

Social Enterprise: A Charter for Cheshire and Warrington

This Charter aims to promote and develop co-operation between the statutory and other agencies in Cheshire and Warrington and the Cheshire and Warrington Social Enterprise Partnership.

The purpose of this charter is to gain agreement and commitment to the key principles detailed at the end of this document.

1. Introduction

Social enterprises have the dual objectives of income generation from business activities, and of providing social benefit. They therefore face the challenge of managing and reconciling these two, often opposing, objectives.

In its national strategy for social enterprise¹, the Department of Trade and Industry defines a social enterprise as;

‘.. a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the needs to maximise profit for shareholders and owners’

Support to social enterprises therefore needs to be drawn together from mainstream business support agencies and from social economy organisations that can offer support and guidance on issues particular to social enterprise.

The social economy has never faced more favourable opportunities for growth. All sections of government are looking to the sector to increase its ability to deliver public services. They want to do this by combining the skills and experience of the voluntary sector with business acumen and entrepreneurial behaviour. They also want the sector to increase its ability to trade and particularly to win public service contracts.

A number of national and regional policy frameworks and reports have informed the social enterprise activity in Cheshire and Warrington:

The DTI Social Enterprise Strategy sees social enterprise as a key conduit in helping achieve government objectives. This was strengthened by the Cross Cutting review work undertaken by the Treasury in 2002 which recognised that charities and social enterprises are already deeply involved in public service delivery. The review invited social economy organisations to take a

¹ Social Enterprise – a strategy for success - 2002

larger share of public service delivery because 'at its best the sector demonstrates specialist knowledge of the groups that use their services'.

2. Social Enterprise Explained

There is extensive debate about what constitutes a 'social enterprise' and the 'social economy'. The term 'social economy' is often used to encompass everything that sits outside the traditional private and public sectors, that is, incorporating all voluntary/community sector activity. The focus of this strategy however is primarily on the wealth-generating end of the social economy spectrum and the development of 'social enterprises' although in a European context the two terms are often interchangeable.

Social Enterprises have three common characteristics:

1. **Enterprise oriented:** They are directly involved in the production of goods and the provision of services to a market. They seek to be viable trading concerns, making a surplus from trading.
2. **Social Aims:** They have explicit social aims such as job creation, training and provision of local services. They have ethical values including commitment to local capacity building. They are accountable to their members and the wider community for their social, environmental and economic impact.
3. **Social Ownership:** They are autonomous organisations with a governance and ownership structure based on participation by stakeholder groups (users or clients, local community groups, etc) or by trustees. Profits are distributed as profit sharing to stakeholders or used for the benefit of the community.

Applying tests

These tests have been developed to provide a framework by which to judge whether an enterprise complies with the general criteria specified above;

1. Enterprise Orientation

- Most recent audited accounts or business plan showing receipt of earned income through contract delivery, sale of goods or services.

2. Social Aims

- Statement of social aims and objectives in the governing document of the organisation (memorandum and articles of association, trust deed).
- Proof of activities or delivery of services to fulfil a social aim (Annual Report or Social Audit).

- Statement in the governing document that the enterprise's assets are held in trust for the constituency or community it serves and not to be sold off or distributed to workers, directors, members or other groups of stakeholders.

3. *Social Ownership*

- A democratic structure of governance shown in the governing document of the organisation which demonstrates independence and determines that the majority of seats on the governing body rests with representatives elected from the community of interest, geographical community, consumers of the organisations services or client groups.
- Accountability to the membership and to the wider community demonstrated by accounting for the organisations activities
- A statement in the governing document preventing distribution of profits to members of the governing body other than any distribution of profits to which they would in any case be entitled as an ordinary member of the social enterprise, (other than as a payment for work done for the organisation or for out of pocket expenses).

(these Tests have been adopted by each of the five North West sub-regions (Cheshire and Warrington, Cumbria, Lancashire, Gtr Manchester, and Merseyside)).

3. **In Summary**

Social Enterprises are increasingly vehicles for achieving broader regeneration objectives and reveal themselves in a variety of forms, which include: employee owned businesses creating jobs and rescuing jobs as part of economic development strategies; credit unions providing access to finance; co-operatives: development trusts – enterprises created by communities to bring wealth and improvements to their area; social firms providing employment and training to people with disabilities and other disadvantaged groups; intermediate labour market organisations (or transitional employment mechanisms) providing training and work experience for the long-term unemployed; community business: community enterprises which have a strong geographical definition and focus on local markets and local services and Charities' trading arms: enabling charities to meet their objectives in innovative ways, such as Fair Trade companies.

Social enterprises operate sustainably in the medium and long term, living off earned income and reinvesting surpluses to meet social or environmental objectives. Despite many of the support needs of a social enterprise being similar to those of 'conventional SMEs', a consequence of social enterprise operating in areas of market failure is that an additional set of interventions are needed that allow social enterprise to reach this level of sustainability; be that business support, workforce development or creative financial packages.

THE CHARTER

As organisations operating in Cheshire and Warrington we agree to;

- Recognise Social Enterprise as a distinct way of doing business.
- Help Social Enterprises support and encourage prosperous, diverse, and inclusive communities.
- Support the enablement of Social Enterprises to compete fairly in the procurement arena by helping to raise their capacity and undertaking effective lobbying of the appropriate bodies to ensure procurement strategies recognise the added value of Social Enterprise.
- Ensure training courses for Social Enterprise managers are widely promoted and actively seek to ensure parity in training and pay conditions.
- Ensure comprehensive agreement on a definition of Social Enterprise in the sub-region based on ownership, maximum opportunity for community participation, and democratic principles.
- Work with mainstream banks and commercial finance to ensure social enterprises are able to access mainstream sources of finance.
- Work with the Northwest Regional Development Agency and the Cheshire and Warrington Economic Alliance to ensure that all Social Enterprises are able to access high quality business support.
- Recognise that not all parts of the community and voluntary sector will be able or desire to become enterprising but respect their value and impact in providing high quality services.
- Ensure Social Enterprise is included in a broader approach to entrepreneurship in the school curriculum.