

DUNDEE CITY COUNCIL

REPORT TO: POLICY AND RESOURCES COMMITTEE - 26 NOVEMBER 2012

**REPORT ON: CHANGING FOR THE FUTURE IMPROVEMENT PROJECT 42:
DEVELOPMENT OF SOCIAL ENTERPRISE IN DUNDEE**

REPORT BY: DIRECTOR, LEISURE AND COMMUNITIES

REPORT NO.: 440-2012

1. PURPOSE OF REPORT

- 1.1 This report summarises the outcome of work done to date to investigate how Dundee City Council could enhance its support or the future development of social enterprises in Dundee.

2. RECOMMENDATIONS

It is recommended that:

- 2.1 The Social Enterprise Development Strategy (Appendix 1) and Action Plan (Appendix 2) are approved;
- 2.2 The Council further explore potential opportunities from the Scottish Government's Developing markets for the Third Sector Programme via the Ready for Business Consortium.
- 2.3 An Implementation Board with a membership based on Appendix 3 be established;
- 2.4 The Committee's advice on Elected Member representation on the Implementation Board is requested.
- 2.5 The Committee is asked to approve the appointment of consultants to support implementation of the strategy and development of the child care social enterprise initiative.
- 2.6 A report on progress be brought back to the Changing For The Future Project Board in twelve months' time.

3. FINANCIAL IMPLICATIONS

- 3.1 Implicit in the Strategy and the Action Plan is a commitment to supporting social enterprise development where the objectives of these developments are compatible with the City Council's priorities and community interests.
- 3.2 There may be some indirect costs of driving forward the policy, but this can be contained with existing resources and reflects the commitment of the City Council to the development of social enterprise through its use of mainstream budgets and resources.
- 3.2 The estimated cost of providing the proposed consultancy support over a 52 week period is £30,000. This can be met from projected underspend in the Childcare Subsidy Fund operated by Discover Opportunities and the Early Years Change Fund.

4. BACKGROUND

- 4.1 As part of Phase 2 of the CFTF Programme, a Project Team was charged with developing a Social Enterprise Strategy for Dundee.

- 4.2 The Project Team undertook research to explore the latest findings in this area from across the UK.
- 4.3 In addition to reviewing various sources of information, the Project Team met with representatives from Rocket Science, the Dundee Social Enterprise Network, Tayside Procurement Consortium, the Ready for Business Consortium and the Social Value Lab.
- 4.4 When developing the strategy and action plan links were made to other policies that the Council was developing, in particular around Asset Transfer and Community Benefits, to ensure that these complement the approach the Council wishes to take forward.

5. POLICY IMPLICATIONS

- 5.1 This report and the papers attached have been screened for policy implications in respect of sustainability, strategic environmental assessment, anti-poverty, equality impact assessment and risk management. No major issues have been identified.
- 5.2 The policies, if approved and implemented, will have a positive impact on a number of indicators. The development of a robust social economy within Dundee has the potential to assist the Council and its partners to address poverty and produce more sustainable local solutions. Implementation of this strategy should assist in delivering the Council's Fairness and Equalities commitments.
- 5.3 An Equality Impact Assessment has been carried out and will be made available on the Council website <http://www.dundee.gov.uk/equanddiv/equimpact/>

6. CONSULTATION

- 6.1 The Chief Executive, Director of Corporate Services, and the Head of Democratic and Legal Services have been consulted in the preparation of this report.
- 6.2 The report has been discussed and approved by the City Council Strategic Management Team.
- 6.3 The Social Enterprise Development Strategy and Action Plan has also been the subject of consultation with the Dundee Social Enterprise Network (DSEN).
- 6.4 The Changing For The Future Project Board approved the Strategy and recommendations contained in this report at its meeting on 6 November 2012.

7. BACKGROUND PAPERS

- 7.1 Equality Impact Assessment.

Stewart Murdoch
14 November 2012

APPENDIX 1

SOCIAL ENTERPRISE DEVELOPMENT STRATEGY

Developing Social Enterprise in Dundee

1. Foreword

Dundee's industrial heritage is characterised as the story of jute, jam and journalism and the epic adventures of 19th century arctic exploration. Post industrial decline presented Dundee with significant social and economic challenges but also new horizons. Dundee is now recognised for its knowledge and creative industries, the excellence of its higher and further education sectors and as a regional retail and service centre. Dundee has not been immune to the effects of the economic downturn in recent years but can look forward with confidence.

The Dundee Waterfront Project, including the flagship V&A at Dundee, is an ambitious 21st century £1 billion development which is forecast to generate up to 7000 jobs. It will help to position Dundee as a modern vibrant city and as a leading Scottish centre for visitors and businesses in the modern era. With deepwater port facilities, available land and renewable energy enterprise zone status Dundee is well positioned to attract significant numbers of marine renewables jobs over the next few years.

Dundee has always been a city of enterprise and work and it has a long and respected tradition as a city with a social conscience. Social enterprise, with its ability to contribute to economic prosperity alongside broader social and environmental benefits, has a vital role to play in continuing this vision, as Dundee moves forward into the next phase of its economic regeneration.

Dundee has many excellent established social enterprises that already make an important contribution towards overcoming the challenging economic circumstances and societal effects of this recession. They have been resilient and endured the worst, driven by successful social entrepreneurs who possess the drive, innovation, creativity and commitment to deliver alternative business approaches that challenge convention.

The Social Enterprise Development Strategy has been developed by Dundee Social Enterprise Network and Dundee City Council, working together to produce a strategy that will help inform strategic decision making, support the development of social enterprises as a key part of the economic and social fabric of the city.

2. What is Social Enterprise?

The term 'social enterprise' has existed for at least a century, its origins traced back to the days of mutuals, as well as philanthropic businessmen and industrialists who shared a genuine concern for the welfare of their employees.

In the intervening years, definitions have emerged that encapsulate the unique blend of entrepreneurial methods to achieve social change and innovation and the requirement to see profits reinvested back in to the business or the community to create social benefit rather than private profit.

Social enterprises trade products and services in the market place and exist to make a profit similar to any private sector business. Without making a profit, social enterprises cannot meet their financial and social objectives. They must trade in order to be sustainable. The more profit made, the more that can be reinvested in the enterprise to pursue its business, social and environmental goals.

Social enterprises are businesses first and foremost, where social, community or environmental purpose are the key motivations and most important factor. In 2002, the Department of Trade & Industry defined social enterprise as:

'... businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders or owners'.

Towards the end of 2011, the European Commission produced the first ever EU definition of social enterprise, one which is likely to be used for the next seven years:

'Social enterprise' means an enterprise whose primary objective is to achieve social impact rather than generate profit for owners and stakeholders. It operates in the market through the production of goods and services in an entrepreneurial and innovative way, and uses surpluses mainly to achieve social goals. It is managed in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activity'.

The EU definition is very compatible with the DTIs. Both definitions making reference to the requirement to make profit but adopt socially beneficial ways of recycling surpluses.

Both definitions are useful snapshots but definitions are perhaps best left to those working and delivering social enterprise. Senscot, a debating chamber for the social enterprise network in Scotland and working collaboratively with its members, has taken this further with its Five Criteria that outline the defining characteristics that organisations must demonstrate to be considered social enterprises. More detail can be found at Appendix A but for the sake of brevity, the criteria are:

- Social enterprises have social and/or environmental objectives;
- Social enterprises are trading businesses aspiring to financial independence;
- Social enterprises have an 'asset lock' on both trading surplus and residual assets;
- Social enterprises cannot be the subsidiary of a public sector body;
- Social enterprises are driven by values - both in their mission and business practices.

These Five Criteria have now been aligned to a Voluntary Code of Practice for Social Enterprise in Scotland that Senscot has drafted in consultation with the Scottish social enterprise community. This sets out the values and behaviours by which the social enterprise or not for profit sector recognise each other. The Voluntary Code is reproduced at Appendix B.

For the purposes of this strategy, Dundee City Council and Dundee Social Enterprise Network (DSEN) will adopt Senscot's Five Criteria alongside the Voluntary Code when referring to social enterprise. The strategy will also recognise the role of larger social enterprise such as housing associations and will seek to build on their capacity to support the sector and meet the Council's strategic objectives.

3. Context

The Scottish Government Economic Strategy (2007) identified the important contribution of social enterprise to sustainable economic growth. They are regarded as vital to increasing the number of successful businesses in Scotland that create labour market opportunities.

The Scottish Government Enterprising Third Sector Action Plan 2008-2011 provided a programme of activity to create an environment in which enterprising social enterprises can excel. Considerable resources have been provided, including direct funding for business support and a package of investment and business support.

Social enterprise is clearly at the forefront of the Scottish Government's thoughts, occupying an important role in helping the Scottish Government achieve its purpose of creating a more successful country with opportunities for all to flourish, through achieving sustainable economic growth. To further support these ambitions, the Scottish Government launched the Enterprise Growth Fund in 2011.

The Enterprise Growth Fund complements a number of other Scottish Government initiatives to support sustainable, capable and enterprising social enterprises across Scotland.

The Fund made strategic investments in ambitious and enterprising third sector organisations enabling them to develop, grow and become more sustainable. The fund invested £6m in 60 organisations that demonstrated the greatest potential for growth and sustainability, specifically investing in:

- Organisational services and structures in order to support long term organisational sustainability, and
- Development of sustainable income streams leading to long term financial sustainability.

Three of Dundee's social enterprises were awarded Enterprise Growth Fund support totalling £262,200:

- *Clean Close Co received £37,000 for a new carpet recycling venture*
- *Craigowl Communities awarded £111,700 for a recruitment enterprise*
- *Wooden Spoon Catering received £113,500 to expand their curry production business*

The Enterprise Growth Fund aims to support organisations to realise their full potential to make a key contribution to the National Outcomes of the Scottish Government.

Social enterprise is identified as potentially of great importance in improving social and economic conditions in Dundee and this strategy explores what the current state of play is and what more can be done to ensure that social enterprises flourish in the city.

Dundee is a vibrant city, with a resident population of 145,570 and over 300,000 living within a 30 minute drive time of the city centre. Dundee's higher and further education sectors support 22,000 full time equivalent students per annum. In 2010, the city was home to 3,200 businesses which supported 72,681 jobs.

As outlined in the foreword, exciting new developments at the City Waterfront will transform the city into a world-class destination for visitors and businesses. It is the aim of this strategy to ensure that social enterprises can take advantage of the opportunities emerging from the City Waterfront and other developments in the city. The City Council is committed to doing all it can to enable them to develop and deliver their full potential, having a positive impact on the growth of social enterprises and the local economy as a whole.

Dundee City Council is committed to working with its community planning partners to deliver better social, economic and environmental outcomes for the people of Dundee. Social enterprises have a key role to play in helping to deliver the Single Outcome Agreement for Dundee 2012-2017. In particular social enterprise can contribute to:

- Outcome 1 - Dundee will be an internationally recognised city at the heart of a vibrant region with more and better employment opportunities for our people;
- Outcome 8 - Dundee will be a fair and socially inclusive city;
- Outcome 9 - Our People will live in strong, popular and attractive communities;

- Outcome 10 - Our communities will have high quality and accessible local services and facilities;
- Outcome 11 - Our people will live in a low carbon, sustainable city.

4. Strategic Challenges

Dundee City Council acknowledges the important contribution of social enterprises to sustainable economic growth and in particular identifies social enterprise as a way of delivering a broad range of social, environmental and financial benefits.

This strategy sets out a path towards the creation of an environment in which social enterprise can thrive, contributing to a fairer economy and society and creating employment and training opportunities for those who are most marginalised. In such challenging economic times, this is an important contribution and in the context of the current economic downturn, the role and ability of social enterprises to create solutions which tackle the most pressing needs of Dundee's communities is to be encouraged.

Social enterprises include those organisations that have a social, community, ethical or environmental purpose and who trade products and services in the market place using creative and innovative business models, solutions and practices. Social enterprises are acknowledged as a vital resource in generating economic growth and creating employment in disadvantaged communities, the 'more than profit' way of engaging with employees, consumers, communities and stakeholders ensuring an ethical way of doing business that has at its heart a passion for social change.

The vision is to develop an enabling strategy that does not control what happens but creates a more supportive enterprise environment which encourages greater social entrepreneurial activity and is supportive of those social enterprises that want to grow and develop their own capacity.

Achievement of this vision will require the co-operation and partnership of a wide range of existing and potential stakeholders including public, private, social economy and the wider voluntary and community sectors.

Dundee City Council recognises the potential for local social enterprises to make a significant contribution to both social and economic regeneration and create opportunities for those who are most marginalised. In the context of the current economic downturn, the role and ability of social enterprises to soften the impact, achieve growth and sustain and create jobs is more important than ever.

Successful development of social enterprises in Dundee could greatly contribute to the implementation of the Council's Fairness Strategy and its policies for promoting equality. There are many areas in Dundee where social enterprise could contribute to both service delivery and job creation. The Council will prioritise its support into enterprises which respond to market failure, create employment opportunities, and provide services which will help to drive forward its commitment to the promotion of fairness.

This strategy, 'Developing Social Enterprise in Dundee', lays the foundations for social enterprise to become better known and more widely accepted and supports activity to develop them over the next 5 years. The strategy recommends improvements to areas where barriers and constraints were identified:

- Limited awareness on the part of elected members and across Council departments of what a social enterprise is;
- No detailed database of the size/scale of the sector;
- Procurement processes are complex, time consuming and hard to access (especially for smaller enterprises);

- The majority of social enterprises in Dundee do not own their own premises or have robust balance sheets;
- Established social enterprises have limited access to specialised business development support;
- Skills shortage within organisations and Boards - capacity issues as opposed to competence;
- Enterprises looking to expand or grow often have a requirement to remain in the community that they serve and/or to employ local people.

5. Social Enterprise in Dundee

An environment has been created that encourages new social enterprise activity with integrated support to assist the growth and expansion of existing enterprises. Much has been achieved in the past five years, but with more resources and greater investment, their profile, capacity, scale and impact on the local economy could be transformed.

Dundee Social Enterprise Network (DSEN) is a member led network that aims to support, promote, develop and represent social enterprises in Dundee. The network acts as a meeting point that brings together the leaders of Dundee's social enterprises to share and exchange information, build understanding, explore opportunities to trade and voice concerns at local and national levels.

Representatives from DSEN Management Group meet bi-annually with the Chief Executive of Dundee City Council, the meetings providing a forum for information exchange and development opportunities. These meetings ensure that the Chief Executive is kept briefed and informed by an independent group capable of providing a collective voice for social enterprise locally.

Since its formation in 2011, DSEN has seen its membership increase to 18 organisations. Combined Network statistics for 2010/11 are:

Employees	Volunteers (excluding Committee Members)	Directors & Committee Members	Traded Income £m	Grants £m	Other £000's	Total Turnover £m	Value of assets owned £m	% traded income
423	168	113	£7.29m	£3.05m	£229	£10.579m	£2m	75.5%

For comparison purposes of member organisations of DSEN, the full table is reproduced in Appendix C.

Dundee is home to social enterprises whose combined income exceeds £10.5m, creating and sustaining over 700 employment, training and volunteering opportunities and making a direct contribution to the growth of Dundee's economy and the wellbeing of its residents. The portfolio comprises a variety of business types and structures with a mix of income streams, a healthy 75.5% of income generated through trading that reduces dependency on grants in favour of more sustainable sources of income.

The above table compares favourably with DSEN Network statistics for the previous year. In 2009/10, DSEN reported a combined turnover of £6.5m compared to £10.579m for 2010/11, an impressive 62.75% increase. The number of employees more than doubled to 423 from 202 in 2009/10, an increase of 109% with volunteer numbers rising by 49% from 112 to 168. These figures defy current trading and employment trends and suggest that at least some of Dundee's social enterprises are successful businesses first and foremost, applying commercial skills to balance the inherent trade-offs between social and commercial goals to overcome societal challenges and deliver on their social impact in a financially sustainable way.

What separates social enterprises from typical businesses is that their performance is based not only on their financial results but also their social performance and the measurable difference to people's lives and the environment by creating social as well as financial capital.

Social enterprises should be encouraged and supported to increase trading activity, overcome barriers and constraints to growth, reduce dependency on grant support and capitalise on opportunities to achieve scale.

The City Council acknowledges the impact that social enterprises have in creating training and employment opportunities and wants to do more to improve the landscape for the growth and expansion of enterprises that can, in particular, create jobs.

6. The Scale of Local Social Enterprises

Local social enterprises play an important role in meeting social, economic and environmental needs and in contributing to the right conditions to generate innovative solutions that achieve fair, inclusive and sustainable wealth creation. The majority of profits are reinvested and so resources are recycled in communities.

Most enterprises are reasonably adept at securing and combining a mix of income streams to meet their social and business objectives, achieved through:

- Trading - providing goods and services through trading outlets or providing commercial services;
- Contracts - Procurement and Community Benefit Contracts;
- Service Level Agreements - informal arrangements with public agency;
- Grants - variety of funders and occasional funding programmes from Scottish Government.

The table at Appendix C shows the income mix of DSEN members. Although a helpful guide, it would be useful for future research to ascertain whether social enterprises have an overdependence on one source of income such as a single funder or large contract. To date housing associations and other larger social enterprises such as Leisure & Culture Dundee have not been included in the data gathered. Going forward, a more inclusive approach will be adopted to encourage the active involvement of these organisations in developing the sector and meeting the Council's objectives for social enterprise development in Dundee.

The DSEN table shows the Traded Income of individual organisations, perhaps a better measure of the journey towards sustainability and shift towards earned income. Of the 14 organisations that reported income figures, some £5.8m Traded Income is attributable to just four organisations - Claverhouse Group, Craigowl Communities, Helm and Positive Steps. Another four organisations - Childcare at Home, Transform, Clean Close Co and Factory Skatepark account for £1m, with the remaining 6 organisations accounting for £445,000. These figures suggest that DSEN has 4 high growth enterprises, 4 potential high growth enterprises and 6 emerging enterprises.

Lack of scale has affected the ability of social enterprises to deliver even greater social outputs, although it is recognised that achieving scale is not the ambition of every enterprise. However, there is evidence to support a case for greater business support to assist established enterprises and those with high growth potential to achieve scale.

As social enterprises continue to grow in size, diversity and experience, the potential for even greater advances remains untapped, though they remain a fertile landscape for driving innovation and tackling some of our biggest societal challenges. It is the challenge of this strategy to provide a framework to exploit the potential of Dundee's social enterprises to become more influential and dynamic participants in Dundee's future.

7. Stages of Development

Social enterprises require support at several stages in their development from pre-start advice to investment readiness:

- Pre-start: enterprises at this early stage would benefit from clear information about sources of support, information and guidance on legal structures, business planning, service and product development, operations management, funding and opportunities to network and learn from others such as DSEN members.
- Start-up: having come through the pre-start phase, start-up can be arduous as the enterprise juggles the complexity of delivering its aims and objectives and running an enterprise. This is a fragile phase where support is crucial to nurture the enterprise through the transition.
- Established: more established enterprises often require guidance to achieve scale and reach a stage of investment readiness that requires the intervention of specialist consultancy advice to focus on the strategic planning and growth potential of the business - enterprises that show growth potential are likely to deliver the greatest social impacts.

Advice and mentoring at these three stages requires different types, and levels of business support, perhaps an overlap with pre-start and start-up activity but for established enterprises intent on developing greater scale, more specialised support is required.

8. What has been achieved with existing resources?

Significant advances have been made over recent years. The formation of DSEN 2011 provides a point of contact for social enterprise activity where experienced practitioners can provide encouragement, support and mentoring. But, these practitioners are busy people, managing their own businesses with demands and pressures that mean time implications restrict their capacity to give the intensive support required at all three stages.

Support across all three stages is provided by a Council staff member in the E-Zone project, but this staff member's time is not exclusive to social enterprise development. Nevertheless, a valuable contribution has been made over the years and this staff member has been highly active in supporting social enterprises by:

- Ensuring high level and quality of support for social enterprises;
- Providing practical support with business plans, financial forecasts, funding applications, ideas development and supporting Boards;
- Securing finance and funding to enable enterprises to grow;
- Recognising success and promoting social enterprise;
- Strengthening links with DSEN.

A great deal has been achieved, the social enterprise leaders and champions have driven their own enterprises onwards and battled hard to preserve and grow their enterprises in the face of the longest and deepest recession since the second world war. It is because of their commitment, hard work, passion and resilience and by building their own markets in a difficult business environment that Dundee's social enterprises have survived relatively unscathed and can look ahead with optimism and continue to deliver services in an effective, efficient and innovative way.

Our social enterprises have in place good governance, strong financial management, sound strategic planning and although not risk averse, have learned to avoid taking on flawed ventures, carrying on loss making activities for too long and growing too quickly. Much has been learned over the years; the most successful social enterprises have adopted effective business practices and are clear how their organisations can earn income to drive the social mission.

9. Driving Social Enterprise Forward in Dundee

9.1 Barriers and Constraints

It is recognised that for social enterprises to achieve their ambitions, barriers to growth have firstly to be identified, and measures to overcome these and other constraints put in place to ensure greater cohesion, integration and impact. Discussions with DSEN identified the following barriers:

- Limited awareness on the part of elected members and across Council departments of what social enterprise is and how it benefits the local economy, communities and people and how it contributes to local wealth creation in deprived areas.
- There is no detailed database of the size/scale of the sector and services and products supplied by social enterprises. Their contribution, value and strength across a range of social, environmental and economic indicators is unknown, making it difficult to assess and quantify their overall impact.
- Procurement processes are complex, time consuming and hard to access - social enterprises are challenged by the level of specialised knowledge and resources required to complete tender documents.
- The majority of social enterprises in Dundee do not own their own premises and cannot borrow against collateral to raise development funding or lever in additional resources. The ownership and control of physical assets can be critical to the sustainability (financial security) and growth of social enterprises and related development opportunities.
- The majority of social enterprises also have weak balance sheets, making them both fragile and lacking their own funds to invest in development.
- Established social enterprises have limited access to specialised business development support to reach a scale and capability where they are investment ready: the nature of their needs and numbers having expansion plans out growing the advice and support that is available.
- Skills shortage in organisations and Boards limits the capacity of enterprises to grow more rapidly, achieve scale and become investment ready.
- Enterprises looking to expand or grow often have a requirement to remain in the community that they serve (funding requirements sometimes stipulate this) or a desire to remain close to their community roots.

9.2 Developing social enterprise and increasing its business strength

No one organisation, business, social enterprise (or indeed local authority) operates in a vacuum. There are a variety of political, economic and social forces that determine the priority given to competing needs and, in these challenging economic times, the limited resources allocated to these. These forces can have a positive or negative impact and in the current economic climate, the effect has been more negative, with social enterprises facing increased competition for a smaller market share, tighter margins, lower contract prices, and rising costs as operating costs increase.

Developing local social enterprises and increasing their business strength is a priority of the Council, the barriers and constraints identified earlier providing opportunities to turn these negatives into positives through improving awareness of social enterprise and establishing its value, impact and contribution to the local economy:

9.3 Improving awareness

Engage Council staff:

- Raising the profile of social enterprises, through engagement with DSEN, to ensure that Council staff are aware of, and fully supportive of, the Council's strategy for developing the social economy. This will include initiatives to develop a promotional strategy to raise awareness across all Council departments and will include visits, case study examples and awareness sessions with Directors and senior management.

Briefing Elected members:

- All Councillors to be briefed to improve understanding and notified of key social enterprises in their wards. It would be particularly informative for new Councillors to meet with DSEN members for an informal briefing and tour of local social enterprises aimed at raising the profile of social enterprise as part of, and integral to, the local economy.

Involving DSEN:

- Consult with DSEN to explore opportunities to integrate social enterprise into Council departmental planning and policy documents to enable social enterprises to fully participate in Community Planning Partnerships and other local forums to ensure greater partnership co-operation and good practice.

Biennial social enterprise conference:

- Host a major biennial conference in the city for social enterprises, with presentations, exhibitions, workshops and forums drawing on experience in Dundee, Scotland and beyond. Aimed at attracting a broad audience of those interested in social enterprise, the conference should appeal to leaders and managers and respond to the needs and interests of those people creating, running and growing social enterprises.

9.4 Establish the scale of social enterprise in Dundee

Support DSEN to evaluate the strength of social enterprise to establish baseline data that forms part of an on-going programme of evaluation to measure social, economic and environmental impacts and make best use of qualitative and quantitative data to promote social enterprise and inform strategy. Baseline indicators would include:

- Turnover (% split of grants, other and trading income);
- Numbers - employed, training programmes, volunteers and Board members;
- Business activities;
- Products and services;
- Property/land assets value;
- Legal status;
- Number of years in business.

9.5 Procurement

The efficient and effective delivery of public services in a cost effective way remains a priority and challenge in the city. The Council's Sustainable Procurement Policy is now complimented by a Community Benefits Policy that integrates social, economic and environmental aspirations to support the Council's decision making process in the delivery of its key policy objectives when carrying out purchases of supplies, services and works. Community Benefits in this context are contractual requirements which seek to deliver wider social benefit within a procurement contract, making it easier for social enterprises to access and compete effectively for contracts.

- Meet the Buyers Events:

To open up access to procurement contracts a series of 'Meet the Buyers' events will be organised, the events themed to ensure that contractors, procurement specialists and social enterprises can meet to discuss opportunities and develop a procurement approach which maximises exposure to procurement opportunities. Areas for discussion and benefits include:

- The need to parcel contracts into a size that social enterprises are capable of tendering for, by for example, breaking down larger contracts using a geographical lotting approach;
- The opportunity of sub-contracting to other main contractors;
- A supplier consortia approach to tendering from members of DSEN;
- Increasing the level of spend in communities where major infrastructure works are located or impacted;
- Developing a checklist to allow an open assessment of the state of readiness of enterprises to apply for contracts.

- City Waterfront Development:

- The Dundee Waterfront Project is an ambitious 30 year scheme that will transform Dundee into a world class destination for visitors and businesses. Opportunities for social enterprises to participate pre and post development in the supply chain process will be supported (Meet the Buyers events) to deliver social change and added value through buying products and services from social enterprises.

- Social Return on Investment:

- Research methodology and options for the introduction of management tools such as Social Return on Investment (SROI) as an agreed system of measuring social value/benefit and factor the results into decisions over Council procurement contracts to assess the social, environmental and economic outcomes that flow from contracts.

SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it. It tells the story of how change is being created by measuring social, environmental and economic outcomes and uses monetary values to represent them. This enables a ratio of benefits to costs to be calculated e.g. a ratio of 3:1 indicates that an investment of £1 delivers £3 of social value.

- Directory of Social Enterprises:

- To support social enterprises supply services to the public sector, the Council will assist DSEN to prepare a Directory of social enterprises with a product/service to sell. The Directory together with a database of potential procurement opportunities will help identify enterprises with actual and potential capability to meet tendering requirements and confirm the state of readiness of enterprises.

9.6 Developing the Council's Vacant Property Assets

The majority of social enterprises in Dundee do not own their own premises. The DSEN Table (Appendix C) reports Value of Assets Owned at just under £2m, owned mostly by three organisations that account for £1.9m of asset values.

The City Council will consider the feasibility and potential to transfer property assets where evidence indicates beneficial outcomes for the Council, social enterprises and neighbourhood areas through the sale/transfer/lease of buildings that are 'operationally surplus', including land assets, to encourage the growth of social enterprise and employment opportunities in neighbourhood areas. Where social enterprises have the capacity to take on these roles and, in particular, can demonstrate or adequately project significant job outcomes enabled by sale/transfer/lease of property assets, the Council will work with individual enterprises or a consortium of enterprises to investigate sustainable asset development. A range of positive outcomes emerge for:

- Social Enterprises:
 - Affordable rent and tenancy terms from a trusted landlord;
 - Removes a significant stumbling block to growth and expansion;
 - Local provision reduces travel time to work - reduces carbon footprint;
 - Enterprises looking to expand or grow can access premises in the community that they serve;
 - Ownership of property/land assets has the potential to create stronger, more sustainable enterprises with greater financial security and the ability to lever in additional resources.
- Neighbourhood Areas (breathing life into communities):
 - Contributes to the economic revitalisation of a particular community;
 - Combats social exclusion through building business networks in an area and strengthens capacity building;
 - Improves the physical appearance and surrounding environment of a community by investing in affordable workspace for social enterprises;
 - Catalyst to inspire and encourage further entrepreneurial and commercial activities in areas underrepresented in business activity;
 - Contributes to a gradual change in the buoyancy and vitality of an area and an area of need will become an area of opportunity.
- City Council:
 - Vacant premises brought back in to use and matched to clients needs;
 - Addresses the gap in the market for more community based business premises;
 - Supply side opportunity to meet demand for affordable premises;
 - Capital and revenue investment over the long term by social enterprises to refurbish and maintain properties;

- The trading activities of social enterprises that are stimulated or protected by sale/transfer/lease arrangements generally feed directly in to Council objectives and also support the outcomes in the Single Outcome Agreement.
- Access funding:
 - Council support from City Development, Policy & Europe Section to investigate the potential to apply for BIG Lottery and other grant funding that assists with the purchase and development costs associated with the sale/transfer of assets.

The Council's Asset Transfer Policy will require social enterprises and community groups to present a business case to enable an assessment to be made of their ability to manage the asset in a way that fits with the aspirations of this strategy, particularly the need to ensure that the value of the asset being transferred maximises community value.

9.7 Improve business support services

Review current support structure and align mainstream business support services to provide pre-start, start-up and more focused business planning support targeted at enterprises evidencing greater potential for growth and sustainability:

- Improve current mainstream provision to focus on developing the business strength of existing social enterprises to target support at key stages of development and growth. A diversity of provision is required to engage with the three stages identified earlier. Business support needs to be accessible, specific and responsive to needs and would benefit from a review to assess the capability of the Business Gateway and Scottish Enterprise to become more involved with, in particular, enterprises with more local and national growth ambitions.
- The Council has one social enterprise adviser, at times, dealing with all three stages of development. This is increasingly proving inadequate as more enterprises explore growth opportunities and new enterprises emerge.

This position is complemented by a 0.5 post (Council's E-Zone project) to support pre-start and start-up social enterprises.

- To support and enable the delivery of social enterprise in the city, the Council will strengthen its links with DSEN to ensure that it is consulted, has a genuine voice in Council decision making, and can fully participate in effective Community Planning Partnerships and other related forums.
- Consult with DSEN members to identify resource intensive processes such as payroll, personnel and other administrative functions that could be outsourced and perhaps provide opportunities for a new 'business support services' social enterprise.

9.8 Addressing skills shortage in organisations and Boards

Private sector support through Corporate Social Responsibility has played a significant role in funding and mentoring social enterprises, the mentoring element providing key personnel to work alongside enterprises to provide business support. This support is mostly targeted towards established social enterprises with growth ambitions and serves as a good example of mainstream corporate businesses and social enterprises working effectively to deliver mutual value.

There are opportunities to replicate the effective way that private sector organisations have engaged with and supported social enterprises. The Council has a vast resource of employees with skills that could be used as extra resources to support established social enterprises with their development plans and growth ambitions. Taking this forward, Council employees could be offered the opportunity to support enterprises by:

- Volunteering to support social enterprises;

- Allocating one day per month of their time, during normal Council hours, to support enterprises in need of an employees' specific skills over a day or period of days;
- Short-term secondment based approach over a period to be determined by the needs of the enterprise and resources of the Council;
- Providing employees in the final stages of their employment the opportunity to apportion at least half of their time supporting social enterprises with larger development plans.

10. Shaping up for Success - Developing Social Enterprise in Dundee

The recommendations and actions in this Strategy set out the next steps in a process of change to create the conditions in Dundee where social enterprises can thrive, grow and prosper, with a support strategy that fully engages the sector.

The strategy will focus on the current membership of DSEN but will seek to reach out and encourage the involvement of larger social enterprises such as housing associations and other organisations which meet the definition of a social enterprise as advanced by SENSCOT (Appendix A).

By establishing a strong, comprehensive growth strategy, conditions will be created where social enterprises can shape and co-design the delivery of local services through the use of innovative business solutions to improve social, environmental and economic challenges in our communities. Developing social enterprise and increasing its profile, business strength and scale will create the economic conditions and entrepreneurial climate where innovative social entrepreneurs can showcase social enterprise as a dynamic business model woven into the fabric of mainstream community life, work and enterprise in the City.

The FIVE Criteria developed by Senscot

Criterion 1 – Social Enterprises have social and/or environmental objectives.

As one of the defining characteristics, a social enterprise must be able to demonstrate its social mission. This will be evidenced in its constitutional documents but the production of other (externally verified) evidence is encouraged – to provide transparency of purpose and accountability to stakeholders. Tools and techniques to measure social and environmental impact are becoming more effective and user friendly.

Criterion 2 – Social enterprises are trading businesses aspiring to financial independence.

This second defining characteristic is demonstrated by an enterprise earning 50% or more of its income from trading. This will be evidenced by the accounts of the business over a reasonable period. A high level of income from the public sector is acceptable in the form of contracts – but not grants.

Criterion 2 is intended to mark the boundary between social enterprise and much of the voluntary sector. (Many Voluntary orgs trade over 50% without calling themselves social enterprises).

Criterion 3 – Social enterprises have an ‘asset lock’ on both trading surplus and residual assets.

Whether or not it's a charity, a social enterprise re-invests all its distributable profit for the purpose of its social mission. Where the business has shareholding investment (very few in Scotland) no more than 35% of profit may be distributed in dividends (*). In addition, the constitutional documents of a social enterprise must contain a clause to ensure that, on dissolution of the business, all residual assets go to social/environmental purposes.

Criterion 3 is intended to mark the boundary between social enterprise and the private sector.

Criterion 4 – A Social Enterprise cannot be the subsidiary of a public sector body.

Whilst a social enterprise can be the trading subsidiary of a charity, it must be constitutionally independent from the governance of any public body. Additional evidence of this would be required from Public Sector externalisations.

Criterion 4 is intended to mark the boundary between social enterprise and the public sector.

Criterion 5 – Social Enterprises are driven by values – both in their mission and business practices.

Social enterprises operate in competitive – often fierce – markets but there is an expectation that their dealings will be ethical and that they will offer their people satisfactory wages, terms and conditions. Enterprises of a reasonable size are expected to have clear human relations and environmental policies. Transparency would be achieved through the voluntary adoption in the sector of a maximum ratio between highest and lowest paid – of say 1:5 – investing a culture of equality.

Senscot - June 2010

The Code

Senscot Voluntary Code of Practice for Social Enterprise in Scotland

1. The Basics

This section details the essential elements of a social enterprise (SE). It would be exceptional for any business which does not meet these criteria to be considered a SE.

- 1.1. SEs are businesses operating in markets - usually selling goods and services - whose primary objective is to achieve social and environmental benefit.
- 1.2. Regardless of its legal form, the constitution of a SE will include the requirement that profits are reinvested in the business or in the beneficiary community - and not distributed to owners/shareholders/investors. * (see below)
- 1.3. The constitution will always require that on dissolution, the assets of the SE are redirected appropriately - this could include SEs with similar aims and objectives.
- 1.4. Taken together these two provisions are referred to as the 'asset lock' - which is the defining characteristics of a SE.
- 1.5. SEs are distinguished from the private sector by virtue of the asset lock.
- 1.6. SEs are differentiated from those charities and voluntary organisations in the third sector which do not aspire to financial independence through trading.
- 1.7. SEs are distinct from the public sector and cannot be the subsidiary of a public body.

** This Code does not exclude that certain types of social enterprise could be 'honourable exemptions' to the zero dividend norm. But this number is very small.*

2. Values/Behaviours

SE is a relatively recent terms (10 years) but it comes out of values developed throughout the history of our social economy. Its core principle is that economic activity should work for the common good - rather than the unlimited private gain of a few.

This locates SE within the wider objective of changing the way society operates. Various social movements have contributed their DNA to SE practice. These are some of the Values/Behaviours we have come to expect from each other.

- 2.1 Values: SEs are businesses founded on fundamental core values - that social fairness and the protection of the planet should be pre-conditions of all economic activity - with all business practices expected to be honest and fair.
- 2.2 Good employers: SEs are good employers - trying to offer a good workplace experience; aiming to pay a 'living wage'; and having flatter pay structures than the private sector. A maximum ratio of 1:5 between lowest and highest is a useful guide.
- 2.3 Democratic: From Co-ops and Mutual's, SEs have learned about common ownership and democratic governance.
- 2.4 Empowerment: From Development Trusts and the community business movement, SEs have learned about bottom up responses to social problems and how they empower local communities.
- 2.5 Collaboration: Within the common sense of running a business - SEs try to help and support one another - in the spirit of the Open Source IT community. SEs should also, where possible, encourage the practice of intra-trading i.e. procuring from within the sector itself.

Appendix C

Organisation name	Legal Status	Date incorporated	Employees	Volunteers (Excluding Committee Members)	Directors / Committee Members	Trade Income	Grants	Other	Total Turnover	Value of property/land	% of traded income
Childcare at Home (One Parent Families Scotland)	CLG		40			210,000	30,000		240,000	0	87.5%
Circles Around Dundee	Charity	1999	5	1	12		104,836	24,040	128,876	0	0.0%
Claverhouse Group	CLG with charity status	01/01/1987	99	3	8	3,157,449	673,239		3,830,688	0	82.4%
CraigOwl Communities	CLG with charity status	01/10/2004	32	9	7	733,282	36,159	17,207	786,648	0	93.2%
Discovery Credit union	IPS	Sep-03	4	32	9	83,075	95,257	41,149	219,481	0	37.9%
Dundee Carers Centre	CLG	1995	40	38	8	118,000	675,000	0	793,000	19,599	14.9%
Transform	CLG	2007	10	4	2	262,156			262,156	0	100.0%
DIWC	CLG with charity status	2004	57	55	15	73,476	310,980		384,456	7,000	19.1%
DVA	CLG with charity status	1952	15	4	9	148,612	439,984	36,520	625,116	486000	23.8%
Helm	CLG with charity status	03/07/1986	30	2	10	985,697	73,291	0	1,058,988	500000	93.1%
Hillcrest*											
Maxwelltown IC	CLG with charity status	1990	5	5	9	7,768	178,287	3,411	189,466	0	4.1%
Positive Steps	CLG, charity status and trading co with shares	03/08/1987	29	1	5	950,540	11,084	164	961,788		98.8%
The Clean Close Company	CLG and IPS	31/03/2005	26	0	6	336,035	0	0	336,035	86000	100.0%

Organisation name	Legal Status	Date incorporated	Employees	Volunteers (Excluding Committee Members)	Directors / Committee Members	Trade Income	Grants	Other	Total Turnover	Value of property/land	% of traded income
The Factory Skatepark	CLG, charity status and trading co with shares	08/04/2004	21	10	4	213,639	300,816		514,455	900,000	41.5%
VCD	CLG with charity status	01/03/1997	9	4	4	14,270	127,641	106,184	248,095	0	5.6%
White Yoga Room	Sole trader aspire to CIC	2009	0	0	1						
Dundee Social Enterprise Network	IPS	12/08/2010	1	0	4	0		22	22	0	0.0%
Total			423	168	113	7,293,999	3,056,574	228,697	10,579,270	1,998,599	75.5%
	* figures not included as the large scale of Hillcrest would distort statistics										

Action Plan 2012-2014
Developing Social Enterprise in Dundee

Improving awareness

Raising awareness and demonstrating the value of social enterprise.

Action	By whom/other resources	Date by	Outputs	Outcomes
1. Develop a communications strategy to promote the role and value of social enterprise to the local economy: <ul style="list-style-type: none"> • Elected members • Senior Council officers • DSEN • Procurement officers • General public • Private sector 	Eric Peebles/Les Roy	Jan 2013 On-going	<ul style="list-style-type: none"> • Launch and promotion of approved strategy • Communications strategy that raises awareness of social enterprises and targets key partners 	<ul style="list-style-type: none"> • Greater awareness of social enterprise activity within City and the support channels that are available to social enterprises • Improved engagement with current and potential key partners
2. Biennial social enterprise conference	Eric Peebles/DSEN	First event by end of May 2013	<ul style="list-style-type: none"> • Conference for social enterprises with presentations, exhibitions, workshops and forums drawing on experience in Dundee, Scotland and beyond 	<ul style="list-style-type: none"> • Raise the profile of social enterprises • Dundee recognised as a centre of excellence and innovation
3. Develop and maintain a database of social enterprises in Dundee	IT Support Eric Peebles/DSEN	Dec/Jan 2013 Feb 2013 onwards	<ul style="list-style-type: none"> • On-going record and measure of turnover, jobs, trainees, volunteers, business activities, products and services, assets, years trading, economic and social impact 	<ul style="list-style-type: none"> • Baseline data to assess the value and strength of social enterprises across a range of social, environmental and economic indicators • Up to date information for current and potential trading partners • Increase purchasing of services from social enterprises

Procurement

Improve access to procurement contracts to develop new market opportunities.

Action	By whom/other resources	Date by	Outputs	Outcomes
4. Develop greater opportunities for social enterprises to tender for Council procurement contracts	Alan Harrow/Karen Lawson/Rachael Thomas/DSEN Just Enterprise Consortium	Dec 2012 To be confirmed April 2013	<ul style="list-style-type: none"> • Directory of social enterprises with a product/service to sell • Database of procurement opportunities • Deliver capacity building to social enterprises enabling them to prepare for procurement opportunities 	<ul style="list-style-type: none"> • Improve purchases of services from the sector • Increase in number of social enterprises winning tenders to deliver services • Opportunities for consortia approach to tendering • Number of social enterprises participating in training
5. Meet the Buyers Events	Karen Lawson/John Scott	October 2012 (on-going)	<ul style="list-style-type: none"> • Social enterprises aware of procurement opportunities and procurement officers can identify enterprises with actual and potential capacity to meet tendering criteria 	<ul style="list-style-type: none"> • Social enterprises better informed • Improved relationship with procurement officers • Increased opportunities to deliver Council contracts and enter new markets • Number of social enterprises attending events • Number of social enterprises included on tender lists • Number of contracts awarded

Action	By whom/other resources	Date by	Outputs	Outcomes
6. Research methodology and options for measuring social value/benefit in Council procurement contracts	Andrea Calder	March 2013	<ul style="list-style-type: none"> • Process for measuring the social change and related added value from procurement contracts 	<ul style="list-style-type: none"> • Evidence of wider social benefits delivered by social enterprises
7. Develop and maintain a database of social enterprises with a product and service to sell	Eric Peebles/DSEN	Dec 2013	<ul style="list-style-type: none"> • Identify and promote social enterprises • Baseline data of social enterprises with capacity to deliver procurement contracts 	<ul style="list-style-type: none"> • Reference guide for procurement officers purchasing products and services from social enterprises

Property

Feasibility and potential to transfer property assets where evidence indicates beneficial outcomes for the Council, social enterprises and neighbourhood areas through the sale/transfer/lease of buildings/land assets that are 'operationally surplus'.

Action	By whom/other resources	Date by	Outputs	Outcomes
8. Produce an Asset Transfer Strategy	Colin Craig	Sept 2012	<ul style="list-style-type: none"> • Register of 'operationally surplus' land and property assets • Process and procedures for sale/transfer/lease of property/land assets • Potential to create stronger, more sustainable social enterprises with property assets 	<ul style="list-style-type: none"> • Improve use of vacant property by social enterprises • Established and high growth social enterprises access/acquire assets • Ownership of assets facilitates growth and expansion of social enterprises • Contributes to the economic revitalisation of communities, strengthens capacity building and improves the physical appearance of communities • Supports the outcomes in the Council's Single Outcome Agreement
9. Implement Asset Transfer Strategy	Colin Craig	On-going Review progress by Sept 2013	<ul style="list-style-type: none"> • Report produced on the effectiveness of the strategy 	<ul style="list-style-type: none"> • Baseline information on the overall impact of the strategy

Action	By whom/other resources	Date by	Outputs	Outcomes
10. Identify and promote links to funders and financial institutions to offer an integrated package of financial support	Eric Peebles/Diane Milne	On-going	<ul style="list-style-type: none"> • Potential for social enterprises to attract loan/grant funding to support purchase and development costs of assets • Local private corporate social responsibility contribution 	<ul style="list-style-type: none"> • Social enterprises successfully accessing the right type and range of funding to support and promote growth

Improve business support services

Review current support structure and align mainstream business support services to provide pre-start, start-up and more focussed business planning support targeted at enterprises evidencing greater potential for growth and sustainability.

Action	By whom/other resources	Date by	Outputs	Outcomes
11. Strengthen links with DSEN	Eric Peebles	On-going	<ul style="list-style-type: none"> • Supports and enables the delivery of social enterprise in the city • Social enterprises are aware of and ready for asset transfer and procurement opportunities 	<ul style="list-style-type: none"> • Partnership to facilitate growth and raise the profile of social enterprises • Includes social enterprise in Council plans and policies
12. Review public sector mechanisms for supporting social enterprises: - pre-start - start-up - growth and sustainability	Eric Peebles/DSEN/DVA/ Community and Policy Stan Ure/Business Gateway/Eric Peebles Eric Peebles/DSEN/ Scottish Enterprise	On-going	<ul style="list-style-type: none"> • Strengthen current support services • Target support to enterprises at key stages of development • Support enterprises to identify market opportunities • Build organisational capacity 	<ul style="list-style-type: none"> • Fill vacant 0.5 adviser post in E-Zone project • Increased business turnover of existing social enterprises and creation of new ones • Increased job creation, training and volunteering opportunities • Development of new markets, products and services • More efficient and sustainable enterprises • Improve opportunities for social enterprise staff to develop new and improve business development skills

Action	By whom/other resources	Date by	Outputs	Outcomes
13. To develop a pre-school/social enterprise strategy for regeneration priority areas.	Allan Millar, Eric Peebles, Bert Sandeman, Charlotte Macrimmond Consultancy Support	End of 2012	<ul style="list-style-type: none"> • Pilot Project in Lochee area to support delivery of child care provision linked to employability objectives and training opportunities. 	<ul style="list-style-type: none"> • Increased availability of affordable child care provision. • Increase in the number of parents accessing employability support. • Increase in the number of parents gaining and sustaining work. • Increase in the number of child care training places and qualifications achieved.

Addressing skills shortage in organisations and Boards

Develop a framework to support key skills shortages in social enterprises that have the capacity to grow more rapidly, achieve scale and become more investment ready.

Action	By whom/other resources	Date by	Outputs	Outcomes
14. Explore the opportunity to attract external funding from the Lottery/EU to put in place a support mechanism for emerging social enterprises	Implementation Board/ DSEN/Eric Peebles/Policy and Funding Team	Jan 2013 (on-going)	<ul style="list-style-type: none"> • HR Advice • Payroll service • IT support • Marketing • Research • Business planning 	<ul style="list-style-type: none"> • New social enterprise (possibly linked to DSEN) • Sustainable support for social enterprise development
15. Engage with other Community Planning Partners (including private sector) to seek their support for capacity building and secondment to social enterprises	Stan Ure/Ian Martin	On-going	<ul style="list-style-type: none"> • Pool resources and expertise from Council and Corporate Social Responsibility partners to support social enterprises 	<ul style="list-style-type: none"> • Development of new markets, products and services • Increased business activity and growth • Build capacity and develop business skills of social enterprise staff and seconded employees • In-kind support from Council as part of their Corporate Social Responsibility
16. Develop a policy for Council staff to support social enterprises through volunteering/mentoring	Personnel Department	March 2013	<ul style="list-style-type: none"> • Support to create stronger, more sustainable social enterprises 	<ul style="list-style-type: none"> • Increase in organisational and skills capacity of organisations

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APPENDIX 3

SOCIAL ENTERPRISE DEVELOPMENT BOARD

Membership:

Dundee City Council Chief Executive's Department:

Stewart Murdoch, Director, Leisure and Communities (Chair)

Dundee City Council Economic Development Department

Rory Young, Team Leader, Policy and Funding

Dundee City Council Corporate Services:

Karen Lawson, Corporate Procurement Manager

Dundee City Council (Property Services)

Colin Craig, Head of Property

Elected Member Representatives:

1 SNP

1 Labour

Dundee Social Enterprise Network:

Susan Smith, DSEN Development Officer

Chair or nominee of DSEN Management Group

Private Sector Representatives:

Chamber of Commerce nominee

Officer Support:

Eric Peebles, Senior Policy Officer, Business Development

Remit:

The main purpose of the Project Board will be to champion the development of social enterprise in Dundee.

Specifically, the Board will be responsible for supporting and monitoring implementation of the approved action plan and the work of consultants appointed to support implementation.

It should meet no less frequently than quarterly, and should be responsible for reporting back to the Changing for the Future Board in November 2013 and, as required, to Dundee City Council Strategic Management Team on issues impacting on the implementation of the approved policy.