
IMPROVEMENT NETWORK

Briefing: Social enterprise – possible roles in public service provision

Purpose of briefing: To provide an overview of the feasibility and success of social enterprise models (May 2010)

Section 1 - background

1 The Cabinet Office defines social enterprise as:

'...businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners.'^I

2 Social enterprise is an umbrella term encompassing organisations that vary in size, sources of funding, activities, geographic scope and legal structure. In the UK, social enterprises include development trusts, cooperatives, mutuals, social firms and charities with trading arms. Most publications trace the origins of social enterprise to a workers' cooperative set up in Rochdale in the 1840s, which was established to provide high quality affordable food in response to factory conditions that were considered to be exploitative.^{II}

3 Social enterprises are part of the third sector, which encompasses all non-governmental organisations that principally reinvest surpluses to deliver social, environmental or cultural benefits.^{III} They range from small community-owned village shops to large charities delivering public services; from individual social entrepreneurs to national businesses. The Social Enterprise Coalition has identified three defining characteristics^{IV}:

- Social aims - they have explicit social aims such as job creation, training or the provision of local services. Their ethical values may include a commitment to building skills in local communities. Their profits are principally reinvested to achieve their social objectives.
- Enterprise orientation - they are directly involved in producing goods or providing services to a market.
- Social ownership - they are autonomous organisations whose governance and ownership structures are normally based on participation by stakeholder groups (for example employees, users, clients, local community groups and social investors) or by trustees or directors who control the enterprise on behalf of a wider group of stakeholders. They are accountable to their stakeholders and the wider community for their social, environmental and economic impact. Profits can be distributed as profit sharing to stakeholders or used for the benefit of the community.

4 There is a plethora of information about social enterprise, but definitions of the models that exist are not definitive. The table below defines the characteristics of mutuals and cooperatives:

^I [Background to social enterprise](#), Cabinet Office website

^{II} *Social enterprise action plan: scaling new heights*, Cabinet Office, 2006

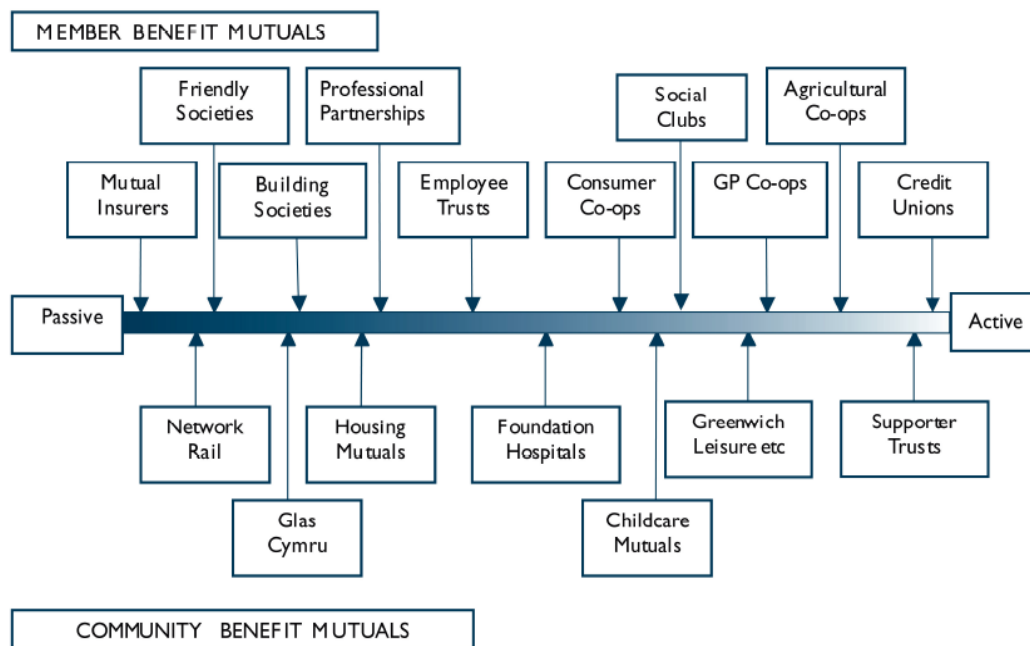
^{III} Ibid.

^{IV} [A guide to social enterprise](#), Social Enterprise Coalition, 2003

	Mutual	Cooperative
Definition	A mutual exists for the purpose of raising funds from a membership or customers, which can be used to provide common services to members.	A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.
Defining characteristics		
Purpose	Established to serve a specific community or interest group.	Cooperatives are structured and run in accordance with the seven international cooperative principles:
Ownership	Owned by members.	
Governance	Formally incorporate stakeholder interests with different stakeholders having an appropriate role in running the organisation proportional to their relevant stake.	
Voting	Democratic voting systems based on one member one vote.	
		<ol style="list-style-type: none"> 1. voluntary and open membership; 2. democratic member control; 3. economic participation by members; 4. autonomy and independence; 5. education, training and information; 6. cooperation among cooperatives; and 7. concern for community.

Source: [The Engagement Ethic](#), the Innovation Unit, 2009 and [What is a cooperative?](#), Cooperatives UK.

- 5 During the [third sector review](#) in 2006/07, the previous government set out a spectrum of mutuality that helps put these definitions into context:



Source: [The future role of the third sector in social and economic regeneration: supporting evidence: mutuals and cooperatives](#), Cabinet Office, 2007

- 6 Both cooperatives and mutuals are run for, owned and run by members. As voluntary organisations, cooperatives are often open to all persons able to use their services and willing to accept the responsibilities of membership. It is a principle of the Cooperative Movement that all members should be able to participate actively in setting policies and making decisions, which is why cooperatives are at the active end of this spectrum. In contrast, in mutuals the role that different stakeholders play in running the organisation varies, which may account for their placing on the passive end of the scale.¹
- 7 It is important to acknowledge that social enterprise is not limited to cooperatives and mutuals. For example, the commercial/ delivery arms of charities and other not-for-profit entities play a role in public service delivery too. However, the definitions above have been highlighted here as politicians have referred to social enterprise in the context of mutuals and co-operatives over the last few months. As this brief overview demonstrates, a succinct definition of social enterprise is not easy to arrive at. The wide range of types of organisation that can arguably fall under this umbrella term make it hard to determine just what sort of impact the potential expansion of the sector might have.

¹ [The future role of the third sector in social and economic regeneration: supporting evidence: mutuals and cooperatives](#), Cabinet Office, 2007

Section 2 – sectors where social enterprise has been applied

- 8 The John Lewis partnership has, in recent months, been much highlighted as an example of a successful mutual, with all full-time staff being members of the partnership and receiving a share of the business's annual profits. In addition, other well-known examples include The Big Issue, Cafédirect, the Co-operative Group, Divine Chocolate, the Eden Project and Jaime Oliver's restaurant, Fifteen. In addition to these well known examples, there are also many examples of social enterprises, as the table below sets out, being used in the provision of public services in the UK and abroad.
- 9 As the table below demonstrates, social enterprise organisations are playing an important role in the delivery of public services across a wide range of areas. The impact of some of these organisations has already been seen, not least in the housing sector where many housing associations are classed as social enterprises. However, as the first example below demonstrates, the ambition around what social enterprise can achieve and how it is structured is growing. The ambition, set by Lambeth, to become the first cooperative council will be an interesting area to watch.

UK public services

Sector	Context and examples	Case studies
Local government	<p>While there are many examples of social enterprise in council-run services – such as leisure, housing, social care and schools - overarching examples from local government are rare.</p> <p>115 Labour council leaders announced that they will become Co-operative councils, by signing a charter to protect frontline services in March 2010.</p>	<p>Lambeth Council</p> <p>The Council recently announced that it will become Britain's first cooperative council as it is devising a model for public service delivery that draws on the cooperative values of fairness, accountability and responsibility. In March 2010, Lambeth will set up a Citizens Commission to involve residents and service users in discussions about this new way of delivering public services. The Commission will explore a range of ideas and ways of taking things forward. These may include:</p> <ul style="list-style-type: none"> • an 'active citizens' dividend' that could reward residents who are involved with organisations that help deliver community-based services with a council tax rebate; • neighbourhood cooperatives where residents in a given ward or neighbourhood run local community facilities; • citizen-led services where service users or local residents ballot on turning certain local services into local cooperatives, such as children's centres or youth centres; and

Sector	Context and examples	Case studies
		<ul style="list-style-type: none"> supporting more housing cooperatives under residents' control and ownership.^I
Leisure	<p>According to the Social Enterprise Group, the lobbying body for social enterprise in the UK, 'the biggest area for social enterprises in local services is leisure trusts.'^{II} They say that, 'the ability to reduce service costs, involve the local community in decision making and reinvest significantly in long-term services has shown that the leisure trust model can champion the 'best value' ethos espoused by local authorities, in a way that neither the private sector nor the local authority itself is able to do.'^{III}</p>	<p>Greenwich Leisure</p> <p>Greenwich Leisure Ltd was the first Leisure Trust. Created in 1993 through a staff-led outsourcing of leisure services in Greenwich south London, it has a turnover of £70 million a year, employs about 4,400 staff and manages 70 leisure centres within the M25 in partnership with a number of local authorities and wider partners. GLL innovated good quality, low cost, middle market leisure facilities when most private gyms were aimed at higher earners. GLL is employee owned and its board has representation from a number of stakeholders including customers, council, and the workforce. It has helped raise participation levels in some of London's most deprived areas and is playing a role in securing the legacy for London from the 2012 Olympic Games. GLL's business model has since been widely copied.^{IV}</p>
Health and social care	<p>Social enterprise is active in the health sector. For example, the NHS Constitution pledged that staff will be engaged in decisions that affect them and empowered to put forward ways of delivering better and safer services. Also through the</p>	<p>Central Surrey Health</p> <p>Created in 2006, each staff member has a 1p share in this not-for-profit limited liability company. Its creation followed a re-evaluation of its commissioning processes, with the associated implication that PCTs who also provided community services should have no conflict of interest as providers - becoming commissioning-only organisations. Its nursing and</p>

^I [Lambeth to be Britain's first 'cooperative council'](#), Steve Reed's website, March 2010

^{II} [It all began in a south London gym](#), The Observer, 2 November 2003

^{III} [There's more to business than you think: a guide to social enterprise](#), the Social Enterprise Coalition, 2003

^{IV} [The Engagement Ethic](#), the Innovation Unit, 2009

^V [NHS mutual: engaging staff and aligning incentives to achieve higher levels of performance](#), Nuffield Trust, Jo Ellins and Chris Ham (2009); [The co-operative approach to reform](#), Guardian Public, February 2010; and [The story so far](#), the Cooperative Party.

Sector	Context and examples	Case studies
	<p>Department of Health's Right to Request scheme, which was introduced in 2008, all PCT frontline staff can put forward a business case to set up a social enterprise. If approved, their PCT will support the development of the social enterprise and award it a contract to provide services.</p> <p>Examples of social enterprise include:</p> <ul style="list-style-type: none"> • autonomous foundation trust provider hospitals and mental health trusts that are accountable to the patients, members of the public and staff who form their membership and help elect their boards; • 26 pathfinder organisations set up to establish the challenges and successes of using social enterprise to deliver health and social care; and • community services providers including primary care mutuals that provide out-of-hours care.^v 	<p>therapy teams run a range of health services in parts of Surrey and it has an annual turnover of £20 million.ⁱ</p> <p>Sunderland Home Care Associates (SHCA)</p> <p>SHCA started trading under this name in 1994, but it started in 1976 as the Little Women Cooperative. it is a major provider of personal care and domestic services on behalf of Sunderland City Council. Its particular focus is on enabling older and disabled people to stay in their homes for longer by offering them specially tailored care services. Although it started with 20 employees, SHCA now employs over 175 people (85 per cent of whom are women), and has an annual turnover of £1.75 million. It has also helped Care & Share Associates replicate this employee owned model for care services in Newcastle, North Tyneside and Manchester.ⁱⁱ</p> <p>Circle Healthcare</p> <p>Established in 2004, mixes 49.9 per cent ownership by its partners (mainly consultant surgeons and anaesthetists to date, although some GPs are now joining) and 50.1 per cent by private equity investors and venture capitalists. It provides private and NHS care, and is currently expanding and building and acquiring provider facilities. It is said to be Europe's largest professional partnership healthcare organisation.ⁱⁱⁱ</p>
Housing	Social enterprise exits in a number	Poplar Housing and Regeneration Community Association (HARCA)

ⁱ [Innovation included: why co-owned businesses are good for public services](#), Employee Ownership Association, Charles Leadbeater (2009); and [The co-operative approach to reform](#), Guardian Public, February 2010.

ⁱⁱ [Social enterprise action plan: scaling new heights](#), Cabinet Office, 2006; and [Innovation included: why co-owned businesses are good for public services](#), Employee Ownership Association, Charles Leadbeater (2009).

ⁱⁱⁱ [The co-operative approach to reform](#), Guardian Public, February 2010; and [NHS mutual: engaging staff and aligning incentives to achieve higher levels of performance](#), Nuffield Trust, Jo Ellins and Chris Ham (2009).

Sector	Context and examples	Case studies
	<p>of forms in social housing.</p> <ul style="list-style-type: none"> Housing associations – provide about 2 million homes for 5 million people in England, with an annual investment in this work at £435 million, including £272 million from their own funds. Cooperative housing – there are fewer than 10,000 of this type, which exist in four forms: tenant ownership, tenant management organisations (TMOs), short-life housing cooperatives and self-build cooperatives. Co-housing schemes – intentional small scale communities are providing community housing alternatives, particularly for older people and multi-generational communities. Community land trusts and mutual home ownership – where communities share assets, offering a way forward for the intermediate housing market. There are a few examples of the 	<p>Fund raisers within the Poplar HARCA Communities and Neighbourhood department raise over £2 million per annum to finance the organisation's resident empowerment activities, education team, community centres and various other activities. This is done through bids to charitable bodies and trusts. Currently there are two part-time fund raisers. These members of staff also train staff, volunteers and community groups to enable them to write effective bids and robustly monitor funds. Social Enterprise activities are also fully exploited, with rent being collected for use of the centres and 'artist units.' These units and spaces are not viable as commercial lettings, but do provide jumping off points for local people involved in the arts at an affordable rate, whilst providing additional funding.¹¹</p> <p>High Bickington Community Property Trust</p> <p>In North Devon, a project has been set up to develop a farm previously owned by Devon County Council for the benefit of the community. Ownership of the farm has transferred to a Community Property Trust, a de facto CLT with membership open to local people, and a remit to develop affordable housing, workspaces and community facilities. The work is being funded with a mixture of public and private funding and development started in December 2009.¹¹¹</p> <p>Liverpool Mutual Homes (LMH)</p> <p>Formed during the transfer of 15,000 homes from Liverpool City Council in 2008, LMH is one of few social rented landlords that has a tenant majority Board (9 out of 16), which is replicated on LMH's five neighbourhood boards. Tenants are invited to become members and it aims to recruit the</p>

^I [The Engagement Ethic](#), the Innovation Unit, 2009

^{II} Example taken from the [AC Housing positive practice database](#)

^{III} [High Bickington Community Trust Ltd](#), High Bickington Community Property Trust; and [Devon County Council kickstart innovative rural development](#), High Bickington Community Property Trust, December 2009.

^{IV} [Bringing Democracy Home](#), Commission on Co-operative and Mutual Housing, 2009

Sector	Context and examples	Case studies
	<p>voluntary housing stock transfer that has been community-led. These have been implemented in Preston, Watford, Lewisham and Braintree.^I</p>	<p>majority as shareholders. In addition to its housing improvement pledges, LMH places a premium on value added approaches such as job creation.^{IV}</p>
<p>Children and young people</p>	<p>Cooperative childcare arrangements are relatively common. They include multi-stakeholder co-operatives, worker cooperatives and user cooperatives.</p> <p>Over the last few years, there has been an uptake of schools converting to cooperative status. Ed Balls has called for 200 cooperative schools over the course of 2010.^I A DCSF document^{II} has defined three types of cooperative schools:</p> <ul style="list-style-type: none"> • Trust schools – maintained schools, involving one or more partners and supported by a charitable foundation which appoints some of the governors. • Cooperative specialist schools - outward facing insofar that they are concerned with developing the learning of the whole community. They work with partner schools and a wide 	<p>Reddish Vale Co-operative Trust Reddish Vale Technology College was the first school in England to become a cooperative trust school when the Reddish Vale Cooperative Trust was established in March 2008. Reddish Vale is a large secondary school, with 1,320 learners. The school's most recent Ofsted Report in 2007 described the school as good with some aspects, such as provision for care, guidance and support, outstanding.^{III}</p> <p>Co-operative Academies The Co-operative is sponsoring two Academies, one in Manchester and one in Stoke-on-Trent. Both are set to open in September 2010. Co-operative Financial Services (CFS) is leading on the Academy in Manchester, with its specialism being in finance and business, and Co-operative Travel is leading on the Academy in Stoke-on-Trent, with its specialism being in business, maths and ICT. The Academies will be located in areas of high social deprivation and unemployment.^{IV}</p>

^I [Ed Balls calls for more co-op schools](#), DCSF press release, September 2009.

^{II} [Cooperative schools – making a difference](#), DCSF, 2009

^{III} Ibid.

^{IV} Ibid.

Sector	Context and examples	Case studies
	<p>range of people and organisations including parents, families, adults with basic and other skills and learning needs, local businesses/employers, the voluntary/third sector, and regeneration bodies.</p> <ul style="list-style-type: none"> Cooperative academies - all-ability state funded schools sponsored by organisations from a wide range of backgrounds, including universities and colleges, educational trusts, charities, the business sector and faith communities. Sponsors establish a charitable trust that appoints the majority of governors to the Academy's governing body. 	
Community safety	<p>A significant amount of work with prisoners and probation services is delivered by social enterprises¹:</p> <ul style="list-style-type: none"> The largest number of social enterprises is working within the NOMS strategic pathway of Education, Training and Employment (ETE). Community Payback is providing many opportunities for social enterprises to work with 	<p>The main type of working relationship between prisons and probation services and social enterprises is social enterprises delivering services mainly contracted by or funded by third party agencies. These range from Turning Point, a national social enterprise contracted to provide services with a number of prisons and probation services, to Leeds City Credit Union providing saving services to prisoners at two institutions and securing a grant from a charitable trust to support a prison based money management worker. Specific examples are set out below.</p> <p><u>Pact lunch</u></p> <p>Pact is a national charity that offers a range of activities in different prisons</p>

¹ [Reducing re-offending through social enterprise](#), Ministry of Justice and Cabinet Office, November 2009

² [New probation trusts announced to cut reoffending](#), Ministry of Justice, April 2009

Sector	Context and examples	Case studies
	<p>probation services.</p> <ul style="list-style-type: none"> • There is little evidence of social enterprises being contracted by prisons and probation services to deliver the core services that they might purchase from private businesses. • Probation Trusts will replace all probation boards by April 2010. These will be responsible for commissioning interventions and other services from the best providers in the public, private or third sector in conjunction with Crime and Disorder Reduction Partnerships (CDRPs) as well as being providers of court services and offender management.¹¹ 	<p>but recently developed one of its services as a social enterprise. Pact lunch runs catering services in 11 prisons across the UK, selling sandwiches and snacks in prison visitors' centres. It aims to make a profit which is then reinvested and uses a combination of volunteers, paid staff and, in two of the prisons, serving prisoners – although bureaucratic difficulties around security mean it is not able to employ prisoners in every prison. Through its experience, Pact has identified a few issues: the service is unlikely to be attractive to a private business as it is not possible to charge to maximise profits – customers do not have much money, and the service must remain open regardless of how few people are using it; and Pact has found that few people understand the risk and cost involved in setting up a new venture within a prison.¹</p> <p><u>The Torbay Enterprise Project (TEP)</u></p> <p>TEP is a partnership of social inclusion projects involving approximately 15 local agencies. Partners include Torbay Council, Torbay Health Care Trust and the local Probation Service. Funding has been secured for a £1.5 million Torbay Enterprise Centre in the centre of town, which will include a training kitchen and café open to the public; training and exhibition rooms; an IT academy; the Probation Service Community Payback workshop; and Probation's employment and training services, together with housing advice, benefits, drug treatment and other support services. TEP is also seeking to develop a prison strand called Second Chance, which is about providing opportunities for offenders. Efforts include the commissioning of third party agencies to develop IT skills and work in horticulture. The Enterprise Centre will be the hub for co-ordinating this type of work and also the resettlement work needed for offenders who stay in the local area on release.¹¹</p>
Environment	Sustainable waste and resource	<u>The ECT Group</u>

¹ [Reducing re-offending through social enterprise](#), Ministry of Justice and Cabinet Office, November 2009

¹¹ [Reducing re-offending through social enterprise](#), Ministry of Justice and Cabinet Office, November 2009

Sector	Context and examples	Case studies
	<p>management constitutes the largest sector of the green social economy. Other activities include nature conservation, community-based renewable energy, sustainable housing, transport, food production and distribution, and environmental education and awareness raising.ⁱ</p>	<p>ECT is the UK's largest community interest company, it is also one of the UK's leading social enterprises and the UK's largest community recycling organisation. It has a clear purpose: to provide outstanding, socially responsible, environmentally aware, and financially sustainable public services to local communities. ECT provides a range of public services including recycling and sustainable waste management, street cleaning, healthcare, public and community transport, community railways, and vehicle and railway engineering. It has a turnover of nearly £50 million of turnover and over 1,100 staff.ⁱⁱ</p> <p><u>Baywind Cooperative Wind Farm</u></p> <p>One of the UK's first renewable energy cooperatives, citizens invest in Baywind and the money is used to buy wind turbines. It currently owns six wind turbines in Cumbria with the capacity to generate enough energy to power 1700 homes. Baywind has over 1300 members, of whom 40 per cent live in the local area. The profits are distributed among the members of the co-operative, invested in local environment projects and education and contribute to Energy4all. Energy4All was established in 2002 to help communities in the UK own a stake in renewable energy schemes and is owned by the cooperatives it creates.ⁱⁱⁱ</p>

International examples

10 The international examples highlighted below illustrate that social enterprise is not unique to the UK. The experience and impact of the use of social enterprise in the delivery of public services in other countries is worth exploring when considering how these organisations might shape UK public services in the future, Given the difficulty in defining 'social enterprise,' (as highlighted in section 1 of this briefing) the literature refers to the 'third sector's' role public service delivery and - for ease of reference - these terms are used interchangeably below.

ⁱ [Social enterprise and the environment: a review of the literature](#), Third sector research centre

ⁱⁱ [Social enterprise action plan: scaling new heights](#), Cabinet Office, 2006

ⁱⁱⁱ [Enterprising services: eight case studies which demonstrate how social enterprise can help government deliver its objectives](#), Cabinet Office, 2009

11 The examples highlighted reflect experiences in Australia, Canada and Sweden – perceived as countries where the third sector plays an effective role in public service delivery. It is notable from these examples, and the table on the UK experience above, that there are a number of challenges for the sector in delivering public services. For example, it is notable that common areas of difficulty are the funding relationship between the government and the sector; the skills that leaders within the sector and within government agencies are able to demonstrate; and the sector’s overall relationship with central government. Although perhaps obvious, the overarching lesson appears to be that the provision of successful public services by social enterprise is largely dependent on clear public policy that sets out clear expectations and responsibilities for local public bodies, central government and social enterprise organisations.

Country	Context	Issues	Case studies
Australia ¹	<ul style="list-style-type: none"> The third sector has established itself as a significant provider of public services in Australia. There is a wide range of social enterprise in areas including community and welfare, health, education, environment and culture. A major theme of Australian government policy has been for third sector organisations to deliver a significant share of public services. It is notable that the government has signalled that it wants to enter into a Compact with the sector. The aim is to use this as an opportunity to deal with problems the sector experiences with funding and the recognition of 	<ul style="list-style-type: none"> In relation to competitive tendering, issues include lack of sustainability and access to policy-making processes, and balancing the need to maintain independence and autonomy. The largest proportion of sector funding is still short term, which makes planning and proper investment difficult. As the proportion of government third sector funding increases, so does the rigour of accounting for outcomes – many organisations need training in this area. 	<p>Employment services</p> <p>Rather like the UK’s welfare-to-work model, in 1996/97 the Australian government introduced a purchaser-provider model for jobseekers. The model is made up of a single statutory body, Centrelink, working with hundreds non-governmental employment agencies organised as a job network. Centrelink is the first point of entry for people looking for work, then the job network providers compete for referrals and are paid by results. Levels of payment vary depending on the circumstances of the job-seeker, for example, whether or not they are long-term unemployed.</p> <p>However, only two charities play significant roles as work providers – most of the market is dominated by the private sector. Some providers have been accused of concentrating on job seekers that are easiest to deal with, while others have been accused of deliberately keeping users on benefits until they can be classed as long-term unemployed</p>

¹ *Australia: a blueprint for change?* Stephen Bubb in [Lessons from abroad: the third sector’s role in public service transformation](#), ACEVO and EUCLID, 2008; and [Community and social enterprise: what role for government?](#), Department for Victorian Communities, 2006

Country	Context	Issues	Case studies
	independence of the sector.		(so that they receive higher fees). Despite these issues, this is an evolving regime which the government is tweaking as time passes.
Canada ¹	<ul style="list-style-type: none"> • Canada has a large, professionalised third sector, which is well-established in the area of public service delivery. • The third sector engages with the government at all levels, but it is at the provincial level where focus on service delivery tends to lie - for example where health, education and social services are commissioned. • Health and social care service delivery is an area in which the third sector is doing particularly well. • The Canadian Accord, a policy agreement, outlines a framework and processes for a 	<ul style="list-style-type: none"> • Canada has no collective voice for the third sector – it remains segregated within its silos. • The capacity and skills of the sector needs improving, if it is to step up to the challenge of more delivery. • Owing to government cutbacks during the 1990s, the sector is: <ul style="list-style-type: none"> – dependent on a complex web of unpredictable, short-term and targeted project funding which is often at the expense of the organisations' mission and core activities; – undermined in its ability to plan for the future; and – not presented as a good career choice for trained 	<p>Health cooperatives These include:</p> <ul style="list-style-type: none"> • <i>Cooperative health clinics (in Quebec)</i>. These are organised with the objective of providing low-cost space to general practitioners to attract and retain doctors in primarily rural communities. Most of these clinics use a multi-stakeholder form of governance and focus on primary care. • <i>Worker-owned paramedic co-operatives (in Quebec)</i>. There are eight in the province that provide emergency medical services to about 145,000 people every year. They have 1,070 worker members and contract with the government to provide these services. • <i>Home-support cooperatives</i>. Supported financially by the government, these provide services such as housekeeping, meal preparation and help with errands. The ministry pays a portion of the hourly

¹ *Transforming public services: lessons from Canada*, Catherine Deakin in [Lessons from abroad: the third sector's role in public service transformation](#) ACEVO and EUCLID, 2008; and [The role of co-operatives in health care - National and International Perspectives](#), Co-operative Secretariat, 2008-2009.

Country	Context	Issues	Case studies
	mutually desirable relationship between government and the third sector.	professionals.	fee and the balance is paid by the consumer member, with the total amount depending on the income level and health status of each individual.
Sweden ¹	<ul style="list-style-type: none"> Although Sweden has among the highest ratio of membership in third sector organisations in the world, it has among the lowest ratio of professionally employed third sector staff. 	<ul style="list-style-type: none"> It's notable that although the government tried to seek alternatives to profit-seeking service providers during the 1990s, some leading politicians saw third sector provision of some services (such as childcare) as the first step to privatisation and resisted it. There is collaboration between third sector organisations but, as they only constitute a small part of total service delivery and because the necessary public funding is provided through contracts with individual actors, this collaboration is seldom extended to service delivery. 	<p>Co-operative schools</p> <p>In 1992 the Swedish government gave all parents with children in aged between 7 and 18 the general right to choose their child's school. At the same time, funding for each pupil was decoupled from local authority budgets and given to parents as a voucher. This meant that they could choose to send their children to an independent school, which meant that parents could start their own cooperative schools. The new schools can be run as for-profit companies, non-profits or cooperatives. The number of independent schools has grown and the number run by Swedish local government has fallen. There were 600 applications to open new independent schools in 2007.</p>

12 Social enterprise also has a role in the delivery of public services in a number of other countries. The impact of these organisations clearly depends on their interplay with the governing structure of individual countries.

¹ *After the Swedish model: service delivery between two systems*, Lars Petterson and Johan Vamstad in [Lessons from abroad: the third sector's role in public service transformation](#) ACEVO and EUCLID, 2008; and [A comparative analysis of co-operative sectors in Scotland, Finland, Sweden and Switzerland](#), Johnston Birchall, Cooperative Development Society of Scotland, 2009.

Section 3 – difficulties encountered by social enterprise

- 13** As the tables above show, social enterprise has had an increasing impact in the development and delivery of some public services. However, there are also some common difficulties that social enterprise organisations have had to contend with. In order to see social enterprise have the sort of impact on the public sector that the political parties are advocating these are issues that will need to be addressed. Difficulties have been encountered around inappropriate funding mechanisms, capacity and partnership working.¹
- 14** One issue that causes difficulties is not unique to social enterprise and is an issue that many studies have highlighted in recent years in relation to the wider public sector. With short term and often complex funding arrangements a feature of the social enterprise sector, these organisations are arguably limited in their ability to:
- plan effectively for the future;
 - focus their energies on the substantive purpose of their organisation; and
 - be able to make concrete promises to local partnerships over what they are able to contribute.
- 15** For example, the Audit Commission¹¹ has found that organisations that spend a great deal of time focusing attention on the next funding bid may struggle to be productive. The political parties' most recent statements on social enterprise (set out below) often highlight the funding issue.
- 16** Social enterprises sometimes experience difficulties in the area of skills and leadership. While many organisations are professional and well organised, a government relying more heavily on these organisations for the delivery of public services will need to ensure that training and engagement with both partners and the public are robust.
- 17** Despite certain issues that need to be given proper consideration if social enterprise is to have the impact that the political parties aspire to, there are strengths to the social enterprise model that, if managed effectively, could help lead to improvements in public services. Commentators, such as Phillip Blond and Charlie Leadbeater,¹¹¹ who have recently written on the impact social enterprise can have, suggest that these types of organisation:
- can do a better job of engaging staff and citizens to improve services;
 - have high staff productivity levels;
 - have low staff turnover levels;
 - are a source of innovation;
 - build social capital; and
 - help develop communities.

¹ *Hearts and minds*, Audit Commission, 2007

¹¹ *Ibid* and *Tired of hanging around*, Audit Commission, 2009

¹¹¹ [The ownership state: restoring excellence, innovation and ethos to public services](#), Phillip Blond, October 2009; [The engagement ethic: the potential of co-operative and mutual governance for public services](#), Innovation Unit, December 2009; [Public services and civil society working together](#), Young Foundation, March 2010; and [In your hands: benefits and challenges of mutual and community cooperatives](#), Localis, March 2010.

18 However, others have argued that there is a potential threat that social enterprise could become dominated by those who have the right connections rather than the best ideas¹.

Section 4 - political context

19 Social enterprise has been increasingly prevalent in the plans of the political parties in recent years. Over the past decade social enterprise, and the wider third sector, has become an established element of public service delivery model advocated by all three main political parties. The new government's [Big Society vision](#), which aims to empower local people and communities, will has set out a major role for social enterprise. Commitments that relate to this agenda include pledges to:

- create a new generation of community organisers, trained to support the establishment of neighbourhood groups and introducing measures to encourage giving and philanthropy;
- support mutuals, co-operatives, charities and social enterprises and giving them greater involvement in the running of public services; and
- use funds from dormant bank accounts to establish a Big Society Bank, which will provide new finance for neighbourhood groups, charities, social enterprises and other non-governmental bodies.

20 The table below illustrates that all the main Parties advocate use of a range of types of provider in public service delivery. It highlights announcements of relevance in the months leading up to the election.

Conservatives	Liberal Democrats	Labour
<ul style="list-style-type: none"> - David Cameron launched the Conservative Cooperative Movement (November 2007) - The Voluntary action in 21st century green paper pledges to promote co-ops and mutualisation as a way of transferring public assets and revenue streams to the voluntary sector (June 2008). - At a Hugo Young Lecture David Cameron said the proper role of government is to encourage a community spirit to spread successful social programmes (November 2009). - David Cameron announced that the Conservatives 	<ul style="list-style-type: none"> - The Liberal Democrats have promoted a staff-ownership model for the Post Office for some time (see for example, March 2009 motion). - Support community land trusts (communities policy paper, October 2009) - Jenny Willott is the Liberal Democrats' spokesperson for the Third Sector. She says, 'The sector can and should play a much greater role in the provision of public services. But this should be driven by local and community innovators working in the sector, not by Tory Ministers based in Whitehall.' (November 	<ul style="list-style-type: none"> - Mutual benefit: Giving people power over public services (April 2010) explored how social enterprise can benefit a number of different areas of the public sector, including housing, local government, and the NHS. - An action plan, Real Help for Communities: Volunteers, Charities and Social Enterprises (February 2009), outlined £42.5 million support for the third sector. - The Cabinet Office commissioned the Engagement Ethic from the Innovation Unit. - Tessa Jowell announced

¹ ; [The engagement ethic: the potential of co-operative and mutual governance for public services](#), Innovation Unit, December 2009

<p>want to create employee partnership models within the NHS to improve staff engagement and patient care (November 2009).</p> <ul style="list-style-type: none"> - Power to public sector workers published, announcing plans to give public sector workers the right to form employee-owned co-operatives (February 2010). - Cameron signed the social enterprise charter, which calls for social enterprise to triple its contribution to the economy by 2020 (March 2010). 	<p>2009).</p> <ul style="list-style-type: none"> - Nick Clegg also recently signed the social enterprise charter (March 2010). 	<p>the creation of an Ownership Commission to investigate ways of developing mutualism (December 2009).</p> <ul style="list-style-type: none"> - Tessa Jowell announced plans to meet ministers responsible for Sure Start, social care and housing as she believes mutualism has a particular contribution to make in these areas (December 2009). - Putting the frontline first: smarter government proposed Social Impact Bonds pilots as a new way of funding the third sector to provide services. - A new community enterprise strategic framework has been launched to help more local groups set up local social enterprises (February 2010).
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