

# Social Enterprise UK and Co-operatives UK

A response to the Cabinet Office's Open Public  
Services White Paper



## **Social Enterprise UK**

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

Social enterprises are businesses driven by social or environmental objectives whose surpluses are reinvested for that purpose in the business or in the community. They operate across a wide range of industries and sectors from health and social care, to renewable energy, recycling and fair trade and at all scales, from small businesses to large international companies. They take a range of organisational forms from co-operatives and mutuals, to employee owned structures and charitable models.

Our members come from across the social enterprise movement, from local grassroots organisations to multi-million pound businesses that operate across the UK. With them we are:

- creating a better environment for social enterprises to do business
- helping the social enterprise movement to grow and become stronger
- building networks to share, learn and create business opportunities

The UK social enterprise movement is recognised as a world leader and our members are united in their commitment to changing the world through business. The current climate presents the social enterprise movement with a unique opportunity. We know it can solve some of the UK's most pressing problems, promote social justice and help to bring about the more diverse, bottom-up economic growth that we urgently need. In particular, social enterprises are well placed to deliver on the Government's three priorities for civil society: empowering communities, opening up public services and promoting social action.

## **Co-operatives UK**

Co-operatives UK works to promote, develop and unite co-operative enterprises. It has a unique role as a trade association for co-operative enterprises and its campaigns for co-operation, such as Co-operatives Fortnight, bring together all those with a passion and interest in co-operative action. We were established (as the Co-operative Union) in 1869.

Co-operatives are businesses that exist to serve their members, whether they are customers, employees or the local community. They work in all parts of the economy including retail, banking, food and farming, design and renewable energy. Co-operatives also deliver a range of public services including housing, social care, sport and leisure, recycling and health care. In a co-operative, the members are the owners, with an equal say in what the co-operative does. So, as well as getting the products and services they need, members help shape the decisions their co-operative makes. There are already over 5,400 co-operatives in the UK, owned by more than 12 million people – and these numbers keep on growing. Further information about Co-operatives UK and the co-operative sector can be found at [www.uk.coop](http://www.uk.coop).

## **This consultation**

Social Enterprise UK and Co-operatives UK welcome the opportunity to respond to the Government's Open Public Services White Paper. Social enterprises and co-operatives are based on the principles of mutualism, co-production and participation. They offer a model where people, be it staff, service users or community members, are given a direct voice in running their organisation; where public assets can be locked into community ownership; and where people are empowered to transform their lives and the lives of those around them. As such they are well placed to play a key role in the future of public services.

## **The public service marketplace**

**Question:** *How best, in individual services and on a case-by-case basis, can we ensure that people have greater choice between diverse, quality providers?*

**Question:** *How do we ensure a true level playing field between providers in different sectors?*

The Government has consistently encouraged the "creation and expansion of mutuals, co-operatives, charities and social enterprises" and called for "these groups to have a much greater involvement in the running of public services". Social Enterprise UK and Co-operatives UK welcome this support along with the Government's commitment to ensuring a "truly level playing field between the public, private and voluntary sectors".

The creation of a mixed market with a level playing field will ensure that the public have a greater choice between diverse, quality providers. In order to foster this kind of market, we believe that government must tackle the following issues, which currently present barriers to civil society organisations seeking to enter the public service arena.

### ***Best practice commissioning***

- *Commissioners as market shapers*

It is essential to support commissioning that is cognisant of commissioners' role as market shapers and stimulators to support market entry for diverse providers. **Government must mitigate against unconfident commissioners resorting to what is perceived as 'safe commissioning' rather than commissioning for outcomes that can truly transform people's lives, to ensure that new entrants with innovative solutions are able to enter the market.**

- *Delivering best value for money*

Social enterprises deliver considerable benefits in terms of added value. In order to achieve the government's ambitions for the diversification of provision whilst also achieving best value for money, government should incorporate social criteria in all procurement decisions. **Requiring all procurement decisions to demonstrate their wider positive social impact will ensure the full weight of the public sector's purchasing power is directed at achieving social change alongside delivering financial efficiency.**

- *Openness and accountability*  
To ensure a well-functioning and competitive market for the delivery of government commissioned services, it is important to ensure a consistent, open and fair process for access to the bidding process, including approved provider lists. Similarly, there needs to be greater transparency in how decisions are made and why contracts are awarded. In particular, it is essential that there be a proper audit process of the commissioning decisions that are made and that this is fully transparent and available and does not require a Freedom of Information Request causing delays and unnecessary administration.
- *Accessibility of procurement*  
Social enterprises experience significant barriers in tendering for government contracts, similar to those of small businesses in general. These include factors such as a lack of transparency regarding procurement pipelines and basic difficulties in finding information about tenders.

Information is particularly hard for smaller social enterprises to obtain, as they do not normally have the capacity to conduct extensive research for new tenders. The increased complexity of procurement, including form filling and excessive and complex documentation for small contracts, also places an additional administrative burden on social enterprises and SMEs which often lack the staff capacity to engage properly with the process. Similarly, since many tendering costs are fixed, social enterprises and SMEs in general face disproportionately high costs in comparison with larger enterprises. The move towards larger contracts across public service commissioning is also disadvantageous to social enterprises, which are often small, community-based organisations. One social enterprise with a £1million turnover reported that each tender they complete costs £50,000 which proportionally to their turnover creates an unsustainable burden.

In addition, pre-qualification questionnaire (PQQ) requirements can often act as a barrier to social enterprises tendering for contracts. Barriers include the need to have a certain amount of financial reserves, inflexible formats that do not allow social enterprises to show off their selling points, or their innovation and expertise in any given area. Similarly the lack of standardisation between public sector agencies or even departments within agencies places a disproportionately high burden on social enterprises and other SMEs.

Finally, the deadlines for responding to calls to tender are often too short. Social enterprises generally need more time to prepare competitive offers due to staff constraint. This is particularly the case in areas where social enterprises need to form partnerships or consortia in order to achieve the scale required to compete, or are working as newly formed spin offs.

**Social Enterprise UK and Co-operatives UK recommend the standardisation and simplification of procurement systems including PQQs to reduce the disproportionate burden on social enterprises as well as the exercise of care in the aggregation of contracts.**

**We also recommend an assessment on proportionality of the cost of the process compared to the cost of the contract.**

- *EU procurement rules*

Across the UK, many public bodies follow the full EU procurement rules where it is not necessary to do so. Applying the full set of EU rules adds complexity and cost for organisations competing for contracts, which is both unnecessary and disadvantageous to small organisations.

Clear guidance on situations in which full EU procurement rules apply exists – for example, Social Enterprise UK has recently produced a myth-busting guide to procurement. Such guidance needs to be promoted to all public bodies in order to promote best practice procurement that does not disadvantage small organisations unnecessarily.

### ***Reducing bureaucracy***

Social enterprises and co-operatives recognise the importance that regulation can play in supporting basic employee rights and it is important to protect regulation in these areas. There are however, a number of areas where rules and regulations present an unnecessary burden or barrier on social enterprises as well as to the achievement of both the Big Society vision and creating a robust and sustainable economy. As such, we believe Government should consider the following in order to reduce the bureaucratic burden of commissioning.

- *Business rates*

Whilst charities are entitled to business rate reductions on any non-domestic property they use wholly or mainly for charitable purposes, the situation for social enterprises without charitable status varies enormously.

A number of local authorities have clear social enterprise policies. However, many local authorities have no official policy for business rates for social enterprises and there is a lack of transparency on how decisions are made and how a social enterprise may go about appealing the payment of full business rates. **We believe that a greater transparency of eligibility for business rates reductions would be of great benefit to social enterprises.**

- *Clawback*

Clawback restrictions when public funds have been used to fund social enterprise assets present a huge barrier to social enterprises' ability to lever finance against these assets. The current Treasury guidance does allow some flexibility with regard to clawback. The HM Treasury paper "Clawback: Disposal of Publically Funded Assets" gives a clear message that flexible and strategic implementation of clawback is more likely to support sustainable community anchor organisations (and permit additional inward investment to deprived communities) than existing procedures. However, the majority of funders continue to take an over-cautious approach.

This effectively prevents the owner of the asset from using it to secure private finance thereby preventing the growth of the business. As many community enterprises operate in areas of multiple deprivation where previous public sector interventions have failed, this protection of public funds is counter to the achievement of the broader policy objectives.

The implications this has for Development Trusts and other asset owning social enterprises are vast. Goodwin Development Trust in Hull, for example, currently owns assets in excess of £9m. However, due to previous restrictions provided in clawback clauses they are only able to secure private finance against 5% of their asset portfolio. This greatly restricts their ability to access adequate financing, thus stifling growth and restricting the creation of local jobs and opportunities.

### ***Delivering maximum benefit to the public***

In these times of financial austerity, more than ever we must look at the full value created through our public spending decision. The Public Services (Social Enterprise and Social Value) Bill aims to ensure that the public sector gets the greatest value from its economic transactions. This could be requiring contractors to create local employment opportunities for disadvantaged groups, put something back into the local community, or create a positive environmental impact by reducing waste or carbon emissions.

**Social Enterprise UK and Co-operatives UK support the inclusion of social and environmental criteria in all public sector procurement decisions.** Requiring all procurement decisions to demonstrate their wider positive social and environmental impact will ensure that the full weight of the public sector's purchasing power is directed at achieving social and environmental change, alongside delivering financial efficiency. We believe this could not only draw greater value from our expenditure but also stimulate greater innovation and widen the market and choice of suppliers. In particular, the Bill could help to:

- *Minimise the impact of the spending cuts on civil society organisations*  
Voluntary and community groups are already feeling the impact of the public sector cuts being implemented to reduce the budget deficit. Ensuring that future public spending decisions create additional social value in the community served could help mitigate the impact of cuts and ensure that the decisions that are made create greater value.
- *Support local job creation*  
In some areas of the UK where the public sector is by far the largest employer, spending cuts are inevitably going to impact on unemployment. This is going to be an enormous challenge. Ensuring that all spending decisions require contractors to support local employment opportunities can play a part in reducing the impact of this.
- *Widen the market and increase choice*  
This government has pledged its support for creating plurality of public service providers, but all too often public sector markets are created in such a way that only a small number of large providers are able to compete. In many areas of public services, such as waste and welfare, there is a very small supply side which inevitably limits competition, choice, innovation and value for money.

This Bill would allow the added value social enterprises offer to be taken into account, thereby encouraging them to enter the market and increasing choice. It could also stimulate a role for social enterprises as part of a wider supply chain, fostering greater partnerships between private companies and social enterprises as contracts require providers to draw on their combined skills and resources.

**Question:** *How can we stimulate more openness and innovation in public services through new types of provision?*

### ***Managing risk and outcomes-based commissioning***

Service providers and frontline professionals are specialists in understanding the services they deliver, their clients' needs and the communities in which they work, and are therefore well placed to offer innovative solutions to entrenched public service issues. However, immature commissioning capabilities often result in very risk-averse commissioning behaviour and an over-reliance on the procurement process, rather than intelligent commissioning, to protect against risk.

In order to utilise the knowledge and expertise that professional service deliverers have and foster innovation, Government must counter unconfident commissioners resorting to what is perceived as 'safe commissioning' rather than commissioning for outcomes that can truly transform people's lives, to ensure that new entrants with innovative solutions are able to enter the market. Best practice commissioning should be sufficiently flexible within service specifications to allow for innovation and should develop mechanisms to share risk rather than rely on heavy procurement. It should further engage with social enterprises and civil society organisations at the service design stage to access their specialist knowledge of local communities and service users, as well as incorporating service users' feedback in evaluation processes.

We therefore welcome the government's desire to focus commissioning on outcomes rather than outputs and encourage government to help build trust between commissioners and providers to facilitate this. **However, we do not believe that results based payments should account for the full or even majority value of the contract. Given the relatively low margins in public services – particularly when it comes to the delivery by socially motivated organisations – retaining smaller proportions of funding back for results would create the same incentive for outcomes, but balance the cash flow requirements of the sector.**

### ***Funding for innovation***

Prior to the spending cuts, many social enterprises were first commissioned using discretionary innovation funding that many public bodies had access to. This funding has since all but disappeared and without it, new models of social innovation and public service delivery may well not be realised. Our research has shown that many social enterprises needed initial investment capital upfront to pump prime the development of the organisation. Open Door, Safeguard It and Unlimited Potential are three highly successful social enterprises that used central government funding in this way.

The government should consider creating similar funds to support start up social enterprises providing innovative solutions to public service problems, as well as to support the replication of

new solutions within commissioning and service provision. Investing in a knowledge exchange could support this. This could identify 3-4 key areas of public service delivery that are costly and failing, and invest in both innovative solutions and creative commissioning practices and financing alongside this.

**Question:** *How can we create new, more diverse types of provider out of public sector bodies?*

The following recommendations are based on a listening exercise held by Social Enterprise UK and Co-operatives UK on October 7<sup>th</sup> 2011.

When looking at the future of public services there are a number of possible scenarios. The government's ideal scenario is an effective public services market with plurality of providers with one in 6 staff working in mutuals or social enterprises. Other possible scenarios include no change to the current market; an industry of small operators where the major players are large private companies; or the creation of new social enterprises and mutuals being used as a stepping stone to privatisation. For scenario one to be realised, it is essential that we not only support the creation of new types of provider, but we also provide them with the support required to thrive and markets that are not tilted against them.

It was agreed at our listening event that there were a number of excellent reasons for moving from a state model to a mutual or social enterprise model of public service delivery. These include the fact that organisations that operate a broader stakeholder model can balance the conflict between profit and service quality and there is no leakage of profit. This helps them avoid the race to the floor when it comes to price and often quality – these should be principles that underpin the mutuals agenda.

It was also agreed that, while there is real benefit in employee owned mutuals, in some cases employee ownership is better harnessed and spread in a multi-stakeholder model. A strength of the co-operative social enterprise model is the way in which it enfranchises those involved, whether staff or users, through democratic governance. It should be recognised that employee ownership in the context of services which are monopoly services carries the risk of lowering the quality of services in order to benefit the interests of the producer. Accountability is a key factor in the shift to mutual models.

Even where it has been decided that a service is not subject to a contestable market, mutualisation is an option that can be considered as a way to empower staff. Mutual social enterprise can be a preferred option where services are contestable but the difficulty of creating market conditions and specifying terms in contracts mean that trust and service values are often better delivered by a partnership approach through mutuals.

Achieving the transformation on the scale of that identified in the White Paper will require considerable investment, both to establish these new entities (which itself is complex) and also to ensure that they stand the greatest chance of survival. It is felt by our combined membership that some momentum has been lost on the mutuals and social enterprise agenda and that the investment and support set aside for mutual and social enterprises is disproportionate to the scale

of the expressed ambition. It is essential that a clear package of support is available as soon as possible and a clear message is sent that this remains a priority for the government.

Our listening exercise identified four key areas of challenge:

- Strategic (objectives & purpose, business cases);
- Technical (including TUPE, procurement, legal forms and governance, due diligence and where permissions to explore mutual options lie);
- Financial (ensuring these organisations are adequately capitalised both to establish themselves and have the capital required to invest in the early stages);
- Cultural – the change required to shift from a public sector body to an enterprise. This is possibly the largest single success factor in creating successful mutuals and social enterprises and yet almost all the focus at present is on the technical factors.

### **Strategic**

There remain concerns among the members of Social Enterprise UK and Co-operatives UK that there is insufficient support provided to groups looking at moving out of the public sector and creating social enterprises or mutuals in terms of developing the strategic case.

If plurality of provision is to be achieved then it is essential that these organisations have clear strategic objectives as well as robust business cases to ensure that they are viable entities and stand the greatest possible chance of survival. This must underpin the Mutual Support Programme. And government must clearly communicate that mutuals and social enterprises are only an option when there is a robust business case in place. Public bodies must not use this agenda to rid themselves of services they no longer prioritise or the pension liabilities of public sector staff. Our members are reporting cases of both around the country.

This programme could also be more strategically rolled out by developing and replicating successful models. This has already been done with leisure trusts, co-operative schools and even to some extent with Right to Request groups, and it could be a way to ensure that these organisations stand the greatest chance of survival and success. It is also worth exploring areas where the market is more suited to social enterprise and mutuals. For example, there are areas where uncontested contracts are possible, which could be a way of simplifying the journey. This should be explored further.

**The Mutual Support Programme must make it clear that a well-made strategic case for creating a social enterprise is critical. The Mutual Support Programme should also explore key areas where replicable models can be created and where the procurement rules are conducive to spinning out.**

### **Technical**

There are a number of technical challenges to moving out of the public sector. Current TUPE and Pensions rules present a significant burden to social enterprises. Inconsistent application of TUPE rules designed to protect employees which guarantee them 'broadly comparable' terms and conditions when they are transferred from one employer to another is a particular problem for all independent providers. Social enterprises are fully respectful of TUPE in principle but have

encountered difficulties in interpreting how government departments are using the TUPE rules. Social Enterprise UK and Co-operatives UK believe that the TUPE regulations must be fairly and consistently implemented.

Similarly, rules regarding eligibility to remain within public sector pension schemes are also a barrier for social enterprises, particularly for those involved in the Right to Request and in future the Right to Bid (part of the Localism White Paper).

The discretionary allocation of Direction Employer status with a lack of guarantee of whether a social enterprise will be eligible to receive this status has proved to be a significant barrier to social enterprises, as has the inconsistency between Direction Employer status and qualifying as an Employing Authority for NHS services. This requires further investigation and standardisation. Similarly there is a lack of clarity on the eligibility to remain part of the local authority pension scheme for social enterprises emerging from local authorities. As such, far greater clarity and transparency on both TUPE and eligibility of NHS and local authority pension schemes are required.

Alongside these technical issues is the lack of clear process at present, particularly in local authorities. This includes a lack of clarity on the due diligence process and where permissions lie have resulted in many groups retreating from the option of becoming a mutual or social enterprise.

**Greater guidance and communication on these issues need to be developed and disseminated widely. Where organisations are suffering from a lack of permissions or an unclear due diligence, experience from the Right to Request would suggest that having a central body to support these challenges and provide mediation is critical.**

### **Financial**

Becoming a mutual or social enterprise has considerable costs associated with it. Costs associated with the journey itself include business support, legal fees, branding and communication. However, most importantly it is essential that these organisations are adequately capitalised as they are likely to face considerable challenge when it comes to cash flow, particularly with the move to payment by results.

**Supporting these organisations to negotiate favourable payment schedules on the contract they receive is essential. The government should explore the creation of a bond or insurance product for mutual spin-outs.**

### **Culture change**

This area is probably the least explored for mutuals and social enterprises but arguably the most critical. Social enterprises and co-operatives are organisations that work for mutual benefit. They have structures in place that enable, encourage and equip staff, service users and other stakeholders to participate in the decision-making and development of the organisation. They engage their communities and are part of their communities but balance this with financial resilience.

Where a social enterprise model is being considered by public sector bodies exploring spinning out, employees should be at heart of decision-making and change processes. Moving from the public sector to social enterprise models has to be about cultural change as well as structural change, and mass top-down structural adjustments will not bring about cultural change required to achieve efficiency and quality. This must again underpin the mutual programme.

As such, investment is needed to support the members of these new organisations to ensure that they understand what it is to run a mutual model. The government should invest in programmes to support collaborative learning for the leaders and other members of new mutuals and social enterprises.

**Question:** *How should government regularly review the barriers to entry and exit for providers?*

Infrastructure bodies have traditionally played a number of key roles in the UK in order to support frontline providers, including conducting research into the barriers they face and communicating these to government as policy recommendations.

Social Enterprise UK and Co-operatives UK's members welcome the Government's two key pledges to support social enterprises in public service delivery, namely:

- support for the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enabling these groups to have much greater involvement in the running of public services; and
- giving public sector workers a new right to form employee-owned co-operatives and bid to take over the services they deliver.

For government to deliver on its aspiration for 1 in 6 employees working in public sector mutuals by 2015<sup>1</sup> and of 25% of public service contracts going to SMEs<sup>2</sup>, there is a need for intervention to prevent open public service markets from being dominated by a small number of large private sector providers. Our members report having already seen this happen in a number of public service markets including Welfare to Work and waste contracts, where a small number of private companies dominate and the barriers to entry are too high for social enterprises and other small businesses to overcome.

As part of government's ongoing reviews, it is essential that the vast wealth of experience, knowledge and intellectual property of delivery organisations' experiences that is held by infrastructure bodies is harnessed by government and used strategically to inform ongoing dialogue about the barriers to entry and exit for providers. Effective business support is an essential component of this infrastructure. Co-operatives UK has developed standards (currently in draft form) for co-operative business support, including a module on supporting public service spin-outs.

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<sup>1</sup> <http://www.publicfinance.co.uk/news/2011/02/minister-calls-for-one-million-public-sector-co-owners/>

<sup>2</sup> <http://www.bis.gov.uk/policies/economic-development/leps/lep-toolbox/helping-smes/public-sector-contracts>

Alongside this it is essential that the government monitors the progress of SMEs and social enterprise by capturing regular data. This could be proportion of contracts won by SMEs but also the perceptions of other bodies on ease of market entry. The average size of contracts could be another measure of progress. Social Enterprise UK's own data suggests that social enterprises are finding it harder rather than easier to engage with the public sector. The State of Social Enterprise Survey for example surveys a sample of 1000 social enterprises regarding their levels of optimism and markets they are operating within.

## **Supporting access to good quality public services for all**

**Question:** *Consistent with the Government's fiscal plans, what further opportunities exist to target funding to help the poorest, promote social mobility and provide fair access to public services?*

Social enterprises and co-operatives are characterised by close ties to their communities, and as such have an excellent track record of providing tailored services to marginalised communities. Often, social enterprises will work with service users and local communities to design and run services, through creative and inclusive management and governance structures.

### **Open Door**

For example, Open Door is a social enterprise delivering health services in Grimby. Grimsby has 3 wards in the UK's worst 10% most socially deprived, and Eastmarsh ward where Open Door is based is in the UK's worst 10 wards for reported crime.

With the support of funding from the Neighbourhood Renewal Fund, Open Door was set up by North East Lincolnshire PCT, which decided to work creatively with local people to design easier access to better health and social care services. At the heart of this concept was the call to engage in 'coproduction' with people who usually experience poor relations with traditional service providers. This included homeless people, problematic drug-users, offenders, commercial sex workers, refugees and others who are often excluded from GP lists.

The "Open Door" was created, as an activity and social centre with a café, a Citizens Advice Bureau, cookery classes, alternative therapies, showers and flexible activity space open to all. Each of these facilities provides people with a reason to be there, a place of safety and the means to socialise. Though it provides a range of clinical services, it is not a GP surgery and was not designed or branded as such. The aim is to provide a safe and secure environment where vulnerable people can come for information, advice, care, nutritional sustenance and a productive use of time.

Open Door is run as a self-sustaining social enterprise with a PMS contract. Initially, 23 patients with a history of challenging behaviour within traditional general practice were 'allocated' to Open Door by the PCT.

Open Door's unique role in the local community has enabled strong relationships to develop with many local stakeholders. The local Accident and Emergency Department automatically refers anyone without a GP to Open Door, and the police work with them to support prolific and priority offenders. A unique relationship of trust has formed with Abbey Santander Bank that provides business banking for the organisation but also creates accounts for clients irrespective of their criminal or social past.

Open Door visitor numbers have doubled for each of the last two years. There are now 700 patients registered at Open Door and since the organisation opened, crime in the Eastmarsh ward has fallen by a quarter.

One of the project's clients says, "My son has asthma and I used to take him to see our doctor, but they belittled me because I've been on and off heroin since I was 18." Since making contact with Open Door staff, she has reduced her methadone prescription, stabilised her tenancy and family life, and begun counselling courses. "I get treated like a normal everyday mum who just needs a bit of help to get on," she says.

### **The Foster Care Co-operative**

Another inspiring example is the Foster Care Co-operative (FCC), an independent and ethical 'not-for-private-profit' fostering agency, based in Malvern, Worcestershire, with regional offices in Cardiff, Bristol and Glasgow. Registered with Ofsted in England and a separate inspectorate in Wales, FCC works with 50 local authorities and plans to continue its steady growth into Scotland, London, the South East and Northern Ireland.

Set up in 1999, FCC was formed after chairman Laurie Gregory, who had worked in local authority management for many years, took early retirement and saw the opportunity to react to agencies who had been poaching local authority foster carers.

The co-operative provides an alternative to independent fostering agencies, which operate to make a profit, and has grown steadily over the last few years. Now with 55 full members (the staff and the three non-executive directors) – who elect the board - and 251 associate members (the foster carers), FCC is a co-operative company limited by guarantee, which strives to provide a range of excellent foster placements for children accommodated by local authorities and a quality support service to carers.

"Quite apart from the morality of it, we see no point in poaching existing foster carers," Laurie said. "We want to add to the total number and give more children the chance of family life. I instinctively did not wish to start a 'for profit' company and after meetings with my Chamber of Commerce and invaluable advice from Co-operatives UK, I chose the model of multi-stakeholder and common ownership and registered the company. We have grown slowly by bringing new people to fostering."

FCC is now an established organisation that involves all its members - foster carers, social workers and other staff – in the running of the co-operative. Staff and users are always consulted about processes and FCC operates eight support groups for foster carers and staff. FCC operates an ethical model with clear values which delivers integrity, commitment through common

ownership and a democratic ethos. The co-operative culture underlines and reinforces shared objectives and teamwork which reflects in recruiting foster carers by recommendation. FCC benefits from a proven not-for-profit model, based on a co-operative structure that enables formal partnership with clear established governance.

### **Co-operative Schools**

The spread of co-operative schools, supported by the Co-operative College and the Cooperative Group, is another success story. There are now over 200 co-operatives schools, a recently agreed Co-operative Academy model, the first co-operative free school due to open in Swanage in April 2013 and a newly established Schools Co-operative Society to support the further development of the sector.

### **International models**

Co-operatives UK commissioned Jonathan Bland to produce a research report on what lay behind the successful delivery of public services by co-operatives in Sweden, Italy and Spain. His report makes instructive reading<sup>3</sup>. In particular it suggests some key lessons – that, above all, success takes time and that without key ingredients there will be no success. These key ingredients include: specialist business support; clear co-operative and mutual models; participative governance of the new mutuals; organisational forms that can be recognised in procurement; long-term commissioning; solutions for taxation constraints when moving from state to becoming a non-state mutual; links to the wider co-operative and mutual business sector; and an openness to user involvement as well as employee ownership.

## **Neighbourhood Services**

**Question:** *What is the scope for neighbourhood councils to take greater control over local services?*

**Question:** *What help will neighbourhood councils need to enable them to run any services devolved to them?*

**Question:** *How do we ensure appropriate accountability for services run by communities to ensure that those not involved directly are not disadvantaged?*

Social Enterprise UK and Co-operatives UK welcome the proposals in the white paper to allow neighbourhood councils to take greater control over the commissioning and design of local services and support Locality's recommendations on neighbourhood services. In particular:

- we support Locality's recommendation that there should *not* be an assumption that they will act as a delivery body. Neighbourhood councils should instead seek external providers to deliver and where possible this should be locally based community organisations.

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<sup>3</sup> *Time to Get Serious: international lessons for developing public service mutuals*, <http://www.uk.coop/congress/resources/documents/time-get-serious-international-lessons-developing-public-service-mutuals>

- if neighbourhood councils are given a greater role in the design and commissioning of local services, we believe they should also have a responsibility to build partnerships with local community organisations, to engage them in the co-design of services and to assist them in developing their capacity to deliver services.
  - Neighbourhood councils will require further guidance, support and business advice in order to take greater control over local services.
  - as democratically elected bodies, neighbourhood councils have a responsibility to engage with their communities and if they design and commission services this responsibility should extend to collecting service-user feedback data.
  - part of the core role of a neighbourhood council should also be to identify pockets of their neighbourhood that are not engaging with service delivery. It should be enshrined in the formal role of the elected members of the council that they have to engage with all members of their neighbourhood.
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