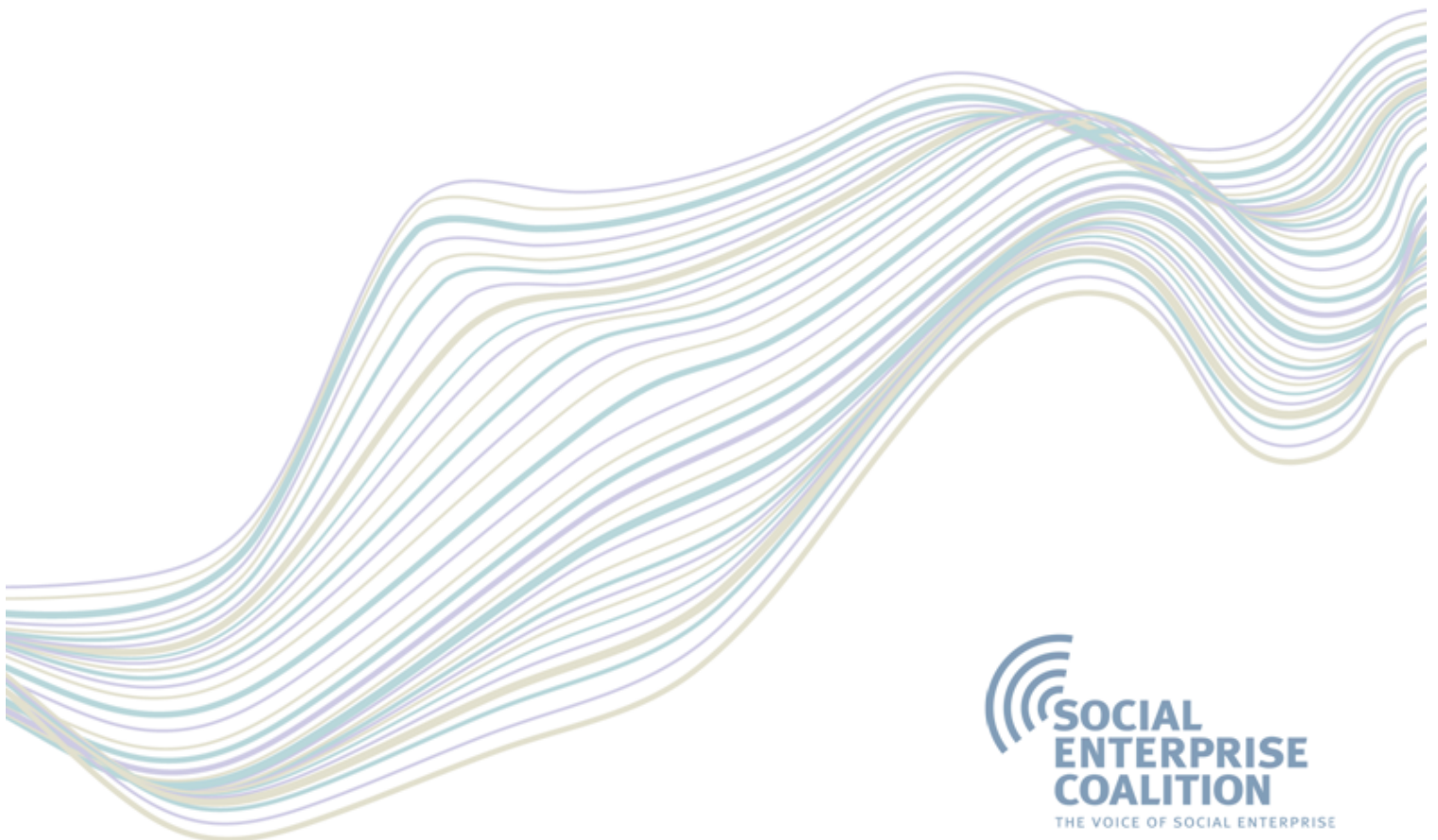


Response by the Social Enterprise Coalition to the Department for Culture, Media and Sport consultation on the change to policy direction for the Big Lottery Fund

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Introduction

1. The Social Enterprise Coalition (SEC) welcomes the opportunity to respond to the Department for Culture, Media and Sport consultation on the change to policy direction for the Big Lottery Fund.
2. SEC was established in 2002 as the national voice of social enterprise. We represent a wide range of social enterprises, umbrella bodies and networks, with a combined membership reaching over 10,500 social enterprises. These include co-operatives and mutuals, development trusts, housing associations, leisure and football supporters' trusts and Social Firms.
3. Social enterprises are businesses with primarily social or environmental objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. A social enterprise is not defined by its legal status but by its nature: its social aims and outcomes; the basis on which its social mission is embedded in its structure and governance; and the way in which it uses the profits it generates through trading activities.
4. Social enterprises are businesses based on the principles of mutualism and participation, which focus on the well-being and needs of their service users, local communities and staff. They tend to be deeply embedded in their communities. Many have particular expertise about their communities, often due to non-traditional ownership structures, involving users and members of the local community in the governance of the enterprise and design and delivery of the services provided.
5. Social enterprises operate in a range of economic sectors, engaging in a wide range of activities. These include housing, education, retail, health and social care but overwhelmingly regardless of which industry they work in, the most common business activity for social enterprises is providing training, education and advice – building human capital.

Big Lottery Fund Direction

6. The Social Enterprise Coalition believes that the Big Lottery Fund (BIG) should be able to focus funding on projects that benefit people and local communities. We would like to ensure that it continues being able to fund projects on the basis of outcomes, rather than based on organisational form.
7. We therefore agree that policy direction (1), “The need to ensure that money is distributed to projects that benefit people and local communities served by the voluntary and community sector” is preferable to policy direction (2) “The need to ensure that money is distributed to projects in the voluntary and community sector in order to benefit the people and local communities in that sector”.
8. It is crucial that BIG is able to operate in such a way that allows flexibility, particularly around the types of organisations funded. Social enterprises have a range of organisational forms.
9. There are three categories of incorporated organisation: the company, the industrial and provident society (IPS), and the limited liability partnership. Companies have two types: companies limited by shares (CLS) and companies limited by guarantee (CLG). Community interest companies are a type of company that can be either CLS or CLG. There are also two types of IPS: the ‘bona fide co-operative’ and the ‘society for the benefit of the community’, often known as ‘bencom’.
10. The social mission of a social enterprise is often underpinned by a constitutional requirement that the profits of the company are not to be paid out to the members by way of dividends, but instead have to be retained for application towards the company’s social or public purpose. For charitable social enterprises and bencoms this is essential and invariable. Some social enterprises, such as co-operatives, may allow a limited distribution of profit to members, but this is usually not a return to investors but a dividend on purchases from the co-operative and therefore a recognition of the value of the co-operative members’ relationship with the co-operative.
11. Our 2009 State of Social Enterprise Survey¹ found that almost 60% of social enterprises are companies limited by guarantee, with 37% being registered charities. We wish to ensure that BIG is able to continue funding social enterprises of all kinds and regardless of whether or not they have charitable status.
12. We agree, however, that public bodies should not receive BIG funds and companies limited by shares should meet the requirement that the profits of the company are not to be paid out to the members by way of dividends, but instead have to be retained for application towards the company’s social or public purpose.
13. Social enterprises have a key role to play in assisting people and communities. Projects involving them, including partnerships between social enterprises and local authorities, should remain eligible for funding. It is notable that 62% of people responding to BIG’s own ‘Big thinking’ consultation felt that BIG should use its resources to help the third sector become more sustainable. A social enterprise route is key to achieving this.
14. The Sunlight Development Trust is one example of a social enterprise that has benefited from £1 million of funding through BIG’s Healthy Living Centres programme. In 2007, it won a further £80,000 via a public vote through BIG’s People’s Millions programme.

¹ The Survey can be found at <http://www.socialenterprise.org.uk/data/files/stateofsocialenterprise2009.pdf>.

More recently BIG has allocated £11.25 million to develop Social Impact Bonds. Both are examples of the innovative approach taken by the social enterprise sector.

15. Social enterprises operate in the market, taking an enterprising approach to tackling the social and environmental issues we face. They secure positive and lasting outcomes for communities. It is vital that this is recognised in BIG's policy direction and that social enterprises are not excluded because of the organisational form they choose.

Social Enterprise Coalition
Policy Team
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