Social Enterprise UK.

The social enterprise sector is growing faster than the wider economy. And as well as social enterprise being a growth area, it is also an enabler of rural growth, for example by retaining shops, pubs and other services.

What can rural social enterprises offer LEPs?

Rural social enterprises can offer LEPs many advantages to help LEPs meet their growth objectives that private businesses find challenging to replicate. These advantages can include:

- The creation of more jobs and employment of more people relative to turnover than mainstream small businesses as identified in Social Enterprise UK's 'Fightback Britain' report.
- Increasing contribution to the UK economy – the median annual turnover of social enterprises has grown from £175,000 in the 2009 survey to £240,000 in this year's survey. The Plunkett Foundation's 2012 report on the 'UK's Community Retail' sector also identified that the total turnover of the community-owned shop sector was £43m, a growth of 34% on the previous year. Like-for-like sales increased by 9.6% also. The percentage of new store openings of community-owned shops outstripped all main supermarket chains apart from Sainsbury's. In 2013, there were 6,169 co-operatives in the UK that together turned over £36.7b as identified in the Co-operative UK's 'The Co-operative Economy 2013'.
- Reach in the most deprived communities – Social Enterprise's report also found that 39% of all social enterprises work in the 20% of most deprived communities in the UK compared to 13% of standard businesses. The more deprived the community, the more likely you will find a social enterprise working there.
- Higher levels of support from the communities in which they are based, addressing social inclusion issues and offering opportunities to disadvantaged groups.

How LEPs can work with social enterprises to their advantage

LEPs can maximise the advantages that social enterprises offer by:

- Ensuring their Board is representative and includes the social enterprises in their area.
- Engaging them by sending them any updates, e-newsletters and their other communications.
- Ensure they are invited to any meetings or events that the LEP hosts.

Research case studies

Cumbria LEP

www.cumbrialep.co.uk

It was noted at the October roundtable meeting that there is a strong tradition of social enterprise in Cumbria - which also has the highest density of social enterprise of any county and since 1998 there have been a number of rural services, pubs and shops that have won awards. Cumbria LEP has engaged strongly with social enterprise from the outset, having chosen an evidence-based mainstreaming approach which has created 4,000 jobs and 2,000 volunteers.

How they are engaging with rural businesses and social enterprises and what are the benefits?

In terms of rural business, Cumbria LEP have engaged with businesses in various ways - through existing forums such as RDPE Local Action Groups, through representation on the board, and the private sector Advisory Panel via various sectors such as farming and agriculture.

Cumbria LEP's private sector members are recruited, advised and supported by the Advisory Panel, which seeks to put together a Board which reflects the range of business sizes, sectors and geography.

The five members of the Advisory Panel which represent all of the businesses in the county are

- National Farmers Union - agriculture/land.
- Cumbria Tourism - all tourist organisations.

- Cumbria Chamber of Commerce.
- Federation of Small Businesses.
- Cumbria Social Enterprise Partnership (CSEP) - representing whole of the Third Sector.

By utilising these existing groups, Cumbria LEP can access all business in the county, whether they are urban or rural.

In addition, there are also expert groups that draw-in expertise from both the private and public sector. LEP members are also part of other networks and so are represented on all the key forums in the county.

Cumbria LEP's newsletter and bulletins go to all business, including social enterprises and Third Sector organisations in the county (which will include non-CSEP member social enterprises).

Cumbria LEP note that the benefits of engaging social enterprises is that they help to deliver growth aims and they bring an approach that isn't necessarily possible via other types of businesses, for example social benefits, skills, health and inclusion.

Social enterprise still fits within mainstream aims, but they can have extra added value through getting to harder to reach groups, such as people with employment disadvantages. Through their aims and objectives, some social enterprises bring people into financial inclusion and help them to be able access employment for example.

For Cumbria LEP, the main lesson is the importance of having an empathy and understanding of the sector, and whilst recognising social enterprises as mainstream businesses, acknowledge that there is a need for tailored services, especially for social enterprise start-ups. It is crucial to demonstrate and promote their successes too, for example in Cumbria when Alston Moor won the first ever 'Social Enterprise Town of the Year' award. Cumbria LEP feels that demonstrating and promoting this success is powerful - it shows the good work that has been achieved and the credibility of the sector has.

Cumbria LEP intends to continue what they're doing but will aim to do it even better. They will celebrate and build on success, and use the credibility they have gained to achieve more.

Cornwall and Isles of Scilly LEP

www.cornwallandislesofscillylep.com

Cornwall and Isles of Scilly LEP feel that social enterprise can maximise opportunities and go where the private sector “fears to tread”. Progress is being made on skills development, particularly on European Social Fund projects. The LEP believes that social enterprises should not all be treated the same, but each on its own merits. There should be a move away from a grant-dependency framework. There should be sufficient diversity to meet strategic aims of RGNs. The next phase is to focus on financing and investment in social enterprise. Overall Cornwall and the Isles of Scilly LEP’s approach is to recognise the nature of social enterprises, but also to link them to the LEP’s strategic aims.

How they are engaging with rural businesses and social enterprises and what are the benefits?

Cornwall and Isles of Scilly LEP’s consultation processes include numerous rural businesses and they have also worked via sector based partnerships, for example Agri-Food partnerships. Every member of their board is there as an individual but they have sought to have a breadth of experience represented, with subgroups taking forward key areas, for example inclusion issues are led by a CEO of a social enterprise. They engage directly with the Social Enterprise sector, and as they would with any other sector. The benefit of engaging with social enterprises is that they are creative, innovative and enthusiastic. They are very diverse sector and vary in scale - some are very large for example the Eden Project or Fifteen, whereas others are very small.

The Marches LEP

www.marcheslep.org.uk

The Marches LEP viewed social enterprise as a “stand alone” sector in order to ensure that it has a strong voice. Their aim is to invest in social entrepreneurship and develop sustainable products which meet the needs of communities.

How they are engaging with rural businesses and social enterprises and what are the benefits?

The Marches LEP engages with rural businesses primarily through the business boards from each council. Each business board has representatives from key sectors, geographies and enterprises of different sizes. They also reach out to rural businesses through communications such as their Chairman’s bulletin, emails, breakfast briefings and via social media. Their engagement happens primarily at a local authority level via engagement with the ‘partners with social enterprise’ network. This is a forum that meets quarterly and the LEP and the councils have a seat at the meetings. The LEP engage, but also to inform the social enterprise community, of the LEP’s progress and funding opportunities.

Social enterprises are not just about making money, they also value the additional benefits their business can bring and are very focused on doing what's best for the area and are creative at finding solutions.

The LEP works hard to try and help the wider businesses to understand social enterprises, and by understanding social enterprises better, they will be able to see how they can change how they do business.

Research insights

The key beliefs, following the interviews with the three LEPs and discussions within SESP, is that the role social enterprises can play will vary from one LEP to another and therefore warrant different approaches.

In essence, this poses two questions for LEPs to consider:

1. Does your LEP see rural development as a separate priority, or as part of the mainstream?
2. Does your LEP see social enterprise as a separate priority, or as part of the mainstream?

The most important thing is to ask these questions of your LEP's area. The benefits and challenges of your response to these questions are summarised in Table 1. It is highly important that your LEP is clear as to which one of the four combinations applies, and to understand the implications.

Table 1: Approaches to rural development and social enterprises

This table is intended as a way to help LEPs consider the benefits and challenges of their approach and to aid discussion. The information below is not intended to propose 'best practice' as each LEP will have varying priorities.

	Rural development is a separate priority	Rural development is part of the mainstream
Social enterprise is a separate priority	<p>Benefits</p> <ul style="list-style-type: none"> • could be seen as the ideal position • ensures that the unique characteristics of rural social enterprise are supported 	<p>Benefits</p> <ul style="list-style-type: none"> • greater awareness and promotion of social enterprise possibilities • connection between urban and rural social enterprise development

	<ul style="list-style-type: none"> • helps underpin rural growth • ensures rural development funding has an enterprise focus <p>Challenges</p> <ul style="list-style-type: none"> • danger of becoming a silo • may miss opportunities for role in mainstream development 	<p>Challenges</p> <ul style="list-style-type: none"> • may fail to understand opportunities for rural growth • may fail to understand distinct nature of rural social enterprise
<p>Social enterprise is part of the mainstream</p>	<p>Benefits</p> <ul style="list-style-type: none"> • recognises the distinct needs of rural communities • better understanding of rural growth needs <p>Challenges</p> <ul style="list-style-type: none"> • may fail to underpin rural growth by failing to protect local services which make rural life attractive • may not have social enterprise support designed to meet rural need 	<p>Benefits</p> <ul style="list-style-type: none"> • ensures better value for money • maximises cross-over with mainstream <p>Challenges</p> <ul style="list-style-type: none"> • may fail to understand specific opportunities for rural growth • may fail to understand specific opportunities for social enterprise

The three LEPs interviewed are engaging with rural social enterprises to help them achieve their priorities because they have identified that they:

- Are integral to sustainable economic growth.
- Are part of the business community.
- Offer a range of opportunities (from renewable energy to food).
- Help meet social objectives.

The LEPs are currently engaging with rural social enterprises in a number of ways, for example

- Board members that are from social enterprises.
- Issuing regular newsletters and bulletins.

- Forums and networking.

Recommendations

SESP has also identified some recommendations that LEPs may want to consider at this stage.

These are:

- Consider the four possible combinations within Table 1 above and determine which of the combinations apply to their LEP.
- Consider the implications of the combination they have chosen.
- Continue to draw on local knowledge and enterprises.
- Draw on knowledge at a national level.



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