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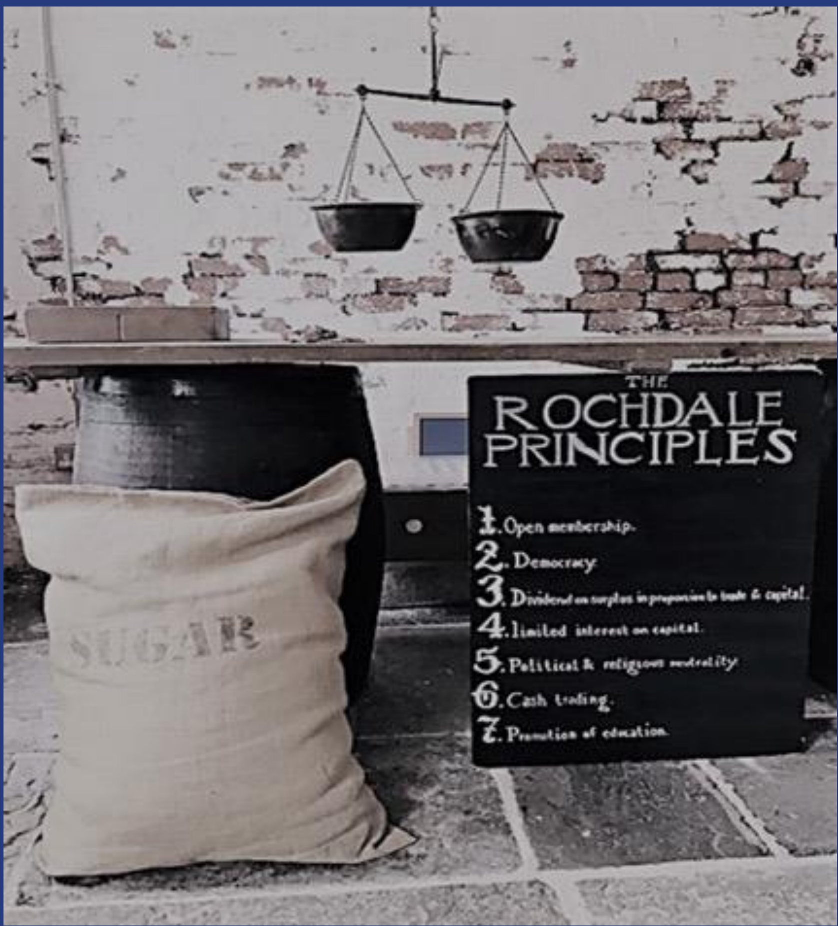
An analysis of the social enterprise sector in the UK



An ANZSOG occasional paper

September 2019

Dr Zahra Maronesy

Australia & New Zealand School Of Government

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PREFACE

In September 2018, the Business Council of Co-operatives and Mutuals (BCCM) Australia organised a study tour of UK mutuals in association with Social Enterprise UK. The aim of the tour was to learn about the social enterprise sector and how successive UK governments have incorporated member ownership into the delivery of health and human services to increase diversity and choice in the market, improve the quality and productivity of services and create better jobs. One of the main aims of the study tour was to explore the potential for the various models of mutuals and social enterprises for application in Australia and New Zealand.

A special acknowledgement and warm thanks go to Social Enterprise UK and all of the following tour host organisations for sharing their knowledge and interest in working co-operatively: Social Enterprise UK; Community Dental Services; Your Health Care; Central Surrey Health; John Lewis Partnership; Field Fisher Waterhouse; Office for Civil Society, Department for Digital, Culture, Media & Sport; Marshal Institute, London School of Economics; Hackney Community Transport; Greenwich Leisure Services; Centre for Enterprise & Economic Development; Rochdale Boroughwide Housing; Rochdale Museum; Cartrefi Cymru; The Co-operative Group; Social Enterprise Group Tour of the Places Program; Salford Community Leisure Centre; Mutuo UK; Aspire Mutual; Social adVentures; PossAbilities; and Cressex Community School.

Further thanks go to the BCCM team for organising such an informative and unique study tour. Thanks to the Australia and New Zealand School of Government (ANZSOG) for its partial financial support to cover the cost of this study tour. Further warm thanks go to Professor John Wanna for his valuable advice, support and words of encouragement, and to Sam Vincent for his editing.

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GLOSSARY

alternative service delivery	ASD
Business Council of Co-operatives and Mutuals	BCCM
capital gains tax	CGT
Care Quality Commission	CQC
Centre for Enterprise and Economic Development Research	CEEDR
Centre for the Understanding of Sustainable Prosperity	CUSP
Chartered Institute of Public Finance and Accountancy	CIPFA
clinical commissioning group	CCG
companies limited by shares	CLS
companies limited by guarantee	CLG
Community Dental Services	CDS
Co-operative Alternatives for Public Services	CAPS
Co-operatives National Law	CNL
community interest companies	CICs
corporate social venturing	CSV
Department for Business, Innovation and Skills	BIS
Department for Digital, Culture, Media and Sport	DCMS
Economic and Social Research Council	ESRC
Employee Ownership Association	EOA
Enterprise Investment Scheme	EIS
Global Financial Crisis	GFC
gross domestic product	GDP
Hackney Community Transport	HCT

Her Majesty's Revenue and Customs	HMRC
industrial and provident societies	IPSs
Integrated Governance Committee	IGC
International Co-operative Alliance	ICA
International Year of Cooperatives	IYC
Langworthy Cornerstone Association	LCA
limited liability partnerships	LLPs
London School of Economics	LSE
Mutuals Taskforce	MTF
Mutual Ventures	MV
National Health Service	NHS
New Public Management	NPM
Non-governmental organisations	NGOs
Office for Civil Society	OCS
primary care trust	PCT
Rochdale Boroughwide Housing	RBH
Royal Borough of Kingston	RBK
seed enterprise investment scheme	SEIS
Social Enterprise UK	SEUK
social impact bonds	SIBs
Social Investment Business	SIB
Social Investment Tax Relief	SITR
Transfer of Undertakings (Protection of Employment) Regulations	TUPE
United Nations	UN
value added tax	VAT
voluntary, community and social enterprise	VCSE

EXECUTIVE SUMMARY

The social enterprise sector contributes to the diversity and balance of the UK's public service delivery. 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" (BIS 2011a). Since the aftermath of the Global Financial Crisis (GFC), the social enterprise sector has provided the UK government and local authorities with a different perspective to face expected and unexpected challenges.

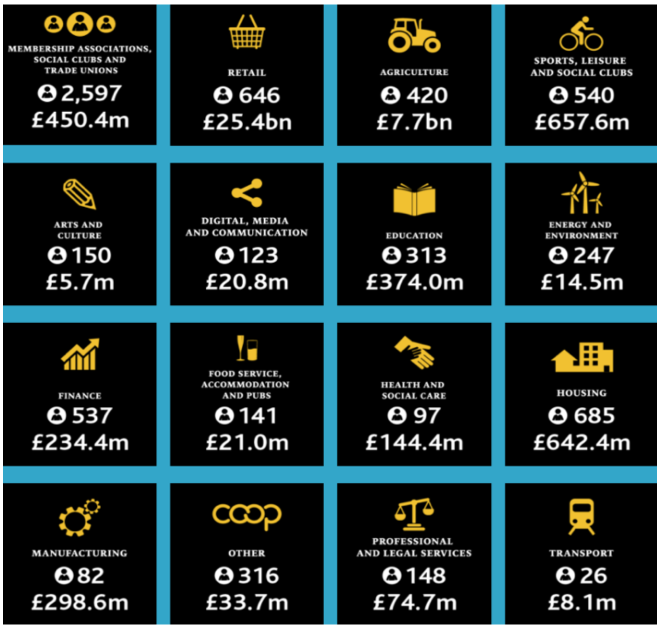
Local governments in particular face the following common challenges:

- A need to maximise the effectiveness and value achieved from spending
- A need to transform and reconfigure services (provided to the community)
- A need to do things differently (experimenting with new ways of community engagement)
- A need to work across agencies and across sectors more than ever (SEUK 2017, p. 7).

On the other hand, the growing contribution of the social enterprise sector to the UK economy is significant. For instance, "there are now 7,226 independent co-operatives operating across the UK, with a combined turnover of £36.1 billion – up more than £800 million on 2017 levels. The sector is also a significant employer, with almost 235,000 people earning their livelihoods directly through co-operatives" (Co-operatives 2018).

Figure 1.1 indicates the size and contribution of the co-operative members in the UK.

Figure 1.1: Co-operatives of the UK by membership and value



Source: Co-operatives UK, 2018.

1 A GLANCE AT THE TERM “SOCIAL ENTERPRISE” WITHIN THE UK CONTEXT

Background of the co-operative movement in the UK: The beginning

> *Of all the projects for raising the workmen from the fear of pauperism, from the danger of crime, and from the misery of incessant ill paid labour, or uncertain employments, none appears to us to be fraught with so many advantages and so few dangers as this [co-operative model]. This system is rational, pious and beautiful* (First Co-operative Congress, Manchester, May 1831, Chaired by Robert Owen).

The co-operative movement in the UK dates from the 1760s. Historically, the Fenwick Weavers shop in Scotland and the Hull corn mill are known to be two co-operatives operating at the time. The social reformer Robert Owen (1771-1858) was widely regarded as the “father of co-operation” (The National Co-operative Archive 2018). Owen was active within co-operative movements, setting up co-operative businesses. He is best known for his work at the New Lanark factory in Scotland.

By the early 1830s, the number of co-operative societies in the UK had gradually increased to 300. Difficulties in accessing credit, recruiting new members and a lack of business experience were common challenges facing these new co-operative ventures. The economic conditions of the 1840s, which were known as “the hungry forties”, also added to the impetus for change and encouraged new initiatives to improve people’s lives, especially at the local level. The industrial revolution caused the shift from working at home using hand looms to working in factories and using powered looms. This contributed to lower wages, bringing the weekly wage for weavers to half what it had been in the 1820s. Women’s experiences were more severe and generally they earned even lower wages.

These challenges, and the lessons learned, provided the motive for 28 ordinary working people in Rochdale to create a business model in 1844 which has since become the exemplary model for many UK co-operative businesses to follow. These 28 people are known as the “Pioneers” or “Rochdale Pioneers” and their co-operative was named “the Rochdale Society of Equitable Pioneers”. It aimed to give control to the workers over their organisation, with all members being involved in decision making, and receiving a fair share of the organisational profits.

Two of the initial pioneers, Charles Howarth and James Daly, wrote a rulebook for their co-operative society, which they called the “Law First” and included their objectives. The aim of producing the Law First was to argue a case for the community to “arrange the powers of production, distribution, education and government” through co-operation. The new rules included strictly cash trading, a guarantee of true weights and measures, trading unadulterated goods, and having honesty and openness in the center of the co-operative business. The Pioneers sourced the required capital for their co-operative, which was set to be £28, through the collection of two or three pennies a week from each member in addition to a loan from the local Weavers Association.

The next challenge was to find a place to run the co-operative business. Despite resistance from private shopkeepers, the Pioneers were able to rent the ground floor of 31 Toad Lane, Rochdale from Dr Dunlop and they began trading on 21 December 1844. The traded food included: butter, sugar, flour and oatmeal bought from Manchester, as local tradesmen refused to trade with the Pioneers. The only non-food items the Pioneers used were some candles for the shop, as the local gas company refused to supply gas to the premises in fear of the co-operative not being able to pay its gas bill.

The Pioneers adopted a series of co-operative values which included the following:

- Self-help and self-responsibility: the Pioneers recognised the value of co-operation in making a difference in people’s lives.
- Democracy and equality: the Pioneers adapted the democratic principle of ‘one member one vote’ and membership was open to all irrespective of race, creed or political views.
- Equity and solidarity: the Pioneers believed in the concept of equity/fairness and demonstrated this through the distribution of the co-operative’s profits among all members as dividends based on the proportion each member had spent at the co-operative store (The National Co-operative Archive 2018).

The Rochdale Equitable Pioneers Society and their co-operative movement changed the course of history for women in the UK. Women were welcomed to join the co-operative, pay membership payments, receive dividends, and to be considered as equal members. Eliza Brierley was the first female member to join this co-operative in March 1846, which was almost 80 years before women’s right to an equal parliamentary vote was recognised in the UK and at a time when women were not allowed to join trade unions. The Pioneers and their movement also contributed to the campaigns which led to the “Married Women’s Property Act” from 1870, allowing married women to inherit property, and be the legal owners of the money they earned.

Women’s membership in co-operative organisations increased, and by 1883 women were able to publish their own pages in the “Co-operative News”. In the same year the “Women’s Co-operative Guild” was established within Rochdale as one of its first network of local branches. The guild was proactive in covering many issues concerning women such as: maternity benefit, equal pay and securing a parliamentary vote. It also assisted its members by organising speaking competitions to enable the development of their skills and the improvement of their confidence in order to join the co-operative committees and become more involved in public life.

The Rochdale Pioneers were seen as a successful exemplar within a growing number of co-operative businesses, and a source of advice for newly established co-operatives. This led to the establishment of a professional co-operative body called the “Co-operative Union”[1] in 1869 in order to share information and advice, exchange ideas and allow its members to meet regularly.

The co-operative movement offered a new way of self-help to address poverty, and soon spread to other European countries like Germany, where Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch came up with the ideas that eventually led to establishment of savings and credit co-operatives. The co-operative initiative was soon implemented in Slovakia, too, with Samuel Jurkovic establishing a rural co-operative.

There were two distinguished pieces of literature prominent among the movement at the time. George Jacob Holyoake (1817-1906) was an advocate of co-operative movements. He published his book “Self Help by the People” in 1857, which covered the history of the Rochdale Pioneers. The book inspired others to adopt the same business principles and set up co-operatives. His colleague Dr William King (1786-1865) was editor of “The Co-operator”, a magazine which provided advice on how to establish a co-operative business while sharing co-operative experiences with its readers (The National Co-operative Archive, 2018).

[1] Now called “Co-operatives UK”.

There are other well-known figures in UK history who supported the co-operative movement. George Douglas Howard Cole (1889-1959), a libertarian socialist, “took special interest in industrial democracy and in the possibilities offered by the co-operatives” (Carpenter 1973, p.206). Cole “wanted the co-operative movement to take over many distributive processes in the Guild Commune” (Carpenter 1973, p.85). The co-operative movement had grown from small beginnings into a major form of social self-help organisations covering many areas of production, commerce and education.

The “International Co-operative Alliance” (ICA) was established in 1895, connecting co-operatives across the world. Argentina, Australia (various colonies prior to 1901), Belgium, England, Denmark, France, Germany, Holland, India, Italy, Switzerland, Serbia, and the USA were among the original participating members of ICA.

However, the co-operative movement declined over the next century. The rationing of products and the importing of goods from overseas during WWII; the shift in the UK’s policy toward introducing a National Health Service and National House building programs; the rise in consumerism, inflation, de-industrialisation and the transmigration of citizens from rural areas to urban centres: all contributed to the slowing down of the co-operative movement in the UK (Wilson et.al. 2013).

The recent move towards the revival of the co-operative movement in the UK started in 1997 when then UK Prime Minister Tony Blair announced his commitment to support social enterprises (co-operatives included). The 1990s was also a decade when various countries including the UK and Australia used the New Public Management (NPM) approach to implement public-sector reform. NPM is referred to as “an overall ‘paradigm’ for reforming government institutions” (Dunleavy *et al.* 2005, p. 469). It is a marketised approach to services provided by government that positions the government as facilitator of the public sector rather than a provider (Guthrie & Parker 1998; Glynn & Perkins 1997). The polices under NPM aim at low public-sector expenditure, a small welfare state and low taxes (Aspin & Hayward 2001).

NPM has paved the way for alternative public service deliveries, impacting governments’ public policy decision-making. One public service delivery alternative which stood out for the purpose of lowering the cost of public services (as well as its application in dealing with social and environmental issues) in the UK was the application of co-operatives and mutuals. There were other governments which also showed an interest and willingness in the application of co-operatives in the 1990s, and provided a more co-operative-friendly context for co-operatives in their country. For example, Italy, which revisited its social enterprise sector earlier than the UK, enhanced the growth of the sector by introducing the “Law 59” in 1992, which brought changes to the financial aspects of co-operatives, aiming to provide a solution to the problem of under-capitalisation (Negri Zamagni 2006).

In Canada, the new term of “Alternative Service Delivery” (ASD) was adopted in the mid-1990s. The ASD in Canada “is not just about how to arrive at more efficient, less costly and essential government, it is also about how to create more responsive, effective and accountable government and employees, and building communities” (Lindquist 2001, p.18). Consequently, the “Co-operative Alternatives for Public Services” (CAPS) project was introduced in Canada to examine the application of the co-operative model within the Canadian public sector context.

In Australia, 1996 marked an important year for co-operatives, with commonwealth, state (except Western Australia) and territory governments signing the “Co-operatives Laws Agreement”. Prior to this, each state and territory had its own law governing co-operatives in their jurisdiction, with the *NSW Co-operation Act* dating back to 1923.

The Co-operatives Laws Agreement led to the Co-operatives National Law (CNL) in Australia. This national law replaced the state/territory co-operatives acts. Even though the CNL is based on the former Victorian Co-operatives Act, it removes all the differences between state and territory legislation.

Over the next phase of public sector reform after 1997 ("joined-up government", where the emphasis was on co-operation), the social enterprise sector was more evident in public policy decisions made by consecutive UK governments (see section on: Attitudes of the UK government towards the social enterprise sector).

The original members of the Rochdale Society of Equitable Pioneers

Source: The National Co-operatives Archive, UK.

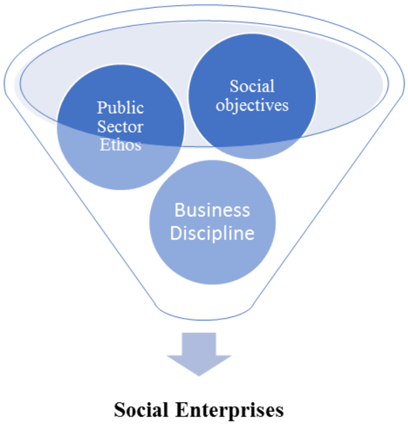
What distinguishes a social enterprise? The legal and organisational forms of social enterprises in the UK

The term "social enterprise" in the UK covers a broad spectrum of organisations which are driven by a social/environmental purpose regardless of their legal or organisational structure. "planet" and "people" are the double "Ps" (P&P) of the social enterprise sector.

The UK Department for Business, Innovation and Skills (BIS) defines a social enterprise as "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" (2011a). Social enterprises aim to make change through: creating jobs; preventing environmental waste; reinvesting profits into community activities; and developing new services to help the most vulnerable. There are over 70,000 social enterprises across the industry sectors of public health, education, municipal libraries, social care, community transport, leisure and employment (SEUK 2017).

The main difference between a social enterprise business model and a traditional business model is that social goals are fundamental to the organisational objectives of these bodies, making social enterprises very different from other private sector organisations (Mathew 2008). In other words, a social enterprise business model lies at the crossroads where a distinct community or public sector ethos and social/environmental mission of a charity meet with the business discipline of a traditional business model, as shown in the diagram below.

Figure 1.2: The social enterprise business model



Source: Based on Social Enterprise UK (2018).

Nevertheless, in practice the social enterprise sector often distinguishes itself from the larger public sector, traditional charities and mainstream businesses as shown in the following table.

Figure 1.3: Distinguishing features of a social enterprise

Social Enterprises are different from traditional charities in that they:	•Make most of their money from selling products or services •Don't rely on volunteering, grants or donations to survive
Social Enterprises are different from the public sector in that they:	•Are not part of government •Don't have political leadership (like councils) •Can operate as businesses in the market
Social Enterprises are different from traditional businesses in that they:	•Have a primary social mission or purpose •Don't exist to maximise profit for shareholders •Don't exist to make owners wealthy •Measure the social impact and difference they make

Source: Based on SEUK (2017, p.4).

There are several structures and business models that fall under the umbrella term of “social enterprise”. In the UK, a social enterprise is an organisation with the following five characteristics:

1) They have a social mission written into their company
2) They make more than 50% of their money from trading
3) They reinvest or give away more than 50% of their profits
4) They are independent: owned and controlled in the interests of the social mission
5) They are transparent in how they report their social impact and how they operate (SEUK 2017, p.5).

The term "social enterprise" is used and applied in the UK with a great degree of flexibility to ensure a broad spectrum of organisations that are connected through their shared goal of social/environmental purposes. Hence, there are terms within the social enterprise literature which are used interchangeably among the network of social enterprise.

A dimensional approach that explores and investigates the term "social enterprise" from multiple dimensions would assist our understanding of the social enterprise literature and provide a clear and structured status within the context of traditional business models. The following sections explore two key dimensions of social enterprises in the UK: the legal dimension and the ownership dimension (organisational form), where each of the dimensions include their own components.

The first dimension: legal forms of social enterprises in the UK

Social enterprises, as with all businesses in the UK, are required to register with Her Majesty's Revenue and Customs (HMRC) for value added tax (VAT), "if their VAT taxable turnover exceeds £70,000 per annum, and for PAYE [pay as you earn] and employer national insurance contributions if and when they decide to take on employees" (BIS 2011, p.2). Other legal requirements such as governing business names, record keeping (for tax purposes as relevant), and consumer protection legislation also apply to all businesses (social enterprises included) in the UK. Furthermore, social enterprises that are involved in producing/delivering a specific service that is regulated by the relevant/professional authorities, also need to register their businesses with the relevant professional authority and accommodate the required professional accountability within their organisational forms.

Examining the term "social enterprise" through the lens of a multidimensional approach brings clarity to the scope of the social enterprise sector in the UK and provides the sector with its own typology. One dimension of the term pertains to its classification of the sector according to the legal form chosen by a social enterprise[2]. Social enterprises in the UK are classified into two main legal frameworks consisting of unincorporated forms and incorporated forms which are registered with Companies House and are required to file annual returns. Each legal form has its own requirements and components. In the UK, "[i]ncorporation is advisable, and often necessary, where businesses are taking on significant contractual obligations or raising external capital" (BIS 2011a, p.3). Incorporation brings the advantage of having a separate legal personality and limited liability for the social enterprise. The following diagram represents the range of legal forms of social enterprises in the UK:

Figure 1.4: Legal structures of social enterprises in the UK

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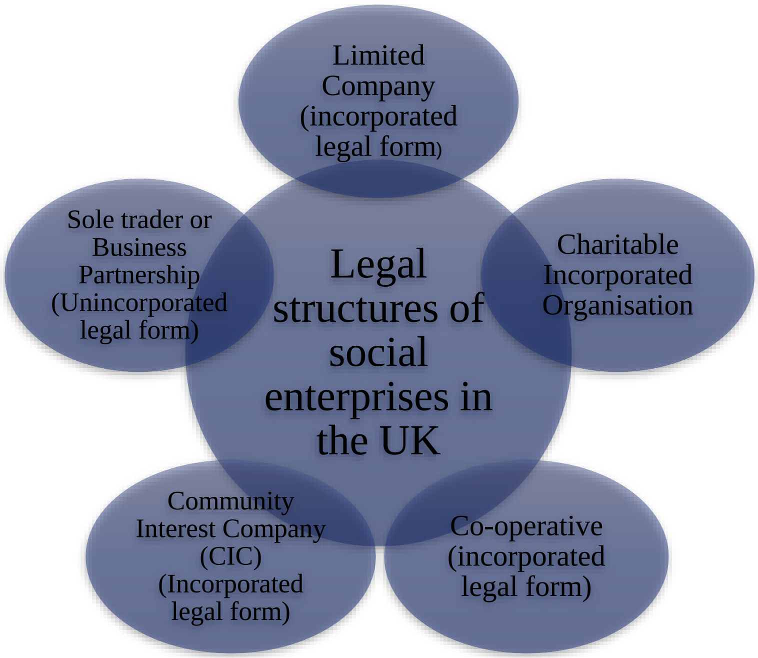
[2] The legal form clarifies "what sort of body it [the company] is in the eyes of the law". The other relevant term is "legal structure", which covers "legal form" and "governing document" of an organisation. A governing document is "a statement that lays out how it plans to operate and govern itself" (Co-operatives UK 2017, p.10). An example of a governing document for social enterprises is the "Article of Association" (see Appendix 1).



Source: Based on the United Kingdom public sector information website (2018).

Examining the various legal forms, we can note the following:

Sole trader is the simplest level of structure for a social enterprise where it reflects the unincorporated legal form. A sole trader social enterprise donates the majority of her/his profit to a good cause. For a sole trader format "its profits will be taxed as income of the individuals involved. They would normally be treated as self-employed and be required to use self-assessment to calculate the income tax and national insurance contributions applicable to any profits taken out of the business" (BIS 2011a, p.2).

Community Interest Companies (CICs) are a special type of limited company which aim to benefit the community rather than private shareholders (United Kingdom public sector information website 2018). It is a legal structure specifically created in 2004 for the social enterprise sector, where the numbers are over 5,500 registered CICs in the UK (BIS 2011a).

To be a CIC social enterprise, the applicant organisation needs to apply to Companies House, and:

- Include a "community interest statement", explaining what your business plans to do
- Create an "asset lock" – a legal promise stating that the company's assets will only be used for its social objectives, and setting limits to the money it can pay to shareholders (United Kingdom public sector information website (2018).

CICs in the UK are required to set out "Articles of Association"[3] which are considered as an organisational constitution. CICs "are required by law to have provisions in their articles of association to enshrine their social purpose ... and a cap on the maximum dividend and interest payments it can make" (BIS 2011a, p.3).

[3] See Appendix (1) for an example of "Articles of Association".

A CIC may convert into a charity, Community Benefit Society (Industrial and Provident Societies[4] (IPSs)), or it may voluntarily dissolve. However, once established it may not convert into a standard limited company (BIS 2011a).

Limited company is a common incorporated legal form which establishes the social enterprise as a private or public company which:

- is legally separate from the people who run it
- has separate finances from your personal ones
- can keep any profits it makes after paying tax (United Kingdom Public sector information, n.d).

Limited companies are limited either "by shares" (CLS), or alternatively "by guarantee" (CLG). In the UK, a "limited company is subject to stricter regulatory requirements than unincorporated forms: greater accountability and transparency to shareholders and to the public is the price to pay for the benefit of limited liability" (BIS 2011a, p. 3). On the other hand, the limited company form is a flexible model which accommodates the requirements of the social enterprise sector as well as traditional types of businesses. For example, this model enables the companies which would choose to be a social enterprise to adopt their own article of association and define their social purpose, which is a must for companies who wish to pursue the path of a social enterprise (BIS 2011a).

Companies limited by guarantee require members to pay a certain sum of money if the company is wound up, in order to pay the company's debts. A CLG does not pay dividends to its members and cannot access capital through issuing shares; by contrast, a CLS company has shareholders instead of members and is able to raise its finances through issuing shares and paying dividends (Company Law Club, n.d).

A Co-operative's[5] legal form is referenced in the *Co-operative and Community Benefit Societies Act 2014* as a legal form for those organisations in the UK which have chosen to operate under the Co-operative Principles[6] (Co-operatives UK, 2017). Under the co-operative legal form, members own and control the company, whereas "[m]embers liability can be either limited or unlimited where each member takes on the full liability towards company's debt" (DCMS2014).

A Charity legal form enables social enterprises in the UK to represent themselves legally as charities subject to the organisational purpose to be benefiting the public/community and being exclusively charitable organisations. In the UK, "[c]haritable purposes include advancing education or religion, and relieving financial hardship. Over many years, a host of other charitable purposes that benefit the community have been recognised as charitable by the courts or the Charity Commission" (Invest Northern Ireland, n.d).

Some of the organisational characteristics of the charitable social enterprises in the UK are addressed as following:

- A charitable social enterprise must have exclusively charitable purposes, and those purposes must be for the public benefit.
- The directors or trustees are responsible for administration and management and generally must not be paid for this work. However, charities can pay trustees (including the director) for providing goods and non-trustee or employee services to the charity. A range of safeguards are in place to prevent conflicts of interest or abuse.

[4] "There are two kinds of Industrial and Provident Society (IPS) – Co-operative Societies (which may be social enterprises) and Community Benefit Societies or "BenComms" whose purpose must primarily be "for the benefit of the community". IPSs must register with the Financial Services Authority rather than Companies House" (BIS 2011a, p.4).

[5] In the UK context, the term "co-operative" appears as a legal form for social enterprises as well as a term which specifies an ownership model within the social enterprise sector. (see section: Dimension two: The ownership dimension of the social enterprises in the UK).

[6] See section "The second dimension: social enterprise ownership varieties in the UK".

- Any profits or surpluses made by the organisation must be invested back into it and used to support its charitable purposes. Any profit or surplus must not be paid out to members of the charity.
- Assets must always be used for the charitable purposes of the organisation (Invest Northern Ireland, n.d).

Finally, **Limited Liability Partnerships (LLPs)** are another legal form available to social enterprises in the UK. This legal form is also an incorporated form that is not specifically included within the legal form classifications referenced earlier in this section. The reason might be that the LLPs legal form is only applicable and favourable to a set of social enterprises that seek to work in partnership with other organisations or investors, or are intended to implement a mutual model for ownership and control. “Unlike a standard partnership, members of the LLP enjoy limited liability as the name suggests, but the partnership is essentially transparent for tax purposes” where “non-corporate partners register for self-assessment and pay income tax on their share of the profits, while profits shared by corporate partners will be liable to pay corporation tax on this income” (BIS 2011a, p.4).

Unlike CICs, the LLPs form is not purpose-built for social enterprises, however the flexibility within the model makes it a favourable option for social enterprises with partnership platforms. The combination of partnership and social enterprise is an indication of the flexibility of the LLP model, however it is important for LLP members to know that rather than each member taking an equal share of the profit, once a company chooses to be a social enterprise, the majority proportion of the profit needs to be dedicated to a social purpose (BIS 2011a).

The second dimension: social enterprise ownership varieties in the UK

The second dimension of social enterprises in the UK is the ownership dimension that lays out different organisational forms available to social enterprises. The ownership dimension is commonly associated with the terms “mutual” and “co-operative”. These two terms explain variations in the ownership of a company relating to how the business is run and the role staff have in aspects of control and decision-making within the company. Employee ownership is a distinct model that has been implemented in both the private as well as public sectors, especially as consecutive UK governments and local authorities have facilitated the establishment/growth of public service mutuals which are employee owned/led.

The organisational form of mutuals

A mutual is an organisation “owned by, and run for, the benefit of its members, who are actively and directly involved in the business … rather than being owned and controlled by outside investors” (BIS 2011b, p.2). And, “mutualisation” is considered as a way to transform the public sector and “tends to refer to a service or services being spun out into a social enterprise with a significant component of staff or employee ownership” (SEUK 2017, p.16). The word “mutuals” quite often is used as a short version for public service spin-outs in the UK which are run by the ex-employees of local authorities or the ex-public servants of the UK government.

Despite the availability of various legal forms, community interest company limited by shares is the most commonly adopted model among mutuals in the UK. Housing associations, leisure trusts, community health services, and community transport are the main industry sectors where social enterprises have formed as result of public service spin-outs in the UK.

The private sector as well as the public sector in the UK are interested in “going mutual” as a result of the following benefits:

- Increased staff engagement and productivity (and decreased absenteeism)
- Improved access to external investment and resources for the local area
- Increased resilience through diversification of contracts and services
- Reduced bureaucracy translates to ability to act more entrepreneurially
- Retained social purpose that was present in public sector

- More efficient and effective use of constrained resources
- Profits reinvested locally and retained local employment (SEUK 2017, p.16).

The organisational form of co-operative enterprises

"Cooperative enterprises build a better world" (co-operative slogan, ICA).

Graeme Nuttall, who reviewed employee-ownership for the Department for Business, Innovation and Skills in 2012 and who is considered its UK architect, states that "[A]ll co-operatives are mutuals, but not all mutuals are co-operatives".

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise (ICA 2018a).

Cooperatives are people-centred enterprises owned and run by and for their members to realise their common dreams. Profits generated are either reinvested in the enterprise or returned to the members (ICA 2018b).

Co-operatives emphasise fairness and equality, and share a set of internationally agreed principles outlined by the International Co-operative Alliance (ICA).

Figure 1.5: Co-operative principles

Source: Based on ICA (2018a).

The International Co-operative Alliance was founded in London on 19 August 1895 by representatives from co-operatives in Argentina, Australia (then six different colonies, prior to Federation in 1901), Belgium, England, Denmark, France, Germany, Holland, India, Italy, Switzerland, Serbia, and the USA. The aim for the alliance was to "provide information, define and defend the Cooperative Principles and develop international trade. It was one of the only international organisations to survive both World War I and World War II … International Co-operative Alliance survived by staying committed to peace, democracy, and by remaining politically neutral" (ICA 2018c).

The United Nations (UN) declared 2012 the International Year of Co-operatives (IYC) in recognition of the contribution the sector has made to the social economy and to acknowledge its extent (an international membership of 800 million), the benefits of community ownership, and its ability to create jobs (100 million jobs worldwide as of 2007), as well as the role the sector has played in initiating social inclusion and achieving positive environmental outcomes. Furthermore, the overall visibility of democracy within the co-operative model, its ability to empower marginalised groups, and its advocacy for gender equality and empowering women were all referenced as some of the contributions co-operatives make to society (ICA 2018a).

Examples of varieties of social enterprise ownership formats or organisational forms in the UK

Ownership formats within the context of the UK's social enterprise sector constitute several models that provide a business with the opportunity to choose the one that fits best within their structure and purpose.

This section references some of the ownership models implemented in the UK, along with an example of a business applying the ownership model. It is important to mention that the models exercised by businesses in the UK are included but not limited to the following examples:

- Employee-ownership (e.g. John Lewis department stores in the private sector)
- Consumer's co-operative (e.g. The Co-operative Group, trading as the Co-op)
- Public service spin-out (employee-owned mutuals, e.g. Community Dental Services)
- Multi-stakeholder ownership (e.g. Rochdale Boroughwide Housing)

Employee-ownership model (John Lewis)

Employee-ownership was considered as a possible way to deal with the consequences of the GFC and financial austerity in the UK. Consecutive UK governments encouraged and supported the growth of what is called the "John Lewis economy", named for the business model initiated by John Lewis, the leading example of an indirect employee-ownership model. "Advocates of the model argue that employee-owned companies display greater resilience to economic fluctuations, and certainly some of them have achieved a longevity and continued independent existence that is somewhat unusual for UK businesses" (TAX Advisor 2016).

Employee-owned businesses are defined as businesses that "are totally or significantly owned by their employees". Employee-owned businesses in the UK contribute 4% to UK GDP annually and are growing. They are viewed as businesses with high productivity, high levels of innovation, high levels of engagement within the workforce and also as resilient to economic turbulences (EOA 2017).

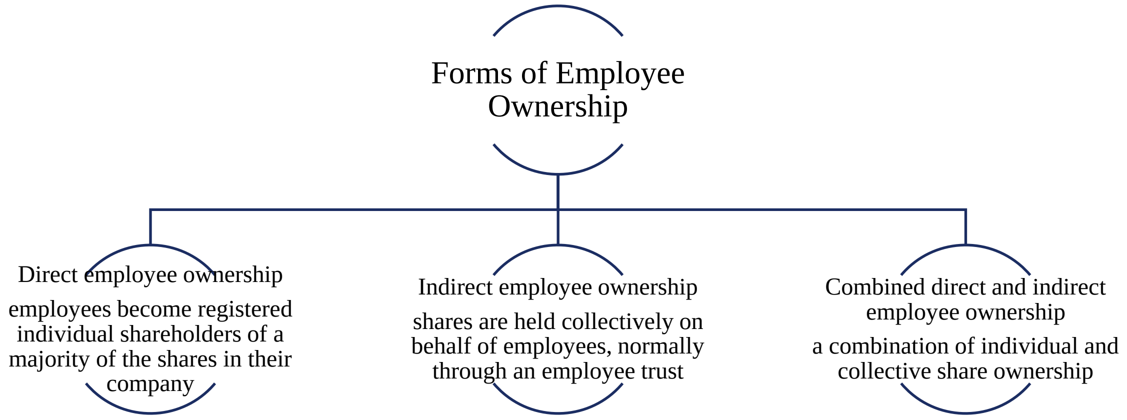
There are various reasons why businesses choose this model. Employee ownership typically happens in one of the following scenarios:

- Business succession or ownership succession – private owners, such as an entrepreneur or family business, decide to sell to their workforce. This is the most typical route to employee ownership.
- Growth and expansion – partners, owners, or managers might decide to broaden ownership to cover most or all employees, reflecting the need to attract, retain and motivate talented people.
- Public service spin-outs – sometimes called public service mutuals, these newly created businesses, including social enterprises and community interest companies delivering public services, may choose an employee led or owned solution as part of their structure.
- Start-ups – as in the case of John Lewis, Arup Group or Scott Bader, the founder of a business opts for employee ownership at the outset of the business or later.

- Insolvency or closure threat – employee buy–outs can prove an effective route to recovery for businesses that might otherwise be liquidated (EOA 2017).

Once businesses adopt a scenario that would lead them toward the idea of becoming an employee-owned business, they would be required to choose from the following three ownership forms:

Figure 1.6: Employee ownership forms in the UK



Source: Based on EOA (2017).

Even though there is a definition for employee ownership and there are forms of ownership to follow, the “real employee-ownership is not only about holding shares and having formal structures of governance in place but also the ethos and culture of an organisation in terms of staff consultation, participation and engagement and senior managers’ visibility, accessibility and responsiveness” (CEEDR et.al 2018, p. 6).

John Lewis case study

Information is the basis of democratic participation. So the Partnership aims for openness, tolerance and freedom to express criticism, questions and suggestions (even at the risk of controversy). Rule 51 of the John Lewis Constitution

John Lewis is the largest employee-owned business in the UK. The history of the company goes back to 1928, when the company’s founder, John Spedan Lewis, decided to hand over his firm to its employees.

John Lewis specifies three main benefits for the employee-owned model:

- Improving productivity
- Resilient regional economies
- More engaged employees

The John Lewis company includes John Lewis department stores and Waitrose supermarkets. The employees at John Lewis are called “partners”, and number 83,500. There are 348 Waitrose & Partners shops and 50 John Lewis & Partners shops across the UK. John Lewis is a big business, both in terms of annual gross sales (over £11.5bn), and the scale of its operations (5,500 suppliers around the world, 700 of which have been in business with John Lewis for over 30 years). The online scale of the business is also vast, with 40% of John Lewis & Partners having online sales and Waitrose & Partners growing at 21% (Fowler 2018, p.2).

Governance

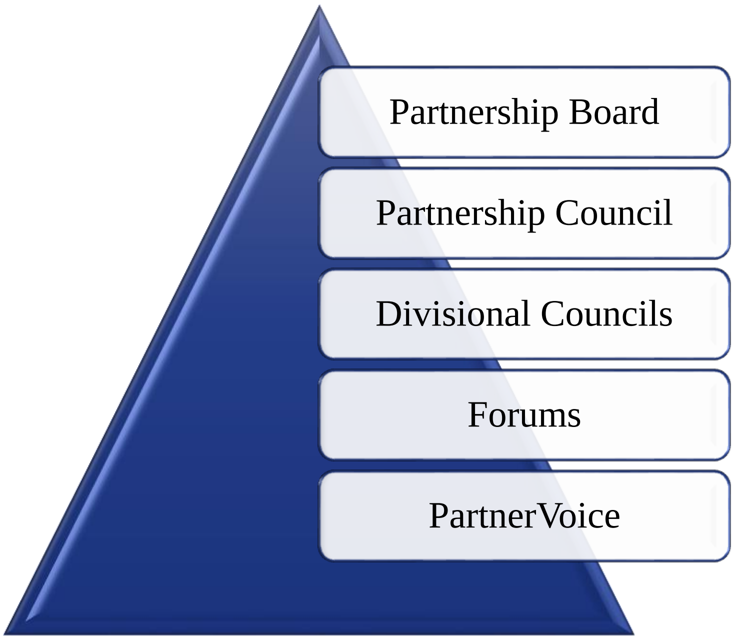
Governance of John Lewis incorporates three foundations of democracy to the company:

- Profit: A shared stake in success
- Power: Decision making
- Knowledge: Information to perform better

Partners at John Lewis share the benefits and responsibilities of the employee-ownership model through profit, knowledge and power.

The company's constitution does not allow for the executives at John Lewis to earn more than 75 times as much as the lowest paid employee. This rate is much lower in comparison to the executives' earnings at Britain's biggest public companies, which is typically 120 times more than the average salary at their firms. At John Lewis, every partner has a say in how the business is run and in the process of decision making-through a democratic system which is nearly a century old. The following diagram reflects John Lewis' governance system:

Figure 1.7: The governance of John Lewis



Source: Fowler 2018, p.9.

Innovation

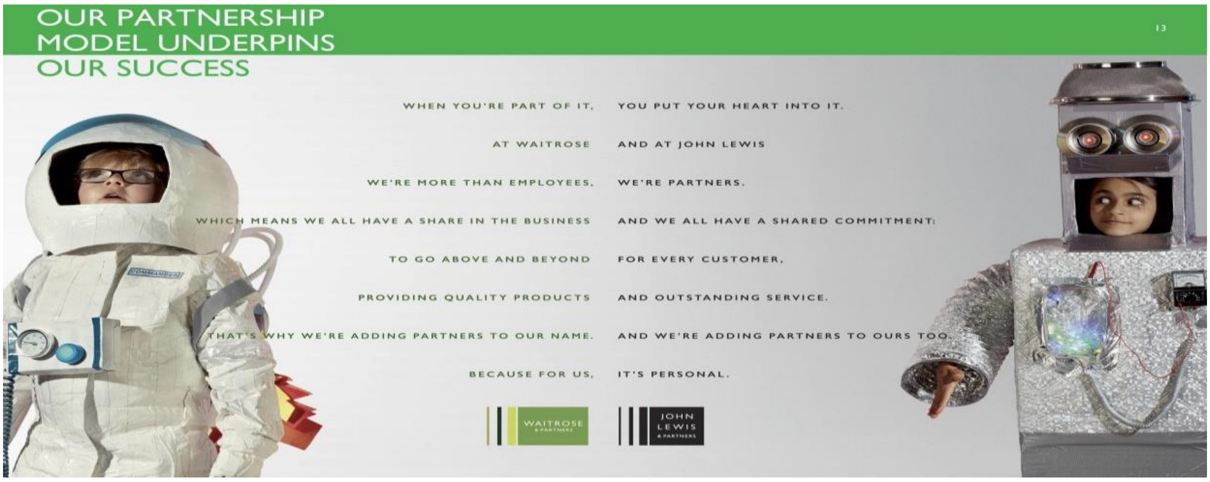
The way John Lewis implements innovation is through "[d]ifferentiation, not scale". The company states its focus is on "innovation on product and service, personalisation and exclusivity investing in our point of difference: our partners" (Fowler 2018, p.3). John Lewis started its innovation based on "differentiation", deciding to implement the employee-ownership model, almost a century ago, since which time it has paved the way for many like-minded businesses to follow.

John Lewis is still the exemplar of the employee-ownership model in the UK. The business itself lists the following measures as important factors in growth of the employee ownership model:

- Employee ownership advice and capacity
- Regional pilots to raise awareness
- National strategy for business ownership
- Access to finance (Fowler 2018, p.14).

The company is an active member of the Employee Ownership Association (EOA) of the UK. Simon Fowler, who is also the Partner & Director of Communications at John Lewis Partnership, is the Chairman of the EOA.

John Lewis advertisement



Source: Author photo.

Consumers' cooperative model (the Co-operative Group)

Consumers' co-operatives are organisations that are owned and run by the customers/consumers. It is a democratic model where all customers enjoy equal say and participate in the decision making of the business.

The European Community of Consumer Co-operatives defines consumer co-operatives as "enterprises owned by consumers, managed democratically, aiming at fulfilling the needs and aspirations of their members" (Eurocoop n.d, p.4). Co-operatives UK describes the co-operative model as "businesses that put people in control, co-operatives are a force for good right across the world" (Co-operatives UK, n.d).

The aim of a consumer co-operative is not to maximise the profit for the shareholders. Rather, it reinvests its profit back into the co-operative or invests it into the community through lower prices or loyalty rewards. Consumer co-operatives pursue social purposes as well as aiming to provide the best products and services at a best price to the members of the community (customers). As a result of this, "the economic, social and cultural benefits generated by the activity of the co-operative mostly remain in the local areas where this activity takes place. This is a key factor to **ensure territorial and social cohesion** [text is emphasised in the reference]" (Eurocoop n.d, p. 7). Furthermore, being a customer-centric enterprise enables a customer co-operative to respond to the customers' expectations, which often leads to innovation. This might be introducing a new service or product, or simply finding an efficient way of doing things around the business that would introduce a positive impact in the overall status of the business.

The consumer's co-operative model has been implemented in various sectors of the UK economy such as healthcare, housing, public relations, funeral services and supermarkets.

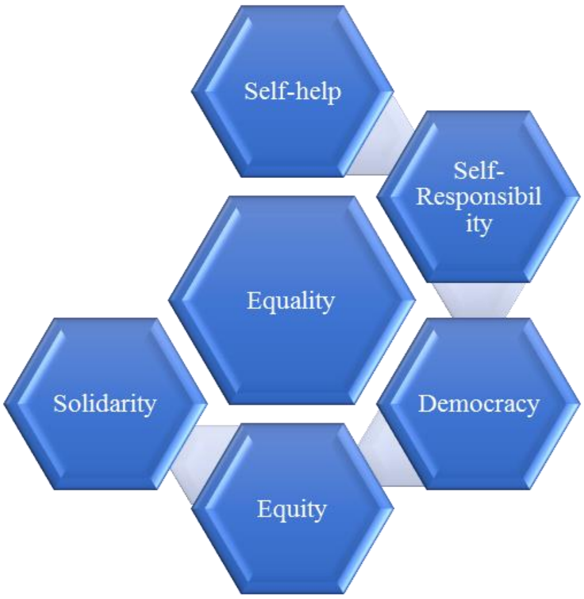
The Co-operative Group case study

The Co-operative Group (trading as co-op) of the UK is one of the world's largest consumer co-operatives, owned by millions of member consumers and providing employment to nearly 70,000 people. It is the fifth biggest food retailer in the UK, with more than 2,500 local, convenience and medium-sized stores. The Co-operative Group is also involved in other businesses where it is:

- the UK's number 1 funeral services provider
- a major general insurer
- a growing legal services business
- electrical retailor/supplier (Gardner 2018).

The Co-operative Group strives to meet its members' needs and stand up for the things they believe in. The company espouses six values, which are implemented within the day-to-day business, as demonstrated in the diagram below:

Figure 1.8: The six values of the Co-operative Group



Source: Based on Co-operative Group (n.d, online).

Governance

The Co-operative Group members' council, board and senate council all have roles to play in relation to the co-operative's governance. The membership in the Co-operative Group is perceived as "share in the business", where members are able to have a say in every aspect of the business from decision-making to how the company is run and which causes it supports. Membership in the Co-operative Group enables members to:

- vote on key business issues at the annual general meeting (AGM)
- elect members (to represent members on the members' council)
- join other members doing great things in local communities
- stand for election to the members' council, or as a member-nominated director on the board.

The members' council is an elected body ensuring that members' voices are heard at the highest level of the co-op. The council is made up of:

- members
- colleague members
- representatives from independent co-op societies

The members' council "acts as the guardian of the co-op's purpose, values and principles, and the society's constitution, with the power to hold the group board to account. Once elected, council members can serve a term of up to 3 years before requiring re-election" (Co-operative Group, n.d, online).

The council members in the co-op work with the "council senate", whose 15 members are elected from the council, by the council, and "helps to co-ordinate members' council activities and is the link between the members' council, the board, the executive and our members. It also represents the members' council in day-to-day dealings with the wider co-operative movement". The members' council has a "council president", who is also elected by the members' council "to represent and lead meetings of the council and senate, ensuring that both bodies are managed efficiently and effectively.

The president's role keeps both bodies in line with our co-op's rules, values and principles, and wider goals and objectives". There are two "vice presidents", whose role is to support the council president on business performance, and the other on ethics. The is also a co-op board, which is made up of 12 directors, four of whom being "Member Nominated Directors" (MND; elected members who have the relevant level of skills and experience) (Co-operative Group, n.d, online).

There are four governance principles agreed to by the members of the Co-operative Group:

- a board of directors qualified to lead an organisation of the size and complexity of the society
- a structure that gives members appropriate powers to hold the board to account
- one member one vote
- protection against demutualisation (Gardner 2018, p.3).

Innovation

Modern slavery is a stain on our society and on our communities. We all need to understand how our decisions and actions can make a difference to how businesses operate, and how individuals can be rescued and their dignity restored (the Co-operative Group 2017, p.7).

Innovation occurs within the Co-operative Group through the company's social goals and community-led programmes. One area the company is pioneering is eliminating modern slavery. "In 2016 there was a total of 3,805 potential victims of modern slavery recorded in the UK, a 17% increase from the year before" (the Co-operative Group 2017, p.1).

The Co-operative Group has introduced policies to rule out those suppliers reliant on slavery, and enforces them throughout its supply chains and business operations. The Co-operative Group also utilises its business resources "to help victims of modern slavery to become survivors – survivors who are regaining their physical and mental health and relearning the self-confidence and practical skills they need to rebuild their lives" (the Co-operative Group 2017, p.2). The company is also committed to raising awareness among suppliers, members, customers and colleagues in relation to modern slavery.

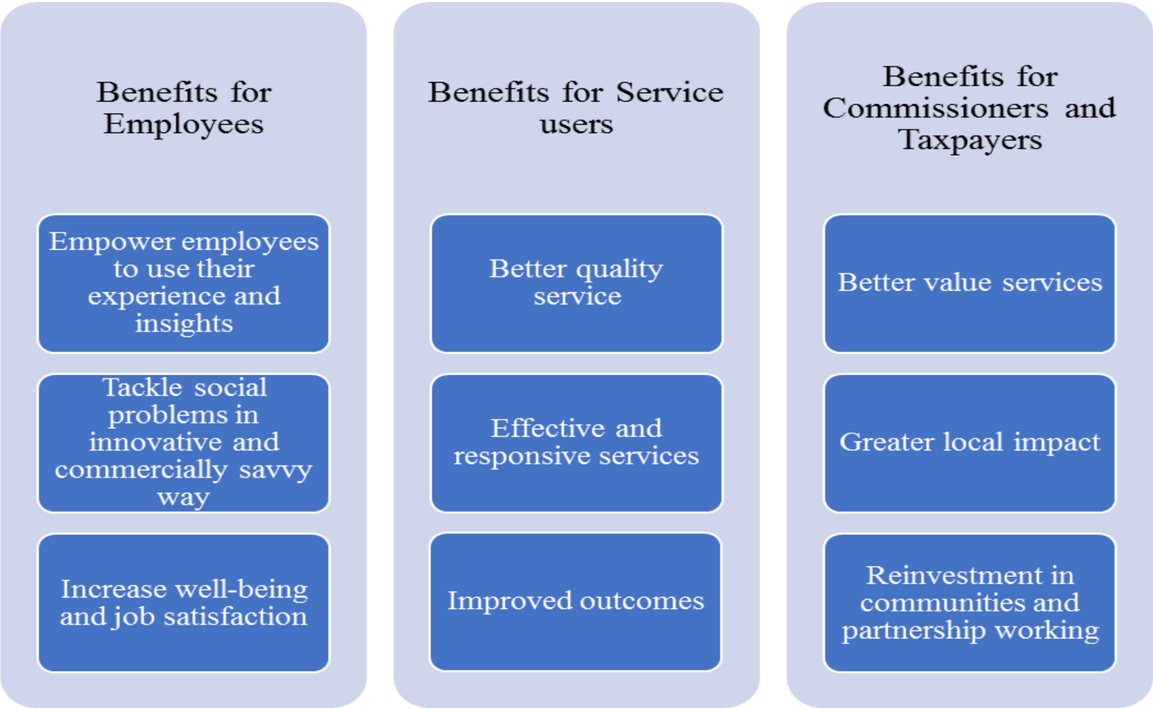
Public service spin-out model (Community Dental Services)

Almost all recent UK governments from Blair onwards have shown interest in the public service mutual model, either through government's initiation (to deal with financial austerity and improve public services to meet consumer's expectations, etc.) or by the way of public servants requesting to form a public service mutual, because the staff believe they:

- can run a service more effectively, achieving better outcomes for users
- can deliver a service more efficiently, saving on costs and time
- have identified a gap in service provision
- want greater control and autonomy over the service they work in (DCMS 2014)

The UK's Department for Digital, Culture, Media and Sport (DCMS) classifies the benefits of mutuals into three categories, providing benefits for: employees; service users; and commissioners and taxpayers. The following diagram illustrates this classification:

Figure 1.9: Benefits of the public service mutual



Source: Based on DCMS 2017a.

The public service mutuals of the UK are able to form under one of three main legal forms. These three legal forms and a short description of each form is shown in the following diagram:

Figure 1.10: Public service mutuals legal forms

Company limited by guarantee

- Members control the company; members have the right to attend general meetings and vote, members have the power to appoint/remove the directors, members hold control over the company. Not for profit companies fit within this legal form.
- Personal liability of the members is limited within this legal form (up to £1) and is written into the articles of association.

Company limited by shares

- Shareholders are divided into two categories: a) shareholders with voting rights (whom control the company) and b) shareholders with non-voting rights. The companies with this legal form are for profit/profit motivated.
- Shareholders have no personal liability towards company's debt.

Cooperative

- Members who can be consumers, producers or employees, own and control the business
- Members liability Can be either limited or unlimited where each member takes on the full liability towards company's debt

Source: Based on DCMS 2014.

Community Dental Services case study

Community Dental Services

Improving Oral Health In Ever More Communities

Source: CDS.

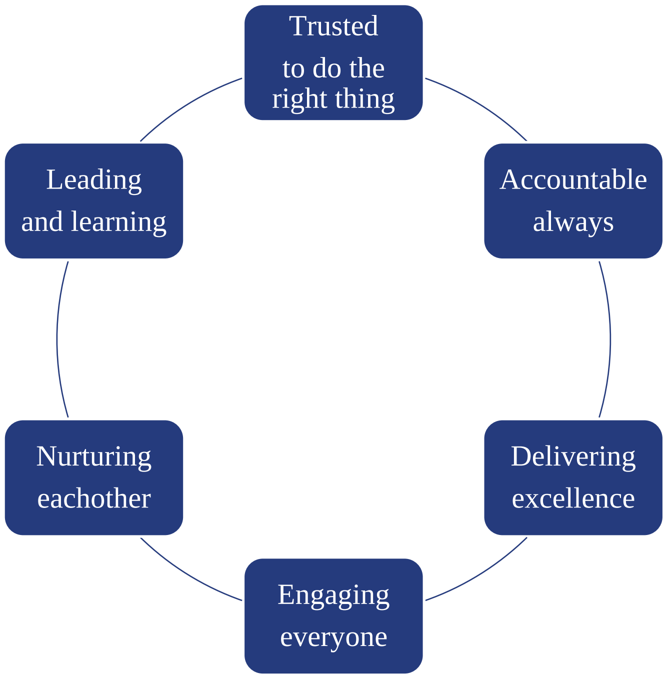
Community Dental Services (CDS) was established in 2011 as a spin-out from the National Health Service (NHS) with the "vision and a belief that being a competitive, well-run and profitable business is the best way of achieving social aims" (CDS 2018, online). CDS prides itself on being:

- Visible (it has four elected directors on its board, plus 20 members in its representative employee group, who are involved in local decision making)
- Accessible (technology is used to reflect the values of the CDS in every interaction)
- Specialist led (the CDS includes child and adult specialised care)
- Redistributive (£2.2m is reinvested in the charity CDS Action for the year of 2018 (Reid 2018, p. 2).

Community Dental Services is an employee-owned social enterprise and Community Interest Company (CIC) which states its social mission as "Improving Oral Health in Ever More Communities". CDS has 215 employees and its annual turnover for 2017/18 is forecasted as £10million (CDS 2018, online).

Public Health England and Local Authorities are the two major commissioners of CDS services. CDS delivers dental care and provides oral health promotion advice to a diverse range of communities throughout Bedfordshire, Luton, Suffolk, Thetford, Oxfordshire, Leicestershire, Essex, Lincolnshire, including prisons. CDS states its business values to be the following:

Figure 1.11: Community Dental Services values

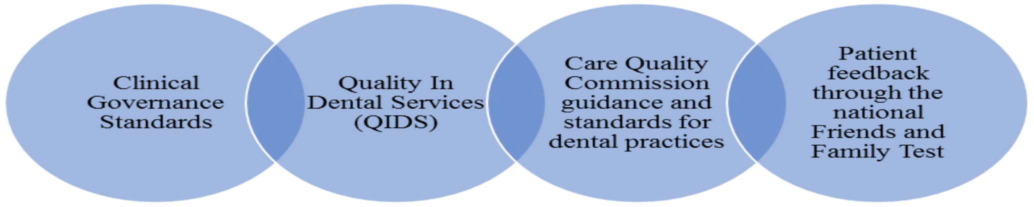


Source: CDS (2018, online).

CDS is a CIC limited by shares which must comply with the requirements of company law in general. As a social enterprise, it abides by its social mission and ensures to reinvest its profit to further its social purpose. It is required to file annual accounts and returns at Companies House in addition to complying with the CIC Regulator.

As a provider of dental health services, CDS is also required to comply with the requirements of the professional bodies to ensure quality service has been provided to the community and health organisation standards are met. The following diagram outlines these compliance obligations:

Figure 1.12: Community Dental Services compliance obligations

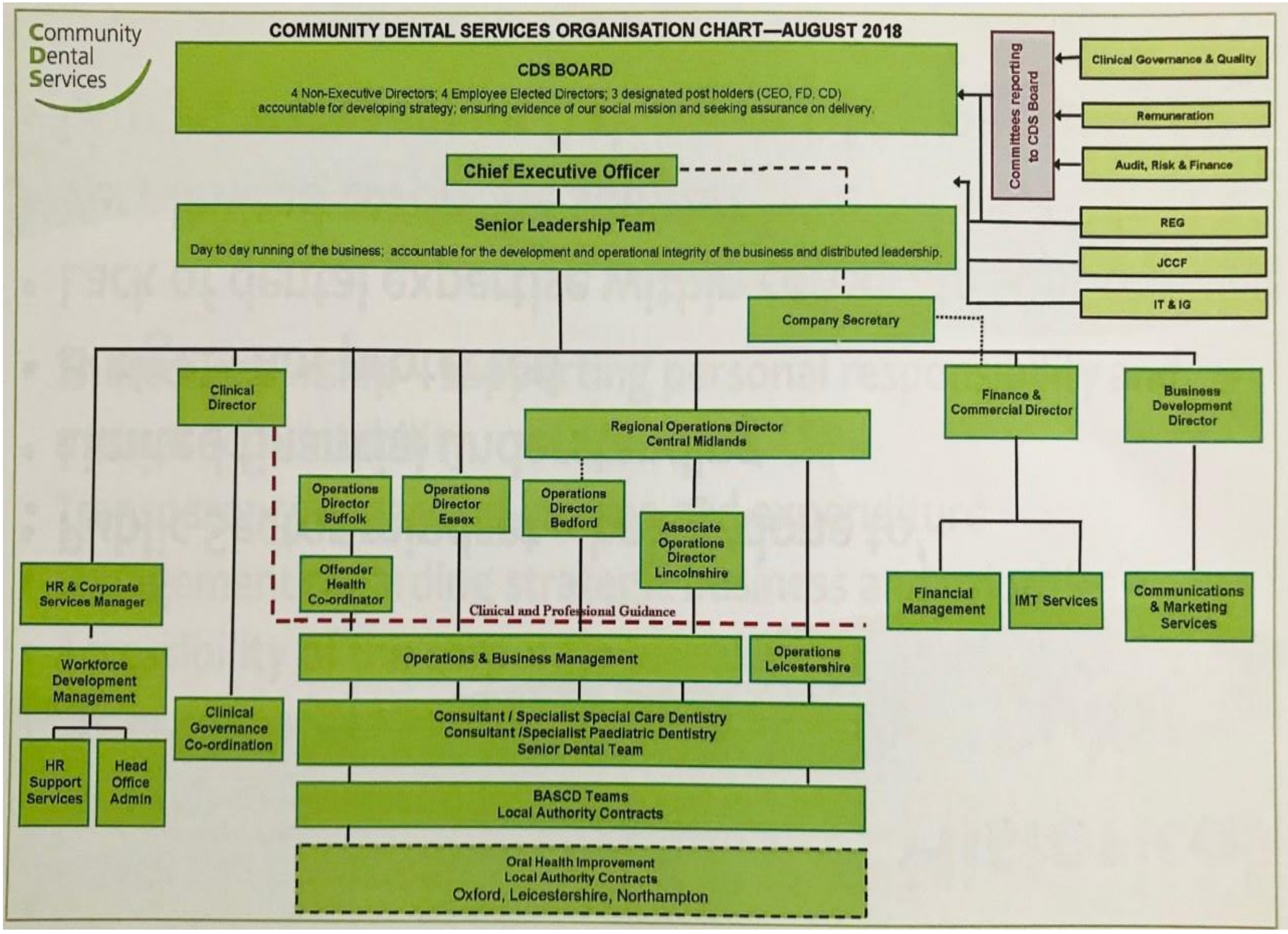


Source: Based on CDS (2018, online).

Governance

CDS is an employee-owned business where each permanent employee is issued with a £1 share upon successful completion of one year of employment, and is returned when an employee leaves CDS. All employees are co-owners in CDS, meaning they share the company's social mission and are engaged in the business' decision making. There are four employee-elected members of the CDS board.

Figure 1.13: Community Dental Services organisational chart



Source: Reid (2018, p.3).

Innovation:

Innovation by CDS is conducted through its service delivery improvement and the introduction of new services to the community. CDS is a patient-centred business, whereby it designs and develops its services, where possible, around its patients' needs. CDS has set up a "Dentist at Home" mobile unit which offers paid dental services to people who find it difficult to travel.

Multi-stakeholder co-operative/mutual model (Rochdale Boroughwide Housing)

A multi stakeholder co-operative is a "co-operative owned and controlled democratically by a variety of stakeholders who wish to work together to achieve shared interests". Stakeholders could be consumers, producers, workers or members of the community. There is an elected board, and members of a multi stakeholder co-operative hold one vote in general meetings (Co-operatives UK, 2015). Besides having multi-stakeholders onboard, the business is run as a co-operative business and adheres to the seven principles of the co-operatives set out by the ICA. The seven principles of the co-operatives are not applicable to multi-stakeholder mutuals.

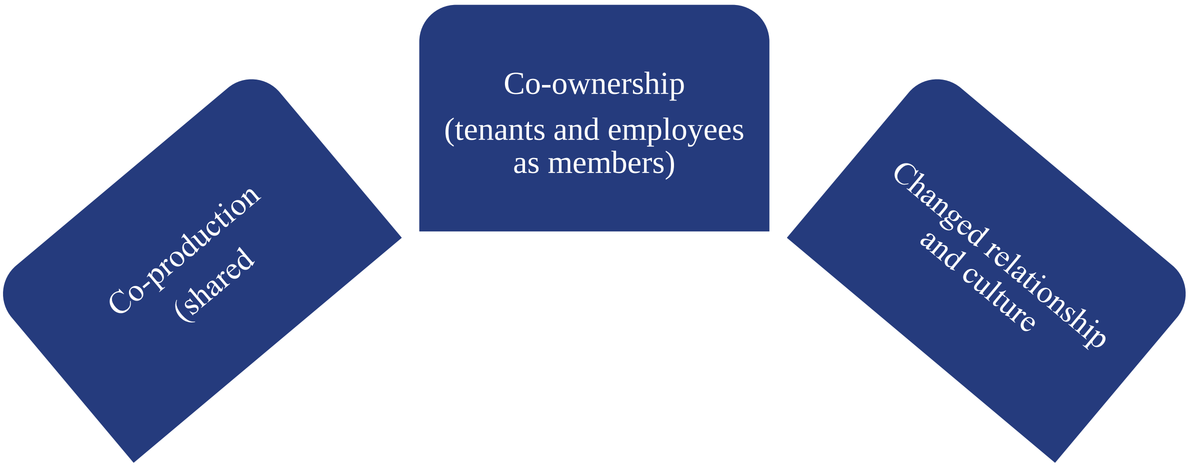
Rochdale Boroughwide Housing case study

Picture painted on the wall of Rochdale Boroughwide Housing

Source: Author photo.

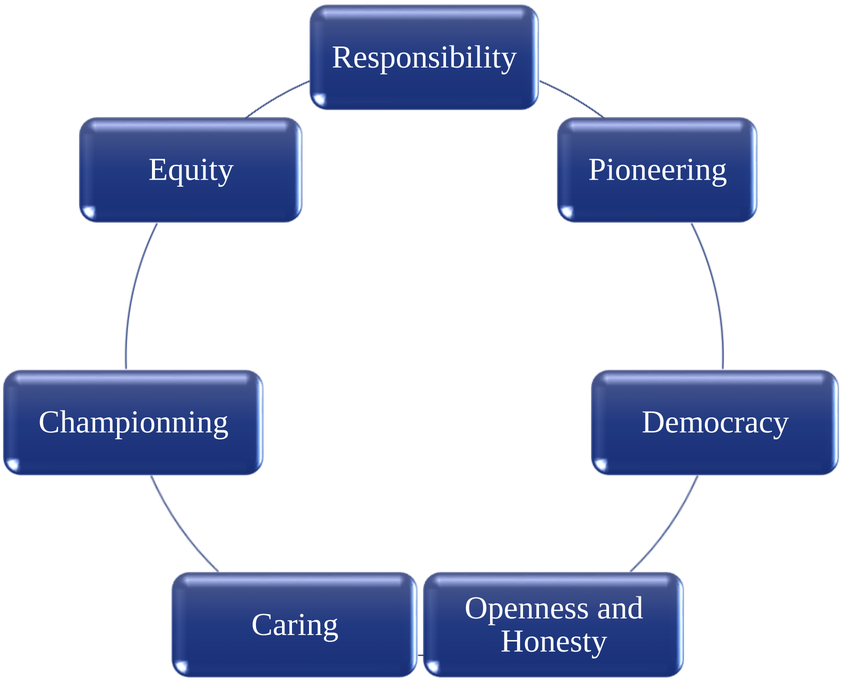
Rochdale Boroughwide Housing (RBH) is the UK's first multi-stakeholder housing mutual, having transferred its stocks in 2012. It delivers high quality, affordable homes for the people of Rochdale, providing housing services to 13,000 homes, across 52 neighbourhoods in the greater Manchester area (Swarbrick 2018). RBH's corporate strategy is "Together", laid "based on three key priorities of thriving together, growing together and improving together … to provide the right mix of new and existing quality homes" (RBH 2018, p.5). The RBH conducts its business around its three "big ideas" and its eight values.

Figure 1.14: The three "big ideas" of Rochdale Boroughwide Housing



Source: Based on Swarbrick (2018).

Figure 1.15: The eight values of Rochdale Boroughwide Housing



Source: Based on Swarbrick (2018).

Growth has been an integral part of business for RBH, under the platform of “growing together” and through, according to RBH:

- Direct development of over 100 new affordable RBH homes a year
- Working with others to help develop additional new homes to meet local demand
- Town centre regeneration
- Diversifying tenure to increase the choice of home options available
- Investing wisely in existing RBH homes (Swarbrick 2018, p.12).

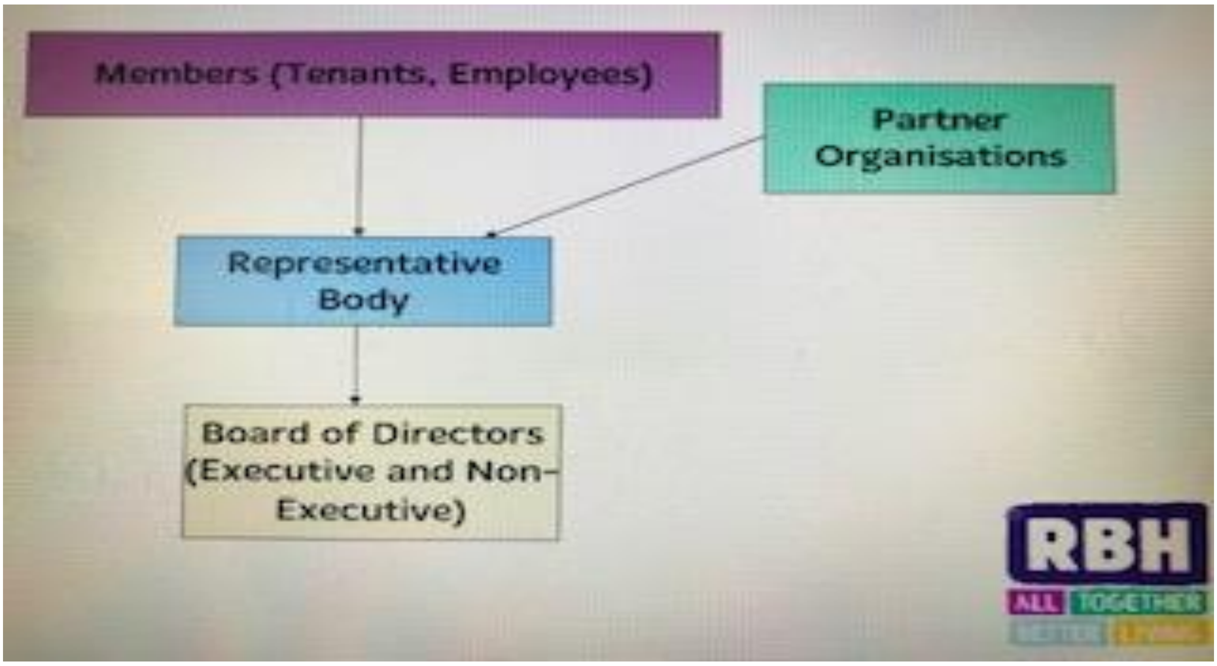
RBH emphasises both increased provision of affordable housing and contributing to the local economy. Building Rochdale's economy is a platform emphasised by RBH, and it implements this through:

- A focus on work and skills
- Encouraging direct volunteering
- Buying goods and services locally
- Supporting local social enterprise and pioneering employment opportunities (Swarbrick 2018, p.18).

Governance

Tenants and employees all have a say in how the business is run as well as in the process of decision making. The following diagram demonstrates the parties involved in the process of decision-making and governance of RBH.

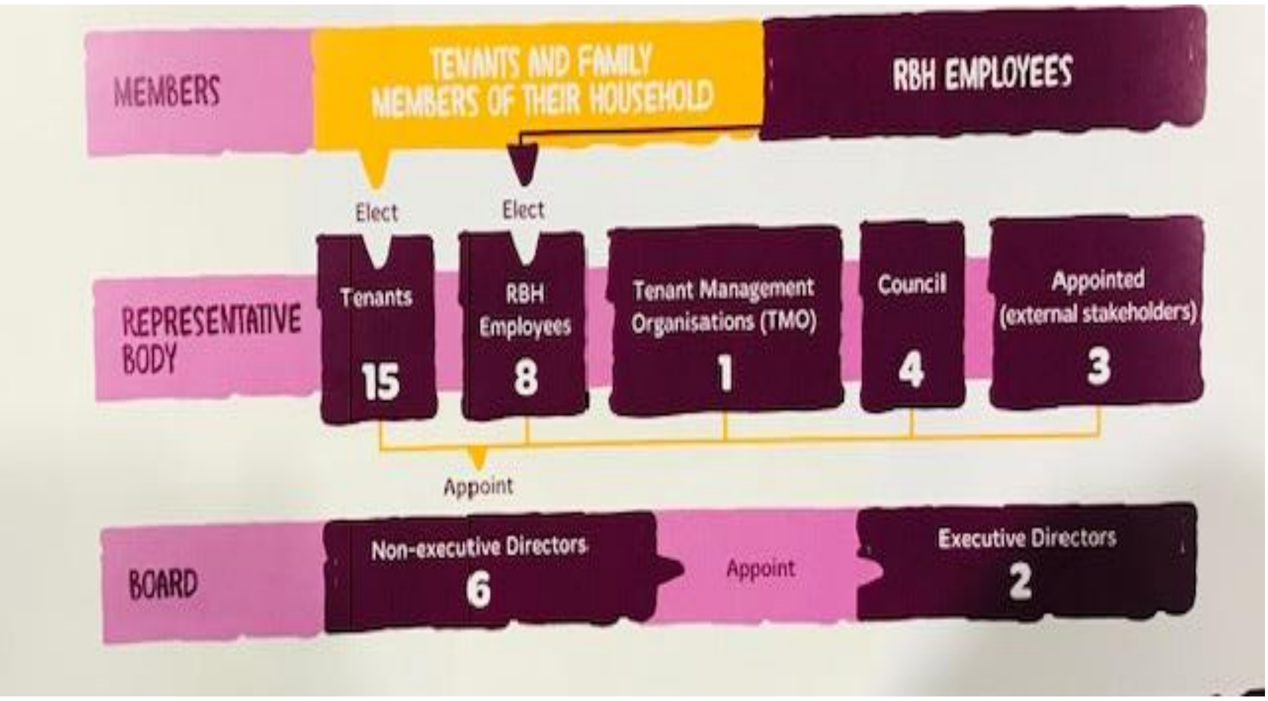
Figure 1.16: Rochdale Boroughwide Housing's unique model of governance



Source: Swarbrick (2018, p.5).

RBH is a mutual which places its members at the centre of everything it does. The following diagram demonstrates the representation of members, tenants and RBH employees on the RBH representative body/board.

Figure 1.17: Rochdale Boroughwide Housing: Democracy in action



Source: RBH (2018, p.10).

Innovation

As the first housing mutual in the UK, innovation is intrinsic to the structure of RBH. One example is its model of multiple stakeholders: by June 2018, 471 out of 588 RBH employees were members (co-owners) and 5,272 out of 14,933 tenants were also members (co-owners) (RBH 2018). Moreover, all rent collected from tenants is reinvested in the community and homes run by RBH; in line with mutual values, each year RBH funds a community led project that directly links to RBH priorities such as:

- Employment and skills
- Digital inclusion
- Poverty prevention
- Health and wellbeing
- Reducing social isolation
- Families, children and young people
- Improving green spaces
- Mutuality across neighbourhoods (RBH 2018, p.12).

Conclusion (Part 1)

This section of the paper has been intended to provide an understanding of the term "social enterprise" within the UK context. In order to elaborate on the term "social enterprise", a background of the co-operative movement has been addressed. Moreover, to clarify and justify the term "social enterprise" a multi-dimensional approach has been used where the approach assists to place social enterprise and all other associated terms (mutuals, co-operatives, employee-ownership), into two main classifications (legal forms and ownership of social enterprise) that brings clarity to the social enterprise literature. This part also references relevant case studies to provide a practical sense to the term and its variations.

2 THE UK CONTEXT OF THE SOCIAL ENTERPRISE SECTOR

This section of the occasional paper explores the UK's multiple contexts relevant to the social enterprise sector. It addresses three such contexts: 1) Attitudes of UK governments towards the social enterprise sector; 2) Recent context of the social enterprise sector in the UK (relevant legislations and financial support); and 3) Professional/Academic attributes of the social enterprise network in the UK.

Attitudes of UK governments towards the social enterprise sector

Professor Julian Le Grand from the London School of Economics (and Chair of the Mutuals Taskforce) references the challenges facing the public services in the UK:

Public services today face both short-term and long-term challenges. The most obvious short-term problem is an economic crisis that has created public sector austerity and that has at least temporarily put paid to the days of ever-increasing resources. The longer-term challenges include those posed by the ageing of the population increasing the demand for social services, and by technological change rendering obsolete traditional forms of service delivery. Meeting these challenges is difficult and challenging. In consequence it is necessary to find and adopt new ways of working to secure the quality of public services, and to support the public sector employees who provide the services upon which individuals, families and communities rely. One way of meeting these challenges is to unleash the power of employee ownership and control (Mutual Taskforce 2011, p.3).

On the other hand, beside these short- and long-term challenges, local governments/authorities in the UK identified:

- a need to maximise the effectiveness and value achieved from spending
- a need to transform and reconfigure services
- a need to do things differently and try new ways of doing things
- a need to work across agencies and across sectors more than ever (SEUK 2017, p. 7).

The UK government has developed programs and policies to diversify the delivery of public services to overcome some of these challenges and, moreover, to achieve better service delivery outcomes than via the traditional public sector. Examples include services dedicated to health, social care, homelessness, youth education, drugs and alcohol.

The UK government has made the decision that public service mutuals have a potential role to play in the UK's public service reform and in creating a more inclusive economy. It sees the potential in these organisations to drive more innovative, responsive, efficient and better-quality public services to enhance social outcomes in the communities (DCMS 2017c).

For their part, the social enterprise sector in the UK has shown initiative and interest in delivering a range of public services. However, the research evidence indicates that mutuals in different stages of their mutualisation process still count on the UK government to receive advisory and political support. The research also indicates that such mutuals rely on the government to act as a central meeting point and information hub for mutuals, and also assist them to market their services to stakeholders (CIPFA 2017).

In turn, The UK government shows its commitment to mutuals and their progress through designing and developing funds for the sector (see the section on financial support/context), partnership and association with professional bodies within the social enterprise sector (Consortia and Social Enterprise UK), introducing new teams into its relevant departments to work with and for the sector (e.g. Government Inclusive Economy Unit, and The Mutuals Team).

Consecutive governments in the UK have shown interest in and commitment to the social enterprise sector (albeit to different degrees) and are keen for collaboration to implement public service delivery through mutuals and co-operatives. The current wave of support for the social enterprise sector started during the UK's New Labour government (1997-2010). Even though the growth of the sector has eased since then, it has continued during the Conservative-Liberal Democrat coalition government (2010-2015) and Conservative government (2015-current).

The initial steps in implementing new ways of public service delivery began in the areas of health and social care services. The UK's National Health Service (NHS) had a vision to put quality of care at the center of its service and believed that that "[g]enuine quality of care can be achieved if frontline NHS staff are given the freedom to use their talents to find innovative service solutions. New accountability and ownership have been urged within the NHS, and the Right to Request was set out as a key mechanism for change" (The National Archives 2011).

The "Right to Request" scheme was introduced in 2008 under then prime minister Gordon Brown's Labour government (27 June 2007 to 11 May 2010). It "enabled frontline Primary Care Trust (PCT) staff to apply to their PCT board to deliver specific services through a social enterprise ... the Right to Request was open to all PCT frontline staff, and invited proposals to help transform local health and social care services". The Right to Request scheme was implemented in three waves and closed for applications on 30 September 2010 (The National Archives 2012, online).

"PCTs were obliged to consider these applications and, if a proposal was approved, to support the development of that social enterprise. This included awarding a contract for the provision of services for an initial period of up to five years. Innovation and the improvement of health outcomes must be central to all Right to Request applications" (The National Archive 2011, online).

The transfer of staff from the NHS to the newly established social enterprise happened under the Transfer of Undertakings (Protection of Employment) Regulations, or TUPE. "This means that the existing terms and conditions of employment, including access to the NHS Pension scheme, are legally protected at the point of transfer" (The National Archive 2011, online).

Following the successful outcomes of the Right to Request, a second scheme, "Right to Provide" was announced by the UK's Cabinet Office. The Right to Provide allowed staff in public services to establish a social enterprise or mutual. "The [UK] government has committed to giving public service employees new "Rights to Provide", enabling them to put forward proposals to take over and run their services as social enterprise or mutual organisations" (Social Enterprise Coalition 2011, p.6). This scheme enabled "staff working in health and social care to ultimately develop staff-led enterprises to deliver more flexible and responsive services, whilst having ownership and real influence in the way the service develops" (Department of Health et.al 2011, P.7). Staff needed to follow the Right to Provide process in order to establish an employee-led/owned social enterprise which included:

1. submission of the expression of interest
2. production of the draft integrated business plan
3. production of the final integrated business plan
4. go live (Department of Health et.al, 2011.p.15)

The Localism Bill, published in December 2010, introduced "Community Right to Challenge". This scheme "Complements Rights to Provide by enabling voluntary and community groups, charities, parish councils and employees of the authority to bid to run local authority and fire and rescue authority services" (Mutual Taskforce 2012, p.18).

In 2012, Francis Maude, Minister for the Cabinet Office (2010-2015) stated:

Government is not prescriptive about what form mutuals take but does think that those who are best placed to run public services must get the chance to run their services, unshackled by bureaucracy. It's about trusting people more to get on with their jobs… I believe that the move towards greater delivery of public services by mutuals is transformative – empowering employees to redesign services around the needs of their users and communities, and make services more efficient (Mutual Taskforce 2012, p.5).

The Mutual Taskforce (MTF) was an advisory and challenge body appointed by Maude in February 2011 and chaired by Professor Julian Le Grand (London School of Economics). The Mutuals Taskforce defined its role as "engaging with, challenging and promoting the policy work of the Cabinet Office and Government more widely" (Mutual Taskforce 2012, p.16).

MTF produced a report: "Public Service Mutuals: The Next Steps" (2012) in which it provided 17 recommendations under five main headings: "Rights and Pathways for Employees"; "Support for Employees Mutualising"; "Improving Commissioning"; "Support for Commissioners"; and "Tax Barriers and Access to Finance". The MTF stated that if these recommendations are taken together, they:

[p]rovide a balanced and instructive way forward. The balance of focus on central Government Departments, the parent bodies of employees exploring mutualisation, the employees themselves and commissioners is crucial. For without the drive and support of any one of these groups, mutualisation is likely to prove more, and unnecessarily, challenging. Establishing mutuals requires collective effort (Mutual Taskforce 2012, p.40).

In 2012, Nick Clegg (then deputy prime minister) advocated the John Lewis model (employee-ownership) as part of the coalition government's agenda to promote "responsible capitalism". Clegg mentioned that "we don't believe our problem is too much capitalism: we think it's that too few people have capital. We need more individuals to have a real stake in their firms. More of a John Lewis economy, if you like". Clegg also quoted the nineteenth century liberal political philosopher John Stuart Mill in committing to address "the standing feud between capital and labour". His government, Clegg said, was motivated by evidence of "better performance, lower staff turnover, higher productivity and higher wages of this ownership structure" (Clegg 2012, online).

The UK's coalition government extended its interest in the idea of employee-ownership and commissioned the "Sharing Success: the Nuttall Review of Employee Ownership", where Mr. Nuttall identified 28 recommendations under three key themes: raising awareness of employee ownership; increasing the resources available to support employee ownership; and reducing the complexity of employee ownership.

The report was launched on 4 July 2012 and was hosted by then deputy prime minister, Nick Clegg, where over 200 people from the employee ownership sector, professional bodies, business organisations and representative bodies, financial institutions and academia attended the accompanying summit to debate and discuss the recommendations of the Nuttall review. "The Summit provided a resounding welcome for the review and the integrity of Graeme's findings with commitment from Government and a wide range of stakeholders to take forward his recommendations" (BIS 2012, p.4).

Norman Lamb, [then Minister for Employment Relations, Consumer and Postal Affairs] in the foreword section of the "Sharing Success: The Nuttall Review of Employee Ownership" (Nuttall Review) stated:

We need to fundamentally change our economy to ensure long term growth is strong and more evenly balanced in the future. One of the centerpieces to creating this sustainable growth is to encourage more responsible and more diverse ways of running a business in Britain today. I want this to be the decade of wider employee ownership (Nuttall 2012).

The UK's Conservative government announced the creation of the Government Inclusive Unit on Tuesday 11 October 2016. Rob Wilson [then Minister for Civil Society] stated that:

A strong civil society works best when all parts of the economy and of society are being used to their full potential. This unit will bring together the expertise of the public, private and civil society sectors to achieve this and help us build an economy and a Britain that works for everyone, not just the privileged few (2016, online).

Department for Digital, Culture, Media & Sport (DCMS) is the governmental department involved with public service mutuals. The UK government established the "Government Inclusive Economy Unit" (GIEU) (based in the DCMS) in October 2016. The UK government's work on social investment was previously carried out by the Social Investment and Finance Team in the Office for Civil Society (OCS). OCS was moved from the Cabinet Office to the Department for Culture, Media & Sport (DCMS) and GIEU was launched as part of the Office for Civil Society.

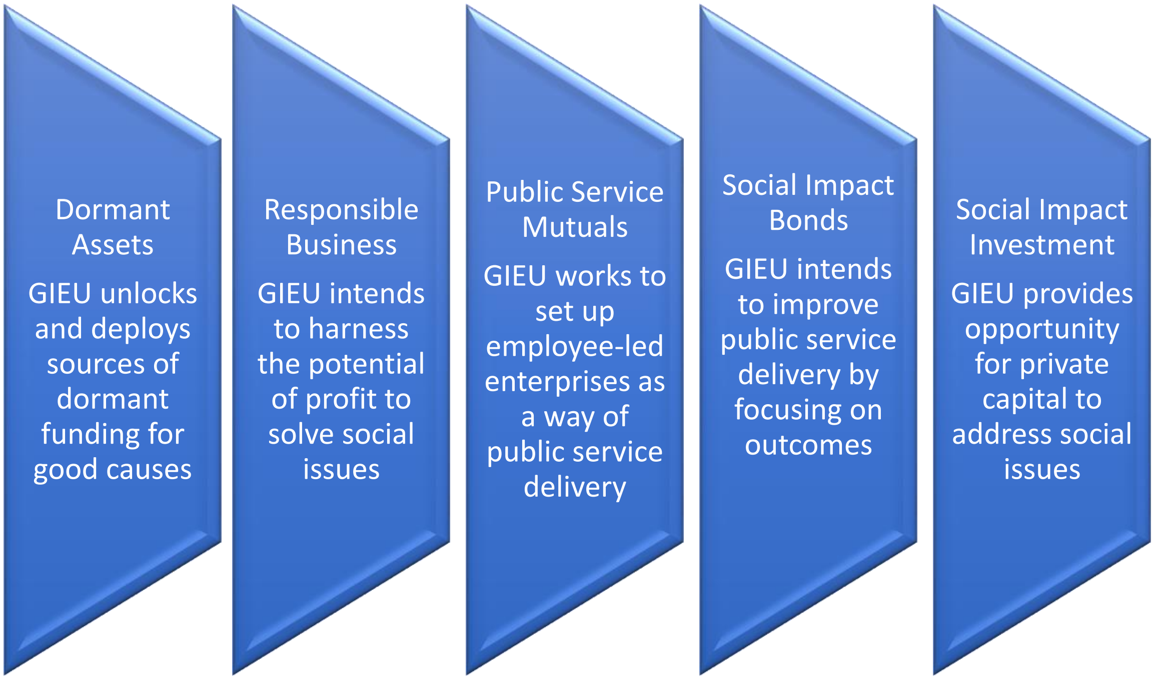
The unit focuses on "a number of innovative contributions to the Government's broader agenda of creating an economy that, in the Prime Minister's [Theresa May] words, 'works for all"' (Heywood 2016, online). This unit works with the private sector "to increase the flows of social investment and private capital to social causes, working with departments to identify opportunities for public and private capital to be co-invested. It will contribute to the Government's objective of increasing the diversity and innovation of public service providers" (Heywood 2016, online).

This unit was assigned to work in collaboration with all of the government to produce a strategy to encourage the public service mutuals model, support mutuals and their growth. The GIEU's focus is to address difficult social issues through private investment, responsible business, and social enterprises in partnership with innovative public services (Lindley 2018).

Figure 2.1: Government Inclusive Economy Unit's objectives

Source: Based on Lindley (2018).

Figure 2.2: Government Inclusive Economy Unit's five programs



Source: Based on Lindley (2018).

The evidence for the benefit of ownership in public services is well documented and has been the subject of research by The Nuffield Trust and the Employee Ownership Association (EOA). In order to develop a strategy to assist the growth of the public service mutuals, DCMS commissioned CIPFA[7] to conduct research in the area of the benefits, impact and challenges associated with the public service mutuals, through an online survey and telephone interviews.

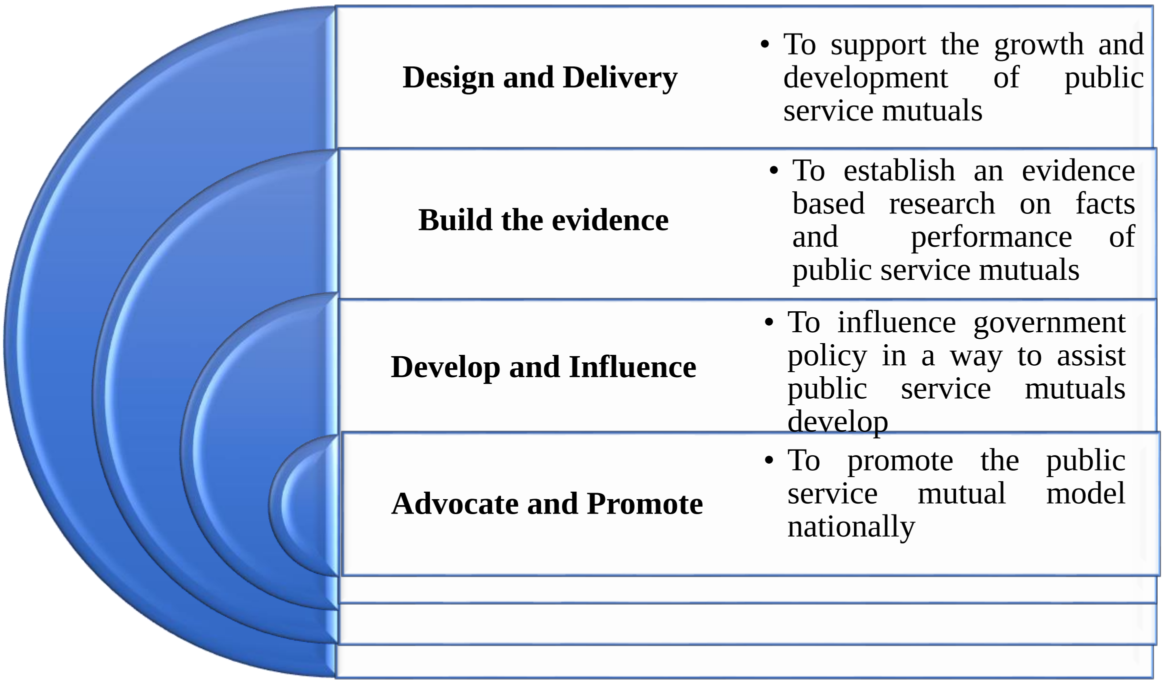
Survey participants made recommendations as to the ways in which they could be supported by government:

- offering continued political support and coverage by promoting the benefits of public service mutuals and their success stories
- helping mutuals to market their service and culture to their stakeholders
- operating as a central meeting point and information hub
- (during the mutualisation process) by providing access to independent advisory services and financial assistance
- (post mutualisation) by providing access to advisory support for expanding services and bidding for new work (CIPFA 2017, p.7).

The GIEU has set up the “Mutuals Team” within its unit to assist with the “Public Service Mutuals” program. The Mutuals Team works around feasibility of reform within public services through an emphasis on the importance of employee/staff input in the process of organisational decision making. The Mutuals Team advocates for the public service mutuals business model and is determined to increase awareness, understanding, development and commissioning of mutuals.

[7] Chartered Institute of Public Finance and Accountancy (CIPFA) was commissioned by DCMS to collect a wide evidence base to elaborate on the benefits, impact and challenges associated with spinning out as a public service mutual

Figure 2.3: The Mutuals Team's areas of work



Source: Based on Lindley (2018).

As part of the ongoing commitment to mutuals and the social enterprise sector, DCMS has selected two consortia through a competitive procurement process to provide support to new mutuals and existing ones. "GoMutual Consortium" and "Mutual Ventures Consortium" were selected to provide a full range of support across areas including legal, financial, business planning, marketing, HR and organisational change, bid writing and measuring social value.

The most recent UK commitment to the social enterprise sector was in August 2018, when the UK government launched its new Civil Society Strategy policy paper, subtitled "Building a future that works for everyone". This document sets out a range of commitments to strengthen the role of civil society. By "civil society" they mean individuals and organisations who act for the primary purpose of creating social value, independent of state control (United Kingdom public sector information 2018, online).

Recent context of the social enterprise sector in the UK: Relevant legislation and financial support

This section of the paper covers the recent trends of the social enterprise sector in the UK, the legal framework set out by the UK government as well as the financial support/grants provided to social enterprises.

"In the UK social enterprises are starting up at three times the rate of mainstream businesses" (Social Enterprises UK 2018, p.6). There are over 100,000 social enterprises in the UK; 42% are led by women. The social enterprise sector contributes £60bn to the UK economy and employs 2 million people (Social Enterprises UK 2018). Furthermore, the social enterprise sector in the UK "offer[s] access to innovation, cross-sectoral working, and a focus on both the bottom line and on the problem they were established to address" (SEUK 2017, p.7). The evidence in the UK indicates that half of the social enterprises in 2016 produced a new product or service for their customers compared to 33% of small and medium enterprises as a whole (SEUK 2017).

The social enterprise organisations operate in various sectors of the UK economy such as: community housing; building and engineering; manufacturing; financial services; transport; leisure and sport venues management; health care services; social and youth services; cafés; insurance and funeral services; supermarkets and general grocery shops; education (childcare, primary, high school and tertiary education) to just mention some sectors (see examples of the social enterprises operating in different sectors of the UK economy in upcoming sections). In addition to this, the UK's social enterprises represent: the world's biggest building society, the world's longest running consumer co-operative, and the world's biggest social enterprise sector (Social Enterprises UK 2018, p.2).

Legal framework

Public Services (Social Value) ACT 2012

This piece of legislation was enforced in January 2013. "It is an Act to require public authorities to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes" (legislation.gov.uk 2012).

Well-being of Future Generations (Wales) Act 2015

Following the social Value Act, this legislation was specifically introduced:

[T]o establish a Commissioner for Future Generations to advise and assist public bodies in doing things in accordance with this Act; to establish public services boards in local authority areas; to make provision requiring those boards to plan and take action in pursuit of economic, social, environmental and cultural well-being in their area; and for connected purposes (legislation.gov.uk 2015).

The Community Interest Company Regulations 2005

This piece of regulation was enforced on 1 July 2005. It has been specifically introduced as a purpose-built regulation for the social enterprise sector in the UK. The Registrar of Companies (for England and Wales, or the Registrar for Scotland) and the Regulator of Community Interest Companies are the two main regulators of the CICs in the UK.

Social Investment Tax relief (SITR)

The UK government made an announcement on the future of social investment tax relief in 2016. This piece of legislation is applicable to investments made on or after 6 April 2014 and encourages individuals to support social enterprises and helps them access new sources of finance. Individuals who make an eligible investment can deduct 30% of the cost of their investment from their income tax liability, either for the tax year in which the investment is made or the previous tax year (if 2014/15 or later). The investment must be held for a minimum period of three years for the relief to be retained. Social enterprises need to apply to HMRC and meet the conditions of the scheme. Investors are only able to claim tax relief once their application is approved and confirmation has been given (Cabinet Office et.al 2016).

Finance ACT 2014 (FA 2014)

This legislation (in section 37) introduces new provisions for relatively generous tax reliefs for employee-owned companies where the "company (not the Employee Owned Trust) can pay tax-free annual cash bonuses up to a value of £3,600 per employee. This is a cash bonus, not a dividend, and so it can be paid without the company having to make a profit or have distributable reserves" (TAX Advisor 2016).

The other relevant aspect of this legislation is to the EO businesses in regards to the "capital gains tax exemption". "As in many other jurisdictions, any capital gains made in respect of the sale of shares in a company by individuals are subject to tax ("CGT"). In the UK, the rate of CGT can be up to 28% depending on the facts" (Fieldfisher 2018, p.19).

"The UK *Finance Act 2014* introduced a complete exemption from CGT arising in connection with the sale of shares to a new type of trust, an 'employee ownership trust' or 'EOT"' (Fieldfisher 2018, p.19). This tax exemption is subject to fulfilling the conditions set by the Act.

Seed Enterprise Investment Scheme (SEIS)

The Seed Enterprise Investment Scheme was revealed as a concept in the UK parliament in 2011, implemented officially in April 2012, and was confirmed as a permanent piece of legislation in 2013. It offers incentives in the form of tax breaks to investors in return for investment in qualifying projects. The scheme offers young entrepreneurs a route to vital funding in the initial stages of their project by effectively minimising the risk to investors. SEIS has a sister-scheme called Enterprise Investment Scheme (EIS). While SEIS aims to source investment in early-stage companies, EIS assists more established businesses gain funding (SEIS 2018, online).

Financial support

Financial support to the social enterprise sector in the UK is available in the form of grants and loans. The grants are provided by the UK government as well as in the way of partnership between the UK government and the funding partners. Loans are facilitated by public/private organisations. Social Impact Bonds (SIBs) are also available to social investors/social enterprises to tackle social problems which the UK government has had difficulties overcoming.

Big Society Capital is one of the UK government's funding partners, serving to facilitate funds to the social enterprise sector. It was established in 2012 and has invested £340 million into intermediaries and social banks that lend to charities and social enterprises.

The Big Society Capital introduced the "theory of change" to its company culture where it works with investors, intermediaries, charities and social enterprises to help improve and change people's lives. It does this by connecting investment to charities and social enterprises that are creating social change. The Big Society Capital combines its investment capital (up to £600 million), its expertise and network of partners to assist the social enterprise sector. The Big Society Capital follows its social impact themes in providing funds to the social enterprise sector; the current themes are: providing homes for people in need; supporting communities to improve lives; and early action to prevent problems (Big Society Capital, online, n.d).

The Big Lottery Fund is also a funding partner, having awarded £8.5 billion to projects since June 2004. It is the UK's largest funder of community activities. It aims to improve people's lives by putting them in charge of small and local projects. It gives out 40% of the money raised by National Lottery players to causes which benefit the community. The Big Lottery Fund distributes over £500m a year to communities across the UK, raised by players of The National Lottery. It has reached nearly 10 million people with its funding in 2017 (The Big Lottery Fund, online, n.d).

Access: The Foundation for Social Investment connects the charities and social enterprise sector to the social investors in the UK. Access was created in 2015 with the support of its founding partners: the Big Lottery Fund, Big Society Capital and the Cabinet Office and Civil Society (responsibility for civil society within the UK government has since moved to the department for culture, media and sport (DCMS)).

Access conducts two main programmes: The Growth Fund and the Capacity Building Programme. For the Growth Fund, Access blends grants from Big Lottery Fund and loans from Big Society Capital, and offers them to charities and social enterprises through different projects and grants. And for the Capacity Building Programme, it provides charities and social enterprises with the support they need to get ready to take on investment (Access 2015).

The following sections address some examples of the grants and loans (though not all) that are available to the social enterprise sector in the UK.

Grants provided to the sector

The UK government sources various grants to the social enterprise sector. These grants are funded by various government departments, as well as in partnership with the private sector. The Department for Digital, Culture, Media & Sport (DCMS) provides a combined support package (including financial support) to mutuals in the UK. DCMS has selected two consortia through a competitive procurement process to provide support to new mutuals and existing ones. “GoMutual Consortium”[8] and “Mutual Ventures Consortium”[9] to provide a wide range of support across areas including legal, financial, business planning, marketing, HR and organisational change, bid writing and measuring social value. To apply for the grant for this programme the applicants:

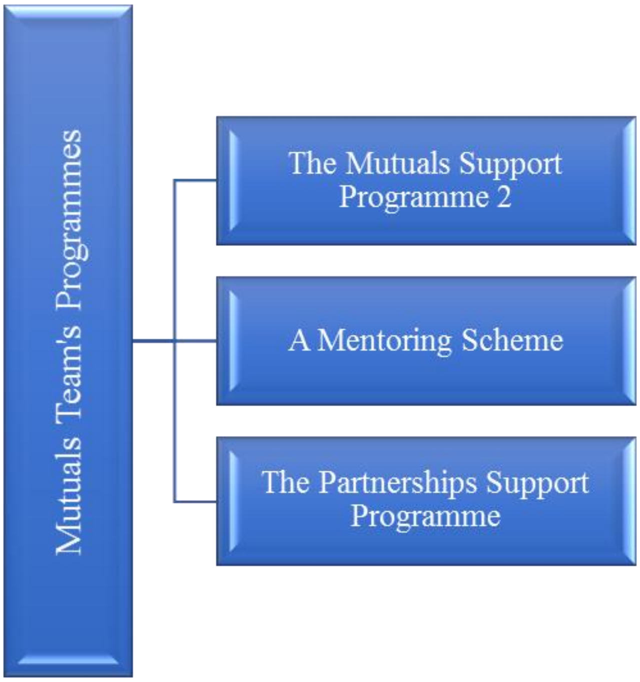
- Must currently, or intend to, fulfil the definition of a public service mutual, which is an organisation that:
- has left the public sector (also known as “spinning out”)
- continues to deliver public services and aims to have a positive social impact
- has a significant degree of staff influence or control in the way it is run
- be in its first five years of operation, or delivering an original or extended contract which has not been retendered, or both.
- be able to demonstrate how support from this programme will help the organisation grow or diversify its operations.
- be required to demonstrate their commitment to their project and the mutual model by providing matched funding, in cash, towards the support needed (DCMS 2018a).

“The Mutuals Team” (established within DCMS) is a specialised team providing various support to the mutuals in the UK. The Mutuals Team has granted £ 2.2 million worth of professional support through its Mutuals Support Programme 2 (The Mutuals Support Programme 2 is currently closed for applications) to new mutuals to establish themselves, and to mutuals in their early stages of establishment. This programme allocates experienced mentors to the new mutuals to receive mentoring support. Furthermore, the Mutuals Team offers consultancy support to those mutuals which want to form partnerships with other organisations through its “Partnership Support Programme”.

Figure 2.4: The Mutuals Team’s programmes

[8] The GoMutual consortium consists of Hempsons Solicitors, Stepping Out, MetaValue, Eastside Primetimers and Social Enterprise Acumen.

[9] This consortium consists of Mutuals Ventures, Baxendale, Bates Wells Braithwaite and Bevan Brittan (see section: Professional associations within network of social enterprises in the UK).



Source: Based on GIEU (2018).

The Mutuals Team has set up an experienced team of mentors across the voluntary, community and social enterprise (VCSE) sectors to deliver the “mutuals mentoring scheme”. Under this scheme, mutuals are matched with a designated mentor to receive advice on the challenges they face, based on organisational needs, personal development needs, location and service area. This programme targets those who are either in the process of setting up a new mutual, or are in the first year of operation. Mentoring support (approximately eight-to-ten sessions per person over a six-to-nine-month period) is assigned according to the type of support mutuals needed and the envisioned expectations from the programme (DCMS 2017b). In addition to the professional support, the UK government has also set up an online resource page within DCMS’s website which consists of information for the interested bodies in this business model.

The UK government has provided grants to the social enterprise sector and charities through the partnership between various departments (such as the Department for Communities and Local Government; the Department of Health; the Department for Digital, Culture, Media & Sport; and the Cabinet Office) and between Access. These grants are delivered and managed by a coalition of partners to the social enterprise sector. Access works to make charities and social enterprises more financially resilient and self-reliant, so that they can sustain or increase their impact (Access 2015). The following section contains some examples of the grants provided to the social enterprise sector (the grants provided to the social enterprise sector are not limited to the grants mentioned here) in partnership with Access.

Enterprise Development Programme

This programme began in September 2018 with grant and learning pilots. The available grants range between £5,000 and £50,000. These grants and learning support are available to charities and social enterprises working in the youth and homelessness sectors to develop or grow their enterprising activity and earned income. The Enterprise Development Programme is a five year, £40m programme funded by Access and managed by a coalition of partners (Social Investment Business, n.d, online).

Reach Fund

The Reach Fund is a grant programme that helps charities and social enterprises raise investment. The grants are funded by Access and are open to organisations in England. Social investors are often approached by charities and social enterprises who require extra support to raise investment. Through this programme, social investors can refer these organisations to the Reach Fund to apply for the support they need. Between £3m and £4m of funding will be available and social enterprises and charity organisations can apply for grants of £5,000 to £15,000 (Social Investment Business, n.d, online).

Pioneer and Prosper Fund

Pioneer and Prosper (P&P) is a two-year pilot programme aimed at a small number of charities and social enterprises. It entails a repayable grant and support between £10,000 and £25,000 to help them increase their social impact, raise investment, grow their business and become more financially resilient. The programme is designed for charities and social enterprises tackling social problems amongst disadvantaged communities, enabling them to:

- break through the barriers to growth and deliver social impact
- increase the number of beneficiaries and/or social impact in the communities they serve (Social Investment Business, n.d, online).

In terms of delivering the grants to the social enterprise sector, there are a network of organisations which work with the funding partners and deliver the grants. Social Investment Business (SIB) is one of the UK's first social investor organisations which delivers grants to the social enterprise sector. Since 2002, SIB has provided over £400 million of loans and grants to charities and social enterprises. In addition to the business of managing the ongoing loan portfolio, SIB also focuses on two other areas: grant programmes to help charities and social enterprises get "investment ready"; and loan funds to test new ideas and meet specific gaps in the market. The Investment and Contract Readiness Fund, Big Potential and the Reach Fund are all programmes designed to help charities and social enterprises become more resilient, win contracts or gain investment. Meanwhile, the Liverpool City Region Impact Fund and the First Steps Enterprise Fund were both pilot projects to test out ideas such as location-based funds or smaller sized investments (Social Investment Business, n.d, online).

Loans available to the sector

In addition to the grants provided, the social enterprise sector also has access to loans to raise its needed capital. These loans are awarded by the UK government in partnership with other organisations such as Access, or lenders from the private sector. This section addresses two examples of the loans awarded to the social enterprise sector (loans are included but not limited to these two loans).

Forward Enterprise Fund is a loan financed by the Access Growth Fund Programme. It is a blend between loan and funds. It provides:

- access to unsecured loans between £25,000 and £150,000 for capital and revenue projects (typical interest rate 7.5%)
- grants for business support to help eligible organisations raise investment
- post-investment business support
- grants of up to £5,000 for start-up enterprises to raise match-funding on Crowdfunder
- access to cohort learning driven by business needs
- access to peer support from other charities and enterprises on the programme

Loans and pre-investment business supports are available to individuals, charities and social enterprises working in the areas of addiction and criminal recovery (Forward Enterprise Fund n.d, online).

The Big Issue Invest is the UK's first social merchant bank, providing finances to the social enterprise sector in the UK. The Big Issue Invest was established in 2005 as the social investment arm of the *Big Issue* magazine, managing/advising on £170 million worth of social funds. It provides finances to the social enterprises and charities as well as investment funds ranging from £20.000 to £3 million. The following section covers some of the funds offered to the social enterprise sector.

Corporate social Venturing Programme (CSV) provides business support and cross-sector partnerships to the social enterprises in early stages of their development; so far, 40 social enterprises have benefited and more than 100 corporate mentors have been involved in this programme.

Impact Loans England, ranging from £20,000 to £150,000, is offered to social enterprises and charities in England and is based on the new £5 million lending scheme. Social enterprises may invest their loan in different ways such as:

- working capital
- buying equipment
- contract fulfilment
- business development
- hiring new talent (The Big Issue Invest 2018).

Social Impact Bonds (SIBs)

The UK government has experienced difficulties tackling some of the social problems facing the community such as: children in care, homelessness, youth unemployment or long-term health issues. “Social Impact Bonds (SIBs) bring together the public, private and voluntary sectors to solve these challenges by having a clear and relentless focus upon delivering the outcomes”. The way SIBs work is completely based on achieving results agreed between the government body and the social investors. “Social Investors pay for the project at the start, and then receive payments based on the results achieved by the project. There now exist over 30 SIBs across the UK, supporting tens of thousands of beneficiaries in areas like youth unemployment, mental health and homelessness” (United Kingdom public sector information online, 2017).

The UK government develops a SIB for a for a specific social problem in order to:

- innovate: enabling new solutions to be trialed and the risk of failure to be transferred to social investors
- improve: achieving better results from existing services
- align: correcting existing perverse incentives and focus on outcomes
- co-ordinate: bringing stakeholders together to solve complex issues
- unlock: creating future savings by shifting the focus on prevention and investing up-front (United Kingdom public sector information online, 2017).

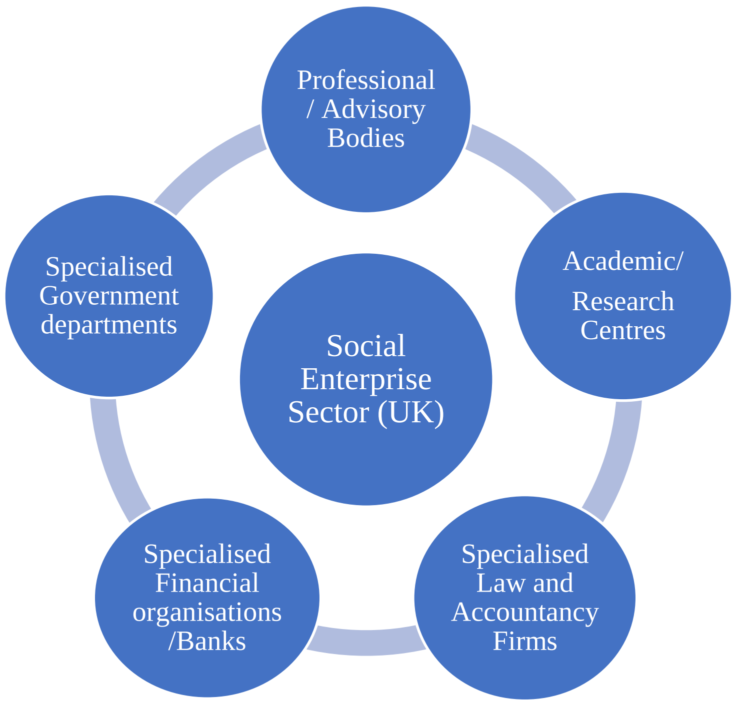
The Centre for Social Impact Bonds is in charge of the developing SIBs on behalf of the UK government. This centre is part of the Office for Civil Society at the Department for Digital, Culture, Media and Sport. It works with a network of stakeholders, including local commissioners, service providers, academics, social investors, intermediaries and departments across government to gather all the necessary information, skills and the finance needed in developing and implementing a SIB. Social Outcomes Fund (£20m) implemented in 2012 and the Life Chances Fund (£80m) implemented in 2016 are two examples of SIBs.

The Centre for Social Impact Bonds has formed a partnership with the Blavatnik School of Government at the University of Oxford in July 2016 and as result launched the Government Outcomes Lab (GO Lab). The main role of the GO Lab is “to support innovative public sector commissioning to achieve better social outcomes through world class academic research and practitioner engagement" (United Kingdom public sector information online (2017).

Professional/academic attributes of the social enterprise network in the UK

There is a widespread and well-connected network of organisations and people within the social enterprise sector in the UK (not limited to the examples mentioned in this section). The sector is interconnected through the network of government authorities (e.g. GEIU); the partner organisations (e.g. Mutual Ventures); professional bodies representing the social enterprises/co-operatives organisations in the UK (e.g. Social Enterprise UK and Co-operatives UK); law and accountancy firms (e.g. Field Fisher Waterhouse and Mutuo); academic and research centres (e.g. Marshal Institute, London School of Economics and Centre for Enterprise and Economic Development, Middlesex University); and financial organisations (e.g. Big Society Funds; The Big Issue Invest; etc.).

Figure 2.5: the web of connection of the UK's social enterprise sector



Source: Author observation of the social enterprise sector in the UK.

Meanwhile, beside the fact that "there is always room for improvements" for the legal and financial structure to be more social enterprise-friendly, there have been steps taken (e.g. introduction of the Community Interest Company Regulations 2005; Nuttall review (2012); Mutuals Taskforce (2012); Social Investment Tax relief (SITR) (2016); etc.) by consecutive UK governments that indicate the UK is leaning further towards the social enterprise sector. This ongoing interest of consecutive UK governments in the sector (event though it has been expressed/implemented in different practical levels), combined with the socially-conscious social enterprises, and well-informed and dedicated network of experts within the sector, could only mean that the sector is expected to flourish and expand further. It also indicates that the sector could be considered as an optimal option for various economic fields and activities and organisations which have not yet considered to enter their services/organisations into the social enterprise sector, and to think/be and decide more socially-focused.

Mutual Ventures: partnering with sector players

Source: Mutual Ventures.

Mutual Ventures (MV) works with local and central UK governments, charities, social enterprises, specialists in legal, accountancy and marketing areas and subject matter experts to ensure that it delivers a tailored solution to a range of inter-related challenges public services face in the UK. These challenges are:

- an increased focus on delivering services at greater scale to improve efficiency and outcomes and reduce cost
- a rise in demand for services – particularly due to demographic changes
- increased complexity of service user needs and a resulting greater interdependence between services
- devolution and shift to "place-based" models (Mutual Ventures 2018).

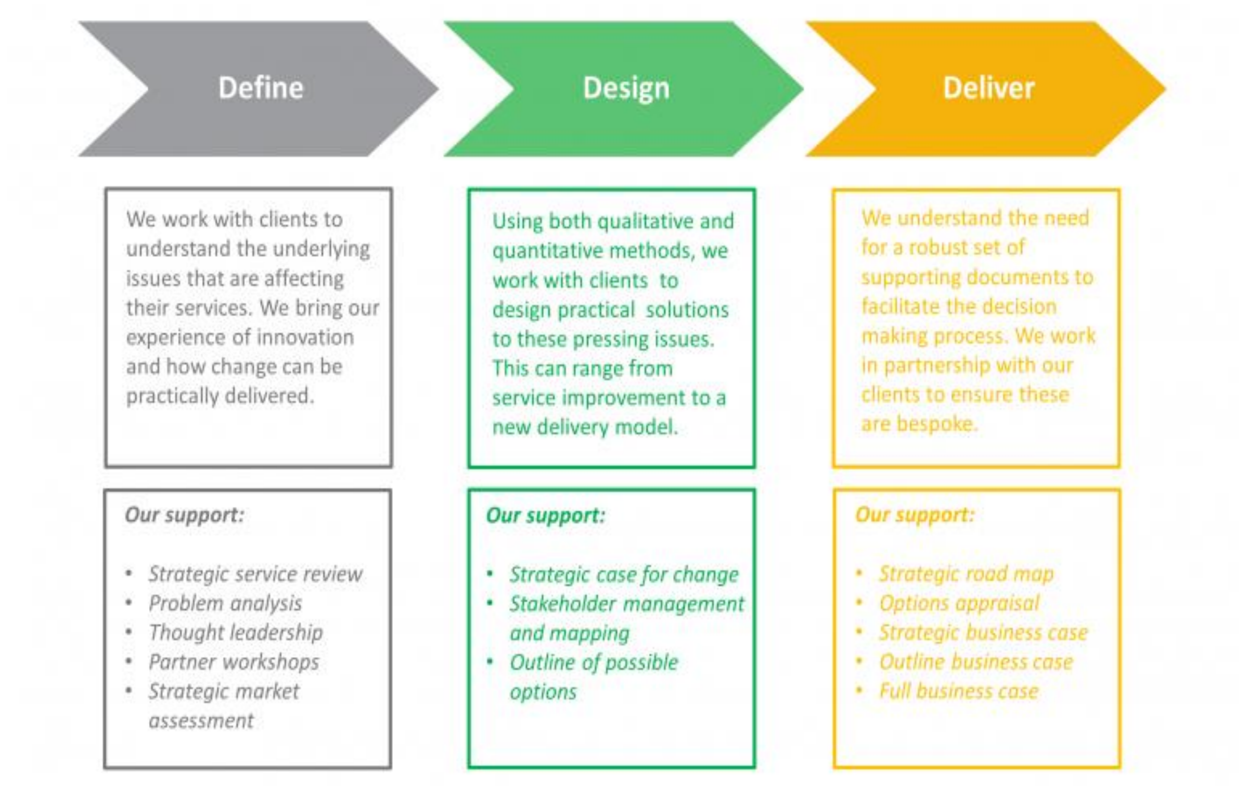
The team at MV acknowledges the evolving context of the public services in the UK where "thinking and delivering differently" approach, is needed for the public services through:

- integration across traditional public service boundaries
- re-drawing geographical footprints
- focusing on wider delivery system with multiple partners
- development of new models of delivery (Mutual Ventures 2018).

Even though an effective model of service delivery might facilitate benefits such as: reduce costs; improve community involvement; improve performance; reduce red tape; enable innovation; respond rapidly to market changes; increase staff motivation and involve front line staff in decision making, there are, however, challenges that a new model can present. These may include: taxation issues and complexity; the process of asset transfers from parent companies/organisations to the newly-established service delivery company/organisation; staff pensions; the complicated process of spinning out of the parent company and reliance on a single contract during the initial phase of spinning out.

Mutual Ventures is a professional body in the UK which assists with setting up a clear path and vision for organisations thinking of changing their service delivery model or choosing a new service delivery. MV assists organisations in three separate stages: "Define", "Design", and "Deliver".

Figure 2.6: The stages of Mutual Ventures



Source: Mutual Ventures (2018).

Social Enterprise UK: ongoing advocacy

Source: Social Enterprise UK.

Social Enterprise UK (SEUK) is a strategic partner to the UK government in relation to the public policy and social enterprises. It has been advocating and promoting the social enterprise sector and its benefits to the general public as well as public policy decision makers for over 15 years. SEUK also aims to provide a business environment which assists social enterprise's growth and development with less barriers.

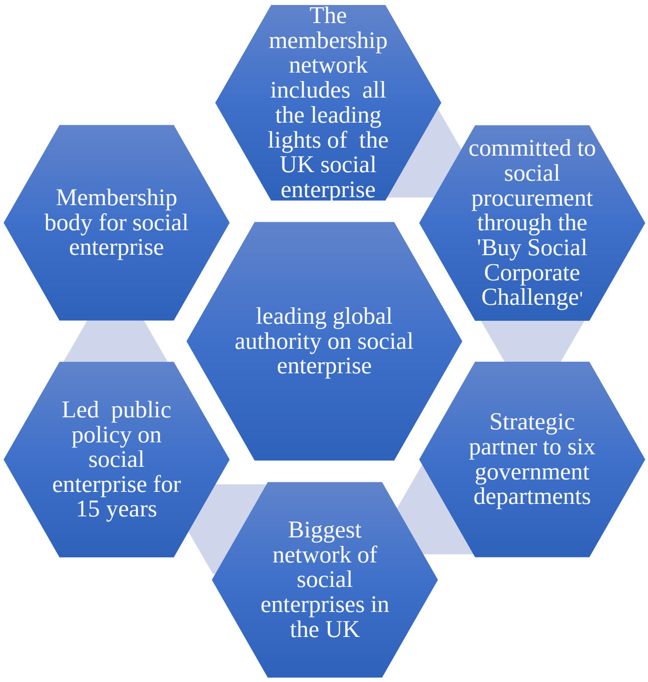
SEUK aims to:

- run effective campaigns for its members and lobby on the sector's behalf;
- carry out robust and respected research to help paint a picture of the UK's social enterprise movement;

- work with its corporate partners to broker business for its members and other social enterprises;
- raise awareness of the role that social enterprises play delivering health and care services;
- build networks between social enterprises;
- raise the profile of people and social enterprises in the sector (SEUK 2018b, online).

SEUK is active in various aspects relevant to the social enterprise sector in the UK.

Figure 2.7: The attributes of Social Enterprise UK



Source: Based on SEUK (2018b, online).

SEUK runs a programme called "SEUK Social Enterprise Places Program" that aims to raise awareness and promote the sector through recognition of social enterprise activity hotspots, awarding them a "Social Enterprise Award Badge". These "places" are supported to involve consumers, businesses, local councils, charities and other interested bodies in growing the social enterprise communities. There are currently 26 registered places across the UK active in this programme.

SEUK is actively engaged in research to improve the overall status of the social enterprise sector in the UK. Social and Creative Cities; the State of Social Value; and Public Services Mutuals Research are among some of the research initiatives currently being conducted by the Social Enterprise UK/in association with its partner research bodies.

Co-operatives UK: a peak body for co-operatives to enhance representation

Co-operatives UK entrance. Source: Author photo.

Co-operatives UK is a peak body network of the UK's co-operatives. It works "to promote, develop and unite member owned businesses across the economy" (Co-operatives UK 2018, p.1). Co-operatives UK stands for more co-operative economy "where people share ownership and control of the means to meet their needs and aspirations". Co-operatives UK's member's span diverse sectors of the economy, including: retail, farming, education, housing, sport, graphic design and many other sectors. The number of active members of Co-operatives UK stands at 13.1 million (almost one fifth of the UK's population) (Co-operatives UK 2018a, online).

Co-operatives UK seeks to influence public policy to provide a positive business environment for co-operatives in the UK. The number of co-operatives in the UK is rising, with "7,226 independent co-operatives operating across the UK, with a combined turnover of £36.1 billion – up more than £800 million on 2017 levels" (Co-operatives UK 2018a, online).

Figure 2.8: Co-operatives UK's strategy

Source: Co-operatives UK 2018, p.2.

Figure 2.9: Co-operatives UK is part of the global co-operative movement

Source: Co-operatives UK 2018, p.9.

Mutuo: providing supportive advice and expertise to the sector

Source: Mutuo.

Mutuo was founded in 2001 as the first cross-mutual sector body to promote co-operative and mutual businesses. Mutuo is a specialised firm "in the deployment of policy-led public affairs activities in order to build deeper relationships with individuals in public authorities. This has involved Mutuo in a wide range of public policy activities aimed at building long-term support for mutuals among politicians, government officials and regulators" (Mutuo 2018, online).

Mutuo aims to improve the business environment for co-operatives and mutuals in the UK by:

- communicating their priorities to decision makers
- acting as an advocate with politicians and regulators
- building links between mutual business leaders
- developing new mutual businesses (Mutuo 2018, online)

Mutuo has provided professional advice to many social enterprises in the UK through its network of professionals. Cliff Mills is a practitioner in the law and governance of co-operative, mutual and membership-based organisations who works with Mutuo. He has written the constitutions of a number of the UK's leading co-operative retail societies including the Co-operative Group; established the constitution and governance of a substantial number of NHS Foundation Trusts; and played a significant part in the development of mutual society legislation in the UK. He has worked extensively with Mutuo over the last decade in the development and application of mutual and co-operative models of ownership for public services (Mutuo 2018, online).

Mutuo's work and expertise is not limited to the UK's social enterprise sector. It often lends its expertise to international actors and large social enterprise organisations such as International Co-operative Alliance (ICA). Mutuo has worked with the International Co-operative Alliance and its members over a nine-month period "to identify the movement's policy priorities and the challenges it faced in working with national governments. The consultation process ensured that the strongest practice could be shared globally, to help co-operatives communicate their value to policy makers, legislators and regulators" (Mutuo 2018, online). Mutuo co-produced the "Global Policy and Advocacy Guide" with and for the International Co-operative Alliance and all its co-operative members to help strengthen their advocacy abilities.

Mutuo, in partnership with the Business Council of Mutuals and Co-operatives (BCCM) in Australia have pursued changes to the legislation in Australia in order to facilitate opportunities for mutuals and enable mutuals to raise the capital they need, while preserving their mutual identity. The partnership aims for:

- mutual enterprise to be defined in reforms to Australian Corporations law
- new options to invest in co-operatives and mutual

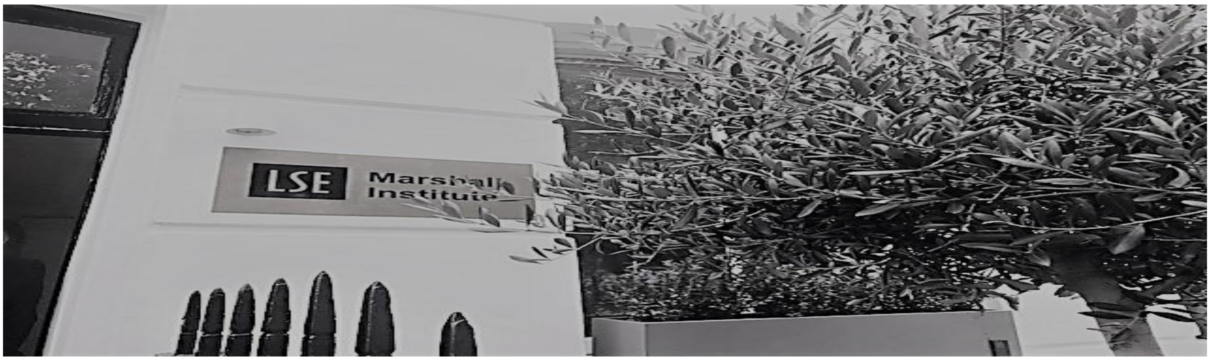
- Australians to take a stake in mutual businesses (Mutuo 2018, online).

On 8 November 2017 the Australian government committed to implementing the recommendations of the Independent Facilitator Review Report into Reforms for Cooperatives, Mutuals and Member-owned Firms, conducted by Greg Hammond OAM. And in November 2018, The Australian government released an exposure draft of the Treasury Laws Amendment (Mutual Entities) Bill 2018 that introduced a new bespoke capital instrument in the *Corporations Act 2001* for all eligible mutual entities (Australian Government, The Treasury 2018).

The proposed legislation provides a definition of a mutual entity to recognise the sector in the Corporations Act and to determine which mutual entities will be able to raise capital through the issuance of mutual capital instruments, to be implemented in the second phase.

The proposed legislation will also address the uncertainty in Part 5 Schedule 4 of the Corporations Act to enable mutually-owned Australian Deposit-taking Institutions (ADIs) to raise capital by providing that the enhanced disclosure requirements are only applicable where an entity no longer meets the definition of a mutual entity (Seselja 2018).

Marshall Institute (London School of Economics): building research capacity in universities



Source: Author photo.

“The Marshall Institute works to improve the impact and effectiveness of private action for public benefit” (Marshal Institute 2018, online).

The effectiveness of private actions and public benefit are what drives the Marshal Institute. Activities of philanthropic foundations, social entrepreneurs, charities, NGOs and individual citizens, donating their time, money, ideas, knowledge and skills to serve the public good are categorised as private actions by the Marshal Institute. The institute offers its version of public benefit as “activities that serve an explicitly social goal” (Marshal Institute 2018, online).

One of the Marshal Institute’s outstanding activities, that had an impact on the UK’s social enterprise sector and mutuals in particular, was the contribution made by Sir Julian Le Grand who chaired the “Mutuals Taskforce” in 2012 (see section: Attitudes of the UK governments).

Today, the Marshal Institute clarifies its interest in core examples of private action for public benefit under the following categories:

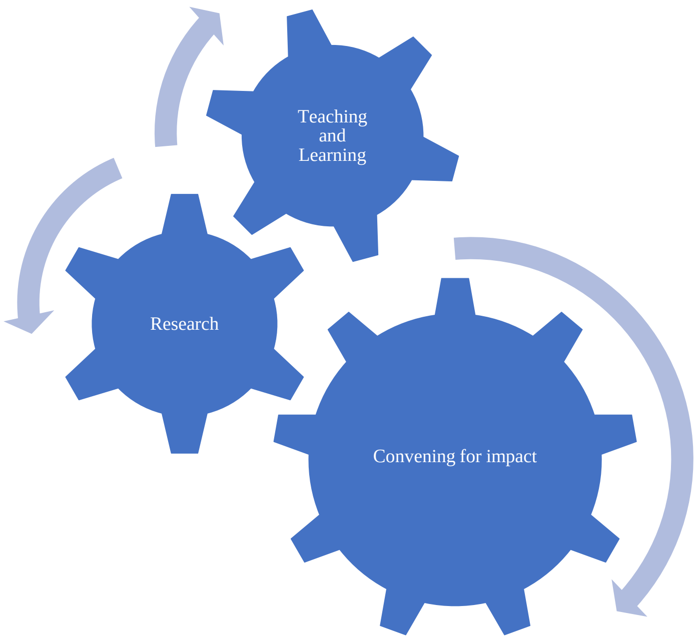
- philanthropy – the desire to promote the welfare of others, expressed especially by the generous donation of money to good causes

- social entrepreneurship – people who pursue an innovative idea with the potential to solve a community problem and who are willing to take on the risk and effort to create positive changes in society through their initiatives.

Moreover, the Marshall Institute:

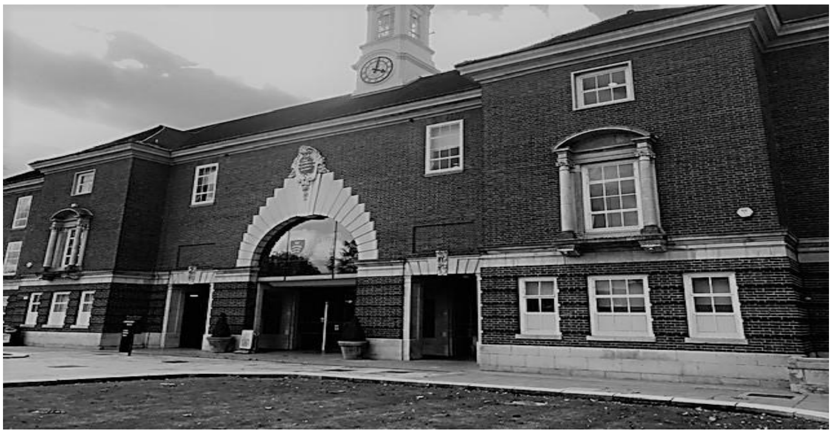
- “informs and coordinates the efforts of citizens, researchers, private sector organisations, and social entrepreneurs who are working to tackle the world’s most pressing challenges. We equip the foremost figures in the field, and the leaders of the future, with the knowledge they need to put philanthropic funding and social endeavour to best use”
- “draws upon the exceptional global reach and expertise at LSE and collaborates with existing departments, research centres and institutes within the school” (Marshal Institute 2018, online).

Figure 2.10: The three areas of focus for the Marshall Institute



Source: Based on Marshal Institute 2018, online.

Centre for Enterprise and Economic Development Research, Middlesex University: policy-related research for the sector



Source: Author photo.

The Centre for Enterprise and Economic Development Research (CEEDR) prides itself on its high quality, independence and meaningful impact on small business and local economic development policy and practice. At CEEDR, the aim is to work through its research to help shape the UK government policy and practice that will benefit social and sustainable enterprises.

CEEDR has been involved with the research on the social enterprise sector since 2000. CEEDR research themes comprise:

- SME growth, finance and development
- social and sustainable enterprise
- local/regional economic development and regeneration
- employment, skills and quality of work

CEEDR conducts research projects in partnership with various government departments in the UK. It also led the Economic and Social Research Council's (ESRC) Third Sector Research Centre and directed the ESRC Social Enterprise Research Capacity Building Cluster. One of CEEDR's current projects is leading a stream of work on alternative enterprise and investment for the ESRC Centre for the Understanding of Sustainable Prosperity (CUSP).

"Public Service Mutuals Research" is another current project undertaken by the CEEDR in partnership with SEUK. It is commissioned by the Government Inclusive Economy Unit, Department for Digital, Culture, Media & Sport (DCMS). The research examines the role and potential of public service mutuals that are owned by staff and communities. The project presents an important opportunity for mutuals to contribute to the further development of their own organisations and the sector by helping to identify success factors and support needs.

The Public Service Mutuals Research runs from January 2018 to March 2020. It will collect evidence in order to:

- monitor the current health and development of the mutuals sector
- contribute insight and learning to help make the case for the mutual model as a viable way of delivering public services
- inform policy decisions about how government and others can further support the growth and sustainability of mutuals

The CEEDR team are conducting longitudinal case studies of 12 mutuals to gain further understanding of the issues and challenges faced. The 12-case study mutuals have been selected to represent a mix of service areas: health and social care; education, youth and children's services; culture, media and libraries; employment and skills; housing; sports and leisure. The selection represents the diversity of the sector and characteristics of mutuals that include: different stages of development (how long since mutualising/leaving the public sector); size bands (turnover/employees); geography (coverage across different regions, localities); types (i.e. governance, legal structures, etc.). The study builds on previous research conducted by Middlesex University on mutual spin-outs, with four cases from that research being revisited to add further depth to the longitudinal element (CEEDR 2018, online).

Social Enterprise UK is another participant in the Public Service Mutuals Research. "State of the Sector" survey is conducted by Social Enterprise UK to which all mutuals (approximately 110) are invited to respond, and longitudinal case studies of 12 mutuals to gain further understanding of the issues and challenges faced. The case study mutuals will be selected to represent different sectors/service activities, ranging from small to large organisations, at different stages of development, and in different regions and types of location (Social Enterprise UK 2018b, online).

Fieldfisher: providing legal advice and assistance to the sector

Fieldfisher entrance. Source: Author photo.

The history of Fieldfisher can be traced back to the 1800s as a specialised firm pioneered in development of charities and building societies. Fieldfisher has stayed true to its roots where it holds a particular expertise in area of employee ownership. It has provided legal advice to many businesses and public bodies in structuring, transition projects and major change programmes.

Fieldfisher contributes to the growth and development of employee ownership in the UK through its highly skilled professionals. More recently, Fieldfisher's skills in the area of employee ownership have contributed to the introduction of tax advantaged employee ownership trusts. The firm has also contributed to the review of the employee ownership in the UK through the work of Graeme Nuttall: *Sharing Success: The Nuttall review of Employee ownership*.

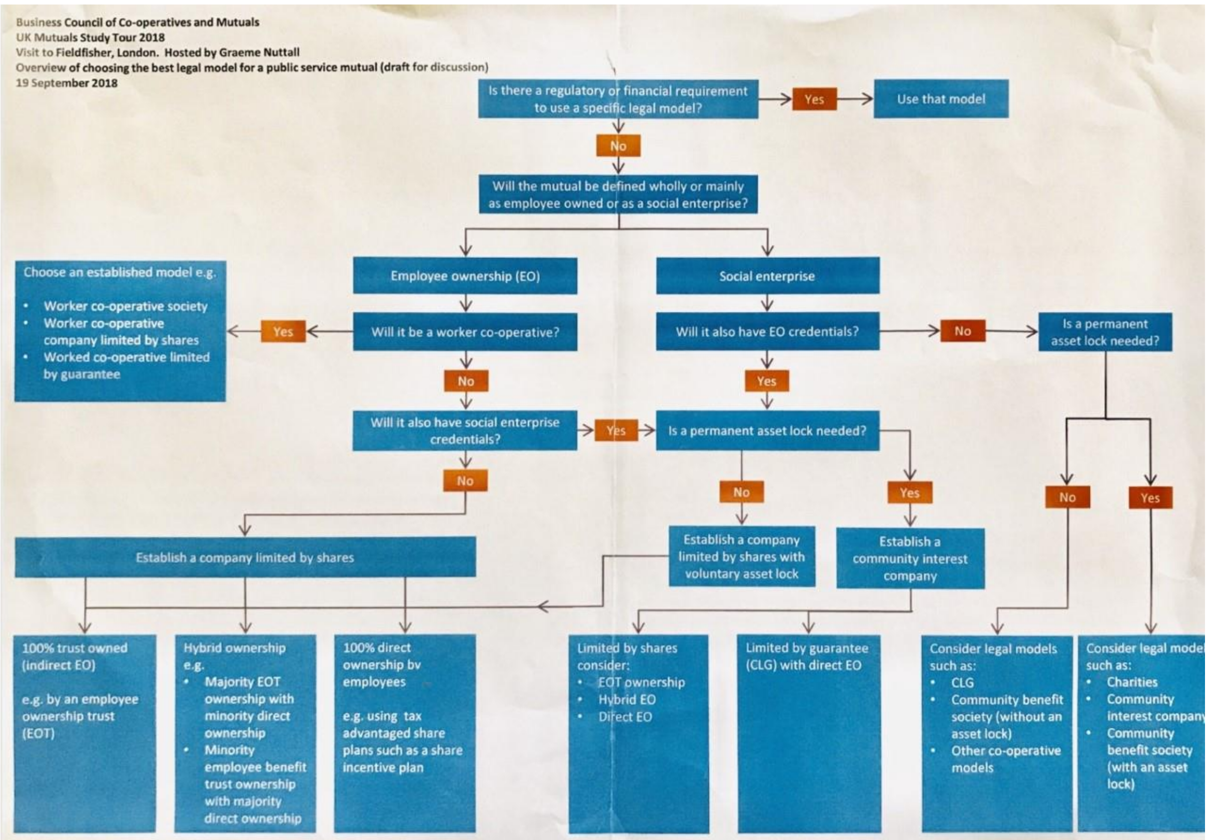
Norman Lamb, then Minister for Employment Relations, Consumer and Postal Affairs in the foreword section of the *Sharing Success: The Nuttall Review of Employee Ownership* (2012), states:

My goal is to shift employee ownership into the mainstream of corporate Britain. That is why I asked Graeme Nuttall, one of the foremost experts on employee ownership, to undertake an independent review into employee ownership.

His report is illuminating; his recommendations are persuasive. The arguments for spreading employee ownership, to create a more diversified and balanced economy, are compelling. This report provides a forensic examination of the barriers to expanding employee ownership. It raises the level of debate and lays down a challenge to Government and the private sector. Government will respond fully in the autumn, but we can all begin right now, to take the steps that have been identified.

Fieldfisher continuously works with the established employee-owned organisations and also potential organisations to provide tailormade service and advice. The following diagram has been developed by the Field Fisher Waterhouse (which has kindly granted permission for its use in this paper). It visualises a map for the public bodies to choose the most appropriate legal model.

Figure 2.11: Matching the mutual to the legal model



Conclusion (Part 2)

This section of the paper has addressed the UK's social enterprise sector with reference to the attitudes of consecutive UK governments, and establishing its legal, legislative and financial context. The professional/academic network of the UK's social enterprise sector was also examined.

Over the last decade or so, the social enterprise sector in the UK has enjoyed the general political support of successive UK governments, even though the level of support shown by each political party was not to the same degree. This was because, irrespective of a particular government's ideology, the importance of collaboration was soon realised as a vital element in the growth of the sector by the UK government. Consequently, various professionals and experts of the social enterprise sector have influenced public policy in the UK. The Nuttall Review and Mutual Task Force and Mutual Ventures, are some example of collaboration of the UK government with professionals.

There have been examples of politicians who have done more than expressing their support, indicating their support in practice too. Francis Maude is a politician well known by the social enterprise sector in the UK for his contribution to the development of the sector in the UK and preparing a much friendlier context for the UK's mutuals in which to operate. Even though having a supportive and willing government is vital for the social enterprise sector to initiate its growth and expand, having a social enterprise-friendly context is no less vital. A social enterprise-friendly context is one where the legal system, taxation system, financial sector and research institutions of a country accommodate the necessary changes and adjust their system to enable the sector to progress. What has happened in the UK is a great example of how all of these systems have worked with the sector – as well as with each other – to prepare a practical context for the mutuals and co-operatives.

These adjustments were not all made at the same time and have happened in stages rather than in one big step. Adjustments to the system have taken time and require a great deal of information/knowledge of the sector. The adjustments to the UK context have been continuous and ongoing, making more room for the sector to realise its potential socio-economic contribution, and to build up evidence of its efficiency and performance.

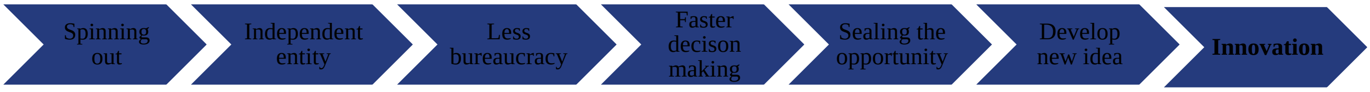
3 INTRODUCING THE UK'S SOCIAL ENTERPRISE SECTOR

The mutualisation of the National Health Service (NHS) in the UK is the result of push-and-pull between the UK government/local authorities and NHS's ambitious staff. There are factors within this effect which led to the initial establishment of mutuals within the UK's NHS, and the indications from the participant organisations suggest similar factors led to their decision to spin out of their parent organisation. The push factor originated from the decision made by the NHS to divest services from the primary care trust. On the other hand, the pull factor was driven by the senior staff at NHS who wanted the service to continue, be community-based and independent – and at the same time for the services to be run in a much-less bureaucratic environment.

The main reason cited by the tour-host organisations for which the UK government and local authorities divest services is financial austerity and its impact on the UK's public service delivery. Other contributing factors were cited as aging population, strong commitment from ex NHS staff to keep the services for the community, and a desire to deliver services through innovative ways. The participating organisations also referenced their challenges as : their initial dependence on the contract with the parent organisations (usually five years); concerns about obtaining/renewing contracts once the initial contract reaches its end; the initial challenges these organisations faced with the union representatives of their sector as result of the misunderstanding of what a social enterprise is ("privatisation by the back door" was the phrase frequently mentioned to the organisations); and difficulty in accessing much-needed finance to bring innovation into or expand their services.

In spite of all the challenges, it is evident from the performance of the host organisations that the sector continues to bring innovation into the public services they deliver. The arrows of innovation diagram chronicles the sequence of elements[10] which lead to innovation within the social enterprise sector.

Figure 3.1: Arrows of Innovation



Source: Author diagram based on responses from various UK mutuals.

The overall status of public service mutuals in the UK indicates that they are:

1. at scale – representing a combined turnover of £1.6 billion
2. diverse – operating across the health sector, education, employment and skills and youth services
3. profitable – 92% made a profit in the most recent financial year
4. growing – by on average 50% since launch, and 7% in the most recent financial year
5. flexible – 90% reported faster or easier decision-making than when part of the public sector
6. engaging their workforce – 85% thought the primary benefit of becoming a public service mutual was having a happier and more engaged workforce

[10] These elements are gathered from the individual inputs of participating organisations in the "study tour of UK mutuals".

7. innovative – 66% have developed new products or services in the past year
8. Representative – 56% of public service mutuals are led by women, and 7% by ethnic minorities (Social Enterprise UK 2018c, p. 3).

This part of paper is divided into two sections:

1) What does the UK's social enterprise sector look like in practice: Introducing some examples of the public services run by the social enterprise sector and;
2) Voices of the UK's social enterprise sector: perceptions of progress.

The first section introduces the host organisations who participated in the study tour of the UK mutuals, organised by the BCCM, Australia (the remaining participating organisations are mentioned in other sections of this monograph). The introduction to these organisations illustrates the healthy state of the social enterprise sector in the UK, as well as its versatility. The social enterprise sector in the UK is broad, covering various services which facilitate social impact, brings change and elevates the overall status of the community's wellbeing.

The second section captures the voices of the social enterprise sector in the UK, which were collected during the study tour of UK mutuals in September 2018 from staff of various organisations who kindly responded to my questions. These responses are classified within five main topics: motivation; staff demotivation and challenges; importance of the social mission; staff engagement in decision-making and operational aspects of their organisation; and recommendation of a potential job applicant to work at a social enterprise organisation.

The following public service mutuals represent some examples from the sector which provide services in: health; community wellbeing; transport; leisure services; social care; housing; and education. Each of these mutuals creates social value in their own unique way.

What does the UK's social enterprise sector look like in practice? Introducing some examples of public services run by the social enterprise sector

This section documents 12 case studies of social enterprises at work in the UK that were visited by the study group in 2018. These examples are brought under the sector category they are currently active in which include: health; health and social care; disability support; transport; education; community leisure; adult care and support; social care and disability; and well-being. These services are just some of the exemplary services provided by the social enterprise sector in the UK, with each organisation performing under their own selected legal form (mutual, co-operative, and community interest company, to name a few).

Central Surrey Health, Surrey: Example of a social enterprise organisation active in community health services

CSH
Surrey
Better healthcare together

Source: CSH Surrey.

“CSH Surry’s vision is to be a pioneering and innovative organisation that empowers co-owners to consistently deliver exceptional care for a healthier community” (CSH Surrey 2013).

CSH Surrey (previously known as Central Surrey Health) is the first public service mutual to spin out from the UK’s NHS. Jo Pritchard, an NHS nurse and health visitor, and speech and language therapist Tricia McGregor, led the social enterprise journey when more than 560 of their colleagues – nurses, therapists and support staff – decided to leave the NHS and set up a co-owned not-for-profit social enterprise. Their social enterprise journey went live on 1 October 2006 and it continues to be Surrey's largest and longest-established community services provider, running NHS health services in homes, clinics, hospitals and schools across Surrey.

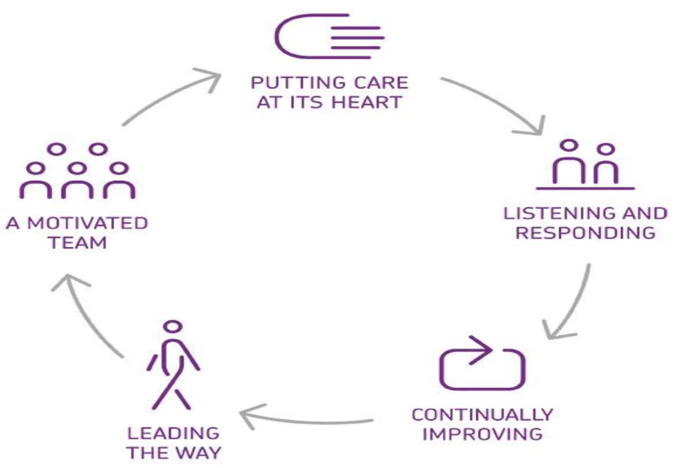
CSH Surrey’s experience has influenced government policy (Flanagan 2018). In 2011, CSH Surrey’s managing director, Jo Pritchard, was invited to join the government’s Mutuals Taskforce to help develop its mutuals policy. Since then, thousands of public sector workers have chosen to follow CSH Surrey’s example, setting up their own, independently-owned mutuals.

CSH Surrey is a successful employee-owned social enterprise that, in addition to providing community nursing and therapy services in Surrey, has extended its services to other locations as well. In July 2013 Central Surrey Health rebranded itself as CSH Surrey to enable future growth and diversification of services. CSH Surrey is one of the 11 health and social care providers within Surrey Heartlands Health and Care Partnership whom together dedicate their services to improve care across Surrey Downs, North West Surrey and Guildford & Waverley areas.

These include a wide range of adult community health services in the areas of mid and north west Surrey, and children's NHS community services across the whole of Surrey. The children's service “Children and Family Health Surry” is delivered through a partnership with Surrey's mental health provider, Surrey and Borders Partnership, the NHS Foundation Trust, and another community provider and community interest company, “First Community Health and Care”. The most recent data by CSH Surrey indicate that the organisation runs 60 community services, with £75m turnover and 1500 employees. CSH Surrey has been awarded £55k+ grants since 2012 (Flanagan 2018).

CSH Surrey emphasises on three elements of listening, responding and working together with partners and each other to deliver ever better patient care and “Better healthcare together”. The “circle of care” is demonstrated in the following diagram:

Figure 3.2: CSH Surrey’s “circle of care”



Source: CSH Surrey 2013, online.

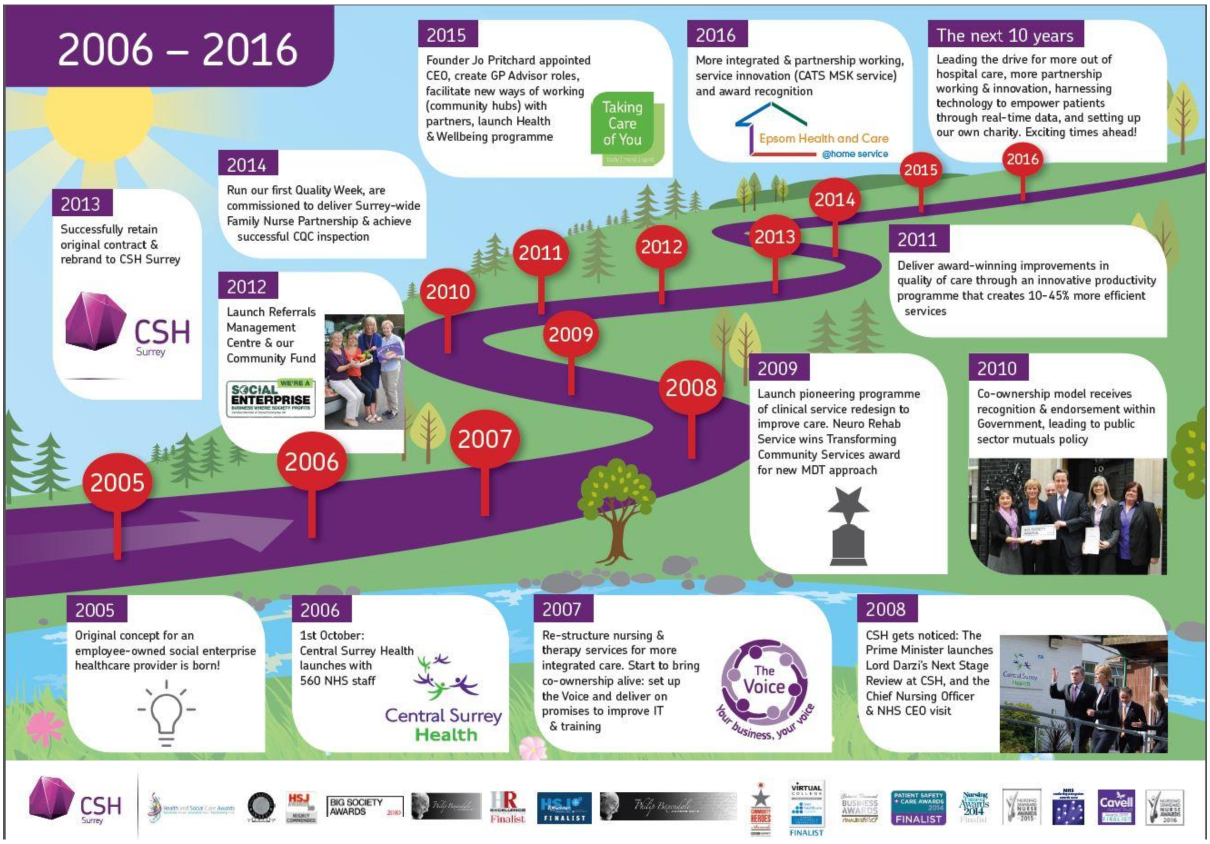
CSH Surrey also values the views of its patients and carers, conducting the national “Friends and Family Test” to listen to their views.

The decision to establish a co-owned social enterprise was based on the idea that patients would be best served through a company owned by the local nurses and therapists who are committed to investing in their community. Being co-owners means that nurses, therapists and other employees own and run their services. However, as this is a not-for-profit social enterprise, they do not receive dividends; any surplus is re-invested back into improving services and into local communities through CSH Surrey community fund (Flanagan 2018).

CSH’s high quality services have been recognised multiple times. In 2014, CSH Surrey was named finalist in the Nursing Times Awards for its partnership with local hospices to provide end-of-life care. It also reached the finals of the 2014 Integrated Care and Patient Safety Awards for its innovative partnership with its local mental health trust to support patients with long-term conditions.

CSH Surrey summarises its public service mutual journey in the following leaflet:

Figure 3.3: CSH Surrey’s journey: 2006-2016



Source: Flanagan, p.6.

CSH Surrey is registered with the Care Quality Commission (CQC) as an NHS provider, and registered at Companies House as a company limited by shares. This subjects CHS Surrey to financial, health and safety and data protection standards. Moreover, the Integrated Governance Committee (IGC) holds all directors accountable for the delivery of both operational and quality-based objectives.

The IGC operates as a delegated board level committee that examines and mitigates risk, ensures progress against strategic objectives and provides assurance to the board. The IGC meets on a monthly basis, with the remit to:

- establish strategy and direction of travel
- monitor quality standards, services and indicators
- assess, stratify, mitigate or escalate risk
- challenge assurance measures to ensure resilience prior to providing them to the board.

To ensure high quality service delivery, the board of CSH Surrey includes clinicians as well to lead its services to ensure high service quality, with CSH Surrey's Chief Operating Officer and one of its Non-Executives holding clinical qualifications (CSH 2013, online).

As an employee-owned organisation, all the shares of CSH's employee owners are held indirectly on behalf of the owner employees by Guardian Shareholders (four employees selected by their peers). Guardian Shareholders are accountable to CSH Surrey's Guardian Trust, a group of six Trustee Directors who ensure the Guardian Shareholders act in the best interests of patients, co-owners and CSH Surrey. The Trustee Directors include Sir Charlie Mayfield, Chairman of the John Lewis Partnership, and Graeme Nuttall, employee ownership legal specialist, Partner at law firm Field Fisher Waterhouse LLP and author of the "Nuttall Review" (CSH Surrey 2013, online).

CSH's employee owners are represented at the board by a co-ownership council called "The Voice". The Voice's elected co-owner representatives:

- represent co-owners' views to the directors and board, and feedback responses
- influence decisions
- input into strategy (Flanagan 2018, p.9).

Despite being a pioneer of public service mutuals in the UK, the following challenges have been identified by CSH Surrey:

- diluting of the original shared vision and culture through rapid growth
- creating a new shared understanding of co-ownership: what it is, responsibilities and expectations – so employees behave, manage and lead in a co-owned way
- making co-ownership real for new employees
- demonstrating its value to commissioners the role of mutuals in health and care in the future (Flanagan 2018, p.12).

As a pioneering of public service mutuals in the UK, CSH Surrey offers following three lessons to its fellow mutuals:

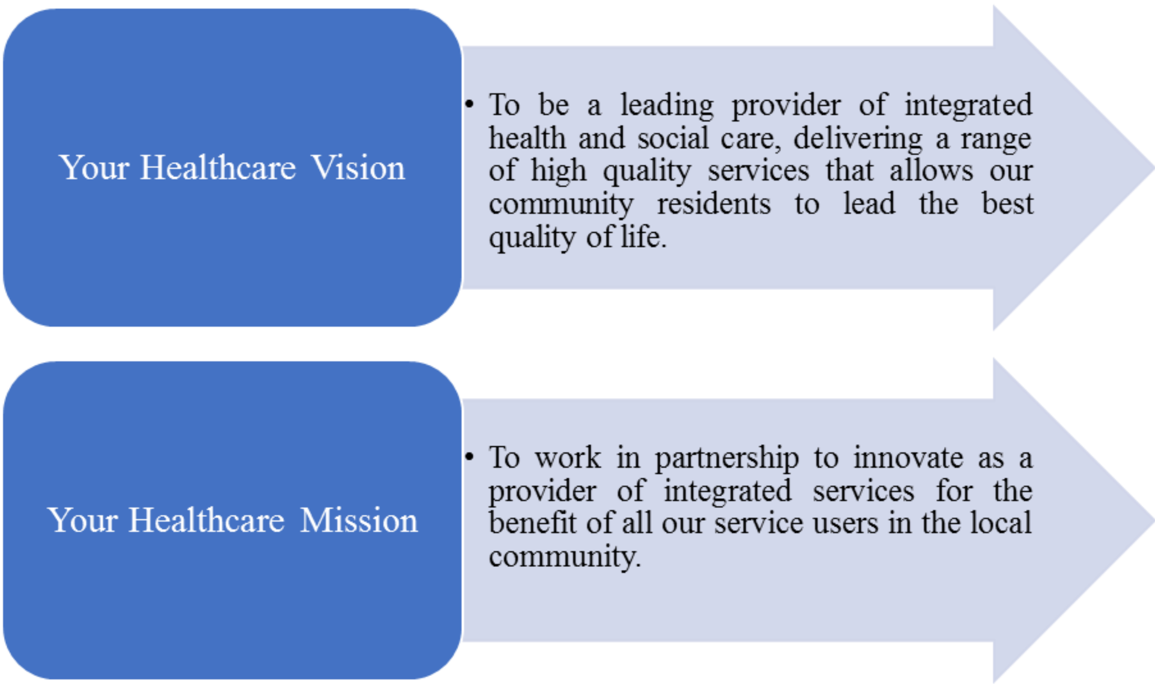
- be clear about your model, how it works, what it means in practice, responsibilities and personal/ organisational benefits
- ensure your employees have a genuine voice. If you have an employee council, ensure they have sufficient protected time, give them profile, involve them, communicate what they do and the difference they make
- leadership and commitment – make co-ownership real through visible and consistent behaviours and actions at every step of employees' journeys (Flanagan 2018, p.13).

Your Healthcare: Example of a social enterprise organisation active in health and social care

Source: Your Healthcare.

Your Healthcare was established on 1st August 2010 as a CIC, following the decision to deliver NHS Kingston health care services to the community through establishment of a social enterprise.

Figure 3.4: Your Healthcare vision



Source: Based on Your Healthcare 2018, online.

Your Healthcare prides itself in providing patient-led and high-quality health and social care community services for residents in Kingston & Richmond as part of the NHS family, where its staff deliver care under the same ethos as NHS and enjoy the same terms and conditions – including NHS pensions.

The following diagram details the services provided by Your Healthcare to the community:

Figure 3.5: Services provided by Your Healthcare

Your Healthcare community services

Health care services:

District Nursing, Health Visiting,
School Nursing, Rehabilitation,
Rapid Response Service, Continence Service,
Respiratory Service,
Tissue Viability & Leg Ulcer Service,
Integrated Care Team,
Neurodevelopmental Services, Physiotherapy, Podiatry and Speech &Language Provision .

Social care services:

Reablement & Home Care
Amy Woodgate Resource Centre (residential and day care for people with dementia)
Day Care Services at Raleigh House
Shared Lives Scheme (formerly Adult Placement Scheme).

Source: Based on Your Healthcare, 2018, online.

Your Healthcare social enterprise delivers health and social care services for Kingston Clinical Commissioning Group (CCG), and also works as part of the Albion CIC collective. Your Healthcare enterprise's positive attitude towards partnership and its willingness to partner with local councils, the third sector and voluntary agencies has enabled the organisation to not only provide the highest levels of health care delivery to the patients and service users but also come up with innovative ways to expand and deliver its services. Through joint working with Royal Borough of Kingston (RBK) staff, Your Healthcare is able to provide District Nursing, Neurodevelopmental Services, Speech and Language Therapy and Rehabilitation at Cedars. It also provides a range of Neurodevelopmental Services for Richmond through its close work with social services staff at Richmond local council.

Your Healthcare also opens the door to innovation through its commitment to creating and sustaining a learning organisation where all staff have access to training and development opportunities. This will permit the development of new skills and ways of working to underpin service changes and the delivery of quality healthcare (Your Healthcare 2018, online).

Hackney Community Transport: Example of a social enterprise organisation active in transport

Source: Hackney Community Transport.

"To enhance people's lives, provide opportunities and bring people and communities together through transport and training" (Hackney Community Transport 2014).

Hackney Community Transport (HCT) is the world's leading transport social enterprise. HCT delivers transport contracts won in the marketplace such as: London red buses; Leeds school transport; and Bristol park and ride just to name a few, delivering over 30 million passenger bus trips on yearly basis. Being a social enterprise, HCT doesn't make money for shareholders and instead, reinvests its profits into further transport services or projects in the communities aiming to make a real difference in the communities. This reinvestment has led to more than 100% growth over the past 10 years (Powell 2018).

HCT aims to make a difference through:

- subsidised minibuses for community groups
- specialist transport for people who find it hard to get out and about
- training for people who are long-term unemployed, helping them to get and keep jobs
- job creation in the areas that need it most (HCT 2014, p.4).

Adaptation of the modern slavery policy is another way where HCT makes a difference. HCT rejects the use of forced labour and also it expects its suppliers also to comply with the Supplier Code of Conduct and to place similar expectations on their respective suppliers.

HCT has developed its business over the years and is moving from a contract-based business model to acquisition model. "In June 2018, HCT Group successfully completed a new landmark fundraising round, raising a £17.8m investment to finance the next phase of our growth. The deal not only provides the working capital needed to enable growth, but also supports a bolder set of options" (HCT 2018, p.1). HCT is currently pursuing acquisitions of commercial bus operators, then turning them into social enterprises.

HCT Group provides the community with better and new services through its innovation in service. HCT has won the top accolade in the Bus and the Community Award category on 21/11/2018 at the UK Bus Awards for its "Drive On" project for ex-offenders, which aims to create a path to employment for ex-offenders as London red bus drivers and tackle the issue of re-offending (HCT 2018, online).

Cartrefi Cymru: Example of a social enterprise organisation active in disability support services

Source: Cartrefi Cymru.

Cartrefi Cymru was founded in 1989 when a group of parents and activists came together to provide support to people with learning disabilities, autism, physical disabilities and challenging behaviour in rural Wales and the South Wales Valleys. A not-for-profit multi-stakeholder co-operative, Cartrefi Cymru aims to help its stakeholders lead fulfilled lives, at home and in the community. In 2017 it became a multi-stakeholder co-op with a constitutional commitment to sharing power and building community. Cartrefi Cymru operates based on three key action-words: “Respect”, “Safeguard”, and “Enable”.

Cartrefi Cymru provides individuals with their own “person-centred plan” that describes the outcomes a person wants and the way she/he wants to be supported. Those supported are provided with their own “outcomes report” so that, “together we can make sure you are getting the help you need, to live the life you want. It also helps people to take advantage of Person-Centred Technology, which can be anything from a local help-alarm system to an adapted easy-grip kettle” (Cartrefi Cymru, n.d. online).

Cartrefi Cymru provides care and support to people to live life to the full. For Cartrefi Cymru, this means:

- “living in the community, where you want, with who you want”
- “choosing and doing things that you like”
- “doing things that earn respect, and being respected”
- “having skills and abilities, and opportunities, for being independent”
- “having friends and family relationships, and a social network”
- “being as healthy and safe as you want – not abused or neglected” (Cartrefi Cymru, n.d. online).

Aspire: Example of a social enterprise organisation active in adult care and support

Source: Aspire.

“To promote independence and support people to be in control of their own lives” (Aspire).

Aspire is a social enterprise that provides day and respite care and supports adults who are living with learning difficulties and disabilities in Salford and beyond. It offers 1600 sessions of support daily, priding itself on individuality and the ability to support each person, in a person-centred, bespoke manner. In this respect, Aspire works closely with individuals and their families, healthcare professionals, commissioners and social workers to provide personalised high quality social care.

Aspire runs its day and respite support from seven different locations:

- Humphrey Booth Resource Centre – Swinton
- Waterside Resource Centre – Clifton
- St Georges Resource Centre – Pendleton
- Alexandra House Resource Centre – Eccles
- Brierly House Resource Centre – Little Hulton
- The Limes Intermediate Care Unit – Worsley
- Granville Respite Care Unit – Monton

Aspire relies heavily on the help of dedicated volunteers, especially when it comes to providing day opportunities such as teaching arts and crafts, sports activities and performing arts. It supports people who are above the age of 14 and the support covers: people living with dementia; people on the autism spectrum, including Asperger’s; people with learning disabilities; older people; complex needs services including epilepsy and diabetes; and positive support for challenging behaviour. This support may range from short-term care such as day opportunities to long-term support, including supported living and independent living services. Aspire also supports the families, carers and other key stakeholders of its clients. The following diagram represents all the services Aspire provides:

Figure 3.6: Aspire’s services

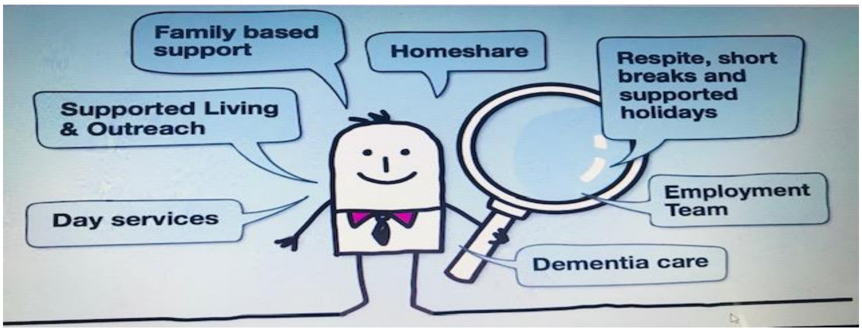
Source: Aspire (online, n.d).

PossAbilities: Example of a social organisation active in social care and disability

Source: PossAbilities.

PossAbilities is a social enterprise that supports vulnerable people so that they can "Live the life they choose". People with learning disabilities, young people leaving care and people with dementia are the main groups receiving support from PossAbilities. All services provided by PossAbilities are listed on the following picture:

Figure 3.7: Services provided by PossAbilities



Source: Possibilities.

After many years of budget cuts to Rochdale's Adult Social Care Services, Rachel Law, a senior staff member, decided to begin a two-year quest to parcel up the learning disabilities service and take it out of local authority control. "This process involving winning political support, developing a credible business plan, winning the backing of service users, trade unions and staff led to the birth of PossAbilities CIC" (PossAbilities 2016, online).

In 2011, Rachel Law won the North West Care Innovator award, which recognises exceptional entrepreneurial skills in developing, implementing and establishing new services which demonstrate benefits for staff, service users and the business itself. In August 2014, PossAbilities was among other 99 public service mutuals who celebrated the formation of the first 100 mutuals in the UK (PossAbilities 2016, online).

Salford Community Leisure Centre: Example of a social enterprise organisation active in community leisure activities

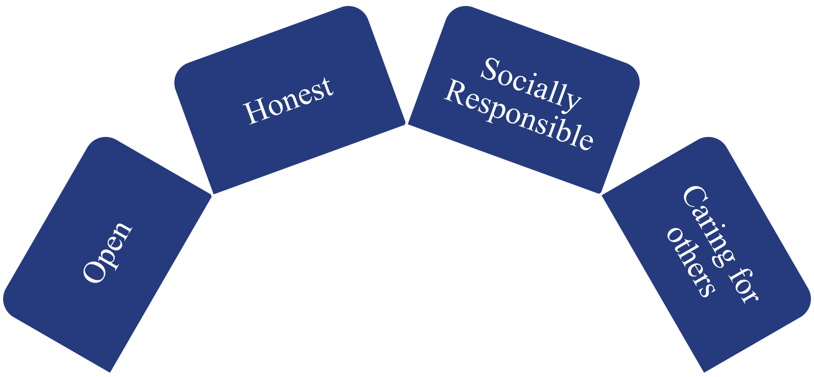
Source: Salford Community Leisure.

Salford Community Leisure Centre is run by and for the people of Salford to enhance the lives of people living in Salford, through sport, leisure and cultural opportunities. As a social enterprise, Salford Community Leisure Centre reinvests all its profits based on the believe that leisure and culture should be at the heart of every community. By 2017/18, this social enterprise had achieved the following:

- 217 new computers installed in libraries
- helped over 2,000 people with long term health conditions improve their lives
- 50 live music concerts performed to celebrate the 50th year of Salford Music and Performing Arts Service
- over 100 volunteers regularly supported the social enterprise's services and activities, giving around 1,000 hours of their time each month
- over 5,000 people had joined the health and fitness membership (Salford Community Leisure 2018, p.3).

Salford Community Leisure Centre is committed to enhancing the physical and cultural wellbeing of the community through sport, library and cultural opportunities. It operates across 40 venues, attracting millions of customer visits each year. The four mottos of the Salford Community Leisure Centre are listed in the below diagram:

Figure 3.8: Mottos of Salford Community Leisure Centre



Source: Salford Community Leisure Centre.

Salford Community Leisure Centre's Main programmes include:

1. Improving health and wellbeing
2. Increasing community involvement
3. Developing education and skills

4. Enriching the environment (Salford Community Leisure 2018).

Greenwich Leisure Services: Example of a social enterprise organisation active in community services

Source: Greenwich Leisure Limited.

Greenwich Leisure Limited (GLL) is one of the UK's most successful social enterprises. It is the first "spin out" from a local government service for sport, leisure and culture, and is now the UK's largest operator of these services. It runs 253 sport and leisure centres in 45 regions, 88 libraries and 12 children centres. It employs 14,000 staff and had a turnover of £296,000,000 in 2018 and around 54,000,000 annual customer visits (Bundey 2018, p.14).

GLL is a charitable organisation and a mutual. It operates for social purpose and community benefit. It is co-operatively owned by its staff, and operates on the principal of "Better":

Figure 3.9: The "Better" principle of Greenwich Leisure Services

Source: Bundey 2018, p.18.

In 1992, the Royal Borough of Greenwich was forced to cut £35,000,000 from its base budget (p.4). The financial austerity and the need for the services to stay and benefit the community has contributed to consideration of establishing a social enterprise as a solution. Privatisation was not a suitable fit (politically nor socially), as a new model was needed to consist of:

- public-sector values
- private- sector freedoms, and
- co-operative principles (GLL 2018, p.6).

GLL provides the following services:

Figure 3.10: Greenwich Leisure Limited's Services

Source: Bundey 2018, p.2.

Social adVentures: Example of a social enterprise organisation active in well-being activities

Source: Social adVentures.

“Inspire people to change their behaviour by using innovative, evidence-based interventions” (Social adVentures).

Social adVentures is a wellbeing social enterprise specialising in public health and social care. It contracts services that run alongside social businesses – such as garden centres, community cafes and, childcare nurseries. It spun out of NHS Salford in 2011, becoming one of the UK’s first public service mutuals.

Social adVentures is a social enterprise owned by its staff, service users and the wider community (Social adVentures n.d., online). Since its establishment it has increased its turnover, as well as increasing its employees and local members.

Social adVentures was originally set up as the Angel Healthy Living Centre and was hosted by NHS Salford for 10 years. Later on, through the Department of Health’s Right to Request scheme, it was able to develop its services and perform within a social enterprise model. The “independent culture and ambitious team of people from both public sector and private sector backgrounds has allowed us [Social adVentures] to strategise, innovate and amplify the difference we make to people’s lives” (Social adVentures 2013, p.15).

Social adVentures identifies its “Triple bottom Line Objectives” as:

- environmental – we believe small but continuous improvements in reducing our environmental impact will add up over time.
- social – it is only by engaging the people who use our services that we will make those services the best that they can be.

- Economic – by diversifying our sources of income we give our organisation stability. (Social adVentures 2013, p.25).

Social adVentures has set five pillars to its health and wellbeing programmes (Strive to Five Approach, based on the New Economics Foundation) which include: “connect”; “be active”; “take notice”; “keep learning”; and “give”. Social adVentures runs a project called “social prescribing” based on the concept that drugs are not the only option to deal with different health issues, and which sees opportunities to learn, interact and enjoy positive experiences as effective options.

Research into this project demonstrated that participants were positively affected through their participation in it. Application of the principles of Social Return on Investment (SROI) (See Appendix 3) found that £1 invested in this high-quality service made a social return of £10.12 (Social AdVentures 2013, p.23).

Social adVentures has grown over the years and is transitioning from a contracts-based model to an acquisition model where it takes over private businesses and makes them social enterprises e.g. it acquired a children’s day nursery, with Big Issue Invest and NatWest Bank providing the funding.

Start: Example of a social enterprise organisation active in wellbeing and art

Source: Start.

“Start is the beginning of something special. An opportunity to be creative, to learn, to grow, and to live” (Start 2018).

Start has been working with the people of Salford for 25 years. It combines art and wellbeing and provides services through its social enterprise organisation. It assists people to nurture their talents, learn valuable new skills and be inspirational for others. Start facilitates a fully-resourced centre at Brunswick House where its members have access to facilities such as art and media studios, craft workshops and gardens. It also assigns professional tutors to work with its members so they can grow in confidence, build self-esteem and become valued contributors to the wider community. Start is committed to these five steps to improving wellbeing:

Figure 3.11: Start’s five steps to wellbeing

Connect:

Talk and listen to people around you. Share experiences with friends, family, colleagues and neighbours.

Be active

Go for a walk, play a game, dance. Whether indoors or outdoors, alone or with others, exercise is a good for the mind as it is for the soul.

Take notice

Be curious, ask questions and learn to see the beauty in all that surrounds you, taking time to think about what really matters.

Keep learning

Try something new, rediscover an old interest, join a group or take a course. Never stop learning- it makes life much more interesting.

Give: take some time out to help someone. A nice gesture, no matter how big or small, will make you feel better as well as the person you're helping. Take pride in the difference you make.

Source: Start 2018, online.

Start has helped people overcome their emotional difficulties and reach new heights. It is a social outlet as well as a place where members learn new skills. "It empowers them to express themselves more clearly and come to a better understanding of their place in the world and what they are capable of achieving" (Start Creative 2018, online).

Start runs various programmes to improve the mental health within the Salford community. These programmes are innovative and creative in their own way and help transform lives by assisting people to get involved with the local community through education, volunteering and employment. Start's projects include: Start inspiring minds, Start Creative; Start growing; Start over fifty; and Start Youth Arts (Start 2018, online).

Langworthy Cornerstone Association: Example of a social enterprise organisation active in health and wellbeing

Source: Langworthy Cornerstone Association.

“To improve the health and wellbeing of the people of Salford, especially those of Seedley and Langworthy” (LCA online).

Langworthy Cornerstone Association (LCA) is a social enterprise registered as a charity as well as Company Limited by Guaranty. Langworthy Cornerstone is a multi-purpose community centre in Salford that provides a range of health and wellbeing services including health activities, a GP surgery, a community cafe, children’s centre and family support, educational activities, advice, one-to-one support, room hire and office accommodation. The centre is owned by the NHS, and has been entirely locally managed by LCA for over ten years.

Some of the activities run by LCA are: “Active Seniors”; “Art group”; “Ancestry”; “Blokes that Breakfast”; “Buggy movers”; “Cookery classes”; “Cards and dominos”; “English courses”; “Foodcycle free meals”; “Kurling”; “Knitting and Crochet”; “Karate”; “Men’s games group”; “Men’s History group”; “Men’s football”; “Zumba”; “Relaxation”; “Tai Chi for health”; “Yoga”; and “Women exercise” (LCA online).

Cressex Community School: example of a social enterprise organisation active in education

Source: Cressex Community School.

“All learners should have the chance to succeed, regardless of their background, abilities or skills. All learners have the right to an outstanding education, to improve their knowledge, skills and ultimately their life chances” (CCS online).

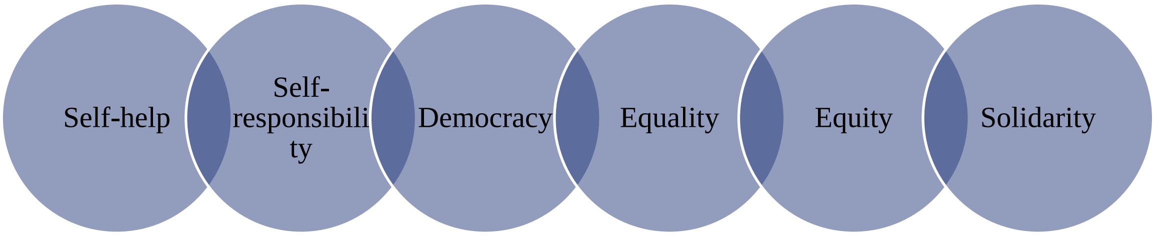
Cressex Community School belongs to the growing family of co-operative schools and is a partner in the Cressex Cooperative Learning Trust. The members of the trust include: Cressex Community School; Buckinghamshire County Council; Buckinghamshire New University; Henley College; The Cooperative College; and Wycombe Abbey School. As with all members of the Cressex Cooperative Learning Trust, the Cressex Community School subscribes to the ethical values of:

Figure 3.12: Ethical values of Cressex Community School

Source: Based on Cressex Community school, n.d. online.

In addition to the ethical values, the school has signed up to the cooperative values of:

Figure 3.13: Cooperative values of Cressex Community School



Source: Based on Cressex Community School, online.

In 2018, students at Cressex Community School made good overall progress and an above-average proportion of students gained a strong pass (grade 5) in English and mathematics, with Cressex students achieving 44% against the national average of 39.6% in the first year of the new “tougher” GCSE exams. This success extends to our disadvantaged students, i.e. those receiving the pupil premium, who celebrated exceptional progress in English and mathematics (Cressex Community School, n.d. online).

Voices of the UK’s social enterprise sector: perceptions of progress

Figure 3.14: CSH Surrey staff perceptions of being an employee-owned social enterprise organisation

This section captures some of the voices of the social enterprise sector in the UK which were collected from the staff (in different positions) of various host organisations visited as part of the study tour of the UK mutuals in September 2018. The participants responded to five main topics of: motivation; staff demotivation and challenges;

importance of the social mission; staff engagement in decision-making and operational aspects of their organisation; and recommendation of a potential job applicant to work at a social enterprise organisation[11].

Source: Flanagan 2018.[12]

Responses on the topic of "Motivation"

- *We were making so many cuts in the local authority we worked for that we needed to find a solution. We set up our own mutual social enterprise and now we are expanding rather than shrinking. We can spend the whole of our working hours concentrating on our clients rather than the wider council issues and our board only concentrates on Aspires issues and does not have to consider any wider organisational issues.*

- *What we do makes a difference in real terms to people's lives, it's not just marketing talk.*

- *To ensure we behave in a commercial manner as a social enterprise especially when dealing with organisations and patients in the areas that* [the organisation has been anonymised] *provides services*.

- *Its value.*

- *The freedom. The potential of career shift. I moved throughout [the organisation has been anonymised] so many times.*
- *We are part of the organisation as employees and I personally feel more unvalued with the company than if we worked for a corporate.*

- *Freedom to innovate, explore different ways to reach out; Not to be shackled by tradition; Cost efficiencies; Doing therapy well while investing in business no do more! S.E* [Social Enterprise] *works!! Being able to attract additional funding.*

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[11] See Appendix 2 for the questions asked.

[12] This image was provided as part of the presentation made by Mr. Flanagan (2018) at CSH Surrey. The image visualises the perceptions staff have of being an employee-owned social enterprise organisation.

Responses on the topic of "Staff demotivation and challenges"

- *The staff had worked for a local government office for many years so there was a sense of entitlement that came with that. The changes to culture are slow and sometimes hard-fought. We still have people who think they are entitled to an amount of sick leave each year. We also have a nervousness around as we are now partway through year four of a five-year contract. This can be de-motivating. Our deal with the council* [now Health Authority] *is also a de-motivator but we have tried to put this behind us and take pride in our work come what may. So far, we are winning.*

- *Not sure it's de-motivation but we have lots of sites all over the UK so it's therefore not possible to interact with others and I guess it would be great if staff could interact more. Practically though that would be difficult. It's important that staff know what a social enterprise is and what it means. We have a great champions programme that selects a few staff from each location. However, I feel this message of understanding what a SE is, what we are, should be rolled out much wider and be much stronger and be a headline in everything that we do, and communicated to staff in innovative ways not just through brochures and emails.*

- *Employees should always feel valued; this is not always easy, especially where part-time employees are not always available for it, in meetings etc and where an employee is taken for granted.*

- *Demanding at times on a small team, but is that the same anywhere?*

- *The risk of being an independent company, not being protected by NHS, the risk of failure, risk of losing*.

- *Short-term contracts.*

- *Change can be scary! Employees doing what they have always done, resistant and fearful of learning* [from] *an established organisation. Transition needs to be benchmarked so that employees can measure where the organisation used to be and where it stands now. Communication about the future is essential too*.

Responses on the topic of "Importance of the social mission"

- *We live every day by it and our values. The staff set the mission and values of our company and we recruit with this in mind so that we get the right people with the right values to give the people we support the best experience possible with our support.*

- *Very important.*

- *It is why I work here.*

- *Fairly important.*

- *Very important. I love the fact that I work for a non-profit organisation and all income is put back to community.*

- *Very, teamwork and community spirit should always be top of the agenda to change behaviours and make a difference.*

- *It's the foundation on which we are building our reputation; it reflects what I believe personally and professionally so it's important.*

Responses on the topic of “Staff engagement in decision-making and operational aspects of their organisation”

- *I would say this is true in the main. There will always be some naysayers. But for example, this week is our Christmas fair. Staff are staying late, crafting, decorating wrapping and creating a winter wonderland to ensure the event is spectacular. This would not have happened in the council. We have worked hard to get the balance right, creating a reward and recognition system that emphasises the fact that we value everyone in our organisation. You get out what you put in. The staff are our biggest asset. We treat them well so we can retain them. We pay them well, train them for free and reward them for good work. On the whole this creates a more engaged workforce.*

- *Don’t know that this is an accurate statement as operational divisions have very specific performance indicators that they have to adhere to which is often set by the contracting authority or contract type as well as regulating authorities in the transport industry, and we cannot change that. I would like to believe that our operational staff are consulted and feel engaged through the way their department operates to deliver those contracts to adhered industry standards.*

- *This is prevalent in the social enterprise, this will not happen automatically, especially if the company expands.*

- *It’s a good thing.*

- *I like being part of an enthusiastic people team. Teams are allowed to take a leadership position on them* [within the organisation].

- *It’s very true: this is a big part of CDS, we have our employee day and are constantly kept in touch with to update information and if we need more, who to contact.*

- *Engagement is a multifaceted approach;* [the organisation’s name is taken out] *employees are gaining confidence in expressing ideas and views…successes are evident.*

Responses on the topic of “Recommendation of a potential job applicant to work at a social enterprise organisation”

- *Massively: everyone who works for* [the organisation has been anonymised] *owns* [it] *so they care more. Our reputation belongs to everyone. Our staff can join our staff board and also sit as a full company director on the main board. We listen to their suggestions and act on them. They are doing the job day in day out. It makes sense to listen to what will help them do their job better. They have had a massive impact on the way we arrange our workforce. We work as a team.*

- *Very strongly: it makes a difference to me knowing that every day our company changes lives out there in the real world either by our staff helping users, our transport reducing social exclusion, our training programmes educating and empowering people, and our staff on the ground and behind the scenes which enables the organisation to tick over from finance to cleaning, to customer services to engineers to head office staff.*

- *That would depend on the organisation – I do not believe all social enterprises treat their employees the same.*

- *Not strongly, but would recommend.*
- *10/10*
- *I feel social enterprises are the way forward. As an employee you feel much more valued.*
- *Very strongly. A sound business model alongside a caring health service that puts clients and employees at the heart of all that we do, is a powerful position to be proud of. New employees have mentioned at interviews that they have been impressed to work for an organisation like* [the organisation has been anonymised].

Conclusion (Part 3)

There are numerous outstanding features within the UK's social enterprise sector which have contributed to the growth of the sector and eventually to its status as a world-leader in the field of social enterprise.

The social enterprise sector in the UK is based on the strong foundations of the co-operative movements of the nineteenth century, which after a historical decline has revived again in the last decade of the twentieth century when the social enterprise sector in the UK regained the general political support of successive UK governments, even though the level of support shown by each political party was not all at the same level. The importance of collaboration was soon realised as a vital element in the growth of the sector by the UK governments and involving various professionals and using their expertise has influenced public policy in the UK. The Nuttall review and Mutual task force and Mutual Ventures are some examples of the UK government's collaboration with professionals.

Even though having a supportive and willing government is vital for the social enterprise sector to initiate its growth, having a social enterprise-friendly context is not less important. A social enterprise-friendly context is where the legal system, taxation system, financial sector and research institutions of a country, each in their own way, accommodate the changes necessary and adjust their system to have that specific context/system ready for the social enterprise sector to progress. What has happened in the UK is a great example of how all of these systems have worked with the sector as well as together to prepare a practical context for mutuals and co-operatives to thrive. The following points bring together the outstanding features of the UK's social enterprise sector:

- Successive UK governments have shown some degree of interest in the social enterprise sector
- There has been an increase in the number of interested politicians in the sector and its performance
- There is a willingness of the UK government to involve professionals in the process of decision making
- The legal frame-work has been adjusted to accommodate the social enterprise sector where it has allowed the legal system to cope with the growth and dynamic of the sector
- Access to capital is also an area where the UK government, as well as private sector, have been trying to improve the social enterprise sector
- A highly motivated, informative and well-connected network of expertise
- A wealth of professional resources and well-informed professional bodies who are able to advise the government on the requirements of the sector and bring the policy closer to practice
- The sector has produced positive economic and social outcomes over the past decade or so
- Positive contributions of the social enterprise sector to the businesses, such as: less absentees, highly motivated staff, more room for innovations, etc.
- Flexibility and adaptability of the social enterprise's business models to accommodate most sectors of the economy, including sectors which have been challenging for the government to tackle (e.g. Social care and well-being).

- The social enterprise sector in the UK has contributed towards an inclusive and positive work environment where staff are considered as co-owners/partners rather than employees, creating the sense of belonging rather than just working for the organisation.

APPENDICES

Appendix 1: Articles of Association: Community Dental Services

Community Dental Services (UK) has kindly granted permission for their Articles of Association to be referenced in this paper.

Company number 7476618

THE COMPANIES ACT 2006

COMMUNITY INTEREST COMPANY LIMITED BY SHARES

Articles of Association

of

Community Dental Services CIC

(As adopted by special resolution passed on 27 June 2017)

The Companies Act 2006
COMMUNITY INTEREST COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION OF
COMMUNITY DENTAL SERVICES CIC

PART ONE: DEFINITIONS AND INTERPRETATION

1. DEFINITIONS

In these Articles the following terms shall have the following meanings:

"2004 Act"	the Companies (Audit, Investigations and Community Enterprise) Act 2004
"Address"	In relation to electronic communications, includes any number or address used for the purposes of such communications
"Articles"	The Company's Articles of Association
"Asset Locked Body"	A community interest company, Charity or Scottish Charity or a body established outside Great Britain that is equivalent to any of those persons
"Board"	The board of Directors of the Company
"Chair"	The person appointed under article 19
"Charity"	the meaning given by Section 96 of the Charities Act 1993
"Clear days"	In relation to the period of a notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect
"Committee"	A body which has been delegated functions by the Board
"Companies Act"	the Companies Act 2006
"Company"	Community Dental Services CIC
"Designated Post"	The senior post holders in the Company as follows: (a) Chief Executive (b) Clinical Director (c) Finance Director
"Designated Post Director"	A Director who is an employee of the Company and is appointed under article 21.1
"Director"	A Director of the Company, including any person occupying the position of Director, by whatever name called
"Electronic communication"	The meaning given in the Electronic Communications Act 2000
"GDC registered"	Means registered as either a registered dental care professional or a registered dentist
"Holder"	In relation to any Shares, the Shareholder whose name is entered in the Company's register of members as the holder of those Shares
"In writing"	Written printed or transmitted writing including by electronic communication
"majority decision"	includes a unanimous decision
"Memorandum"	The Company's Memorandum of Association

"Model Articles"	The model articles for private companies limited by shares as set out at Schedule l to The Companies (Model Articles) Regulations 2008 (SI 2008/3229)
"Non-Executive Director"	A Director who is not an employee of the Company
"non-GDC registered"	Means not registered as either a registered dental care professional or a registered dentist
"PDS Contract Eligibility Criteria"	Means, in relation to an individual, someone who is: (a) permitted to be the owner of shares in a company which is: (i) a qualifying body for the purposes of the National Health Service Act 2006 in relation to arrangements to provide primary dental services, or (ii) otherwise a person with whom a personal dental services agreement may be made, and (b) who satisfies any other criteria that relate to the ownership of shares which may be imposed (whether pursuant to the National Health Service (Personal Dental Services Agreements) Regulations 2005 or otherwise) under or in consequence of any personal dental services agreement entered into by the Company from time to time
"Registered dental care professional"	the meaning given in the Dentists Act 1984
"registered dentist"	the meaning given in the Dentists Act 1984
"Shares"	the 1999 Ordinary Redeemable Shares of £I each and the one Subscriber Share of £1 in the Company
"Regulations"	the Community Interest Company Regulations 2005
"Regulator"	the Regulator of Community Interest Companies
"Relevant quorum"	the meaning given in article 18
"Remuneration"	any reasonable payment or benefit received, or to be received, by a Director or employee of the Company in consideration for that Director's or employee's services to the Company, and any arrangement in connection with the Payment of a pension, allowance or gratuity to or in respect of any person who is to be, is, or has been a Director or employee of the Company or any of its predecessors in business
"Secretary"	the individual appointed as company secretary under these Articles
"Shareholders"	the members of the Company
"Staff'	employees of the Company
"Subscriber Share "	the share subscribed by the subscriber to the Memorandum on the Incorporation of the Company (as held by the subscriber or any subsequent transferee)
"Subscriber Share holder"	the holder for the time being of the Subscriber Share.

2. INTERPRETATION

2.1. Unless the context requires otherwise, words or expressions defined in:

(a) the Companies Act;

(b) the 2004 Act; or

(c) the Regulations;

Have the same meaning in the Articles.

"Model Articles"	The model articles for private companies limited by shares as set out at Schedule l to The Companies (Model Articles) Regulations 2008 (SI 2008/3229)
"Non-Executive Director"	A Director who is not an employee of the Company
"non-GDC registered"	Means not registered as either a registered dental care professional or a registered dentist
"PDS Contract Eligibility Criteria"	Means, in relation to an individual, someone who is: (a) permitted to be the owner of shares in a company which is: (i) a qualifying body for the purposes of the National Health Service Act 2006 in relation to arrangements to provide primary dental services, or (ii) otherwise a person with whom a personal dental services agreement may be made, and (b) who satisfies any other criteria that relate to the ownership of shares which may be imposed (whether pursuant to the National Health Service (Personal Dental Services Agreements) Regulations 2005 or otherwise) under or in consequence of any personal dental services agreement entered into by the Company from time to time
"Registered dental care professional"	the meaning given in the Dentists Act 1984
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"Shares"	the 1999 Ordinary Redeemable Shares of £I each and the one Subscriber Share of £1 in the Company
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"Relevant quorum"	the meaning given in article 18
"Remuneration"	any reasonable payment or benefit received, or to be received, by a Director or employee of the Company in consideration for that Director's or employee's services to the Company, and any arrangement in connection with the Payment of a pension, allowance or gratuity to or in respect of any person who is to be, is, or has been a Director or employee of the Company or any of its predecessors in business
"Secretary"	the individual appointed as company secretary under these Articles
"Shareholders"	the members of the Company
"Staff'	employees of the Company
"Subscriber Share "	the share subscribed by the subscriber to the Memorandum on the Incorporation of the Company (as held by the subscriber or any subsequent transferee)
"Subscriber Share holder"	the holder for the time being of the Subscriber Share.

2. INTERPRETATION

2.1. Unless the context requires otherwise, words or expressions defined in:

(a) the Companies Act;

(b) the 2004 Act; or

(c) the Regulations;

Have the same meaning in the Articles.

2.2. Without prejudice to the generality of article 2.1:

(a) "community" is to be construed in accordance with section 35 of the 2004 Act and Part 2 of the Regulations;

(b) "financial year" has the meaning given in section 390 of the Companies Act; and

(c) "Transfer" includes every description of disposition, payment, release or distribution and the creation or extinction of an estate or interest in, or right over, any property.

2.3. Unless the context requires otherwise, all references to legislative provisions are to the legislation concerned as amended, repealed, re-enacted or replaced and in force from time to time.

2.4. Unless the context requires otherwise, words in the singular include the plural and words in the plural include the singular.

2.5. All headings and explanatory notes are included for convenience only: they do not form part of the Articles, and shall not be used in the interpretation of the Articles.

3. MODEL ARTICLES

The Model Articles shall not apply to the Company.

PART TWO: COMMUNITY INTEREST COMPANY

4. COMMUNITY INTEREST COMPANY

The Company is to be a community interest company.

5. NAME

The Company's name is 'Community Dental Services CIC'.

6. REGISTERED OFFICE

The Company's registered office will be in England and Wales.

PART THREE: ASSET LOCK

7. TRANSFER OF ASSETS

7. I. The Company shall not transfer any of its assets other than for full consideration.

7.2. Provided that the transfer of assets complies with any restrictions on the transfer of assets for less than full consideration which may be set out elsewhere in the Memorandum or Articles, and that the transfer of assets does not exceed any limit imposed by, or by virtue of, Part 2 of the 2004 Act, article 7.1 shall not apply to:

(a) the transfer of assets to any Asset Locked Body specified in the Memorandum or Articles for the purposes of this article or (with the consent of the Regulator) to any other Asset Locked Body;

(b) the transfer of assets made for the benefit of the community other than by way of a transfer of assets to an Asset Locked Body;

(c) the payment of dividends in respect of shares in the Company;

(d) the distribution of assets on a winding up;

(e) payments on the redemption or purchase of the Company's own shares;

(f) payments on the reduction of share capital; and

(g) The extinguishing or reduction of the liability of Shareholders in respect of share capital not paid up on the reduction of share capital.

7.3. If the Company is wound up under the Insolvency Act 1986 and all its liabilities have been satisfied, then any remaining residual assets shall be given or transferred to any Asset Locked Body approved by the Regulator.

PART FOUR: OBJECTS, POWERS AND LIMITATION OF LIABILITY

8. OBJECTS

The Company's objects are to carry on activities which benefit the community and in particular (without limitation):

(a) to provide dental treatment and other dental and health services;

(b) to pursue any charitable purpose or purposes relating to the National Health Service;

(c) to promote improved oral health care;

(d) To promote and improve for the public benefit economic and social well-being where the Company operates.

9. POWERS

The Company has the power to do anything which is incidental or conducive to the furtherance of its objects.

10. LIMITED LIABILITY

The liability of the Shareholders is limited.

PART FIVE: BOARD'S FUNCTIONS

11. BOARD'S GENERAL AUTHORITY TO MANAGE THE COMPANY

11.1. The Board shall manage the Company's business and exercise all the powers of the Company for any purpose connected with the Company's business.

11.2. Except for temporary vacancies, the Board shall comprise of:

(a) the Designated Post Directors;

(b) the Chair, and

(c) Such other Directors as are at least equal in number to the number of Designated Post Directors.

1 1.3. The Board shall not without having first obtained the consent of the Shareholders by the passing of

an ordinary resolution at a general meeting of the Company;

(a) take any action to wind up, liquidate or dissolve the Company or any subsidiary of the Company; or

(b) dispose of all or any controlling interest in any business or undertaking of the Company or in any assets associated therewith; or

(c) alter the share capital structure.

11.4. The Board shall ensure each of the Designated Posts is filled by an individual who is willing to serve as a Director and that at least one of such individuals satisfies the PDS Contract Eligibility Criteria.

12. BOARD'S GENERAL AUTHORITY TO DELEGATE FUNCTIONS

12.1. Subject to the Company's objects and Articles, the Board may delegate any of its functions to any person they think fit.

12.2. The Board must not delegate to any person who is not a Director any decision required of the Board connected with the declaration of a dividend.

13. COMMITTEES

13.1. The Board may establish Committees to carry out designated functions.

13.2. Any Committee established by the Board must have at least three members one of whom must be a Director.

13.3. The terms of delegation to a Committee must be recorded in writing. The Board may impose conditions when delegating and may revoke or alter a delegation.

13.4. All Committee decisions and acts must be formally minuted and fully and promptly reported to the Board.

PART SIX: BOARD AND COMMITTEES' DECISION-MAKING

14. THE BOARD AND COMMITTEES

14.1. Any decision which the Board or a Committee takes must be taken at a properly constituted meeting and must be by a majority decision. Board majority decisions shall be made incorporating the votes of all Directors including the Non-Executive Directors and the Designated Post Directors.

14.2. In case of an equality of votes the Chair of the Board or the chair of the relevant Committee shall have a second or casting vote.

14.3. No Director of the Company who is absent from a Board or Committee meeting can vote or nominate an alternate.

14.4. If ever applicable, a Director who is an alternate director shall be entitled in the absence of his appointer to a separate vote on behalf of his appointer in addition to his own vote.

14.5. Except as provided by the preceding articles, in all proceedings of the Board each Director must not have more than one vote.

15. MEETINGS OF THE BOARD

15.1. Any Director may call a meeting of the Board through the Secretary in writing stating the reason for the meeting.

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15.2. Every Director must be given reasonable notice of a meeting of the Board.

16. CONFLICTS OF INTEREST

16.1. In this article, a "relevant interest" is any interest which a Director has in, or any duty which a Director owes to a person other than the Company in respect of an actual or proposed transaction or arrangement with the Company.

16.2. For the purposes of article 16.1, a Director shall be deemed to have an interest in a transaction or arrangement if:

(a) the Director or any partner or other close relative of the Director has an actual or potential financial interest in that transaction or arrangement;

(b) any person specified in article 16.2(a) is a partner in a firm or limited partnership, or a director of or a substantial shareholder in any company, which has an actual or potential commercial interest in that transaction or arrangement; or

(c) Any other person who is deemed to be connected with that Director for the purposes of section 252 of the Companies Act has a personal interest in that transaction or arrangement.

16.3. Subject to article 16.7 a Director who has a relevant interest must disclose the nature and extent of that interest to the other Directors.

16.4. Subject to articles 16.5 and 16.6, when the Board take a majority decision on any matter relating to a transaction or arrangement in which a Director has a relevant interest:

(a) no Director who has such a relevant interest may vote on that matter; and

(b) For the purposes of determining whether a relevant quorum is present, or whether a majority decision has been taken in relation to that matter, such a Director's participation in the decision-making process shall be ignored.

16.5. Article 16.4 does not apply;

(a) if the Director's interest cannot reasonably be regarded as giving rise to any real possibility of a conflict between the interests of the Director and the Company;

(b) if the Director's interest only arises because the Director has given, or has been given, a guarantee, security or indemnity in respect of an obligation incurred by or on behalf of the Company or any of its subsidiaries; or

(c) in connection with the preparation for and the approval and implementation of the TUPE transfer.

16.6. Subject to the Companies Act, if a Director complies with article 16.3:

(a) that Director:

(i) may be a party to, or otherwise interested in, the transaction or arrangement in which that Director has a relevant interest; and

(i) shall not, by reason of being a Director, be accountable to the Company for any benefit derived from that transaction or arrangement; and

(b) The transaction or arrangement in which that Director has a relevant interest shall not be liable to be treated as void as a result of that interest.

16.7. For the purposes of article 16.3:

(a) a general notice given to the Board that a Director is to be regarded as having a specified interest in any transaction or arrangement shall be deemed to be a disclosure that the Director has an interest in any such transaction or arrangement of the nature and extent so specified; and

(b) any interest of which a Director has no knowledge, and could not reasonably be expected to have knowledge, shall be disregarded.

17. RECORDS TO BE KEPT

17.1. The Board is responsible for ensuring that the Company keeps a record, in writing, of:

(a) every decision taken by the Board or any Committee; and

(b) Every declaration by a Director of an interest in an actual or proposed transaction with the Company.

17.2. Any record kept under article 17.1 must be kept:

(a) for at least ten years from the date of the decision or declaration recorded in it;

(b) together with other such records; and

(c) In such a way that it is easy to distinguish such records from the Company's other records.

18. SPECIFIED NUMBERS FOR DECISION-MAKING BY THE BOARD AND COMMITTEES

18.1. For the purposes of being properly constituted and all decision-making the Board must contain a majority of GDC Registered Directors. Both Non Executive Directors and Designated Post Directors, who are GDC Registered, shall count as part of the calculations in determining that the Board has been properly constituted.

18.2. For a quorum for Board meetings to exist a minimum of two Designated Post Directors must be present and the provisions of article 18.1 must be satisfied.

18.3. Questions arising at a Directors Meeting shall be decided by a majority of votes.

18.4. In all proceedings of Directors each Director must not have more than one vote.

18.5. For the purposes of decision-making by Committees a quorum shall consist of three members one of whom must be a Director.

19. CHAIRING OF BOARD MEETINGS

19.1. The Board shall appoint a Non-Executive Director to act as the Chair of the Board.

19.2 The tenure of office for the Chair shall be an initial term of three years following which the term may be extended by the Board for further 3 year' terms provided that the Board considers that it is in the Company's best interests to extend for a further period or periods, the appointee accepts any such extension(s) and during any period of extension there is an annual review and assessment of the Chair's skills, together with feedback from the Chair to confirm his/her continued suitability for the role.

19.3 The Board may terminate an appointment made under article 19.1 or any extension made under article 19.2 during the tenure of office of the appointee, in the event that following any annual review and assessment (or at any other time) the Board determines at a Board meeting by a majority decision that the appointees skills are no longer a good fit or an appropriate fit for the Company or for the role.

PART SEVEN: DIRECTORS' APPOINTMENTS AND TERMS OF SERVICE

20. ELIGIBILITY TO BE A DIRECTOR

20.1. A Designated Post Director must be employed by or otherwise work for the Company in a Designated Post.

20.2. A Director other than a Designated Post Director or the Chair must be appointed through a process determined under article 21.

21. METHODS OF APPOINTING DIRECTORS

21.1. The Board shall appoint each holder of a Designated Post as a Director (unless such person is suspended from their normal duties).

21.2. The Directors other than the Designated Post Directors and Chair shall be elected or otherwise appointed under a procedure or procedures, and in accordance with a policy for the composition of such Directors, as approved by the Board that ensures;

(a) that a proportion of such Directors are elected by and from staff;

(b) that the views of service users are communicated appropriately to the Board through the Directors; and

(c) the Board has the appropriate range of skills and experience;

Provided that at all times a majority of the Directors must be persons who are GDC registered.

21.3 The tenure of office for Directors other than Designated Post Directors shall be an initial term of three years following which the term may be extended by the Board for further 3 year' terms provided that the Board considers that it is in the Company's best interests to extend for a further period or periods, the appointee accepts any such extension(s) and during any period of extension there is an annual review and assessment of the Directors skills, together with feedback from the Director to confirm his/her continued suitability for the role.

21.4 The Board may terminate an appointment or any extension thereof made under this article 21 during the tenure of office of the appointee, in the event that following any annual review and assessment (or at any other time) the Board determines at a Board meeting by a majority decision that the appointees skills are no longer a good fit or an appropriate fit for the Company or for the role.

21.5 No powers to appoint Directors may be given to persons who are not Shareholders or existing Board members.

22. TERMINATION OF DIRECTORS' APPOINTMENTS

22.1. A person ceases to be a Director immediately:

(a) if:

(i) that person ceases to be a Director by virtue of any provision of the Companies Act,

(i) he would otherwise commit an offence under section 43(2) of the Dentists Act 1984 by continuing as a Director,

(i) he is prohibited by law from being a Director; or

(iv) he would otherwise cause the termination of any personal dental services agreement entered into by the Company by continuing as a Director.

(b) If any notification to the Company that that person is resigning or retiring from office as Director takes effect (except that where such resignation or retirement would otherwise lead to the Company having fewer than four Directors, it shall not take effect until sufficient replacement Directors have been appointed); or

(c) If that person has tenure of office, it comes to an end and they have not been re-elected or re-appointed.

22.2. A Designated Post Director ceases to be a Director:

(a) when they retire or otherwise cease employment with or otherwise cease work with the Company in their Designated Post, or

(b) If suspended from the normal duties of their Designated Post.

22.3. If a Director has tenure of office the Board may terminate a Director's appointment during the course of the tenure of office by way of a majority decision.

22.4. No powers to remove Directors may be given to persons who are not Shareholders or Directors which immediately after their exercise could result in either:

(a) the majority of the remaining Directors having been appointed by persons who are not Shareholders; or

(b) the number of Directors removed during the financial year of the Company by persons who are not Shareholders exceeding the number of the remaining Directors,

But this shall not prevent a Director from appointing, or subsequently removing, an alternate director, if permitted to do so by the Articles.

23. DIRECTORS' REMUNERATION, EXPENSES AND OTHER TERMS OF SERVICE

23.1. Subject to the Companies Act, the Articles, and the Company satisfying the community interest test, the Board may decide the tenure (including as to remuneration) on which a Director is to perform Board functions, or otherwise perform any service for the Company or any of its subsidiaries.

23.2. The Company may meet all reasonable expenses which the Directors properly incur in connection with:

(a) the exercise of their functions; or

(b) The performance of any other duty which they owe to, or service which they perfoml for, the Company.

PART EIGHT: SHARES

24. SHARE CAPITAL

24.1. The Company's share capital is £2,000 comprising 1,999 Ordinary Redeemable Shares of £1 each and one Subscriber Share of £ 1.

24.2. The Board shall offer one Share to each employee of the Company subject to the TUPE transfer (other than the Subscriber Share holder) and to every other employee of the Company after they have completed one year's service with the Company. The Board may offer Shares to employees with less than one year's service.

24.3. If an employee of the Company accepts an offer made in accordance with article 24.12 then the Board shall be authorised to exercise the power of the Company to allot such Shares to such employee of the Company subject to the tens of these Articles. Section 561(1) of the Companies Act shall not apply to such allotments of such Shares. The Executive may not allot Shares if the effect of such allotment would be that the issued and allotted share capital of the Company would exceed £2,000. The authority conferred on the Board shall expire on the day preceding the fifth anniversary of the date of adoption of these Articles. The Company may in general meeting grant an additional authority to the Board to allot Shares, in which case such additional authority shall expire on the day (if any) specified in such authorisation or if earlier the day preceding the fifth anniversary of the date on which such authorisation is given.

24.4. If any Shareholder (other than the Subscriber Share holder) ceases to be an employee of the Company then the Company shall by notice in writing redeem the Share held by that Shareholder at nominal value within 90 days of the cessation of employment.

24.5. If any Shareholder does not meet or ceases to meet the PDS Contract Eligibility Criteria (at a time when the PDS Contract Eligibility Criteria must be met by such Shareholder if the Company is to enter into or continue to be party to a personal dental services agreement) then the Company and the Shareholder shall be deemed to have done everything required to redeem the Shareholder's Share such that with effect from that time the Shareholder's Share shall be redeemed and cancelled without any payment.

24.6. The Board may also redeem and cancel:

(a) any Share with the written agreement of the relevant Shareholder,

(b) any Share as necessary to prevent any Shareholder holding more than one Share; or

(c) any Share registered in error;

And in any such case at nominal value per Share.

On the redemption date the relevant Shareholder (or if the relevant Share was registered in error such person as the Board decides) shall receive or be sent any amount payable on the redemption of such Shareholder's Share. At that point the relevant Share shall be redeemed and cancelled and the relevant Shareholder shall surrender to the Company any certificate which they hold for their Share.

24.7. The right for the Company to redeem any Shares under this Article shall not apply to the Subscriber Share.

24.8. If redemption may not take place as a matter of law at any time set out above it may or shall, as the case may be, take place at the earliest available opportunity.

24.9. Upon allotment, all Shares shall be fully paid up in respect of their nominal value.

24.10. No Share shall be issued at a price greater than its nominal value.

25. SHARE CERTIFICIATES

The Company will issue a certificate for Shares in such form as the Board decide.

26. TRANSFER OF SHARES

26.1. The Subscriber Share (or any other share that cannot at any time for any reason be redeemed) may be transferred by means of an instrument of transfer in a form permitted by law.

26.2. The Board may refuse to register the transfer of a Share:

(a) to a person of whom they do not approve;

(b) if it is not lodged at the registered office of the Company or such other place as the Board may appoint; or

(c) if it is not accompanied by:

(i) such evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and

(i) Such other information as they may reasonably require.

26.3. If the Board refuses to register a transfer of a Share they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

26.4. The provisions of this article apply in addition to any restrictions on the transfer of a Share which may be set out elsewhere in the Memorandum or Articles.

26.5. Any Share held by any Shareholder shall be personal to that Shareholder and no assignment, transfer, sale, charge, pledge or other dealing with the legal or beneficial rights or interests in connection with such Share may be made except as provided in this article and it shall be a condition of holding such Share that a Shareholder undertakes with the Company not to assign, transfer, sell, charge, pledge or otherwise deal with the legal or beneficial rights or interests in connection with such Share except pursuant to this article and any breach of such undertaking shall give the Company the right to redeem such Share (other than the Subscriber Share) in accordance with the provisions of these Articles as if the Shareholder had ceased to be an employee of the Company on the date of such breach.

26.6. The Subscriber Share may only be held by a Designated Post Director who meets the PDS Contract Eligibility Criteria and shall, if the holder ceases to be such a Designated Post Director, be transferred immediately to the successor to his or her Designated Post (if applicable) or to another Designated Post Director who meets the PDS Contract Eligibility Criteria as selected by the Board and the Subscriber Share holder appoints any Director or the Secretary to act as his agent and attorney to execute and sign any documents necessary to facilitate such transfer.

26.7. An Ordinary Redeemable Share may only be transferred to a transferee who is an employee of the Company.

27. PURCHASE OF OWN SHARES

Subject to the Companies Act and these Articles, the Company may purchase its own shares (including any redeemable shares) and may make a payment in respect of the redemption or purchase of its own shares otherwise than out of distributable profits of the Company or the proceeds of a fresh issue of shares. Any share so purchased shall be purchased at its nominal value.

28. ALTERATION OF CAPITAL

Subject to the Companies Act the Company may make an alteration to its share capital following approval by special resolution at a general meeting.

PART NINE: DIVIDENDS

29. PROCEDURE FOR DECLARING DIVIDENDS

Subject to the Companies Act, the 2004 Act, the Regulations and the Articles, the Board may decide to declare and pay such dividends to Shareholders as authorised by an ordinary resolution of the Shareholder.

30. PAYMENT OF DIVIDENDS

The Company shall (and each Shareholder agrees the Company may) pay any dividend or other money payable by it in respect of a Share through the Company's payroll.

PART TEN: GENERAL MEETINGS (MEETINGS OF SHAREHOLDERS)

31. ANNUAL GENERAL MEETING

The Company shall hold an annual general meeting within 18 months of the Company's date of incorporation and thereafter if determined by the Board in its sole discretion that an annual general meeting is desired or necessary.

32. OTHER GENERAL MEETINGS

The Board may decide to call a general meeting at any

time. 33. NOTICE

33.1. Notice of general meetings shall be given to every Shareholder, the Board and the Company's auditors.

33.2. All general meetings shall be called by at least 21 clear days' notice in writing.

33.3. Every notice calling a general meeting shall specify:

(a) the place, date and time of the meeting;

(b) the general nature of the business to be transacted;

(c) the text of any resolutions to be proposed at the meeting;

(d) that the Shareholder may vote on any resolutions to be proposed at the meeting using postal voting; and

(e) The opinion of the Board in relation to all resolutions to be proposed at the meeting, including whether the Board considers that it would be beneficial for the Company for Shareholders to vote in favour of or against such resolutions.

33.4. In the case of an annual general meeting, the notice shall specify that the meeting is an annual general meeting.

33.5. Every notice calling a general meeting shall have enclosed with it a voting paper (in a form to be determined by the Board) so that Shareholders may vote by post on any resolutions to be proposed at the meeting.

34. QUORUM

34.1. No business shall be transacted at any meeting unless a quorum is present.

34.2. The quorum shall be:

(a) 1% of the Shareholders for ordinary AGM business; and

(b) 10% of the Shareholders for any other business at a general meeting **provided that** the majority of such Shareholders are GDC registered.

If a quorum is not present within half an hour, the meeting shall stand adjourned for a minimum of seven days until such time as the Board determine.

35. CONDUCT OF BUSINESS -GENERAL

35.1. The Chair shall preside as the chair of the general meeting. In the Chair's absence, the Shareholders shall appoint some other Director, or (if no Director willing to preside is present) Shareholder to preside.

35.2. The chair may adjourn the meeting to a different time and/or place.

35.3. No business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place.

35.4. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice.

35.5. Except as required by law, all decisions of the Shareholders at a general meeting shall be made by ordinary resolution.

36. VOTING PROCEDURES

36.1. Subject to the Articles, a resolution put to the vote of a meeting shall be decided by taking into account votes cast on a show of hands by members present at the meeting and votes cast by postal vote. For the avoidance of doubt, a Shareholder may either cast a vote on a show of hands at the meeting or cast a vote by postal vote, but not both.Every holder of a Share shall have one vote.

36.2. A resolution other than on ordinary AGM business shall be invalid unless at least 60% of Shareholders have cast a vote on it, whether such votes are cast in person or by post.

36.3. The chair will declare that a resolution has been:

(a) carried;

(b) carried unanimously, or by a pa1iicular majority;

(c) lost; or

(d) not carried by a particular majority

And an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

36.4. In the case of an equality of votes, the chair shall have a second or casting vote.

36.5. A person who is not a Shareholder shall not have any right to vote at a general meeting of the Company (except as the proxy or duly authorised representative of a Shareholder) but this is without prejudice to any right to vote on a resolution affecting the rights attached to a class of the Company's debentures.

37. MINUTES

37.1. The Board shall cause minutes to be made and kept, in writing, of all proceedings at general meetings of the Company.

37.2. Any such minute, if purported to be signed by the chair of the meeting, or by the chair of the next succeeding general meeting, shall be sufficient evidence of the proceedings.

PART ELEVEN: MISCELLANEOUS

38. COMPANY SECRETARY

38.1. Subject to the provisions of the Companies Act, the Board may decide to appoint an individual to act as Secretary for such term and at such remuneration and upon such other conditions as they may think fit.

38.2. The Board may decide to remove a person from the office of Secretary at any time.

39. COMPANY SEAL

39.1. This article applies if the Company has a seal (the "common seal").

39.2. The common seal shall only be applied to a document if its use on that document has been authorised by a decision of the Board.

39.3. If the common seal is applied to a document, the document shall be:

(a) signed by an authorised person; and
(b) Countersigned by another authorised person.

39.4. For the purposes of this article, an authorised person is:

(a) any Director;

(b) the Secretary; or

(c) Any person authorised by the Board for the purpose of signing and countersigning documents to which the common seal is applied.

40. ACCOUNTS AND REPORTS

40.1. The Board shall comply with the requirements of the Companies Act and any other applicable law as to keeping financial records, the audit or examination of accounts and the preparation and transmission to the Registrar of Companies of annual reports and accounts.

40.2. The Company may in general meeting impose reasonable restrictions as to the time at which and the manner in which the statutory books and accounting records of the Company may be inspected by Shareholders. Subject to this, the Company's statutory books and accounting records shall be open to inspection by the Shareholders during usual business hours.

41. NOTICES

41.1. Except where the Articles provide otherwise, any notice to be given to or by any person under the Articles shall be in writing to an address for the time being notified for that purpose to the person giving the notice.

41.2. The Company may give any notice to any person under the Articles:

(a) in person;

(b) by sending it by post in a prepaid envelope addressed to that person at that person's registered address, or by leaving **it** at that address;

(c) by fax or by electronic communication to an address provided for that purpose; or

(d) By posting it on a website, where the recipient has been notified of such posting in a manner agreed by that person.

41.3. A person present at any meeting shall be deemed to have received notice of the meeting and, where requisite, of the purpose for which it was called.

41.4. Proof that:

(a) an envelope containing a notice was properly addressed, prepaid and posted; or

(b) That an electronic communication or fax has been transmitted to the correct address or number shall be conclusive evidence that the notice was given.

41.5. A notice shall, unless the contrary is proved, be deemed to be given:

(a) at the expiration of 48 hours after the envelope containing it was posted; or

(b) In the case of a notice contained in an electronic communication or fax, at the expiration of 48 hours after the time it was transmitted.

42 INDEMNITY

42.1 Subject to the Companies Act, a Director shall be indemnified out of the Company's assets against any expenses which that Director incurs:

(a) in defending civil proceedings in relation to the affairs of the Company (unless judgment is given against the Director and the judgment is final);

(b) in defending criminal proceedings in relation to the affairs of the Company (unless the Director is convicted and the conviction is final);

(c) in connection with any application for relief from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company (unless the Court refused to grant the Director relief, and the refusal is final).

42.2. Judgment, conviction or refusal of relief becomes final if the period for bringing an appeal or any further appeal has ended and any appeal brought is determined, abandoned or otherwise ceases to have effect.

42.3. This article is without prejudice to any other indemnity to which a Director may be entitled

Source: Community Dental Services.

Appendix 2: Questions asked from staff of the host organisations

1) What motivates you the most to work for a social enterprise organisation?

2) What are the staff demotivation factors? Are you able to identify any possible challenges?

3) How important is your organisation’s social mission to you?

4) What is your opinion on “staff at social enterprise organisations are more engaged in decision making and operational side of their organisation”?

5) How strongly would you recommend employment at a social enterprise organisation to a potential job applicant?

Source: Questionnaire written by the author.

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