



UNIVERSITY OF  
LIVERPOOL

HESELTINE INSTITUTE FOR  
PUBLIC POLICY AND PRACTICE

---

# *The Scale, Scope and Value of the Liverpool City Region Social Economy*

Helen Heap, Alan Southern and Matt Thompson  
Heseltine Institute for Public Policy and Practice  
University of Liverpool

*November 2017*



## CONTENTS

<b>Part 1</b> .....	<b>4</b>
Summary. Our Research into the Social Economy in the Liverpool City Region	
<b>Part 2</b> .....	<b>18</b>
The Value and Purpose of the Social Economy in the Liverpool City Region	
<b>Part 3</b> .....	<b>24</b>
Measuring and Mapping the Social Economy in the Liverpool City Region	
<b>Part 4</b> .....	<b>40</b>
Prospects and Opportunities: Views from the Social Economy	
<b>Part 5</b> .....	<b>76</b>
Starting a Strategic Conversation	
<b>Appendices</b> .....	<b>86</b>

## ACKNOWLEDGEMENTS

We are grateful for the support of the University of Liverpool who funded this research. The work could not have developed as it did without the contribution and critical input of many in the social economy in the Liverpool City Region. Other contributors from elsewhere, particularly Bristol and Plymouth and in Montreal, are specifically cited in this report. There are many more who have been involved in events and discussions, some of which we have led and others in which we have participated, who through their sharing of knowledge have also implicitly made a contribution to this work.

As always, it is the authors who are responsible for any errors or omissions in this report.

## ABOUT THE AUTHORS



**Helen Heap** is a social investor and the founder and CEO of Seebohm Hill Ltd, a Liverpool-based social investment consultancy. She spent more than two decades working in the financial services industry as an analyst, equity salesperson and investor and since 2011 Helen has worked with a number of social organisations, social investors and the Cabinet Office in roles involving the measurement and reporting of social value, investment due diligence and research of the social finance market.



**Alan Southern** is part of the University of Liverpool Heseltine Institute for Public Policy and Practice and Senior Lecturer in the Management School. He leads the research theme in the Heseltine Institute on the social economy and his research interests are specifically focused on a critical understanding of enterprise in low income communities, and how communities can use their asset base in innovative ways.



**Matt Thompson** is a Postdoctoral Research Fellow at the Heseltine Institute at the University of Liverpool. He completed his PhD on Liverpool's history of collective housing alternatives, focusing on cooperatives and community land trusts, at the University of Manchester in 2015, and is currently finishing writing a book based on his thesis to be published with Liverpool University Press. Matt has worked with the Liverpool City Region Local Enterprise Partnership (LEP), advising on urban policy and strategy. His current work with the Heseltine Institute is focused on developing our understanding of how social innovation can transform urban governance.





## Part 1

**SUMMARY.  
OUR RESEARCH  
INTO THE SOCIAL  
ECONOMY IN THE  
LIVERPOOL  
CITY REGION**





## 1 AT A GLANCE SUMMARY OF THIS RESEARCH

- 1.1 This research was conducted by Helen Heap of Seebohm Hill and Alan Southern and Matt Thompson from the Heseltine Institute of Public Policy and Practice at the University of Liverpool. It is an independent piece of work, funded through the University and provides an overview of the scale, scope and value of the social economy in the Liverpool City Region, conducted between October 2016 and June 2017.
- 1.2 The Liverpool City Region has a well-established reputation for social innovation. Our research shows that the social economy has the potential to achieve much more in terms of economic and social value creation. Now is the time to realise this in a new and different approach that sees the social economy as an important part of an inclusive economic growth plan.
- 1.3 This research shows that there is clearly potential for the Liverpool City Region social economy to generate jobs, GVA (Gross Value Added) and social value. To achieve this the Metro Mayor, Combined Authority, local authority leaders, Local Enterprise Partnership (LEP), anchor institutions, such as universities, and large social organisations all have important, but different, roles to play. The following five pages summarise our main findings.

Around **1,400** social organisations based in the Liverpool City Region, accounting for

**2.2%**

*of all registered companies, distributed across the Liverpool City Region as follows*



### LIVERPOOL

696 social organisations employ 18,500 people, generate £1.5bn of revenue and hold net assets worth **£2.9bn**

### SEFTON

147 social organisations employ 6,000 people, generate £310m of revenue and hold net assets worth **£380m**

### KNOWSLEY

119 social organisations employ 6,000 people, generate £455m of revenue and hold net assets worth **£510m**

### HALTON

75 social organisations employ 6,400 people, generate £185m of revenue and hold net assets worth **£125m**

### ST HELENS

87 social organisations employ 3,000 people, generate £160m of revenue and hold net assets worth **£150m**

### WIRRAL

244 social organisations employ 5,500 people, generate £310m of revenue and hold net assets worth **£315m**

1.4

## we record...

- 623 registered charities ✓
- 276 social enterprises ✓
- 113 clubs and membership organisations ✓
- 5 universities ✓
- 122 other educational establishments ✓
- 127 social businesses ✓
- 103 cooperatives ✓

## the largest sectors are:

-  education
-  housing
-  health and social work
-  arts, entertainment and recreation

1.7

There appears to be a clear association between poorer places in the Liverpool City Region and the location of social organisations.

This suggests that social organisations operate where markets fail and where the public sector has, mainly due to austerity measures, retreated.

1.6

### OUTSIDE OF THE VERY LARGEST PLAYERS, MOST OF THE REST ARE VERY SMALL.

#### OF ALL SOCIAL ORGANISATIONS...

over Half have net asset value	around One Third	and 11% of the data set disclosed
of less than £75,000	less than £10,000	negative net worth

1.5

## INCOME AND WEALTH

in the social economy are heavily skewed towards a few very large players: the **35 largest organisations** (only 2.5% of total) account for around

### THREE QUARTERS

of all income, assets and jobs in the social economy.

1.8

Many critical issues facing society are precisely the areas that provide the social economy with its purpose:

- JUSTICE AND EQUALITY
- PROSPERITY
- JOBS
- EDUCATION
- MARKETS
- ENVIRONMENT
- HEALTH AND WELLBEING
- HOUSING
- COMMUNITY AND PLACE
- DEMOCRACY



1.9

In our discussions with practitioners we found social organisations working to address challenges around:

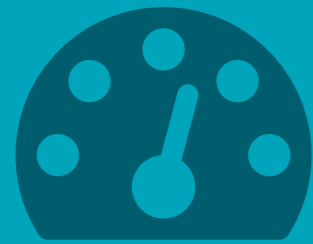
- SOCIAL JUSTICE, SOCIAL ENTREPRENEURSHIP AND EQUALITY
- SOCIAL INNOVATION
- ASSET ACQUISITION
- PROCUREMENT AND COMMISSIONING
- PARTNERSHIP
- FINANCE AND INVESTMENT
- INSTITUTIONAL SUPPORT INFRASTRUCTURE



1.10

**In this report we show examples of innovation led by social organisations from across the Liverpool City Region.**

We also show examples from elsewhere of how the social economy has been supported, which the city region can learn from.



1.11

*In the context of public expenditure cuts, Brexit and city region devolution, developing the social economy presents an opportunity for public service reform, enhanced social justice and inclusive growth. This can only be achieved if we harness the **full potential** of the vibrant social economy infrastructure that already exists in our city region.*

1.12

**Our recommendations**

focus around three areas, which we term the ‘3G Approach’: Government, Governance and Growth. Our research draws out lessons about:



**Government**

How the devolution process offers a new opportunity for government – national, city-regional and local – to support the social economy and, in turn, wider communities in the city region.



**Governance**

How the social economy can better govern itself through innovations in governance.



**Growth**

And how a more dynamic social economy that will bring economic development and social impact can be achieved through tools and methods of growth.



1.13 *The message from our research is strategic and provides policy intelligence.*

**We are saying that a healthy social economy is an essential ingredient in the delivery of any local economic strategy.**

Here is an opportunity for the newly devolved administration of the Metro Mayor, Combined Authority and Liverpool City Region Local Enterprise Partnership (LEP) to successfully plan their local economic strategy in the knowledge that a substantial social economy exists.







*Our Research  
into the Social  
Economy in  
the Liverpool  
City Region*

## 2 OUR DEFINITION OF THE SOCIAL ECONOMY

2.1 The definition of the social economy that we use here is as follows...

The social economy is made up of charities, social enterprises, cooperatives and self-help initiatives that produce and distribute goods and services, employing people fairly and with dignity.

It also includes those anchor institutions such as universities and housing associations who hold a clear social purpose, able to spend their revenues, procure services and deliver contracts in ways that make the whole economy more social.

Often those involved in the social economy will campaign on behalf of others who have less power to influence and who may find themselves excluded from mainstream markets.

2.2 The organisations we include as part of the social economy hold as their primary purpose a social objective rather than one of private profit and are independent from the public sector. Social organisations will often make a profit (or surplus) to exist and thrive; they are part of the economy like any other business. The difference is what they do with that surplus. We expect social organisations to be broadly characterised by five distinctive qualities:

1. Reinvesting surplus back into the organisation and/or the local community in which it operates or serves, for the delivery of social outcomes.
2. Delivering benefits, meeting the needs and/or championing the voices of groups in society who are not adequately recognised, served or supported by existing markets or government programmes.
3. Encouraging democracy and community participation in the production, consumption and distribution of goods and services, which can be hugely empowering for communities.
4. Rooted in local communities and issues, and often acting as excellent innovators of new ideas as solutions to enduring social problems.
5. Providing vision and leadership for others as to how the economy can be transformed to better serve society in response to global urban challenges.

### 3 THE PURPOSE AND SCOPE OF THIS RESEARCH

2.3 In their work social organisations perform several important and distinct functions. For example, they:

- Provide socially valuable services and build relationships between people that the market cannot provide – often as charities, self-help initiatives and through voluntary action.
- Trade goods and services for people excluded from mainstream markets, or in areas suffering from market failure – often as social enterprises or community businesses.
- Sell goods and services in mainstream markets in ways which produce greater social value and justice for both producers and consumers.
- Perform civic roles and provide essential services, such as utilities, social housing or higher education, to a general population where the public sector never has or no longer does.
- Deliver essential public services, such as health and social care, for commissioning bodies in the public sector, such as local authorities, Clinical Commissioning Groups (CCGs) and Policy and Crime Commissioners (PCC).

2.4 As always, definitions are there to be debated. There are other reports on other places or at different scales that take a different definition with different evidence presented<sup>1</sup>. When necessary, the terminology we have used in this research is explained as we progress through the report.



3.1 This research began towards the end of 2016 with the purpose to support the social economy in the city region.

#### We specifically looked to:

- Provide high quality market intelligence on the scale and scope of the social economy in the Liverpool City Region that could be used as a national and international benchmark.
- Evidence best practice from elsewhere and examples of work by social organisations that could inform the way the social economy in the Liverpool City Region develops.
- Establish an approach to understanding the social economy in the Liverpool City Region from which future research and knowledge exchange can be developed.

3.2 The research includes both quantitative and qualitative investigation. The quantitative work covers those social organisations who are recorded in public databases (i.e. Companies House, Charities Commission etc.) with information specifically collected on company type, trading address location, date of incorporation, company number and, where applicable, charity number. This data refers to the social economy in 2014/15.

3.3 The criterion for inclusion in the dataset is having principal registered office within the Liverpool City Region and the data is taken from consolidated accounts. This means that for those organisations which operate outside the city region it will also include out of area revenues and assets. Equally, there are housing associations and other organisations active within the city region whose revenues and assets are not included in our data because they are part of larger companies based outside the city region.

3.4 Only by delving into the group accounts in some detail will we be able to get a more accurate picture – a task for future research. There is a large and diverse local social economy, including some very large and financially strong entities. These, along with other important public sector bodies and anchor institutions, are able to make significant contributions to the sustainability and impact of the wider social economy and voluntary sector.

<sup>1</sup> The work of the CVS differs from our perspective, for instance Jones, G. and Meegan, R. (2015) Measuring the size and scope of the voluntary and community sector in the Liverpool City Region, European Institute for Urban Affairs, Liverpool John Moores University; see also the recent national report by Vickers et al (2017) Cities, the Social Economy and Inclusive Growth: A Practice Review, Joseph Rowntree Foundation: York. This debate is important and for this reason we refer the reader to the adjoining reports available on the Heseltine Institute website. See [www.liverpool.ac.uk/heseltine-institute](http://www.liverpool.ac.uk/heseltine-institute).



## 4 WHO IS THIS REPORT FOR?

3.5 It must be noted that this dataset has not captured the full extent of all voluntary organisations, those operating 'beneath the radar' of the official databases we consulted. Informal voluntary and social action is a fundamental part of the social and wider local economy – both in terms of economic and social value creation and for broader aims of socialising the economy. It will be important to also understand the dynamics of the social economy, such as the rates of new start ups and closures. Such a development will be an important addition to this work in the future.

3.6 The qualitative work included participant observation of several workshop events held by social economy practitioners, as well as several self-organised roundtable discussions. The principal qualitative method was semi-structured interviews with stakeholders from a broad range of social organisations as well as other relevant institutions which support the social economy, both within the Liverpool City Region and from elsewhere, notably Bristol, London, Manchester, Plymouth and Preston.

We have also held conversations with those involved in setting up the Chantier de l'économie sociale in Quebec, Canada, both in person and via video interview. We asked about the practices of social organisations, the challenges they faced, the general policy environment, and the opportunities and barriers for future development of the social economy.



4.1 This report and the research it draws upon will be useful for practitioners in the social economy, policymakers in the wider local economy and other researchers interested in the social and economic value of the social economy.

### We believe it will be valuable:

- As a resource for the Liverpool City Region Metro Mayor, the Combined Authority, individual local authorities, the LEP, and others interested in providing specific support to social organisations with potential for growth;
- For anchor institutions, particularly housing associations and universities, as well as large charities and social enterprises looking to support smaller or less well-resourced social organisations in their work;
- For social organisations seeking to cooperate with similar groups or others providing complementary services in order to deliver social impact;
- For investors and funders looking for social organisations working in certain sectors, categories or geographic locations;
- For researchers, academics and consultants interested in understanding the social economy in more detail.

4.2 Part 2 of this report introduces the value of the social economy as it has developed historically in the Liverpool City Region. We show here the purpose of the social economy as it addresses many of the most pressing problems in the city region. In Part 3 we map out the social economy in the Liverpool City Region.

We look here at the economic significance of the social economy, the different types of social organisations, their finances and the sectors in which they operate. In Part 4 we show the prospects, potential and opportunity not only for social organisations, but for the broader city region, and report on our interviews with social economy stakeholders. Finally, in Part 5 we present a series of policy prompts to initiate a strategic discussion on the role of the social economy in the Liverpool City Region, based around Government, Governance and Growth.





## Part 2

.....

### THE VALUE AND PURPOSE OF THE SOCIAL ECONOMY IN THE LIVERPOOL CITY REGION





## 5 PAST AND POTENTIAL: A BRIEF HISTORY OF SOCIAL ECONOMY DEVELOPMENT IN THE LIVERPOOL CITY REGION

### 5.1 The Liverpool City Region has a long and proud history of combining wealth-creating entrepreneurialism, social responsibility and disruptive activism, leaving a lasting legacy in the contemporary social economy.

Prominent philanthropists, activists and social reformers have helped define the city region's distinctive history, pioneering the development of social movements and some very successful social organisations, not least:

- Liverpool Blue Coat Hospital and School was founded in 1708 by master mariner Bryan Blundell and the Reverend Robert Styth as a place where poor children could be accommodated, cared for and educated.
- The UK's first Society for the Prevention of Cruelty to Children, founded by Thomas Agnew in 1883.
- Lord Lever, the soap magnate, built Port Sunlight at the end of the nineteenth century to provide his workforce with decent and affordable homes, amenities and welfare facilities – a pioneering model community predating the welfare state.
- Lord Lever also used philanthropic funds to found the world's first ever school for urban planning, the Department of Civic Design at the University of Liverpool, in 1909.

- In the inter-war period, Eleanor Rathbone helped revitalise the Liverpool Council of Voluntary Aid (LCVA) to meet desperate social need, likewise informing the development of the welfare state. The LCVA was later re-founded as the Personal Services Society in 1919.
- In its latest incarnation, Person Shaped Support, or PSS, works alongside local government and the NHS to provide essential health and social care – one of the largest charities and social enterprises operating in the city region today.
- In turn, Rathbone inspired the development in Liverpool of the Citizen's Advice Bureau, Legal Aid and Age Concern – charities which have since gained national profiles as household names.

5.2 In the domain of housing, working class tenants cooperated with idealistic housing professionals to forge one of the largest and fastest growing cooperative housing movements in the UK. The movement still numbers some 50 co-ops across the city region, including:

- The first ever new-build co-op, Weller Street, to be designed, developed, owned and managed by its tenant-members, established in 1977;
- The Eldonian Community Development Trust, which houses thousands, directly employs over 100 local people, and supports numerous social enterprises, winning the UN Habitat Award for Sustainable Communities in 2004.

5.3 The co-op movement also helped inspire the vibrant local housing association sector, whose main players – including Riverside, Plus Dane, Liverpool Mutual Homes, First Ark and Regenda – are today critically important anchor institutions, delivering neighbourhood services, social support and urban regeneration, as well as housing tens of thousands in good clean affordable homes.

5.4 Most recently, the city region has given birth to some of the most innovative social enterprises nationally if not globally. For example:

- The Women's Organisation provides dedicated support for female entrepreneurship, championing gender equality and women's economic development – the largest of its kind in the world.
- Can Cook CIC is leading the way nationally in tackling food poverty, previously providing training for young people in food production, now providing fresh nutritional meals to those without access to affordable food.

• The Reader Organisation offers shared reading as an innovative solution to various health and social problems, aiming to inspire a reading revolution within sections of society that may not have access to great literature: hospitals, care homes, schools, community centres, prisons, hostels etc.

• Granby Four Streets Community Land Trust is redefining neighbourhood regeneration through do-it-together approaches – the first architectural or housing project ever to be nominated and win the Turner Prize, in 2015.

5.5 What all these organisations share is a deep commitment to helping solve the many challenges facing people and places across the Liverpool City Region. They inject passion and creativity into experimenting with new ideas and ways of working that have huge potential to reinvent public services and economic development in the face of austerity, injustice and inequality.

## 6 SOCIAL ECONOMY PURPOSE: TACKLING STUBBORN AND PERSISTENT PROBLEMS

6.1 The Liverpool City Region is faced with many stubborn and persistent problems. The 2015 Indices of Multiple Deprivation (IMD) data finds that the Liverpool City Region LEP area is the most deprived of all 39 LEPs in England: ranked worst for unemployment and health deprivation and disability, and second worst for income deprivation affecting both children and older people. Of all 326 local authority areas, Knowsley and Liverpool are, respectively, the 2nd and 4th most deprived.

6.2 Problems such as these require urgent attention if we are to create an inclusive, just and prosperous city region in which to live and work. The social economy is perhaps uniquely positioned to grapple with these challenges head on. Due to their social purpose, open governance and proximity to local communities, social organisations are often the most adept at finding innovative solutions to such pressing social problems, be that the health and social care crisis, empty homes, the gender pay gap, unemployment, the skills gap or spatially concentrated inter-generational poverty.

6.3 Our findings suggest the local social economy is geared towards tackling a range of stubborn and persistent problems afflicting Liverpool City Region and, indeed, twenty-first century Britain. They do this by supporting the following key areas:

- **Justice and Equality** – social organisations support specific sections of society, groups and communities who are marginalised, and champion important social justice issues, such as gender and racial equality.
- **Prosperity** – located in areas that record the highest levels of deprivation, according to the IMD, social organisations seek to include the disadvantaged and create new possibilities for inclusive growth.

- **Jobs** – social organisations create employment and opportunities for alternative forms of economic provisioning, the self-employed and young entrepreneurs, particularly in those sectors that address social problems and concerns.
- **Education** – social organisations build human capital; through the provision of education, across all ages, and through training, apprenticeships and informal learning the social economy provides new skills, tackles ignorance, and supports personal development and social cohesion.
- **Markets** – social organisations bring into the mainstream those who are often excluded through market mechanisms; this might include basic consumption, such as food and energy, or different models of financial management, such as Local Exchange Trading Systems (LETS), credit unions etc.
- **Environment** – social organisations work to enhance environmental resilience, promote ecologically sustainable patterns of production and consumption and lead the transition to a low carbon economy, from promoting cycling and recycling, to urban gardening and community food growing projects, to community-owned solar energy and wind farms.

- **Health and Wellbeing** – social organisations provide services and include those who are often left out of active programmes that support a healthy life, such as older people, those with special needs or who suffer with mental health problems.

- **Housing** – the social economy is a central player in the provision of homes, seen as dwellings where people live, rather than treated as commodities; provided principally through the large housing association anchor institutions, alongside smaller self-help and community-led initiatives, with talents in bringing empty homes back into community use.

- **Community and Place** – social organisations build social capital; they support strategies in the community that strengthen individual ties between people and organisations; the social economy offers hope and innovative tools for the co-design of places, to create neighbourhoods of common value.

- **Democracy** – the social economy promotes democratic participation in economic and political decision-making, providing new spaces for civil society to engage, and innovations in governance across scales, from participatory budgeting and crowdfunding to co-production.

6.4 All the social organisations identified in this study are explicitly focused on delivering one or more of the above 'social goods'. These are just the most obvious of a wide range of social purposes to be found driving social organisations across the city region. Our findings suggest that the Liverpool City Region social economy does indeed do all these things.

But it does so to varying degrees, unevenly distributed across different sectors and localities. This report aims to present possible ways forward to enhance the distinctive capabilities of the social economy to deliver benefits for the city region, and for all its inhabitants.

6.5 We oppose perceptions of the social economy as narrow and standalone. Our research shows those active in the social economy provide new vision and leadership for how the economy as a whole can become more just, inclusive and meaningful; they act collectively, use democratic and cooperative practices, and exhibit social entrepreneurialism and innovation.

6.6 The social economy describes an economy that redirects public and private sector contracts through to local suppliers to deliver greater social value; reinvests profits into the development of local assets, skills and capabilities. In this sense, it describes an economy and a society in which those two terms are seen together, as part of a whole; one in which all three sectors – public, private and social – are more integrated and work in closer collaboration to resolve enduring societal challenges and promote a brighter economic future.





Part 3

MEASURING AND  
MAPPING THE  
SOCIAL ECONOMY  
IN THE LIVERPOOL  
CITY REGION





## 7 THE ECONOMIC SIGNIFICANCE OF THE SOCIAL ECONOMY IN THE CITY REGION

7.1 The Liverpool City Region has a substantial social economy operating today, generating significant income and employment. From our data, we suggest there are nearly **1,400** social organisations who generate an annual income of **£3bn**, who employ **45,000** people, and who own net assets of some **£4.4bn**, with a surplus of over **£300m**.

7.2 The Liverpool City Region social economy is large by British standards. In the context of a total Liverpool City Region economy worth some **£28bn**, and half a million employees working across all businesses in the region<sup>2</sup> – the social economy accounts for nearly one in ten people employed.

The latest research estimates that the social economy accounts for about **5.6%** of UK employment, much lower than the **6.5%** average of European employment.<sup>3</sup> In some countries, such as Sweden, Belgium, Italy, France and the Netherlands, the social economy accounts for between **9%** and **11%**.

7.3 Economic significance is apparent through comparison with the seven growth sectors identified by the Liverpool City Region LEP, in the Single Growth Strategy<sup>4</sup>, as the most important and promising areas of economic activity.

Employment levels in the social economy compare favourably with five of the seven growth sectors: Digital and Creative (**13,600** employed), Financial and Professional Services (**45,000**), Health and Life Sciences (**8,000**), Low Carbon Energy (**34,800**), Maritime and Logistics (**19,400**).



## 8 MAPPING THE SOCIAL ECONOMY

8.1 The **1,368** social organisations we capture in this work represent **2.2%** of all registered companies in Liverpool City Region. The table below summarises the breakdown in distribution between local authority areas.

Table 1 Overview of the social economy in the Liverpool City Region

	Number	Employees	Income £s	Net Asset £s
Liverpool	696	18,456	1,529,767,980	2,901,211,435
Sefton	147	5,924	310,638,767	381,161,281
Knowsley	119	5,920	455,366,631	509,266,227
Halton	75	6,373	184,649,830	124,710,874
St Helens	87	2,830	162,186,956	150,243,659
Wirral	244	5,452	311,768,706	315,946,190
Total	1,368	44,955	2,954,378,870	4,382,539,666

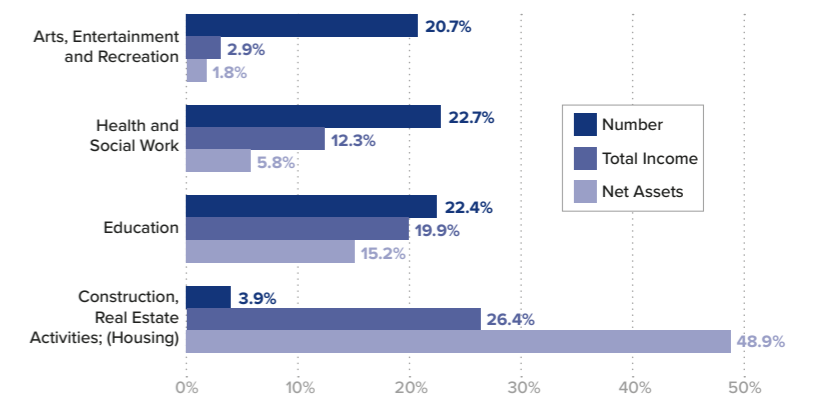
8.4 This issue is even more notable in the Arts, Entertainment and Recreation sector where there are **283** organisations, accounting for **20%** of the total number. These generate less than **2%** of net assets and **3%** of annual income. Although high in number, many social organisations in this sector appear to be micro-sized and under-resourced.

8.2 The key industry sectors that drive the social economy are housing, education, and health and social care as we see in Figure 1. These sectors account for half of the number of social organisations in our data, and around **90%** of annual income, employment and net assets.

8.3 While around one quarter of all social organisations in Liverpool City Region operate in Health and Social Work, they generate a much smaller proportion of income and assets, at **12%** and **6%** respectively.

This may indicate that the economics of these businesses are much more difficult than for the social economy as a whole. It may also be a function of the large number of subscale organisations which operate in this sector.

Figure 1 Lead sectors in the Liverpool City Region social economy



<sup>2</sup> LEP, "Building Our Future: Liverpool City Region Growth Strategy" (Liverpool City Region Local Enterprise Partnership, 2016), <http://www.liverpoollep.org/economic-strategy/liverpool-city-region-growth-strategy/>.

<sup>3</sup> Vickers et al (2017) Cities, the Social Economy and Inclusive Growth: A Practice Review, Joseph Rowntree Foundation: York. <https://www.jrf.org.uk/report/cities-social-economy-and-inclusive-growth>.

<sup>4</sup> LEP, "Building Our Future: Liverpool City Region Growth Strategy."



## SOCIAL ORGANISATION TYPES

A wide range of social organisation types exist in the Liverpool City Region social economy. Table 2 provides an overview of the types as they reported under regulatory requirements.

This table makes no reference to a category of 'social enterprise' and this is because the legally defined term does not exist.

The category 'Universities' refers to the three institutions who reported as 'Higher Education Corporation' or 'Royal Charter' status.

Two other higher education institutions reported within another category. These categories are explained further below.

Table 2 Overview of types of social organisation

Legal form reported	Number	Employees	Income £s	Net Asset £s
Charities	623	24,474	1,040,717,069	1,082,940,596
Company Limited by Guarantee (non-charity)	363	8,661	739,167,861	818,553,651
Community Interest Company Limited by Guarantee	171	27	4,474,692	785,399
Community Interest Company Limited by Shares	105	26	1,967,593	289,012
Cooperatives	103	3,478	434,231,655	1,763,028,008
Universities	3	8,289	733,820,000	716,943,000
Total	1,368	44,955	2,954,378,870	4,382,539,666

## CHARITIES

9.1 There are **623** charities recorded in our dataset accounting for **46%** of the total number and **54%** of all employees, almost **25,000** people. They collectively generate around **£1bn** of annual income and they are responsible for about the same amount in net assets.

9.2 Registered charities form the largest single category in the social economy with just under half of all social organisations in our sample. This group includes national charities which contract with local authorities and NHS Trusts to deliver social care, health services and specialist support for those with disabilities. The largest charities generate annual incomes of up to **£100m**, they employ hundreds of people and are responsible for assets worth several tens of millions of pounds.

9.3 This category is dominated by a few very large players; the **20** largest registered charities generate two thirds of all the income generated by the category and account for half of all the assets. But these organisations are very much the exception and **75%** of all charities in the Liverpool City Region earn less than **£500,000** per annum. Half of all charities have an annual income of **£100,000** or less.

9.4 Within the charity sector there are a number of very small social organisations, some of which have activities limited to particular locations, communities or specific groups of beneficiaries. Some charities report annual income of only a few hundred pounds and will in fact be entirely reliant on volunteers to deliver their work. As a consequence of their size they are not likely to own any significant assets.

9.5 The largest charity in the sample is a national provider of social care who reported an annual turnover just short of **£100m**. They had net assets of **£46m** and employed over **5000** workers.

The charity with the largest net assets had **£51m** worth of assets and an annual income of **£11m**. **12** of the largest **20** charities in the sample (**60%**), measured by annual income, provide health and social care related services.

This is a significantly higher proportion than the sample as a whole, where around **12%** of social economy income is generated by organisations in the Health and Social Care category.

The largest **20** are also older than the rest with an average age of **43** years compared to **17** years for all charities.

## 10 COMPANIES LIMITED BY GUARANTEE

10.1 Around one quarter of all social organisations in our data are companies limited by guarantee (CLG). This category includes a wide range of organisations with very different characteristics including **schools and academy trusts**, clubs and **membership organisations** such as sports and social clubs, **Chambers of Commerce**, and professional networks, and a group that are miscellaneous that we label as ‘social businesses’. Social organisations in this category do not include charities or Community Interest Companies (CICs).

10.2 The clubs and membership organisation category is a very diverse group which includes sports clubs, church groups, professional associations and community centres. While this category in aggregate generates a modest surplus, many of the individual organisations reported losses in the year the data was gathered.

10.3 Social businesses are defined here as companies limited by guarantee that are not registered charities, nor are they a school or an academy trust, a club or membership organisation. Social housing provider, Riverside Group, is the largest of the social businesses, measured in terms of income, assets and number of employees.

In fact, Riverside’s annual income of **£245m**, **£300m** net asset value and over **2,000** employees makes it one of the largest organisations we recorded in our research. Other large social businesses include Liverpool Science Park, St Helens Chamber of Commerce, Fusion **21** and Liverpool Vision.

10.4 In terms of the number of organisations, the CLG category is split one third to each of the sub-groups: schools, academy trusts and other educational social organisations; clubs and membership organisations; and social businesses.<sup>5</sup>

The economic impact of the three groups is very different. The education-related group accounts for over **£440m** of income, nearly **£500m** of net assets, this amounting to around **60%** of the category totals, and employs two thirds of the category workforce, almost 6,000 employees. Riverside Group alone generates another one third of category turnover and assets.

The remaining **240** CLGs collectively account for around **£52m** of income, **£41m** of assets and just under **800** workers.

## 11 COMMUNITY INTEREST COMPANIES (SOCIAL ENTERPRISES)

11.1 CICs comprise **20%** of the total number of social organisations in our dataset. However, they are small in terms of measuring their economic impact. This category, with **276** social enterprises, has a reported income of just over **£6m**, accounting for only **0.3%** of the total revenue generated in the social economy. In our categorisation, we label all **Community Interest Companies (CICs)** – whether they are limited by shares or limited by guarantee – as social enterprises.

11.2 The CIC social enterprise category share of net assets of **£1m** is relatively smaller and this is because a significant proportion of social enterprises in this category trade with negative net worth.

Some notable social enterprises from this category include the action on addiction café in Liverpool city centre, The Brink; KPAC in Huyton, providing training in the community; the food poverty initiative Can Cook in Speke; and Prescot Cables Football Club.

11.3 CICs are a relatively new legal form of company established by the Companies (Audit, Investigations and Community Enterprise) Act 2004. The terminology we use is consistent with this definition although may cause some confusion not least because of the ambiguity in company law concerning the legal definition of what is a social enterprise. It is very common across the Liverpool

City Region for charities and other social organisations not constituted as CICs to nonetheless self-identify and market themselves as social enterprises. The most commonly cited and utilised definition for social enterprise comes from the UK Government Department of Trade and Industry (DTI):

“*A social enterprise is a business 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 and owners.*”

While other types of social organisation may see themselves as a social enterprise, but not all, our position is to say that all CICs are by definition social enterprises.<sup>6</sup>

<sup>5</sup> Our term social business is used casually and draws on the definition provided by Muhammad Yunus, Co-founder Yunus Social Business. Our use is determined by our categorisation of a group of social organisations that do not fit neatly into any other particular category.

<sup>6</sup> For more on this refer to [www.communitycompanies.co.uk/community-interest-companies](http://www.communitycompanies.co.uk/community-interest-companies).



## 12 COOPERATIVES

12.1 There are **103** Industrial & Provident Societies (co-operatives) in the sample, representing **8%** of the total number of social organisations. These include credit unions, housing associations, sports clubs, allotment groups, social clubs and an NHS spin-out. Collectively, this category contributes over **£400m** of annual income, which is **7%** of the total and a disproportionate share of social economy assets, amounting to some **40%** of the total at **£1.8bn**.

12.2 It is the housing associations within this category that dominate so much of the asset base of the social economy and demonstrates how important this group are as anchor institutions not only for the social economy, but for the city region economy overall.

Housing associations account for **55%** of the total number of co-operatives but they employ **95%** of workers in the co-op sector and generate over **98%** of income, profit and net assets. This category requires more attention and further research to fully understand its importance.



## 13 UNIVERSITIES

13.1 A final category in our dataset is comprised of the city region's higher education institutions. There are five universities included within the sample. The largest three are the University of Liverpool, which has a Royal Charter, Liverpool John Moores University and Edge Hill University, which are both Higher Education Corporations.

13.2 Liverpool Hope and Liverpool School of Tropical Medicine are both registered charities. The five universities collectively contribute **35%** of total social sector income at **£845m**, with assets worth **£866m**, and employ **9,300** people, around one fifth of all social economy employees.

Universities are another indication of how social economy anchor institutions are critical to the future not only of the social economy but to the whole economy of the Liverpool City Region.



## 14 THE DISTRIBUTION OF SOCIAL ORGANISATIONS IN THE CITY REGION

14.1 In Liverpool, social organisations represent over **3.3%** of all active registered companies. In Knowsley and Halton **2%** of all businesses are social organisations, while in St Helens, Wirral and Sefton social organisations make up **1.6%** or less of the local economy. As we see in Figure 2 Liverpool is the district that contains most social organisations and dominates the social economy overall in the city region.

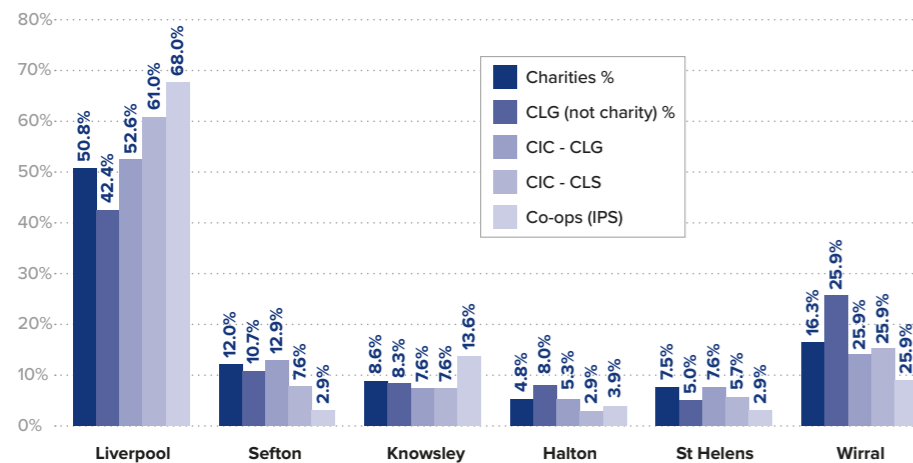
14.2 Just over **50%** of all social organisations are in the city, while **34%** of all active companies are in the same district. Wirral accounts for one in five social organisations although has **25%** of all active companies in the city region. Halton with **5%**, St Helens with **6%** and Knowsley with **9%** have the lowest concentrations of social organisations, and Sefton accounts for **11%**.

14.3 Over **18,000** people are employed in Liverpool in the social economy, some **41%** of the total city region social economy employment.

Sefton, Knowsley and Halton all record employment figures of around **6,000** while St Helens has under **3,000** people employed in the sector. Equally, the finances of the social economy are concentrated in Liverpool.

With the business address of many housing associations located in the city, it means that two-thirds of assets reside there. Halton, with only **3%** of social economy assets, generates **6%** of revenue with a similar ratio seen in Wirral, with **7%** of the asset base generating **17%** of surplus in the social economy.

Figure 2 Distribution of social organisations in the Combined Authorities



## 15 THE SOCIAL ECONOMY AND INDICES OF DEPRIVATION

15.1 When postcode is matched against Indices of Multiple Deprivation, there is a clear relationship between social organisation location and the degree of deprivation.

15.2 We see over half of all social organisations from our data located in the first two deciles (the most deprived areas) while just over **5%** operate within the 9th and 10th deciles, where the least deprived areas in the city region are located. Three out of four (**74%**) social organisations in the city region are in the **40%** of the city region deemed most deprived, while one in seven (**14%**) are in the **40%** of the city region deemed the most affluent.

This suggests that those places where people have the most disposable income are not necessarily markets for social organisations and that it is in those places where market failure or public sector retrenchment has taken place that we are likely to find social organisations dedicated to their social mission.

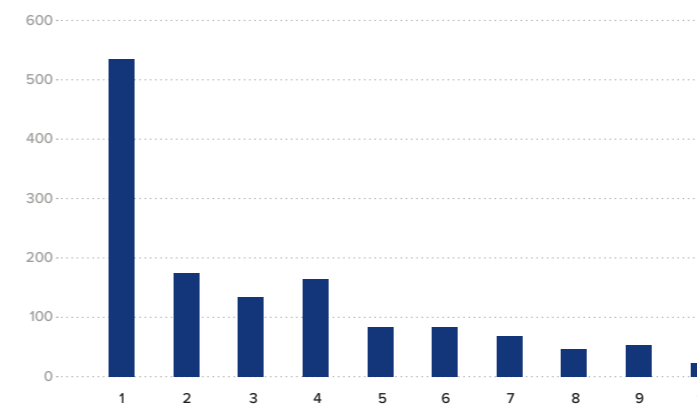
15.3 These figures tend to challenge the economic ideology that the social economy acts as a 'dead hand' and undermines market activities. The correlation of deprivation and location of social organisation is seen in Figure 4 where we map location of social organisations across the Liverpool City Region.

We see clear clusters of social enterprises, charities, CICs and social businesses in the poorest wards in each of the six Combined Authority districts illustrating the important role played by the social economy in addressing issues around multiple deprivation in the city region.

15.4 Our findings suggest that the more deprived the area, the more likely social enterprises will be working there. This helps explain how social organisations are clustered in some parts of the city region, but there are other parts where their presence indicates something more about the particularities of the local economy. For instance, Liverpool 8 has a much higher than average proportion of social organisations measured both relative to all businesses and per population.

Charities and CLGs are five times more prevalent, and this one area alone accounts for **35%** of all the Industrial & Provident Society organisations in the sample. This is due to the number of housing co-operatives registered there with North West Housing Services, the modern incarnation of the leading cooperative development agency in the 1970s cooperative movement.

Figure 3 Social organisations located in areas of multiple deprivation (by decile of IMD 2015)



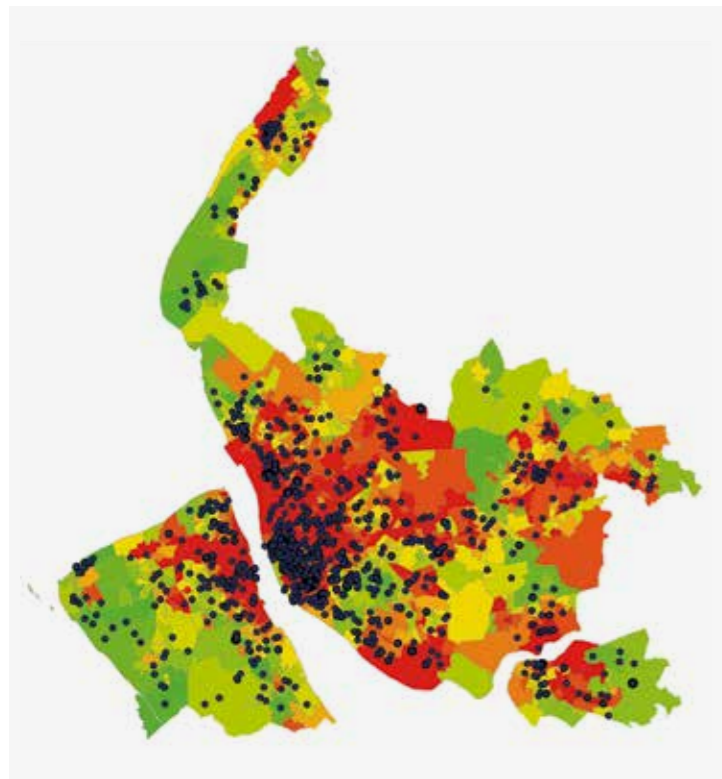


## 16 A FEW ASSET RICH, MANY REVENUE POOR

15.5 There are wealthier parts of the city region with few or no social organisations, such as Blundell, Heswall and Port Sunlight. There are parts of Halton that have a high ratio of social organisations and a high ratio of registered companies per population, perhaps indicating a vibrant local business community.

In contrast, in Belle Vale there is a high ratio of social organisations as a proportion of all businesses, although this is due to the low levels of business density in this area and perhaps implies a severe disconnection with the wider economy.

Figure 4 The correlation of deprivation and social economy in Liverpool City Region



15.6 There are many compound reasons behind the location of social organisations. In Northwood, Knowsley, there is a high deprivation score, a low social organisation concentration and a high business stock per population.

We can speculate about the reason for this, perhaps because it incorporates part of the Knowsley Industrial Park, Liverpool City Region's largest industrial area, although more work would need to confirm such a view.

L69, the postcode that covers the University of Liverpool, has a high concentration of businesses and although there is a large population in the wider neighbourhood, has a low ratio of social organisations.

This complexity raises some interesting questions about what drives the formation and sustainability of social organisations, particularly in relation to levels of deprivation and economic activity.

16.1 The Liverpool City Region social economy is characterised by financial diversity, marked particularly by the asset base of housing associations, shown as 'Cooperatives' in Figure 5. Our evidence shows that a small number of social organisations are asset rich, generate high levels of revenue, operate with substantial surplus, and employ significant numbers of people. At the opposite end of the spectrum there are many social organisations who are asset poor, generate modest levels of revenue, some of whom operate in deficit and have relatively few employees.

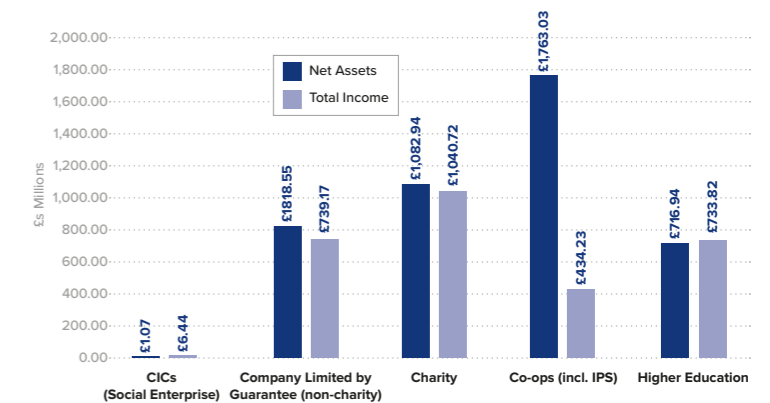
16.2 The anchor institutions in the social economy can help shape the Liverpool City Region in new ways, while the smaller and often under-capitalised social organisations appear to be living in precarious circumstances, unable to access forms of support that might help their sustainability and growth.

The 53 social landlords and other real estate organisations in the data set are the financially strongest members of the social economy.

While few in number, the registered social landlords (RSLs) and housing co-ops could have a vital role to play in supporting the social economy through their supply chains, access to resources such as personnel, buildings and buying power and, potentially, access to their financial resources.

Fusion 21 and First Ark are good examples of how RSLs can contribute to the creation, growth and development of a financially sustainable social organisation.

Figure 5 Assets and income in the Liverpool City Region social economy



## 17 SIZE AND AGE DIVERSITY IN THE SOCIAL ECONOMY

17.1 There is a strong correlation between the financial size of the organisation and the number of jobs supported, seen in Figure 6. The very largest social organisations, those anchor institutions, employ hundreds of people. However, the majority of social organisations employ on average less than ten.

17.2 Six out of ten social organisations show a net asset value of less than **£75,000**. Over a third report net asset value at below **£10,000**, with one in ten reporting negative net assets. The largest **2%** of organisations measured by net asset value hold **76%** of all assets in the sector.

Over **25%** of all social organisations in the city region have an annual income of less than **£50,000**. Those who report a revenue of less than **£250,000** per annum contribute only **1%** of total social economy sector income.

The largest **5%** of social organisations, measured by annual income, deliver **75%** of total income and account for **70%** of all jobs.

17.3 When bidding for public sector contracts, balance sheet strength is often a key consideration for commissioners. Our data indicates that within the Liverpool City Region there are only **56** social organisations who have net assets greater than **£10m** and therefore realistically able to compete for significant contracts from local authorities or other public sector bodies.

17.4 The mean age of all organisations in our dataset is just under **14** years. Social organisations in Sefton have a slightly higher average age of **17** years, while Knowsley slightly lower, at **12** years.

In Figure 7 we see the distribution of social organisations by age. Four out of ten of social organisations in the Liverpool City Region have been incorporated for five years or less, with around a third of the sample less than three years old.

17.5 Social organisation age determines financial strength. Put simply, the longer an organisation has survived, the more time it has had to develop a successful operating model and to accumulate assets.

The mean figures from our data suggest: credit unions and Industrial Provident Societies have been in existence almost three decades; charities have an average age of over **12** years; and the relatively new legal form of CICs means they have existed for five years or less.

Figure 6 Mean employment and ranked by revenue

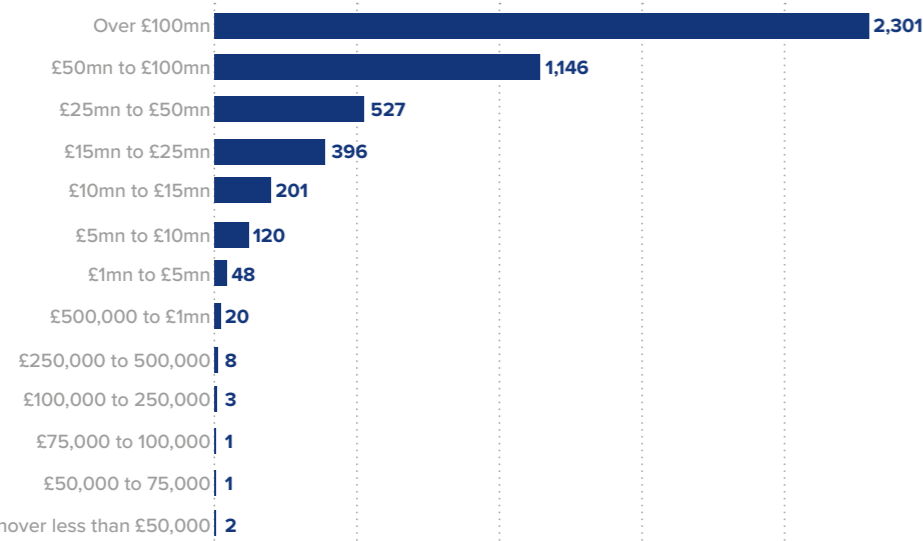
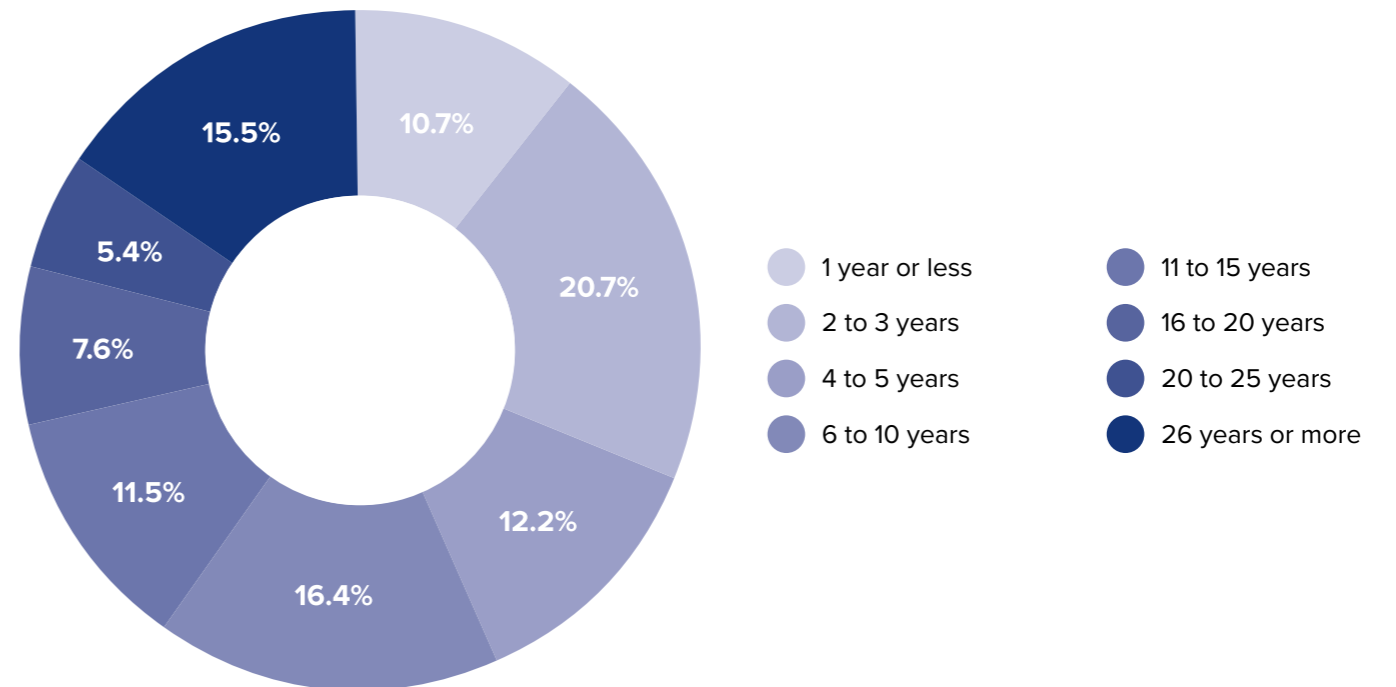


Figure 7 Age of social organisations in Liverpool City Region







## Part 4

PROSPECTS AND  
OPPORTUNITIES:  
VIEWS FROM THE  
SOCIAL ECONOMY





*This section draws on a range of interviews we held with practitioners, stakeholders and policymakers – those working in social organisations or supporting the social economy in some way.*

*We transcribed the interviews and went through a process of coding the text to ground the evidence and from this we selected some of the most pressing themes facing those in the social economy today.*

*These themes show social economy purpose, prospects and opportunities and can be categorised under:*

- *social justice and entrepreneurship*
- *social innovation*
- *asset acquisition*
- *procurement and commissioning*
- *partnership*
- *finance and business support*
- *institutional support infrastructure.*

## 18 SOCIAL JUSTICE, SOCIAL ENTREPRENEURSHIP AND EQUALITY

18.1 The social economy is very diverse, constituted by organisations with various social purposes, but allied through a common commitment to social, economic and environmental justice. Social organisations are perfectly positioned to tackle issues relating to social justice. A large part of this is underwritten by the predominant legal structures of the social economy, which variously help embody and give lasting form to different social values such as economic democracy, accountability, fairness and equality.

18.2 Although the social economy tends to coalesce around specific organisational types many practitioners we spoke with believe there is no hard outer limit to who or what is included in the social economy on the basis of legal form or operating structure alone.

Social entrepreneurs and organisations are simply those motivated primarily by social and ethical objectives over personal and financial gain; who share a vision for how economic life can better support those in need and defend social justice.

18.3 Much of the drive within social organisations for social justice objectives stems from personal and collective motivations. There is a widespread belief amongst practitioners that legal protections or institutional procedures alone cannot deliver the changes they want to see, nor uphold the values they hold dear:

“ There’s a statistic from Social Enterprise UK that says social businesses have a greater survival rate, three times that of private sector businesses.

*My pure belief on the reason for that is actually that’s just about dogged determination – the people who set it up for a purpose saying ‘I’m not going to let this fail...’ whereas if it’s purely profit motivation you’d have moved onto something else...*

*It’s about sheer determination and that ultimately comes out in even an organisation of our size... you have to keep believing it.*



18.4 There is a keen sense in the city region that those working in the social economy are a special breed, driven out of a principled idealism and belief in a better world and powered by a social entrepreneurial flair and business- minded determination:

“*An entrepreneur is somebody who grabs it by the scruff of the neck and thinks ‘sod it! I’ve been made redundant four times, I’m now going to make my own living and I’ve got to do this’; and they’ve got to work probably 18 hours a day, 7 days a week, 365 days a year and not take holiday for the first several years...*

*You then get a social entrepreneur who by the very nature of it cares about what they’re doing. They care about their community or their particular sector of interest, whether it be LGBTQ, whether it be people with disabilities, whether it be autism, whether it be black people, or whatever, they actually care more about it and they do not put the light on at 9 and turn the light off at 5.*

18.5 We found an almost utopian impulse for transformation at the heart of many of the projects we studied and people we spoke with. Social entrepreneurs develop a vision of how the world should be from an ethical perspective, map out a ‘theory of change’ as to how their organisation will achieve it, implement this through a rigorous business plan, and then work tirelessly until it is achieved. This was a powerful message, expressed over and over again.

18.6 Social entrepreneurs tend to drive through cultural change and develop working practices that protect and support the values they are committed to.

They seek to be the change they want to see. The social economy therefore has the capability and potential to lead by example and work with partners in the public sector and counterparts in the wider economy to change attitudes and provoke transformative change when it comes to pressing issues like gender and racial equality, environmental protection and dignified work.

18.7 This is especially true for Liverpool City Region, where we find a rich history of social action but so too enduring problems. One issue where the social economy was highlighted as playing an important role is in tackling racial discrimination, for many a stubbornly persistent injustice afflicting the city region:

“*I wonder is it because of that long deep history why discrimination is so entrenched in this city, because it absolutely is so entrenched in this city! ...there’s absolute discrimination that’s going on in this city and there’s work that this city needs to do to confront the issue itself, and at the moment it doesn’t confront the issue and I think partly it’s because they’re afraid to talk about race.*

*It’s just a subject that nobody wants to have a conversation around and it doesn’t have to be had in an aggressive manner at all, it just needs to be open and to have the conversation.*

18.8 There are social organisations in the city region that are dedicated to tackling social justice issues and those that incorporate them as central to their working practices, which may reside in other areas, such as providing a service like housing or social care.

The Women’s Organisation, Chinese Wellbeing and Steve Biko Housing Association, who all participated in this study, are good examples. Outside of these more specialist organisations, who often act as representatives of certain groups and communities, we expect social organisations to uphold and champion such fundamental causes as gender and racial equality.

18.9 There is one notable exception. Employment standards and pay levels are frequently and increasingly under downward pressure even within the social economy due to the burdens imposed by austerity.

In order to deliver public service contracts, for instance, at reduced rates for local authorities who are themselves caught in a budget squeeze, some social organisations are forced to either cut back on staff or cut back on wages.

A representative of a large social public sector contract provider revealed to us that “the issue with that is we’re not paid enough to pay the living wage.”

18.10 Leaders in the public sector need to see the effect certain policies are having on those in the social economy, and what this means for social justice and equality.

A local authority cannot claim to be a living wage employer if the contracts offered throughout its supply chain do not provide the minimum resources for social organisations and other providers to also employ people on the living wage. At the same time, those public sector leaders should look to the social economy for leadership on social justice issues.

One way to do this would be to embed social economy practices into Combined Authority policies early on by, for instance, appointing representatives of social organisations onto key advisory boards across city-regional governance bodies.

## 19 SOCIAL INNOVATION

19.1 The Liverpool City Region faces poor health and wellbeing, socially and spatially excluded communities and high unemployment and severe skills gaps. At the same time, the city region is beset by crises in the traditional methods of resolving such problems. Austerity has gripped local authorities and other public sector bodies with up to **60%** budget cuts facing some councils, as well as imposing pressures on anchor institutions. Universities now rely on student fee revenues to replace government funding, and housing associations have seen their rental incomes squeezed by new government regulations.

19.2 Our findings suggest that the social economy has the capability and potential – if given the necessary capacity – to deliver social innovations that can go some way towards resolving socioeconomic challenges in the context of austerity.

One such challenge brought to our attention is the increased demand on public health services, intense pressure on the funding to pay for it, rising waiting lists and worsening health and wellbeing. One interviewee believes we need to coordinate our approach across innovative organisations in order to meet this challenge:

“So we’ve got a waiting list of 1500 over here but then we’ve got organisations like, for example, Rotunda, Wellbeing Enterprises, even The Reader to a certain degree, that have got capacity within their organisations to provide support. Surely there’s a better way to do this than having those people stand on this waiting list which, you know, when they’re on the waiting list I would imagine that their conditions are getting a bit more exacerbated, anxiety is rising and all the rest of it...?”

19.3 Wellbeing Enterprises is one example of countless innovative projects and practices in the social economy across the Liverpool City Region, whose potential to address problems through social innovation is outlined below.

The CIC has recently been named one of NESTA’s “new radicals” – one of 50 of the most forward-thinking and socially impactful projects transforming Britain today. Liverpool City Region features strongly among NESTA’s new radicals, with The Reader Organisation and Granby Four Streets CLT likewise recognised.

### Case Study

## Wellbeing Enterprises CIC



*Wellbeing Enterprises is one of a growing number of socially innovative social organisations who seek new pathways to co-produce public services. They have developed a community-centred approach to health called Community Wellbeing Practices (CWP), which is being offered to patients at all 17 GP practices in Halton.*

The aim is to respond more appropriately to patients’ social needs, which they believe is often an underlying reason for their presentation at primary care services. The CWP initiative has supported more than 5,000 patients over the last four years and has evidenced demonstrable improvements in a range of health and social outcomes for patients, reducing pressures on the NHS.

Wellbeing Enterprises also run a social prescribing service called ‘Ways to Wellbeing’, supporting one-to-one Wellbeing Reviews that provide patients with access to support and social inclusion programmes. This links patients to community assets of wellbeing, and provides opportunities to learn life skills based on cognitive behavioural approaches, mindfulness, self-care strategies, sleep hygiene and relaxation techniques. A practice nurse explains that:

“The service can be as important to our patients as the medical health care that we provide, and it often provides a much needed lifeline.”

Another part of the CWP approach is a ‘doctorpreneur’ project in which staff from participating GP practices are offered small grants of £500 to collaborate with patients on creative community projects to improve patient wellbeing, such as tango dancing and tennis clubs on prescription.

This is part of a broader trend towards ‘social prescription’ – prescribing social solutions to health problems rather than relying on clinical or pharmaceutical resources. By treating the root causes of ill health further ‘upstream’, at their source, social prescription minimises and manages the flow of health issues ‘downstream’, where they pool into increasingly over-burdened and under-resourced clinical services.

Wellbeing Enterprises are in the process of developing ‘asset mapping digital technology’, an app for smart phones that stores data on individual users’ personal relationships to their environment and offers natural resources for improving mental wellbeing. The app will effectively be a crowd-sourced database of all the spaces and places across the city region that help people cope with health and wellbeing issues.

It will allow users to interact and share solutions to personal problems, thereby providing a peer-to-peer upstream health service that radically reconfigures public services as crowd-sourced and community-controlled. Such citizen-led or ‘community-centred’ approaches create possibilities for greater empowerment and autonomy over people’s individual health circumstances, thereby promoting collective self-treatment.



Case Study

## SAFE Regeneration



19.4 Wellbeing Enterprises are at the forefront of developments in preventative interventions. Their evolving partnership with Halton CCG and Halton Council demonstrates the social value that stems from such experimental approaches. Social Value UK recognises Halton as being particularly innovative in its application of social economy models to public commissioning and procurement. They wish to develop a network of social entrepreneurs who are experimenting with new wellbeing techniques as part of their initiative. There is room here to create new business start-ups to fill the gap in supply created by increasing uptake of innovative social prescription models.

19.5 There is great potential to coordinate such exciting public service innovations with the more localised incubation work done by community anchors in specific neighbourhoods. SAFE Regeneration in Sefton, for instance, have incubated a ground maintenance start-up employing people in need in ways which creates social value thrice over:

“ We took it to Sefton Council to say ‘here’s our model, we’ll work with people who are in recovery from one of these things. We’ll train them up and we’ll deliver your grounds maintenance contracts.’ Then we also have a conversation with the privates, with the GPs who are also referring people with mental health illnesses and recovery and say ‘give us your organised maintenance contract’ and then to the libraries, and the [Bootle New] Strand: ‘give us your organised maintenance contract, because it’s supporting this social project.’ ”

19.6 This innovative approach creates new social value for three different groups: 1) ‘patients’ who gain employment, which could be seen as an active form of social prescription; 2) GP practices and medical services, which find new upstream solutions for expensive and time-consuming treatments; 3) the Council and other public bodies for saving on a number of costs, by combining two different services (ground maintenance and social care) into just one contract.

19.7 SAFE Regeneration are part of an emerging breed of community anchors in the city region that are experimenting with new models of grassroots economic development and community-led regeneration. Others might include Homebaked Community Land Trust (CLT), Granby Four Streets CLT, and the Beautiful Ideas Co., and from an older generation, Alt Valley Community Trust and the Eldonians.

These organisations tend to be based in certain neighbourhoods, where they act as anchors for the local community, often providing incubation space for social start-ups and other community businesses, with the ultimate aim to galvanise community economic development and place-based regeneration.

SAFE Regeneration describe themselves as an “incubation space, cultural hub and community business”. SAFE was established in 2000 by a group of artists from L8 who migrated north along the Leeds-Liverpool Canal, having been commissioned to develop a sculpture trail to engage young people in canal-side plant life.

Through the project they found a derelict canal-side site in Bootle, Sefton. This comprised largely of a disused primary school and overgrown land.

By occupying the school, SAFE were able to offer cheap incubation space for local community-led social enterprises and develop opportunities for entrepreneurship and social support for the area’s largely highly disadvantaged residents.

SAFE (which stands for Support and Activities For Everyone) are now a grassroots infrastructure organisation for countless local social enterprises and entrepreneurs.

They provide business advice and signposting to professional support and they act as a source and conduit for government contracts and large philanthropic grants, such as Big Lottery Fund money.

Once funding is secured, SAFE then sub-contract these grants and contracts out to their ‘family’ of in-residence enterprises, and other local community businesses offsite.

SAFE is the lead organisation of the 22 member Creative Communities Consortium, which collectively deliver an Arts, Enterprise and Wellbeing Hub at their existing premises. They have a core staff of seven with eight others part-time.

They estimate that 7,000 people a year visit SAFE to access services and in the past year, SAFE provided 56 people with volunteering apprenticeship opportunities, thereby improving their employability.

SAFE told us that they see their ‘success’ when the social enterprises they host “fly the nest” and set up other hubs elsewhere in the city region.

SAFE are now working as principal partners with Sefton Council in designing and delivering a regeneration masterplan for Bootle.



Case Study

Homebaked

HOMEBAKED ANFIELD

Homebaked is a community land trust (CLT) and cooperative bakery in Anfield – one of the most innovative and celebrated examples of the community business model. Homebaked started life as a public arts project, funded by the 2010 Liverpool Biennial, which commissioned Dutch artist Jeanne van Heeswijk to engage local people in the co-design of their neighbourhood.

“where the act of providing a product or service is as much a privilege and benefit as receiving it” and “the act of community development is a shared one between business and beneficiaries.”

Homebaked is open six days a week in an area dominated by businesses only opening match days. They aim to provide fresh nutritious food in a ‘food desert’ at affordable prices and look to subsidise their prices based on match day revenue.

Employment has grown from one part-time chef to two full-time chefs and two additional counter staff. Homebaked run regular training events for teaching local people baking skills and use a mentoring scheme for local volunteers who have learning difficulties or mental health issues, and who can work in the bakery without impact on their special support allowance.

They are active in providing apprenticeships for local young people in construction and the rehabilitation of the derelict buildings into the first affordable homes. Homebaked have received grant funding from, for instance, Power to Change, of which they claim 86% has been spent in the local economy and 85% in other social enterprises.

They are working on plans for 26 new CLT-owned flats, alongside a revitalised high street with a market square and premises for new social enterprises.

Anfield had suffered from decades of social and housing problems, compounded by large-scale demolition of low demand housing, which contributed to population loss and decline. In the shadow of Anfield football stadium, Homebaked rehabilitated a century old bakery that had fallen into disuse.

As a cooperatively-owned and managed bakery it once again sells pies and bread to locals and football fans. The cooperative’s pies have since become world famous, winning five awards at the 2017 British Pie Awards, including Gold for its Scouse Pie!

Homebaked have also set up a Community Land Trust (CLT) to own the land under the bakery as a community-governed trust to develop affordable housing in the adjoining terrace. The CLT is now a partner in the Council’s wider regeneration plans for ‘Anfield Village’, with a vision to regenerate the local high street ‘brick by brick and loaf by loaf’, by reinvesting money spent in the neighbourhood back into the community.

It has become an important community anchor for locals, acting as a meeting point and source of social support for countless people, many with multiple needs. Homebaked see themselves as developing a new kind of community-based holistic economy, in which business activity is embedded in local life:



## 20 ASSET ACQUISITION

20.1 The asset base of a social organisation is of crucial importance. Owning assets such as land and buildings is one of the most important factors in their viability and success in delivering on their social mission and becoming economically sustainable. There are a number of interesting examples across the city region of how ownership of assets can be harnessed to deliver a range of benefits, both economic and social.

20.2 These might be community anchor organisations which act as vehicles for regeneration and providers of essential services for relatively deprived neighbourhoods, such as the Alt Valley Community Trust. They might otherwise be economic development organisations which seek to stimulate growth of a specific sector, such as Baltic Creative CIC, or incubate new forms of social entrepreneurship, such as the Beautiful Ideas Co. In all these three cases, it is the ownership of, or privileged access to, assets in the form of land and buildings that underpins their success.



### Case Study

## Alt Valley Community Trust



*Alt Valley Community Trust (AVCT) started life through the occupation by parents, students and teachers of a school in Croxteth, Liverpool, threatened with closure due to budget cuts in the early 1980s. Out of this radical campaign, which effectively ran a school without state support until it was successfully regained, a bigger project was born.*

The organisation grew from running adult education services and a 'Communiversities' in Croxteth to providing services across multiple areas for all the communities residing in the Alt River valley area, from Dovecot to Norris Green. The Trust recently took on the ownership and management of three public libraries across this area, running them at a fraction of the cost, in the context of austerity.

AVCT is a charity and a company limited by guarantee. They own and manage many other facilities, some of which have been saved from council closure by community acquisition.

They have three community centres, run nurseries and nursing homes, sports centres and are involved in a community pub, a shopping area, an FE college, a skills centre, and a community farm. As one of their senior managers told us:

*"This is all self-funded, you know, our properties, we built shops in an area that never had a shop for six or seven years. So we actually borrowed the money, built the shops. Now they're full, and we want to sell them, job done..."*

They run a subsidiary property company, a catering company, and an environmental maintenance company. They are thinking about how to extend their holdings to a golf course and affordable housing development, as ways to create further revenue streams and provide essential services.

AVCT provide training and apprenticeship programmes for local young people, such as nursing and social care courses, and employ directly 150 people and are committed to paying the living wage. They offer support to start up social organisations and small businesses.

Their view is that they can provide efficiencies where the public sector cannot and in markets where the private sector will not precisely because:

*"you've got a community, you've got the trust from the community where people are willing to do those things, whereas a council perhaps wouldn't be able to..."*

20.3 Social organisations use asset ownership to leverage in additional charitable, grant and social investment income. They also use revenues from profitable assets to cross-subsidise their core social purpose, which often operates at a loss.

As we have noted, however, the distribution of assets within the social economy is unequal, both in terms of the Combined Authority districts and the size of organisations. This is an area where strategic planning can help both the public sector and the social economy.

20.4 The public sector plays a fundamental role. Take Baltic Creative as an exemplar. Here is an example of how the public sector can seed assets to a social organisation and as a result support further growth in the social, and wider, economy.

More needs to be done to experiment with such asset-based models and in the ways in which the public sector can benefit too, not only from local economic development, but also from possible shares in future revenue generation.



## Baltic Creative CIC

## BALTICCREATIVE

*Baltic Creative was established by various public agencies as a vehicle to acquire and manage several large warehouses in the Baltic Triangle for the explicit purpose of digital and creative business incubation.*

Because it is legally set up as a Community Interest Company (CIC), there is an ‘asset lock’ on the buildings it owns, ensuring all profits from rents are reinvested back into the further development of the digital and creative sector. One representative from the Baltic Creative CIC told us:

“We’ve invested probably £400,000 in the last five years back into the sector. Now let’s imagine with our growth plan over the next five years to triple the footprint, we go from being able to invest say £100,000 a year back into the sector to investing circa half a million pound a year. So for a model – it’s a lifetime model isn’t it?”

It is the ‘asset lock’ of the CIC legal structure that enables this reinvestment and underpins its huge success in stimulating the Digital and Creative sector – one of the most lauded of all seven ‘growth sectors’ identified by the LEP, with the largest node in the Baltic Triangle.

New business growth rates in the sector more than doubled between 2010 and 2013, after Baltic Creative was established in 2009:

- The only sector in the city region to provide consecutive double digit growth rates.
- The second fastest growing tech cluster in the UK – a leader in computer gaming and the Internet of Things.
- By 2017, Baltic Creative had created 1,500 new well paid jobs.

None of this would have been possible were it not for the contribution of the social economy and the innovative application of the CIC model. At the same time, it would not be possible without the initial contribution and support of the public sector.

Baltic Creative was established by Liverpool Vision and the North West Development Agency (NWDA), with the support of Liverpool Council, as well as NWDA and EU funding.



20.5 A similar story is unfolding through the work of the Beautiful Ideas Co., a smaller scale incubator of social entrepreneurship. Beautiful Ideas Co. have made an impact in north Liverpool by supporting the development of over 100 new jobs in just six months. This was possible because of the revenues generated by a car park near the two football stadia which Liverpool City Council leased out for this purpose.

Yet the Beautiful Ideas Co. and its successful Launchpad fund remain vulnerable because it was an asset they did not own. The City Council has determined that development on the original site will now take place, while Beautiful Ideas Co. has been allocated another temporary space for match day car parking.



## Beautiful Ideas Co. CIC

The Beautiful Ideas Co.

*Out of the Beautiful North project was born the Beautiful Ideas Co. The coalition of politically influential stakeholders working to create Beautiful North persuaded Liverpool City Council to lease a car park to them free of charge.*

The car park, previously the site of an obsolete school, was ideally located adjacent to both Everton and Liverpool football club stadia. Beautiful North created a large and sustainable revenue stream, from car parking receipts.

The £375,000 generated was seeded into a new social enterprise, Beautiful Ideas Co. CIC, a Launchpad for new ideas and social innovation.

Matched funding was secured by the Big Lottery Fund and Beautiful Ideas Co. then ran an ideas competition, inviting local people to imagine new forms of economic development that must demonstrate social impact in North Liverpool.

The response to the competition demonstrated a huge latent capacity for entrepreneurialism existing within north Liverpool and the wider city region.

They were able to run 'hack' events, hold support 'surgery sessions' and contribute to community meetings. They aimed to fund 10-15 project ideas ranging from £300 - £30,000 although received 200 applications that were whittled down to 70 by the January 2016 closing date.

They worked with applicants to develop their ideas into investable projects. Thirty were successful and they were offered financial support through a ground-breaking form of patient capital.

The social finance available to the new starts up benefitting from the work of Beautiful Ideas Co. can access loans at very low interest rates and importantly, they only become repayable if the enterprise is successful, that is, profitable. They come with a ten-year repayment, which includes a three-year repayment holiday.

The loan is written off if the enterprise proves unsuccessful for whatever reason and there is an option to repay the loan in social value rather than through a financial return.

A revenue participation agreement signed by the recipient means that, if successful, Beautiful Ideas Co. will receive 1% of total revenues, although this is capped at £10,000 return.

The idea here is to stop the payback becoming disproportionate to the original investment. Beautiful Ideas Co. sees the loan agreement as a means to inspire a different type of business mentality, one that contrasts with both an exploitative commercial loan regime and dependent grant culture.

## 21 PROCUREMENT AND COMMISSIONING

20.6 We have found that local authorities, who are under increasing strain from budget cuts, are seeking alternative revenue sources. They are looking increasingly at selling off public assets to private developers to cash in on capital receipts and potential higher council taxes or business rates at some future point.

In some cases this approach may be contentious, perhaps a short-term solution that might prove unsustainable and could be in conflict with other aims such as the provision of services via social organisations.

20.7 Some social organisations deliver essential public services by inhabiting public assets at reduced rates. Not only must the public sector realise the importance of interdependence with the social economy, but social organisations must be constantly vigilant in respect of their own independence. A Director of a relatively small social health care provider in the city region revealed the consequences of decisions that favour private developers over social organisations:

“We were offered an asset, a building, which we agreed upon with the Council and were negotiating on the various aspects of it and we had the money to do it up. Late on in the process a private developer came in and said they would like it ...and the Council have gone along with that, well it would of meant ownership for us, but what it's done is delayed our move into that, that was three years ago... Had we been given the asset three years ago we could've applied for Big Lottery Fund money and probably got it two years ago and at this point we would now in my opinion probably be a viable physical community hub delivering services.”

20.8 In this instance, the decision stunted growth of the social organisation and put future viability into question. We suggest that more should be done to explore alternatives to this difficult dilemma facing councils, particularly how innovative asset-based initiatives like Baltic Creative and Beautiful Ideas Co. might provide much needed sources of revenue.

This would help create economic and social value whilst avoiding both asset-stripping and conflicts with social organisation partners.

20.9 It is not just land and buildings that remain important for social organisations – other kinds of assets such as equipment, skills, expertise and other resources are equally fundamental.

There are calls from within the social economy for other organisations, particularly anchor institutions, to make some of their under-used assets more readily available for use by start-up and growing social organisations. This is an area where partnership-building would be fruitful for the development of the social economy.

21.1 Public sector commissioning bodies such as local authorities and Clinical Commissioning Groups (CCGs), as well as anchor institutions, spend a considerable amount of money in contracting out various services. There is great potential in utilising commissioning and procurement in more innovative and systematic ways. ‘Whole value’ or ‘social value’ accounting can help redirect expenditure to not only resolve social problems through public service innovation, but also to strengthen local supply chains and produce greater social value.

21.3 Procurement starts with a pre-decided set of targets or outcomes to be achieved, emanating from national and local policies. It then goes out to market to procure the service and commissioning allows for the service itself to be reimagined by end-users in a process that starts from the question of what problem needs addressing.

Various partners can then co-design solutions, from the ground up. However, there are two broad problems with the current system: first, commissioning and procurement are too disconnected and treated as separate processes; second, the criteria for decision-making and monitoring does not adequately reflect whole or social value.

21.2 Two national experts explained to us the great potential in re-imagining procurement and commissioning:

“The whole point of devolution in this city, for example, is to reduce that gap between spend on public services and the taxation base. This social value driven approach to procurement can reduce that gap between income taxation levels and service spend... If you're actually reducing spend for the public purse through reducing service demand through having an apprenticeship programme or having a wider social value approach to procurement.”

41% of our entire GDP in this country is spent through the public purse. Whole value commissioning is a huge market shake up and its role is not just to regulate but to encourage, reward and incentivise good behaviours... such is the collective power in public procurement, and ultimately I think it's very exciting... It's a market driven solution which proactively rewards the best in class for social and environmental innovation... That makes it a competition which the market likes rather than a regulation which the market doesn't like.



21.4 The Public Services (Social Value) Act 2012, which legislates for a “duty to consider” social value in procurement decisions, has opened up new opportunities to embed social value earlier on in commissioning cycles. However, whole or social value commissioning for both public sector bodies and large anchor institutions, nonetheless proves difficult.

The current system is heavily weighted in favour of larger organisations who can offer the commissioning body greater levels of legal simplicity and financial security than multiple small social organisations who may wish to work collectively. One manager in a large local housing association told us that:

“A fundamental difference here between a contractor who has got capability, has got skills, has delivered this kind of thing before, saying to us ‘we’re professionals’, you’ve just got a bigger bunch of professionals that you can come to and we work with them... That’s very different from very, very small organisations... A typical example is: we wanted some landscaping work, landscape architect work done; we wanted to go with a practice that we’d worked with in the past but wanted to procure it properly. So we go through our procurement, but it will cost the guy 40 thousand pounds to get his insurance... he’s not going to take a job off us, he can’t because the insurance cost kills it.”

21.5 Existing procurement rules can prohibit the more systematic use of smaller, and potentially more innovative or locally beneficial, contractors. Too much public expenditure only reaches large corporations, with no real interests in creating social value locally.

Even within social sector commissioning, larger organisations are favoured: a national study conducted by New Philanthropy Capital in 2017 found that only about 10% of small and medium charities deliver a “fair amount” or a “great deal” of contracts, which rises to 51% for large charities and 55% for major charities.<sup>8</sup>



21.6 One small social health care provider gives insight into some of the obstacles they encounter when up against big providers:

“Hence the reason why there are just two big providers: the council ran a tender recently back in July and basically what they were saying to everybody was what we want you to do is say you will provide care 24 hours a day, seven days a week, 365 days a year. You’ve got to respond within 24 hours to any call we give you to come and assess somebody, you’ve got to go out and do the assessment then you’ve got to be able to put service in place within 48 hours.

You’ve got to try to maintain the same person delivering that to that particular individual so that there’s consistency, all the time okay and you’ve got to do it within this price range... It favours those people who are delivering thousands and thousands of hours a week, we only deliver just over 400 hours a week. So it favours those because the economies of scale...

Then you’ve got potentially more safeguarding issues. [if a misunderstanding occurs between carer and patient, such as] an elderly person who says to their daughter when they come and visit, I didn’t take my tablets – now she may well have taken the tablets and just forgotten – it’s still got to be logged with the local authority. Then potentially you have to suspend that worker while you investigate.”

21.7 These kinds of additional costs and bureaucratic overheads are easy to absorb for a large provider with economies of scale, but potentially financially crippling for small providers.

Our research suggests that one possible route around this is to establish consortia that bring smaller potential providers together to cooperate on contracts they would otherwise be too small to win under present conditions. Despite these and other barriers, the potential impact of commissioning reform is huge.

21.8 There are many examples of social value commissioning in the Liverpool City Region and a few local authority areas stand out: Halton, for the collaboration of the council and CCG with Wellbeing Enterprises CIC, for instance; and in Knowsley for reimagining local authority procurement budget as their regeneration strategy.

For commissioning to produce socially innovative forms of public service delivery, public sector commissioners need to adopt procurement processes and policies which embed social value and co-production earlier on in the cycle, as exemplified by Knowsley<sup>9</sup>. These are just two examples to illustrate what can be done.

<sup>8</sup> Patrick Murray, Jennifer Shea, and George Hoare, Charities Taking Charge: Transforming to Face a Changing World (New Philanthropy Capital, 2017), www.thinknpc.org/.

<sup>9</sup> For a detailed case study of Knowsley Council’s commissioning innovations, see: Southern et al (2017) How to Deliver Good Jobs: Towards a Regional Industrial Strategy for Liverpool City Region. Available: <http://www.liverpool.ac.uk/heseltine-institute/>.

## 22 PARTNERSHIP

22.1 Now is the time to rethink and reconfigure the process of developing existing and new, formal and informal, partnerships between the public, private and social sectors. New organisations are emerging to fill the vacuum of state under-capacity created by austerity. Capacity: The Public Services Lab is one of the most promising of these to have emerged in the city region of late. Capacity was launched in May 2017 and seeks to transform relationships between commissioners and communities by developing new forms of co-design of public services, and the incubation and acceleration of the social economy to meet the growing demand for creative commissioning solutions.

22.2 The large anchor institutions in the social economy, particularly the housing associations, have significant expertise in this area and a long history of developing innovative procurement practices that draw on local supply chains in the most effective way to meet their charitable objectives.

For instance, Riverside have helped develop a consortium of two local firms too small to bid for their contracts independently but who came together in a joint venture, Evolve.

Riverside have since nurtured their relationship with Evolve, whose capacity has grown to become Riverside's primary in-house supplier, delivering on a multitude of contracts both in the city region and beyond, as a for-profit SME based in Widnes, drawing on local labour and supply chains.

The opportunity exists to develop these kinds of response from organisations in the social economy.

22.3 To crack the commissioning conundrum in the Liverpool City Region, we need to draw on the embedded experience of anchor institutions, particularly housing associations, and bring this into conversation with new ideas offered up by intermediaries like Capacity.

We need to develop new methods and spaces for these organisations to work more closely with local authorities and other public sector commissioning bodies, as well as with small social organisation providers and community groups, to co-design the commissioning and procurement process itself, and further develop, enhance and replicate the tools required to collaborate and produce socially innovative public services and supply chains.

## 23 SOCIAL INVESTMENT AND BUSINESS SUPPORT

23.1 Access to funding is a major concern for social organisations and those intermediaries providing infrastructure support. The social economy is now facing a growing shortfall in funding from more traditional routes. Recent years have seen a number of initiatives which have sought to develop the social investment market and to increase the supply of capital to the social economy.

23.2 The Liverpool City Region has several examples of different types of social investment in action, sometimes leading the way in pioneering new ways of funding organisations. For example:

- *Alt Valley Community Trust has used loans from Futurebuilders, Adventure Capital Fund, Social Enterprise Investment Fund and the Liverpool City Region Local Impact Fund;*
- *Make Liverpool, Airborn Academy and Coming Home are all organisations operating in North Liverpool with help from funding from the Beautiful Ideas Co. CIC.*
- *Career Connect has worked with social investors including Bridges Fund Management, Triodos and Big Society Capital to improve educational, training and employment outcomes for young people across the Liverpool City Region funded using Social Impact Bonds.*
- *First Ark launched its £4m Invest for Impact Fund in October 2016, offering a blend of grant and unsecured loan finance of up to £150,000.*
- *Can Cook CIC is using Builder Capital, a patient social equity model, to fund development and growth of their operations in order to tackle food poverty.*

• *The Liverpool and Wirral Social Stock Exchange was established in 2016 to encourage investors to put their money into local, responsible firms to help them grow and expand.*

• *The Social Enterprise Network (SEN) run Liverpool Soup, a regular crowd-funding event for social entrepreneurs, with plans for a St Helens Soup.*

Despite these efforts, locally and nationally, the amounts involved are tiny. The entire social investment market in the UK is estimated to be worth around **£1.5bn**; by contrast, UK financial markets issue an average of around **£30bn** of capital (shares, bonds and commercial loans) every month.

In the context of annual public spending on health of **£145bn**, social services of **£30bn** and education of **£102bn**, it is perhaps not surprising that the social finance market is falling well short when it comes to meeting the funding needs of the social economy.



## Can Cook and Builder Capital

*Builder Capital represents an innovative new approach to funding high potential social enterprises. It was devised in Liverpool by social entrepreneur, Robbie Davison, Director of Can Cook CIC and social investor, Helen Heap, CEO of Seebohm Hill Ltd. Advice on legal documentation, accounting treatment of capital structure, and corporate governance aspects of Builder Capital was provided by PwC.*

Can Cook was established in 2007 as a food organisation working with people living in South Liverpool who lacked basic cookery skills. They have since provided around 14,000 people with cookery training, enabling them to prepare fresh meals.

Expanding their business, Can Cook ventured into the provision of good food solutions for the care and education sectors as well developing their own range of meals that target feeding older people, families and students whether they are in care, at home or studying.

Can Cook believes that everybody should be able to access good fresh food. They campaign to stop food poverty and create employment by donating fresh high quality meals to people in food crisis; creating living wage jobs along the way. During 2015/16, in order to improve the financial sustainability and social impact of the organisation, Can Cook's business model was transformed from the original cookery and food training enterprise, to a food creator and producer.

This change involved extensive market research and new product development, the purchase of new equipment to set up a production kitchen, employment of new staff (while protecting the jobs of existing employees), and obtaining contracts with new customers. All of this needed to be paid for before new income streams materialised.

With extensive experience of grant funding and the use of loans from social lenders, Robbie Davison realised that neither of these methods would be suitable to provide the financing required to successfully develop Can Cook's new business model. A new approach was required and as a result, Builder Capital was developed.

In investment terms, Builder Capital is money that does the same job as equity, absorbing the costs and risks that inevitably arise during the business development. Builder Capital investors are committed to providing their funds on a social first basis and it can therefore be regarded as a form of social equity.

### KEY FEATURES OF BUILDER CAPITAL:

- *Providers proactively seek to make positive social change and are prepared to take on risks that come with genuine innovation;*
- *Patient, long term funding which is designed to support the enterprise as it battles through market dysfunction on the way to a viable business model;*
- *Investors are looking to build effective organisations that can sustain themselves in the long-term;*
- *It enables the organisation to build capacity and removes the need for continual fundraising;*
- *It offers investors the opportunity to solve problems and create a lasting legacy, delivering social returns from the outset, and financial returns that are directly related to the success of the enterprise only once sustainability is achieved.*

In 2015 Can Cook obtained Builder Capital investment worth £250,000. Further amounts have been raised since. Investors will not receive any repayments of capital or financial returns for at least six years and they do not have any representation on the Board of Directors.

The social mission of Can Cook is embedded in the Memorandum and Articles of Association of the company and the asset lock is maintained via the CIC structure. Investors receive six-monthly reports on the social and financial performance of the company with targets agreed for both social impact and commercial performance.

If management fail to meet both social and financial impact targets for three consecutive terms, then investors have the right to intervene in the management of the company.

Previous funding arrangements meant that Can Cook was not able to take advantage of growth opportunities. Debt on the balance sheet was a limiting factor, restricting the availability of further funds (even grant) and access to equipment via leasing arrangements.

Builder Capital, in contrast, has provided Can Cook with a strong balance sheet and cultivated the capacity to reconfigure their model to one better suited to the market opportunity, to employ key development staff, and to purchase essential equipment to produce their own food ranges.

The Builder Capital investment has enabled Can Cook to mature and grow as a business and has supported new skills that have developed new business opportunities. Builder Capital has improved the overall business competency of the company and, most importantly, it has enabled Can Cook to deliver increased social impact.

23.3 Our discussions highlighted several important social investment matters. First, there appears to be a mismatch of supply of social finance and the needs of social organisations. The launch of Big Society Capital in 2012 has led to the growth of a dense network of social investment intermediaries and this has led to widespread cynicism. One practitioner told us:

“The problem is with these funds that were all set up by Government is that they take on life of their own and they become, their survival becomes more important than their primary reason for being established.

So, you bet your bottom dollar that all of these – whether its NESTA or Access or Big Society Capital – they are as invested in their own success as they are in your success even though they were created to help you or a place like Liverpool, Merseyside.

Actually they’ve become very introspective and they think about them and their staff and themselves and their legacy rather than...”

23.4 Second, there is widespread recognition that the current social finance model is too supply-led and centralised. This results in experts and financial suppliers setting the terms, rather than these being demand-led to respond effectively to the needs of social organisations. This leads to heavy emphasis on financial criteria without an understanding or acknowledgement of corresponding social value creation.

Social organisations often require tailored forms of finance that acknowledge the lack of assets, miniscule margins and volatile revenues for large parts of the sector. Our evidence has shown how many social organisations lack the asset base often expected when seeking finance.

Furthermore, there appears to be a clash of organisational cultures. This creates problems of translation; many practitioners complain of a gap between the terminology used by the social investment market and their own perspectives.

23.5 Our discussions with colleagues from the social economy in Montreal, Quebec – whose social economy is highly developed, partly due to their deployment of ‘patient capital’ (see below) – indicates the importance of a demand-led diversity in supply of social investment and how this should be a response to community need.

In other words, the social economy determines the supply of social investment through the demand for different types expressed by social organisations themselves.

23.6 We found a common belief among practitioners that the social investment market based around loans can work against the principles of the social economy. Investor requirements for certainty, security against assets and quick financial returns are often incompatible with the needs of social innovation in areas of market failure and public cuts.

More recognition is required of the inherently risky and often expensive support for services needed by the most vulnerable and questions need to be asked about who pays for what and how.

23.7 In terms of unleashing the innovation potential of the social economy to provide solutions for public services reform or to address social problems, there is widespread acknowledgement of a need for some form of patient risk capital. Before new ideas can be scaled up into workable policy solutions, they must first be tested out and trialled, with the understanding that many will fail due to the risky nature of innovation:

“You might have to double run some systems to make the transition from where you are to the new thing and that costs money and you know that money isn’t really available at the moment but, you know, how do we make that money available?”

23.8 Risk capital might be provided as tailored grant funding perhaps in the form of what some call an ‘innovation seed fund’ or a ‘disruptor fund’. Alternatively, equity capital and innovative funding models, such as Builder Capital, provide the means for social organisations to absorb losses and support growth during the early stages of development.

The absence of any meaningful provision of patient risk capital is an important constraint on the successful development of the social economy and is keenly felt by organisations operating within the Liverpool City Region.





## Chantier de l'économie sociale, Quebec

Montréal 

*Quebec provides an example of what could be achieved with the right political will through a purposive 'network of networks' known as the Chantier de l'économie sociale.*

The Chantier has its roots in 1996, when the Groupe de travail sur l'économie sociale (task force on the social economy) was formed in preparation for the Summit Conference on the Economy and Employment. The task force had six months to assess the potential of social economy development across Quebec.

Enthused and galvanized by this exercise, those involved in the task force obtained the mandate to continue its activities and in 1999, the Chantier de l'économie sociale became an independent, non-profit society, accountable to its members, leading on the different structures and support organisations of the social economy in Quebec.

Since then the Chantier has lobbied hard for government and legislative support. It has been instrumental in the development of business support, for the social economy and small business, has developed marketing for the sector and launched innovative financial tools such as their solidarity funds and the Chantier de l'économie sociale Trust.

In 2001 a Special Office of Social Economy was established in the Ministry of Finance and Economic Development in Quebec and the Chantier is recognised to the extent of co-producing public policy at the provincial and even federal levels of government.

A database of all social economy organisations across Quebec, called the Portal, has been developed to create an internal business-to-business market, their 'solidarity markets'.

Public bodies have been engaged to incorporate social value in procurement policies; universities are engaged to embed social economy thinking into their research and teaching.

A Community-University Research Alliance (CURA) has also been formed to mobilise researchers and students more actively in the needs and development of the social economy, involved in action-research projects that produce mutual learning outcomes.

The Chantier has also developed an 'Observatory' – a complementary tool to the Portal – to map the social economy and specifically identify social organisations that would benefit from investment through the range of social investment tools they offer.

Local development centres collect this data, liaise with local organisations to ensure efficient use of support and to remain proactive in stimulating and incubating social economy growth.

As one representative told us, the Chantier has "always worked from the demand side first: asking communities what they need or want to develop rather than turning up with the capital and pre-decided solutions."

The Chantier operates in a different political environment to the Liverpool City Region and we cannot simply replicate its success.

However, what the Chantier has been able to do is to develop the strong ties between social organisations in the social economy, build its expertise in using the social economy to address pressing social problems and raise the political profile of the social economy on an international scale – and they have done all this by utilising patient capital investment, not dissimilar to Builder Capital.

They have won the argument locally that the social economy is an important part of the Quebec economy and that the starting point is to capture the needs of communities. Their example show that to do this, a strong institutional infrastructure is needed.



## 24 INSTITUTIONAL SUPPORT INFRASTRUCTURE

23.9 First Ark's £4m Invest for Impact fund offers a blend of grant and unsecured loan finance for charities and social enterprises, up to £150,000. The grant aspect is provided by Big Lottery Fund, whilst the loan component is channelled from Big Society Capital, via its own dedicated SIFI, the Access Foundation for Social Investment. Invest for Impact has captured some of the principles of successful social investment support seen elsewhere. The wrap-around business support is an essential part of the loan agreement. One of the principal architects of the Fund, Tony Cahill, explains that:

“It's not a requirement of theirs [Access], we're just doing it because we just don't want to offer a fund that doesn't have a wrap-around support programme attached with it. So by providing that support throughout the life of the loan, you build a relationship up with that organisation: you help them along the way if they start to get into difficulty, you should have a lower failure rate.”

23.10 There is a common view held among practitioners that business support and professional advice is just as important a service as the finance itself. There is recognition across the city region social economy that we need to maintain a balanced approach to funding that serves the diverse needs of social organisations at various stages of development, from embryonic start-ups to 'ready to grow' organisations in need of additional support to scale-up.

Not only is business support as crucial as the finance itself, but these two pillars of growth are most effective when standing together. This reflects the common dual role of funders and intermediaries.

23.11 There are multiple examples of successful and innovative business support clinics and peer-to-peer programmes already operating across the city region, but these are unevenly distributed and developed.

Many practitioners believe these need to be coordinated and made more accessible through some kind of 'one stop shop'. This could be provided through a digital platform – a 'solidarity marketplace' – in which business support providers, funders, experts, recipients and other practitioners can engage directly with each other and exchange services in a peer-to-peer online environment.

Whatever the model, it is clear that more needs to be done to unify social economy funding and business support services across the city region for a more simplified, accessible, collaborative and transparent system.

24.1 Liverpool City Region and its newly devolved political structure may prove to be a major opportunity to develop the institutional infrastructure for the social economy. Infrastructure organisations in the city region – notably the Social Enterprise Network (SEN) and each of the six district's CVS (Council for Voluntary Services) – are representatives, advocates and lobbyists for their networks. They also provide business support, capacity-building, training, networking opportunities, and sometimes act as consortia to draw down grant funding to distribute to members. However, these networks are facing severe challenges to their own funding and operational models, which threaten their future.

24.2 SEN was established in 2000 through the EU-funded Council-led Community-based Economic Development (CBED) programme. Over time it has moved steadily away from its more community-based traditions of social enterprise development on Merseyside, towards accepting members and seeking partnerships with private sector companies which do not fit neatly into the social economy paradigm.

At the time it was felt that this would support the wider social economy and provide the basis for a longer period of sustainability, although there were also concerns about mission drift.

24.3 SEN now runs on a membership model whereby its members pay an annual fee, and this covers operating costs and employment of key staff. SEN are operating in an environment of financial cost-cutting, faced with having to cut costs and lay off staff themselves in order to deliver contracts at reduced rates.

SEN needs to recruit more members from the wider social economy, including community businesses. Because austerity has forced many social organisations to review their finances, added uncertainty concerning sustainability is rife and many have questioned the benefits of paid membership to SEN.





24.4 In contrast, CVS income often depends on local authorities. This has provided a conduit from the CVS to support voluntary and social organisations through funded infrastructure services.

These have been important to help deliver public contracts as well as help voluntary organisations carry on with social action that contributes to community cohesion and social inclusion. With austerity biting so hard into council budgets, however, this source is also under threat.

In many respects, CVSs are doing precisely what councils are doing. They are using their assets to continue to operate, in some cases selling them off if necessary to generate some form of revenue just to sustain day-to-day operations. However, CVSs may be in a more difficult position because councils are amongst their biggest funders, and in turn are caught in similar financial crises.

24.5 The reality of financial pressures in the social economy can bring with it a slow drift away from original principles, yet the revenue model for infrastructure organisations needs to match their mission.

Where this is based on membership, then members must determine the strategic priorities of the support organisation; where it aims to support new and younger start-up social organisations, then the commitment from funders, grant holders or members must be continually sought. Reflection and consideration of what institutional infrastructure is needed to support the Liverpool City Region social economy is urgently required.

24.6 Attempts to establish a Liverpool City Region Social Economy Panel, while laudable, need to be matched by a more democratic and open process of organising that engages with many more voices.

The Social Economy Panel, made up of leading practitioners from various sectors and across the city region, has potential to support policy-making and influence decision-makers, although is not constitutionally set up to deliver the kind of practical support, membership benefits and funding opportunities needed.

We may be at a crisis point in respect of our own city region social economy infrastructure, at the precise time when devolution offers new opportunities for city region governance. In thinking through how to restructure our social economy infrastructure, we can draw lessons here from elsewhere, such as Bristol and Plymouth.



## Case Study

### Bristol



*Bristol has long been recognised as a pioneer of social economy development, contributing to one of the most extensive and successful social economies in the UK. Bristol claims the largest social finance sector outside London, and a long history of civic and environmental activism and cooperative movements.*

This is backed by a highly supportive local authority working in partnership with social organisations in the city. In 2013, Bristol was one of the first two cities in the UK, alongside Plymouth, to be recognised as a 'Social Enterprise Place' by Social Enterprise UK.

As early as 2001, over a thousand organisations were identified as forming the Bristol social economy. The economic value of the social economy was estimated at more than £223m, amounting to 4.34% of Bristol's GDP. There were 9,400 employees recorded as working in the social economy, some 5% of Bristol's total.

Two years later, when a similar mapping exercise was carried out this time using a smaller sample of the social economy and focusing mostly on social enterprises, the city region sector had a £378m turnover and employed 11,000 people.

It was important that, at this time, those in the Bristol social economy had argued for resources to map and support their sector. The growth recorded between the two studies was partly the result of the Bristol development project that first initiated the mapping exercise in 2001. Between 1997 and 2001, Bristol City Council invested £400,000 in this development project.

An audit of the social economy was deemed necessary to enable a targeted response leading to a co-ordinated support programme valued at over £2m over three years.

In October 2001 the report was launched at an event that engaged private and public sector representatives, regionally and nationally, and influenced policy in concrete ways.

This became a catalyst to implement a series of initiatives to support the growth of the sector.

That the Bristol work was relatively well-resourced provided a developmental opportunity for those in the social economy.

Opportunities were created to underpin existing networks and build new networks across the city; new research and knowledge exchange took place, new communication channels forged and boundaries between institutions overcome.

The work inspired participants to think across geographical and sectoral borders and to collaborate around social action initiative. The process empowered some social organisations in their growth towards Development Trust status and encouraged community development organisations to become more like social entrepreneurs.

Those in the social economy were encouraged to look beyond their immediate neighbourhood and to think of new ways that would enable their activities to match or complement those of other social organisations in other parts of the city.

This itself contributed to the formation of 'solidarity markets' a collective response to social problems and the intractable matter of low income. The Bristol work became instrumental in the growth of the social economy and its development into a diverse and self-conscious, multi-stakeholder movement for urban transformation.

The project has also strengthened the ability of the sector to not only communicate internally, but to market itself to other sectors, form alliances, attract funding and gain important sources of support, such as the Social Enterprise Place status.



Case Study

Plymouth



24.7 There are examples of what can be achieved with the right political will and infrastructural support from around the UK – not least Plymouth and Bristol, the first two cities to be recognised as Social Enterprise Places by Social Enterprise UK. Bristol provides some inspiration for how research into the social economy in the Liverpool City Region in the future can be designed such that practitioners and stakeholders are active participants leading the research.

The co-produced research survey conducted in the early 2000s in Bristol (see case study) was instrumental in developing a collective consciousness and strengthening the voice of Bristol's vibrant social economy, whilst catalysing collaborations and strengthening relationships between different social organisations across the city. The Liverpool City Region would benefit immensely from a similar exercise to follow on from this initial baseline report.

24.8 Plymouth provides inspiration for what can be achieved through coalition-building. Leaders of the Plymouth Social Enterprise Network (PSEN) lobbied hard both in and outside the city for recognition and support for the social economy. They made connections with key players in the city's social and political economy, such as the Council, University, large housing associations and healthcare trusts.

As a result of their partnership-building with Plymouth University, for instance, it is now the world's first officially certified 'social enterprise university', supporting the social economy through embedding social entrepreneurship into courses and hosting a 'Social Entrepreneur in Residence'. The Liverpool City Region has much to gain from building a coalition of support for the social economy.

24.9 For these kinds of initiatives to be organised we need to bring the city region's diverse social organisations together into a common network, and strengthen the voice of the social economy.

The Quebec experience of the Chantier de l'économie sociale provides an example of "a network of networks" operating for the social economy in that Canadian province.

Stakeholders in the Liverpool City Region would do well to adopt an approach to institution building that will provide the space for dialogue and debate, and collaboration and cooperation in developing a co-produced vision for the social economy, and then delivering various initiatives around research and development, strategic planning, education, marketing, communications, funding and innovation.



*Plymouth is the other pioneering 'Social Enterprise City' in the UK. Salford, Sunderland and Coventry are among the other places who have taken up this title. Plymouth has developed a tight definition of their social enterprise status, referring to some 150 social enterprises, which together employ 7,000 people and generate £500m per annum.*

These figures are impressive for Plymouth's size and considering they do not include the wider social economy. In our discussions with representatives from Plymouth, they claim that the social enterprise sector is the most organised and unified of the various social economy movements in the city.

Part of its success is down to the backing of the City Council, which has developed an innovative Social Enterprise Investment Fund. The latest round commits £2.5m over four years, offering social organisations a mix of capital loans and grants, aimed at creating employment in deprived areas.

The fund has levered in over £2m in match funding from central government agencies, such as Big Society Capital and the Big Lottery Fund. The Council has led on an innovative Crowdfunder project, using revenues from developers paying into the Community Infrastructure Levy (CIL). This allows residents and communities to participate democratically in new regeneration schemes and wider social entrepreneur investment, with projects receiving up to £60,000.

Plymouth has an infrastructure organisation driving its social economy development forward. The Plymouth Social Enterprise Network (PSEN) provides an overarching infrastructure model, a horizontal network, with representatives from, among others, anchor institutions such as the university, the council and Live Well, formerly Plymouth Community Healthcare that became a spin-out CIC from the old Primary Care Trust.

PSEN has developed innovative platforms for social enterprise development, such as an app for smart phone users that provides a directory of all social enterprises operating in the city for customers, commissioners and business-to-business trading.

PSEN provides a conduit for grants and contracts to flow through to its members. It has no paid staff, remains asset free with no fixed costs or office. It does have a small membership fee that is topped up by sponsorship, contracted and commissioned work and runs some events, undertakes some research and support strategic discussion on the social economy in the city.

One of the important principles that PSEN articulate is to remove perverse internal incentive structures or conflicts of interests between the network and its members. It does rely on a motivated inner core of voluntary directors who push forward the project and may themselves bid for some of the work that PSEN secures from external companies or funders.





## Part 5

---

### STARTING A STRATEGIC CONVERSATION



*We believe that there is clearly potential for the Liverpool City Region social economy to generate jobs, GVA and social value beyond current levels and to offer solutions in helping resolve its many challenges if given the right support from government, the adequate governance capacity and the tools to grow.*

*Our recommendations are presented as a means to start a strategic conversation to shaping policy and are set out through three simple categories that we refer to as the ‘3G Approach’: Government, Governance and Growth.*

*We hope these provide: first, a persuasive argument for policy support; second, a means by which action can be pursued; and third, a provocation for all concerned to join in the debate.*

## 25 THE 3G APPROACH TO POLICY: GOVERNMENT

**25.1** We must acknowledge that the social economy requires political support. We know that the different levels of government offer different opportunities for support.

Individual local authorities can provide localised, neighbourhood-specific support and can facilitate improved dialogue between commissioners and social organisations within their districts. At the Liverpool City Region level the Combined Authority can play a strategic role, while the LEP can include explicit social economy outcomes within its plans for the local economy.

The Office of the Metro Mayor can lend authority to a strategy for the social economy, arguing and offering policy direction and resource where possible.

Through these scales of government, the Liverpool City Region social economy can be an exemplar shown to national and international government officials as a means by which economic inclusion, social justice and fairer distribution from growth can be achieved.

**25.2** Our policy recommendations for Government are as follows.

- Appoint a ‘Lead for Social Economy’ within the Liverpool City Region Combined Authority. This person will be responsible for planning and developing all matters relating to the social economy in the city region, helping to support growth, and championing co-production of policy and social value within commissioning bodies and anchor institutions.  
.....
- Appoint a representative (or representatives) from the social economy on the Local Enterprise Partnership (LEP) governing board, alongside the other growth sectors, to reflect its comparable size and status; and to enhance communications and decision-making, raise the profile of the sector and maximise resources.  
.....
- Develop a Liverpool City Region ‘Social Value Framework’. The aim of this framework will be to demonstrate evidence of social impact through procurement processes and embed social impact accounting in each local authority.  
.....
- Public sector commissioning body and anchor institution in the city region, including for capital programmes such as the Single Investment Fund administered by the Metro Mayor and Combined Authority. This is in marked contrast to any process of certification.  
.....
- Create a Liverpool City Region Land Bank Database of all publicly-owned assets across the city region that community groups or social entrepreneurs can utilise in order to exercise their Community Rights to bid for or to challenge the sale of public assets (Localism Act 2011). Such sites could provide much needed assets if offered to new Public-Social Partnerships, such as the Beautiful Ideas Co., who can then use their revenue streams for creating Builder Capital funds at the local level.  
.....
- Build the city region social economy in ways that will help bend the whole economy so it becomes more social. In this way, Liverpool can be developed as an international ‘social city region’ and publicised, communicated and marketed as such to attract further social investment and raise its profile.



## 26 THE 3G APPROACH TO POLICY: GOVERNANCE

**26.1** At this time of devolved governance, we need to take the opportunity presented to develop a strong institutional infrastructure for the social economy. The social economy must create its own organised voice – one that needs to be part of city region governance, involved in setting policy and strategy.

**26.2** The social economy must continuously demonstrate that it is collaborative, cooperative and consensual. The standards set by those who work in the sector are high and provide the foundation for a coherent voice and good employment practice.

The voice of the social economy can create a centre of gravity, an organised core with capacity to speak socially, ethically and commercially.

Social organisations need to ensure their own processes support democratic participation; they must work to accommodate the diversity of opinion found in the social economy and its constituents, including deprived communities, under-represented groups, and self-employed social entrepreneurs and to ensure the large organisations do not dominate the small.

**26.3** The social economy must be incorporated into the decision-making processes of a devolved city region. The coproduction of strategy and policy must include the social economy, to be heard in the committee meetings and working groups where decisions are made about what is strategically important or how resources are allocated.

For example, by involving social organisations earlier in the commissioning and procurement process, into the heart of the public service delivery process, goods and public services will be delivered more effectively, in more targeted ways, by those who know most about local problems and have the capacities to reach out and respond in sensitive, innovative and effective ways.



**26.4** Our policy recommendations for Governance are as follows.

- Create a Forum for social economy leaders, employees, stakeholders, end-users and citizens to engage in public debate and formulate a vision of how they would like the Liverpool City Region to develop in future. This would enable a strategic and democratic conversation on the social economy across the city region over the coming years and provide the space to collectively envision and discuss possible institutional innovations, such as our suggestions in the points below.
- Task the Liverpool City Region Social Economy Panel with exploring possibilities for a new city-regional 'network of networks' (à la Chantier de l'économie sociale) that can represent both SEN and CVS members and act as an effective institutional infrastructure organisation for the social economy.
- Hold the 'network of networks' to account to ensure an inclusive process that brings new and existing networks together and involves those social organisations in marginalised communities who may struggle to have their voice heard.
- Create a 'Procurement Practitioners Group' comprised of political leaders, social economy stakeholders and practitioners, involving those key contract managers and commissioners for local authorities, CCGs, universities and other anchor institutions.
- Form a 'Community Anchor Group' of leading community anchors to develop a strategy for replicating their approach in other neighbourhoods. Build a hub and spoke model of social economy growth across the city region for incubating social start-ups and coordinating overall activities with the appropriate financial tools.
- Explore the means for developing a Digital Platform to host a database and become an online forum for the social economy. This will enable users and stakeholders to interact with each other in peer-to-peer horizontal networks without the need for a hierarchical, unaccountable and costly intermediary.
- Use the Digital Platform to establish a virtual 'one stop shop' for social organisations to access support digitally and physically. A 'social economy advisor in residence', for example, could be considered, supported by the LEP and Social Economy Panel. Their role would be to promote and facilitate crowd-sourced and peer-to-peer forms of support from the localised expertise that already exists across the city region.
- Build leadership and management competence in the social economy. The staff and expertise of anchor organisations and larger social organisations can be harnessed through mentoring programmes or through part-time secondments as sources of leadership for the new network of networks. In addition, partnerships with the universities and other education suppliers can provide appropriate levels of leadership education specifically customised for the social economy.
- Build the capacity for social economy research and knowledge exchange in the city region. Commission regular research on the social economy to be used to inform strategy and policy-making; develop this work along principles of co-production, involving practitioners and organisations to actively participate in the research process as both subjects and researchers, and adhere to transparency and open access.
- Develop ways in which the Liverpool City Region social economy can create and embed international links. Links with other like-minded cities or city regions should be encouraged; membership of the Global Social Economy Forum should be sought and plans to host the Global Social Economy Forum, a prestigious international conference, in the near future, should be considered.

## 27 THE 3G APPROACH TO POLICY: GROWTH

27.1 Growth is based on harnessing the tools and methods available to address questions around replication and scale. Policies for growth should be focused on two types of intervention by paying attention to the evidence we have presented on the distribution of social organisations across the city region: first, to expand the stock of social organisations in the city region and, second, to identify and support those who can be identified as having growth potential.

27.2 Tools for growth should also incorporate means by which economic growth in general can be supported, along with social impact and, importantly, the democratisation of wealth.

Financial instruments, commissioning and procurement, investment into management capabilities, training and education within the sector and so on, will help grow social organisations and expand the base of social enterprises in the city region, increasing economic and social impact.



27.3 Our policy recommendations for Growth are as follows.

- Build a Liverpool City Region Social Economy Database. Use this data to establish a dynamic dataset of all social organisations who operate in the city region as a resource for consumers, public sector commissioners, and for organisations who can develop their trading relationships and build up city region ‘solidarity markets’. After initial construction, host the database on the Digital Platform and allow for updates and amendments to be crowd-sourced democratically through peer-to-peer exchange. ....
- Commission and build a social economy website and mobile app. Use the Social Economy Database to encourage consumers, both residents and tourists, to ‘buy social’; build into the development of the website communication and marketing plans to demonstrate the detail of Liverpool City Region as a social city region through extensive and up-to-date information on social organisations. ....
- Review how the models of Baltic Creative CIC and Beautiful Ideas Co. can be replicated to support hub and spoke spaces across the city region for social start-ups. Identify public assets that can be transferred into social-public partnership ownership for use as incubation space with managed facilities for community groups that enable new ideas, experimentation and social innovation. ....
- Consider how publicly-owned buildings can be rented out at pepper-corn rates to social organisations. There may be other local fiscal measures that can stimulate support such as business rate relief for CICs. However, the important thing is to develop an environment where such initiatives can be considered and discussed in depth. ....
- Explore the possibility of establishing a Social Economy Fund to coordinate the social investment process across the city region that supplies different types of financial support, from exploratory market testing finance, early start-up funding, patient capital, to larger scale growth finance based on a mix of grants, loans and equity. The aim would be to create the financial infrastructure that would ensure symmetry of supply and demand. ....
- Use the Social Value Framework to consider how to invest 1%, for instance, of local authority procurement budgets into a public service innovation seed fund, as part of the Social Economy Fund, and consider how to use the Framework to leverage further investments, such as through the Single Investment Fund administered by the Combined Authority. ....
- Establish a Partnership Board for the Social Economy Fund that has majority social economy practitioner representation, including local recipients and social investment experts, who can advise on how funding can best be delivered to social organisations at the local level. This might involve replicating the community anchor model across the city region, to act as local finance and business support hubs. ....
- Position the Partnership Board as a Brokering Network for coordinating social finance and investment, attracting further funding from national agencies (i.e. Big Lottery Fund, Big Society Capital), their intermediaries (i.e. the Access Foundation, Power to Change) and other Social Investment Financial Intermediaries (SIFIs), as well as local philanthropic investors and other grant providers. ....
- Review the possibility of replicating in some form the Plymouth Crowdfunder initiative, a project for communities to match-fund democratically chosen schemes in their area, which uses revenues from the Councils’ Community Infrastructure Levy (CIL) policies. ....
- Build human capital. Work with education providers to supply an apprenticeship scheme in social organisations; education for managers supported by pooled provision from higher education providers, and training for social organisation employees provided by the FE colleges in the city region. ....
- Take this a stage further by embedding social economy enterprise, activities and learning, including ‘work experience’, into the curriculums of schools. Work with the Academy Trusts and FE Colleges across the city region to support a new focus on stimulating social entrepreneurial skills.



## 28 FUTURE RESEARCH

**28.1** The capacity to continue research into the Liverpool City Region social economy and to provide the basis for knowledge exchange is vitally important. The University of Liverpool and the Heseltine Institute is committed to this process. This report does, however, imply that there are further research areas that require consideration.

**28.2** The distribution of social organisations in the city region requires further understanding. The degree of deprivation and the presence of social organisations may hold particular clues to this as does understanding why more affluent areas hold so few social organisations. We might ask why there are not more social organisations and how there can be more social start-ups.

**28.3** If we can identify the characteristics in social organisations with large potential for growth then this will help target resources. There might be governance structures, management competence, sector or location contexts that lead to some social organisations being more amenable to growth than others.

**28.4** How we can connect our research to other similar institutes and research groups, both practitioner and academic, is an important point. For this reason, we must consider how we connect with national and international networks, to expand our own knowledge base.

**28.5** This scoping study is intended as only the start of a more long-term co-produced research process. As part of this, we hope to conduct mapping exercises, surveys, and interviews every 3-5 years to create longitudinal datasets.

We hope to explore possibilities for practitioners themselves to participate in conducting the research, supported by the resources and expertise of the universities in offering training in methodologies for instance.

Such research can help inform our ongoing discussions over the role of the social economy in the future of the Liverpool City Region.







## Appendices





## OTHER REPORTS

In association with this work we have produced a series of other reports that supplement the research here. These are available for download on the Heseltine Institute for Public Policy and Practice website:

<https://www.liverpool.ac.uk/heseltine-institute/>

The list of reports is ongoing but presently include:

**DEVELOPING A METHODOLOGY FOR A DESCRIPTIVE ACCOUNT OF THE SOCIAL ECONOMY**

**A PROFILE OF THE SOCIAL ECONOMY IN YOUR LIVERPOOL CITY REGION DISTRICT**

**CAN THE COMMUNITY LAND TRUST MODEL SUPPORT COMMUNITIES FACING A HOUSING CRISIS?**

**THE GLOBAL SOCIAL ECONOMY FORUM, MONTREAL SEPTEMBER 2016**

For more information on this report or any of those cited above please contact Alan Southern on the following email address:

[Alan.Southern@liverpool.ac.uk](mailto:Alan.Southern@liverpool.ac.uk)

## A NOTE ON THE METHODS USED

The quantitative data we have used in this report is publically available. We have drawn on the following data sources:

- **Companies House (data accessed via DueDil)**
- **Directory of Co-operatives from Co-operatives UK**
- **FCA Mutuals Public Register**
- **Office of the Regulator of Community Interest Companies**
- **The Charity Commission**
- **The Homes & Communities Agency (regulatory body for Registered Social Landlords)**
- **Housingnet**
- **CAF Charity Trends**

The primary search criteria used was company type. Organisations which were companies limited by guarantee, Community Interest Companies (CICs), Industrial Provident Societies, Higher Education Corporations or had a Royal Charter were included in the data set. It was also possible to show the number of active registered companies in each postcode.

This information was collected in order to provide an assessment of the prevalence of the social economy in the Liverpool City Region.

The qualitative work included group discussion, informal and formal interviews. In July 2016 and under the auspices of the Liverpool City Region Social Economy Panel, a mapping exercise was held that identified the strengths and weaknesses of the social economy. In February 2017 a social economy roundtable was held with the then Metro Mayoral candidate, Steve Rotheram in attendance.

In 2017 interviews were conducted with around 50 people from social organisations, intermediaries and support organisations and other public or private bodies. Interviews were semi-structured and lasted for an hour or more; they were recorded and transcribed and coded in an iterative process of analysis. A list of those interviewed is provided in the next paragraph.

## ORGANISATIONS INVOLVED IN THIS RESEARCH

With thanks to all those involved in this work, from the following organisations:

- **Alt Valley Trust**
- **Baltic Creative CIC**
- **Beautiful Ideas Co.**
- **Bristol & Bath Regional Capital CIC**
- **Capacity: The Public Services Lab**
- **Centre for Local Economic Strategies (CLES)**
- **Chantier de l'économie sociale**
- **Chinese Wellbeing**
- **First Ark**
- **Homebaked CLT**
- **Knowle West Media Centre**
- **Knowsley Community and Voluntary Services**
- **Knowsley Metropolitan Borough Council**
- **Live Well (Formerly Plymouth Community Healthcare)**
- **Liverpool City Council**
- **Millfields Trust**
- **New Philanthropy Capital**
- **North West Housing Services**
- **Plymouth City Council**
- **Plymouth Social Enterprise Network CIC**
- **Preston City Council**
- **PSS**
- **Real Ideas Organisation (RIO)**
- **Regenerus**
- **Riverside**
- **SAFE Regeneration**
- **Social Enterprise Network**
- **Social Enterprise UK**
- **Social Value UK**
- **St Helens Unlimited**
- **Steve Biko Housing Association**
- **Voluntary Sector North West**
- **VOSCUR**
- **VS6/Halton and St Helen's Voluntary and Community Action**
- **Wellbeing Enterprises CIC**
- **Women's Organisation**
- **plus an independent researcher for Joseph Rowntree Foundation.**







UNIVERSITY OF  
LIVERPOOL

HESELTINE INSTITUTE FOR  
PUBLIC POLICY AND PRACTICE

