

# Social enterprise and children and young people's services

Position paper

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The Social Enterprise Coalition is the UK's national body for social enterprise. The Social Enterprise Coalition represents a wide range of social enterprises, regional and national support networks and other related organisations. As well as showcasing the benefits of social enterprise, and sharing best practice, we work closely with our members to inform national policy.

## Contents

1. Summary
2. Key issues facing children and young people
3. Introduction to social enterprise
4. Policy operating context for social enterprises
5. Benefits of social enterprise delivery of children and young people's services
6. Issues facing social enterprises delivering children and young people's services, and recommendations to government

## About this paper

This paper aims to identify policy issues which affect a broad spectrum of social enterprise providers of services to children and young people and offer recommendations to government to address these issues. It was informed by consultation with members of SEC and the social enterprise movement.

## Summary

Many children and young people today face challenges from issues surrounding child poverty to difficulty entering the current job market, which means they don't get the best possible start in life.

This paper explores these issues and introduces social enterprise approaches to addressing the needs of children and young people across the UK. The aim of the paper is to highlight how these approaches are helping the children and young people they work with to succeed.

The paper concludes by looking at the policy context within which social enterprises are working outlines the key barriers they face, and puts forward recommendations to government to enable social enterprises to fulfil their potential to support children and young people across the country.

## Key issues facing children and young people

Progress has been made in the last decade on supporting children and young people in a number of key areas – for example, government figures on educational attainment continue to improve<sup>1</sup>, and evidence shows that the number of children living in poverty has fallen<sup>2</sup>. However, there are still significant challenges which need to be met in order to deliver the best possible life to all children and young people in the UK. These challenges are

<sup>1</sup>[http://www.dcsf.gov.uk/pns/DisplayPN.cgi?pn\\_id=2009\\_0008](http://www.dcsf.gov.uk/pns/DisplayPN.cgi?pn_id=2009_0008)

<sup>2</sup><http://www.endchildpoverty.org.uk/why-end-child-poverty/key-facts>

numerous, complex and varied, but the following key issues stand out:

*Poverty:* In 1999, the Government pledged to halve child poverty by 2010 and end child poverty by 2020. Since this commitment was made, 500,000 children have been lifted out of poverty. However, 4 million children are still living in poverty, which is 30% of all children in Britain<sup>3</sup>. Growing up in poverty has serious implications into adulthood for a person's health and well-being, educational attainment and life success.

*Crime and justice:* Figures published by HM Prison Service show that there are approximately 2,600 young men and around 70 young women aged 15-17 in prison service custody<sup>4</sup>. However, the focus placed on young 'criminals' in the UK obscures the fact that children and young people are more often the victims than the perpetrators of crime. Thus, there is a danger of insufficient support measures for young victims of crime.

*Education:* There has been a significant rise in investment in education in the UK in the last decade. However, research shows that whilst results are improving, only 76.7% of 19 year olds have five good GCSEs or equivalent qualifications, whilst only 49.8% have gained two A' levels or equivalent qualifications<sup>5</sup>. These figures suggest that a significant proportion of young people are leaving education without the qualifications and skills that will support successful routes into work.

<sup>3</sup><http://www.endchildpoverty.org.uk/why-end-child-poverty/key-facts>

<sup>4</sup>[http://www.hmprisonservice.gov.uk/adviceandsupport/prison\\_life/juvenileoffenders/](http://www.hmprisonservice.gov.uk/adviceandsupport/prison_life/juvenileoffenders/)

<sup>5</sup>[http://www.dcsf.gov.uk/rsgateway/DB/SFR/s000835/sfr04\\_2009\\_v3A.pdf](http://www.dcsf.gov.uk/rsgateway/DB/SFR/s000835/sfr04_2009_v3A.pdf)

*Employment:* The economic climate is difficult and unemployment figures in the UK have risen significantly over the past 2 years. Statistics published by the Centre for Economic and Social Inclusion in March 2010 show that the unemployment rate for young people reached 17.5% in January 2010, with the 18-24 age group experiencing a sharper rise in unemployment since the beginning of the recession (5.3%), than the 25-49 (2.3%) and over-50s (1.9%) age groups.<sup>6</sup>

## Introduction to social enterprise

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. 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 Business UK, there are approximately 62,000 social enterprises in the UK that contribute £8.4 billion per year to the UK economy<sup>7</sup>.

Social enterprises are increasingly being recognised across the political spectrum as deliverers of efficient, innovative and tailored public services.

In particular, social enterprises are delivering a growing range of services to children and young people across the UK. These include services to looked-after children, day care and nurseries, children's health services, youth centres, alternative education programmes, and employment preparation and training for young people who are at risk or who have been in contact with the criminal justice system.

## Benefits of social enterprise delivery of children and young people's services

We believe that by applying innovative and efficient approaches to addressing the complex and diverse needs of children and young people, social enterprises can make a real and sustained contribution to providing children and young people's services.

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.

There are a number of features which characterise the benefits of social enterprises delivering children and young people's services. These are:

- The ability to connect with staff, service users and communities
- The ability to address unmet needs and hard-to-reach audiences
- The autonomy and flexibility to respond to change and work innovatively
- A commercial and efficient approach
- The reinvestment of surpluses for community benefit

Many social enterprises have particular expertise about the communities in which they work often gained in part through non-traditional ownership structures, which involve users and members of the local community in the governance of the enterprise and the design and delivery of the services provided.

This high level of user involvement enables social enterprises to develop tailored services and provide support to children and young people who, due to a complex set of circumstances, may not have been able to successfully engage with traditional service delivery models.

<sup>6</sup> <http://www.cesi.org.uk/statistics>

<sup>7</sup> p27, Annual Survey of Small Businesses: UK 2005

For example, Unique CIC in Newark provides a range of services for young people including alternative education courses and accredited work experience placements, alongside drop-in services for 14-25 year olds with access to advice and information, activities in the school holidays and a low cost café.

The café is run by a voluntary board of directors drawn from the local community, including three young people. By involving young people in the running of the organisation and increasing their self-esteem, Unique has found that 95% of young people who follow their education programmes improve their attendance.

Social enterprises also often operate in a way that enables employees to input into decision-making. This results in greater staff satisfaction, which leads to a higher quality of service provision and lower absentee rates. Both of these outcomes then drive up efficiency.

For example, Sandwell Community Caring Trust was set up in 1997 in response to the council's need for health and care services for children delivered in a more cost-effective way.

Sandwell put an enormous emphasis on providing high quality support to staff, which secured them 11<sup>th</sup> place in the 2009 Sunday Times list of '100 Best Companies' to work for. Sandwell has succeeded in reducing staff absentee rates down from 22 days per year when the service was provided by the local authority, to just 0.6 days per year. This has enabled staff to develop strong, long-term relationships with service users, which in turn enables staff to deliver a higher quality of care.

Social enterprises have repeatedly demonstrated their ability to challenge the status quo. For those social enterprises delivering local authority services, the ability to operate outside the constraints of public sector structures and bureaucracy gives them a greater freedom and

flexibility in how they can develop and deliver services.

They are also commercial businesses. However, unlike private sector businesses which are driven by the need to maximise profits to generate shareholder return, social enterprises use their profits to ensure their sustainability and to further their social and environmental aims.

Social enterprises across the UK are applying these approaches to providing services to children and young people, many of which are specifically aimed at tackling child poverty and providing high quality alternative education.

However, in order to maximise the contribution of social enterprises in children and young people's services, there are a number of issues to address, as outlined in the following section.

## Policy operating context for social enterprises

The government recognises the need to do more to support children and young people in the UK to lead healthy and successful lives, and in recent years policies aimed at meeting the needs of children and young people have been dominated by several key themes.

These themes broadly fall within two categories. The first category concerns the principles underpinning government policy on children and young people. These principles include:

- an emphasis on children's rights, as demonstrated by the government's decision in September 2008 to give up the UK's reservations and agree to the UN Convention on the Rights of the Child in full;

- ensuring children and young people have a voice, exemplified by the establishment of a Children's Commissioner whose role involves making sure that children's views on their own well-being are listened to;
- valuing what children and young people have to say by according their opinions influence over decisions affecting them, particularly in relation to designing services for young people;
- rebalancing the public narrative about children and young people, as outlined in DCSF's Aiming High policy which aims to counter 'the unrelenting negative perception of young people by celebrating the achievements of the majority'<sup>8</sup>.

In addition to these overarching principles, there are two key themes common to recent government policies which applying specifically to children and young people's services:

- a strong emphasis on desired outcomes for children and young people, which is intended to move commissioning and procurement practice away from contracts for children and young people's services that focus on how a service should be delivered, towards commissioning and procurement practice where the performance of contractors is assessed in terms of the outcomes they achieve;
- a move towards integrated and holistic commissioning and delivery of services, including the establishment of Children's Trusts, Children's Centres, and the requirement for all local areas to develop Children and Young People's Plans, to address the fragmentation of responsibilities for children's services and develop holistic services which can address the totality of each child's needs.

Following the election of the new Coalition Government, the Department of Education (DfE) was formed on 12<sup>th</sup> May 2010 in place of the Department for Children, Schools and Families.

<sup>8</sup> p1 *Aiming High for Young People: A Ten Year Strategy for Positive Activities*, DCSF, 2007

Substantive policy announcements in many areas are yet to follow. However, the Government has already made a number of general announcements on education policy that will impact on the social enterprises working in this field.

Firstly, the Government has placed a strong emphasis on tackling the UK's budget deficit, which was calculated at £14.1 billion in May 2010 by the Office for National Statistics<sup>9</sup>. In the emergency budget speech on 22<sup>nd</sup> June 2010, the Chancellor announced a commitment from government departments to find "over £11bn of new savings through reforms, without damaging front-line services".<sup>10</sup> Details of how these savings will be made are to be published in the Comprehensive Spending Review in October 2010. However, the Government has further announced that "schools, Sure Start and spending on education for 16-19 year-olds will be protected from these in-year cuts."<sup>11</sup>

Secondly, the Coalition Government has said that they "will support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services"<sup>12</sup>. In particular, the Government has announced plans to make it easier for parents, third sector organisations, businesses and teachers the chance to set up new schools, known as Free Schools<sup>13</sup>.

This policy is a clear indication of the Government's support for social enterprises in the field of public

<sup>9</sup> <http://www.statistics.gov.uk/cci/nugget.asp?id=206>

<sup>10</sup> [http://www.direct.gov.uk/prod\\_consum\\_dg/groups/dg\\_digitalassets/@dg/@en/documents/digitalasset/dg\\_186442.pdf](http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_186442.pdf)

<sup>11</sup> [http://www.hm-treasury.gov.uk/d/press\\_04\\_10.pdf](http://www.hm-treasury.gov.uk/d/press_04_10.pdf)

<sup>12</sup> p29 [http://www.cabinetoffice.gov.uk/media/409088/pfg\\_coalition.pdf](http://www.cabinetoffice.gov.uk/media/409088/pfg_coalition.pdf)

<sup>13</sup> Free Schools are intended to be all-ability, state-funded schools set up in response to parental demand. They will have the same freedoms as academies, which are publicly funded independent schools, and will be free from local authority control, whilst remaining publically accountable via the existing inspections and testing systems. The first of these schools are expected to be able to open in September 2011.

service delivery in general and in education in particular, and is very much in line with the broad support for the social enterprise sector that has been outlined in the Government's Big Society<sup>14</sup> policy announcements. The challenge now will be to translate this policy support into ensuring an enabling operating environment for social enterprises working in the field of education and specifically alternative provision.

## Issues facing social enterprises and recommendations to government

The Social Enterprise Coalition welcomes government's recognition of the contribution of social enterprises in delivering children and young people's services. In particular, the Department for Education states in its *Third Sector Strategy and Action Plan* that third sector organisations 'have an important role to play across all the business of the Department', from providing 'a voice for children, young people and families' to developing services which are 'innovative and engage users, especially those who may find it difficult to articulate their needs or who may be harder to reach via mainstream provision'<sup>15</sup>.

Recognition at the national level of the value of the work social enterprises do is an important step. However, in order to maximise the contribution that social enterprises make to delivering the DfE agenda, more work is needed to address a range of issues which social enterprises face at the local level. The key challenges concern:

- i. understanding social enterprise
- ii. engaging with social enterprise at the local strategic level

<sup>14</sup> See <http://www.cabinetoffice.gov.uk/media/407789/building-big-society.pdf> for details

<sup>15</sup> p2, *Third Sector Strategy and Action Plan*, Department for Education and Skills, 2007

iii. commissioning and procurement

### i. Understanding social enterprise

The most basic challenge that social enterprises face is a lack of understanding by many public bodies about what they are, their potential role in delivering children and young people's services and the added social benefits they bring. At the local authority level in particular, efforts to engage with the third sector focus on the voluntary and community sector.

However, voluntary and community organisations are just one type of organisation which makes up the third sector, which is defined by the Office of the Third Sector as encompassing 'voluntary and community groups, social enterprises, charities, cooperatives and mutuals'<sup>16</sup>.

The difference between social enterprises and the rest of the third sector range from differences in legal form – for example many social enterprises do not have charitable status – to factors such as a desire on the part of social enterprises to be contracted rather than grant funded to deliver services.

### Recommendation 1: Government should support awareness raising resources produced by the sector to ensure effective local implementation of national policies.

The Coalition and the regional social enterprise networks in the UK have worked hard to raise awareness of social enterprise and the benefits it has to offer in terms of public service delivery. For example, in 2005 the Coalition published a guide to procuring from social enterprises – *more for your money* – which is available in two versions, one for Local Authorities and one for the NHS<sup>17</sup>. In 2007, a partnership led by Social Enterprise East Midlands published *Social Enterprise and the Public Sector: A practical guide to law and policy*, aimed at

<sup>16</sup> [http://www.cabinetoffice.gov.uk/third\\_sector/about\\_us.aspx](http://www.cabinetoffice.gov.uk/third_sector/about_us.aspx)

<sup>17</sup> <http://www.socialenterprise.org.uk/pages/public-sector.html>

identifying opportunities for the public sector 'to do more and better business with social enterprises'<sup>18</sup>.

In order to maximise their effectiveness, these resources need government support, including promoting the resources to local public bodies.

This will help to ensure that national strategies that are supportive of social enterprise involvement in public service strategy, design and delivery are better understood and more effectively implemented at the local level.

## ii. Engaging with social enterprise at the local strategic level

A key challenge for social enterprises at the local level concerns their engagement at the strategic level of children and young people's services. Central to this is the involvement of social enterprises on Children's Trusts.

DCSF has stated that because third sector organisations, including social enterprises, make such a valuable contribution to delivering children and young people's services, it is essential that they are represented 'at the strategic governance and planning levels'<sup>19</sup>, and in its guidance on Children's Trusts, the government has recommended that third sector organisations should be included within the Trusts<sup>20</sup>.

Indeed, many social enterprises have particular knowledge of, sensitivity to and expertise about the communities in which they work. As such, they are well placed to assess the service needs of local communities and inform strategic decisions about service planning.

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<sup>18</sup> p3, Social Enterprise and the Public Sector: A practical guide to law and policy, BEST procurement and Anthony Collins Solicitors, 2007

<sup>19</sup> para 3.38, p20, Children's Trusts: Statutory guidance on inter-agency co-operation to improve well-being of children, young people and their families, DCSF 2008

<sup>20</sup> para 2, What is a Children's Trust?, DCSF 2008

As yet, however, no details have been published on how third sector organisations will be engaged. Accurate and comprehensive third sector representation will be difficult to realise, and considerable thought will need to be given to the following issues in order to ensure that all third sector organisations including social enterprises are properly represented.

### **Recommendation 2: Guidance is needed to ensure that methods of engaging third sector organisations in Children's Trusts are consistent, transparent and accountable.**

Government needs to ensure that methods of engaging the third sector in Children's Trusts are consistent, transparent and accountable. Clear guidance on this is needed for both third sector organisations and Children's Trusts in order to foster best practice in terms of communication and collaborative working.

Some sector networks have already begun to produce such guidance, including two documents – Talking Trusts and Community Involvement in Children's Trusts: Unlock your potential – produced by the Community Sector Partnership for Children and Young People. Government needs to recognise and support such resources in order for them to be used as widely as possible within the public sector.

### **Recommendation 3: Consideration needs to be given to how social enterprises delivering a wide range of services can be represented on Children's Trusts.**

Whilst statutory partners on the Children's Trust board will represent a particular type of children and young people's service, such as schools which work in education, and PCTs in healthcare, social enterprises in any given local area may be working in a wide variety of children and young people's service areas.

In addition, because the majority of social enterprises are small, there is limited capacity within these organisations both in terms of time and money to take on the responsibilities of gathering views from other local social enterprises, representing the sector at meetings, and reporting back on the meetings.

As such, the government needs to explore the potential role of local and regional social enterprise networks in representing these organisations, and invest in capacity building programmes.

Further, because many social enterprises are small, and feeding into the work of Children's Trusts even through a sector network will require significant time and resource, it is especially important that Children's Trusts are able to demonstrate that they value social enterprise representation, and that the views of the sector are taken seriously. If seeking representation from the sector becomes a token gesture rather than an integral part of the operation of Children's Trusts, this will result both in a missed opportunity to benefit from the expertise of social enterprises, and damage relationships between the movement and the public sector.

### iii. Commissioning and procurement

There are a number of key issues in relation to commissioning which affect social enterprises working across the breadth of children and young people's services. Within the framework of existing policy and regulations there are a number of ways in which public bodies can increase their purchasing from social enterprises – getting more for their money as a result.

**Recommendation 5: A shift at the local level towards more unified commissioning budgets is needed to realise the advantages that more holistic service provision and outcomes-based commissioning can offer.**

Despite the government's commitment that public sector procurement should aim to achieve value for money, meaning "the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user requirement"<sup>21</sup>, in practice public sector employees feel under pressure to procure services from the lowest cost providers.

Social enterprises aim to maximise benefits to the local community through the services that they provide and they often look beyond traditional public service delivery mechanisms to develop services which address needs in a much more holistic way. These approaches add value to public spending which is often not recognised, but which is more significant than ever at a time of recession. Similarly, some social enterprises have found that commissioners fail to appreciate the full costs of providing a high quality service which provides meaningful benefits to the young people it is intended to support.

In order to realise the advantages that more holistic service provision and outcomes-based commissioning can offer, DCSF policy on holistic and integrated service delivery must be accompanied by a shift at the local level towards more unified commissioning and budgets which analyse the costs and benefits of a service in the whole. This analysis should take into account a range of areas such as education, healthcare and housing, as well as considering 'soft' benefits such as changes to young people's behaviour and contributions to their community, for example. Encouraging commissioners to support preventative solutions to some of the problems faced by children and young people today should also be integral to this approach.

**Recommendation 6: Government should ensure that there are clear and transparent processes for organisations to support public bodies to invest in innovative models of service delivery.**

<sup>21</sup>[http://www.oqc.gov.uk/delivery\\_lifecycle\\_briefings\\_procurement.asp](http://www.oqc.gov.uk/delivery_lifecycle_briefings_procurement.asp)

Public bodies are often reluctant to contract to organisations that are not on their 'approved provider' lists. However, many social enterprises have commented that the process for getting onto approved provider lists is neither transparent nor clear.

In order 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 approved provider lists. Similarly, there needs to be greater transparency in how decisions are made and why contracts are awarded.

In addition, the Coalition believes that measures need to be in place to support and incentivise commissioners to invest in new and innovative models of service delivery. This needs to be addressed to ensure a commissioning environment which is open to social enterprises and other third sector service providers, who often pioneer new methods of addressing community needs.

**Recommendation 7: In order to avoid disadvantaging small organisations, care needs to be exercised in the aggregation of contracts and the application of EU procurement rules.**

The move towards larger contracts across public service commissioning is disadvantageous to social enterprises, which are often small, community-based organisations. In order to address this, care needs to be exercised in the aggregation of contracts.

Further, 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 in the aforementioned 2007 publication *Social Enterprise and the Public Sector: A practical guide to law and*

*policy*<sup>22</sup>. Such guidance needs to be promoted to all public bodies in order to promote best practice procurement that does not disadvantage small organisations unnecessarily.

#### Contact us

The Coalition would welcome an opportunity to discuss the recommendations outlined here with government.

To discuss any of the issues raised in this paper or for more information on the Coalition's work on children and young people's services and education, please contact Ólöf Jónsdóttir at [olof.jonsdottir@socialenterprise.org.uk](mailto:olof.jonsdottir@socialenterprise.org.uk).

<sup>22</sup> Social Enterprise and the Public Sector: A practical guide to law and policy, BEST procurement and Anthony Collins Solicitors, 2007