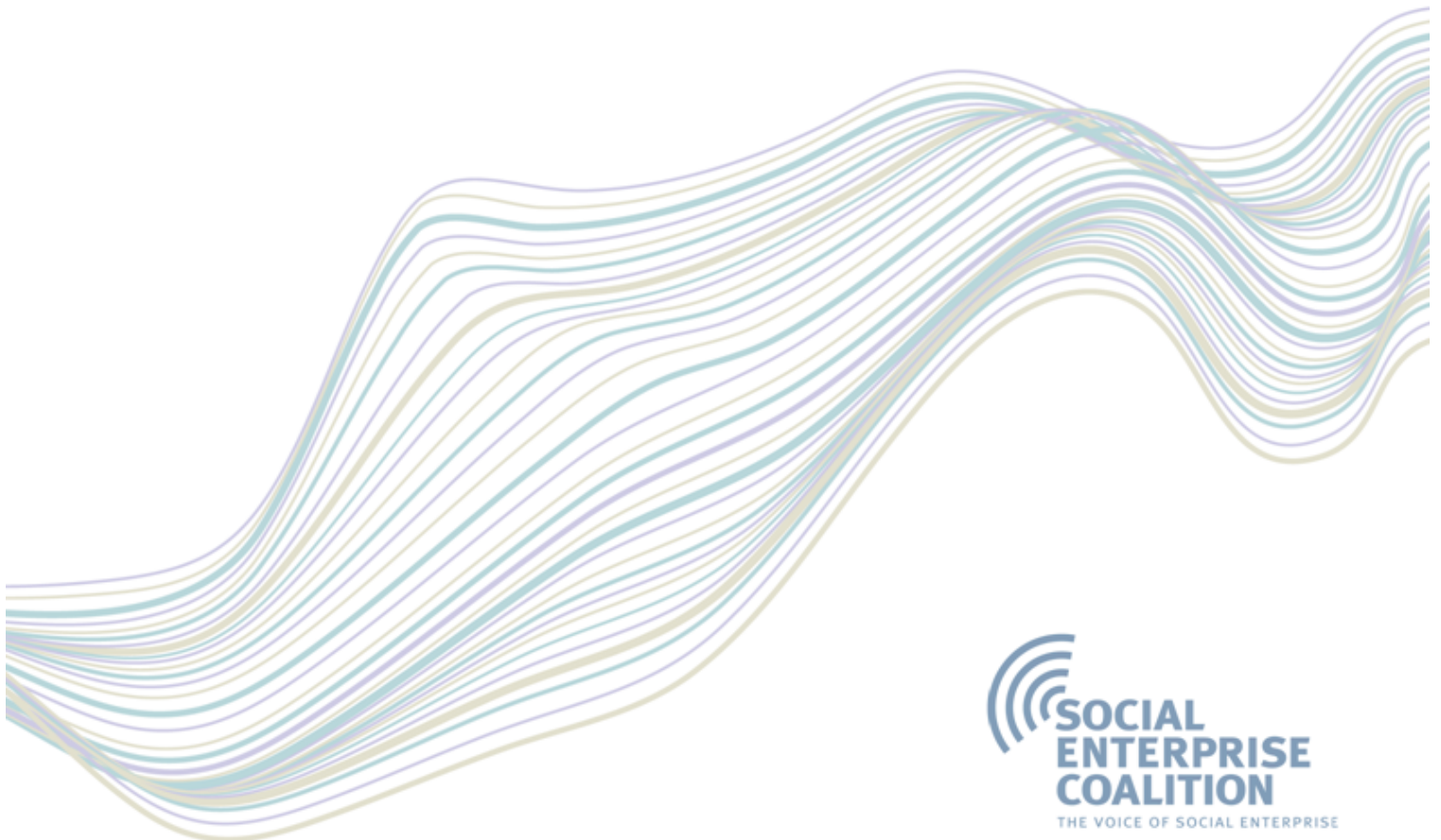


Response by the Social Enterprise Coalition to the HM Government Consultation on the Regional Growth Fund

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Introduction

1. The Social Enterprise Coalition (SEC) welcomes the opportunity to respond to the HM Government *Consultation on the Regional Growth 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. This response was informed by consultation with members of SEC.
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.
4. Well-known examples of social enterprises include The Big Issue and the Fairtrade company Divine Chocolate. According to 2005-2007 data from the Annual Survey of Small Businesses UK, social enterprises contribute £24 billion to the UK economy.
5. 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.
6. 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 training, education, advice – building human capital.
7. The majority of social enterprises work very locally, as two-fifths work in their local authority area or in only one or two local authority areas (42%) while 15% work at a county level and 23% work at a regional level.¹
8. SEC firmly believes that social enterprise has a key role to play in regional development and in developing the Regional Growth Fund. We appreciate that social enterprise has been referenced in the consultation and believe that the sector should be at the core of the fund. Social enterprise represents a spectrum of organisations, originating not just from the private sector, that have a distinctive contribution to make.

¹ State of Social Enterprise Survey, Social Enterprise Coalition, p.28

Question 1: Are there benefits to be had from allocating different elements of the fund in different ways?

9. We agree that the fund should be used to support different types of projects depending on the needs of the place. However, we also believe that it is essential that the fund should be allocated in such a way as to maximise impact, not just in a financial sense, but also in terms of achieving social and environmental benefits.
10. It is important that the fund should be allocated in such a way that takes account of the particular needs in each region. These include the different barriers to growth in different areas and a range of types and sizes of enterprise that can play a role in economic growth and job creation.
11. It is also important that the fund take account of the importance of plurality of businesses when it comes to what constitutes a sustainable economy. This requires the fund to take account of the full breadth of business models and the role that small and medium size enterprises in particular can make to economic growth and the creation of a sustainable and resilient economy.
12. Social enterprises have repeatedly demonstrated the role they can play in creating employment and have the potential to be an important sector for growth going forward. 16% of social enterprises state their main aim to be supporting the long term unemployed² and as such they should be considered carefully in all proposals. Similarly, unlike many other growth industries, social enterprises are often established in areas of market failure and deprivation and are particularly important in regions that have suffered a lack of growth for decades.
13. The fund should recognise this diversity and ensure that the full range is able to get involved.

Question 2: What type of activities, that promote the objectives outlined above, should the fund support and how should the fund be best designed to facilitate this?

14. We would like to see the fund supporting the activities of a broad range of organisations that contribute to economic development. In particular, social enterprises engage in activities that provide employment, contribute to sustainability and address local issues. They can play a key role in regional growth and in counterbalancing some of the impact of public sector cutbacks.
15. We note reference in the consultation document to prioritising investment in different areas in different ways, for example bringing people back into the labour market, improving skills or attracting new employment opportunities, investing in transport or housing or low-carbon and environmental sectors. These are all areas in which social enterprises have experience. For example, Hill Holt Wood offers opportunities for young people to learn green construction skills and HCT Group provides public transport and related training services, reinvesting profits back into the community. Go! Co-operative aims to be the first co-operatively owned train operating company in the UK. Social Firms such as Bikeworks are set up primarily to create good quality jobs for people disadvantaged in the labour market.
16. The fund should support the activities of social enterprises that deliver benefits for people and the environment as well as for the economy overall. Essentially, the

² State of Social Enterprise Survey, Social Enterprise Coalition, p.21

recognition of businesses whose primary purpose is the achievement of a public benefit should be acknowledged within the fund.

17. It is essential that the Regional Growth Fund is developed in an integrated way, linking with other policy objectives. For example, it should be demonstrated that it will link with the Work Programme to support the labour market and skill development, particularly in areas of high and embedded multi-generational unemployment.

Question 3: Do you think that these are the right criteria for assessing bids to the Regional Growth Fund?

18. SEC agrees that any growth should be sustainable and social enterprise can play a part in achieving this. Social enterprises have shown that they can create meaningful outcomes such as creating employment and developing skills, often for those who are furthest from the jobs market.
19. SEC agrees that proposals should fit with the economic, social and environmental priorities of the area. Social enterprises operate at the core of communities and will be well-placed to deliver on this.
20. The requirement of financial backing for bids should be extended beyond the private sector. This is particularly important for social enterprises which seek finance from a wide variety of sources, including grants from trusts and loans from community development financial institutions. This also includes innovative financial instruments. For example, transport social enterprise HCT Group raised £3 million to grow its community transport business through a 'social loan', which allows returns to investors to increase or decrease in line with the organisation's turnover.
21. Bids should be assessed according to the potential impact they can make on communities. The extent to which they have social and environmental benefits should be assessed with a measure such as Social Return on Investment (SROI) included. This puts values on important impacts that do not have market values.
22. In inviting bids for amounts of £1m or more there is a risk that smaller, innovative social enterprises would be unable to get involved. This criterion should be relaxed to ensure that a range of organisations of all sizes and types have the opportunity to participate.
23. Finally we believe bids should be assessed on their ability to stimulate local multiplier effects. Social enterprises are locally based; further the reinvestment of their profits can result in a multiplier effect of more investment remaining in the local area.

Question 4: Do you think we should operate a two-stage bidding process?

24. There is a case for operating a two-stage bidding process. However, this should ensure that the social enterprise sector is able to bid on a level playing field and not be excluded from making a full bid because of the scale and related costs involved. It may be that a two-stage process creates opportunities for overlaps to be identified between different bidders and for collaborative partnerships to be developed.

Question 5: Should a Regional Growth Fund become a long-term means of funding activity that promotes growth?

25. The Regional Growth Fund could certainly become a long-term means of funding activity if it proves to be successful. Short term funds have repeatedly demonstrated lower levels of impact than longer term funds; similarly it can create the unintended consequence of forcing applicants to put in proposals for higher growth scenarios rather than sustainable growth scenarios as they will need to demonstrate considerable returns in a very short period of time.
26. The key is that whatever mechanisms are in place contribute to an environment in which the achievement of growth can be achieved alongside long-term benefits to communities and the environment.

Social Enterprise Coalition
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