The Social Economy in Northern Ireland

Final Report

Brendan Murtagh
School of Planning Architecture and Civil Engineering
Queens University Belfast

Niamh Goggin
Small Change Consulting

Joan McCrum
JMC Consulting

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This research forms part of a programme of independent research commissioned by OFMDFM to inform the policy development process and consequently the views expressed and conclusions drawn are those of the author and not necessarily those of OFMDFM.
Glossary of terms

**Blended finance** used in this research means the complementary use of grants and loans often with technical assistance to increase the level and impact of development finance.

**Charity Bank** is a CDFI that uses deposits and capital investment to lend to charities and social enterprises in the UK. The Bank has a full time office in Belfast.

**Community Asset Transfer** is a change in management and/or ownership of land or buildings, from public bodies, to communities, community and voluntary sector groups, community groups and social enterprises.

**Community Development Finance Institution** (CDFIs) lend money to businesses and people who struggle to get finance from high street banks. They are social enterprises that invest in customers and communities. They provide support as well as finance and there are currently around 60 CDFIs in the UK including Charity Bank and UCIT.

**Community Interest Company** (CIC) is a company designed for social enterprises that want to use their profits and assets for the public good.

**Financial intermediation** is about connecting organisations that need money with the appropriate sources of finance. Intermediaries help to make the social finance market operate by linking organisations that want to establish or grow their business with the necessary sources of capital.

**Patient capital** is sometimes called 'soft capital', is where the investor is willing to make a financial investment in a business with no expectation of an early profit. It may take the form of equity, debt, loan guarantees or other financial instruments and is characterised by higher risk and support of the management team as they grow their enterprise.

**Social enterprises** are businesses that trade for a social or environmental purpose, have clear social objectives, democratic ownership and reinvest any profit to help achieve their social aims.

**Social Impact Bonds** are a form of outcomes-based contract in which public sector commissioners commit to pay for significant improvement in social outcomes (such as a reduction in offending rates, or in the number of people being admitted to hospital) for a defined population.

**Social Return on Investment (SROI)** is an analytical tool for measuring and accounting for the social, environmental and economic costs and benefits of a programme or project.

**Triple bottom line** is the achievement of economic, environmental and social outcomes, discussed here in the context of the work of social enterprises.

**Ulster Community Investment Trust Ltd (UCIT)** was established as a CDFI in 1995 in response to decreasing grant support from government and the difficulties experienced by community organisations in accessing commercial loan facilities. The organisation provides social finance, free advice, business support and mentoring to the social economy sector in Northern Ireland and the Republic of Ireland.
Executive summary

- The social economy is a diverse and dynamic arena of economic change, local development and community inclusion. It is competitive, employs large numbers of people, trades in goods and services and offers hope in some of the most disadvantaged and divided places. This research aims to explore the scope and content of the social economy in Northern Ireland and its role in local economic development, community renewal and service delivery.

- The analysis shows that social enterprises contribute to the implementation of policies in urban regeneration, rural development, community asset transfer and health and social care. Social economy interventions also support work integration, entrepreneurship and developing new forms of finance for the sector. The research has a particular focus on area based social enterprises as most were formed in response to a defined need, economic problems or gaps in local services. Some have developed outside their original area of interest in order to build large scale businesses that offer training, employment and new facilities in underserved communities.

Scope of the research

- The research has the following aims: To evaluate the conceptualisation of the social economy to form a better understanding of the links between policies, practice and social inclusion; To review the size, structure of the social enterprise sector in Northern Ireland; To assess the policy impact of social enterprises as well as their development challenges and priorities; To review support for the social economy in England, Scotland, Wales and the Republic of Ireland; and To set out implications for the development of the social economy in Northern Ireland. The research was based on: a review of the literature; analysis of secondary data; a series of case studies; regional policy interviews; and national level interviews that focus on comparative practice in the UK and Ireland.

Literature review

- The literature review highlights the diversity of the social economy and how embedded it is across the public, third and even parts of the private sector. Part of the difficulty of developing progressive policy support is the lack of an agreed definition of what the sector is in practice. The literature review shows that the social economy is best understood as a continuum of activities that use economic models to create social value. This includes a need to appreciate the importance of a range of components including capital finance, intermediation, social firms, non-market trading, supporting social entrepreneurs, labour market access and a deeper understanding of the hybrid organisational models.

- The social economy can be understood as: an arena of recognisable economic activity in which goods and services are traded; often profits are reinvested to support their social purpose; a preference for collective ownership and democratic control; and a strong commitment to social and environmental ethics.
In Britain and Northern Ireland support for the social economy has tended to concentrate on social enterprises and entrepreneurs to the sector as part of wider economic attempts to develop Small and Medium Sized Enterprises (SMEs), jobs and investment. The literature, coupled with policies in other states, highlights the value of a broader understanding of the social economy, how to support it in an integrated way and in particular the role it plays in tackling social deprivation.

The literature highlights the different and potentially contradictory roles for the social economy. A number of writers, especially those examining Big Society politics are concerned that it enables welfare withdrawal and shifts social risk from the state to the community and even the individual (entrepreneur). On the other hand, progressive versions of the social economy highlight its role in tackling poverty, making communities more resilient in the face of private and public sector failure and building community responses to the deeply uneven effects of globalisation and neoliberalism.

The sector in Northern Ireland

PwC undertook a review of the sector for DETI and DSD and published their results in May 2013. A number of databases were brought together which estimated that there were 3,348 community and voluntary sector organisations and 473 social enterprises, of which, 153 social enterprises responded to the survey. The research showed that 32% of social enterprises had a turnover of between £100,000 and £499,999 but only 2% turned over more than £10m and 36% had a turnover of less than £100,000. A total of 68% of social enterprises reported that they made a profit/surplus in 2010/11, compared to 54% of all community and voluntary sector organisations.

An e-survey of social enterprises involved in urban regeneration showed that they also tend to be comparatively new, small scale and highly reliant on grant income. They have identified consistent barriers to growth including: access to both grant and soft or patient capital; finance to grow to scale; investment readiness skills; and the lack of strong partnerships with government, especially in procurement.

Larger social enterprises are reasonably self-sufficient in terms of skills, reserves, finance and ability to scale their businesses. (Equity and access to procurement using social clauses are issues however). It is in developing and scaling small and medium sized enterprises in the context of broad based local regeneration strategies where the policy support is most useful.

Case study analysis

The case studies were selected to reflect the role of social enterprises in delivering a range of policies and government programmes. They also examine organisations established to support the sector by providing training, social finance and grant aid to entrepreneurs. The studies highlight the complex and interrelated impacts of social enterprises. In many disadvantaged areas they are often the only economic asset that provides large numbers of jobs, training opportunities and volunteers. They recycle finance within the local community,
provide services which are often not available locally and develop assets as a platform for long term regeneration.

- Similarly, they have removed blight, brought empty land and property back into productive use and have enabled the retention of heritage buildings. The cases also highlight the advantages of asset-led compared with needs-led approaches to urban regeneration. Traditionally, area based programmes have been directed by deprivation analysis and an emphasis on need. This has the potential to create dependency on outsiders and a deficit model of development. Asset-led approaches seek to enhance the productive capacity of social, economic and physical capitals and strengthening local labour markets.

- Social enterprises achieve impressive *triple-bottom line* effects in the sense that they can create a financial surplus, deliver a wide range of social benefits and have an environmental impact. These environmental effects include: recycling programmes; renewable energy, including community financed wind farms; and waste management. These businesses, their attempt to include local people and decision making structures have also created a meaningful arena for cross-community contact and developing shared services and spaces.

- There has also been a significant expansion of social enterprise activity in social care although there have been concerns that they could displace public sector delivery of health and social services. Some of the largest social enterprises in Northern Ireland now operate residential facilities, care contracts and housing support services. There is both competition and collaboration within the sector and between the sector and commercial operators. However, there was also a recognition that social enterprises need to work together more effectively to strengthen the sectors ability to compete.

**Implications of the case studies**

- The case studies reveal a degree of financial sophistication in some projects. Community shares, mixed loan and grant funding and new investment products by Charity Bank are all features of the market in Northern Ireland. However, some of the more innovative approaches have come from the sector itself, especially the investment in *Charity Bank* as a Community Development Finance Institution (CDFI) to lend on to the sector. The Building Change Trust has helped, along with the Atlantic Philanthropies, to help capitalise the Bank, develop investment readiness programmes and support social innovation. Invest NI is working with Bryson Charitable Group and the University of Ulster to develop a social value framework to support more effective forms of procurement from social enterprises.

- However, the sector has recognised that there are *absorption* problems with enterprises in that they sometimes lack the skills, bankable ideas or business plans to take forward profitable, loan financed schemes. Skills, especially in investment and contract readiness, are critical to prepare the sector to up-scale performance. This also implies a strategic shift away from broadly based capacity programmes in the community and voluntary sector towards a narrower set of skills, knowledge and learning. These centre on: financial management; business
planning; financial accounts and accountability; and managing investments to achieve profitability. There is growing supply of such services via the University of Ulster and Social Enterprise NI.

- Social enterprises also face operating challenges linked to their ability to accumulate reserves, develop their asset base and be in a position to compete for larger contracts. Larger firms have been most successful at operating commercially but smaller and medium sized organisations increasingly need different forms of capital from seed funding to working capital, development finance and equity and quasi-equity investments. The measurement of the impact of the social economy in general and social enterprise in particular, also needs strengthened especially to make the case for the sector across the political, policy and third sectors.

### Policy support in other regions

- The comparison of other jurisdictions in Great Britain and Ireland show that they have strategies in place to strengthen social enterprises through a mix of loan and grants and by building up intermediaries in finance, skills development and business mentoring. There are also clear plans to support social enterprises through the business cycle with grants, loans and technical support from start-up, incubation, growth and maturity.

- Northern Ireland, by comparison, lacks such infrastructure and grant based support. There has been significant growth in wholesale social finance via Big Society Capital, preferential legislation in procurement and asset transfer and grant based programmes, especially to support start-ups as well as established organisations to reach scale. In Northern Ireland, there is a need to: increase access to national finance for high growth companies; to strengthen the legislative environment on procurement and asset transfer; and to help staircase enterprises through the business cycle using grant and debt finance.

### The policy environment

- KPMG (2011) evaluated the Social Economy Enterprise strategy and did not propose a separate policy for the social economy in Northern Ireland. Social enterprise development will be stimulated as part of wider economic strategies for Northern Ireland.

- DETI coordinates the cross-departmental Social Economy Policy Group (SEPG); implements the Social Enterprise Action Plan, which sets targets and timescales for the delivery of key priorities; and funds Social Enterprise NI to deliver a three year Social Economy Work Programme (SEWP) to enable the continued growth of a sustainable social economy sector.

- The DETI Corporate Plan 2011-15 sets out a series of targets including the creation of 160 new social enterprises, 25% having the capacity to move onto mainstream Invest NI support and generating 340 new jobs in the social economy.
Invest NI delivers the Social Entrepreneurship Programme (via LEDCOM); the Jobs Fund, which also supports the Social Economy Franchise Programme and helps social enterprises to access government loan and grant assistance. The SEP and the Jobs Fund have created significant employment, Gross Value Added and new social enterprises, especially in some of the most disadvantaged areas in Northern Ireland and among those at the margins of the labour market. They have also worked with Bryson Charitable Group to develop a Social Value Framework to help strengthen social enterprises in accessing public procurement opportunities.

The Ulster Community Investment Trust (UCIT) promotes loans at competitive rates to the sector and Charity Bank operates as a Community Development Finance Institution to strengthen lending to social enterprises in Northern Ireland.

DSD has also published an Urban Regeneration and Community Development framework that highlights the importance of social enterprises in the development of sustainable communities. It has also published a draft Community Asset Transfer policy and agencies, including the Housing Executive are also pursuing their own asset transfer programmes.

The perspectives of policy makers and the sector

The semi-structured interviews with stakeholders in Northern Ireland highlight a number of issues facing the social economy, many of which are shared across public and voluntary organisations. A range of government departments and agencies see it as a vital instrument in achieving regeneration and local development objectives. It is highlighted in the new urban regeneration framework and the Housing Executive is supporting social enterprises as part of its estate-based renewal programme.

DSD also see value in social enterprises helping to make the sector more sustainable and less grant reliant, particularly in the context of public sector spending cuts and the run out of the Structural Funds. Public sector respondents highlight the capacity of social economy projects to access hard to reach groups and vulnerable older people, children and young people with new services and employment opportunities.

For the social economy sector, the main concern is the development of an appropriate enabling environment, especially around access to public sector contracts and the need for different types of loan products. They also highlight the need for financial grants, especially to assist new starts and early growth businesses and for improved investment readiness skills. There was a concern for some in the sector about its value base and how it helps to deliver welfare services formally carried out by the state. Here, respondents acknowledged the need to maintain its ethical independence and not chase every contract that comes from government.
Recommendations

- The analysis showed that successful social enterprises were: effectively led; highly skilled and knowledgeable; constantly innovating; had strong financial discipline; stayed close to their constituency; and achieved a measure of organisational stability. These elements need further support and the recommendations below suggest actions and priorities in a partnership between government, the social economy and social financiers. They also show that there are significant opportunities to expand social enterprise approaches to new sectors, raise its political profile and strengthen its financial capacity.

- Ten recommendations are made on the basis of the research:

  - Recommendation 1: Create a policy framework for the development of the social economy with a particular focus on the growth of social enterprises.
  - Recommendation 2: The development of integrated social finance products, new to Northern Ireland, in order to build a long term and sustainable sector.
  - Recommendation 3: The development of specific social finance supports to strengthen community asset development using social enterprise models.
  - Recommendation 4: Intermediation services need to be strengthened, especially to access social finance markets in the Britain.
  - Recommendation 5: The development of an integrated programme to support social enterprises in public procurement in Northern Ireland.
  - Recommendation 6: Prepare briefing for new local authorities aimed specifically at Community Planning processes to strengthen the social economy at a local level.
  - Recommendation 7: Undertake research on key market sectors in which social enterprises are likely to grow.
  - Recommendation 8: Coordinate skills programmes under a single Skills, Knowledge and Learning Framework to ensure the efficient and effective use of resources aimed at sustaining the sector.
  - Recommendation 9: Extend social entrepreneurship education in order to attract more young people into the sector.
  - Recommendation 10: The sector, through the Social Enterprise NI initiative could prioritise key actions with the political parties in the Northern Ireland Assembly.
1. Introduction

1.1 The global recession exposed the weakness of economic models based on excessive growth, the over-supply of credit and the failure to effectively regulate the banking sector (Prieg and Greenham, 2012). This has increased interest among policy makers, community activists and academics about alternative social economics. Social economics is less concerned with shareholder returns and more with balanced and equitable growth, financial ethics and the social use of profits (Bridge et al, 2013). However, the social economy is more than good business practice. It has been shown that it can be significant in terms of jobs, services and turnover across the globe and in every sector of the economy (Amin, 2009). Amin argued that it is successful in tackling complex problems including poverty and social exclusion, regeneration, bottom-up community development and providing new services and jobs to hard to reach groups. Social enterprises trade, exchange goods and services and work competitively in public and private markets in the same way as commercial businesses. However, they are owned by stakeholders seeking social aims, not shareholders looking for a personal return and they redistribute profits for the benefit of communities in order to meet their needs.

1.2 Moreover, it is not new and in Northern Ireland, there is evidence of sophisticated products, support infrastructure and business innovation across the community, voluntary and statutory sectors. However, the recession, welfare reform and the stubborn nature of social deprivation has renewed interest in its scope as well as its limitations (JRF, 2010). The financial crises and its impact on national governments, spending and fiscal policy have also generated new debate about how to better deliver public policy objectives, with less resource and in more innovative ways (NVCO, 2010). The UK Government’s response advocates a Big Society that involves a renegotiation between the state and the public in which ‘new localism’ will re-empower communities to take greater control over the services that affect their lives. This raises important questions about the performance of the social economy and what its future role should be in a Northern Ireland context. Is it a radical reformist concept with, at least, the potential to renew public services and give local people greater control? Or is it about the withdrawal of the state from welfare and the continuing residualisation of people and places no longer critical to economic performance? (Peck et al, 2009). Linked to this, if private and public markets are failing the excluded and marginalised what types of economies, service models and regenerative alternatives are available?

Research rationale

1.3 Whilst new localism, the Big Society and more democratic forms of controlling community assets have potential, the conceptualisation of the social economy set out by the Conservative Party is potentially narrow and might implicate the social enterprises in welfare displacement and competitive forms of service delivery (Amin et al, 2002). For Williams (2012) a ‘shadow state’ is emerging, where a small number of companies have large and complex stakes in public service markets and a great deal of control over how they work. Williams
found contradictory and deeply negative aspects of these trends in that outsourcing to the private sector has not proved to be cheaper, the social value from contracts is weak, charities have been marginalised and services are often ineffective. She writes, ‘For example, the drive towards localism is stopped in its tracks where local authorities can only buy from multi-nationals that funnel money out of an area and out of the country’ (Williams, 2012, p.5).

1.4 Moreover, there is evidence that as voluntary organisations move into trading and commercial activities they drift from their core mission and values and lose members motivated by social rather than economic purposes (Mawson, 2008). These contradictions are deep and how the sector is positioned in reference to a neoliberal order that promotes growth-first, market logics, lean government, deregulation and efficiency suggests a very different conceptual future for social economics (Amin, 2009). Geoghegan and Powell (2008) identify three possibilities for the longer term development of third sector economics. In the first, it is subservient to the needs of economic development, there to promote enterprise and mimic market behaviours. In the second, a corporatist approach advocates a partnership between the state, market and civic society in order to develop a more consensual, negotiated process of change. The and third is an activist version where social economics, ‘is envisaged as a locally distinct but globally linked struggle for emancipation’ (Geoghegan and Powell, 2008, p.442).

1.5 Each of these highlights the need to unpack the theoretical basis of the social economy in order to more effectively critique political and policy prescriptions. At one level, Cox and Schmuecher (2010) argued that Big Society is simply an extension of New Labour policy and its concern with civic responsibility, service delivery and community cohesion. However, they pointed out that the sector is undercapitalised and expecting it to address a range of more complex problems will require significant investment, especially to incubate emerging social enterprises. Similarly, in responding to Big Society, the National Council of Voluntary Sector Organisations (NCVO) (2010) identified significant financial, skills and technical challenges showing for instance, that only 10% of Community Asset Transfer projects in England were in deprived areas. Where and how to grow sustainable enterprises, not least in a way that is compliant with the value base of overarching OFMDFM objectives of equality and social need, suggests the need to move beyond simplistic notions of Big Society, social responsibility and empowerment.

**Research Objectives**

1. To evaluate the conceptualisation of the social economy to form a better understanding of the links between policies, practice and social inclusion;

2. To review the size, structure of the social enterprise sector in Northern Ireland;

3. To assess the policy impact of social enterprises as well as their development challenges and priorities;
4. To review support for the social economy in England, Scotland, Wales and the Republic of Ireland; and

5. To set out implications for the development of the social economy in Northern Ireland.

Research methodology

1.6 The methodology draws on a staged programme of work starting with a review of the literature and practices in the social economy. This focuses on different political and conceptual approaches and how it is both defined and supported. It draws on international examples but identifies current issues around social enterprises, entrepreneurship, finance and non-market models of co-production.

1.7 The second stage involved a brief analysis of secondary sources on the size and structure of social economy organisations in Northern Ireland, including the results of the latest DETI and DSD survey of the third sector and social enterprises (PwC, 2013). The report also describes the results from our own analysis of community businesses involved in urban regeneration and although the results are limited, they at least indicate common concerns across the sector. Most social enterprises have a spatial focus or at least begin with a locally based response to social, environmental or economic needs. These types of social enterprises are significant both in terms of their impact but also because they can be effectively supported by a range of programmes in urban regeneration, rural development and housing management. The e-survey questionnaire is set out in Annex I.

1.8 The main part of the research discusses a range of case studies organised around a series of policy themes. Flyvbjerg (2006) makes the point that, where the cases are limited or tightly framed as they are here, the ability to both verify and falsify strengthens a capacity to generalise. The studies were selected in order to identify the critical elements of effective practice, policy area, size, type of support and geographic location. In Flyvbjerg's (2006, p.230) terms these cases are the 'most likely' illustrations of projects and the consistency of underlying narratives create 'the possibility to formulate a generalization characteristic of critical cases, a generalization of the sort. If it is valid for this case, it is valid for all (or many) cases'. The case studies and how they are thematically arranged are shown in table 1 and the issues raised are described in Annex II.
### Table 1 Case studies and thematic area

<table>
<thead>
<tr>
<th>Thematic area</th>
<th>Case study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban regeneration and local multiplier effects</td>
<td>▪ East Belfast Mission and Skanios</td>
</tr>
<tr>
<td></td>
<td>▪ Ashton Community Trust;</td>
</tr>
<tr>
<td></td>
<td>▪ EU URBAN II Programme</td>
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<td></td>
<td>▪ Holywell Trust</td>
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<tr>
<td>Delivering social care</td>
<td>▪ MACS</td>
</tr>
<tr>
<td></td>
<td>▪ Oasis Trading in Action</td>
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<tr>
<td></td>
<td>▪ Bryson Charitable Group</td>
</tr>
<tr>
<td></td>
<td>▪ Integrated Locality Planning Project</td>
</tr>
<tr>
<td>Using assets and rural development</td>
<td>▪ Altahullion Wind Farm</td>
</tr>
<tr>
<td></td>
<td>▪ Energy4All, Drumlin Co-operative</td>
</tr>
<tr>
<td></td>
<td>▪ Irvinestown Trustee Enterprise Company</td>
</tr>
<tr>
<td></td>
<td>▪ Lissan House Trust</td>
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<tr>
<td></td>
<td>▪ Colin Glen Trust</td>
</tr>
<tr>
<td></td>
<td>▪ Suffolk Lenadoon Interface Group (SLIG)</td>
</tr>
<tr>
<td>Supporting social enterprises</td>
<td>▪ Social Entrepreneurship Programme</td>
</tr>
<tr>
<td></td>
<td>▪ Measuring Social Impact</td>
</tr>
<tr>
<td></td>
<td>▪ Social Finance; Charity Bank</td>
</tr>
<tr>
<td></td>
<td>▪ GEMS Intermediary Labour Market</td>
</tr>
<tr>
<td></td>
<td>▪ UnLtd supporting social entrepreneurs</td>
</tr>
</tbody>
</table>

1.9 The research also involved a series of qualitative in-depth interviews with policy makers and practitioners in government, the private sector and the social economy. These aimed to evaluate policy and programme support, identify gaps and establish priorities for the sector regionally and nationally. The questions asked are set out in Annex III. Linked to this was a set of semi-structured interviews with policy makers, programme managers and sector representatives in England, Wales, Scotland and the Republic of Ireland to connect the learning from Northern Ireland to policy and practice nationally. Focal points in each jurisdiction have described and evaluated policy defined practices and developed cross-cutting themes relevant to the performance of the social economy in the UK and Ireland. The questions asked are set out in Annex IV. A summary of all the in-depth interviews is shown in table 2 and individual respondents are listed in Annex V.

### Table 2 Semi-structured interviews

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>England policy and sector representatives</td>
<td>4</td>
</tr>
<tr>
<td>Scotland policy and sector representatives</td>
<td>6</td>
</tr>
<tr>
<td>Wales policy and sector representatives</td>
<td>6</td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>2</td>
</tr>
<tr>
<td>Northern Ireland public sector</td>
<td>10</td>
</tr>
<tr>
<td>Northern Ireland social economy sector</td>
<td>11</td>
</tr>
</tbody>
</table>

**Structure of the report**

1.10 The report is organised into the following sections:

- Section 2 sets out the literature on the social economy and in particular the debate about its political purpose, growth and development. This also examines the relationships between social enterprises, entrepreneurship and finance for the sector.
• Section 3 describes secondary data on the structure of the sector, the results of a survey of area based social enterprises and summarises some of the main policy supports in the region.
• This is followed by sections 4 to 7, which look at the case study evidence in: urban areas; social care; assets and rural development; and support infrastructure.
• Section 8 describes approaches and programmes across Britain and the Republic of Ireland;
• Section 9 summarises the themes from interviews with policy makers and practitioners in Northern Ireland; and
• Section 10 sets out the main recommendations from the research for the development of the social economy in Northern Ireland.
2. The scope and content of the social economy

2.1 This section sets out a brief analysis of the literature on social economics and how this practice varies in different states and societies. There have been a number of more extensive descriptions of its development, scope and business challenges and it is not our intention to repeat this work (Ridley-Duff and Bull, 2011; Martin and Thompson, 2013; Bailey, 2013). The section begins with an analysis of the definitions of the sector and highlights the importance of relational approaches rather than strictly defining categories. This sets the context for a description of the range of activities in the sector focusing in particular on social enterprises and social entrepreneurship. The section closes by looking at the implications for social finance and the need for investment readiness skills, especially in Northern Ireland.

Defining the social economy

2.2 This definition of the social economy is useful because it relates to conditions in Northern Ireland, embraces the scope of the sector and because it links the range of economic activities with a set of social outcomes:

The social economy constitutes a broad range of activities and practices which have the potential to provide opportunities for local people and communities to engage in all stages of the process of local economic regeneration and job creation, from the identification of basic needs to the operationalisation of initiatives. The sector covers the economic potential and activities of the self-help and co-operative movements, i.e. initiatives which aim to satisfy the social and economic needs of local communities and their members. The sector includes co-operatives; self-help projects; credit unions; housing associations; partnerships; community enterprises and businesses (Molloy et al, 1999, p.11).

2.3 However, the social economy is ‘an imprecise term but in general can be thought of as those organisations who are independent of the state and provide services, goods and trade for a social purpose and are not profit distributing’ (PAT 3, 1999, point.5.2). There are, between different stakeholders, theoretical and policy differences as to what constitutes the social economy and what its ultimate political purpose is (Hunt, 2006). The classification économie sociale used in some EU member states has specifically included three categories of organisation - associations, co-operatives and mutuals - and was expanded in the early 1990s to include foundations (CEC, 2007).

2.4 A number of writers have been concerned about the relationship between sectors in defining the social economy and also see value in a concept centred on the connections between the state, market, households and the access that third sector organisations have to the grant economy:
The social economy is a hybrid. It cuts across the four sub-economies: the market, the state, the grant economy, and the household. Each of these sectors has its own logics and rhythms, its own means of obtaining resources, its own structures of control and allocation, and its own rules and customs for the distribution of its outputs. But the parts of these economies which we term the social economy are united by their four goals, by the importance given to ethics and their multiple threads of reciprocity. Their production ranges from the micro scale of domestic care in the household to the universal services of a national welfare state. Although analytically distinct from the private market, it includes social enterprises engaging in the market, as well as some of the activities of private companies that have primarily social goals (Murray et al, 2010).

2.5 The diagram below shows that the social economy happens in and across all sectors, in this case, including the household sector. This produces six interfaces: the first three are between the state and the other three sub-economies. Central to these interfaces is the way finances crosses the borders, inwards in forms of taxation and fees and outwards in form of grants, procurement and investment. Regulation, fiscal and legal controls also influence the level of innovation, with for example Community Interest Companies (CIC) reflecting innovation in company law. The fourth interface is between the private market and the grant economy and includes corporate sponsorship, Corporate Social Responsibilities (CSR) and peer mentoring.

Figure 1 The social economy and spheres of economic activity

![Diagram](image)


2.6 This relational approach also provides space for non-market based exchanges between individuals and households and recent attention has been paid to the co-production of community effort via methods such as Time Banks (Farmer et al, 2012):

A Time Bank is a tool used to organise people or organisations in a system of exchange, whereby they are able to trade skills, resources and expertise through time. For every hour participants ‘deposit’ in a
Time Bank by giving practical help and support to others, they are able to ‘withdraw’ equivalent support in time when they themselves need something doing. In each case the participant decides what they can offer. Everyone’s time is equal, so one hour of my time is equal to one hour of your time, irrespective of the skills we might trade (TBUK, 2011, p.8).

2.7 Time Banks originated in the US and involve informal exchanges of time using volunteer credit hours that can be spent on services offered by other participants. There is no hierarchy of value for services - one hour always equals one time unit (Gregory, 2009). In the last decade, Time Banks in the UK increased from 48 to 133, participants doubled to 16,560 and the number of hours traded increased by 50% to over 900,000 (NEF, 2008a).

International comparisons

2.8 Amin et al. (2002) identified ‘considerable international differences in the ways in which the social economy and its relationship to market, state and civil society are envisioned’. In the US, which has a comparatively weak welfare state, the sector is shaped by ‘bottom-up’ community development processes fronted by a voluntary sector now only loosely connected with political activism. In Western Europe, the tendency towards a withdrawal of state funding has encouraged stronger community economic development and enterprise linked to an expanded role for the third sector more generally.

2.9 France could be seen perhaps as the paradigmatic model of a state-supported social economy in which the social enterprise has been accorded a specific legal status. But within Europe there are significant variations between a French–German–Belgian tradition of strong social economy providers recognised and regulated by national governments and a weaker Mediterranean model where formal recognition and development of a social economy distinct from strong charities is, at best, embryonic. Amin et al. (2002) also found potential in Nordic interpretations of the social economy as where the presence of large public sectors and comparatively strong welfare systems create the conditions for the social economy to play a strong role in the progressive politics of redistribution.

2.10 The roles that social enterprises have played, or are expected to play lead some people to focus on the social economy and some on social enterprises (Seyfang, 2009). Lloyd (2006) for instance, has identified two very different schools of thought, one of which he is a US/UK approach and the other based on European perspectives. The European approach stresses a more expansive version of the sector including finance, organisational values and an explicit political response to the hegemony of the market and forms of exclusion. In contrast, the UK/US stress a narrower social enterprise approach which focuses on the needs of business operating in the market place.

2.11 Graefe (2002) suggested that the situation presents three potential economic development scenarios for the social economy in western Europe. The first is
a neoliberal one, where the market place is preeminent and where social enterprises perform a residual welfare role, delivering services that the state increasingly does not. In the second, the social economy works more closely with government to deliver a range of services on a partnership basis. However, neither of these, he suggests, is either likely or practicable, leaving a third option to connect market and non-market components of the modern economy:

It is in this context that the social economy finds its full expression: as part of renewed social democratic strategy that includes work-time reduction, greater workplace participation, and the provision of services that meets new demands and needs. On the one hand, the social economy can meet new needs by mobilising resources latent within communities, and by building new solidarities. On the other hand, this social provision bypasses the Taylorist welfare state and is based on more participatory forms of organisation and decision making. More broadly, as economic success increasingly comes to rely on extra-economic resources (such as social capital), strategic spaces are opened for a vision of development that integrates social priorities at every stage (Graefe, 2002, p.250).

Social enterprises

2.12 A strong and consistent feature of the social economy across governments and policy systems is the role and potential of individual businesses. The emergence of social enterprises in the last decade is due to a number of factors including:

- The decline of state involvement in the planned provision of services in society and the marketization of welfare;
- The focus on a culture that emphasises self-reliance and personal responsibility and the rise of entrepreneurship more generally;
- Changes in funding opportunities within the community, voluntary and non-profit (social) sectors, specifically the move from grant giving to contract/competitive tendering and the devolution, deregulation and privatisation of welfare states globally; and
- The financial and fiscal crises and the need to innovate more creatively in the design and delivery of public services (Based on Bull, 2008; Harris and Albury, 2009).

2.13 Ridley-Duff and Bull (2011) suggest that social enterprises can also be seen in a spectrum of activity between: the traditional areas of for-profit and non-profit embracing corporations practicing social responsibility; socially responsible businesses; non-profits funded (mainly) by trading activity and non-profits with some income generating activity (see Table 3). These relational approaches highlight the fluid and dynamic nature of the social economy, and how it functions across sectors.
Table 3 Typology of social enterprises

<table>
<thead>
<tr>
<th>Type</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type A Non-profit model</strong>&lt;br&gt;In the boundary areas of the public and third sectors. Shares a ‘public’ interest outlook and hostility to private sector ownership and equity finance</td>
<td>Social enterprise as a ‘non-profit’ organisation: obtains grants and/or contracts from public sector bodies and other third sector organisations, structured to prevent profit and asset transfers except to other non-profit organisations</td>
</tr>
<tr>
<td><strong>Type B Corporate social responsibility model</strong>&lt;br&gt;In the boundary areas of the public and private sectors. Suspicious of the third sector as a viable partner in service delivery and economic development</td>
<td>Social enterprises as a corporate social responsibility project: environmental, ethical or fair trade business; ‘for-profit’ employee-owned business; public/private joint venture or partnership with social aims</td>
</tr>
<tr>
<td><strong>Type C More than profit model</strong>&lt;br&gt;In the boundary areas of the private and third sectors. Antipathy to the state (central government) as a vehicle for meeting the needs of disadvantaged groups, and realistic about the state’s capacity to oppress minorities</td>
<td>Social enterprise as a ‘more-than-profit’ organisation: single or dual stakeholder co-operative, charity trading arm, membership society or association, or a thrust that generates surpluses from trading to increase social investment</td>
</tr>
<tr>
<td><strong>Type D Multi-stakeholder model (ideal type)</strong>&lt;br&gt;At the overlap of all sectors. It replaces public, private and third sector competition with a democratic multi-stakeholder model. All interests in a supply chain are acknowledged to break down barriers to social change</td>
<td>Social enterprise as a multi-stakeholder enterprise, new co-operatives, charities, voluntary organisations or co-owned businesses using direct and representative democracy to achieve equitable distribution of social and economic benefits</td>
</tr>
</tbody>
</table>


2.14 Social enterprises are therefore not a type of organisation but an activity that can happen in any sector as long as trading is undertaken for primarily social purposes (Galaskiewicz and Barringer, 2012). Moreover, the social economy is context specific, actually existing in response to different institutional, political, legal and even cultural factors (Kerlin, 2012). These definitions thus highlight the political intent of social enterprises rather than their sectoral or institutional characteristics as evidenced by Defourny and Nyssens (2012) whose approach, shown below, has informed EU definitions of social enterprises.

Table 4 Definitions of social enterprises and their social purposes

<table>
<thead>
<tr>
<th>Area</th>
<th>Indicators</th>
</tr>
</thead>
</table>
| Entrepreneurial | A continuous activity producing goods and/or selling services  
A significant level of economic risk  
A minimum amount of paid work |
| Social | An explicit benefit to the community  
An initiative launched by a group of citizens or civil society organisations  
A limited profit distribution |
| Participatory governance | A high degree of autonomy  
A decision-making power not based on capital ownership  
A participatory nature, which involves various parties affected by the activity |

Source: Based on Defourny and Nyssens, 2012, pp.77-78.

2.15 In Northern Ireland, cooperatives are well established forms of social enterprises and they are now a significant component of the regional economy. For example, McAleavey et al (2006, p.88) showed that in 2006, cooperative societies and credit unions had: over £2bn in assets; 4,500 employees; 384,006 members; and shareholding, which has expanded six
fold in the 1990s. They also show that individual entrepreneurs have driven co-operative and credit union development and it is important to see both as connected components in a strong social economy.

Social entrepreneurship

2.16 This focus on the organisational format is also linked to the performance of the individual running the business and the motivation, effectiveness and potential of social entrepreneurs and has attracted significant academic and policy interest. Kickul and Lyons suggest that social entrepreneurs share common characteristics in that they ‘actively seek out opportunities to innovate in order to add value to the lives of their customers. They pursue a strategy of growth in order to expand their business markets reach and profits. They are strategic in the way they manage their enterprises and they ably build networks among their investors, suppliers and customers in order to achieve their business goals’ (Kickul and Lyons, 2012, p.15). Mawson (2008, p.167) identifies an important tension between democratic forms of inclusive governance and allowing ‘leaders to lead (as) there is a natural geography of power’. Bornstein and Davis (2010) also argue that social entrepreneurship changes over time and recognise three distinct phases of development:

- Phase 1 was about identifying people, celebrating their success and support;
- Phase 2 emphasised business support and saw the performance of individual entrepreneurs linked to organisational effectiveness; and
- Phase 3 is more cornered with social innovation, networking and scaling entrepreneurial activities.

2.17 Kickul and Lyons (2012, pp.45-46) also highlight the role of social entrepreneurs in creativity and innovation and draw on a range of sources to identify seven types of innovation:

- The creation of new products or services; a new process for producing or delivering an existing product, service, programme or project;
- Delivering an existing product, service, program or project to a new or previously underserved market;
- Utilizing a new source of labour or other production inputs;
- Implementing a new organizational or industrial structure; implementing new ways of engaging customers or target beneficiaries; and the utilization of new funding models.

2.18 Praszkier and Nowak (2012) have identified five key dimensions of effective entrepreneurs including their commitment to: social mission, social innovation, social change, entrepreneurial spirit and personality. Effective social entrepreneurs, they suggest, need vibrant networks to create the type of radical change implied in social innovation and these both produce and are reproduced by social capital. Praszkier and Nowak suggest in Table 5 that social entrepreneurs are leaders, albeit providing a new kind of leadership that emphasises empowerment, building trust and transferring values to motivate change.
Table 5 Components of empowering leadership

<table>
<thead>
<tr>
<th>Area</th>
<th>Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social empathy</td>
<td>▪ Understand the latent capacities of groups</td>
</tr>
<tr>
<td></td>
<td>▪ Revealing the dreams, frustrations and aims of groups</td>
</tr>
<tr>
<td></td>
<td>▪ Identifying sectors or areas where groups could cooperate</td>
</tr>
<tr>
<td>Empowering groups</td>
<td>▪ Facilitating change within and between groups</td>
</tr>
<tr>
<td></td>
<td>▪ Celebrating and rewarding success</td>
</tr>
<tr>
<td></td>
<td>▪ Democratic, rather than top-down methods of learning and skills</td>
</tr>
<tr>
<td></td>
<td>development</td>
</tr>
<tr>
<td>Modifying parameters</td>
<td>▪ Building trust, optimism and hope as a basis for change rather than</td>
</tr>
<tr>
<td></td>
<td>confronting problems head on</td>
</tr>
<tr>
<td>Identifying the best</td>
<td>▪ Bringing innovation and fresh thinking to stubborn problems</td>
</tr>
<tr>
<td>starting point</td>
<td>▪ Managing conflict, resistance and internal struggles</td>
</tr>
</tbody>
</table>

Source: Based on Praszkier and Nowak, 2012, pp.149-50.

Social finance

2.19 A Bank of England (2003) review of finance for social economy organisations highlighted the range of ways in which they raise money and the often complex financial mix required to maintain their financial sustainability. One of the most important and traditional areas of support for the social economy has been grant aid. Grants are still important for many social enterprises, especially during their start-up phase, as they may otherwise lack the finance needed to create a viable business. Brown and Swersky (2012, p.1) estimated that the demand for social investment could rise from £165m of deals done in 2011 to £286m in 2012, £750m in 2015 and to as much as £1bn by 2016. The growth will be caused by increased outsourcing of public services to independent and social providers; a new statutory requirement for commissioners to consider social value when awarding contracts; and a shift towards higher-risk models of payment, such as payment by results, that will encourage social organisations to favour social investment over the commercial sources.

2.20 According to Iona et al (2011), the key priorities for social enterprise finance are:

- To stimulate demand for finance by building awareness, marketing products and developing a preliminary understanding of the grant-loan relationship;
- Developing the capacity of investees to help them become investment-ready, improve their financial literacy and ability to scale-up or replicate successful business models;
- Supporting intermediaries to generate bankable deals; and
- Developing financial products that appeal to investors as well as investees.

2.21 There has been considerable change in social finance in the UK with the Coalition Government aiming to develop products for social ventures and the creation of a new asset class to enable social ventures to access mainstream capital (Thorlby, 2011). Big Society Capital has been established by the government, not to directly fund businesses, but to invest in social finance
intermediaries, which lend on to social enterprises. As with other sectors, the social economy is increasingly supported by the financial infrastructure developing in traditional centres of capital and finance. Thus, Lloyd (2011, p.8) argued that ‘the London hub has become a recognised preserve for a supporting group of successful entrepreneurs, financiers and fund managers who have migrated into social investment looking for potentially lucrative solutions to social and environmental problems’. Lloyd also suggested that specific intermediation was needed in Northern Ireland to ensure that larger social enterprises in particular, have access to London based social finance products.

2.22 The Coalition has also incentivised finance in the delivery of social policy outcomes via new Social Impact Bonds (SIBs). According to Loder (2012, p.1) ‘A Social Impact Bond is a financial instrument that raises capital, and links financial returns to the achievement of a particular socially desirable outcome’. The SIB involves three parties: a funder, who puts up the initial capital to fund the intervention; an operator, who performs the intervention; and a payor, usually central government, which makes payments to the investor based on the impact achieved. Loder (2012) argues that the central purpose of SIBs is to more effectively realise social goals: creating more good for less money and achieve this by creating incentives, promoting innovation and accessing new capabilities. In particular, they shift the emphasis to outcomes rather than inputs or activities in programme delivery and by incentivising performance, they aim to align the interest of the payer, operator and funder more efficiently (SFUK, 2009).

Community Development Finance initiatives (CDFI)

2.23 In a reaction to the recent banking crises Prieg and Greenham (2012) noted that investors and customers are increasingly attracted to stakeholder banks. These ‘have both social and financial objectives and make a major contribution to financial stability, local economic development, business lending and financial inclusion’. Their survey of 65 countries identified four successful models including: co-operative banks; credit unions; public interest savings banks; and Community Development Finance Institutions (CDFIs). Each creates value for stakeholders, not just shareholders and has a particular focus on communities underserved by commercial banks. Their review also showed that they have a positive impact on local economic development and preventing financial drain from the neighbourhood and by retaining higher levels of capital, have been more disciplined and stable than high street banks. In Britain, the UK Social Investment Forum (UKSIF, 2002, p.2) has divided the CDFI sector into six different types of organisation:

- **Community loan funds**, the majority of the CDFI sector: organisations that provide loans to for-profit and/or social enterprises, often with an overarching social mission and sometimes focused on a particular geographic area;
- **Micro-finance funds**, a sub-sector of the above: organisations that specialise in providing very small loans to micro enterprises;
- **Community development venture capital**, operates like mainstream venture capital but with a community development mission;
- **Social banks**, operate as mainstream banks but with strict ethical policies and social and/or environmental goals;
- **Community development credit unions**, or co-operatives owned and controlled by members with a ‘common bond’ with a particular community development mission; and,
- **Mutual guarantee societies**, formal associations of SMEs that pool their savings in banks in order to provide collective guarantees.

2.24 The Community Development Finance Association (CDFA) currently lists 74 CDFI members or associate members, a figure which has seen consolidation since 2006 following rapid growth from 2003. The value of lending capital held by the CDFI sector increased by 22%, from £201m in 2006/7 to £246m in 2008/9 and average CDFI fund size increased by 25% over the same period from £3.5m to £4.3m. The growth of a small number of large national social enterprise lenders is also evident (and these may be supported by Big Society Capital).

2.25 Nicholls (2008, pp.8-9) sets out the key features of market failure in social finance and the consequent challenges facing social enterprises. Some of these relate to the access to capital, skills and the lack of a distinctive support for social finance:

- Conventional notions of the role of finance and financial markets are increasingly inappropriate for a discussion of social investment;
- Few metrics exist to account for social and environmental externalities (whether positive or negative);
- Concepts of social investment are blurring the boundaries between private, public and third sector investment;
- Social investment players operate in a fragmented landscape with little exchange of information or incentives for cooperation;
- There are considerable information asymmetries and coordination problems across the landscape;
- There is a lack of financial literacy in social purpose organisations that supports a risk-averse approach to new resource strategies; and
- Regulation and legislation are lagging behind trends in social and environmental investment.

2.26 There are limits to the ability of social enterprises to use loan based social finance but there are still gaps in the supply side, especially in Northern Ireland. ECORYS (2012, p.6) review of social finance in Northern Ireland argued that ‘grant dependency has crowded out a seed bed for social finance and innovation and has led to suppressed demand’. The review highlights the availability of grants; loans (secured and unsecured); equity and quasi equity; and Social Impact and Charitable Bonds as the main categories of finance sought by social enterprises. However, they point out that there is also little evidence of supply in the equity and bonds sector. There is also a shortage of finance at the other end of the social finance spectrum, especially patient capital and start-up lending. Invest NI is launching a new £50m revolving loan
fund, aimed primarily at small businesses with loans of up to £50,000 (at 8%-12% interest). These will be targeted at social enterprises, with a proportion (5%, £2.5m) protected available for Neighbourhood Renewal areas (NRAs) and Not in Employment, Education or Training (NEET) related activity. Baker and Goggin (2013) also noted that investors often do not understand the regulatory restrictions on charities as well as the need for simple and transparent financial products from the investee. More recently, Morrow Gilchrist (2013) completed a review for CFNI that demonstrated that a community assets investment fund has the potential to be profitable in the Northern Ireland market. They stressed however, that risk needs to be balanced between projects with a high social return and projects that are likely to make a safe commercial profit.

Conclusions

- The analysis shows that there are different functions, activities, organisational forms and values in the social economy. In some, narrow conceptualisations of enterprise and entrepreneurship link the sector with welfare reform whilst for reformists, the ability to strengthen community resilience and even resistance to the neoliberal order is more important.

- These vary by country and national, social and political traditions but they have important implications for how the sector is positioned and how it positions itself relative to the state and the market. The explicit political objectives and a concern for social justice underpin its character in some European countries compared with the broad UK/US approach.

- There are a number of approaches to defining the social economy and social enterprises but there is value in policy makers seeing the connections within and between the social economy and the private and public sector economies.

- The sector is complex and has a number of components including businesses; entrepreneurs and social finance that need bespoke support in order to grow a sustainable social economy.

- The social finance market is growing although the literature suggests significant gaps in the Northern Ireland market place as well as a lack of dedicated social finance intermediaries.
3. The social economy in Northern Ireland

3.1 This section sets out a preliminary analysis of data on the social economy. It begins with an analysis of data from Northern Ireland and also uses our e-survey to highlight the issues facing area based social enterprises. It was highlighted in the introduction that the social economy is critical in area based regeneration and for that reason we have concentrated on community businesses involved in urban and rural development. A note of caution in interpreting data is important here. All the main surveys of social enterprises in Northern Ireland make explicit the difficulties they have had constructing a reliable sample frame, generating a good response rate and generalising about their results. There is still value in reporting what is available within these methodological limits. In particular, it shows that the profile of the sector continues to be dominated by small, newly formed and under-capitalised enterprises that need bespoke (financial and skills) support to reach scale. In the conclusions, we recommend the adoption of the Scottish approach to a formal survey of the social economy, not just to describe it, but to evaluate its economic and social contribution across sectors, region and time. The section ends by summarising some of the policies and programmes that support the sector and some of these are explored in more detail in the case study analysis.

Profile of the sector in Northern Ireland

3.2 The Review of Finance for the Social Economy (conducted for DETI, CSC, 2004) showed that there was a large number of small, low capacity, young organisations with low trading volume in the social economy of Northern Ireland, especially compared with circumstances in England and Wales. The Review showed that in 2004:

- 47% of enterprises had a turnover of less than £5,000 per annum compared with 28% in England and Wales;
- Only 7% of social enterprises in Northern Ireland had an income greater than £1m per annum compared with 16% in England and Wales;
- 37% recovered more than half their income from trading compared with 56% in England and Wales;
- 47% of groups in Northern Ireland were formed after 1994 (PEACE I);
- 66% had less than 5 employees compared with just 28% in England and Wales;
- 13% of groups in England and Wales employed more than 50 people compared with 5% in Northern Ireland; and
- 79% of part time workers were in organisations employing less than 5 people compared with just 28% for England and Wales.

3.3 The DETI (2007) survey of 396 social enterprises showed that over half the respondents (51%) classified themselves as a community business followed by credit unions (25%). (see http://www.detini.gov.uk/deti_s_first_mapping_survey_of_social_economy_entreprises_in_ni.pdf). Housing associations consisted of 9%, Local Enterprise
Agencies 7% and ‘other’ organisations 9% of the surveys returned. The study also showed that the largest proportion of social enterprises (44%) were established after the first Peace programme in 1994. Social enterprises were involved in: property and business services (29%); financial intermediation (26%); health and social work (12%); education (11%); construction (4%); and retailing (3%). The main organisational objectives identified by 74% of those surveyed was to ‘help people other than through employment’; 21% aimed to assist people by providing access to work; while 4% identified their goal as helping improve the environment.

The survey also highlighted that the majority of the social enterprises still had a small workforce with 71% having less than 10 paid employees. In addition, it showed that social enterprises are dependent on volunteers with the largest proportion of social organisations (44%) relying on between 10-49 volunteers. The median turnover for all responding social enterprises was £222,000 while 13% recorded a turnover in excess of £1 million. On average, two-thirds of all income generated was from trading with 28% derived from grants and donations. However, despite this, 72% stated that they were unable to record a profit during the financial year. Of the organisations that could record a profit, the median profit/surplus was calculated at a fairly modest £37,000.

### A profile of the sector

In May 2013 PriceWaterhouseCoopers (PwC) published the results of its mapping exercise and this also invested considerable effort in constructing a valid data set on the size and scope of the sector (see: [http://www.detini.gov.uk/deti-social-eco-index.htm](http://www.detini.gov.uk/deti-social-eco-index.htm)). A number of databases were brought together and they estimated that there were 3,348 community and voluntary sector organisations and 473 social enterprises (of which 153 social enterprises responded to the survey). This study showed that 32% of social enterprises had turnover of between £100,000 and £499,999 but only 2% had more than £10 million. It also showed that 36% had a turnover of less than £100,000. It is difficult to directly compare data between years and surveys given the categories use as well as the problems noted previously about the achieved sample size and uncertainty about the precise nature of the population of social enterprises. However, Table 6 shows that the turnover levels have not changed significantly. In particular, the proportion of smaller enterprises has grown by 3% and there is only a 1% increase in the proportion of larger social businesses.

<table>
<thead>
<tr>
<th>Turnover</th>
<th>2007</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £100,000</td>
<td>33%</td>
<td>36%</td>
</tr>
<tr>
<td>£100,000-£499,999</td>
<td>40%</td>
<td>32%</td>
</tr>
<tr>
<td>£500,000-£999,000</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>£1,000,000 and over</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>


A total of 68% of social enterprises reported that they made a profit/surplus in 2010/11, compared to 54% of all community and voluntary sector
organisations. Nineteen per cent of social enterprises reported a profit/surplus of over £100,000, while 27% recorded profits of less than £5,000.

3.7 A total of 17% of social enterprises employ 16 or more employees but 48% employ less than six people. (In 2007, 71% of social enterprises had less than 10 employees). The PwC survey showed that the largest number of social enterprises have been in operation since before 1980 (29%) but there was a distinct increase between 2005 and 2009 (14%) and the case study data suggests that this may in part be in response to the higher proportion of contracting across programme areas. The three main goals for social enterprises were: to enhance communities; to help people into employment; and to improve the environment. The vast majority of social enterprises (77%) reported that they planned to expand but highlighted a number of barriers including a lack of finance, not having the right people and a lack of awareness of the support available. Interestingly, RSM McClure Watters (2013a) have identified the barriers to social innovation in Northern Ireland including a risk averse culture within both the voluntary and statutory sectors, a lack of start-up finance, the bureaucracy associated with public sector funding, and the challenges of the wider economic environment, especially the effects of successive Comprehensive Spending Reviews (see: http://www.buildingchangetrust.org/download/files/BCTSocialInnovationReport.pdf).

3.8 The PwC review made 10 recommendations including the introduction of more effective tax incentives for social enterprises, the establishment of an investment readiness fund and opening opportunities for procurement. It also quoted the recent Lloyd and Fletcher (2012) recommendations for a tax break for social investment and CICs to encourage more social enterprise start-ups. These are clearly supportive and effective recommendations, which if implemented could help develop the capacity and sustainability of social enterprises in Northern Ireland.

Survey of social enterprises and urban regeneration

3.9 As noted above, establishing reliable population data or sample frames for surveying the social economy has been problematic, even for official surveys. However, the original DETI survey estimated that there are 204 community businesses, that is social enterprises operating at the neighbourhood level and using the Northern Ireland Council for Voluntary Action (NICVA) data set, it was possible to flag their contact details producing a gross sample of 232 organisations. Of these, 21 (9%) were no longer in operation or had incomplete records but a valid list of 211 organisations had e-mail addresses for the purposes of sampling. The e-survey produced 81 full responses or approximately 38% community businesses in the region. As with other surveys, representation and validity are a problem but for the analysis of community businesses it is useful in helping to establish their value as well as the obstacles they face, especially to complement the case study analysis. As an indication of the error rate associated with the sample, any estimate of 20% is subject to an error rate of +/- 6.8% at the 95% confidence interval. This
takes account of the finite population correction as the sample size is large, relative to the population.

3.10 Table 7 below shows that most community businesses operating at a community level are again small and receive less than 10% of their income from trading and only 12% have more than three-quarters from such sources. Iona et al (2011, p.39) have been especially critical of the over-reliance on grants, which can divert support from those who really need it, reduce innovation and create over dependency on the funder.

Table 7 Proportion of income from trading sources

<table>
<thead>
<tr>
<th>Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10%</td>
<td>59%</td>
</tr>
<tr>
<td>10-25%</td>
<td>16%</td>
</tr>
<tr>
<td>26-50%</td>
<td>10%</td>
</tr>
<tr>
<td>51-75%</td>
<td>4%</td>
</tr>
<tr>
<td>76-90%</td>
<td>6%</td>
</tr>
<tr>
<td>More than 90%</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
<tr>
<td>N</td>
<td>81</td>
</tr>
</tbody>
</table>

3.11 Table 8 below also shows that the most important barrier to development was access to capital to grow the business (80%) but a significant proportion (48%) also experienced problems with skills and learning opportunities, especially on the problems and pitfalls of social enterprise management. One respondent pointed out that ‘the need for income through trading is essential for the organisation to survive as it provides unrestricted funding that is needed for bank charges and other sundries’. The need, not just for funding, but for free funds that allow the organisation to operate in more independent and entrepreneurial ways was highlighted in the survey as well as in case study analysis. Specialist staff (45%) and advice around start-up (40%) and marketing (43%) were also important barriers, although access to premises (14%), volunteers (23%) and the use of IT systems (23%) were not regarded as significant problems for most community businesses.

Table 8 Barriers to social enterprise development

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting access to finance to grow the project</td>
<td>80</td>
</tr>
<tr>
<td>Support from the public sector</td>
<td>63</td>
</tr>
<tr>
<td>Lack of information on the problems and pitfalls</td>
<td>48</td>
</tr>
<tr>
<td>Getting the right staff to develop and manage an enterprise</td>
<td>45</td>
</tr>
<tr>
<td>Marketing</td>
<td>43</td>
</tr>
<tr>
<td>Getting advice to start up the project</td>
<td>40</td>
</tr>
<tr>
<td>Support from volunteers</td>
<td>23</td>
</tr>
<tr>
<td>Equipment or IT systems</td>
<td>23</td>
</tr>
<tr>
<td>Finding premises or facilities</td>
<td>14</td>
</tr>
<tr>
<td>N</td>
<td>81</td>
</tr>
</tbody>
</table>

3.12 Sixty three per cent of respondents were critical of the lack of support from the public sector and this covered financial, technical and programme
development. In particular, a number of respondents highlighted the lack of tailored supports for social enterprises, the need for grants to incubate businesses and for clearer objectives around the type of projects that should be prioritised.

I think small organisations such as ours are hindered greatly by lack of support from the statutory sector in terms of core funding. Although we are able to access funding what we do could be done better and more cost effective if sectors would sit with us and help us with strategic planning, offer core funding where our service would then be offered at a much more affordable cost.

I consider that although the focus within EU programmes appears to be targeting the individual to improve their education and training achievement, I believe that not enough assistance and finances are being made available to the social economy sector or those working within communities in the most deprived areas.

There is no financial support currently available to establish social enterprises at local disadvantaged communities level. The sizable investments/grants available through the (EU) PEACE Programme have now dried up, although the second round of funding was more focused in Belfast on training rather than on setting up social enterprises.

The development of [the] social economy in Northern Ireland is almost entirely focused, in my opinion, on those who can make a financial contribution to the economy … some groups are in a deficit situation vis-à-vis funding resources.

3.13 The lack of support infrastructure is also highlighted in Table 9, which shows where social enterprises get support to form in order to start-up and develop their business. Most support is sourced and within the organisational team (71%) but peer networking (64%) as well as specialist advice (58%) are also important. Statutory help is again weak (36%) but so too is voluntary sector support (45%) and there is reliance on individual entrepreneurs (27%), funding agency staff (36%) and friendly financers (24%) to enable growth.

<table>
<thead>
<tr>
<th>Support</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organisations team and members</td>
<td>71</td>
</tr>
<tr>
<td>Networks and peer support</td>
<td>64</td>
</tr>
<tr>
<td>Specialist advice and support</td>
<td>58</td>
</tr>
<tr>
<td>Voluntary sector support</td>
<td>45</td>
</tr>
<tr>
<td>Key individuals in funding organisations</td>
<td>36</td>
</tr>
<tr>
<td>Statutory agency</td>
<td>36</td>
</tr>
<tr>
<td>An individual entrepreneur</td>
<td>27</td>
</tr>
<tr>
<td>Friendly finance and patient capital</td>
<td>24</td>
</tr>
<tr>
<td>Training organisations</td>
<td>24</td>
</tr>
<tr>
<td>The private sector</td>
<td>7</td>
</tr>
<tr>
<td>N</td>
<td>81</td>
</tr>
</tbody>
</table>

3.14 For a number of respondents, confusion over the social economy itself and how it is best supported is part of the problem. As the text box below indicates the barriers to growth include: a lack of appropriate skills; competent staff, experienced Board members; and a struggle to find appropriate support organisations. It should be pointed out that the recently established Social Enterprise NI has prioritised learning and skills development in its work.
Our organisation has not been able to recruit adequate board members with business skills which has inhibited business development.

We are understaffed and don’t have the time or know how to complete complex applications. Its soul destroying when it is a good project and is turned down.

As a community organisation developing in the social economy, we aren’t aware of how much we don’t know business-wise and how much of a jack of all trades staff need to be.

We got help from a Women’s Centre which currently operates a similar scheme. Unfortunately we don’t have the staff or expertise to take it forward.

**Programme support for the sector**

3.15 Whilst there is not a separate social economy policy in Northern Ireland, there are important programmes, financial products, networks and skills programmes to support the sector. However, there are challenges and the *Economic Strategy* aims to create 160 new social enterprises in Northern Ireland (NIE, 2011, p.57). DETI lead policy on the social economy and as noted above has supported the mapping study and funds *Social Enterprise NI* as the main network for social enterprises and social entrepreneurs in Northern Ireland. Social Enterprise NI in turn, promotes collaboration, knowledge sharing, and best practice across the sector. The Social Economy Policy Group (SEPG) has membership across government Departments and agencies to support the implementation of the Action Plan. This is designed to identify key tasks, indicators and timescales across government as well as evaluating progress. Champions within each area take a lead in prioritising and supporting the social economy in individual policy and programme areas.

**Growing the social economy**

3.16 KPMG undertook a policy review of the *Social Economy Enterprise* strategy in 2011 and showed that the key strengths of the sector included: the provision of services in disadvantaged areas not provided by the private and public sectors; creating employment for those at the margins of the labour market; and reinvesting profits into the local community (KPMG, 2011). It also considered the potential of the social enterprise sector as a delivery agent for a range of public service policies but concluded that:

> The research highlighted that only a fraction of the potential that may exist for the SE (Social Economy) in this regard had been realised. Whilst there has been progress in terms of SEEs (Social Economy Enterprises) expanding further into various areas of public service delivery (e.g. recycling/environmental activity; health and social care; community leisure provision) in recent years, beyond more of the traditional areas (e.g. childcare, training/education etc.), it is viewed that barriers remain in remain (KPMG, 2011, p.11).

3.17 The barriers identified included access to public sector procurement, fear in some areas of government that they could lose functions to social enterprises and the lack of larger businesses capable of providing comprehensive services. The KPMG evaluation saw the future of social enterprise policy...
based within a wider economic strategy for Northern Ireland and the Executive’s (2012a) *Economic Strategy* identified the social economy as one of a number of sectors capable of creating growth. The KPMG report stated: that ‘the desire expressed from the research for this evaluation is for a future strategy to set an overarching vision for the growth/impact of the social economy sector in Northern Ireland over the forward period, underpinned by a small number of *big-picture* actions’ (KPMG, 2011, p.30). They suggest that these actions should prioritise:

- Access to public procurement by developing outcome based commissioning with weighting for social impacts, especially to keep pace with policy developments on social value in Britain;
- The pilot testing of social impact bonds;
- Enabling actions for the implementation of Community Asset Transfer in Northern Ireland;
- Baseline and ex-post mapping of the social enterprise sector around a future strategy to establish its size and scale and this should also include an element focused on Social Return On Investment;
- Pathways to employment initiatives involving SEEs as part of a supportive environment for those distant from the labour market;
- Enabling, up-scaling and growing the social economy through franchising and licensing; and
- Strengthening finance by ensuring that SEEs have access to the same range of products as private sector SMEs, which will also involve experimentation with new social finance products (e.g. equity/quasi-equity) and provision of related advice and guidance (KPMG, 2011, p.31).

3.18 The most recent DETI (2011) *Corporate Plan 2011-15* identifies the high level targets relating to the social economy including:

- Support 160 social economy start-ups, with 25% having the capability to move to mainstream Invest NI support;
- Create 340 new jobs within the social economy by a range of measures by March 2014; and
- Prepare a *Social Economy Action Plan*, as part of the wider Enterprise Strategy, in partnership with stakeholders and relevant Departments.

3.19 The *Northern Ireland Economic Strategy: Comprehensive Action Plan* (NIE, 2012b) also highlights the importance of an area based approach to support the social economy and identifies the *Social Investment Fund* as a source of grant support in this respect. Moreover, the recent consultation on a draft *Innovation Strategy* also prioritised the need to support social economy policy and it is very much within this context that this research aims to make a contribution:

The Executive recognises the social economy as an important emerging sector with the potential to make a valuable contribution to employment and the local economy. Creating a supportive and enabling environment for the sector to thrive will play an important role in regenerating communities and helping to create a balanced
We are committed to developing social economy policy and development of the sector, to be supported within the context of the Economic Strategy (NIE, 2013, p.40).

**Invest Northern Ireland (Invest NI)**

3.20 Invest NI offers a range of supports to social enterprises, social entrepreneurs as well as technical assistance and finance, particularly to help export orientated social firms. The organisation provides a pathway for individuals and social enterprises to source finance, mentoring support and networking opportunities as indicated in figure 2.

*Figure 2 Social enterprise supports from Invest NI*

![Social enterprise support diagram](http://www.investni.com/social_enterprise_financial_support_oct-11_rbt.pdf)

**The Social Entrepreneurship Programme (SEP)**

3.21 SEP is designed to support the development of new social enterprises by strengthening their commercialisation, maximising job and wealth creation impacts and by improving their social benefit. The programme develops core capabilities but also stresses the importance of cultural adaptation and especially the adoption of a more commercialised approach. In particular, it highlights the need for product diversification, broadening sources of income, increased competition and the potential for partnerships, including with the private sector. The specific aims of the SEP are to:

- Provide early stage support to groups and social entrepreneurs who are starting a social enterprise;
- Ensure high survival rates for new SEE start-up companies;
- Encourage SEE growth in export markets; and
- Strengthen the Invest NI client bank with pull through SEE businesses.

3.22 The key elements of the SEP are:

- Strand One: Lead In Capability, which provides basic advice on areas such as developing a business idea, product development, legal structure and marketing;
- Strand Two: Core Capability support with mentoring support to produce a business plan and aftercare for the first year of trading; and
- Start-up grant assistance of up to £7,000 for SEEs that are export orientated, that is, greater than 15% of turnover with export potential and £100,000 turnover from export by the third year of trading.

3.23 Section 7.2 provides a further description of the SEP but since the beginning of the current Programme in January 2013, more than 60 social enterprises completed strand 1 and 53 have completed strand 2.

Invest NI Jobs Fund

3.24 The Jobs Fund offers support across the Northern Ireland labour market and recognises the distinct value of social enterprises in addressing the most marginal groups. The rationale, set out by Invest NI states that: Social enterprises (SE) play an increasing role in wider efforts to reduce disadvantage and increase labour force participation rates. Social enterprises provide a supportive environment to those furthest from the labour market – often equalising 'life-chances' and quality of life for those who may be marginalised from mainstream labour market initiatives. The SE Employment grant will facilitate Long Term Unemployment (LTU) entering the labour market and will maximize the opportunity for linkages between Social Enterprises and employability interventions. The Fund includes two specific social economy measures:

a. Social Enterprise Employment Grants, which offers £2,000 for a new job created in a social enterprise, which is payable one month after the start of the contracted post. In 2012/13 there were 151 jobs promoted and 103 created with support from the Jobs Fund social enterprise employment grant. In 2013/14, 10 jobs have been promoted to date.

b. The Social Economy Franchise Programme provides business support for up to 10 identified social economy franchisors and 20 franchisees to enable them to both accelerate their business growth and start-up new companies. The Programme is currently forecasting the creation of 159 jobs in Northern Ireland.

3.25 Data from Invest NI demonstrates the impact of Jobs Fund on social enterprises, employment and Neighbourhood Renewal Areas (NRAs); the Regional Start Initiative and impact on NRAs. Table 10 shows that 649 jobs were created in Neighbourhood Renewal Areas and 327 among NEETs over
the last two years. It also shows that 166 jobs were created in social enterprises and that these nearly tripled between 2011/12 and 2012/13.

Table 10 Impact of the Jobs Fund 2011/12 to 2012/13

<table>
<thead>
<tr>
<th>Jobs Fund Measure</th>
<th>Jobs created FY 11/12</th>
<th>FY12/13</th>
<th>FY13/14 to date at 31/12/13</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NRA</td>
<td>149</td>
<td>207</td>
<td>293</td>
<td>649</td>
</tr>
<tr>
<td>NEETs</td>
<td>62</td>
<td>129</td>
<td>136</td>
<td>327</td>
</tr>
<tr>
<td>Social Economy</td>
<td>35</td>
<td>102</td>
<td>29</td>
<td>166</td>
</tr>
</tbody>
</table>

Accessing mainstream support

3.26 Invest NI’s Northern Ireland Small Business Loan Fund supports a range of businesses with unsecured loans of up to £50,000 to a range of enterprises including social firms. The organisation is also currently working with a number of social enterprises in taking forward export focussed growth plans within its Boosting Business support. Invest NI administers the new Regional Start fund, which is not a dedicated social enterprise fund but aims to support business start-ups in Neighbourhood Renewal Areas (NRA) and among young people who are Not in Employment, Education or Training (NEETS).

Social value framework

3.27 Invest NI has also recently supported the Bryson Charitable Group to help develop the Social Value Framework model, as part of a Knowledge Transfer Partnership (KTP) with the University of Ulster. The central objective is to develop a methodology to enable a better understanding of the social impact of public procurement processes. The guidance aims to increase the potential for competitive tendering success and to enhance competitive advantage for SMEs within the social enterprise sector.

Urban regeneration and asset transfer

3.28 Urban regeneration and rural development have also been important in stimulating social enterprises and the most recent urban regeneration framework makes a commitment to ‘Promoting social economy interventions, to retain finance within disadvantaged communities (and) using financial instruments to stimulate investment especially where it meets local needs or offers local services and facilities’ (DSD, 2013a, p.13). The strategy has only recently been launched but highlights the importance of new local authorities and Community Planning processes in developing the capacity of the sector across urban areas.

3.29 DSD also launched a consultation document on Community Asset Transfer in 2013 and have funded the Development Trust Association (DTANI) to help communities to skill-up to manage or own formerly owned government land or property. The strategy focuses on the development of the enabling environment including raising the profile of asset transfer, developing the necessary skills within public sector and third sector and ‘investment to support the implementation of Community Asset Transfer’ (DSD, 2013b,
Research by the Joseph Rowntree Foundation (JRF, 2012) demonstrated the significant social, economic and environmental benefit from transfer type schemes in Northern Ireland and the Housing Executive showed that nearly 400 transfers of land, community houses and commercial property have stabilised some of its most difficult-to-let estates, reduced voids and increased rental income (QUB, 2012).

**Social enterprise incubation hubs**

3.30 In October 2012 the First and Deputy First Minister announced the *Delivering Social Change* framework to tackle matters such as improving literacy and numeracy levels, family support and pathways to employment for young people. This will also involve an investment of £4m for the creation of 10 *Social Enterprise Incubation Hubs* to encourage business start-ups in empty or derelict clusters of units and shops to reduce unemployment in areas of deprivation.

**Support for social finance**

3.31 The case studies also examine different forms of social finance as well as gaps in current supply. The Northern Ireland administration has supported the establishment of UCIT as a CDFI offering loans and technical assistance at competitive market rates. In 2012, UCIT approved loans of over £5m to 44 charities, community organisations and social enterprises in Northern Ireland and the Republic of Ireland. There was a 53% increase in the number of applications received by UCIT in 2012 compared with 2011. This resulted in an additional commitment of over £2.7m into the social economy sector in Northern Ireland during the year. UCIT also made an investment of £250,000 into Big Issue Invest’s *Social Enterprise Investment Fund* in order to bring the fund to Northern Ireland. This is a new partnership with Big Issue Invest that will enable social enterprises in Northern Ireland to access lending of up to £10m over the next ten years.

**Conclusions**

- The PwC survey identified 153 social enterprises and they operate across sectors and policy areas and more than two-thirds make a profit although turnover remains low overall.

- Estimates of the size of the social economy and the number of social enterprises is problematic but it is significant in terms of jobs, turnover and service delivery.

- Social enterprises involved in urban regeneration are at varying stages of development but the majority of those surveyed identified finance to get to scale, the right skills to trade effectively and stronger support across government as barriers to growth.

- Historically, start-up was not necessarily a problem, not least given the range of grant based programmes aimed at the social economy, especially through the EU
Structural Fund Programmes. This was evidenced in the age profile of social enterprises described in 2007 and 2013.

- Problems such as finding premises, purchasing equipment or getting advice to form the project are less important than challenges which arise once a social enterprise is launched.

- Issues relating to marketing, grant finance, employing the right staff to manage and develop the enterprise and a lack of information were also identified as operating difficulties.

- There are important programmes across government including support for social entrepreneurship, access to finance and direct grant aid to SMEs with export potential. Social Economy NI (SENI) is developing a strong advocacy network, rooted in the sector as well as delivering new training and educational programmes, especially for start-up businesses. DSD has also identified the need to support the sector via its programmes on urban regeneration, community asset transfer and social enterprise incubation hubs.

- The SEP Programme and the Jobs Fund in particular, have helped to create new social enterprises, sustainable employment and Gross Value Added in some of the most disadvantaged areas of Northern Ireland. The recommendations and ideas presented in this report aim to help scale and replicate these impacts across areas, sectors and beneficiary groups.
4. Urban Regeneration and local multiplier effects

4.1 It was emphasised that most social enterprises in Northern Ireland were or still are based in communities and they often originated in response to locally defined needs. The spatial impact of social enterprises, especially in disadvantaged areas, is important in understanding its effects, how policy and programme support can help and what issues social enterprises face in delivering community based regeneration. This section shows the importance of social enterprises in creating local assets and preventing leakage from the neighbourhood economy. Scale matters; the larger the social enterprise the more capable it is of generating jobs, turnover and volume services. It is also more capable of competing with the private sector to deliver more comprehensive services and facilities. The previous section highlighted, albeit using limited survey data, the challenges and barriers facing social enterprises and this, in part, provides qualitative depth to help identify common themes and priorities facing the sector moving forward.

East Belfast Mission

4.2 East Belfast Mission (EBM) indicates the scale effects of community businesses on regeneration, social inclusion and maintaining a sustainable, less grant reliant sector. It was established in 1985 by the local Methodist Church and has now built up a portfolio of companies under the rebrand:

- Eight re:store charity shops selling donated second hand furniture and household goods;
- re:vintage shop with bridal department selling high-end donated goods;
- re:fresh café on the Newtownards Road which also operates a meals on wheels service;
- re:furb which is a furniture restoration project;
- re:cycle which repairs and resells second hand bikes; and
- Two re:beebies shops which refurbish and resell children’s furniture and equipment.

4.3 The retail outlets generate a net income of £420,000 per annum and this contributes to EBM’s annual income of unrestricted funds of £1.13m. A further £1.56m is generated from grant aid and charitable donations used for specific (and restricted) purposes including childcare and support for older people. EBM has 60 trainees on placement across their social enterprises and a team of 100 volunteers supporting 56 full-time and 10 part-time employees. An additional 35 staff work in the new Skainos Centre opened in 2012, which is an integrated facility offering community space, business units, community meeting space, social housing and a homeless hostel linked to a resettlement programme. AGENI, the Northern Ireland Association for Mental Health and Belfast Metropolitan College offer health services, care for older people and educational programmes from the centre. EMB has developed a new child care business (Bright Sparks) which provides day care for 59 children at commercial rates. The overall development cost was £15.8m, of which £1.4m came from EBM’s own reserves accumulated mainly through their trading
companies. The grant aid to build the centre reflects the availability of significant capital support from EU (PEACE) and US (IFI) peace investment but also show the importance of central government (DSD) funding for the project. The total investment was as follows: SEUPB (EU) Peace III Programme; £6.1m; Department for Social Development; £5.4m; International Fund for Ireland; £2.9m; and EBM; £1.4m.

4.4 EBM has developed strong links with the Nationalist Short Strand community and works on cross-community programmes, especially countering the criminalisation of young people involved in interface violence and developing joint service plans around the needs of older people. EBM now operates its Meals On Wheels service in the Short Strand and runs Irish Language classes which have been attended by people from both communities. Women’s groups in the Newtownards Road and the Short Strand have also come together to develop a range of programmes, especially around teenage pregnancy and support for young mothers.

4.5 EBM plan to develop a new waste management facility on land it currently owns in east Belfast. However, it requires significant capital investment and has considered equity partners and private investors as a source of funding. They see a sectoral opportunity in recycling paint by-products but this requires a specialist (and expensive) plant, beyond grant aid available from programmes such as Neighbourhood Renewal. In addition, EBM see significant barriers in waste management around local authority procurement as the Director commented that ‘at present tendering for contracts, for example with District Councils, takes no account of the complex features of social economy companies’ nor the wider social and environmental value chain in choosing one supplier over another. Financial and technical support to strengthen contract readiness and help social enterprises in procurement processes would also help the sector more broadly.

**Ashton Community Trust**

4.6 The Ashton Community Trust (ACT) is one of the largest urban regeneration based social enterprises in the UK and operates in the inner-city. ACT started with a Community Share type scheme in which 720 shares, valued at £35 per share, were issued, enabling the local community to generate the capital needed to develop proposals for a small enterprise centre. This provided a form of pump-prime funding, gave the community a material stake in the organisation and showed commitment and self-confidence to resource further developments. Ashton now employs over 180 people, has an annual turnover in excess of £3m and works with neighbourhoods across north Belfast to offer services and facilities that can be increasingly shared by both Catholic and Protestant communities.

4.7 Over time, the organisation built a new multi-purpose facility (the McSweeney Centre) that integrates childcare, commercial and community uses and was constructed on DSD owned land. Grant aid from the EU URBAN II Programme core funded the facility which is fully occupied and yields a sustainable income stream. Currently, the Ashton Trust is in a position to
develop a government transferred youth club, which was struggling to attract numbers and finance. Here, the organisation feel that because they are so embedded in the community they can build volume and offer a range of more flexible programmes to operate the centre more efficiently. The Ashton Centre has a number of interlinked programmes including: Building sustainable vibrant communities; Kinderkids Daycare; Culture and arts; FABLAB; Bridge of Hope; New Lodge Youth Centre; and Education, training and employment. The FABLAB is a project managed ACT in partnership with the Nerve Centre, Derry/Londonderry and the project is supported by the EU’s PEACE III Programme. It is one of a number of digital fabrication networks across the world (began at Massachusetts Institute of Technology) and its fabrication workshop delivers training and schools programmes as well as offering consultancy services.

4.8 ACT calculate that £1.85m is put directly into the local economy, in terms of wages and the organisation has been able to create surpluses, recently reinvesting £600,000 in both Duncairn and McSweeney Centres. The interview with the manager showed that of the 180 people employed, 140 people come from locally deprived neighbourhoods. ACT has placed 200 people in employment through their access to work programme and 700 have completed an accredited training programme in the last five years. The manager highlights the importance of its impact on the local value chain and this raises implications about how disadvantaged areas get and receive services, especially when the cash economy is restricted. As the literature review noted, a number of communities have become interested in co-production, based on effort and time and although local exchange schemes have been slow to take off in Northern Ireland, Volunteer Now is setting up a number of Time Banks as indicated in the text box below.

The Volunteer Now project is in the early stages of development but Time Banks are now formed in a range of different settings where older people are the primary giver or receiver of local services. An example is Redburn and Lough view Community Forum (RLCF), which is a project in partnership with the Housing Executive, North Down Council and the RLCF who are developing an estate based exchange that has traded in horticulture, hair cutting, ironing, shopping for neighbours and befriending. Sliabh Dubh is a partnership programme with Fold Housing Association based in Ballymurphy and is developing exchange arrangements for older tenants. Top of the Hill in Derry/Londonderry is an estate based scheme but is working with Transition Foyle and Just Xchange Foyle to extend the approach into a citywide network of self-support and coproduction. The first year evaluation report (PG Consultancy, 2012) found that at all three organisations had: A well-developed community identity; Clarity about the needs that a Time Bank would address; A clear action plan; Local ownership of the concept, in fact they had been looking for Time Banks before the opportunity to work with Volunteer Now emerged; Established leadership; Had clear ideas about the types of exchange that people in the community want; and Emerging clarity about how to develop their Time Banks but work is needed to move beyond conceptual ideas to practical action.

4.9 ACT has recently established an Ethical Property Company to buy land and buildings to develop assets for community use. The Director points out that the distressed nature of the property market provides social enterprises with an opportunity to speculate and build up a portfolio that could involve significant borrowing as well as grant support. He argues that they require a combination of seed funding to enable them to research new markets as well as equity finance to support larger scale property projects. These are riskier but would produce stronger profits in the long term. ACT also feels that their
successful community share offer could be extended to examine community bonds that would provide a fixed rate of return and an exit for investors. As the Director points out, the problem for many social investors is that they can put their money in but liquidising it is more difficult and bonds might provide more certainty in this respect.

**EU Community Initiative Programme URBAN II 2000**

4.10 This case study offers some variation by looking, not at an enterprise, but at a specific programme designed to support the social economy through area based development, in this case in north Belfast. The URBAN II Programme has two objectives: to promote the formulation and implementation of particularly innovative strategies for sustainable economic and social regeneration of small and medium sized towns and cities or of distressed urban neighbourhoods in larger cities; and to enhance and exchange knowledge and experience in relation to sustainable urban regeneration and development in the community. In Belfast, the Programme was targeted on inner north Belfast (31,000 people) and was designed to invest €17.10m (£14.5m) between 2000 and 2006. Priority 2 aimed ‘to develop the potential of people’ via two Measures; one concentrating on labour market access; and the second on support for the social economy.

**Table 11 Priority 2 of the URBAN II Community Initiative Programme**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Measure Description</th>
<th>Expenditure £</th>
<th>Percentage of Total Spend (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Accessibility</td>
<td>£1,892,788</td>
<td>15%</td>
</tr>
<tr>
<td>2.2</td>
<td>Development of community business the Social Economy</td>
<td>£1,808,968</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>****</td>
<td><strong>£3,701,756</strong></td>
<td><strong>29%</strong></td>
</tr>
</tbody>
</table>

4.11 The North Belfast Partnership Board evaluated the Programme and it showed that it has made considerable impact on community development, community relations, the development of local capacities and the built environment. However, as table 12 below indicates the opportunities for training and placing people in long-term jobs were difficult to achieve against the initial targets set for the investment. This was illustrated through the LEAP Intermediary Labour Market project operated by the Partnership Board. This placed 103 people on to pre-employment courses but only 49 moved into long term employment. In the Programme overall, 876 people benefited from training and employment support but only 20% were able to gain employment, against a set target of 35%. In addition, there was an overestimation (39%) of those individuals who wished to go into further training after they had completed their course.

**Table 12 Performance of training and employment support**

<table>
<thead>
<tr>
<th>Impacts</th>
<th>Target</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries into employment</td>
<td>35%</td>
<td>20%</td>
</tr>
<tr>
<td>Beneficiaries into further training</td>
<td>55%</td>
<td>16%</td>
</tr>
<tr>
<td>Women benefiting from additional childcare places returning to work</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Perception of an increase in the job chances</td>
<td>60%</td>
<td>43%</td>
</tr>
</tbody>
</table>
4.12 The Social Economy Measure involved an investment of £1.8m and the diagram below summarises the longer term impact of the intervention. This traces through face-to-face interviews, what happened to projects funded at the start of the Programme by the time they reached early 2013. It shows that a total of 34 projects were funded and of these, 15 were life-limited and designed to operate for a short period only. These included, for example, projects such as refurbishing an IT suite, shop-front improvements and market research studies. The grant was usually small, specific to a short-term action and not intended to generate new social enterprises.

4.13 However, a further 11 projects were intended to create a new business but terminated due to a combination of factors including low skills, time and lack of grant finance. A number of projects felt that the grant aid was insufficient to properly incubate the project. This included a community transport project whose manager argued that ‘we need finance for servicing, training and insurance and lack of continued money meant that we have not been able to establish the project.’ The issue about incubation, the scale of financial support and the gap between grant aid and commercial sustainability was a recurrent theme as one Child Care Manager explained that ‘difficulties arose in trying to secure funding outside URBAN II … we needed to refurbish the Centre and market it before we could start to get fees (income) … there just wasn’t time’ (Child Care Manager, North Belfast). Eight projects survived of which three stayed the same size and four reduced in size. Only one project increased in size, a large child care centre (the McSweeney Centre).

4.14 The case study highlights a number of points. In policy and programme terms it might be unrealistic to grow a sustainable social economy in an area with such a weak economic base. The assumptions made in the Programme design over-estimated the capacity of local groups to develop commercially viable businesses from such a position. Scale matters as modest funding (£53,000 per project in crude terms) is useful start-up capital but unlikely to build up a commercially viable social enterprise any more than a private business. Time also counts as incubation, grant support and technical assistance take time to grow the business and this varies significantly between the private sector and social enterprises. It also shows that patient capital that would allow fledgling social enterprises to become established could be important. Patient capital offers loans at below market interest rates, with longer and more flexible repayment schedules, repayment holidays and technical support from the lender to help the business become more profitable.
Figure 3 Social enterprise survival in the URBAN II Programme

The Holywell Trust, Derry/Londonderry

4.15 The Holywell Trust was formed initially to support more innovative forms of community development, especially linked to peace building in the North West. Its main areas of concern have been in encouraging healthy working relationships, both personal and cross-community, in facilitating environmental improvements, adult education, and community arts. The Trust is especially interesting for three reasons; first it has diversified its activities into trading, especially in management consultancy; second it has led the Walled City Partnership as a consortium of NGOs in Derry/Londonderry to co-locate in a new building in the city centre; and third because it has developed hybrid social enterprises with a mix of private and social share ownership. Holywell Consultancy (the management consultancy arm of the Trust) has worked with 40 groups from community and voluntary, private and statutory sectors in a variety of contracts from evaluations to strategic and business plan development. This, they argue, emphasises the need for the sector to provide consultancy services to its own members rather than see it leak out to large corporate consultancies.

4.16 The Trust led the formation of a partnership to form the Walled City Community Partnership through a Memorandum of Understanding between 11 community organisations that states that it will operate under a ‘shared ethos and a common objective of working towards the social regeneration of the city centre within the walls’. The Partnership is supported by Derry City Council, Ilex Regeneration Company, The Honourable The Irish Society, the Community Foundation. It has also used loan funding from Charity Bank, especially to assist with working capital when the new integrated hub in the city centre was being built. The project aims to rationalise provision, share
back office costs and develop a common support fund (a *Community Chest*) to assist organisations that may face temporary trading difficulties, especially at a time of uncertain public sector funding. The organisation also see this as a stimulus to develop the city centre as a shared space through the project *New Light From Old Gates* although it is at the early stages of development.

4.17 *Yes! Publications* is a community publishing group founded in 1986 producing books, magazines and pamphlets based on the socio-economic and cultural history of the city. It emerged from the Holywell Trust’s encouragement of social enterprises and has the following objectives:

- To provide growth in mutual understanding and tolerance by exploring issues of cultural identity in articles, essays, stories and poems;
- To promote the work of the independent sector in the community by providing information and stimulating discussion about the work of that sector;
- To celebrate and rejoice in the experience of ‘ordinary lives’ in the North West by publishing poems, stories, essays of local interest; and
- To develop in the community an understanding of the issues facing us, by providing clear information and alternative slants to those which have common currency in the main stream media.

4.18 A significant development of the Yes! approach has been to create a partly owned hybrid subsidiary called the *Dogs Ears*. The parent social enterprise, Yes! has a 30% shareholding in the company but the balance of the shares is owned by the two Directors. This enables Yes! to gain some degree of profit but also enables the company to qualify for export support from Invest NI. The organisation publishes media in the Irish language and recently launched *Miss Rosie Red* television series for pre-school children (see: [http://vimeo.com/47512806](http://vimeo.com/47512806)). The organisation also suggest that this project needs to invest in equipment and design serveries that are often expensive but argue that it is difficult to get loans from commercial providers and even local CFDIs that are not secured, usually against property. Social finance that takes a risk on this type of enterprise is increasingly needed and again, this helps to identify weakness in the social finance market in Northern Ireland.

4.19 The Holywell Trust has also worked to develop the city centre as a neutral and shared space and have led the re-opening the war memorial, worked on parading and developed the city walls, not just as a tourist facility but as a way of understanding the city’s past. They have implemented an Appreciative Inquiry process to create a wider public debate about the shared meaning of the Plantation and have made proposals to transfer the walls to community ownership under the DSD Community Asset Transfer policy.

Conclusions

- For some of the most disadvantaged neighbourhoods, the social economy is often their main economic asset generating jobs and training opportunities. This is shown by ACT, whose integrated approach has helped to keep income and expenditure circulating within the area.
Social enterprises can also be significant businesses, building diversified services and financial scale in high growth economic sectors. EBM has created a portfolio of companies to strengthen the organisation and new markets, such as recycling. The approach also highlights the importance of faith based groups in stimulating local social economies, enterprises and entrepreneurs.

Knowledge, learning and skills at both Board and staff level, especially in investment readiness, financial planning and business development are vital to long term sustainability. The responses from the URBAN II projects indicated that many lacked the financial and investment skills to properly incubate or scale their business.

However, policy and programme support needs to acknowledge that creating a viable social economy will require significant investment to incubate and grow businesses effectively. The URBAN II experience indicates that the social economy is unlikely to grow with modest grant aid in places where the private sector has not been able to establish profitability. An integrated approach, supporting high growth enterprise with risk capital and developing skills in business management are priorities for sustaining the sector in disadvantaged areas.

The case studies show that innovation in the form of FABLABS, hybrids and interactive media formats are an important part of self-generated business growth. ACT and Holywell Trust have developed creative projects, facilities and business lines that are part social and part privately financed. These can access export assistance but can also leak some profit out of the sector. The development of these hybrid forms to access private capital, business supports and acumen may be a growth area in the Northern Ireland market place.

The analysis also shows that a number of social enterprises seek more tailored lending including patient capital, unsecured loans and even equity finance, especially where the start-up costs are high.

Social enterprises have also generated important cross-community effects and demonstrate a unique character to triple-bottom line effects by adding community relations to traditional social, economic and environmental outcomes. East Belfast Mission has reached into markets in Catholic areas and the Holywell Trust has used its resources to promote Derry/Londonderry as a shared space.
5. Delivering social care

5.1 Williams (2012) highlighted a concern that social enterprises have enabled government to withdraw from mainstream service provision and they need to be careful about the selection of markets and sectors it engages. This section looks at the experiences of organisations working in this sector and highlights the range of opportunities that are possible as well as the operating difficulties they face.

MACS

5.2 MACS, formerly known as Mulholland Aftercare Services is a voluntary, charitable organisation established in 1990 with offices in Belfast and Downpatrick. It employs 22 staff who provide a range of services, including housing, mentoring and floating support projects for young people aged 16-25 who have been in care, have had contact with health and social services or who are vulnerable for other reasons. In 2011-12 304 young people were supported through these services. Support focuses on ten priority areas that include: emotional and mental health, motivation and taking responsibility, self-care and living skills, managing money, social networks and relationships, drug and alcohol misuse, offending, physical health, meaningful use of time and managing tenancies.

5.3 An 18-bed housing project operates for care leavers aged between 16 and 21. Residents stay in the project for a maximum of 2 years during which they receive support to obtain their own accommodation and develop the skills and knowledge to be able to live independently. The services MACS provides aim to integrate young people into housing, employment, recreation, education, and personal development opportunities. MACS has developed strong partnerships and business alliances to respond to joint commission whereby housing associations, who can access capital funding to match revenue support through the Housing Executive’s Supporting People programme.

5.4 MACS is operating in a competitive market with a number of other voluntary sector organisations competing for funding to provide similar services to vulnerable young people. Dependence on funding from statutory sources poses risks which the organisation has tackled through its reserves policy. In order to safeguard its services, 3 months running costs have been accumulated, amounting to £375,000. In 2011-12 expenditure was £779,000 with income of £810,000. Income of £23,000 (3%) per annum was generated from a rental income but most came from statutory sources (90%) and charitable donations (7%).

5.5 The case study highlights the need to diversify income streams in order to reduce grant reliance and to develop stronger business partnerships to strengthen market position. As MACS has noted, this type of care provision experiences increasing competition from other voluntary groups (as well as from private suppliers), which threatens to undermine the ethic of their practice as well as the solidarity of the sector. Collaboration NI now provides
technical support to a range of organisations who want to work more closely, develop joint contract bids or even merge. Whilst they stress that this is not necessary for all organisations or sectors, the capacity of NGOs to compete with private providers and offer the scale, quality and financial stability to compete, will require some level of sectoral restructuring.

Integrated Locality Planning Project

5.6 An interesting aspect of the attempt to create more efficient models of care is the Mount Vernon (800 residents and approximately 330 families) local planning project, which identified and made savings (mainly in health and social services) part of which was reinvested in the local community. The project aimed to: To commission - involving local people and stakeholder agencies working together and subsequently deliver, better, more locally appropriate, more locally managed services, which enhance prevention and deliver outcomes efficiently and effectively for local people. Statutory agencies currently spend just under £3m on behalf of the 800 people who live in Mount Vernon. The aim of this project to re-align or re-allocate not less than 5% of this figure annually between 2011 and 2014. Total Place methodologies have been developed across England to strengthen the coordination of locality based public spending, eliminate duplication and waste and give communities a say in how resources in their areas are spent.

5.7 The process in Mount Vernon, which has taken place over 15 months, has involved a steering group at which statutory stakeholders together with focus groups of Mount Vernon residents systematically evaluated local services and their effectiveness. The methodology involved: an audit of existing services; calculating capital but mainly revenue costs; agreeing what worked and what needed to be changed; agreeing realignment of services; and then testing and evaluating new service models. The Health and Social Care Trust was one of the largest spenders including in- and out-patient services, Sure Start and welfare benefits totalling £984,000 in 2011-12. The community group worked on referrals and follow up interviews to reduce the number of DNAs (Did Not Attends) at hospitals. There were 315 admissions from Mount Vernon in 2011-12 amounting to £710,000 and considerable losses were attributed to DNAs.

5.8 Spending by Belfast Education and Library Board (BELB) was £400,000 in schools, pre-school and youth services. The Housing Executive also spent £1,059,000 mainly in planned and response maintenance. Here, the community group is working to reduce voids, clean-up the estate and target rent arrears. The City Council also spent £125,000 in a range of community services as well as cleansing and the DSD a further £82,000, including investment from the NRA. Overall, the analysis showed that stakeholder agencies currently spend £2.793m or £3,500 per head of population in Mount Vernon. It is the intention of the plan to begin to re-align this expenditure with a target of 5% of this figure or £140,000 per annum for the next three years. The Mount Vernon Group will then retain £60,000 to invest in its own project priorities that include a proposal to develop allotments and improve local health eating.
OASIS

5.9 Oasis is the charitable arm of the Christian Fellowship Church in east Belfast and operates a number of social enterprises in catering, housing and social care. Government grants remain a key source of income (47%, £201,440) but more than half of total income (53%, £227,459) comes from trading. The organisation began operating in 1996 with four staff and this has now risen to over 70 but they see the social enterprise model as a way to offer training, jobs and delivering services to hard to reach groups rather than as just a revenue stream. *Oasis Caring in Action* began in February 1996 as a drop-in centre operating out of a terraced house off Templemore Avenue in inner east Belfast.

5.10 The organisation operates two community cafes which also provide outside catering services and meals for older people programme and a new Maintenance & Cleaning Service has recently been established to operate home improvement type services. These have become increasingly important in reablement, keeping older people in their homes as long as possible and improving housing conditions, especially levels of disrepair. Linked to this, Oasis has started a social housing business with the aim of refurbishing local properties which are then rented at a reasonable cost to tenants. *Oasis Housing* purchased a total of eight houses and manages a further two properties for clients which, in 2010 generated an annual rental income of £56,792.

5.11 Oasis operates through a number of individual companies with the charitable limited company being the parent body and at 31st December 2012 it had assets of £95,527 and liabilities of £341,008. They were due to pay £168,646 to creditors and were owed back £90,224 from trade debtors and there was £602 in cash reserves. This shows the margins at which many social enterprises operate and the undercapitalised nature of what is essentially a profitable and effective business.

5.12 Oasis has recognised the need for skills at Board level as well as among the staff. Here, they are especially interested in stronger collaborative working in order to build market share and compete for contacts. Most recently they have led the formation of *Orien* as a consortium of six organisations delivering similar services in the east Belfast area. This is a cross-community initiative that aims to strengthen organisational finances, prevent competition from pushing down prices to artificially low and unsustainable levels and to offer a service range comparable with the private sector. It also shows that social enterprises might need to move out of their original geographic area to expand and develop viable business models and alliances.

Bryson Charitable Group: Care Services

5.13 The Bryson Charitable Group has been an established charity for over 100 years and is one the largest social enterprises in the UK. The current structure revolves around separate business units including: Bryson Care; Bryson Care West; Bryson Energy; Bryson Future Skills; Bryson Intercultural; Bryson
LaganSports; Bryson Recycling; and Bryson Electrical Recycling. The organisation operates out of 29 locations across Northern Ireland and Donegal. It employs over 660 staff and 150 volunteers; and in the last year delivered over 25,700 services per day to families and individuals. Group turnover has increased by 12% to £34.4m in 2012 of which £9m (69%) is contributed through energy programmes and £3.3m (25%) through the social care business. The social services functions are described in the table below and include family support, advocacy and domiciliary care. Bryson Care employs approximately 200 staff and volunteers provided over 172,600 hours of care and support to children, families and older people in 2012.

Table 13 Services offered by the Bryson care group

<table>
<thead>
<tr>
<th>Service</th>
<th>Areas of provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Advocacy Service</td>
<td>This supports adults with learning disabilities. The service operates in the greater Belfast area encompassing Muckamore Abbey Hospital and across the South Eastern Trust area.</td>
</tr>
<tr>
<td>Family Support Service</td>
<td>This is a well-established service offering practical help and emotional support to families experiencing difficulties or under stress.</td>
</tr>
<tr>
<td>Home From Hospital</td>
<td>This provides a short-term service to people who have been in hospital and who require additional support / assistance to rehabilitate at home.</td>
</tr>
<tr>
<td>Domiciliary Care</td>
<td>This provides care and support to older people and people with a physical disability living in their own homes.</td>
</tr>
<tr>
<td>Neighbourly Care Scheme</td>
<td>This provides support to people who are vulnerable and living within the community.</td>
</tr>
<tr>
<td>Laundry Service</td>
<td>This provides a weekly service of fresh bed linen to people managing incontinence.</td>
</tr>
<tr>
<td>Student Unit / Practice Learning Centre</td>
<td>This is about direct provision and development of practice learning opportunities in the wider voluntary sector.</td>
</tr>
<tr>
<td>Bryson Asylum Support Service</td>
<td>Bryson Charitable Group has been sub-contracted by the refugee Council (UK) to provide a service, including advice and support, to destitute Asylum Seekers while they apply for assistance through the new NASS (National Asylum Support Service) provisions.</td>
</tr>
<tr>
<td>Volunteering programme</td>
<td>Bryson Charitable Group also provides a variety of opportunities for people interested in volunteering including befriending, practical help, the arts and environmental projects. Bryson Charitable Group also sends young people from Northern Ireland to volunteer in other European countries.</td>
</tr>
</tbody>
</table>

5.14 Care Services has three key business areas: long term domiciliary care; a Home From Hospital scheme; and a neighbourhood care service. The latter aims to reduce the isolation of older people living in rural areas and was initially run in conjunction with Age Concern and the Health Trust. The domiciliary care scheme operates in north and west Belfast on a contract basis with the Trust and provides support to 140 people over 60 years of age. It has a staff of 45 and has been operating for more than ten years. Home From Hospital was established in 1988 enabling safe discharge from hospital for older people who are vulnerable but medically well. Currently, around 2,000 people per annum avail of the scheme and again it operates on a contract basis with social services across the former Eastern Health and Social Services Board area and covers all major hospitals (RVH, City and Mater). The focus is on helping people to reach an independent stage within a six week period and has a current success rate of 50%. Bryson has recently received seed funding from the Atlantic Philanthropies to establish a Home...
Improvement Agency that would coordinate and develop locally based schemes and strengthen referrals especially on hospital discharge. The approach aims to create quality standards, develop skills and standardise prices rather than displace existing initiatives.

Conclusions

- Some of the social enterprises described in this section are operating at tight margins with pressure on reserves and making contracts profitable. Effective pricing as well as the management of unrestricted income need to be a stronger component of technical support. There also needs to be some flexibility among funders to enable social enterprises to accumulate reserves, especially where organisations can generate surpluses when delivering grant programmes to agreed standards.

- There is considerable potential in health and social care sector especially since the publication of Transforming Your Care, which highlights the need for a wider range of services to be provided at the community level in order to keep people in their homes longer. This is evidenced by the development of the Home Improvement Agency by the Bryson Charitable Group and demonstrates the need to better understand market sectors and their potential for social enterprises.

- Defining what sectors are likely to grow, the barriers to entry, strategies for developing market share and how the sector best organises itself highlights the importance of research and intelligence to the longer term future of the sector. We show in the conclusions that such a service for and by the sector could be a useful function of Social Enterprise NI.

- However, competition within and between the sector is growing, especially as contracts are likely to require larger, high capacity providers. The Orien network in east Belfast demonstrates the capacity of the sector to reorganise by forming higher capacity consortia to respond to larger and more competitive procurement contracts.

- There is support in the form of CollaborationNI and it demonstrates a degree of innovation and self-reliance in the social economy in particular and the community and voluntary sector more generally.
6. Using assets and rural development

6.1 This set of case studies looks at the role of social enterprises in asset management and rural development. As DSD is bringing in a new Community Asset Transfer policy, the potential to use natural and heritage assets as a basis for development is compelling. Here, a number of projects supported by social finance and community shares demonstrate the potential of this sector for long term growth.

Altahullion Wind Farm, Derry / Londonderry

6.2 Altahullion Wind Farm, between Dungiven and Limavady, began generating wind energy in 2003 and with 29 turbines it is now one of the largest in Northern Ireland. The developers, RES Ltd and B9 Energy Services Ltd, designed a community fund to make a contribution to local community activities. The fund is divided equally between three community groups and they were chosen due to their proximity to the wind farm and following consultation with the local community. The amount of the fund is based on a sum of £1,000 per turbine, making a total of £29,000 available to the 3 groups per year.

6.3 While the Altahullion fund was based on a fixed sum of £1,000 per turbine, more recent wind farm developments by RES contribute on the basis of the capacity of each turbine. As technology has advanced, the capacity of turbines has grown and the amount now contributed to community projects by each turbine is £2,600 per year. Other funding arrangements are in place in Tyrone and Fermanagh where the Omagh Forum and The Fermanagh Trust are provided with funding for projects which are then managed by the two intermediary bodies rather than RES itself. For example, this has funded the Cloughmills Action Team who redeveloped a four acre mill complex in the village for a community horticulture project and Drumquin Development Association who used the finance mainly for working capital, which is often difficult for local groups to access through grant-based programmes.

6.4 In October 2012, Scottish and Southern Energy plc (SSE), which owns Airtricity, entered into an agreement to purchase the third phase of Altahullion. The community fund arrangements formed part of the sale agreement and will remain in their present form. Airtricity has funded 10 community projects promoting energy-efficiency and sustainability around the vicinity of its Slieve Kirk Wind Farm. The work funded covers loft and wall insulation, double glazing and energy efficient lighting. The groups assisted include three cricket clubs, two community centres, a football club, a GAA club and an Orange Hall.

6.5 This quasi-market financial mechanism is an important source of community finance but the Fermanagh Trust (2011) showed that renewable energy developers in Britain pay four times more into local funds than in Northern Ireland. The Trust recommended that local communities should be offered a minimum annual payment of £2,000 per mw of installed capacity which would...
be index linked. This should apply to all new wind farms including those in the planning system or yet to be commissioned. Moreover, such instruments should not just be used for planning gain, there to buy-off local objections to unpopular developments. There have been only eight planning agreements in the last four years in all of Northern Ireland and could be used more frequently to support local social enterprises. In England and Wales, the Community Infrastructure Levy is used to finance community projects including social firms (FOE, 2013).

6.6 The potential for communities to accumulate assets, finance and own wind farms and recycle profits in more meaningful ways highlights the potential of local forms of social finance. The Fermanagh Trust acknowledged that it takes considerable capital to develop and own a wind farm and highlight the need for equity and quasi equity finance to help local groups to develop community owned facilities. There is a lack of supply of such products locally although finance is available nationally. Big Society Capital (see section 8.3) has recently announced plans to extend its lending in more targeted ways to Northern Ireland (Director, social finance organisation) which might help increase availability but there is a lack of local intermediaries who can match up these financial sources with organisations that need specialist risk capital. Such an approach, like the private sector, needs capital and the next case study demonstrates the potential of Community Shares to generate funding to support community economic development.

**Energy4All and Drumlin**

6.7 Drumlin Wind Energy Company (DWEC) was set up in 2011 to develop three wind turbines in Northern Ireland using a Community Share issue as part of the Energy4All consortium. Energy4All Ltd is a not-for-profit organisation dedicated to helping communities around the UK to own a stake in renewable energy schemes. It is owned by the community co-operatives it creates and was established in 2002 by the Baywind Energy Co-op in Cumbria. In total more than £15m has now been raised through Community Share offers and the Energy4All family of co-ops has over 7,500 members in the UK in total.

6.8 Each wind turbine in the co-op will commit £2,000 per annum to the local community and it is proposed that the community fund will support local environmental and social projects in the same way as in Altahullion. Shares in DWEC qualify for Enterprise Investment Scheme (EIS) tax relief so that an investor will be eligible to claim relief on income tax. The relief is 30% of the cost of shares (minimum £500), to be set against income tax liability for the tax year in which the investment was made. In the summer of 2012 the Co-op, supported by Energy4All, started to raise finance by issuing a share offer document enabling the public to become members of the co-op by purchasing shares. Individuals, businesses or any organisation may invest between £250 and £20,000 in the co-op and receive shares. DWEC is looking to generate £4m in total and at the time of writing just over £2.7m was raised enabling two turbines to be built. When operational, all the electricity generated will be sold to the grid and the co-op will receive an operating income. After payment of the operating costs, the surplus profits will be available to distribute as a share
interest payment to members. At the end of the life of the wind farm, (normally 20 to 25 years), the Co-op will oversee the repayment of each member’s original investment in full. Drumlin also point that the capital costs required highlight the need to access equity capital as part of the rational for the share offer was difficulty borrowing from commercial banks. The also feel that help to access investors would help to develop community owned energy across Northern Ireland. A variation of community shares is the community bonds, which could be piloted in Northern Ireland and table 14 illustrates some of the emerging practice in Britain.

Table 14 Community bond issues in Britain

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Bond Details</th>
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<tbody>
<tr>
<td>Investing For Good</td>
<td>Arranges charity bonds and helped Scope, the disability charity, to raise capital in this way. It has piloted a £20m bond to allow it to expand its income generating activities, including its network of charity shops.</td>
</tr>
<tr>
<td>Scope</td>
<td></td>
</tr>
<tr>
<td>Bristol Together</td>
<td>Plan a bond issue worth £1.6m. The first £600,000 was bought by a charitable foundation and the second tranche of £1m was sold to private individuals to attract Community Investment Tax Relief, which allows investors to reduce their tax bills by 5% a year for five years. (Based on <a href="http://www.bbc.co.uk/news/business-16267298">http://www.bbc.co.uk/news/business-16267298</a>).</td>
</tr>
<tr>
<td>Avante Partnership</td>
<td>Launched a £5m charity bond to build a new 75-bed care home for people living with dementia on the Isle of Sheppey. The charity bond has a minimum investment of £2,000 and offers a 5% gross fixed return for five years. (The bond has a minimum investment of £500 for Avante employees). Triodos Bank again helped Avante develop the bond, which will be listed on exchange platform Ethex. (Based on <a href="http://www.civilsociety.co.uk/finance">http://www.civilsociety.co.uk/finance</a>).</td>
</tr>
<tr>
<td>Greenwich Leisure Limited (GLL)</td>
<td>One of the UK’s largest social enterprises, delivering diverse services across a variety of health, fitness, sport, library, arts and cultural facilities, all with a strong focus on affordability and accessibility. Established in 1993 with seven leisure centres, GLL now manage over 130 leisure centres and libraries in partnership with over 30 local councils, public agencies and sporting organisations. They now employ over 6,000 and generate an annual income in excess of £120m. As with other examples, the bond was promoted by Triodos Bank and they aim to raise £5m to refurbish a number of properties as community based leisure and health facilities. The term is 5 years (payable annually in arrears) and the minimum investment is £2,000. It was launched in September 2013 and by November 2013 GLL had raised £2.5m. Again, the bond is registered for trading on Ethex in which bondholders may be able to buy and sell bonds on a matched bargain basis although there is no certainty that trading will develop on a volume basis. The bond is not part of the Financial Services Compensation Scheme. (This may be an opportunity for larger social enterprises to raise capital for asset transfer projects in Northern Ireland). (Based on <a href="http://www.gll.org/b2b/pages/32">http://www.gll.org/b2b/pages/32</a>).</td>
</tr>
<tr>
<td>Irvinestown Trustee Enterprise Company (ITEC)</td>
<td>The Irvinestown Fairs and Markets Trustees in 1908 was established in Irvinestown the basis of equal religious composition and in 1992 they reformed as ITEC to manage the development of an enterprise park with an initial Community Regeneration and Improvement Special Programme (CRISP) investment of £800,000. The centre opened in 1995 and quickly reached a position where sufficient revenue was created to repay loan capital and generate funds to reinvest in the community. What is of particular interest</td>
</tr>
</tbody>
</table>
here is the way in which the surpluses were used to address a range of health related problems in Irvinestown including a Health Living Centre in the Sallyswood estate.

6.10 The ARC Healthy Living Centre was opened in October 2001 and it involved the rehabilitation of a terrace of four derelict houses in the centre of the estate. The building incorporates a main concourse where community art is displayed, a large multi-purpose room, a counselling suite and, meeting rooms. The project has been funded through a £315,000 grant from the New Opportunities Fund and the Millennium Halls programme, then operated by Rural Community Network. Irvinestown’s main employer was a textile factory, which closed in 2001 with the loss of 120 jobs. ITEC now operates the 32,000 sq. ft. factory which is fully occupied industrial space that provides 92 jobs in eight enterprises. ITEC is still owned and managed by the community and is the fifth largest business park in Fermanagh.

6.11 ITEC takes a life course approach, running programmes for children, young people, mothers, families and older people across Fermanagh. For example, CHERISH incorporates childcare facilities including breastfeeding support, child protection and a toy library. The Sure Start programme, which provides support for young families and children, also operates from the Centre and employs 4 full-time staff. IDARE concentrates on drug awareness, counselling for heavy drinkers and support to local schools on solvent misuse and FAST is a rural transport initiative that provides two buses, which are fully adapted with wheelchair access. The buses provide services for women with dependents, older people and disabled people in order to provide more flexible links between the town and its rural hinterland. ITEC has recently purchased a greenfield site to create a health village offering integrated GP, dentist and social care services and their current programme range is set out in the table below.

Table 15 ITEC core programmes

<table>
<thead>
<tr>
<th>Programme</th>
<th>Service areas</th>
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<tbody>
<tr>
<td>Cherish Sure Start</td>
<td>Cherish aims to improve the well-being and life opportunities of young children aged under the age of four through better health, childcare, play and educational programmes.</td>
</tr>
<tr>
<td>Seasonal Diversionary Activities</td>
<td>This offers life skills for young people aged between 4 and 16 years of age.</td>
</tr>
<tr>
<td>SOLACE Supportive Opportunities for Living with Addiction in a Community Environment</td>
<td>This is funded under Northern Ireland Drug and Alcohol Strategy, funding delivered via SLA through the Western Drug and Alcohol Co-ordination Team, under the direction of the Public Health Agency.</td>
</tr>
<tr>
<td>EDGE</td>
<td>EDGE is Youth and Family Support funded by the Public Health Agency.</td>
</tr>
<tr>
<td>Active Allsorts Childcare Centre</td>
<td>This is self-financing and linking with SURESTART in preschool provision, registered by The Western Health and Social Care Trust.</td>
</tr>
<tr>
<td>CHAP Community Pharmacy Project</td>
<td>CHAP is funded through, Building the Community Pharmacy Programme from DHPSS.</td>
</tr>
<tr>
<td>SSAVI, Shared Service Added Value Initiative</td>
<td>This involves sharing staff and services between 6 Fermanagh based not for profit childcare providers, funded by DARD.</td>
</tr>
</tbody>
</table>
**Lissan House Trust**

6.12 Lissan House is a 17thC country house set in a 250 acre demesne of ancient woodland and forestry near Cookstown in Country Tyrone. It came to prominence in 2003 when it reached the national final of the BBC *Restoration* programme and the family bequeathed the property to a charitable Trust to take forward the restoration. By 2009, the Trust had secured over £1m of funding from a range of charitable trusts but also included loan finance from UCIT. Following extensive redevelopment work, the house opened in spring 2012 and between April and November had almost 6,000 visitors. In November 2012, the National Lottery Village SOS Scheme agreed to provide £50,000 towards the refurbishment of the dining room to a coffee shop. The money generated from the cafe and catering for local community events is used for running costs and working capital.

6.13 The Trust acknowledged the limited market potential of visits and have extended the business offer to include venue hire, catering and accommodation. The organisation point out that there are few tourist facilities in the area and that an integrated approach is required to build the tourist economy and the viability of the estate as a destination. They also face considerable operating challenges, especially in achieving financial sustainability. The last filed accounts show that the Trust has £116,540 in cash reserves but making high cost listed buildings profitable in practice is difficult.

**The Colin Glen Trust**

6.14 The Colin Glen Trust was set up in 1985 to develop and manage the Colin River Valley, which was derelict, vandalised and used as a dumping ground. Now reclaimed, the Colin Glen Forest Park, comprising 200 acres in the heart of west Belfast, attracts over 250,000 visitors each year. The Trust promotes the conservation and development of the natural environment in and around the Glen and has also developed an educational programme for schools. The Trust’s mission also includes the provision of leisure facilities, the creation of employment and training and the promotion of cross-community involvement in its activities. Over the last decade it has made a strategic decision to reduce its (98%) income dependency on grant aid. Currently, 34% of income is from grant and the Board has set the objective of reducing this to zero. Resilient organisations recognise the need to protect themselves against risks, including the closure of programmes such as the Action for Community Employment, on which a number of social enterprises relied. Developing a diversified income stream is critical, especially in an uncertain funding climate. In the case of Colin Glen, social enterprise models are at the heart of this approach based on the Colin Valley Golf Course, Colin Glen Landscapes and New Deal Training programme. Plans also include:

- The Riverside Golf Driving Range and the Woodland Café are projects currently under development which will also generate income;
Hydroelectricity generation within the Park is at an advanced stage of planning. The hydro scheme is projected to generate over £50,000 of green electricity annually;

Synthetic floodlit sports facilities on lands adjacent to the golf course; and

In the medium to long term, plans exist to develop a recycling plant, build a new forest park centre and to establish a tree and shrub production facility.

6.15 Public recognition was important to managers in order to ensure quality and demonstrate the wider appeal of the Glen to communities outside west Belfast. This has been very successful with the Trust being awarded a number of key tourism and regeneration awards including: the British Urban Regeneration Award; the Northern Ireland Travel and Tourism Award; RDS Irish Forestry Award; and AIB Better Ireland Award. It has created a shared space in one of the most divided and disadvantaged communities in the city but they are not constrained by a focus on the Glen. Here, the organisation recognises that commercial viability will inevitably take social enterprises into new areas, sectors and projects. Interestingly, they also highlight the value of recognition to endorse the approach and build confidence among trustees and funders.

Stewartstown Road Regeneration Project

6.16 McAleavey et al (2006) highlighted the importance of cooperatives in Northern Ireland in creating cross-community contact and they argue that these organisation forms can create new networks based on a common local economic need:

The cooperatives established are either cross-community or currently examining how they can develop their work to access communities outside their scope. The spread of Credit Unions from one community to another is a powerful demonstration of the potential for cross-community learning regarding the provision of community financial services. The potential for co-operatives to address new domains, such as care services and housing associations, points to future possibilities for cross-community management of key social facilities (McAleavey et al, 2006, p.88).

6.17 This has also been a feature of some social enterprises operating in some of the most divided and disadvantaged places. Suffolk is a small Protestant housing estate surrounded by the greater west Belfast Catholic housing market, formed as the population shifts of the 1970s left residualised pockets of minority enclaves bounded by the peace line. Relationships between the communities began in the 1980s over the need for a pedestrian crossing, mainly to access bus stops and to make the road safer for children. Women came together, informally, to stage sit down protests and were successful in getting a new set of traffic lights outside a block of largely derelict shop units. Against this backdrop, a community group in Suffolk and one in Catholic Lenadoon agreed a Peace-building Plan for the interface in 2007, supported
initially by the Atlantic Philanthropies. The Plan built upon years of patient, high risk local contacts which slowly developed to deepen the sense of trust between community activists. A joint statement on local development principles helped to prepare both communities to handle disputes and laid the foundation for the establishment of the Suffolk-Lenadoon Interface Group (SLIG) to: address the physical environment of the Stewartstown Road interface; and to create durable cross-community structures.

6.18 A social enterprise was formed, the Stewartstown Road Regeneration Project (SSRP), managed by four members of the Lenadoon Community Forum, four from the Suffolk Community Forum and four independent members. The company focused on a single project to rebuild a two storey block of shops and offices on the Stewartstown Road. Retailing on the ground floor generated commercial rent whilst the upper storey was allocated for offices for the community groups. The critical first stage of the project was the transfer of land and derelict property by the Housing Executive to the new company. This was at nominal value and enabled SSRP to bid for development grants. Funding for the project came from the government and the International Fund for Ireland and when implemented, the new centre completely reshaped the interface, physically and socially. The police reported a significant drop in interface violence, the rental units were fully occupied and commercial confidence was reflected in a private retail development on the Stewartstown Road. The project gained additional momentum with a new 50 place childcare centre supported by EU PEACE funding and this lead to a peace-building Plan as a physical statement agreeing the use of contested spaces and development priorities.

6.19 Last year SSRP had a turnover of £310,000 and a surplus of £99,920. Under the joint agreement SSRP retained one-third of the profits and the separate community forums also received one-third or around £33,000 each. This has been used to develop local training programmes, benefit advice clinics and cross-community contact schemes, aimed primarily at children and young people. More money is now being spent in local shops and on services employing people who are mostly from surrounding Protestant and Catholic neighbourhoods. The initiative has created a new commercial zone and helped support private sector investment in the form of a new shopping centre on an adjacent site.

Conclusions

- Social enterprises that want to achieve commercial viability often need to move beyond the original business, sector or geographic area. The Colin Glen Trust was almost entirely grant dependent and aims to make the organisation self-reliant through trading. However, to achieve this they have developed its services and area of operation, although these have been based on core skills and expertise in environmental management and recreation.

- A focus on assets, not just social need, also creates a different perspective on regeneration and the potential to exploit natural resources, heritage and tourist assets is significant for some social enterprises. Community Asset Transfer has
the potential to develop local social enterprises but projects need to be supported with grant and loan finance.

- The case studies also highlight the potential of social finance instruments, especially community shares to support businesses. The start-up costs in developing wind farms are considerable and the payback period is often too long for smaller enterprises. However, the Drumlin example shows that ethical investors are attracted to cooperative models if the financial and social mix is right but mechanisms are needed to replicate these examples to other areas and sectors.

- How learning and best practice is shared, especially to develop financial skills, demonstrates the importance of intermediation. It will be shown later that such intermediaries are supported in Scotland (see 8.17 and 8.18) and that this is part of the infrastructure that could be further developed in Northern Ireland. The Drumlin case showed that many investors are from outside Northern Ireland and the opportunity to access capital in Britain is a further development area for financial intermediaries.

- The Altahullion case also shows that the community gain from wind farms tends to be lower than other regions of the UK or Ireland. This highlights the importance of planning gain as a source of income for local communities and social enterprises. There is limited use of planning gain in Northern Ireland and Community Infrastructure Levy (CIL) is not available in the region. Such approaches offer important opportunities to access resources without mainstream grant support.
7. Supporting social enterprises

7.1 This section describes a range of measures to help strengthen the social economy in Northern Ireland. It is not an audit of every intervention but highlights some of the issues around capacity building and technical support. There are very strong projects and programmes such as Business In the Community’s ProHelp initiative. This is a free resource provided to the community, voluntary, and social-enterprise sectors, which brings professional and business skills to assist the social and economic regeneration of communities throughout Northern Ireland. There are a number of such valuable initiatives but this section focuses on direct support organisations such as Larne Enterprise Development Company (LEDCOM), who coordinate the Social Entrepreneurship Programme. The analysis also considers issues raised by social enterprises, especially around social finance, investment readiness skills and measuring impact.

Social Entrepreneurship Programme

7.2 LEDCOM is a social enterprise that acts as a one-stop-shop for economic and enterprise development in east Antrim and provides a wide range of services including managed workspace, business incubation and business skills training. It also offers a specific programme of support on contracting and outsourcing opportunities from the public sector and local government in Northern Ireland. LEDCOM point out that, since 1985, they have supported nearly 100 social enterprises and helped to create or safeguard 150 jobs in the east Antrim area. The organisation uses SROI techniques to assess its social value. Their last year accounts show that their turnover was nearly £750,000 but they achieved an additional £68,000 (9% of turnover) of social outputs, mainly through free room hire, discounts on training and pro-bono support by their staff.

7.3 LEDCOM also operates the £1.5m, three year, Social Entrepreneurship Programme (SEP) based on a competency framework and modular training programme lead by 20 mentors. LEDCOM has supported the start-up and development of 250 social enterprises in Northern Ireland including 23 organisations that have created export projects, enabling them to be further supported by Invest NI. The key results from the Programme up to 2012 include:

- 162 groups at Lead in stage of the programme of which 38% moved on to the Core stage and to setup a social enterprise;
- 158 groups on the Core stage with 149 new social enterprises set up;
- The failure rate for the new social enterprise is 3.7% after three years, which is a survival rate of 96.3%;
- 426 jobs created through the main fund and 65 jobs created through the Job Fund resulting in a total of 491 jobs;
- Combined projected turnover of the business in their first year of trading is £9.5 million;
- Export sales in the first year of these businesses equals £844,535; and
7.4 Invest NI has also provided an update on the most recent performance of the SEP. The output and performance targets for 2013 are as follows:

- Provision of lead in capability support to assist a minimum of 60 groups per annum in year 1 (2013) and 2; and 31 groups in year 3 with initial animation and support to identify a clearly defined start-up idea. This has been achieved for year one and the SEP has exceeded its target to provide Lead in Capability support to social enterprises in year one.

- Provision of core capability support to a minimum of 55 groups per annum in year 1 and 2; and 28 groups in year 3 encompassing business plan development and start up support. Performance has also been strong in this area with 53 groups supported in year 1.

- The analyses also shows that more that 50% of groups supported are from Neighbourhood Renewal Areas and those 41 jobs have been created in 2013 and that the programme aims to create a GVA of £10.4m over a five year period, underscoring the ability of social enterprises to generate significant local multiplier effects.

7.5 The independent evaluation of the programme concluded that:

Based on levels of the employment created by the Programme in beneficiary firms (for the period April 2009 through to October 2011), the evaluation estimates a gross annual GVA contribution of £8.5m. Allowing for deadweight, leakage, displacement, and substitution, the total net GVA impact per annum of the SEP based on employment effects is estimated to be £3.2m. If we assume (conservatively) that the economic impacts will persist for three years, then the total net GVA generated is £7.9m. Given the funding inputs made, for every £1 invested by Invest NI (in cash terms); the SEP has generated £4.85 in net GVA, through increased employment (SQW, 2012, p.vii).

7.6 The SEP approach indicates a concern for outputs and estimating the effects of the social economy was also highlighted as a priority in the PwC (2013) review. This is an issue that has been picked up in the Building Change Trust 

**Inspiring Impact** programme that stresses the need for the sector to produce reliable accounts of its value added. 

The Building Change Trust has partnered with the UK wide **Inspiring Impact Programme** in order to change the way the UK voluntary sector thinks about their social, environmental and economic impact. There are a range of voluntary sector organisations involved and are supported by impact measurement experts, sector network organisations and academics. Over the next decade the initiative will work on a number of projects to identify the challenges charities, social enterprises and funders face when measuring their impact. The Trust contracted Community Evaluation Northern Ireland (CENI) to work with it to develop the plan for Inspiring Impact in Northern Ireland. The programme is built around five themes: encouraging impact leadership amongst charities and social enterprises; encouraging more widespread adoption of an impact approach amongst funders, commissioners and investors; developing shared approaches to impact measurement at sub-sector
level; making appropriate, affordable data, tools and systems readily available; and developing a coherent and effective marketplace of impact measurement support. As charities and social enterprises are challenged to focus on outcomes, the use of social auditing, accounting and evaluation methods is likely to grow. The BCT aims to enable organisations to select, potentially online, from a range of appropriate techniques and measurement systems.

Supporting infrastructure: Building Change Trust

7.7 The Building Change Trust was established in 2008 with a £10m grant from the Big Lottery to the Community Foundation for Northern Ireland, Community Evaluation Northern Ireland, Business in the Community, Rural Community Network and the Volunteer Development Agency. The Trust aims to:

- Make 20 Deliver Change awards of £50,000 to strengthen organisational sustainability;
- Establish a Partnership, Collaboration and Mergers support programme; and
- Invest £1m in Charity Bank to strengthen a Social Loan Fund for the sector.

7.8 Around 50 loans and £4.2m worth of lending to social enterprises is planned by 2018 and this will be supported by the Investment Readiness skills programme which is designed to strengthen the trading capabilities of the sector. The programme aims ultimately to take 190 groups to the point at which they are capable of submitting a successful loan application and then helping more than 100 groups and organisations to deliver the business plan for their project. The structure of the Charity Bank loan fund is explained in further detail in the text box below.

ECORYS (2012) reviewed the state of social finance in Northern Ireland and highlighted significant gaps in patient capital that help projects graduate from grants to a blended mix of grant and loan to full lending. This may also involve extended terms, loan holidays and more flexible repayment schedules. It is accompanied by technical support, (see the investment readiness programme) specialist in the needs of the sector. In order to lend to charities and other not for profit organisations, Charity Bank needs two sources of funds; capital and deposits. Capital in the form of ordinary shares and capital grants is the foundation of the Bank and allows it to create leverage. In broad terms £1 of capital allows the Bank to raise £6 of deposits from which they can lend to charities and as loans repay so new loans can be advanced and the leverage increased (The exact multiplier changes in response to the requirements of the Financial Conduct Authority). The Charity Bank model is already efficient at raising deposits, for example from credit unions and housing associations in Northern Ireland (£1.7m raised to date). In order to qualify as core tier one capital this can carry no guarantee of financial return although there is the possibility of future dividends. Under the new Basle Rules subordinated loan notes will have no value as capital unless they can be converted to equity in the event that that Bank’s ratios require it to raise new capital. Co-cos (convertible capital) as they are called are novel. The Building Change Trust has invested £1m and the Atlantic Philanthropies’ £400,000 in tier 1 capital substantially increasing the Bank’s capacity to lend to the sector. However, this is, in part, dependent on the capacity of NGOs to borrow and there is a significant skills gap in the sector. Both the BCT and Atlantic philanthropies have supported Charity Bank to develop financial skills, but lending has been slow, partly because of the lack of skills and partly because of the economic environment, reductions in government spending and the run-out of several grants programme, especially from the Structural Funds.

7.9 The Investment Readiness skills programme aims *to develop a programme of training and technical aid that will build the financial capability of the age
sector and increase NGO competence and awareness of the opportunities and challenges of social enterprise. The programme provides support is required at a number of levels from local organisations that need support to professionalise their management systems to leaders in larger NGOs who wish to diversify their income streams. The regional level aims to strengthen the investment readiness of leading organisations; the sub-regional level works with specific organisations to develop bespoke systems aimed at stronger financial planning and a more business oriented approach; and the local is a more broadly based approach to apply financial planning reporting systems in smaller and Below the Radar (BTR) groups.

7.10 At the regional level, the first Advanced Diploma in Sustainable Investment for the Third Sector was launched by the University of Ulster in 2011. The programme aims to develop knowledge and skills to enable the community and voluntary sector to strengthening their ‘financial resilience’ and operational independence. The modules highlighted a range of competency areas including business planning, financial sourcing and managing, understanding and mitigating risk and marketing. The programme is based on a distinctive approach that enables learning to be embedded in the practical challenges faced by individual organisations attempting to develop social enterprise models.

7.11 The mid-term evaluation of the Investment Readiness programme (RSM McClure Watters, 2013b) showed that the work across the three levels has produced a number of outcomes including:

- 24 places per annum in an advanced, validated university based educational programme;
- 103 participants over the life of the programme;
- 80 people per annum involved in social enterprise training and development;
- 25 organisations supported in trading and social economics per year; and
- 30 workshops to support the financial management capacity of the age sector.

Social Enterprise NI

7.12 Social Enterprise NI was launched in November 2012 as a consortium of social enterprises and social entrepreneurs (see: http://www.socialenterpriseni.org/). It aims to: represent the sector, especially on policy and political matters; promote best practice; share information, particularly on market opportunities; strengthen access to support; and pilot test new products and training concepts. Social Enterprise NI has already helped to develop the Social Economy Qualification (SEQ) as a level 2 qualification on the Qualification and Credits Framework (QCF), which is available as a Certificate (Bronze) and an Award (Silver). To date 10 mentors have been trained to cascade learning through community groups and social enterprises across Northern Ireland.
7.13 The organisation has also delivered the Institute of Leadership and Management (ILM) social enterprise programme (ILM Level 5 Certificate in Social Enterprise Support) and the first summer school in 2013 involved 16 participants. Social Enterprise NI is developing its membership base and trade directory; links with training providers including Queens University and the University of Ulster (especially through the Advanced Diploma in Social Enterprise); and is bringing some integration to the training and skills for the sector in Northern Ireland. They have also established an All Party Working Group on Social Enterprise at Stormont, which is a significant opportunity to develop support for the sector. The strength of the network is that it is embedded in the sector but also links with experts in Scotland such as the Social Enterprise Academy who provides programmes in leadership, entrepreneurship and social impact measurement.

GEMS Intermediate Labour Market

7.14 There have been a number of policies to support access to work and Intermediary Labour Market approaches to tackle people at the margins of employment and employability. The Local Employment Intermediary Service (LEMIS) is an initiative funded by the Department for Education and Learning (DEL) that is designed to help vulnerable unemployed people to access and stay in work. It targets: young people (16 to 24 years) Not in Education, Employment or Training (NEET); individuals that are homeless; ex-offenders/ex-prisoners; individuals with a history of drug/alcohol abuse; and care leavers. McClure Waters (2009) evaluated the programme in 2009 and concluded that:

Between April 2007 and March 2009 Local Employment Intermediary Service (LEMIS), through its network of community based providers, has engaged with 3,209 clients from some of the most deprived areas of Northern Ireland. It is therefore well placed to reduce levels of social exclusion in these areas, provided that it continues to deliver a high quality and outcome focused service. The evaluation indicates that to date LEMIS has produced strong positive outcomes for: clients with: 22.5% of those case loaded entering employment (27% in Year 2); and 73% of those entering employment sustaining this employment (McClure Waters, 2009, pp.6-7).

7.15 GEMS was established in 2002 also to address long term unemployment and economic inactivity in south and east Belfast through its work integration services. To date, GEMS has worked with over 6,000 people predominantly those who have experienced labour market disadvantage and helped nearly 2,000 people move from long-term unemployment, economic inactivity and worklessness to employment. The core services aim to help clients to:

- Be aware of their career options and routes;
- Develop their personal career planning skills;
- Recognise their own potential to become economically self-sufficient through sustainable employment;
- Acquire and upgrade the skills they need to enhance their employability;
Raise their career expectations and aspirations to match their potential; and

Overcome barriers to the achievement of their potential.

7.16 One of the more recent initiatives is KESTREL (Knowledge, Experience, Skills, Training, Respect, Empowerment, Lifelong learning), which aims to increase the economic security of older workers aged 50+, promote age positive employment practices, challenge perceptions and provide alternative supportive services to individuals approaching retirement. KESTREL is a work integration social enterprise (WISE), which are human services organisations that provide employment opportunities and job training to people with employment barriers. The core elements of the KESTREL programme include: one to one mentoring with older people aged over 50 who are unemployed; dedicated training programme on key market sectors; and IT Skills workshop concentrating on basic level skills essential, for even rudimentary employment.

7.17 The evaluation of the project showed that by June 2012 a total of 246 people had registered with Kestrel since the project began in November 2009 (GEMS, 2012). A total of 107 have completed formal training, 94 or 38% of participants have been placed into either full-time or part-time employment and 33 have become formal volunteers. The evaluators point out that by comparison, the Government’s Steps to Work ILM achieved 28% into employment across Northern Ireland. The analysis also showed that the programme achieved financial impacts including a reduction in welfare benefits of £1.1m, a new full-time waged income of £6.1m and a part-time wage of £0.9m over a projected five year period.

Supporting social entrepreneurship, UnLtd

7.18 UnLtd is supported by government to develop social entrepreneurs in the UK through its core Awards Programme and its approach is distinctive because it invests in individuals and offers a complete package of resources; from funding, to on-going advice, networking and practical support. The organisation offers six broad areas of support (shown below) although not all (university support and Big Local) apply to Northern Ireland.
Table 16 UnLtd programme of support

<table>
<thead>
<tr>
<th>Supporting an idea</th>
<th>Scaling a business</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You want to create social change, you have an idea for how to do it</td>
<td>• You lead an early stage social venture</td>
</tr>
<tr>
<td>• You’re passionate about making this happen in your area</td>
<td>• You’re ambitious for rapid growth</td>
</tr>
<tr>
<td>• You’d like some support to start working on it and learning what works</td>
<td>• You need cash for your living expenses and business support</td>
</tr>
<tr>
<td><strong>Area based regeneration</strong></td>
<td><strong>Under 21</strong></td>
</tr>
<tr>
<td>• You live in a ‘Big Local Area’ and want to improve it</td>
<td>• You’re aged 11-21 with an idea to make things better</td>
</tr>
<tr>
<td>• You know your community, the challenges and opportunities it faces</td>
<td>• You want to challenge yourself to do something good for others</td>
</tr>
<tr>
<td>• You want to gain skills and experience for yourself</td>
<td>• You’d like support from someone who can help you set up your idea</td>
</tr>
<tr>
<td><strong>University students</strong></td>
<td><strong>Raising capital</strong></td>
</tr>
<tr>
<td>• You’re a member of university staff, a current student or a recent graduate</td>
<td>• You’re in the market for debt or equity investment</td>
</tr>
<tr>
<td>• You have an idea that will create social impact</td>
<td>• You’ve got a great team and ambitious growth plan</td>
</tr>
<tr>
<td>• You’re ready to try your idea, do it full-time or build it up</td>
<td>• You’d like access to match-funding, investors and powerful networks</td>
</tr>
</tbody>
</table>

7.19 In Northern Ireland, participants can enter at any level but the concept is to staircase viable projects to the point where they form a social business. The organisation recently received support from the Atlantic Philanthropies to support older social entrepreneurs and created two level of Awards under the Ignite Programme aimed specifically at the over-50s. The evaluation at the end of 2012 (UnLtd, 2012) demonstrated the overall effects: 96 Ignite Awards of up to £5,000 to individuals or small groups of up to three people with an idea that will have a social or community impact to help get it off the ground; and 4 Ignite Development Awards of up to £15,000 each to outstanding older social entrepreneurs to grow and replicate their ideas.

7.20 UnLtd identified some important barriers in their Ignite programme including: a traditional reliance on organisations rather than individuals as the main driver of project delivery; a risk adverse sector and government in which grants to individuals are not part of mainstream practice; the requirement for accountability and audit control is stifling enterprise and devaluing failure as a way of learning; weak referral networks within the community sector to source social entrepreneurs; a weak tradition of entrepreneurship, poor support systems within the public and voluntary sector; and a lack of understanding about what technical, financial and business support is available to those with emerging ideas and concepts for social enterprise activity. Social Return On Investment (SROI) aims to put an economic value on the effects of social programmes and is especially well suited to the evaluation of social enterprises. SROI data on the UnLtd project (UnLtd, 2012) showed that over a five year period, there are significant effects in the turnover of social enterprises formed (£4m), new wages (£2.3m) and training support (£0.05m). The analysis also showed that the UnLtd (2012) grant had the following broad profile:
36% of participants in the Ignite awards were over 60 years of age and
64% over 60 years of age;
3,597 older people have benefited from the work of these projects;
40 social enterprises have been created; and
20 Full-Time Equivalent jobs have been created.

Conclusions

Social Enterprise NI has developed a strong network for entrepreneurs and social enterprises in Northern Ireland and has created effective training programmes, knowledge exchanges and political influence via the All Party Working Group at the Assembly.

The social economy is thus more than individual enterprises and an integrated approach is needed to support skills, practice-based learning and the supply of social finance. What is interesting about programmes such as UnLtd is that they aim to staircase entrepreneurs from the development of the initial concept to larger grant assistance and this is matched by advice on raising capital and scaling the business.

The Social Entrepreneurship Programme has also delivered volume impacts in staircasing social enterprises and has demonstrated a capacity to access hard to reach groups, create sustainable jobs and generate significant Gross Value added, especially in disadvantaged areas. The recommendations made in this research simply aim to help scale such effects and the especially access to finance to grow and replicate viable social enterprises.

The case studies highlight the difficulties encountered in targeting the most excluded, especially through labour market interventions. The attempt to access employment for the over 50s did not reach into the most disadvantaged areas but the project was able to demonstrate important economic multipliers in benefit reductions and new waged incomes. UnLtd also valorised the impact of its work and identified significant added value form the enterprises it supported through the development stages. Whilst individual project evaluations have value, understanding and demonstrating the cumulative economic effects are increasingly important.

Therefore, the justification for the social economy and evidence of its achievements could be better developed. Measures of success need to produce consistent, valid and reliable accounts of the value added of the sector. Social impact measures such as Social Accounting and Social Return On Investment (SROI) are increasingly important to build the evidence base on the social, economic and environmental effects of the sector. The work on the social value framework by the Bryson Charitable Group and which is being piloted by Invest NI and the Jobs Fund will be especially important in this respect.

The analysis also shows that there is a need to recognise an entrepreneurial and not an organisational focus and to see labour market interventions linked to business support strategies. UnLtd had a significant impact on the older people but there is considerable potential to extent this work, especially in areas where
the programme in Britain has demonstrated a track record of success. This includes social entrepreneurship in universities and schools as well as helping young people and communities see the value in ethical enterprises.

- The Investment Readiness programme has developed a better understanding of the needs of social enterprises, refined the curriculum and developed resources that can provide the basis for supporting the sector. It is noted later that the DSD’s Urban Regeneration and Community Asset Transfer strategies both highlight the need to support skills in social economics. There needs to be mainstream support for Investment Readiness, to ensure these pilots, largely supported by the sector itself, can maintain their impact. It is also important that proposed capacity building is not fragmented and that a corporate strategy is in place to develop support infrastructure across policy areas.
8. National policy initiatives and perspectives

8.1 This section sets out a description of policy in England, Wales, Scotland and the Republic of Ireland. It is based on interviews with experts in each area as well as a description of the main policies, programmes and institutional frameworks. The analysis does tend to show that Northern Ireland lags behind the type of enabling environment available to support the sector in other regions. This is especially the case in terms of grant and loan finance, legislation, dedicated support agencies and policy development.

8.2 Social Enterprise UK (2011) published a survey on the state of the sector as well as its economic value and some of the key features of its performance are set out in Table 17. (The data includes Northern Ireland but are not available at a regional level due to sample size). It shows that the sector is currently one of the most dynamic in the economy and that social enterprises are outstripping SMEs for growth; 58% of social enterprises grew last year compared to 28% of SMEs. Social enterprises are also outstripping SMEs in business confidence, with 57% of social enterprises predicting growth in comparison to 41% of SMEs. In addition, 55% of social enterprises launched a new product or service last year, as opposed to 47% of SMEs. The survey also identified the single largest barrier to the sustainability of social enterprises is access to finance, with 44% of respondents saying that they are still hampered by the availability and affordability of finance. The analysis highlighted the slow progress in procurement and social clauses and that social enterprises are more likely to trade with the general public than with government.

Table 17 Performance of the social enterprise sector in the UK

<table>
<thead>
<tr>
<th>Performance outcomes</th>
</tr>
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<tbody>
<tr>
<td><strong>The start-up explosion:</strong> 14% of all social enterprises are start-ups, less than two years old – more than three times the proportion of start-ups among mainstream small businesses.</td>
</tr>
<tr>
<td><strong>Rising contribution to the UK economy:</strong> Median annual turnover of social enterprises has grown from £175,000 in the 2009 survey to £240,000 in this year’s survey.</td>
</tr>
<tr>
<td><strong>Creating more jobs:</strong> Social enterprises employ more people relative to turnover than mainstream small businesses.</td>
</tr>
<tr>
<td><strong>Social enterprises are concentrated in our most deprived communities:</strong> 39% of all social enterprises work in the 20% of most deprived communities in the UK compared to 13% of standard businesses. The more deprived the community, the more likely you will find a social enterprise working there.</td>
</tr>
<tr>
<td><strong>We need to change the way we think about social enterprise:</strong> The main discussions in public policy have been around social enterprise delivery of public services – this tells the lesser part of the story. The most common (37%) main source of income for social enterprises is in fact trade with the general public.</td>
</tr>
<tr>
<td><strong>Procurement reform is desperately needed:</strong> Social enterprises working mainly with the public sector cite procurement policy as the second greatest barrier to their sustainability – a greater barrier even than the perennial challenge of cash flow.</td>
</tr>
</tbody>
</table>

Source: Based on SEUK, 2011, p.6-7.
Social enterprise policy in England

8.3 Renewed attention has been paid to the social economy and especially social enterprises, since the UK Coalition adopted its Big Society policy on government-third sector relations. The main aim is to enable the sector, through growing the social investment market and not to provide front-line funding. The Social Investment and Finance Team (SIFT), based in London, is a merger of the Big Society Bank team and the Social Enterprise Team and works with Big Society Capital, Bridges Ventures and the new Investment Readiness Fund. Big Society Capital aims to grow the social investment market, strengthen the number of social investment intermediary organisations, provide finance for the third sector and leverage money from other sources, for example from charitable foundations and charity ISA’s. Through its intermediary investment fund, Big Society Capital, it has made five investments to date:

- Think Forward Social Impact Ltd, a new organisation managed by the Private Equity Foundation, delivering a DWP payment by results contract to work with NEETS;
- Triodos New Horizons, managed by Triodos Bank, working with Greater Merseyside Connexions Partnership, again to deliver a DWP payment by results contract to work with NEETS;
- Franchising Works Licence Fund, managed by the Shaftesbury Partnership (funded by Nat West), to support new franchisees to purchase licences from reputable franchisors and start new businesses;
- Social Stock Exchange, providing a regulated platform for investors to invest in social purpose businesses, including but not restricted to social enterprises; and
- Community Generation Fund, managed by the FSE Group, a Community Interest Company Fund Manager, investing in high risk, early stage community renewal projects.

8.4 SIFT also established a new Investment and Contract Readiness Fund (£10m), managed by the Social Investment Business. This has funded individual investment readiness support for up to 130 social ventures that have the potential for high growth whilst delivering measurable social impact. High growth is defined as growing from start-up to £1m in three years or less or year-on-year growth in turnover of 20%. SIFT also works with Bridges Ventures Social Entrepreneurs Fund (£12m), which is regarded as a strong intermediary and government’s role is as first mover, signalling support, rather than sole or main supplier of finance.

8.5 As noted earlier (see section 2), payments by results schemes have attracted widespread interest both as a way of securing investment and a means to address complex social issues including criminal justice, vulnerable children, unemployment and rough sleeping. Social Finance was created from the Commission on Unclaimed Assets and they developed a new social investment product, the Social Impact Bond, to target a range of social problems. The Bonds raise investment to fund prevention programmes and investors receive returns from government when targets are met on improved
social outcomes, such as reduced re-offending, which in turn deliver cost savings to government. In March 2010, the first Social Impact Bond was agreed with the Ministry of Justice and was used to reduce re-offending among short sentence prisoners and returns will be provided from the government savings generated by success.

8.6 The *Public Services (Social Value) Act 2012* requires all public bodies in England and Wales to consider how the services they commission and procure might improve the economic, social and environmental well-being of the sector. A recent tender for the provision of transport services in Waltham Forest included a 10% score for added social value and was won by HCT Group, a social enterprise. SEUK point out that on the negative side, business support has been replaced by online resources and there is limited central government funding for face-to-face mentoring or training. It was noted earlier, that there is a focus on high growth businesses (£1m in under three years or 20% growth in turnover every year), although this excludes most organisations from investment support. In terms of social finance, unsecured lending and smaller amounts (£15,000-£100,000) are difficult, as is quasi-equity funding. Big Society Capital is trying to introduce new financial products and services, but it requires a commercial return, which is more difficult at the bottom end of the market.

8.7 In the health sector, under the mutualisation agenda, 38 social enterprises have ‘spun-out’ of the NHS, with turnover ranging from £500k to £89m. TUPE and pension issues have been dealt with as staff leaving the NHS (as part of a spinout) can maintain their state pensions. In terms of competing with the private sector, most spinouts are on three year contracts that have not yet come up for renewal but some smaller organisations are doing well in winning new work. Social enterprises tend to be undercapitalised and prohibitively large capital requirements are specified in tendering for new contracts potentially limiting their ability to bid for health and social care services.

**The perspective of Locality**

8.8 Locality sees a clear division between social enterprises in London and the South East on the one hand and the rest of England on the other. Outside the South East, small scale community enterprises, locally based and addressing localised problems is prevalent whilst in the South East, the focus is on high growth, scaling-up, investment readiness and investment. The strength of *Community Right to Buy and Right to Challenge* is that the new legislation helps to build a supportive environment for localism and subsidiarity. It recognises that community ownership is positive and whilst the actual rights themselves are relatively weak, communities can utilise it as a lever to access key facilities in their area. The legislation is supported by investment from Department of Communities and Local Government (DCLG) including a £30m to support advice, feasibility studies and grants for risk capital. Local authority services are transforming, but not through engagement with the sector and some are retrenching and bringing services back in-house. There is also something of an anomaly in that Authorities see existing community organisations as a charity, while a new social enterprise is seen as a supplier.
8.9 There is a significant requirement for financial management capability and investment readiness training, but of the appropriate sort. This is not the case in London and the South East where there is comparatively fast growth support tailored to the needs of these organisations. Investment in financial skills will pay off if organisations are strengthened to survive through difficult economic conditions and in England, community anchor organisations have longer term strategies for survival and growth.

Social enterprise policy and practice in Scotland

8.10 Third sector organisations, including community groups, voluntary organisations, charities and social enterprises fall within the remit of the Directorate for Local Government and Communities in Scotland. The Minister for Finance has championed social enterprise policy and has helped to develop a coherent strategy based on building an enterprising third sector backed by a comprehensive support system. Social enterprise is seen as a way of delivering more effective public services, creating local employment, saving local services, pushing spend out to local (and more remote) communities and strengthening user voices in the design and delivery of support. There is a clear and widely accepted definition of social enterprises in Scotland, which differs from that being developed in England. The Scottish definition, developed by Senscot and accepted by Social Enterprise Scotland, states that social enterprises;

- Are businesses operating in markets, whose primary objective is to achieve social and environmental benefit;
- Require that profits are reinvested in the business or in the beneficiary community and are not distributed to owners/shareholders/investors;
- Have a constitutional asset lock which means that on dissolution, the assets of the social enterprise are redirected appropriately; and
- Are not subsidiaries of public bodies.

8.11 It is worth contrasting this with other approaches as the Scottish definition tends to emphasis a more robust social and ethical approach than that used by the Social Enterprise UK (formerly Social Enterprise Coalition). Their definition of a social enterprises is that it should:

- Have a clear social and/or environmental mission set out in their governing documents;
- Generate the majority of their income through trade;
- Reinvest the majority of their profits;
- Are autonomous of the state;
- Are majority controlled in the interests of the social mission; and
- Are accountable and transparent.

8.12 Big Society Capital (2013, p.1) has now decided that it ‘would be wrong to completely exclude companies that seek to create significant social value but have organised themselves as for-profit companies’ from their investments. The organisation goes on to state that ‘we will therefore permit some of the
intermediaries and vehicles we invest in to provide funding to for-profit companies under the following criteria: the Objects of the company set out that it is primarily concerned with providing benefit to society; the company ensures that any surpluses are principally used to achieve social objectives and payments to shareholders are capped; there is a constitutional or contractual lock on its Social Objects, dividend policy and an asset-lock; remuneration levels reflect social sector organisation norms and are disclosed in line with the accounting requirements for charities; and in the event of a change of ownership, it will take steps to preserve the mission as that of a social sector organisation.’

8.13 This loosening of the lending of Big Society Capital has concerned some in the sector who see it as a dilution of its ethical purpose and makes it significantly easier for private businesses to claim the advantages of social enterprises, especially to ethical investors.

Scottish Government Support

8.14 As part of the *Enterprising Third Sector Action Plan 2008-11*, the Scottish Government introduced a package of funding and business support for third sector organisations. The Plan had seven interlinked objectives that aimed to open new markets, especially in the public sector and to coordinate and target investment in more efficient ways. It also aims to promote social entrepreneurship, develop skills, especially through peer mentoring and supports intermediaries to build the enabling environment. Finally, the strategy has supported research, the evidence base of what works and aims to develop a better understanding of the value of social enterprise approaches.

8.15 The financial support behind the Plan aimed to address issues that hindered the third sector’s contribution to economic growth including dependency on short-term grant funding, limited resources and a lack of an enterprising culture. It provides both funding and business support for social entrepreneurs, third sector organisations that want to become more commercial, credit unions and also for established organisations with growth potential. It offers a spectrum of funding to a range of individuals and organisations from those at the start-up phase to those that are well established and investment-ready. The total funding package for the period 2008 – 2011 came to £86.75m, as set out in the table below.
Table 18 Investment in the social economy in Scotland 2008-11

<table>
<thead>
<tr>
<th>Programme</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Investment Fund</td>
<td>£30m</td>
<td>Mix of loan/grants of over £150,000</td>
</tr>
<tr>
<td>Enterprise Growth Fund</td>
<td>£12m</td>
<td>Grants between £25,000-£100,000</td>
</tr>
<tr>
<td>Social Entrepreneurs Fund</td>
<td>£1m</td>
<td>Awards to individuals of £500, £5,000 or £20,000</td>
</tr>
<tr>
<td>Resilience Fund</td>
<td>£2.5m</td>
<td>To counter the impact of the recession and provide working capital to allow NGOs to offer services in high demand areas</td>
</tr>
<tr>
<td>Third Sector Intermediaries</td>
<td>£31.5m</td>
<td>Including umbrella groups for the sector such as volunteering</td>
</tr>
<tr>
<td>Social Enterprise Intermediaries</td>
<td>£2.75m</td>
<td>Dedicated organisations including the Social Enterprise Academy, Scottish Social Enterprise Coalition</td>
</tr>
<tr>
<td>Aspire to Enterprise</td>
<td>£3m</td>
<td>Business Development support</td>
</tr>
<tr>
<td>SROI</td>
<td>£1m</td>
<td>Impact measurement and evaluation</td>
</tr>
<tr>
<td>Public Social Partnerships</td>
<td>£3m</td>
<td>10 pilots over three years</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£86.75</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data supplied by Senscot (2013)

8.16 Funding for 2012/13 is approximately £24m and this is likely to be carried on at the same level for 2013/14 and 2014/15. The investment elements of the Scottish approach comprised three funds:

- Social Entrepreneurs Fund (SEF); £1m fund offering grants of £500, £5000 or £20,000 for individual entrepreneurs setting up new social enterprises. This is delivered by Firstport, established specifically to help new-start social enterprises in Scotland;
- Enterprise Growth Fund; £12m fund with grants of £25,000 to £100,000 supporting established organisations that want to make a step change and become more enterprising. This fund included £250,000 designated to support credit unions and £1.7m designed to minimise the impact of recession on the sector; and
- Social Investment Fund (SIF); £30m fund providing a combination of grants and loans (split 60% loan 40% grant) for well-established organisations that have high growth potential.

8.17 One of the leading social enterprises in Scotland is the Social Enterprise Academy, a spin-out from Senscot which was established in 2004. When set up, it was recognised that traditional business planning and financial management training were widely available, though not always tailored to the needs of the third sector. Three gaps in the training market were identified; leadership, enterprise awareness and social impact. The Social Enterprise Academy has developed a strong business model, based on a suite of high-quality accredited programmes in these areas. The organisation now turns over £1.1m per annum, 50% of which comes from trading. Its Developing Leaders for Sustainable Communities was delivered across the Highlands and Islands, with double the target take-up rate (600 learners against a target of 300). The conclusion of the evaluation report was that the programme was ‘soundly-conceived, sensitively-managed, robustly-marketed and based on a strong working partnership’. SEA is also very active in delivering enterprise support in schools, through its Determined to Succeed initiative and using a ‘learning through doing’ approach.
8.18 Procurement reform is seen as a critical instrument in the development of the social economy and all government departments are now encouraged to use procurement to fund third sector organisations, rather than to provide grant funding. The Ready for Business (Developing Markets for the Third Sector) programme was a major step towards improving opportunities NGOs and social enterprises. The delivery contract was tendered publicly and was won by a consortium led by Senscot, CEis and Social Firms and including KPMG, Social Value Lab and leading procurement law specialists, MacRoberts LLP. The programme engages with procurement officers and commissioners and provides good practice examples, legal advice and detailed engagement on community benefit clauses, public-social partnerships and pilot projects. They aim to support three to five public-social partnerships over the course of the programme and three partnerships on mental health, reducing reoffending and early years provision have already been identified.

8.19 The draft *Procurement Reform Bill*, aims to make it easier for businesses, particularly SMEs and Third Sector Organisations, to access public contract opportunities and sub-contracting requirements. Public bodies will be required to consider how they might act: to facilitate access by social enterprises; to consider making it a requirement to advertise sub-contract opportunities connected with all major public contracts; to include community benefits clauses which may be extended to sub-contractors; to consult communities regarding Community Benefits they would wish to see delivered; and to assist those ‘supported businesses’ providing training and employment for those with disabilities.

**Social enterprise policy in Wales**

8.20 The Welsh Assembly Government (WAG) published a Social Enterprise Strategy in 2005 and this was updated by a Social Enterprise Action Plan (SEAP) in 2009. The range of social enterprises in Wales runs from Glas Cymru (Welsh Water) which supplies water to over three million people, to small community food co-ops. Social enterprises in Wales are defined as businesses with primarily social 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 or owners. This falls somewhere between the Scottish definition, which requires that profits be reinvested in the business or in the beneficiary community and the English definition stating that social enterprises reinvest the majority of their profits.

8.21 In the *Economic Renewal Programme: A New Direction*, announced in July 2010 by the Deputy First Minister, the role of social enterprises was specifically referenced: ‘We [WAG] recognise the positive contribution vibrant social enterprises make to a strong, diverse and sustainable economy. Social enterprises are becoming more, not less relevant in the modern economy - in providing solutions for new and citizen focused methods of delivering public services; in empowering local people and regenerating communities; and in delivering economic, social and environmental objectives’. This was carried through into recognition of the role that social enterprises could play in the delivery of a wide range of government policies, including:
- Designed to Add Value: a strategy for third sector support for health and social care;
- Fulfilled Lives, Supportive Communities: the strategy for social services in Wales;
- the Strategy for Older People in Wales: a framework to ensure that as people grow older, they are able to maintain their health, wellbeing and independence for as long as possible;
- The Statement on Policy and Practice for Adults with a Learning Disability; and
- Improving Mental Health Services in Wales - Strategy for Adults of Working Age.

8.22 The revised Action Plan concentrates on inspiring (through the appointment of social enterprise champions, raising the profile of social enterprise, identifying pathfinders, a biennial conference and support for young social entrepreneurs), transforming (a mapping exercise, integrating business development services and networking), and liberating (procurement, regulation, community asset transfer, finance and stronger social investment). The core funding package for the period 2008-2011 came to £1.3m and since 2011, funding has been extended on the same level on an annual basis. The package mainly supports intermediary organisations including DTA Wales, Social Firms Wales and Wales Co-operative Centre and the Social Enterprise Coalition Cymru. Social Firms Wales provides technical assistance to businesses and raises awareness about the sector and the Coalition offers an opportunity for peer support and learning.

8.23 The Community Investment Fund administered by the Wales Council for Voluntary Action (WCVA) has provided £2.65m in loans and £353,000 in development grants to help social enterprises become loan ready in former Objective One and Community First areas since 2006. South East Wales Community Economic Development Project (SEWCED) is an EU funded grant scheme offering grants and loans to social enterprises and co-operatives in six counties of South East Wales. It offers revenue funding for organisations development and staff costs up to £80,000 over a maximum period of three years; capital funding for IT equipment, feasibility studies and basic refurbishment up to £25,000 and capital funding for property of up to £50,000. A significant feature of the Welsh support are local based funding mechanisms such as the Ceredigion County Council Social Enterprise Growth Fund, which delivers an EU-funded grant scheme worth £1.35m over four years. The grant is discretionary and is administered by Ceredigion County Council on behalf of the Adfywio Ceredigion Regeneration Partnership. It is funded by the ERDG and by Ceredigion County Council and is part of the Convergence programme in West Wales and the Valleys.

8.24 One of the key announcements made in the 2009 SEAP was the establishment of a Community Asset Transfer (CAT) Fund. The £13m fund was delivered in partnership between the Welsh Assembly Government and the BIG Lottery Fund and provided capital and revenue funding to support the transfer of assets from public sector organisations to community ownership.
The intention of the CAT Fund is to ‘help communities become stronger and more sustainable by assisting them to obtain and develop assets such as land or buildings’. To date, CAT has funded 5 projects out of 86 applications (totalling £67m in total value) through a Fast Track Round. The *Finance Wales Community Loan Fund* currently offers loan finance for social enterprises over periods of up to 25 years. Repayment of the loans on the agreed terms means the monies can be continually re-invested and the Fund has provided a total of £2.24m in loans to social enterprises throughout Wales.

**The social economy in Ireland**

8.25 In July 2013, *Forfás* (the Republic’s policy advisory board for enterprise, trade, science, technology and innovation) published its report *Social Enterprise in Ireland: Sectoral Opportunities and Policy Issues* under the government’s Action Plan for Jobs. This argued that the sector has the capacity to create an additional 25,000 jobs by 2020, effectively doubling the size of the social economy in seven years. The report showed that the sector employed more than 25,000 people in over 1,400 social enterprises, with a total income of around €1.4bn. The Department of the Environment, Community and Local Government will lead on a cross-Departmental and agency strategy addressing the key recommendations in the Forfás review.

8.26 The review advocated the use of an agreed definition of a social enterprise as ‘an enterprise that trades for a social/societal purpose, where at least part of its income is earned from its trading activity, is separate from government, and where the surplus is primarily re-invested in the social objective’ (Forfás, 2013, p.4). Building on this definition, it acknowledged the need to create an enabling environment, institutional oversight and coordinating mechanisms within government and between government and support agencies and a stronger role for loan finance. It also acknowledged the importance of capacity building, especially around investment readiness and more effective procurement, including the incorporation of *Community Benefit Clauses* in public sector contracts. The report suggested that the Irish government should include ‘promoting the social economy and social enterprises as one of the investment priorities under the Operational Plans for European Social Fund (ESF) and European Regional Development Fund (ERDF) 2014-2020’ (pp.6-7). Finally, it pointed out that Credit Unions could do more to lend to social enterprises and the sector has campaigned for stronger social finance especially in equity type products, not least to help larger businesses compete for government contracts.

8.27 Clann Credo (the Social Investment Fund, see below) and the Dublin Employment Pact helped to establish the *Social Enterprise Task Force (SETF)* and produced a *Manifesto* that, inter alia, aimed to inform the proposed new policy. The Task Force argued that social enterprises in Ireland have the potential to grow significantly to represent 5% of GDP and to generate at least 65,000 jobs. However, they estimated that it is currently underdeveloped, representing only 3% of national GDP currently. The Task Force acknowledged the need to build the case for the social economy and
for the sector to strengthen the evidence base around successful practice. Here, it set out the unique policy contribution that social enterprises make to multiple policy objectives including:

- Filling 'service gaps' by delivering services provided by neither the private nor public sectors;
- Responding to locally defined needs, especially around service provision and jobs;
- Helping people get back to work and get active in their community;
- Creating social innovation, new models of practice and inclusive problem solving;
- Delivering State and philanthropic investment, supporting urban and rural regeneration;
- Sharing ideas and experience; and
- Building Social Capital and Community Spirit (based on Clann Credo and Dublin Employment Pact, 2013, pp.4-5).

Supporting the sector in Ireland

8.28 **Social Entrepreneurs Ireland** is similar to UnLtd (see case study in section 7) although their **Awards Programmes** provides up to €200,000 worth of support per social entrepreneur over the course of two years. Since 2006, they have supported 161 social entrepreneurs, investing €4.9 million in their projects and providing technical and business support to assist their sustainability. They estimate that these in turn have directly impacted over 200,000 people across Ireland and created over 800 jobs. They place a particular emphasis on finding social entrepreneurs and motivating them to scale their interest in a business concept via a three staged approach: an in-depth **selection process** to attract and select the social entrepreneurs with the most potential to bring about social impact; a **Social Entrepreneurs Bootcamp** to provide support; and the **Elevator Programme**, a 12 month programme which supports five social entrepreneurs each year, helping them to bring their concept to the market place.

8.29 The **Social Enterprise Network in Ireland** was established as a forum for social enterprises to: advocate for more effective policy; develop and share resources; and to offer support and training to entrepreneurs. The Network has been important in bringing forward the Task Force recommendations and in building the sector’s corporate identity ([http://www.socialenterprise.ie](http://www.socialenterprise.ie)). To support skills and educational development Trinity College Dublin has established an **Initiative on Social Entrepreneurship** focusing on research, education and dialogue as part of the Centre for Non-Profit Management in the School of Business. The unit provides both undergraduate and postgraduate modules on social entrepreneurship and has been mapping the sector across Ireland. Their survey of 194 organisations showed that: nearly half (45%) were in Dublin; more than two-thirds (68%) worked in health, care, development and housing and education; and more than half (53%) received over 50% of their funding from statutory grants in 2009 (Prizeman and Crossan, 2011). Dublin City University (DCU) has specialised in support for social entrepreneurs most recently evidenced in its MSc in Management
(Innovation in Social Enterprise) that places an emphasis on interdisciplinary and international perspectives. They also conduct research and offer specialist enterprise support to social entrepreneurs.

8.30 In July 2006, the Government approved the implementation of the Social Finance Initiative as a not-for-profit company (limited by guarantee and having no share capital) to act as a wholesale supplier of funding for social finance (http://www.sff.ie). Seed capital of €25m was provided by the banking industry through the Irish Banking Federation and by October 2012, the Foundation had approved funding of over €50m to social and microfinance projects. The delivery model comprises:

- The Social Finance Foundation, with its role of sourcing and distributing funding to specialist Social Lending Organisations (SLOs);
- Individual SLOs responsible for screening and assessing loan applications for social finance support and managing the actual lending to projects; and
- Borrowers of Social Finance for social and community projects, generally through community and local development organisations.

8.31 Approved SLOs include: Clann Credo specialising in community enterprise and social infrastructure; UCIT Ireland (see section 2), specialising in community enterprise and social infrastructure; LEDP specialising in both community development and micro-enterprise in the Limerick Region; and Cavan Enterprise Fund which is involved in individual and community micro-enterprise in the county.

8.32 *Clann Credo* began in 1996 and is the main Social Investment Fund in the Republic of Ireland. It offers a range of finance products and services, and has lent €44.7m since its inception (Clann Credo, 2013). Demand for social finance has grown, especially since the crises in the Irish banking sector including a 6% growth in 2012. In that year, 137 new loans were approved totalling €16.5m and a total of €5.3m was made in capital repayments in the same year. Their Socially Directed Investment varies and has supported community transport, heritage and tourism projects and environmental regeneration across the country.

Conclusions

- There are significant differences in the way in which the social economy is supported across Britain and the Republic of Ireland compared with Northern Ireland. In England, Wales and Scotland support for social enterprises has been supported by an integrated approach including a range of grants and loan finance, favourable legislation (procurement and asset transfer) research and technical assistance.

- In England, the Big Society has resulted in a significant development of social finance products and organisations including Big Society Capital, which is a wholesaler that raises social finance for CDFIs. London is now a significant centre for the social investment market and it is important that intermediary
organisations and people match social enterprises in Northern Ireland with high growth potential to sources of national development finance.

- Most regions have developed a hierarchy of grants, loans and blended funds to support small, medium and high growth enterprises. They also have separate support for social entrepreneurs, intermediaries including mentors, trainers and researchers as well as expertise in social finance. Northern Ireland lacks grant based investment in social enterprises although there is direct support for the Social Enterprise NI and SEP, which supports individual social entrepreneurs.

- In the regions examined in this research but especially Scotland, there is a conscious attempt to support social enterprises through the business lifecycle from: formation; early growth and incubation; rapid growth; maturing; and diversifying into separate companies. Each stage has technical assistance, grant aid and debt finance to ensure social enterprises can get from one level to the next.

- There are subtle but important differences between the definitions of social enterprises and in particular, the emphasis placed on the way in which they account for social impact. In Scotland, the definition highlights their social value and ethics and this provides a useful framework to think about progressive economics and how enterprises impact on the most excluded people and areas.

- There is a concern among practitioners in Britain that the lending policies of Big Society Capital and the loosening of its social impact are undermining the ethic, principles and political objectives of the sector. Applying the Scottish definition in Northern Ireland would ensure that the sector maintains its focus on social justice and collective action and is not just seen as an extension of, or replacement for, state welfare.
9. Perspectives on the social economy in Northern Ireland

9.1 This section summarises the main themes from interviews with policy makers and practitioners in the social economy in Northern Ireland. The analysis highlights the main strategic themes including the purpose of a new policy framework; the value of a progressive enabling environment including legislation and funding; and challenges within the sector, such as the need for stronger collaborative working. There is also tension between flexibility in supporting businesses and the regulatory environment that governs public spending. Risk and accountability for public money, valuing failure and developing appropriate metrics to evaluate success are all important in this respect.

A shared understanding of the value of the sector

9.2 Most policy makers had a clear appreciation of the values, ethics and contribution of the social economy in general and social enterprises in particular. Public sector funding for the SEP and Social Enterprise NI were regarded as critical as well as support for the recent PwC (2013) survey of the sector. Moreover, in some areas such as neighbourhood regeneration there was a strong understanding of the potential of the social economy in the context of urban restructuring and the intensification of social need. ‘There is a need to link Neighbourhood Renewal Areas with new opportunities in the city, which is made more difficult by cultural differences and the history of the place’ (Area regeneration policy manager). This is an area where social enterprises and intermediary labour market initiatives have been identified as important policy instruments in addressing spatial deprivation.

9.3 Similarly, it was recognised that the most disadvantaged areas are strongly correlated with public sector housing estates and the Housing Executive has, in particular, valued the role that social enterprises play in community renewal strategies. ‘We are developing our Community Asset Transfer policy … because it has turned around some of our worst estates’ (Housing and regeneration manager, NIHE). The Housing Executive’s approach recognises that assets are vital in stimulating self-help initiatives and ‘we have business units for rent, community allotments and community run business winning maintenance contracts’ (Housing and regeneration manager, NIHE). The Housing Executive was able to identify significant financial benefits in areas where the social economy was strong such as: a reduction in tenant turnover; an increase in rental income; a reduction in voids; and a decline in clean-up costs associated with anti-social behaviour.

9.4 There was also recognition across the public and voluntary sector that a social enterprise model was important in strengthening the resilience of the sector at a time of declining public and EU spending. ‘Grant funding is scare and pressure is on from other (policy) priorities so it makes sense to adopt a trading arm for example’ (Programme manager voluntary and community sector). For some, there was a concern that this would be used to discipline the sector ‘you either turn into a social enterprise or loose the grant … (and)
for a lot of community groups that is not possible – no one will pay for their service’ (Director, community development NGO).

9.5 A number of people in the sector and across government also highlighted the absence of an agreed definition of the social economy and social enterprises specifically. The lack of a clear identity and ‘shared vocabulary on what it means to be a social enterprise’ in part, explains why it has been difficult to establish a coherent and well-understood policy framework (Director, regional support NGO). The potential to develop an agreed set of simple definitions that ‘... avoids an endless academic debate about words ...’ might help give coherence to both the sector and policy (Director, regional support NGO).

The need for a policy?

9.6 Social enterprises are now supported through the Economy Strategy (NIE, 2012a) for Northern Ireland that sees them as one of a number of business formats in developing the regional economy. For some in the sector, this is not necessarily a problem in that they see business support as the priority rather than the social mission, which most enterprises pursue without the need for external resources. ‘We are fundamentally businesses and it is right that this aspect comes first … the community bit is something we can take care of on our own’ (Director in the environmental sector). Indeed, others were concerned that ‘... we would lose our identity if it was dominated by community development – it is enterprise that we need the most help with and that is the big challenge for all of us (in the future)’ (Director, social finance organisation).

9.7 There was criticism, especially from the social economy sector, that previous policies did not necessarily produce meaningful resources, grant support for specific enterprises or investment in the enabling infrastructure. ‘There is no appetite for a grand policy statement (that) does not change things and helps social firms and people on the ground … the sector is fed up with the PR stuff’ (Programme manager in regional funding organisation). Here, a number of regional infrastructure organisations and some policy makers felt the priority should be on specific supports ‘... the deliverables rather than empty gestures’ (Policy maker, area based regeneration). It was also recognised that the establishment of new Councils and Community Planning processes, in particular, offered a new arena to develop the social economy as a policy priority. As community development, urban regeneration, aspects of economic development and local planning are expected to be devolved under RPA, local authorities will become more important in their capacity to resource social enterprises.

Policy priorities

9.8 For practitioners within the sector a number of priorities were important, whether delivered through a new policy or by committing dedicated resources:

- A mix of grant and loan finance to help get projects to develop into sustainable businesses. This form of patient capital was identified as a gap
in the supply of social finance in Northern Ireland by the ECORYS (2012) review, the case studies and various surveys of the sector;

- Action and preferably legislation on procurement to facilitate access to government contracts. This should involve the stronger use of social clauses in contract specifications and scoring systems and could be modelled on recent English and Scottish experience;
- Support to mainstream skills programmes, especially around investment and contract readiness. These have been funded on a pilot basis by the sector but are vulnerable due to short term financial support; and
- A more flexible approach to the use of grant assistance to enable organisations to build reserves and strengthen core finances.

Risk and flexibility

9.9 For social enterprises 'it is about creating a level playing field' (Director, social finance organisation) to ensure that the value added of social enterprises on complex social and environmental problems is properly counted and supported. However, it was acknowledged that grant managers are restricted in the way in which public finance is used. Officials point out that government accounting rules are strictly and correctly applied, there to ‘protect and properly use the tax payer’s money’ (Departmental manager in the public sector) and it is important that audit controls minimise waste and potential fraud. There are different views on risk and failure, with some social enterprises seeing it as ‘inevitable, as in any business' (Director, urban regeneration social enterprise) and the basis for learning from failure, as opposed to the public sector ethos, which is about minimising loss and policy failure. Social enterprises want a more flexible approach to the way in which government supports them. The manager of a large property based social enterprise pointed out that they ‘… get grant aid, maybe land or buildings at a nominal price and loans, all of which should be considered part of the cocktail of funding’. Different rules, restrictions and regulations govern each element but with flexibility, funding could be used to build reserves and working capital and help the organisation survive in difficult trading conditions.

Political understanding of the sector

9.10 It was acknowledged, especially within the sector, that political understanding of the social economy was weak despite the localised impact of many social enterprises. It was stated that: ‘Getting an issue like social enterprises on the agenda, given the divisive nature of local politics, is extremely difficult … The window is very small’ (Manager, social entrepreneurship programme). The ideologies of the different parties and the dominance of the constitutional issue in the Assembly make it difficult to gain political traction for social economics. However one NGO Director pointed out that: ‘We don’t do enough to press our case … we think everyone knows (about the value of the sector) and they don’t. The sector needs to explain and justify itself’. Invest NI financially supports social enterprises via mainstream business assistance programmes. For some larger scale organisations, especially those capable of exporting, this is not a problem but for others in the early stages of development and growth, bespoke measures are called for.
What would a policy do?

9.11 Whilst a number of people in the sector and the policy community stress the need for action on key area of the enabling environment, others highlighted the need for a more effective cross-cutting policy on the social economy. They point to a number of advantages of a new policy framework:

- There is too much emphasis on ‘pilots and not enough on large scale finance to help the sector achieve what the politicians say they want – (tackling) poverty, jobs and efficient services (Director, regional support NGO);
- It would recognise the unique challenges the sector faces, especially the need for pump-prime grant assistance to help develop and ultimately scale social enterprises;
- Policy makers need to recognise the connected nature of the social economy beyond social enterprises. ‘There are credit unions and UCIT, people doing training, now there are programmes on measuring impact … these need to be brought under one (policy) roof’ (Manager NGO in voluntary sector regional support);
- There is also a need to integrate programmes, identify gaps and strengthening understanding of the social economy in delivering a range of policy objectives. One regional NGO Manager stated: ‘There is virtually nothing in the Rural Development Programme about community businesses – plenty about micros (small businesses) and firm diversification’. An overarching strategy would help prioritise social economics as a way of achieving policy objectives across the public sector;
- It was acknowledged that effective working through interdepartmental structures is difficult, even by those outside the public sector. It was also recognised that Champions in the relevant organisations increased awareness of social enterprises as well as their role in programme delivery; and
- Without a policy, it will be difficult to attract resources to support businesses, intermediary infrastructure and individual departmental programmes. A policy could help lever finance and embed social economy in the Programme for Government as well as the Budget. ‘We don’t want a policy for the sake of it but because it will give the issue prominence and highlight it (Manager in regional support NGO).

Self-sufficiency

9.12 The sector has formed its own support infrastructure around social investment, technical support, research and pilot testing initiatives. The capitalisation of Charity Bank and funding for the Investment Readiness programme by the Building Change Trust and the Atlantic Philanthropies has improved the capacity of the sector to take on new lending. However, these ‘could end up like stop-gap measures; what happens when these funders go - who will pick up the cheque then?’ (Manager in regional support NGO). Other respondents identified the Social Investment Fund and PEACE IV as potential...
sources of grant support for both intermediaries and individual enterprises. The case studies also highlighted the range of funding support needed, including unsecured loans where organisations with little or no collateral or who are over-banked on their existing portfolio, find it difficult to access commercial and even CFDI loans. Larger organisations also saw the potential of quasi-equity investment, especially for large scale or risky projects.

9.13 It was recognised that PEACE II did support the social economy and that it had some successes. However, when the PEACE Programme ran out so too did the investment and as the URBAN II initiative in north Belfast demonstrated, expectations about short term fixes with modest levels of finance need to be more realistic and moderate. The short term nature of this support and its stop-start effects is damaging to the sector. ‘We just get going and the rug is pulled from us … private businesses would get more time and we need the same’ (Manager, business support programme for social enterprises). Building Change Trust was identified as a prototype for mainstreaming social enterprise support in that it has integrated analysis, finance, technical assistance and innovation in new initiatives and social economy concepts such as time banks and community shares. Attention was also drawn to CFNI’s recent feasibility study on the development of an ethical property investment fund (Morrow Gilchrist, 2013). This would use part of the organisation’s endowment to reinvest in a range of property deals with varying degrees of risk and again demonstrates that financial support for the sector is not just the preserve or responsibility of government.

9.14 Linked to this was a view that Northern Ireland needs stronger intermediaries to access London based finance and especially the potential of Big Society Capital, although it was recognised that the market place for such products would be limited, at least in the short term. It was noted here that ‘there tends to be a bit of the flavour of the month – a new idea comes along and we chase it. What happened to CITR? (Community Investment Tax Relief)?’ (Director, community development NGO). CITR provides tax relief for investments in CDFIs but comparatively few schemes have been implemented in Northern Ireland.

9.15 A number of practitioners highlighted the success of skills training programmes, especially around investment readiness. However, there was a broader concern about leadership, especially developing new talent within the sector. ‘Where are the new entrepreneurs to manage these (enterprises) and take them to the next level … we have taken our eye of the ball when it comes to replacing people who are getting really burned out’ (Manager in regional support NGO). The single social entrepreneur leader has been a driving force behind many social enterprises in Northern Ireland and elsewhere. For a number of organisations, the task of keeping the business viable has left little room for succession planning but the talent pool and how to encourage it, is a significant challenge across the social economy.
Internal dynamics: Competition and collaboration

9.16 Whilst it was recognised that the sector had done much to help itself, it was also characterised by a degree of competition, a resistance to collaboration and duplication, all of which reduce its capacity to operate on a more commercial basis. One public sector manager argued that: ‘There are too many organisations doing the same things and going after the same money’. Many in the sector share this concern. As a result, the ethic of solidarity and collective action is being undermined by resource competition, especially in an environment where spending and grant based programmes are reducing. It is not just cuts in support for the social economy and the voluntary sector that are causing problems but reductions in spending in individual policy areas where social enterprises have been traditionally strong. Collaboration NI has undertaken important work in facilitating change and they point out that this is especially important as more contracts require scale, a mix of skills and financial security to compete. The Orien network in east Belfast, the Walled City Partnership in Derry/Londonderry and the contract between MACS and housing associations to provide care to vulnerable young people, all show that some are developing these types of business relationships.

Conclusions

- Policy makers and practitioners agreed that there were important and effective supports for the social economy and social enterprises in particular. More importantly, there was recognition that key departments and agencies understood the values and impact of social enterprises and how they help to achieve a range of policy outcomes.

- There was less clarity about the value of a new social economy policy for Northern Ireland. Some felt that it would have limited worth unless it was backed by resources to invest in intermediaries, enterprises and entrepreneurs. For others, a policy would help clarify the identity of the sector, give it status in high level polices including the Programme for Government, lever resources and strengthen cross-departmental awareness of its potential.

- The priorities for the sector are centred on: investment in social enterprises, especially to get from first base; the availability of blended loans/grants to allow them to grow; and better access to government contracts through social clauses and the type of procurement regime being established in England and Scotland. Support for mainstreaming skills and learning were also important.

- A policy may help to develop a mutual understanding of risk, accountability and failure as well as the challenges in developing organisations to reach scale and sustainability. Guidance on the ability of social enterprises to accumulate reserves from grant programmes was one area where the detail really mattered to business managers.

- There was recognition that the sector had developed its own support infrastructure using charitable and philanthropic funding, especially in investment readiness skills, loan finance and social innovation. However, there was a
concern that the value of this investment might be lost if such initiatives are not mainstreamed.
10. Conclusions and recommendations

10.1 This section summarises the main themes from the research, especially their implications for social enterprise development and social economic policy more broadly. The first part synthesises the policy impact of the social economy and why programme managers in public sector agencies and departments might be interested in it. In this respect, the analysis identifies the critical success factors from the evidence base, which highlights specific ways in which social enterprises might be supported. This is then developed in an analysis of policy opportunities and obstacles, again drawing on the various research sources used in this report. This finally forms the basis for a set of ten key recommendations for the development of the social economy in Northern Ireland.

What does the social economy do for policy?

10.2 It was noted that in Scotland and the Republic of Ireland there are estimates of the macro economic effects of social enterprises such as their contribution to GDP, employment and cumulative turnover. The problems determining the size of the sector in Northern Ireland, as noted previously, make comparison difficult and that is an issue that clearly needs attention. The social enterprises examined in this report have delivered a range of policy outcomes and it is argued here that they could do more: if there were more of them; if they were better sustained; and if they reached a scale required to offer integrated services. These policy outcomes are:

- Area based regeneration, especially in spatially deprived communities where market failure means that the private sector is weak and commercial businesses are difficult to attract. The social economy is often one of the few sources of employment, training and service delivery in disadvantaged neighbourhoods;

- They also build social capital and local solidarity and some of the initiatives such as Time Banks extend the concept of self-reliance and resilience, especially in the context of public spending cuts and pressure on services;

- Social enterprises contribute to environmental renewal by removing blight, bringing derelict buildings back to productive use and protecting valuable heritage properties;

- They also develop the environment as an asset, as exemplified by energy schemes that have used community shares to finance development and return investment to the local community;

- The sector has also delivered a range of health, social care and housing services to hard to reach groups often missed in mainstream programmes. As health and social care is being reformed and more people are supported to stay at home, community based services will become increasingly important; and
The social economy can also access forms of finance which the private and public sectors cannot access, although this capacity needs to be developed.

10.3 The economy in Northern Ireland is restructuring in significant ways, reflected in the growth of the knowledge economy and the need to up-skill the labour market. Despite the prominence of the public sector, the economy has become more open, globalised, technology centred and service orientated. Oxford Economics (2009) show that the highly skilled proportion of the workforce is forecast to rise to 43% in 2020 from 28% in 2005 (that is at National Qualification Framework [NQF] level 4-8, university degree and above). Conversely, the proportion of the workforce with low qualifications will fall from 29% in 2005 to 16% in 2020. There are two significant issues here for the most excluded: a skills mismatch; and a spatial mismatch. In the first, the most disadvantaged communities tend to have a concentration of young people (and others) who lack the skills increasingly demanded by the labour market; and in the second, the new economy is not attracted to the poorest neighbourhoods. In Belfast for example, four Major Employment Locations in Titanic Quarter, Purdysburn, Mallusk and Blaris will strongly influence the reorganisation of the spatial economy as well as traditional knowledge intensive sectors in south Belfast and around the Central Business District.

10.4 In this economic realignment, the most excluded people and places will be increasingly left behind. It is interesting that religious residential integration has increased in Belfast, particularly in the south of the city, at the same time as interfacing, violence and poverty has increased in the inner north, west and east. This twin-speed city presents a challenge for places that cannot connect to the new economy and part of the rationale of the social economy is that performs precisely that task. Some of the case studies show that where social enterprises reach scale, they provide underserved communities with appropriate jobs, income and access to the labour market as well as the capital to change the social, physical and economic life of their areas. Replicating and scaling success is an important policy priority for the public sector and the politicians who represent these constituencies.

Critical success factors and social enterprise development

10.5 The table below draws on the empirical evidence to highlight some of the critical success factors in social enterprises and the policy levers that might make them more efficient. It shows that leadership is critical although there are issues about succession planning, particularly where an organisation is driven by a lone, charismatic entrepreneur. Linked to this is the need to have the right skills mix including an understanding of the social value of social enterprises as well as the technical, financial and business planning competence to keep them sustainable. Innovation and a capacity to seek out new markets, learn from experience and take risks with new concepts are also important.

10.6 As with any business, keeping the organisation profitable and viable in difficult trading environments is critical but so too is being rooted in the area or
interest that first instigated the project. Mission drift is an obvious problem as enterprises seek profit but the best organisations balance their social and economic purposes. Finally, strategic stability requires the best organisations to diversify their services and products, a capacity to absorb shocks, especially the withdrawal of funding and an ability to build the organisation to maturity in a financially disciplined way.

Table 19 What social enterprises do well

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<thead>
<tr>
<th>Factor</th>
<th>Components of effectiveness</th>
<th>Illustration</th>
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<tbody>
<tr>
<td>Leadership</td>
<td>• A charismatic social entrepreneur at all stages of business development cycle;</td>
<td>The enterprises examined in the case studies were led by effective and inspiring leaders. They displayed particular traits in management, marketing, collaborative working and seeking new products, services and facilities to sustain their business.</td>
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<td></td>
<td>• Strong capacities in participatory practices and staying close to the original community of interest;</td>
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<td></td>
<td>• Collaborative work capable of bringing together a range of stakeholders to make change happen; and</td>
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<td></td>
<td>• Effective at developing interdisciplinary teams.</td>
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<tr>
<td>Skills and robust systems</td>
<td>• Finance and investment readiness skills at the core of effective organisational performance;</td>
<td>Oasis strengthened their Board particularly in the area of financial skills and developed stronger business alliances via Orien to enable them to compete for larger contracts. A number of organisations, such as UnLtd and GEMs have used SROI methods to demonstrate the financial leverage of their social programmes.</td>
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<tr>
<td></td>
<td>• Contract bidding and procurement management;</td>
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<td></td>
<td>• Effective monitoring and evaluation on both economic and social performance;</td>
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<td>• Systems of financial management and control and reporting to the Board; and</td>
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<td></td>
<td>• Creating effective Boards with a mix of skills and expertise from the public, private and voluntary sectors.</td>
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<td>A capacity to innovate</td>
<td>• A priority given to knowledge and researching opportunities;</td>
<td>Building Change Trust is a £10m development by the sector to develop its sustainability through social finance, new skills and technical support in areas such as collaboration. Holywell Trust developed hybrid business formats, ACT a FABLAB to develop digital fabrication and training and educational resource. The development of Time Banks shows openness to new ideas and experimentation.</td>
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<td></td>
<td>• Good understanding of emerging and declining markets;</td>
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<td></td>
<td>• Understand and value risk and encourages managers, staff and Board members to reflect and think through new products or services;</td>
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<td></td>
<td>• Creativity and being at the front of initiatives such as impact measurement, social finance and pilot testing new concepts; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The development of spin out companies and business lines.</td>
<td></td>
</tr>
<tr>
<td>Financial management</td>
<td>• A capacity to access and balance grant and loan support;</td>
<td>Community shares have been used to develop the Drumlin co-op. The Mount Vernon integrated planning approach has made savings in public spending to reinvest in the community. Investment readiness has also strengthened financial skills across social enterprises.</td>
</tr>
<tr>
<td></td>
<td>• Financial discipline and a particular focus on cash flow and building reserves;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Prepared to innovate with new forms of finance such as community shares; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Developing the right structures to monitor and report performance and identify risks.</td>
<td></td>
</tr>
<tr>
<td>Relevance</td>
<td>• Clear and shared social objectives that inform decision making;</td>
<td>Organisations such as the Colin Glen Trust have diversified their business but maintained a close connection with their expertise in environmental management. A number of organisations, such as EBM, have local residents on the Board whilst others such as Holywell Trust formally sound out attitudes using a range of techniques such as appreciative inquiry.</td>
</tr>
<tr>
<td></td>
<td>• A close relationship with beneficiaries and target community in order to establish organisational legitimacy;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Effective relationships and reputation with the public sector;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Offers services, products and facilities that people need and will pay for;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Effective at communicating impact to stakeholders; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• An eye for publicity.</td>
<td></td>
</tr>
<tr>
<td>Strategic stability</td>
<td>• Develop the organisation from growth through to maturity is stable ways and not too quickly;</td>
<td>ITEC and Bryson are well established organisations that have taken time to mature and develop a portfolio of activities. Bryson is one of the largest enterprises in the UK and now provides services outside Northern Ireland, operates a range of separate companies and constantly explores new markets such as the pilot testing of the Home Improvement Agency. The Colin Glen Trust has been able to respond to the end of the ACE employment scheme and develop its access to work training services.</td>
</tr>
<tr>
<td></td>
<td>• A capacity to diversify into new markets, products and services;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• An ability to accumulate assets as collateral;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• More mature organisations have developed strategic alliances and hybrid forms of mixed charitable/privately owned business models;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ultimately, a capacity to reach scale in employees, turnover and service areas;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Awareness of competition within and between sectors and the need for collaboration and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• A capacity to adjust to or absorb shocks such as cuts in funding lines.</td>
<td></td>
</tr>
</tbody>
</table>
Obstacles and opportunities

10.7 Table 20, which is based on the empirical sources in the report, summarises the obstacles and opportunities affecting the development of the sector. There are problems, internal to organisations, about the sustainability of social enterprises and their capacity to trade on a day-to-day basis but there is also stronger investment in collaboration, especially to win contracts on a more profitable basis.

10.8 Similarly, the lack of political interest in the sector was raised in the regional interviews but there is also a strong cross-party commitment to addressing deprivation and inequality and value of the community sector in addressing complex social issues. The problem economies in which many social enterprises work coupled with public spending cuts and pressures on programme budgets make it more difficult for enterprises to build their business but many are optimistic about the future.

10.9 A number of the organisations examined in the case studies have plans to grow and welcome the expansion of social finance through Charity Bank and UCIT. However, there is potential to develop the social finance market, especially by strengthening access to London markets. This is also linked to policy support for the social economy. A policy framework could coordinate activity, provide coherence and highlight the need for grant investment into social enterprises as well as, or together with, lending from local and national providers. Social changes also presents risks, such as increasing deprivation and segregation in some places but also opportunities to anticipate growth sectors including demographic ageing and renewable energy.
### Table 20 Obstacles and opportunities in the social economy

<table>
<thead>
<tr>
<th>Factor</th>
<th>Obstacles</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>• Financial strength of some social enterprises weakened by a lack of reserves;</td>
<td>• Significant investment in the enabling environment via BCT to help strengthen the sector;</td>
</tr>
<tr>
<td></td>
<td>• Over reliance on the individual entrepreneur;</td>
<td>• Stronger emphasis on collaboration, especially to win public sector contracts;</td>
</tr>
<tr>
<td></td>
<td>• Lack of succession planning and development of second tier leadership;</td>
<td>• Effective support via the SEP to develop a new cadre of leaders in the sector;</td>
</tr>
<tr>
<td></td>
<td>• Limited evidence of large scale progression of social enterprises;</td>
<td>• Social Enterprise NI is developing a strong corporate culture within the sector.</td>
</tr>
<tr>
<td></td>
<td>• Increasing competition within and between sectors for contracts and resources; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Evidence base on the economic effects of the social enterprises is weak.</td>
<td></td>
</tr>
<tr>
<td>Political</td>
<td>• A comparatively weak understanding of the social economy among the politicians; and</td>
<td>• There is a strong political recognition of social need and inequality; and</td>
</tr>
<tr>
<td></td>
<td>• Difficulties establishing social economics as a political concern given competition with other issues.</td>
<td>• There is a broad push for a more sustainable community and voluntary sector.</td>
</tr>
<tr>
<td>Economic</td>
<td>• Cuts in public spending to the social economy and in the policy areas where it works;</td>
<td>• The development of social finance products through Charity Bank and UCIT;</td>
</tr>
<tr>
<td></td>
<td>• The lack of public sector grant/loan support to incubate and grow social enterprises;</td>
<td>• Potential to access national social finance and fiscal instruments, especially CITR; and</td>
</tr>
<tr>
<td></td>
<td>• Social finance supply and diversity of products are weak; and</td>
<td>• Big Society Capital has expressed an interest in dedicated funding to Northern Ireland.</td>
</tr>
<tr>
<td></td>
<td>• There is a danger for some in the sector that social enterprises will be increasingly positioned as a replacement for welfare programmes.</td>
<td></td>
</tr>
<tr>
<td>Policy</td>
<td>• Lack of a framework to both prioritise and direct resources to the sector;</td>
<td>• Important progress in urban regeneration and asset transfer policies to support social enterprises;</td>
</tr>
<tr>
<td></td>
<td>• Although there are specific departmental and agency supports for specific initiatives, responses across policy areas is patchy;</td>
<td>• Stronger recognition of the role of the sector in addressing complex problems; and</td>
</tr>
<tr>
<td></td>
<td>• Lack of legislation that might support the sector, such as procurement; and</td>
<td>• Good evidence of impact from the SEP in forming new businesses, employment and turnover;</td>
</tr>
<tr>
<td></td>
<td>• Public contracts increasingly require a scale beyond the capacity of many social enterprises.</td>
<td></td>
</tr>
</tbody>
</table>
proposals have been identified to add to that debate, which aim to strengthen the sector across Northern Ireland.

**Recommendation 1: Create a policy framework for the development of the social economy with a particular focus on the growth of social enterprises.**

10.11 It was noted in section 3 (3.19) that the Northern Ireland Executive ‘are committed to developing social economy policy and development of the sector, to be supported within the context of the Economic Strategy (NIE, 2013, p.40). It is within the context of making a positive contribution to the growth and sustainability of the sector that these recommendations are made. The value of a policy framework is that it gives identity and (political and policy) status to the social economy and the distinctive needs of social enterprises. It could highlight their value as an instrument to achieve a range of objectives and strengthen the enabling environment to allow the sector to grow. Such a policy framework would help to achieve high level outcomes in the Programme for Government (PfG), especially Priority 1 on developing a sustainable economy and Priority 2 on tackling disadvantage. However, its main aim would be to prioritise and focus on a range of actions that are essential to stimulating the sector, addressing obstacles and supporting the factors that help social enterprises grow.

- The framework could adopt simple but progressive definitions of the social economy and social enterprises; progressive in that definitions should highlight their social impact, ethical base and collective strength. The Scottish approach would form the basis for such an approach but this could be formed by a partnership between Social Enterprise NI and public sector stakeholders.

- The framework could signal the importance and potential of social enterprises in a range of policy areas and work through existing champions to support delivery.

- The PwC (2013) report highlighted the importance of a comprehensive data set and a policy framework would help to support such work. It could also build a longitude monitoring approach that examines the macro impact of the sector in terms of employment, turnover and contribution to GDP. A stronger commitment to the sector in the PfG could be backed by reliable data on its performance and effects.

- The framework would concentrate on a limited number of strategic issues that will stimulate the growth of social enterprises in particular. Working groups from across departments and the sector could focus on: social finance and public sector investment; procurement and social value; and skills, over a three year period.

**Recommendation 2: The development of integrated social finance products, new to Northern Ireland, in order to build a long term and sustainable sector.**
10.12 The PwC (2013) review highlighted the potential of innovative tax incentives to draw more private sector investment into social enterprises via the Enterprise Investment Scheme (EIS) and the Venture Capital Trust. This requires changes at a national level but there are ways in which the local supply of finance could be addressed at a regional level. The research presented here identified gaps on the supply side including: patient capital and start-up lending; unsecured loans; quasi-equity and social impact and charitable bonds. The following financial mechanisms are proposed:

- **A social enterprise research and development fund** would support: early stage market research; financial analysis and advice; legal assistance; the development of prototypes and the implementation and testing of pilot initiatives. This could fund very early stage organisations or projects with significant financial and employment growth potential.

- **Quasi-equity start-up funding**: Invest NI’s Social Entrepreneurship Programme and their Small Business Loan Fund have provided an entry path for new social enterprises and for charities, voluntary organisations and community groups that want to develop a trading arm. However, it is particularly difficult to start new enterprises financed purely by debt and an element of grant support in the form of quasi-equity funding which could be repaid as revenues grow, could energise the start-up market.

- **A Charity Bond Pilot** could be developed between large charities with an excellent local reputation (e.g. Bryson Charitable Group), Social Finance, Building Change Trust and other, London-based, Charitable Trusts. This can be a relatively low-cost way of raising medium term funds from existing supporters of the charities but the set-up costs would need external support. It could be delivered as an open tender or Social Enterprise NI could be appointed to lead on such a pilot.

**Recommendation 3**: The development of specific social finance supports to strengthen community asset development using social enterprise models.

10.13 This specific area of funding would include a mix of technical and financial support, led by DSD in partnership with CFNI to support asset led development in the community and voluntary sector.

- **An Investment and Contract Readiness Fund** would support tailored investment readiness programmes for large existing charities and social enterprises that have the potential for high growth, while delivering measurable social impact. In the English fund, managed by the Social Investment Business, high growth is defined as growing from start-up to £1m in three years or less or year-on-year growth in turnover of 20%.

- **A Community Asset Transfer (CAT) Fund**, similar to that delivered in partnership between the Welsh Assembly Government and the Big Lottery Fund, would provide capital and revenue funding to support the transfer of assets from public sector organisations to community ownership. It was noted that DSD is developing a CAT framework for Northern Ireland and
could lead in the development of funding to help organisations purchase, refurbish or rebuild assets transferred out of community ownership.

- **Community Assets NI**: The Morrow Gilchrist (2013) report on asset transfer and ethical property development suggested an additional financial model for an ethical asset fund investing in a balanced portfolio of land, property and other assets in order to deliver positive financial and social impacts. The report was funded by the Community Foundation for Northern Ireland, DSD and Belfast City Council. There is an opportunity for DSD to help capitalise such a fund, along with CFNI and possibly with other statutory agencies, including Belfast City Council and the Housing Executive.

**Recommendation 4**: Intermediation services need to be strengthened, especially to access social finance markets in the Britain.

10.14 A number of interviews raised the need for intermediaries, especially to access the social finance market in England and to extend the use of fiscal initiatives such as the CITR. There has been recent interest by Big Society Capital in investing in the Northern Ireland market place and a recent seminar highlighted the potential opportunities, especially with UCIT and Charity Bank. UCIT has a financial relationship with Big Issue Invest and might be best placed to take forward such a proposal in partnership with Charity Bank, Big Society Capital and Building Change Trust.

- **Intermediation Services**: Discussions with charitable trusts based in England have highlighted the concerns of social investors about the lack of liquidity in social investment markets and difficulties in developing exit strategies. The funds proposed in recommendations 2 and 3 include a number which meet the concerns of social investors, including the Charity Bond Pilot, Community Assets NI and Community Asset Transfer. BCT and CFNI could play a role in acting as intermediaries between social investment projects in Northern Ireland and potential investors elsewhere.

- **Social Enterprise Funders Forum**: The situation could be improved in the short term by greater cooperation and coordination between grant funders and social finance providers. This could be provided by Funders Forum, with agencies in Northern Ireland working together on funding projects, sharing experience and learning from each other’s skills.

- Intermediaries could also improve the capacity of the third sector to develop and share a more coherent approach to impact measures at the subsector level (for example, among social enterprises as a whole). BCT has developed this to some extent by partnering with the UK-wide Inspiring Impact Programme. However, it is important that social enterprises (and social economy organisations involved with cooperatives, housing associations and social finance) develop agreed metrics and systems that account for their social value in reliable ways. BCT should ensure that the Inspiring Impact programme develops a specific
measurement regime for the social economy and social enterprises as a subset of the sector.

**Recommendation 5:** The development of an integrated programme to support social enterprises in public procurement in Northern Ireland.

10.15 The Centre for Economic Empowerment (CEP) recently reviewed social clauses in procurement in Northern Ireland and made a number of important and valuable recommendations, stating that: ‘A Social Value Strategy should be developed, setting out how commissioners and procurement officials should use social clauses to further the social, environmental and economic goals of the Northern Ireland Executive’ (CEP, 2013, p.5). Such a strategy would have the potential to deliver broader and deeper social impacts at competitive financial costs. This requires intervention on three levels:

a. Providing public sector commissioners and procurement officers with support from social enterprise and procurement law specialists, through legal advice and detailed engagement on social value and community benefit clauses, good practice examples, public-social partnerships (in priority areas such as re-offending, early years and care services) and pilot projects, as in the *Scottish Ready for Business (Developing Markets for the Third Sector)*.

b. Strengthening capacity in the third sector through programmes such as Charity Bank’s *Advanced Diploma in Sustainability Investment for the Third Sector*, delivered by the University of Ulster. This could be extended to include specialist short courses, online training as well as mentoring for organisations moving into bidding for public sector contracts or sub-contracts.

c. Consideration of legal reform including the incorporation of Community Benefit Clauses, requiring consultation with local communities or communities of interest and facilitating access to public contract opportunities and sub-contracting requirements for third sector organisations. These recommendations would necessarily involve a partnership approach with DETI, DFP and the Central Procurement Directorate (DFP) but could also include the University of Ulster, Charity Bank and coordinating bodies in the sector, especially NICVA and Social Enterprise NI.

**Recommendation 6:** Prepare briefing for new local authorities aimed specifically at Community Planning processes to strengthen the social economy at a local level.

10.16 Under proposals for RPA, local authorities will have responsibility for community development, planning and urban regeneration. *Community Plans* are likely to be the vehicle to deliver these services and it is important that they support social enterprises at the local level. The URBAN II case showed that programme managers need to be realistic about the capacity of sector and neighbourhoods to grow and sustain a viable social economy. Guidance on the value of the sector, its diverse forms, its potential and how best to
support it, could help to place social enterprises at the heart of local authority Community Plans.

- The guidance should be practice led and should draw on the experience and expertise of the sector to set out guidance on: mapping and auditing the local social economy (for example by geography, sector or beneficiary group); developing strategic priorities; forming programmes of support in the context of Community Plans; signposting technical assistance; and providing guidance and toolkits to help local planning (such as the New Economics Foundation’s (2008b) approach on local multiplier effects). Social Enterprise NI could use its expertise in capacity training and best practice to lead on such an initiative.

Recommendation 7: Undertake research on key market sectors in which social enterprises are likely to grow.

10.17 Sectoral reviews could explore the potential of a range of markets for social enterprises. Transforming Your Care has identified the importance of the community and voluntary sector in programme and service delivery, although the extent and profitability of the market is unclear. Social enterprises and co-operatives are also successfully developing in the energy renewables market and recycling, each backed by social finance rather than public sector grants. The sectoral reviews could examine:

- The strategic challenges and barriers (especially where start-up costs might be high);
- The capabilities of the sector;
- Current activity and market share;
- The implications for collaboration; ethics and risk;
- Pricing and market size; and
- Strategies to develop or scale social enterprise opportunities.

Recommendation 8: Coordinate skills programmes under a single Skills, Knowledge and Learning Framework to ensure the efficient and effective use of resources aimed at sustaining the sector.

10.18 A number of programmes have highlighted the importance of skills including both DSD’s urban regeneration and community development programme and its community asset transfer policy. The case studies have shown how the sector itself has provided investment readiness and financial planning support for small, medium and large voluntary sector organisations. It is important that these initiatives are coordinated around a single skills strategy that clearly defines the knowledge sets, competencies and learning styles that support the development of more sustainable social enterprises. There is a danger that impact will be reduced if too many schemes aimed at broadly comparable capacities are delivered without an agreed understanding of the relationships between them.

- There needs to be a Knowledge, Skills and Learning framework for the social economy that takes account of the proposed investment and
contract readiness supports suggested in recommendation 5. However, this also needs to coordinate support recommended in recent policies in urban regeneration, community development and asset transfer. The University of Ulster’s *Advanced Diploma in Sustainable Investment for the Third Sector* indicates that these skills centre on: strategic and business planning; sources of finance; financial and social impact measurement; risk management; financial stakeholder marketing; the procurement process; embedding the plan; and advocacy. Charity Bank and the University of Ulster could develop the framework in close partnership with DSD, training providers in the community and voluntary sector and NICVA.

**Recommendation 9: Extend social entrepreneurship education in order to attract more young people into the sector.**

10.19 There has been good support for social entrepreneurs in Northern Ireland through the Social Entrepreneurship Programme and UnLtd and the case studies show that both have achieved important impacts, especially on the formation of new businesses. The PwC (2013) review for DETI and DSD also highlighted the importance of social enterprises in schools and across the curriculum and Invest NI includes the social economy in its various awareness building programmes. Enterprise training in the universities has been growing but both universities lag behind Britain in terms of the development of support programmes, seed finance and spinouts for social entrepreneurs. The *Guardian Social Enterprise Network* (2013) recently reported that around 38% of the UK population who are not already self-employed would like to start a business and 19% of these people would like to start a social enterprise (based on the *RBS Enterprise Tracker*). The figures are even higher among young people, with 54% wanting to start a business and 27% of those wanting to start a social enterprise. The research goes on to argue that, based on a working age population of 41.7m, this would mean there are over 1.3m people in the UK currently thinking about starting a social enterprise (with possibly 30,000 interested individuals in Northern Ireland). Two initiatives are important here:

- Universities are one of the most underdeveloped sectors in this respect. There has been some curriculum development (especially at University of Ulster) but direct engagement with research groups to utilise university intellectual property is also important. Enterprise support could assist staff and students interested in developing concepts and intellectual property as spin out social enterprises. UnLtd offers financial assistance, guidance and toolkits specifically aimed at higher education, although this has been underused in Northern Ireland. [A guide has recently been produced for England by a consortium, which included UnLtd, universities, training organisations and social enterprises (UCL et al, 2013)]. DEL could consider supporting the extension of this approach in partnership with the two Northern Ireland universities.

- There is also an opportunity to globally network through the *Ashoka* network, based in the US. This supports social enterprises and it recently successfully negotiated to have 50 top performing social enterprises in the
United States replicated in the Republic of Ireland (There is limited capital support but an emphasis is placed on mentoring, business planning, accessing loan finance and establishing profitability. This approach clearly has limits but demonstrates how innovation could help develop new markets, sectors and establish global relationships in social economics. Social Enterprise NI could take the lead in developing such an approach in Northern Ireland (the UK network is http://uk.ashoka.org/).

**Recommendation 10:** The sector, through the Social Enterprise NI initiative could prioritise key actions with the political parties in the Northern Ireland Assembly.

10.20 It was noted that one of the obstacles to the development of the sector was its weak profile across the political parties, especially in the Northern Ireland Assembly. Social Enterprise NI could develop its work with the newly established All Party Working Group to build awareness and identify a number of critical issues to progress via the Assembly (and legislatively if necessary). These might include:

- Procurement and the extension of social clauses in public sector contracts;
- The social finance market place and the supply of bespoke financial products in particular;
- Support for the delivery of training and skills programmes being developed by Social Enterprise NI in partnership with providers across Northern Ireland as well as in Scotland.
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# Annex I E-survey of community businesses

## Community Business E-Survey

1. **Does your organisation have a separate trading arm within your organisation?**

<table>
<thead>
<tr>
<th>Answer</th>
<th>Yes</th>
<th>N</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

2. **Approximately what proportion of your overall annual income comes from trading activities?**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Yes</th>
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</thead>
<tbody>
<tr>
<td>Less than 10%</td>
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<tr>
<td>10-25%</td>
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<tr>
<td>26-50%</td>
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<tr>
<td>51-75%</td>
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</tr>
<tr>
<td>76-90%</td>
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<tr>
<td>More than 90%</td>
<td></td>
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</tbody>
</table>

3. **What problems have you experienced developing a social economy project or trading activities?**

<table>
<thead>
<tr>
<th>Problems</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting advice to start up the project</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Getting the right staff to develop and manage an enterprise</td>
<td></td>
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<tr>
<td>Getting access to finance to grow the project</td>
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<tr>
<td>Finding premises or facilities</td>
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<tr>
<td>Lack of information on the problems and pitfalls</td>
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<tr>
<td>Support from the public sector</td>
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<tr>
<td>Support from volunteers</td>
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<td></td>
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<tr>
<td>Equipment or IT systems</td>
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<tr>
<td>Marketing</td>
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</tbody>
</table>

4. **Have these factors helped with the development of your social economy project?**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>An individual entrepreneur</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Our organisations team and members</td>
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<tr>
<td>Networks and peer support</td>
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<tr>
<td>Specialist advice and support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key individuals in funding organisations</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>The private sector</td>
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<tr>
<td>Friendly finance</td>
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<tr>
<td>Statutory agency</td>
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<tr>
<td>Voluntary sector support</td>
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<td></td>
</tr>
<tr>
<td>Training organisations</td>
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</tr>
</tbody>
</table>
5 Have you been in contact with any of the following organisations or programmes in connection with your social economy work?

<table>
<thead>
<tr>
<th>Support</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Foundation Northern Ireland</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Social Economy Agency</td>
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<tr>
<td>NICVA</td>
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<tr>
<td>Any Local Strategy Partnership</td>
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<tr>
<td>Social Economy Belfast</td>
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<tr>
<td>DETI – Social Economy Branch</td>
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<tr>
<td>Social Economy Network</td>
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<tr>
<td>UnLtd</td>
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<td>University of Ulster – School for Social Entrepreneurs</td>
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</table>

6 Have you received financial support from any of the following sources for your social economy project?

<table>
<thead>
<tr>
<th>Support</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
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</thead>
<tbody>
<tr>
<td>Bank or other private lender</td>
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<td>Any of the PEACE programmes</td>
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<td>UCIT</td>
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<td>Community Investment Tax Relief</td>
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<td>URBAN II</td>
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<td>LEADER Programme</td>
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<td>INTERREG</td>
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<td>EQUAL</td>
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<td>Your District Council</td>
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<td>Community Foundation Northern Ireland</td>
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<td>Neighbourhood Renewal</td>
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<td>Other DSD programme</td>
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<td>Invest NI</td>
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<tr>
<td>Local Enterprise Agency</td>
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</table>

7 Are there any other comments that you would like to make about the development of the social economy and your work?
Annex II Case study protocol

Case study analysis
Office of the first and Deputy First Minister

Profile
Name of contact; Organisation; Address

Background

- Set out the history and development of the project
- When did it start and what was there before
- How it came about and what was the catalyst for change
- What services are offered from the facility if applicable

Finance and sustainability

- Cost of project and statutory sector support
- Gifted as well as financial support for the project
- Loan finance, short falls and reserves strategy
- Turnover, profit and loss accounts
- Asset ownership and collateral where applicable
- Are financial reports for the current financial year available

Organisation, governance and management

- How is the project or organisation managed
- Is there a Management Board or host organisation
- What staff and volunteers help to run the project
- How is the organisation linked back into the community or stakeholder groups
- Legal status: trust; charity and company limited by guarantee; Community Interest Company

Social and environmental outcomes

- What are the social inclusion and anti-poverty outcomes from the project
- Is there a community relations dimension to the work and what effects have these had on local relations
- Is the management structure and staff cross-community
- Is there a triple bottom line and how is this planned for
Impact and policy relevance

- What have been the critical successes of the project (try to provide as much evidence as possible)
- Where is the policy effect maximised and how
- Impacts on floor space provision, services, jobs, training, local facilities.
- Target groups; children; older people; unemployed; any figures on the volume of activity

Barriers and future plans

- What have been the main problems operating the project
- Legal, finance, staffing, skills and others
- What obstacles stand in the way of the long term development of the project
- What are your future plans and how are these being resourced

Evaluation

- Is there any evidence from your data, formal evaluations or local stories about the impact and effectiveness of the project
- User satisfaction surveys or customer feedback analysis
- What are your future plans and what stage are these at; summarise the issues that the respondent wants to make
Annex III Semi-structured interview questions

Northern Ireland policy interview schedule
Office of the first and Deputy First Minister

Name of contact; Organisation; Address

- What are the main policy areas and functions and how is the social economy organised within your agency?
- How aware are you of the social economy and its application within your policy environment?
- What specific support and funding do you offer for the social economy?
- Are there specific plans to develop more sustainable forms of charity; social finance; procurement and contract delivery?
- Can you quantify supports for the sectors from the relevant policy area?
- Are there social inclusion and anti-poverty outcomes from the supports or a community relations dimension to the work?
- What have been the critical successes of the policy or programme delivery?
- What are the main obstacles in developing the social economy in the policy sector: legal, finance, staffing, skills and others?
- Have you any plans to expand the sector and how are these being resourced?
Annex IV Semi-structured interviews in Great Britain and Ireland

National focal point interview schedule
Office of the first and Deputy First Minister

Name of contact; Organisation; Address

- In what way does your organisation work with the social economy?
- How effective are legal, policy and programme supports for the development of the social economy; what is the leading policy or programme in your area?
- What do you feel the social finance environment performs and are there implications for such infrastructure in Northern Ireland?
- Has Big Society and New Localism strengthened the sector or disadvantaged its role and performance?
- What do you feel the priorities are for the sector moving forward (prompt for skills and knowledge; legal supports; finance; partnerships and inter-sectoral collaboration)?
- Can you quantify supports for the sector and from the relevant policy area?
- What are the key successes of the social economy in your jurisdiction, policy area or organisation?
- What are the main obstacles in developing the social economy from your experience and has the recession opened or closed opportunities for expansion in your jurisdiction?
- Are there plans to expand activity and how are these being resourced, especially finances coming from within the sector itself?
Annex V Semi-structured interview respondents

Interviewees in England:

2. Neil Berry, Policy Officer, Locality
3. Ceri Jones, Head of Policy and Research, Social Enterprise UK
4. Sarah McGeehan, NESTA and Young Foundation now working for the Social Investment Business

Interviewees in Scotland:

1. Aidan Pia, Executive Director, Senscot
2. Laurence Demarco, Director, Senscot
3. Fraser Kelly, Social Enterprise Scotland
4. Alastair Davis, Chief Executive, Social Investment Scotland
5. Neil Mclean, Scottish Social Enterprise Academy
6. Anne Black, Head of Third Sector Business Support, Directorate for Local Government & Communities

Interviewees in Wales

1. Elwyn James, Chair Development Trusts Wales
2. Matt Brown, WCVA
3. John Bennett, outgoing Chief Executive, Welsh Social Enterprise Coalition
4. Mark Richardson, Director of Social Enterprise, Bangor University
5. Karyn Pittick, Head of Social Enterprise Unit, Welsh Assembly Government
6. Glenn Bowen, Enterprise Programme Director, Wales Co-operative Centre

Interviewees in the Republic of Ireland

1. Eamonn Fitzgerald, Awards Programme Coordinator, Social Entrepreneurs Ireland
2. Emer Ni Brahdaigh, Dublin City University

Interviewees in Northern Ireland Social Economy

1. Colm Bradley, Community Places
2. Charlie Fisher, CFNI and Building Change Trust
3. Sylvia Gordon, Director Groundwork NI
4. Leanne Kelly, Collaboration Northern Ireland
5. Ken Logue, The Atlantic Philanthropies Northern Ireland
6. Patrick Minne, Charity Bank (Northern Ireland)
7. Jonathan McAlpin Ulster Community Investment Trust
8. Audrey Murray, Social Entrepreneurship Programme
9. Bill Osborne, Building Change Trust
10. Andrew Talbot, Legal Adviser, Collaboration NI
Interviewees in Northern Ireland Public sector

1. Jennifer Hawthorne, Asset Transfer, Northern Ireland Housing Executive
2. Amanda Johnston, Social Enterprise NI
3. Tony McKibbon, Department for Social Development (NI) Urban Regeneration
4. Stephen Macdonald, Department of Enterprise Trade and Investment Social Economy Branch
5. Bebhinn Nibhriain, Department for Social Development (NI) Community Asset Transfer
6. Elma Newbury, Northern Ireland Housing Executive; Housing and Regeneration Branch
7. Jack O’Connor, Department for Social Development (NI) VCU
8. Sharon Polson, Invest NI
9. Kate Taggart, Director of Community Services, Belfast City Council.
10. Dave Wall, Department for Social Development (NI) Strategic Policy.