



**The Social Economy Network (Northern Ireland) Ltd Briefing
Paper for Enterprise, Trade and Investment Committee**

Thursday 13th November 2008

1.0 Social Economy Network

The Social Economy Network is a membership based organisation comprising social enterprises throughout Northern Ireland. It was established in 2006 as a Company Ltd by guarantee, to represent the needs and interests of the social economy sector with key stakeholders. It is grant funded by the Department of Enterprise, Trade and Investment with £600,000 over four years up to 2011. The grant allocation is reduced year on year requiring the Network to generate its own income to achieve a level of sustainability.

The aims of the Network are:

- To provide a strong, united and representative voice for the Social Economy Sector of Northern Ireland;
- To promote the role of the Social Economy Sector and its contribution to socio-economic development;
- To represent the views of the Sector in engagement with Government and all key stakeholders;
- To provide a channel for Social Economy Sector input into policy development; and
- Increase the business strength of the Sector and create a supportive and enabling environment for Sector growth.

2.0 Introduction to the Sector

There is a long and rich history of social economy enterprises (SEEs) in Northern Ireland with agricultural co-operatives, credit unions and housing associations having been in existence for many decades. The social economy sector comprises SEEs operating in many sectors of the economy- agriculture; transport; property services; retail; hospitality; tourism; education and training; childcare and health and social care services.

SEEs operate as businesses with a focus on profit. They differ from conventional private businesses in that they have an equal focus on social goals and reinvest profits in the business and for the benefit of the communities they serve. They have a strong “local multiplier” effect stimulating local economic activity.

The social economy sector is big business in the U.K. with at least 15,000 social enterprises contributing some £18 billion to the economy. While Northern Ireland has good baseline data for nearly 400 SEEs with a turnover of just over £355 million (DETI

Survey 2007), information on the actual size of the sector is limited. While there are specific mature sub sectors of the social economy sector in particular Credit Unions, Housing Associations and Co-operatives and a number of sizeable successful SEEs in N. Ireland, the sector as a whole is not as well developed as in England and Scotland.

According to the U.K. Global Entrepreneurship Monitor Project (GEM) the Northern Ireland Total Entrepreneurial Activity (TEA) rate for 2006 was 3.7% - the lowest rate in the UK while the Social Entrepreneurial Activity (SEA) rate was 3.3% -the fifth highest out of 12 regions in the U.K. In terms of wealth generation, job creation and social impact social entrepreneurial activity is a phenomenon that policy makers need to take account of. Social entrepreneurship is a key driver of regeneration, neighbourhood renewal and employment in deprived areas and social reform. The network believes that with relevant and targeted support the social economy sector can build on this social entrepreneurial activity and make a significant impact on the Northern Ireland Economy.

In order to grow and develop the social economy sector needs focused support in the following areas –

- >Promotion of social economy enterprise as a viable business model;
- >Access to a broad range of business support training;
- >Access to finance and funding; and
- >Inclusion of social clauses into public procurement specifications to ensure a more equal playing field.

3.0 General comments on the draft Social Economy Enterprise Strategy

3.1 Location and Fit

The Network believes that it is useful to identify the location and fit of this draft strategy within the overall policy context. The Network welcomes the fact that the five strategic and interdependent priorities of the Programme for Government are outlined in this draft strategy as this is recognition that the economic and social agendas are interconnected. SEEs by their very nature do not operate in silos, rather they present models of good practice in relation to “joined up” thinking and activity. SEEs have an economic focus in terms of wealth generation and job creation while at the same time having an equal focus on social issues. SEEs are very well placed to assist government to deliver on all 5 priorities.

Some Local Examples

Orchardville bottling company at Knockbracken has secured a contract with Coca Cola. They are creating jobs, generating income and promoting inclusion and health and well being. 25% of the workforce has a learning disability.

Extern Recycle Ltd– A social enterprise based in Mallusk that provides cost effective and high quality recycling and refurbishment of IT equipment to organisations in the public, private and voluntary sectors, whilst supporting homeless and long-term unemployed people through providing work experience and training opportunities that enables independent living and employment creation.

Ardmonagh Family Centre/Colin Care – delivering high quality efficient health and social care services for the public sector. Providing training and employment for local people in disadvantaged communities. Promoting inclusion and health and well being. Taking people off benefits. Local businesses benefit from staff spending in the local community.

The Network believes that it is appropriate to cite having a growing dynamic innovative economy as the top priority. A thriving economy has the potential to benefit everyone in Northern Ireland but will only do so if policies and strategies are in place to support the economically inactive and disadvantaged. The social economy sector has a successful track record in creating innovative pathways into employment for those excluded or distant from the labour market.

3.2 Vision

The Network endorses the vision of the Social Economy Enterprise Strategy –

An enterprise environment which encourages greater social entrepreneurial activity and is supportive of those social economy enterprises that want to grow.

3.3 Stakeholders Buy In

With D.E.T.I. as the lead department, the Network agrees that achievement of the vision requires the co-operation and partnership of a wide range of stakeholders from local and central government, private, social economy and the voluntary and community sectors.

Recommendation

As the new super councils will have a key role in promoting and supporting enterprise it is imperative that local Councils are brought on board at the outset and are involved/represented on the S.E.P.G. throughout the implementation of this strategy. In this way, when responsibility for economic development and enterprise is transferred to Councils, the gains and successes achieved can be consolidated, continued and built on.

4.0 Objectives

The three original objectives of the first social economy strategy are still relevant and appropriate:

- Increasing awareness of the sector and establishing its value to the local economy;
- Developing the sector and increasing its business strength; and
- Creating a supportive and enabling environment.

An independent evaluation of the first social economy strategy found that most progress had been made on the third objective followed closely by the first objective. The Network would agree with this finding and acknowledge that although most of the objectives/targets outlined in the last strategy were met, and there has been progress made on the first two objectives, there is still much work to do.

4.1 Objective one - Increasing awareness of the sector and establishing its value to the local economy

There is evidence of an increased awareness and understanding of the social economy sector within the public sector, especially among some individual civil servants. However, our experience has been that this knowledge is not widespread throughout departments, and therefore, is either not taken into account into departmental policy and planning or remains a periphery consideration.

The actions identified in the draft strategy will go some way to increasing awareness of the sector, however they could be augmented by joint delivery of awareness raising sessions to departments by SEN and the SEB. This programme could include a number of “seeing is believing” tours of successful social enterprises operating in diverse areas across Northern Ireland. The Public Sector and other representative bodies also need to be made aware of developments in the sector in Scotland, Wales and England so that the future potential of social economy enterprises in Northern Ireland can be realised. Reference is made in the document (point 2.12) about maintaining an awareness of good practice in other parts of the U.K. We need to go further and ensure that relevant departmental officials and social enterprises have the opportunity to explore the feasibility of adopting similar practice in Northern Ireland.

The Department of Health in England has a specific social enterprise unit attached to it, as the social enterprise model is recognised as a key vehicle for the design and delivery of core services and user engagement. We are not suggesting that this is necessary here but believe that by identifying a champion for social enterprise in each government department that significant progress could be made on this objective.

Recommendation

The Network recommends that a social economy enterprise champion be identified within each government department to promote social economy enterprise as a viable business model and that it is taken account of in planning the delivery of services.

4.2 Objective two - Developing the Sector and increasing its business strength; and Objective three- Creating a supportive, enabling and environment.

This focus of Objectives 2 and 3 is on developing the business strength of existing SEEs to reach a scale and capability in which they can contribute to the overall viability and sustainability of the sector. The strategy states that a general policy supporting the volume growth of S.E.E.s is not needed. The Network would challenge this. The social economy enterprise movement across the globe is growing and there is widespread support for an increase in the number of businesses that trade with a social purpose. We have a relatively high S.E.A. rate (3.3%) in Northern Ireland which should be nurtured and encouraged. Many voluntary and community organisations are being encouraged by Government to explore ways of generating income to increase their sustainability. In addition there is evidence that existing social enterprises are involved in establishing and developing new social enterprises.

Recommendation

The Network recommends a two pronged approach to develop the sector; this will involve encouraging the establishment of new SEEs while at the same time building the capacity of existing SEEs.

The actions outlined under objective 2 concentrate on five broad areas of support for business growth –

- Training
- Management and Leadership development
- Procurement opportunities
- Finance
- Opportunities for the development and growth of SEE's in rural areas and tourism.

4.3 Training

It is necessary for organisations to qualify as an Invest NI client before they can access the full range of mainstream business support available from Invest NI. While a number of SEEs have qualified as Invest NI clients the vast majority will not be able to, as one of the qualifying criteria is ability or capacity to export.

One of the strengths of the Social Entrepreneurship Programme is that it is available across Northern Ireland and its open to both new and existing social enterprises and has

four entry points. One weakness of the programme was problems of continuity of delivery due to funding uncertainty.

SEN welcomes and is encouraged by Invest NI's commitment to continue the programme. In view of the interest in and demand for the programme it is imperative that the tendering process is started in order to ensure that the programme will be available from the beginning of 2009 and that funding is in place to ensure that it will continue for the duration of this strategy.

Invest NI could further assist SEEs by ensuring that other services, such as one off workshops are promoted and targeted at the social economy sector. It has been the Network's experience that, on further investigation, workshops targeted at SME's have been open to SEEs. This is possibly because of a lack of awareness of the social economy sector and perhaps the failure to recognise social economy enterprise as being a viable business model. As well as the benefits of the learning and skills gained from the actual training workshops, there are additional benefits to be gained from bringing SMEs and SEEs together, for example from the cross fertilisation of ideas and increased awareness of the sector.

Recommendations

SEN recommend that the Social Entrepreneurship Programme is available from the beginning of 2009 and that funding is secure for its continuance for the duration of this strategy.

SEN recommend that INVEST NORTHERN IRELAND sponsored business workshops are specifically promoted and targeted at the social economy sector to encourage uptake.

4.4 Management and Leadership development

SEN welcomes the action by D.E.L aimed at providing financial assistance for skills development and organisational development in Investors in People. Some of the actions proposed by DEL lack detail. Further information on the proposals would ensure maximum impact can be made.

Recommendations

All information on business support, training and management & leadership development programmes should be held centrally to facilitate access and promote uptake. As SEN provides a dedicated website for the social economy sector this issue could be addressed by ensuring that Departments and Agencies channel all relevant information to the Network.

All training and management & leadership development programmes should be evaluated to assess their relevance and impact and to inform decision making about future delivery.

4.5 Finance

In the current economic climate SEEs are suffering as banks have become more cautious of lending to what could be perceived as being high risk enterprises. The need to support those who are most excluded from financial services and those SSEs and SMEs that support their communities has never been greater. Many SEEs are involved in the rental or leasing of business units to encourage business set up and job creation. They rely heavily on SMEs as tenants. In rural areas on the periphery of Northern Ireland, the impact of the economic downturn can be particularly devastating as it is here that there is a heavy reliance on SSEs and SMEs for jobs and wealth generation. Irvinestown, for example, has already witnessed the closure of two local firms, one of whom was an Irvinestown Trustee Enterprise Company (ITEC) tenant, another is a past tenant that had grown, expanded and purchased its own premises. Urgent government action is needed to support local economies and it is imperative that the role and needs of SSEs and SMEs should not be forgotten or sidelined in any actions/plans.

Like all businesses SEEs need to have access to suitable financial instruments to support their growth and development. Social enterprise lenders provide liquidity more effectively to where it is most needed than is the case with high street lenders. CDFI's and Credit Unions in particular are amongst the few who have increased their lending to those most in need.

UCIT has been identified as a source of loan funding for the sector and reference is also made to a new flexible Enterprise Fund (being designed by DETI, INVEST NORTHERN IRELAND and UCIT) for higher risk projects offering loan funding as an option alongside the Social Entrepreneurship Programme. UCIT has, at this stage, committed all of its available funds and yet continues to receive a growing number of applications for loan finance between £15,000 and £1,000,000 from social enterprises.

SEN is aware that current Credit Union legislation for Northern Ireland does not permit credit union engagement (in any meaningful way) in the social economy sector, despite such provision in Great Britain. SEN intends to work with representative bodies of the credit union movement in Northern Ireland to identify mutually agreed priority areas (e.g. in community enterprise, housing and/or investment) where financial or technical support from credit unions would have significant impact; to develop a few key pilot projects which would develop same; and to support the lobby from credit unions to have appropriate permissive legislation approved by the Northern Ireland Assembly so that such agreed pilot projects might be implemented promptly and effectively.

Recommendations

The social economy sector in other parts of the U.K. has benefitted from and developed as a result of access to a fund such as Futurebuilders which helps build the capacity of companies. SEN recommends that DFP when developing a policy on the use of the unclaimed assets in dormant bank and building society accounts should consider:-

- Establishing a Future Builders fund for SSEs; and
- Channelling some of the funding into CDFIs for a social investment loan fund.

SEN proposes that consideration be given to the adoption of legislation in respect of credit unions which permits the inclusion of incorporated associations and corporate bodies as full members in credit unions so that small enterprises, community organisations and SEEs can access these services.

4.6 Procurement

Opportunities exist for social economy enterprises to do business with the public sector. Many have successfully secured contracts for service delivery- Bryson Recycling with local councils; Ardmonagh Family Centre and Irvinestown Trustee Enterprise Company for the delivery of health & social care services through contracts with health trusts and a range of other social enterprises for the delivery of training services through contracts with DEL .There is evidence however that social enterprises – particularly small ones- are at a disadvantage compared with private sector businesses in this arena. There is a limited knowledge of the social economy sector and its potential as a provider of goods and services among public sector procurement personnel. A programme of awareness raising and training is required to ensure that social economy enterprises are equally considered with the private sector in procurement considerations.

Social enterprises with little or no experience of doing business with the public sector also need practical advice and training on procurement procedures and writing tenders so that they can acquire the necessary skills to enable them to take advantage of the opportunities presented.

SEN welcomes the actions proposed by CPD to provide information and advice sessions on the tendering process and to organise “Meet the Buyer” events to increase opportunities for SEEs to do business with the public sector.

However, one of the most significant problems facing the development of SEEs in Northern Ireland is the lack of progress on the inclusion of social clauses into the procurement process. SEEs operate their businesses in a market place which does not recognise or take account of the added value they create and this puts them at a

disadvantage when competing for public sector business. This problem is not addressed by any of the C.P.D. actions listed under Objective 2 or Objective 3.

It is of concern that in a previous draft of the Strategy (Sept 08) one of the most positive actions relating to the SEEPG has been diluted from “to provide a more informed view on how to build and increase capacity and capability to tender within the sector and to identify how social aspects of the sector’s work can be used to create more opportunities for the sector to compete successfully” to- “C.P.D. will help inform the group to increase awareness of the tendering process and break down barriers to procurement”

SEN recommends that this action be strengthened.

The measurement of social value is one of the difficulties cited in respect of including social clauses in procurement specifications. There are a number of management tools used by SEEs to measure social value and impact, for example, Social Return On Investment (SROI), and social accounting. Social accounts are becoming an accepted reporting format for SEEs in England and Scotland. Understanding of social value and a consistent approach to the measurement of social value must be embedded in the practice and processes of public procurement.

According to a Social Economy Scotland Briefing – the Scottish Government has produced guidance on including social issues in public procurement, including the ability to purchase wider social benefit as part of procurement. The guidance concludes that it is entirely possible to recognise wider social issues within a procurement process, as long as these are part of the primary purpose of the contract and they are included in the specification.

The social economy sector is further disadvantaged by the emphasis in consideration of tenders, on financial capacity demonstrated by a build up of reserves in assessing the financial health of companies. This particularly affects those companies in the early stages of development who were prohibited from building up reserves while in receipt of grants. SEN argues that if there is to be equality of opportunity in accessing tenders then it must be acknowledged that existing means and criteria are exclusionary to SEEs and that amendments to criteria must be introduced to create a level playing field.

Some additional problems faced by SEEs who have successfully secured tenders for the delivery of services include the length of time the process takes; and the fact that the level of finance available for service delivery this year - in the health & social care field- is set at 3% less than the cost of delivering the same service last year. Departmental efficiency savings were not intended to affect front line services but clearly in such instances they will.

Pressure on public bodies to secure efficiencies by aggregating contracts will discriminate against small businesses, which includes many social enterprises. Little cognisance is given to the expertise and ability of social enterprises (with local knowledge and understanding of needs and how best to address them) to deliver services

effectively. Social enterprises experienced in this field require support from the public sector to enable them to develop their capacity to grow and expand; to explore the feasibility of sub contracts and or public/social enterprise partnerships.

SEN argue that there should be scope within the strategy to explore innovative ways of increasing business opportunities for SEEs through public/social partnerships which represent a new mechanism for bringing together public bodies and SEEs to create well designed services that deliver additional community benefits. This should be extended also to private/social partnerships where private sector companies are encouraged as part of tender specifications to provide sub contracting opportunities for SEEs.

Recommendations

SEN proposes adoption of a consistent approach to the measurement of social value which can be embedded in the practice and processes of public procurement.

SEN recommends the inclusion of social clauses into public procurement specifications to ensure a more equal playing field.

The strategy should explore innovative ways of increasing business opportunities for SEEs through public/social partnerships and private/social partnerships

5.0 Conclusion

In conclusion, the Network welcomes a future Strategy to drive and shape the growth of the SE sector. The key supports needed for SEEs to develop and grow include:-

- Recognition and promotion of social enterprise as a viable business model;
- Access to a broad range of business support;
- Access to loan finance and funding;
- Social clauses embedded in the practice and processes of public procurement.

In order to facilitate the evaluation and measurement of the success of the strategy SEN recommends that explicit timescales, targets and outcomes be outlined for all actions. Buy in and ownership of actions through departmental Champions will also be key to a successful delivery